What to Think About Before You Plant

Tim Woods

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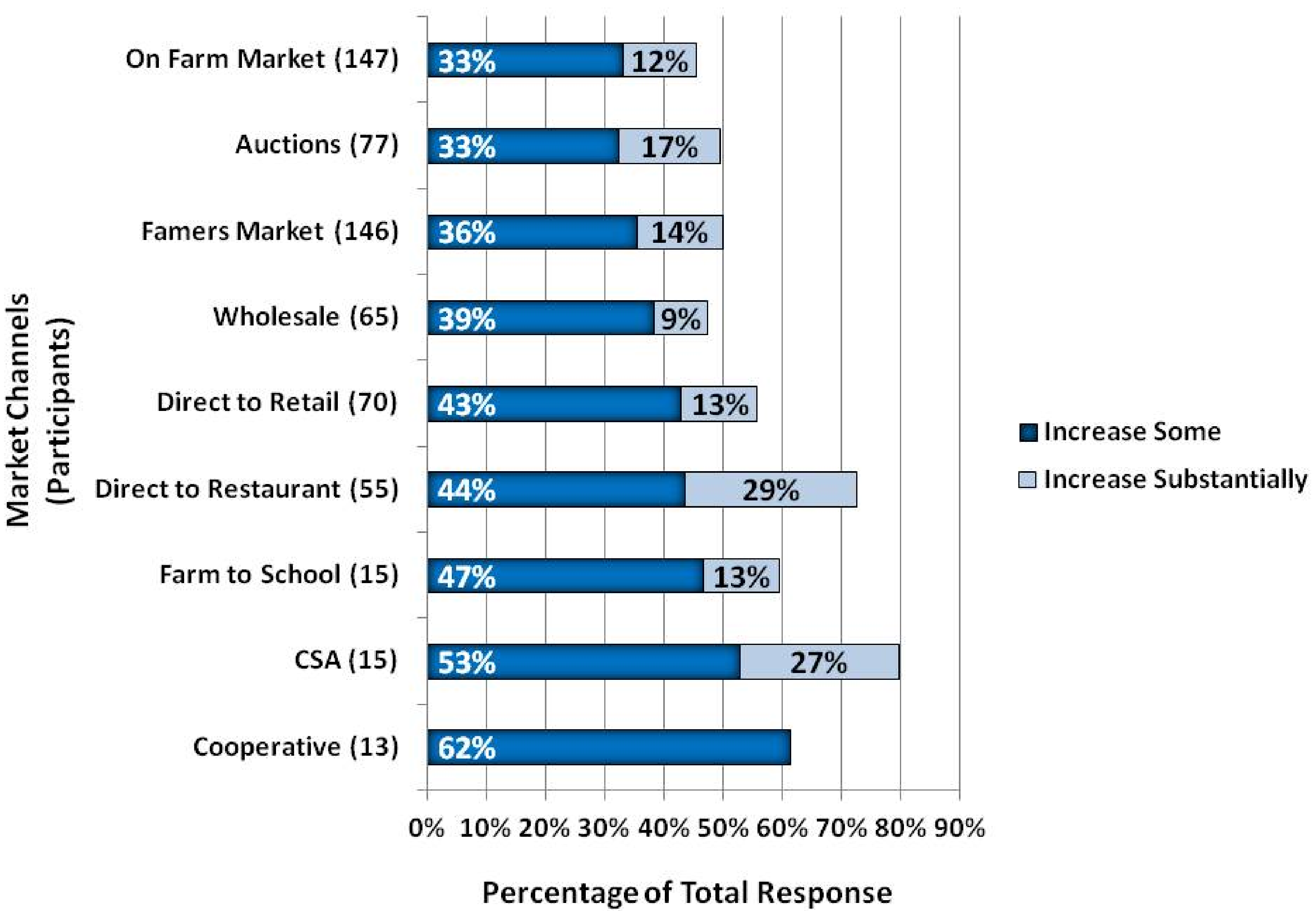
Kentucky Produce Marketing Channels: Farms Selling More Than 10% into One Channel *(2009 and 2012)*

---Markets---	2009	2012	2016 sales
Farmers' markets	52%	41%	++
On-farm markets	41%	41%	+
Cooperatives/Assoc	2%	3%	
Non co-op wholesale	15%	14%	+
Direct to restaurant	8%	7%	++
Auction	19%	17%	++
CSA	4%	3%	+
Direct to grocery		16%	+
Farm-to-school		1%	++

Source: Kentucky Produce Marketing and Planting Intentions Survey, 2010, 2012

Where will we see the growth?



UK Ag Economics

Local demand spreads across market channels

- Community farm markets
- On-farm retail
- Community Supported Ag (subscription)
- Home delivery
- Restaurants
- Grocery
- Farm to school
- Farm to college

KDA Programs

- KY Proud
  - 6000+ food businesses and markets
  - Importance of brand protection
  - Ramping up new supplier readiness and capacity
- KDA Merchandising POP grants
- Local Products Marketing
  - Grocery
  - Restaurants, schools, and foodservice
  - Farmers markets (SNAP, WIC, Senior Nutrition)
  - Dept Public Health & home-based processing

UK Ag Economics

Before I Plant Resources

1. PRIMER
2. CCD Crop Profiles
3. CCD Budgets
4. Marketing Partners (peers, buyers, agencies)

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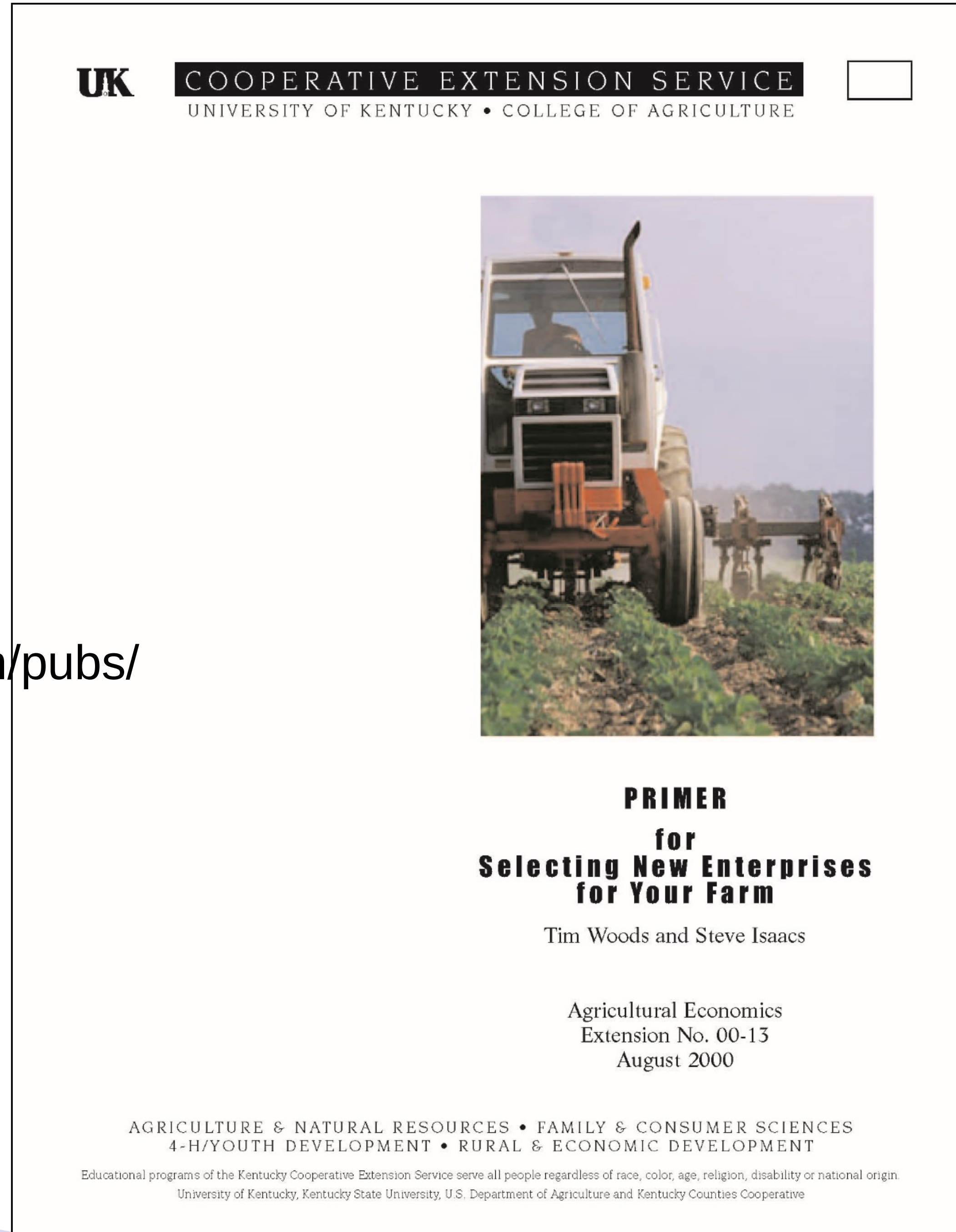
http://www.uky.edu/Ag/AgEcon/pubs/extPRIMER55.pdf



UK COOPERATIVE EXTENSION SERVICE

UNIVERSITY OF KENTUCKY • COLLEGE OF AGRICULTURE

PRIMER

for

Selecting New Enterprises for Your Farm

Tim Woods and Steve Isaacs

Agricultural Economics
Extension No. 00-13
August 2000

AGRICULTURE & NATURAL RESOURCES • FAMILY & CONSUMER SCIENCES
4-H/YOUTH DEVELOPMENT • RURAL & ECONOMIC DEVELOPMENT

PRIMER

- Profitability
- Resources
- Information
- Marketing
- Enthusiasm
- Risk

CCD Resources

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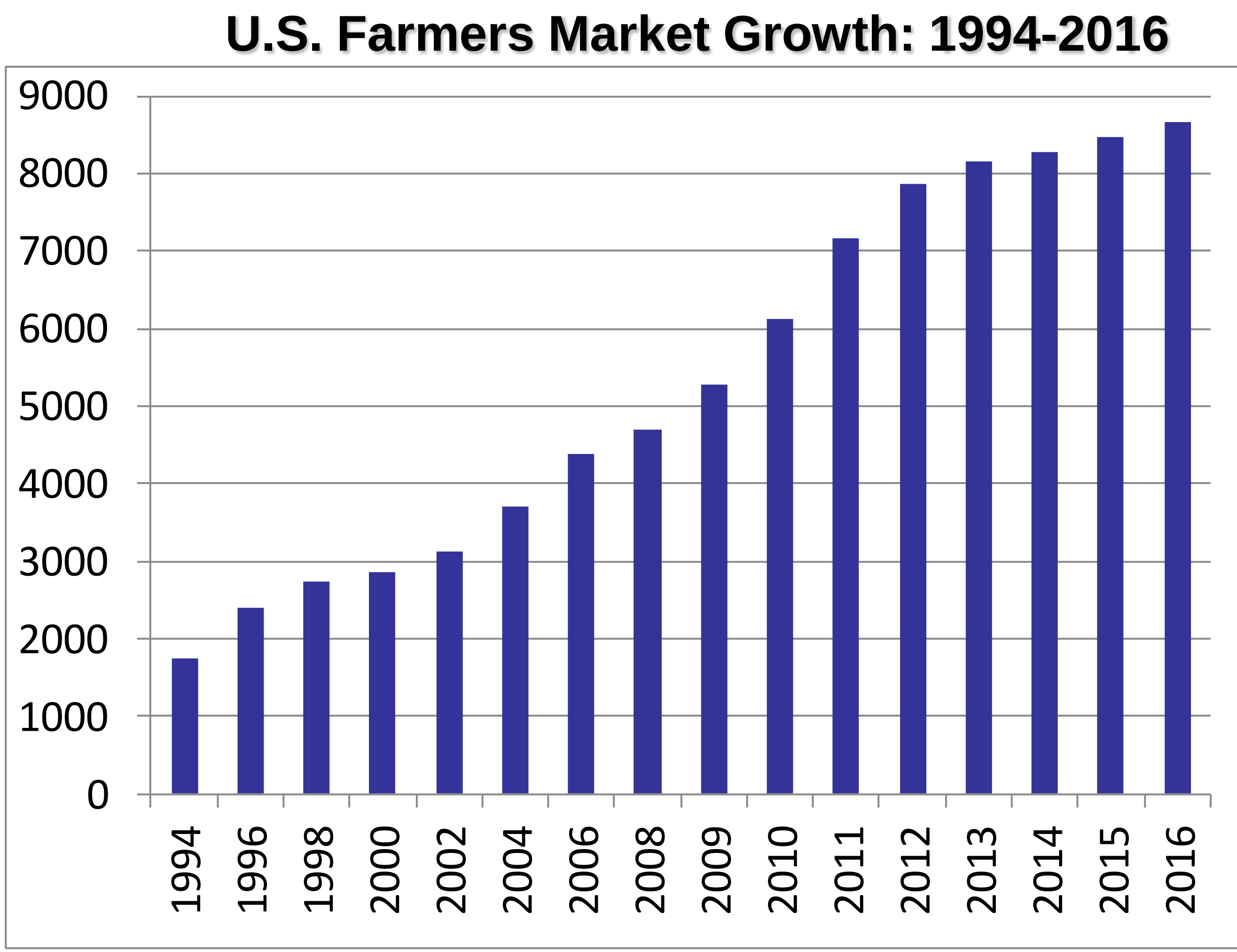
- Crop Budgets – estimating your break-even costs, planning for profits
- Packing, grading, on-farm storage, Distribution and marketing costs
- LOTS of production options
  - Field days and on-farm (brett.wolff@uky.edu)
  - UK South Farm, Princeton, Quicksand

www.uky.edu/CCD

	Product Mix	Packaging	Grading and Quality Assurance
Farmers market	Important	"Farm" feel	May be flexible
Roadside stand	Important	Convenience	May be flexible
Produce auction	Single products	Auction standards	High grade/quality rewarded by price
Community Supported Agriculture (CSA)	Products in shares/baskets complement each other	Convenience, attractiveness of presentation	May be flexible—some may prefer 3rd party audit
Local wholesale (restaurant, grocery, institution)	Chef or buyer specifications	May be defined by industry standard and/or convenience	Uniform quality essential
U-Pick	Determined by ease of harvest, local and farm preferences	Bulk containers or customers may provide some packaging	Customers select preferred products; producer directs to ripe crops
On-farm stand	What customers want	Convenience; packages may help build farm brand	Price breaks may be given for lower grades
Regional wholesalers, brokers	Specified by buyer	Commercial produce standards	Uniform quality is essential
Chain store distribution centers	Specified by buyer and/or contract	Chain standards	Uniform quality is essential — consider 3rd party audit
Processors	Specified by buyer and/or contract	Bulk packaging for shipment common	May involve less stringent grading

Number of U.S. farmers markets up dramatically since mid-1990s

- From 1,755 in 1994 to 8,662 by 2016
- More than 5,000 new farmers markets since 2000, an increase of 175%
- 2,800+ vendors in KY



Source: USDA-AMS 2016; USDA AMS Marketing Services Division
Farmers market information is voluntary and self-reported to USDA-AMS

UK Ag Economics

Community Farmers' Market Activity in Kentucky

Year	Community farm markets	Vendors	Reported sales (million $)
2008	121	2,129	$7.67
2009	137	2,276	$5.63
2010	145	2,549	$7.97
2011	151	2,797	$10.50
2012	147	2,490	$11.5
2013	146	2,500	$12.0
2014	159	2,500	$12.5
2015	160	2,800	$13.0

Source: Sharon Spencer, Kentucky Department of Agriculture; note – data is provided only for markets that provide reports. While this includes the major mar[illegible] meaningful amount of sales activity is difficult to determine with precision.

Lists of markets at: www.Kyagr.com

KDA sampling certifications

Price reports (KY, IL, WV, TN)

Debit/EBT

SNAP-ED, WIC, Senior Nutrition

Typically membership and stall fees

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CSAs

- Subscription-based marketing
- Most are relatively new (avg 4 years)
- Face growing demand (39% have a waiting list)
- Growing in size (70-75 shareholders)
- Use organic or sustainable production standards
- Increasingly looking to other market channels
- Complex cost accounting required

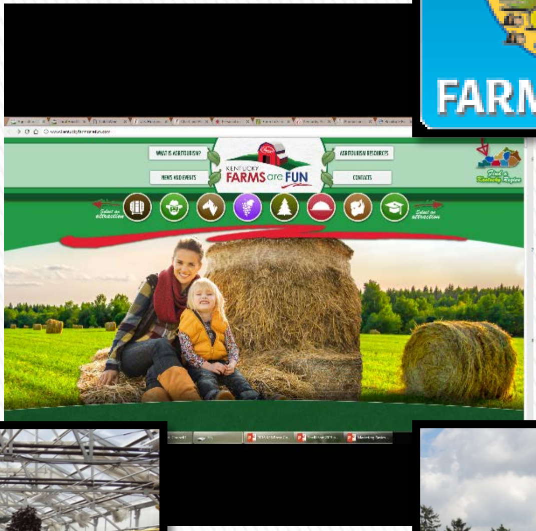
CSAs

- Generally target urban consumers
- Diverse distribution strategies
- Many business models
  - Collaborative CSAs
  - Fixed and variable menus
- “Values” chains
  - Emphasis on community, environment, animal welfare, small farm support
- See KDA (Sharon Spencer) for directory and programs

Taking the CSA to the Customer

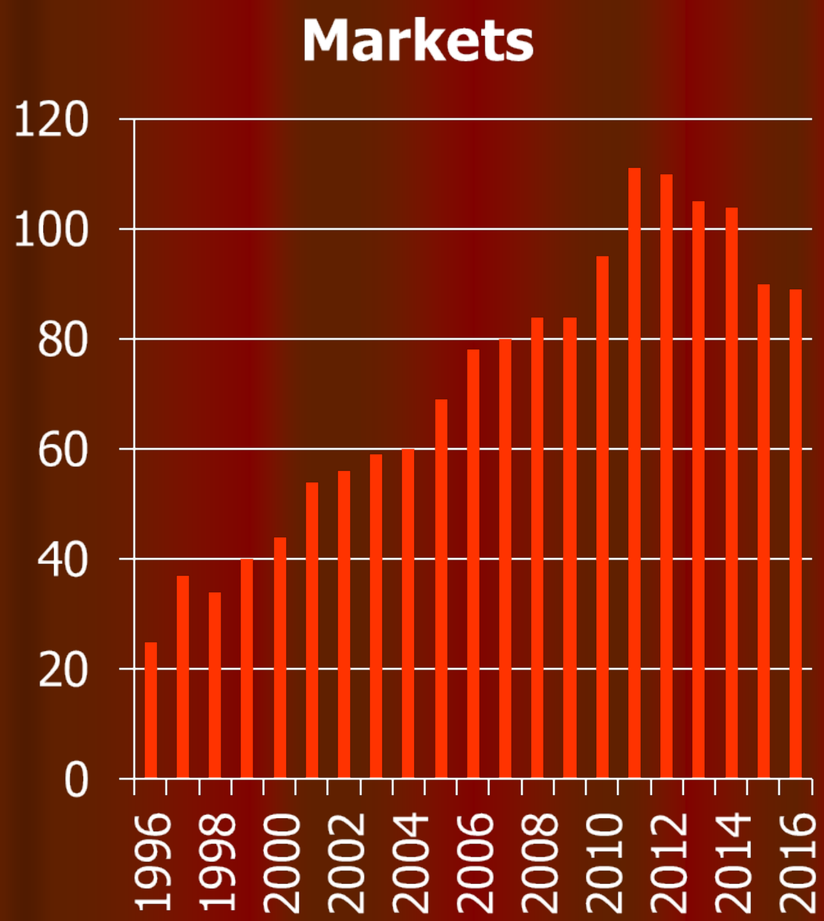
Ginger Turner
CSA Manager for Farmer Daves
(Dave Demaresq)
Boston, MA

- Agritourism
- On-Farm Retail Markets
- Wineries
- Farm Retail Garden Centers



Trunnell’s Farm Market
Utica, KY

KY Certified Roadside Markets



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Direct to Restaurants, Grocers

- KDA Restaurant Rewards
- Many stores working with local growers use a blend of direct delivery and distributors

MarketReady™

Direct Store Delivery

Chefs get excited about personal delivery of local product

"I'm really glad the truck is coming through regularly now. The fresher the product, the better."

Chef/Owner Billy McCullough

Dragonfly, Truckee, CA

Percentage change for local product sales on consumer food co-ops over the last 2 years

Local Products	Declined substantially	Declined Somewhat	Stayed about the same	Increased somewhat	Increased substantially
Meats	3.3%	0.0%	16.7%	33.3%	36.7%
Fresh Produce	1.6%	1.6%	18.0%	44.3%	34.4%
Dairy Products	0.0%	1.9%	25.9%	48.1%	35.2%
Packaged Goods	0.0%	3.3%	38.3%	51.7%	6.7%
Health/Nutr/Cosm	1.7%	3.3%	35.0%	58.3%	0.0%


Source: Woods and Katchova, 2011 (62 stores nationally)

"Regional" Produce

"Super local farm estate branded" Produce

Produce Auctions

- Five auctions active in KY
- 350 vendors selling in 2008, 700+ in 2016
- Fairview expansion
- Growing in KY, OH, MO, PA
- Regional information on "wholesale" prices
- Buyers primarily resellers
- Attracting order buyers from larger markets
- Price reports help buyers and sellers

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Produce Auctions

- Vendor identifications
- Packaging
- Farm food safety plan

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Delivery

- Specialty Distributors
- Local wholesalers
- Many products require maintaining the cold chain – having the right equipment
- Reaching many more clients

- **Direct store delivery**—an option for smaller independents, some larger retailers
- **Wholesaler/aggregators** to provide a valuable service to smaller producers

BloomingFoods Co-op, IN

Sysco, Inc., Louisville, KY

Commercial Aggregators

Basic questions for all buyers

- What products do they want?
- How do they want them packed and delivered?
- When do they want them?
- Are there minimum volumes?
- How is pricing arranged?
- Insurance requirements?

MarketReady™

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