



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

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

2007 REPORT AND 2008 PLAN

January 2008

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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 and will be under new management in 2008.

For the 2007 harvest year, volume (units sold) was down 5 percent while the value of produce handled was up 5.6 percent when compared to 2006.

Statistically the breakdown is as follows:

- 103 producers marketed product and/or used market services at the four markets (combined), compared to 270 producers in 2006. This drop in producer users can primarily be attributed to the Southwest Virginia Farmers Market, where three large wholesale tenants left the market in

2007. These wholesale tenants were served by a large number of contract growers that serviced only these three accounts.

- Gross value of products marketed through the system increased to \$22.7 million, representing 2.38 million product units, compared to \$21.5 million in 2006, representing 2.51 million product units.
- The markets served 5,715 acres in 2007, compared to 6,631 acres in 2006.
- The system served 47 brokers and 312 major retail stores and institutional buyers, compared to 60 brokers and 391 retail stores and institutional buyers in 2006.

Several factors affecting production and marketing volumes were cited by the market operators in 2007. Positive factors included:

- Virginia producers are showing a willingness to diversify their vegetable production, both in terms of product mix, varieties, and volume, thereby, better serving customer demand while also spreading production risk.
- Higher prices were received for some fruit and vegetable crops, due to lower than normal supplies brought about by the late spring freeze and the summer drought.
- Production meetings and grower educational sessions were held in regions served by all markets during winter months to educate growers on market demand, production recommendations and techniques.
- The Southwest Virginia Farmers Market is transitioning from a market that was primarily serving wholesalers catering to smaller stores, restaurants, and other wholesalers to one that is packing and shipping to chain stores and to companies that supply them.
- Representatives of the Northern Neck of Virginia Farmers Market attended the Produce Marketing Association Annual Meeting held in Houston, Texas and promoted the region's vegetables while assisting in the staffing of the VDACS Virginia Grown exhibit.
- The Eastern Shore of Virginia Farmers Market continued as an agricultural service center. The cooperative operator manages the wholesale market, as well as the Southeastern Potato Committee, which manages the USDA Marketing Order that allows potato producers to export product to Canada.
- The Eastern Shore Farmers Market is attempting to meet the needs of both the small grower, whose numbers and acreage are declining, and the larger corporate grower, whose acreage is increasing, by leasing space to a large tomato operation and also to a year-round broker who buys locally.

Negative factors cited by market operators in 2007 included:

- Unfavorable weather conditions, which began with a late spring freeze and was followed by extreme heat and drought during the summer and early fall, reduced yields on most fruits and vegetable crops.
- Increased fuel and input costs continue to have a negative impact on profitability.

- Wholesale product buyers are fewer in number, as a result of consolidations and closures.
- Continued slow economic recovery in some regions of the state.
- Due to difficulty in recruiting local labor, vegetable growers in most regions are dependent on migrant labor. The availability and high cost of migrant labor, as well as the migrant housing requirements continue to be issues of concern.
- Warm temperatures caused crop maturity convergence in several production regions of the East Coast, causing some harvest gluts and lower prices at times during the growing season.
- The traditional row crop culture and higher prices for crops, such as corn and soybeans have made it difficult to attract new growers or get additional acreage grown for the Southeast market.
- The booming real estate market on the Eastern Shore and the resulting higher prices of land have made it virtually impossible to acquire farmland for purely agricultural use. The higher prices for land have also driven up the rental rates of acreage for farming. These factors along with a production shift by many growers from vegetables to increased acreage of corn, soybeans, wheat, and to a lesser extent cotton.

III. PRODUCTION CONDITIONS AND MARKET FACTORS

Markets in Virginia's shipping point market system had 5 percent fewer total units running through the system in 2007, as compared to the previous year. However, the value of the units, at \$22.7 million, was up almost 6 percent. Just as in 2006, two issues continue to affect production and marketing. They are the continuing escalation in production costs and adverse weather conditions. A late spring freeze, which impacted Southwest Virginia in particular, followed by hot and dry weather across the state in the summer and early fall reduced yields and the amount of product running through the markets.

The Southwest Virginia Farmers Market suffered the greatest impact, as a result of adverse weather. In mid-April, a late season freeze wiped out almost all of the region's peach, nectarine, and cherry crops and a large percentage of the region's apple crop. The summer brought high temperatures and one of the most severe droughts on record to the region and the yield and size of almost all crops were adversely affected. Growers using the Northern Neck of Virginia Farmers Market also experienced drought conditions, but irrigation mitigated the impact on yields. In some cases, it was reported that the dry weather resulted in less disease in vegetable crops and, thus, brought some advantages – not just the negative of the yield losses.

Prices received for produce during the year appeared to be mixed. In Southwest Virginia, tomato and pepper prices were low during July, August, and early September before improving in late September and October. Cabbage prices were low for most of the season, while apple and pumpkin prices were higher due to light supplies. The Northern Neck market was impacted by warmer temperatures on the East Coast, which caused crop maturity convergence in

several production regions, thereby, causing some crop harvest gluts and lower prices for cucumbers and sweet corn. Watermelon sales were reported to be good at the Southeast Virginia market, with solid prices received for most of the crop.

The Southwest Virginia Farmers Market diversified their product base with several new crops including broccoli, sweet corn, kale, collards, and additional fall squashes. Much of this production was sold to a retail grocery chain located in the region. There was also an acreage shift at the Northern Neck market from squash, vine crops, and peppers to crops less affected by large amounts of rainfall, such as sweet corn and broccoli. Heavy rains had caused disease and substantial field losses in cucurbits and peppers for several years in a row. This would not have been the case in 2007, as the drought took over in July and held until late October.

Agriculture on the Eastern Shore is going through major changes. Market management reports seeing very few small growers, and that small growers farming 10 to 15 acres have virtually disappeared. There is a continuing decline in the acreage of the traditional crops, such as cucumbers, sweet corn, peppers and asparagus. The decline in the traditional vegetable crops is being offset by increased acreage in corn, wheat, soybeans, and to a lesser extent cotton. There is, however, an increase in acreage being grown by larger corporate growers, especially tomato producers.

The Southeastern Virginia Farmers Market continues to struggle to convince producers to expand produce production in the region. While several new growers in the area ventured into produce production in 2007, the bulk of the areas growers have been reluctant to change their operations from conventional row crop production or to invest in irrigation.

IV. SUCCESS IN MEETING GOALS FOR THIS YEAR

The stated goals of most market system operators were met for 2007, with the exception of external factors which negatively impacted the numbers of growers served by the Southwest Virginia Farmers Market and units moving through the market.

The number of units moving through the Southwest Virginia Market was less than the goal, but considering the very poor weather conditions throughout the season, the market was much more successful than many growers expected. The market lost three major wholesale tenants in 2007. The loss of these three tenants had a significant impact on the number of producers using this market. These Wholesalers had contract growers that serviced only these three accounts.

The market operator was able to replace the lost wholesale tenants with three new tenants, but this change negatively affected the volume of product handled through the market and also affected the number of producers served by this market. One of the tenants that the market lost was one of the largest tomato

shippers in the region and yet the market still sold over 30,000 boxes of tomatoes. This same tenant was also the area's largest pepper shipper. The market actually sold more peppers in 2007 than it has in any of the previous fifteen years.

The Southwest Virginia market was able to help producers get more products into the chain store channel than in any previous year. They were also able to work with another shipper and get a great deal of product into the military. While there were fewer growers using the market this year, the market was able to move almost all of most producers' crops. It has always been a major market objective to see that growers were assisted in moving all of their available crop.

The Southwest Virginia Market's goal to continue to diversify the region's production into a wider array of crops is proving successful, as demonstrated by the successful broccoli and leafy greens project of 2007. It is felt that this gives the region's producers a better chance of increasing income, spreading risk, and reducing some of the price competition between individual growers.

The Northern Neck of Virginia Farmers Market operator continued efforts to support the industry and growers with education and services of value. Numerous activities and programs were sponsored to keep growers up to date on production technology and marketing issues. In conjunction with the grower's association annual meeting, extension and industry speakers gave presentations on crop production, management and marketing issues.

The Association also assisted with sponsorship of the Central Virginia Vegetable Production Conference in New Kent County where similar topics and issues were addressed. The publication, Vegetable Production Recommendations for Virginia for 2007 was distributed to 40 members of the Association for their use. Plans are being developed for an educational tour to Central California in early 2008, and a visit to the Farm Show in Tulare, California as part of the trip.

Four members represented the Association and the Virginia vegetable industry at the Produce Marketing Association's annual trade show in Houston, Texas in October of 2007. Members assisted VDACS with the Virginia Grown display and exhibit in promoting the region and the state's produce.

Contributing to the market operator's goal of enhancing community and youth development in areas served by the Northern Neck of Virginia Market, the 2007 College Scholarship Award (\$5,000) was made to Philip Henley of King and Queen County. Philip is a senior at Virginia Tech majoring in Agriculture and Applied Economics.

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 2007 season, their facility was fully leased. However, the majority of market space, bays and coolers were leased to a large tomato growing corporation, with a smaller amount of space being leased to a year-round produce broker and an ice company. The Eastern Shore Farmers Market Cooperative, Inc. operator requests that fewer 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 is under contract to manage the Southeastern Potato Committee. This Committee manages the USDA Marketing Order, which allows potato producers to export product to Canada.

For the Southeast Virginia Farmers Market, Virginia-Carolina Growers, Inc., the 2007 market operator, indicated that they met their customer and wholesale produce volume goals. The organization's goals for handling cabbage, peppers, potatoes, sweet potatoes, tomatoes and watermelons were exceeded.

V. MARKET GOALS FOR 2008

The Southwest Virginia Farmers Market's goals for 2008 include the following:

- Continue to increase the diversity of the region's vegetable production.
- Continue to move products into the chain stores or wherever the best, most stable prices are available.
- Enhance producer awareness and education through regional extension meetings, small grower meetings, and one on one discussions.
- Obtain needed cooling, packing and handling equipment in order to make the product more acceptable to buyers and achieve increased crop diversification in the region.

The Eastern Shore of Virginia Farmer's Market operator's goals for 2008 include the following:

- Work with present tenants to ensure profitability by keeping lease rates as low as possible.
- Work with county extension agents in Accomac and Northampton counties with participation in agricultural conferences and grower meetings.
- Take on outside contracts such as the management of the Southeastern Potato Marketing Order and the seasonal housing project.
- Continue to look for ways to serve any and all facets of the agriculture community on the Eastern Shore.

The Northern Neck of Virginia Farmers Market operator's goals for 2008 include the following:

- On education:
 - Educate vegetable growers in Eastern Virginia on profitable techniques and strategies for managing their farm businesses.
 - Educate growers on managing risk involved in the production of vegetable and fruit crops.
 - Support the education and development of youth involved in agriculture through a scholarship program and through local fairs.

- Gather information and educate local growers on labor supply and management issues. Collaborate with other local agencies and groups on how to insure a stable, competent, and contented workforce that supports a viable industry.
- Support and encourage the filling of extension agent positions that fulfill needed educational roles for the vegetable industry.
- On Promotion/Profitability:
 - Increase the benefits to members involved in the Northern Neck Vegetable Growers Association.
 - Promote Northern Neck and Virginia grown produce both regionally and nationally.
- 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.
 - Investigate and solicit support for the continued improvement and maintenance of facilities at the Northern Neck of Virginia Farmers' Market.

The Southeast Virginia Farmers Market, which has a new operator for 2008, has the following goals:

- Evaluate the suitability of new crops to the region's producers and buyers in order to determine the best direction for the market in the future.
- Institute a produce auction for the benefit of small producers.
- Work with local producers to make the Southeast Virginia Farmers Market an asset to the region.
- Continue to service the same producers/production as in the past.

VI. PRODUCER ATTITUDES ON PROFITABILITY AND OUTLOOK FOR THE FUTURE

The Southwest Virginia market reports that despite 2007 being a hard year financially for the area's growers, most seemed to be very satisfied with the changes occurring at the market. The producers are starting to see the need for product diversification and changes in their marketing strategy as a means of increasing their potential for profitability. Consequently, producers are willing to try new crops and new ways of handling and marketing their crops. As the chain store buyers appear to be more willing to buy local products that are properly cooled and packed, market management feels that the timing is excellent for the market's growers to diversify and gain entrance into these markets.

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 according to cost versus profitability. The future for Eastern Shore vegetable production is in doubt with the lack of younger

vegetable producers. As the grower base becomes older and retires, less acreage will be planted for vegetable production. 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 despite harsh weather conditions in 2007, vegetables and fruit crops were fair to good across the region. Even with the loss of several producers in the region over the last couple of years, vegetable acreage is steady and production to all markets (retail and wholesale) is steady to increasing. Growers are facing increased production costs in 2008 and will have to do an even better job of managing and marketing than in the past to maintain profitability. While not overly optimistic, growers in the area are determined to continue efforts to make their businesses and the industry a success.

The Southeast Virginia market operator reports that the timing may not be right for encouraging new or increased production in the area in 2008, considering that traditional row crop prices for 2008 are at the highest level in years. With some downtime due to a change in management and high row crop prices in this traditional row crop producing area, it is likely that total acreage served by the market will decline in 2008. However, watermelon production acreage is expected to increase slightly.

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

DECEMBER 1, 2007

ACREAGE AND CLIENTELE OVERVIEW

	2007 GOAL	2007 ACTUAL 12/01/07	2008 GOAL
Producers served	285	103	113
Total acres served	7120	5715	5500
Brokers served	58	47	45
Buyers served	391	312	170

**VIRGINIA FARMERS MARKET SYSTEM
ANNUAL PLAN AND REPORT
December 1, 2007
CROP VOLUME AND VALUE**

	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value \$	Goal Units
	2007 **	2007	2007	2008
Apples	80,000	70,334	994,125	75,000
Asparagus	0	1080	10,118	1,000
Beans	4,200	19,270	305,026	21,100
Blueberries	0	816	20,450	800
Broccoli	0	233,372	2,566,189	285,000
Bins	0	98	9,878	100
Cabbage	17,000	30,013	257,449	12,000
Crates	40,000	2,600	15,600	4,000
Cantaloupe	0	3,389	40,262	3,500
Bins	250	2,522	216,978	2,500
Singles	145,000	94,650	118,312	125,000
Cauliflower	0	0	0	0
Chili Peppers	0	7,152	82,686	7,000
Corn	0	292,286	2,342,599	300,000
Bins	0	389	42,733	400
Crates	8,000	18,578	150,444	5,500
Corn Stalk Bin	0	21	2,748	30
Cucumbers	8,000	118,878	1,000,864	122,500
Bins	0	16	2,968	20
Eggplant	1,000	14,265	101,126	15,000
Greens	2,500	25,117	154,825	26,000
Indian Corn	0	0	0	0
Jalapeno	0	13,346	169,233	14,000
Nectarines	3,000	0	0	500
Okra	0	64	892	60
Onions	0	1,502	27,881	1,500
Peaches	15,000	1,828	31,802	7,000
Pears	850	124	1,457	350
Peas	100	367	4,977	0
Peppers	23,000	94,258	894,559	62,500
Bins	0	0	0	0

Pickles	0	0	0	0
Potatoes	14,500	16,480	141,370	40,000
Pumpkins	0	0	0	0
Bins	0	815	78,445	480
Singles	70,000	32,060	64,225	70,100
Radish	0	50	432	50
Squash (hard)	0	446	4,146	5,000
Yellow Squash	6,000	139,480	1,142,331	141,000
Straw	0	0	0	0
Strawberries	10,000	13,286	129,958	15,500
Sweet Potatoes	1,000	6,335	51,690	1,500
Tomatoes	885,200	943,806	9,471,349	950,050
Turnips	350	2	20	350
Watermelon	0	0	0	0
Bins	4,000	10,196	911,043	10,700
Singles	7,500	300	900	1,000
Zucchini	0	168,673	1,103,900	175,000
Miscellaneous	45,000	2,896	61,824	3,100
TOTAL	1,391,450	2,383,160	\$22,727,814	2,506,190
Boxes	1,116,700	2,220,816	21,113,540	2,286,360
Bins	4,250	14,057	1,264,793	14,230
Crates	48,000	21,178	166,044	9,500
Singles	222,500	127,010	183,437	196,100
Total	1,391,450	2,383,061	\$22,727,814	2,506,190

** Does not include Northern Neck of Virginia Farmers Market, which did not state goals for 2007.

APPENDIX

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

