



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

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

2006 REPORT AND 2007 PLAN

January 2007

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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 entity.

For the 2006 harvest year volume and value of produce handled was steady to a slight increase as compared to 2005. Statistically the breakdown is as follows:

- 270 producers marketed product and/or used market services at the four markets (combined), compared to 269 producers in 2005.
- Gross value of products marketed was over \$21.4 million representing over 2.51 million product units, compared to \$19.1 million in 2005 representing 2.23 million product units.

- The markets served 6,631 acres in 2006, compared to 5,749 acres in 2005.
- The system served 60 brokers and 391 major retail stores and institutional buyers, compared to 72 brokers and 382 retail stores and institutional buyers in 2005.

Significant factors affecting production and marketing volumes for the past year as cited by the market operators in 2006 were, on the positive side:

- Virginia producers continue to be adept at changing both the volume and varieties of their product mix to meet consumer demand.
- Generally higher produce prices due to extremely limited supplies existed for some of the state's regions.
- Production meetings and grower educational sessions were held in regions served by all markets during winter months to educate growers on market demand and production techniques.
- 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.
- 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 of the market have been able to improve regional producers' ability to enter the marketplace by maintaining a year-round presence.
- The Northern Neck of Virginia Farmers Market enhances market volume by moving a moderate amount of non-regional product in early spring prior to Virginia's harvest season, which enhances their reputation and supply capabilities with their wholesale customers.

On the negative side:

- Increased fuel and input costs cut profitability dramatically.
- Extreme weather volatility affected some growing regions with a cold wet spring; an early summer followed by extreme heat and drought and a very wet fall season. Other regions experienced an excellent growing season after a wet spring.
- 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
- Ever changing consumer demand on product mix and varieties
- Continued downward trend in producer numbers and acreage, "suburbanization" of production areas and associated escalation in land

values (increasing operating costs for rented land) is becoming a critical factor, especially for the Eastern Shore of Virginia Farmers Market. However, this trend is showing in other areas served by the farmers market system, except in Southwest Virginia.

- Labor continues to play a significant role, three of four markets report that their producers use migrant labor. Labor supply and housing continue to be issues for the Southwest Virginia, Eastern Shore and Northern Neck of Virginia Farmers Markets.
- The Southeast market continues to struggle in attracting producers to the market and increasing the volume of produce raised in the region. The region traditionally has been a “row crop” area – corn, soybeans, cotton and peanuts. Recruiting and convincing farmers to shift from these traditional crops into produce has been difficult.

III. PRODUCTION CONDITIONS AND MARKET FACTORS

The 2006 production year was better than 2005 for markets in the Virginia’s shipping point farmers market system. However, two issues continue to affect production and marketing. They are the extraordinary increases in fuel and input costs and extreme weather volatility in some state areas. In general, in several farmers market growing areas, a cool spring slowed plant development and periods of hot, dry weather affected crop set and yield. This was followed by periods of heavy rain that brought disease onset and harvest losses.

A truism often quoted in produce growing circles is “One grower’s bad luck makes another grower’s good luck.” This was the situation for the Southwest Virginia growing area that enjoyed the lack of extremes. Southwest Virginia growers experienced price increases higher than those in other areas simply because the area had no damaging weather with which to contend. A pleasant mild temperature late fall helped for a long season harvest for broccoli and greens crops, especially for Northern Neck of Virginia Farmers Market growers.

Some fortunate vegetable producers were able to hit the market with quality product at just the right time. Those few found favorable prices on extremely limited supplies. Crop insurance and other federal programs offered some financial respite for a number of growers who were not as fortunate.

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. Pumpkin acreage increased slightly; however, total volume was lower because of a decrease in yields.

A poor regional economy remains prevalent for the Southwest Virginia market and has a dramatic sales affect by limiting customer purchases. The market is seeing few buyers representing small, independently owned stores and produce stands, but there is more interest from chain buyers.

Geographically speaking, the Southwest Virginia Farmers Market targets product movement toward southern state sales outlets. This has proven to be an advantage for the region's producers, specifically because of less investment in transportation costs. As fuel prices have increased, the area has enjoyed a competitive advantage over those in northern states.

Producer numbers is a major change for the Eastern Shore market with virtually no small growers, representing 10 to 15 acres, using the market's services. Market management is seeing decreased volumes of traditional crops being produced on the Eastern Shore, i.e. cucumbers, sweet corn, asparagus, green peppers and Irish potatoes. Once again in 2006, there was no commercial sweet corn grown and few green or snap beans on the Shore. Several years ago, the Eastern Shore market was traditionally a major supplier for the Fourth of July sweet corn market. The Northern Neck market, among the four system markets, was the only supplier of sweet corn to retail buyers. In 2006, the Eastern Shore Farmers Market did not provide hydro-cooling or packing services for individual producers.

The Southeast Virginia Farmers Market continues to struggle to convince producers to expand produce production in the region. Accordingly, produce volume for the market lags well behind the other markets. The market did note that area melon and cantaloupe growers received good prices as growers have shifted production to meet growing consumer demand for seedless melon varieties.

Statewide producer education and research resources continued improvement in 2006. The payoff from the Cooperative Extension Services' Horticulturist Specialists improves producer information and production techniques as research trials are expanded and accelerated. This resource is required 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

Most market system operators met their stated goals for 2006. There were a few instances when unknown circumstances prevented total accomplishment.

The Southwest Virginia Farmers Market bases its success on its ability to sell available local products. For 2006, yields from most fruit and vegetable crops were average to above average when compared to those of the last several years. Most growers experienced better than average prices in 2006. Acreage for green beans, cantaloupes, sweet corn, cucumbers, peppers and pumpkins continued to increase. Acreage devoted to apple and cabbage production decreased again in 2006. Tomato production was less than in previously reported years which was a situation created by lower yields as opposed to less acreage or plantings. For the Southwest market, tomatoes are still the largest selling single item at the market with apples following a close second.

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 2006 season, their facility was fully leased. However, the majority of market space, bays and coolers were leased to a large tomato growing corporation. The Eastern Shore Farmers Market Cooperative, Inc., operator, says that less and less traditional crops, such as cucumbers, sweet corn, asparagus and green peppers are being grown on the Eastern Shore as more acreage is being devoted to row crops, such as corn, soybeans, small grains and to some extent, cotton.

The Eastern Shore market operator continues to manage construction of a seasonal migrant labor housing project for the largest market tenant that is expected to house 500 seasonal workers when completed. Phase 1 activities including feasibility studies, blueprint and regulation interface has been completed. For Phase 2, the Eastern Shore Marketing Cooperative has submitted rough cost estimates and is awaiting instruction from Pacific Tomato Growers. The facility will be built to both Virginia Code and federal specifications. The marketing cooperative has negotiated a contract to provide management for the migrant housing facility on a year round basis.

The Northern Neck of Virginia Farmers Market operator met the operators' 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 2006 production year.

The growers association sponsors educational trip opportunities for growers interested in using market services. There were two educational trips in 2006. In January, 20 producers, extension and farmers market staff traveled to Sinaloa, Mexico and toured vegetable production and marketing operations, as well as, Ag-Expo Sinaloa. Both are located near Culiacan, Mexico.

In December, ten Northern Neck Vegetable Growers Association members attended the Great Lakes Expo in Grand Rapids, Michigan to attain knowledge and crop production and marketing technique awareness. The show attracts over 300 exhibitors and 3,000 participants.

With a grant from USDA, Risk Management Agency through VDACS, the operator association and Cooperative Extension staff sponsored a workshop on financial management, market windows and market outlook for the 2006 production season. The February workshop was attended by approximately 20 growers who use the Northern Neck of Virginia Farmers Market for market services. Additionally, copies of the 2006 Commercial Vegetable Production Recommendations for Virginia were purchased and distributed to members.

Two Northern Neck Vegetable Growers Association board of directors members and a market staff person attended the 2006 PMA (Produce Marketing Association) Tradeshow held in San Diego to work with VDACS staff in the market promotion of Virginia produce. The 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 helps solidify market product needs and producer delivery schedules.

Addressing migrant labor issues was another continuing goal for the Northern Neck market. The association continued their work with the Rappahannock Migrant and Seasonal Worker Council and 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.

Contributing to the continuing operators' goal of enhancing community and youth development in areas served by the Northern Neck of Virginia market, the operating association awarded Ned Upshaw, a Caroline County junior at VA Tech, a \$5,000 scholarship. Mr. Upshaw is studying forestry and natural resources and expects to return to the area following graduation. The operators' association has seen the youth scholarship effort as a significant and successful investment since several youth scholarship award winners have returned to the area and are contributors to the agricultural industry and economy.

Because the market operator had made numerous requests of USDA, Farm Services Agency (FSA) for revisions and improvements to the Non-insured Assistance Program (NAP), an insurance program that covers crops that are not insurable under other programs, FSA requested the association conduct a major project study on NAP provisions and procedures. NAP covers many Eastern Virginia grown vegetable crops and has numerous provisions and procedures that make the program difficult to administer and for growers to use. An association subcommittee thoroughly investigated program provisions and details for regional crops and presented a proposal to the association board and a report to FSA officials that have resulted in changes in previously inconsistent program provisions for planting and harvest dates. FSA is considering other program change suggestions from the report. Any revisions requested will make the program more grower friendly in Eastern Virginia, resulting in more sustainable vegetable production.

For the Southeast Virginia Farmers Market, Virginia-Carolina Growers, Inc., market operator, indicates they have met their modest customer and wholesale produce volume goals in the second year of the organization's contract with the state. The organization's goals for handling cabbage, eggplant, potatoes, squash and tomatoes were met 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 and that relationship continued in 2006.

V. MARKET GOALS FOR THE COMING YEAR

The Southwest Virginia Farmers Market's goals for 2007 include the following:

- Increase diversity in the region's vegetable production
- Build stronger major grocery retail buyer relationships to counter reduction in sales to small independent stores and produce stands
- Obtain funding for additional warehousing and cooling space
- Sell available product at the highest possible prices that will contribute to producer profits
- Enhance producer awareness through educational opportunities through grower meetings and field demonstrations in the region
- Obtain needed cooling and icing equipment in order to further increase region's crop diversification.

The Eastern Shore of Virginia Farmer's Market operator's goals for 2007 include the following:

- Maintain present tenants to ensure profitability
- Serve a leadership role to work closely with Cooperative Extension Service to participate in agricultural conferences and local agriculture days for the public school systems
- 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 2007 include the following:

- On education:
 - Conduct a scholarship program for a local college student interested in pursuing an agricultural career
 - Conduct educational programs that meet the needs of Eastern Virginia growers
 - Support local and regional educational activities that promote agriculture and agriculture education
 - Sponsor tours or trips for association members to learn better management and production practices
 - Provide Commercial Vegetable Recommendation Guides to association membership and to other market services users who may benefit
- On Promotion/Profitability:
 - Support and encourage development of new marketing strategies and new markets for member/grower produce
 - Communicate with growers to keep them informed of market conditions
 - Review farmers market policies and procedures in an effort to bring more benefits to growers/users
 - Participate in national produce meetings and tradeshow to promote Virginia produce
 - Continue contacts with state legislators on concerns and needs of the farmers market system and report impacts of the local market

- Continue to work with the Migrant Labor Council on housing issues and provide leadership towards methods of interfacing with producers
- On Market Operations:
 - Develop appropriate policies and procedures for operation of the Northern Neck of Virginia Farmers Market that insure efficient and fair grower treatment.

The Southeast Virginia's Farmers Market operator's goals for 2007 include the following:

- Expand interest in specialty crops and actively recruit new growers
- Maintain regional production level for melons and commercial organic vegetables as in the previous several years
- Continue an alliance with the Northern Neck of Virginia Farmers Market management to assist in providing sales service
- Continue exploration of a wholesale nursery and retail produce operation to locate in the Southeast Virginia Farmers Market retail shed.

VI. PRODUCER ATTITUDES ON PROFITABILITY AND OUTLOOK FOR THE FUTURE

The Southwest Virginia market reports that growers' attitudes vary widely depending upon crops produced. Apple growers experienced an extremely good year in terms of price and product salability, while cabbage growers continue production less optimistically. Market management feels that growers are interested in continuing and expanding vegetable production. However, crops with market potential require additional market services. Sweet corn, broccoli and a variety of greens have market potential, fit into the southwest Virginia growing season, but require additional cooling and icing equipment.

The Eastern Shore market operator is seeing spiraling increases in land values that affect availability of owned and leased acreage for produce production. This situation is leading vegetable producers to continue the search for more profitable crops. The increase in land values is prohibiting younger producers from 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 acreage declines. 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 there is some concern regarding future development of a grower base in Virginia's southeast region as long as row crops remain profitable. While small growers' acreage is expected to increase in 2007, the net effect is not expected to make a great change in total acreage. Expected crop volume does not appear to be in a range needed to make the market packing volumes sufficient for profitability. Present growers and product volume for squash, watermelon and organics are expected to remain steady.

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

DECEMBER 1, 2006

ACREAGE AND CLIENTELE OVERVIEW

	2006 GOAL	2006 ACTUAL 12/01/06	2007 GOAL
Producers served	285	270	285
Total acres served	6,320	6,631	7,120
Brokers served	64	60	58
Buyers served	382	391	381

**VIRGINIA FARMERS MARKET SYSTEM
ANNUAL PLAN AND REPORT
December 1, 2006
CROP VOLUME AND VALUE**

	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value	Goal Units
	2006	2006	2006	2007
Apples	85,000	144,054	\$1,804,171	80,000
Asparagus	0	649	\$15,197	0
Beans	15,000	14,770	\$202,937	4,000
Blueberries	0	0	\$0	0
Broccoli	5,000	139,417	\$1,481,524	5,000
Bins	0	0	\$0	0
Cabbage	15,000	19,552	\$200,082	15,000
Crates	32,000	52,150	\$365,050	40,000
Cantaloupe	500	1,488	\$14,815	0
Bins	250	3,189	\$340,907	250
Singles	145,000	94,650	\$118,312	125,000
Cauliflower	0	1,615	\$14,252	0
Chili Peppers	0	1,831	\$12,019	0
Corn	0	250,908	\$2,020,676	0
Bins	100	24	\$1,560	0
Crates	28,000	5,185	\$62,220	8,000
Corn Stalk Bin	0	44	\$3,353	0
Cucumbers	19,000	101,174	\$1,019,665	8,000
Bins	0	0	\$0	0
Eggplant	100	31,702	\$239,497	500
Greens	2,500	692	\$5,078	2,500
Indian Corn	0	0	\$0	0
Jalapeno	0	9,120	\$98,888	0
Nectarines	2,000	4,842	\$85,329	3,000
Okra	0	110	\$1,543	0
Onions	0	91	\$996	0
Peaches	10,000	37,114	\$435,938	15,000
Pears	850	717	\$10,038	850
Peas	0	0	\$0	0
Peppers	35,500	170,621	\$1,456,208	23,000
Bins	0	0	\$0	0
Pickles	0	117	\$2,368	0
Potatoes	26,500	17,245	\$157,091	14,500
Pumpkins	0	67	\$4,971	0
Bins	100	0	\$0	0
Singles	40,000	71,200	\$142,400	70,000
Radish	0	1,640	\$13,525	0
Squash (hard)	0	25,730	\$52,942	0
Yellow Squash	8,400	92,234	\$702,684	6,000
Straw	0	377	\$1,716	0
Strawberry	8,500	20,491	\$207,873	10,000
Sweet Potatoes	250	4,509	\$35,277	1,000

Tomato	856,000	988,260	\$8,277,797	885,200
Turnips	200	231	\$2,310	350
Watermelon	0	3,299	\$285,240	0
Bins	7,000	10,828	\$116,800	4,100
Singles	3,500	5,150	\$12,875	7,500
Zucchini	0	141,672	\$1,037,657	0
Miscellaneous	10,000	41,352	\$415,039	45,000
TOTAL	1,248,450	2,465,695	\$20,995,967	1,323,300
	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value	Goal Units
	2006	2006	2006	2007
Boxes	1,100,300	2,267,690	20,315,344	1,118,900
Bins	7,450	14,085	462,620	4,350
Crates	60,000	57,335	427,270	48,000
Singles	188,500	171,000	273,587	202,500
Total	1,356,250	2,510,110	\$21,478,821	1,373,750

APPENDIX

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

