



Agricultural Marketing Report

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FARMERS MARKETS AND DIRECT MARKETING FOR COLORADO PRODUCERS

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- *The number of farmers markets in the United States has grown dramatically, increasing 79 percent from 1994 to 2002, with over 3,100 farmers markets operating in the United States and 80 markets in Colorado.*
- *Between 1997 and 2002, almost 500 Colorado farms began direct marketing (2,343 up from 1,866) so that 7.5% of all farms now do some direct marketing (compared to 5.5% for the U.S. as a whole).*
- *The resulting increase in direct marketing resulted in over a two-fold sales increase as revenues jumped from \$6,926,000 in 1997 to 17,406,000 in 2002.*

Farmers markets have a rich history in the development of agriculture in the United States. They represented a community food distribution system long before the rise of the retail agribusiness system, and began to re-emerge (after years of decline) after the passage of the Farmer-to-Consumer Direct Marketing Act of 1976. Some argue that they are now integral part of the food community linking consumers and producers through business and social relationships, while others view markets as an appropriate marketing channel for entrepreneurial and small farmers who strive to establish a loyal customer base through personal selling and

high quality (vs. low margin commodity) marketing strategies.

The objectives of this fact sheet are to summarize the findings of some recent analyses of farmers market and direct marketing by agricultural producers, including the US Ag Census, USDA's Agricultural Marketing Service study of Farmers markets and a CSU study of consumer shopping behavior conducted in April 2004. By examining trends in the number of farmers markets, sales made directly by producers and role of farmers markets in consumer food purchases, one can assess the potential role of such channels in agricultural development, especially for small farms or producers with specialty and value-added agricultural products.

Farmers Market Trends

According to a 2000 USDA study on farmers markets, it is likely the most important direct marketing channel for US producers, and with recent growth in revenues from farmers markets, their importance of farmers markets to farm income is expected to rise. In 2000, 19,000 farmers reported selling their produce only at farmers markets. Yet, farmers markets are not necessarily an exclusive marketing channel for producers, as 69% of farmers market participants also have retail and wholesale markets to which they sell higher volumes of product at lower margins (Payne 2002).

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The USDA's Agricultural Marketing Service states that, "Farmers markets, now an integral part in the urban/farm linkage, have continued to rise in popularity, mostly due to the growing consumer interest in obtaining fresh products directly from the farm." The number of farmers markets in the United States has grown dramatically, increasing 79 percent from 1994 to 2002, with over 3,100 farmers markets operating in the United States (Figure 1). There are over 80 farmers markets in Colorado, with at least one held every day of the week, and in all regions of the state (<http://www.ag.state.co.us/mkt/farmfresh/welcome.html>)

Direct Marketing by Producers

Data on direct marketing from the 2002 Ag Census shows some interesting trends in the US and Colorado. For the US, the value of agricultural products directly sold by producers increased from \$591,820,000 to \$812,204,000 between 1997 and 2002, an increase of 37% compared to a slight decline in total revenues sold through all channels. The number of farms direct marketing also increased from 110,639 to 116,733 and the average direct sales per farm increased from \$5349 to \$6958.

The increase in Colorado direct marketing is even more dramatic. Between 1997 and 2002, almost 500

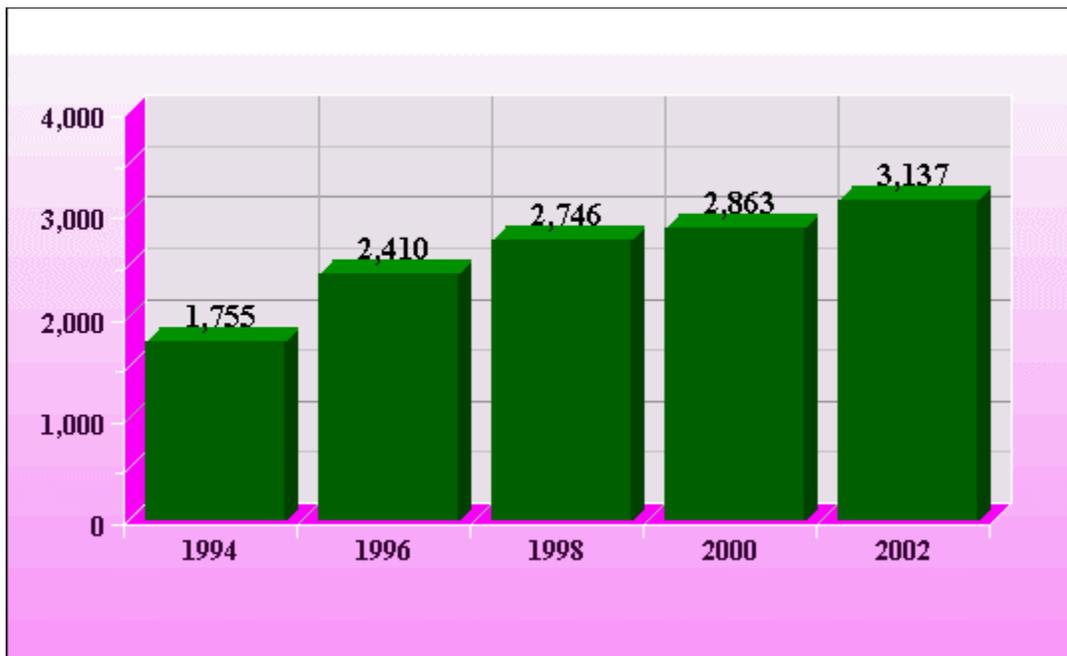
farms began direct marketing (2,343 up from 1,866) so that 7.5% of all farms now do some direct marketing (compared to 5.5% for the US as a whole). This increase in activity resulted in over a two-fold increase in revenues as sales jumped from \$6,926,000 to \$17,406,000 in 2002. Similarly, the average sales per farm increased from \$3,712 to \$7,429. These revenues include channels outside of farmers markets (roadside stands, CSAs and pick-your-own) but still illustrate the significant shift in marketing strategies by Colorado producers.

Within Colorado, there are concentrations of producers who sell the most directly, and not surprisingly, they are in areas nearby metro consumer populations and areas that receive a large number of tourists. The top counties in terms of producers who direct market are:

- Weld-\$1,736,000
- Adams-\$3,187,000
- Mesa-\$2,221,000
- Delta-\$1,136,000
- Montrose-\$823,000

Of these, Adams and Montrose counties showed the greatest growth with over 500% and 400% increases from 1997, respectively.

Figure 1-Growth in Farmers Markets, 1994-2002



Source: United States Department of Agriculture-Agricultural Marketing Services, 2002

The Role of Farmers Markets in Consumer Food Shopping

There is little research on the role of farmers markets in US consumers' food shopping behavior, but a recent study conducted by Colorado State University asked consumers about their primary and secondary food shop choices. Although supermarkets dominate as the primary source of food (Figure 2a), farmers markets were the most popular choice among secondary food shopping locations (Figure 2b). There is a small segment of consumers who also buy from producers or the Internet, but farmers markets appear to be significantly more popular.

Still, this research says little about the volume or frequency of food purchases at these different locations as the figures simply show how consumers responded about their general food shopping choices. However, together with the growth in direct sales by agricultural producers, documented by the Ag Census, it does clearly show the growing popularity of personal sales relationships with consumers.

There are broader community and policy issues that relate to farmers markets and direct marketing as well. There are some who believe that public support for these markets should grow, but the USDA found that 82 percent of markets are already self-sustaining and market income is sufficient to pay for all costs associated with the operation of the market (not including grant or in-kind support). But, this may be misleading, as the study focused on existing markets, and there is

no information on what other markets might exist if public support were available. This is especially true in more rural areas, where there is an insufficient consumer base relative to what is necessary to support a market's overhead.

With respect to broader food policy concerns, farmers markets appear to play a significant role in food security and assistance. According to the USDA, 58 percent of markets participate in WIC coupon, food stamps, local and/or state nutrition programs. To support more localized assistance efforts, 25 percent of markets participate in gleaning programs aiding food recovery organizations in the distribution of food and food products to needy families.

References:

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Payne, T. 2002. US Farmers Markets—2000: A Study of Emerging Trend. Agricultural Marketing Service, USDA, Washington, DC (<http://www.ams.usda.gov/directmarketing/>)

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Figure 2a and 2b-Primary and Secondary Food Shopping Locations

