



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

**ANNUAL REPORT ON
THE VIRGINIA FARMERS MARKET
SYSTEM**

2004 REPORT AND 2005 PLAN

May 2005

TABLE OF CONTENTS

	Page
I. Legislative Mandate	1
II. Executive Summary	1
III. Production Conditions and Market Factors	3
IV. Success in Meeting Goals for the 2004 Year	4
V. Market Goals for 2005	5
VI. Producer Attitudes on Profitability and Outlook for the Future	7
VII. 2004 Acreage and Clientele Overview	8
VIII. 2004 Crop Volume/Value	9

APPENDIX

Farmers Market System Organizational Chart and Reporting Structure

I. LEGISLATIVE MANDATE

Report to the Chairmen of the House Committee on Agriculture, the Senate Committee on Agriculture, Conservation and Natural Resources, the House Committee on Appropriations, and the Senate Committee on Finance.

This report to the Chairmen of the House Committee on Agriculture, the Senate Committees on Agriculture, Conservation and Natural Resources, the House Committee on Appropriations, and the Senate Committee on Finance complies with the requirements of House Bill 1038, passed by the 2000 General Assembly and signed into law by Governor Gilmore.

This legislation (§ 3.1-73.5 B.), which became effective July 1, 2000, requires the Commissioner of Agriculture and Consumer Services to submit a report summarizing the market operators' reports and plans for each year, beginning on January 1, 2001 for the markets operating pursuant to a contract between the Commissioner and the market operator during the preceding calendar year.

The plan shall describe the operators' goals for the coming year as to acreage to be served by each market, the types of crops to be sold at the market, and the number of brokers, buyers and producers to utilize the market.

The report shall describe the extent to which the goals for the previous year were met.

II. EXECUTIVE SUMMARY

The Virginia Farmers Market System includes four shipping point farmers markets, each operating under a contract between the Commonwealth of Virginia and private sector and/or county government organizations:

- The Southwest Virginia Farmers Market, Hillsville, is operated by the County of Carroll
- The Eastern Shore of Virginia Farmers Market, Melfa is operated by a producer cooperative
- The Northern Neck of Virginia Farmers Market, Oak Grove is operated by local vegetable producer association
- The Southeast Virginia Farmers Market, Courtland is operated by local vegetable producer association

For the 2004 harvest year:

- 284 producers marketed product and/or used market services at the four markets (combined), compared to 280 producers in 2003
- Gross value of products marketed was over \$23.05 million representing over 2.08 million product units, compared to \$14.298 million in 2003
- The markets served 5,854 acres in 2004, compared to 7,087 acres in 2003

- The system served 55 brokers and 463 major retail stores and institutional buyers, compared to 68 brokers and 444 retail stores and institutional buyers in 2003

Significant factors affecting production and marketing volumes for the past year as cited by the market operators in 2004 were, on the negative side:

- Extreme weather volatility with a cold wet spring followed by four mid to late summer tropical storms and remnants from those storms
- Continued increase in buyer trends toward purchasing local produce which enhanced more local marketing and sales opportunities, thus decreasing the need for sale to wholesalers
- Slow economic recovery in some regions of the state
- Continued produce buyer consolidations resulting from mergers and buyouts, a trend that shows no sign of ending
- Tighter competition, particularly from other domestic and international supplier sources, another continuing trend
- Market windows growing more narrow, thereby stopping or compressing product movement
- Increased input costs due in large part to increased fuel costs (a key factor to watch in 2005)
- Ever changing consumer demand on product mix and varieties
- Continued downward trend producer numbers and acreage, “suburbanization” of production areas is becoming a key factor
- Labor continues to play a significant role, two of four markets report that their producers use migrant labor. Labor supply and housing consume an extraordinary amount of time for two of the system’s markets (Eastern Shore and Northern Neck)

On the positive side:

- Higher produce prices due to extremely limited supplies
- Virginia producers continue to be adept at changing both the volume and varieties of their product mix to meet consumer demand
- Production meetings and grower educational sessions are held in regions served by all markets during winter months to educate growers on market demand and production techniques
- Good Agricultural Practices (GAP) and Food Safety Training Workshops were held in several market areas to enable markets and producers to attain consistent product quality and food safety standards which are being required by an increasing number of wholesale buyers
- The Eastern Shore of Virginia Farmers Market continued as an agricultural service center. The cooperative operator operates and manages the wholesale market and manages the Southeastern Potato Marketing Committee. Eastern Shore’s cotton gin, Shore Gin & Cotton, Inc., renewed a lease on one brokerage office on the market site and outside management will oversee cotton ginning operations

- The Southwest Virginia Farmers Market has traditionally served as a traditional wholesale regional product operation in season and brokered non-regional product out of season. Tenants on the market have been able to improve regional producer's ability to enter the marketplace by maintaining a year-round presence in the marketplace
- The Northern Neck of Virginia Farmers Market moves a moderate amount of non-regional product in early spring prior to Virginia's harvest season
- The Southeast Virginia Farmers Market, designed to serve producers in Southeast Virginia and Northeastern North Carolina, entered into a new contract for market operator in November, 2003; 2004 represents their first full year of operation.

III. PRODUCTION CONDITIONS AND MARKET FACTORS

During 2004, weather volatility continued to affect Virginia's produce industry. In general, a cold wet spring limited planting and was followed by the extraordinary hurricane and tropical storm season last summer, all of which combined for a wild market ride for producers.

After the cool spring, early summer growing conditions improved, which helped crops harvested in June and July. The late summer and early fall hurricane and tropical storms and affected all four farmers market regions' production volume. Fall crop plantings in many cases, particularly the Eastern Shore, were unharvestable and were disked under.

However, there were many producers that managed to plant on a timely basis and were able to apply inputs for quality production and harvest at just the right moments. These producers received extremely favorable prices. Crop insurance and other federal programs offered some financial respite for a number of growers who were not as fortunate. Crop insurance did not provide adequate coverage for many fall vegetable producers. Requests to amend USDA crop insurance rules to make them more applicable to fall crop producers were denied.

All markets reported continued tighter competition and more narrow market windows than previously experienced. Markets report the continued affect of international competition in addition to domestic competition as a market barrier. Apples suffered the most from strong competition from Asian suppliers. Canadian markets for Virginia potatoes were greatly constrained in 2004 due to Canadian trade barriers.

The Eastern Shore market contracts for pickle hydro-cooling and packing services contracts picked up after losses in 2003 loss due to international competitors.

For the Southwest Virginia market, market window opportunities were narrower than normal due to their more limited growing season compared to other production areas in the state.

Once again, there was no commercial sweet corn grown on the Shore in 2004. The Eastern Shore market, traditionally a major supplier for the Fourth of July sweet corn market, lost a major grower in 2002. Commercially grown sweet corn was supplied only by the Northern Neck market.

The state's budget situation improved in 2004 but not quickly enough to affect producer education and research resources. The lack of adequate Horticulture Production Cooperative Extension staff continues to be an additional challenge. This resource is desperately needed to keep vegetable and fruit producers on the cutting edge of new production technologies and newer plant varieties that will assist producers' competitiveness with other domestic and international suppliers.

IV. SUCCESS IN MEETING GOALS FOR THIS YEAR

Weather extremes and the regional economic factors resulted in most market system operators having some difficulty in meeting their goals for 2004.

The Southwest Virginia Farmers Market bases their success on their ability to assist in selling available product. For 2004, several crops such as tomatoes, peppers, green beans, sweet corn, cucumbers, potatoes, squash, pumpkins and peaches had significant increases in planted acreage since the market opened in 1992. Pumpkin acreage has increased to become the second largest crop in the region.

For the Eastern Shore of Virginia Market, one of the market operator's goals was to maintain a full market of tenants. Going into the 2004 season, their facility was fully leased. One market slot was spot leased in 2004. Eastern Shore of Virginia Farmers Market operator is managing a seasonal migrant labor housing project for the largest market tenant. The facility, when completed, will house 500 seasonal workers. Phase 1 activities including feasibility studies, blueprint and regulation interface, were completed during 2004. Phase 2 will encompass soil studies, blue prints and site preparation for construction. The facility will be built to both Virginia Code and Federal specifications.

The Northern Neck of Virginia Farmers Market operator met their numerous goals. The Northern Neck Market has a continuing emphasis on producer education and development. The growers association, in cooperation with market management, sponsored winter producer meetings. Training sessions focused on plans and commitments for the 2004 production year. The growers association is still in financial recovery after their disastrous attempt to establish a retail farmers market in Northern Virginia which precluded any thoughts of a winter production area tour in 2004. The association expects to reinstate this producer educational effort as soon as financially feasible.

Good Agricultural Practices (GAP) training, another educational goal, was provided for producers to assist Northern Neck region's production to meet buyer demands. Certification enhances marketing opportunities for regionally grown

product to retail grocery buyers who now require it. Additional producer training and development efforts were implemented through product quality grading workshops. The immediate outcome was a higher quality product arriving at the market for commingling into major produce sales. Additionally, copies of the 2004 Commercial Vegetable Production Recommendations for Virginia were purchased and distributed to members.

Two Northern Neck of Vegetable Growers Association directors attended the 2004 Produce Marketing Association Tradeshow in Anaheim, California to work with VDACS staff in the market promotion of Virginia produce. The grant funded trip allowed growers to meet buyers, obtain possible sales leads and see first hand the size and scope of the produce industry.

The market operator's goal to increase prices and enhance profitability for producers using Northern Neck market services was addressed in several ways. Pre-season commitments with category buyers on the part of marketing staff helped solidify market product needs and producer delivery schedules. Recognizing that producers did not have sufficient product pricing information, each Monday and Thursday during the season, market staff called or faxed interested producers to provide current market prices. Market staff was able to obtain feedback on product quality and volume, especially in light of the season's production challenges.

Addressing migrant labor issues was an continuing goal for the Northern Neck. The association continued their work with the Telamon Corp. to develop worker housing for the region. Telamon has received grants totaling \$400,000 to assist growers with cost-share on worker housing on the farmers own farm sites. Two projects in Westmoreland County are underway. Directors feel that once there is progress and success on these first projects, additional growers may step forward.

The Southeast Virginia Farmers Market operator reported that the full time market tenant relationship continued and that their records indicate that the Virginia-Carolina Growers, Inc., market operator, had met their customer and wholesale produce volume goals in the first year of the organization's contract with the state. The organization's goals for handling cucumber, green peppers, squash and watermelon volumes were exceeded. The organization formed a relationship with the Northern Neck of Virginia Farmers Market management to handle product sales during the 2004 harvest year. Worthy of note, however, many producers in the region elect to make direct sales to retailers and not utilize the market's services.

V. MARKET GOALS FOR THE COMING YEAR

The Southwest Virginia Farmers Market's goals for 2005 include the following:

- Continue to increase diversity in the region's vegetable production
- Obtain funding for additional warehousing and cooling space

- Continue to sell available product at the highest possible prices that will contribute to producer profits
- Continue producer educational opportunities through grower meetings and field demonstrations in the region

The Eastern Shore of Virginia Farmer's Market operator's goals for 2005 include the following:

- Coordinate growers' meetings to educate producers on production schedules and product quality that will meet larger brokers/buyers needs
- Interface with other system shipping point markets to coordinate produce availability information in order to assist brokers/shippers in locating Virginia produce
- Continue to work closely with cooperative extension service staff's participation in agricultural conferences and local agriculture days for the public school system
- Promote the market and its' economic development activity through presentations at local civic organization meetings
- Manage the Southeastern Potato Committee at the request of the Board of Directors. The committee operates the USDA Marketing Order #953

The Northern Neck of Virginia Farmers Market operator's goals for 2005 include the following:

- On education:
 - Continue to investigate the need for and provide education on GAP/Food Safety for those producers wishing to gain certification
 - Conduct a scholarship program for a local college student interested in pursuing an agricultural career
 - Conduct a spring grading/quality vegetable school for growers and crew leaders
 - Support local and regional educational activities that promote agriculture and agriculture education
 - Provide Commercial Vegetable Recommendation guides to the association membership
- On Promotion/Profitability:
 - Develop and enhance participation in sales of produce through category buyers and pre-arranged sales
 - Coordinate and report market conditions/prices to growers through timely methods.
 - Review the establishment of a grading committee to establish protocols and policies
 - Review shed charges based on actual operational costs
- On enhancing communication means and frequency with growers/members and other stakeholders:
 - Continue weekly "Fact Sheet" to be distributed to growers to report market and field conditions in an effort to bridge communication gap between market and producers
 - Provide copies of quarterly reports and other information to all stakeholders
- Other goals:

- Continue to work with the Migrant Labor Council on housing issues and provide leadership towards methods of interfacing with producers
- Investigate other means/venues for marketing produce to take advantage of proximity to population centers, i.e. special event marketing

The Southeast Virginia's Farmers Market operator's goals for 2005 include the following:

- Expand vegetable production acreage resulting in an increase product volume
- Actively seek new growers
- Realign market facility operation/equipment to better serve market needs
- Seek ways to add to and/or modify original processing equipment
- Continue a sales alliance with the Northern Neck of Virginia Farmers Market management to assist in providing sales service

VI. PRODUCER ATTITUDES ON PROFITABILITY AND OUTLOOK FOR THE FUTURE

The Southwest Virginia market reports that, in general, growers had a better year than anticipated. Yields and prices were much better in 2004 than the 2003 season. Most producers remain optimistic concerning 2005 production and opportunities.

The Eastern Shore market operator is continuing to see producers search for alternative crop options to enhance profitability. There is a concern that few if any younger producers are entering into vegetable production. Long time producers are diversifying between vegetables and grain. The future for Eastern Shore vegetable production is in doubt with the lack of younger vegetable producers. As the growers become older and retire, planted acres decline. The Eastern Shore Marketing Cooperative, Inc. will continue to provide services and encouragement to assist the agricultural community in this period of change.

The Northern Neck of Virginia market operator reports that producers are expected to remain active. There is some concern about reduced acreage for produce production in the region. Through market staff and producer leadership, the association has efforts in place to meet producer/buyer needs and has instituted pro-active measures of addressing issues affecting producers and marketing efforts on an on-going basis.

The Southeast Virginia market operator reports that it is optimistic concerning future development of a grower base in Virginia's southeast region. Producers are looking for opportunities to supplement conventional operations or looking for major realignment towards higher revenue crops such as produce. There is an attempt to transition growers from row crop to produce production, principally cucumbers, peppers, squash and watermelons.

**VIRGINIA FARMERS MARKET SYSTEM
ANNUAL PLAN AND REPORT**

DECEMBER 1, 2004

ACREAGE AND CLIENTELE OVERVIEW

	2004 GOAL	2004 ACTUAL 12/01/04	2005 GOAL
Producers served	295	284	298
Total acres served	7,740	5,854	6,235
Brokers served	73	55	59
Buyers served	475	463	492

ANNUAL PLAN AND REPORT
December 1, 2004
CROP VOLUME AND VALUE

	Goal Units 2004	Actual Units 2004	Actual Value 2004	Goal Units 2005
Apples	80,000	124,267	\$1,365,784	85,000
Asparagus	1,000	1,293	\$30,064	1,000
Beans	55,200	22,085	\$260,878	34,500
Blueberries	0	1,493	\$27,345	0
Broccoli	50,000	12,039	\$144,210	55,000
Cabbage	25,000	41,201	\$186,012	28,000
Crates	38,000	30,493	\$182,958	32,000
Cantaloupe	5,000	1,503	\$16,472	0
Bins	3,500	2,380	\$217,438	2,500
Singles	25,000	103,100	\$154,650	75,000
Cauliflower	0	3	\$24	0
Chili Peppers	0	1,155	\$15,483	0
Corn	175,000	133,603	\$757,633	160,000
Bins	200	123	\$8,748	200
Crates	28,000	9,799	\$78,392	29,000
Cucumbers	244,800	187,253	\$1,804,384	233,000
Bins	0	6	\$1,412	0
Eggplant	20,250	15,992	\$134,865	20,100
Greens	0	766	\$3,315	0
Indian Corn	0	54	\$824	0
Jalapeno	0	1,564	\$14,035	0
Nectarines	5,000	2,331	\$20,945	2,500
Okra	500	156	\$1,776	500
Peaches	35,000	39,309	\$329,315	28,000
Pears	300	2,364	\$31,003	900
Peas	1,000	250	\$3,500	500
Peppers	137,500	138,051	\$1,379,596	153,000
Bins	0	251	\$25,818	0
Pickles	0	52	\$120,320	25
Potatoes	18,500	86,978	\$54,221	11,000
Pumpkins	0	50	\$802	0
Bins	1,000	13	\$420	100
Singles	125,000	37,200	\$74,400	35,000
Radish	0	20	\$199	0
Squash (hard)	17,000	5,899	\$60,696	10,900
Yellow Squash	275,000	111,949	\$1,109,323	250,000
Straw	0	30	\$150	0
Strawberry	7,500	7,152	\$65,281	7,500
Sweet Potato	1,000	479	\$4,986	250
Tomato	588,000	683,505	\$12,242,819	726,000
Turnips	1,500	225	\$1,800	200
Watermelon	0	2,638	\$8,678	0
Bins	3,000	6,873	\$523,471	7,200

	Goal Units 2004	Actual Units 2004	Actual Value 2004	Goal Units 2005
Singles	2,000	0	\$0	0
Zucchini	0	179,013	\$1,451,228	0
Miscellaneous	8,000	13,546	\$142,280	12,000
TOTAL	1,977,750	2,008,505	\$23,057,953	2,000,875

	Grand Total Goal Units 2004	Grand Total Actual Units 2004	Grand Total Actual Value 2004	Grand Total Goal Units 2005
Boxes	1,752,050	1,818,247	21,670,246	1,819,850
Bins	7,700	9,646	777,307	10,000
Crates	66,000	40,292	261,350	61,000
Singles	152,000	140,300	229,050	110,000
Truckloads	0	20	120,000	25
Total	1,977,750	2,008,505	\$23,057,953	2,000,875

APPENDIX

**Virginia Farmers Market System
Virginia Department of Agriculture and Consumer Services
Organizational and Reporting Structure**

