



MANY VOICES, ONE VISION

FARM BUREAU®—CONFRONTING THE ISSUES

Retail Agriculture Policy Development 2012

Issue:

More farmers and ranchers are getting closer to their customers, and finding that they can capture a higher margin when they grow vegetable or meat products with a specific consumer market segment in mind. Whether they sell direct-to-retail or through wholesale channels, if it is sold with special product attributes such as being local, organic, grass-fed, or small farm-raised it may have a higher value. A significant portion of the value is based on retail consumer demand. This sector can be called “Retail Agriculture.” Retail Ag is a type of “value added agriculture” where the value that is added is the two-way information flow between farmer and consumer. In addition to being a significant contributor to net farm income, Retail Agriculture describes the nature of a growing number of Farm Bureau members’ farm operations and offers new business opportunities to young and beginning farmers.

Background:

Retail Agriculture includes value-added agriculture and agritourism, but is widely seen as being driven by the concept of local food. Unlike organic food, there is no legal or universally accepted definition of local food. Some USDA programs define local food as being grown within state boundaries or within 400 miles, and this definition has been echoed in recently introduced legislation. Local food is a geographical concept related to the distance between food producers and consumers. In addition to geographic proximity of producer and consumer, however, local food can also be defined in terms of social and supply chain characteristics. This trend was described by the Food Channel as being “about growing and tending—if someone, somewhere, is personally growing and tending to this product... then it’s local. It means someone is personally committed to it. Someone has made sacrifices to bring it to market.”

Retail food systems have evolved over time and can be divided into two over-arching systems: direct-to-consumer sales and direct-to-retail/foodservice marketing sales. Of course many operations market products through both channels. Direct-to-consumer marketing includes farmers markets, Community Supported Agriculture (CSA) operations, pick-your-own, farm stands and on-farm stores. Direct-to-retail/foodservice marketing includes sales to grocery stores, restaurants, schools and institutions such as hospitals and nursing homes.

Given that “local” is difficult to define, it is also difficult to measure. However, a December 2011 national survey from USDA Economic Research Service estimated that in 2008 sales of local foods topped \$4.8 billion and total food and beverage sales topped \$1.3 trillion. While many equate local with farmers markets, there are additional important sales channels that make up local and regional food sales—sales to supermarkets and restaurants and sales to schools and institutions. USDA’s survey measured sales to supermarkets and restaurants at \$2.7 to \$3.8 billion, 56-79 percent of total sales. The remaining 21-44 percent of measured sales took place through direct to consumer marketing, like farmers markets and CSAs. Sales to schools and institutions were not included in this survey and no good measure of their impact exists. However, the National Farm to School Network estimates that there are nearly 2,400 Farm to School programs in operation in the U.S, involving over 2,300 school districts and 9,800 schools.

A growing number of state Farm Bureaus are engaging consumers with locally grown food programs such as pick your own produce, farmers markets, and roadside stands. Following are just a few being offered: AZ, Fill Your Plate; HI, Farmer's Markets on Oahu; CA, San Diego County Farm Bureau Farmers' Market; IN, Farmers Market Boot Camp (for farmers market managers); KY, Certified Roadside Farm Market program; and Tennessee, Farm Fresh.

Outlets for making direct-to-consumer sales have increased rapidly over the last decade. USDA Agricultural Marketing Service reported that there were 7,175 farmers markets in 2011, up 17 percent from 2010 and up 150 percent from 2000. According to the 2007 Census of Ag, there are 78,418 farms producing and selling value-add commodities. The 2007 Census of Ag further reveals that CSAs are present in 78 percent of all U.S. counties, remarkable growth considering there were only two CSAs in 1986.

Growth of direct-to-retail/foodservice marketing sales outlets has exploded. A recent inspection of the top 10 U.S. food retailers' websites provides some insight into mainstream-retailer ventures into local food marketing and prominence attained by the local food movement. Nine sites have some reference to local foods. Further, a 2007 study by Packaged Facts revealed that in 2006, 87 percent of fine-dining establishments served local items, as did 75 percent of family dining and casual dining restaurants.

Given the strong growth of local foods it is not surprising that the 2007 Census of Agriculture found that direct-sales activities surpassed custom-work to become the leading on-farm entrepreneurial activity measured by farm household participation. Integrating other on-farm entrepreneurial activities with direct-sales ventures appears to capture synergies, which lead to increased income from direct sales to consumers. USDA found that bundling other on-farm entrepreneurial activities with direct sales appears to be an important strategy for small farms, as they constituted 77 percent of all farms combining direct sales with other retail and conventional ag activities.

A USDA study found that retail ag farms operate fewer acres while generating higher gross sales per acre than field crop or livestock farms, which is a reflection of the fact that vegetable, fruit, and nut farms dominated local food sales. Further, small and medium-sized farms dominate local foods sales marketed exclusively through direct-to-consumer channels (foods sold at roadside stands or farmers' markets, for example) while large farms dominate local food sales marketed exclusively through intermediated channels.

Despite increased production and consumer interest, locally grown food accounts for a small segment of U.S. agriculture. For local and regional foods production to continue to grow, marketing channels and supply chain infrastructure must deepen. For producers of direct- to- consumer products, who often run small-scale farm operations, it can be difficult to meet intermediary demands for high volumes, consistent quality, timely deliveries, and out-of-season availability. Lack of infrastructure related to distribution of local and regional food has also been reported as a barrier to local food market development. Further, concerns exist that trace-back abilities could be impaired in the event of food safety concerns, given that most small farmers must combine their products with other farmers' products to make processing and shipping more economical. Finally, uncertainties exist in regulatory scope and enforcement jurisdiction of local food requirements across state, county, and municipal lines that restrict expansion of local food systems.

Questions:

1. Should Farm Bureau identify Retail Agriculture as an issue area for policy action?
2. Should Farm Bureau work to enhance producer access to additional marketing channels and infrastructure for local and regional food systems?
3. What can be done to encourage the federal agencies' use of locally grown food in school lunch programs and increase access to this market for farmers?
4. Would economic growth in rural areas be spurred by supporting "regional" food branding initiatives?
5. What national policy is needed to support our agricultural entrepreneurs?

Farm Bureau Policy:

No single policy. Individual statements scattered throughout the policy book.