



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

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

2008 REPORT AND 2009 PLAN

January 2009

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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 operators' 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 the Eastern Shore Marketing Cooperative, Inc.
- The Northern Neck of Virginia Farmers Market, Oak Grove, is operated by the Northern Neck Vegetable Growers Association.
- The Southeast Virginia Farmers Market, Courtland, is operated by Farmers Market, L.L.C.

For the 2008 harvest year, volume (units sold) was up 13.3 percent while the value of produce handled was up 30.7 percent when compared to 2007. Statistically the breakdown is as follows:

- Ninety-five producers marketed product and/or used market services at the four markets (combined), compared to 103 producers in 2007

- Gross value of products marketed was \$29.7 million representing 2.7 million product units, compared to \$22.7 million in 2007 representing 2.38 million product units.
- The markets served 5,443 acres in 2008, compared to 5,715 acres in 2007.
- The system served 42 brokers and 226 major retail stores and institutional buyers, compared to 47 brokers and 312 retail stores and institutional buyers in 2007.

Several factors affecting production and marketing volumes were cited by the market operators in 2008. 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.
- Weather conditions were more favorable than in 2007. While there were several periods during the growing season when rainfall was in short supply and yields and size of the crops were negatively impacted, the severity of the drought was not as bad as in 2007. Also, there was not a late spring freeze affecting the southwest region as was the case in 2007.
- 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 continues its transition from a market that was primarily serving wholesalers catering to individual stores/fruit stands, 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 annual Produce Marketing Association Conference and Trade Show held in Orlando, Florida in October 2009 and promoted the region's vegetables while assisting in staffing the VDACS Virginia Grown exhibit.
- The Eastern Shore of Virginia Farmers Market continued as an agricultural service center. The cooperative operator manages the farmers market as well as the Pacific Tomato Growers housing site and the Southeastern Potato Committee, which manages the USDA Marketing Order that allows potato producers to export product to Canada. The market also provides scale services for the vegetable and grain trucks leaving the Shore and dry storage, whenever possible, for vegetable producers.
- With planning underway for the construction of a seafood market, the operator of the Eastern Shore of Virginia Farmers Market has worked with various government agencies to determine the needs of the seafood industry on the Eastern Shore.
- The Eastern Shore of Virginia 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 from smaller scale growers.

Negative factors cited by market operators in 2008 included:

- Increased fuel and input costs continued to have a negative impact on production and profitability in all areas.
- Wholesale product buyers continued to decline in number, as a result of consolidations and closures.
- The condition of the economy in some of the market regions is worse than the national economy.
- Due to a lack of local labor, vegetable growers in most regions are dependent on migrant labor. The availability and high cost of migrant labor and migrant housing requirements continue to be issues of concern.
- The traditional row crop culture and higher prices offered in the spring for crops such as corn and soybeans made it difficult to attract new growers or get additional acreage grown for the Southeast market.
- The real estate market on the Eastern Shore is resulting in higher prices of land, making 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 to record levels. These factors, along with a production shift by many growers from vegetables to an increased acreage of corn, soybeans, wheat, and to a lesser extent cotton, have resulted in declining vegetable acreage being planted on the Shore.

III. PRODUCTION CONDITIONS AND MARKET FACTORS

Markets in Virginia's shipping point market system had a 13.3 percent greater number of total units running through the system in 2008 as compared to the previous year. The total value of the units moving through the markets, at \$29.7 million, was up 30.8 percent as compared to 2007. As has been the case for the last two years, the continuing escalation in production costs and adverse weather conditions continue to affect production and marketing. While not as severe as in 2007, dry weather conditions at certain periods of the growing season negatively impacted produce acreage planted and yields.

Prices received for produce during the year were mixed as usual, depending on the particular produce item and the time at which it was sold during the season. However, prices overall appeared to improve in 2008 as compared to 2007. Increased prices were obviously needed to offset the rising and sometimes seemingly uncontrolled costs of fuel and other inputs associated with growing and transporting the crop.

The Southwest Virginia Farmers Market continued to diversify their product base with expansion in the production of broccoli, sweet corn, kale, collards and cauliflower. These relatively new crops to the area comprised 47 percent of the value of product moving through the Southwest Virginia Farmers Market in 2008. The addition of a tenant on the market that is a major supplier of greens on the

East Coast has provided the market with excellent potential to develop a mid-summer to early fall greens enterprise in the region. Past and continuing efforts to pack and ship to chain stores and other operations that supply such businesses have proven successful and each year a larger percentage of the market's shipments go this route.

Agriculture on the Eastern Shore continues to be in a period of transition and major change. Market management reports that they are seeing very few small growers and that the 10 to 15 acre growers have virtually disappeared. There is a continuing decline in the acreage of traditional vegetable crops on the Eastern Shore with 2008 having seen no production of some previously commercially grown crops such as sweet corn, green peppers, and peas. 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 new management of the Southeastern Virginia Farmers Market is working to build confidence and enhance relationships with area farmers. This market is located in a traditional row crop agriculture area with few produce growers and, with higher than normal market prices existing for row crops in the spring, the ability to convert farmers to produce production met with little success. The watermelon crop, which is the largest volume crop going through the market, had an acreage increase of 10 percent but experienced only fair yields, as the dry conditions experienced in June had a negative affect on the crop. However, prices received for watermelons were good, which resulted in an overall good year for the crop.

IV. SUCCESS IN MEETING GOALS FOR THIS YEAR

The stated goals of most market system operators were met for 2008. The number of units moving through the system exceeded the goal by 8 percent. The total number of acres served by the system was 99 percent of the combined stated goal of the operators, and the total number of buyers and brokers served exceeded the goal by 24 percent. The only exception in meeting the stated combined goals was in the number of producers served, which was 16 percent short of meeting the goal. This deficit occurred primarily in the Southeast Virginia Farmers Market, which had a new operator seeking new producers in a traditional row crop producing area, while competing with extremely high prices being offered for traditional crops such as corn and soybeans.

The Southwest Virginia Farmers Market was successful in continuing to increase the amount of product it moved into chain store channels. This was due in large part to the increasing diversification of the vegetable product base available from the area and improved packing. Historically, the market has relied heavily on wholesalers, which catered to individual stores/fruit stands, restaurants, and other wholesalers, as its primary marketing outlet. In the last three years, the market share going to wholesalers has declined dramatically, while the share going to chain stores has increased.

The retail portion of the Southwest Virginia Farmers Market continued to prosper in 2008. The market operator is working with a private investor to develop a small mall on property adjacent to the retail area. This is expected to further increase the traffic in the retail area of the market. The availability of the Senior Farmers Market Nutrition Program (SFMNP), whereby certified producers selling on the market can accept SFMNP checks from participating senior citizens, has also increased retail sales.

The Southwest Virginia Farmers Market's goal and corresponding effort to continue to diversify the region's production into a wider array of crops continued to show progress. During the past three years, new crops added include broccoli, cauliflower, sweet corn, collards and kale. To demonstrate the progress and its significance, broccoli sales have gone from 0 boxes in 2006 to 7000 boxes in 2007 to over 59,000 boxes in 2008. Similarly, sales of greens went from 0 boxes in 2006 to 62,000 boxes in 2008. It is felt that this diversification gives the region's producers a better chance of increasing income, spreading risk, and lessens some of the price competition between individual growers.

The Southwest Virginia Farmers Market obtained funding from the Virginia Tobacco Indemnification and Community Revitalization Commission for the purchase of two hydro-cooling systems, which are expected to be operational for the 2009 season. The market plans to integrate the cooling system into the existing structure and will place two hydro-cooler tunnels outside the warehouse building to prevent any chance of water damage to the facility.

The Northern Neck of Virginia Farmers Market operator conducted numerous activities and programs aimed at meeting its educational goals for serving vegetable producers in the area. 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 2008" was distributed to active members of the Association for their use. The Association sponsored an educational tour to central California, where participants visited vegetable production and marketing operations. The California trip also included a visit to the World Ag Expo in Tulare, California.

Four members of the Northern Neck Vegetable Growers Association and sales staff represented the Association and the Virginia vegetable industry at the annual Produce Marketing Association's Conference and Trade Show in Orlando, Florida in October 2009. Members assisted VDACS with staffing the Virginia Grown exhibit, promoting the region and the states produce.

Contributing to the achievement of the Northern Neck Vegetable Growers Association's goal of supporting the education and development of youth involved in agriculture was the sponsorship of a \$5,000 scholarship to a deserving youth from the service area to further the student's study in agriculture. The 2008 scholarship winner was Caleb Foster from Essex County, who is a junior at

Ferrum College. Also, funding and technical assistance was provided to support a horticulture project at Northumberland County High School, where students grew annuals in the green house, which were sold to raise money for class projects.

The Eastern Shore of Virginia Farmers Market operator, with a goal of working with its current tenants to ensure that they remain profitable, has made a conscious effort to keep lease rates as low as possible. In order to maintain the low-level rental rates, the Eastern Shore Marketing Cooperative Inc. has taken on outside contracts for additional income. The contracts include management of the Pacific Tomato Growers housing site and the management of the Southeastern Potato Committee, which manages the USDA Potato Marketing Order #953 that allows potato producers to export product to Canada. The operator leases four bays and two coolers to a tomato operation, one bay to a year round broker who buys locally and non-locally, and one cooler to an ice company, which leaves one cooler available for spot lease.

The new operator of the Southeast Virginia Farmers Market managed the cleanup and repairs of the facility and worked closely with contracting crews and the Department of Corrections (DOC), a major tenant on the market, to update the facility to better serve the area. DOC works with the market operator in marketing produce and also handles produce for distribution to their facilities.

The Southeast Virginia Farmers Market operator evaluated the suitability of various produce crops for production by area producers and has decided to focus on watermelons, butterbeans, and sweet potatoes at this time. The decision was prompted by extensive research on these commodities. Through multiple trips to Florida and discussion with Eastern Shore growers, the decision was made to apply for a grant to promote the production of butterbeans in the area. The focus on sweet potatoes was enhanced by trips to meet with North Carolina growers and observe their production practices. Meetings with North Carolina sweet potato buyers and processors were also essential in this decision. The continued focus on watermelons was enhanced by increased buyer interest in watermelons grown in the area.

The Southeast Virginia Farmers Market is also being used for the storage and handling of other products for DOC as well as agricultural products, such as peanuts and tree seedlings, for area entities.

The establishment of a produce auction at the Southeast Virginia Farmers Market was put on hold until 2009 due to a desire by the operator to obtain an auctioneer that is well suited to make the auction successful.

V. MARKET GOALS FOR 2009

The Southwest Virginia Farmers Market's goals for 2009 include the following:

- Continue transitioning the region's produce into chain stores or wherever the best, most stable prices are available.
- Continue to develop as much product diversity as possible.

- Enhance producer awareness and education through regional extension meetings, small grower meetings, and one-on-one discussions.
- Seek funding to 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 2009 include the following:

- Continue working with present tenants to ensure profitability by keeping lease rates as low as possible.
- Participate with county extension agents in Accomac and Northampton counties in agricultural conferences and grower meetings.
- Continue to take on outside contracts such as the management of the Southeastern Potato Marketing Order and the seasonal housing project.
- Work with the Working Waterman's Association and aquaculture growers on the Eastern Shore to help meet the needs of this industry as it plans for the construction and opening of a seafood market.
- Continue to look for ways to serve any and all facets of the agricultural community on the Eastern Shore.

The Northern Neck of Virginia Farmers Market operator's goals for 2009 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 risks 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 has the following goals for 2009:

- Obtain a moderate increase in the amount of watermelon acreage produced and the number of watermelon producers.
- Work with an auctioneer to provide a produce auction at the market for the benefit of small producers and work with area growers and retailers to make the auction a success.
- Continue to obtain knowledge in the production and marketing of butterbeans and sweet potatoes.
- Expand the storage and handling of other products, such as peanuts.
- Continue to work with DOC in the marketing of their produce.
- Seek new growers and promote the production of produce in the area.
- Maintain and operate the facility in a way that will be respected by the community.

VI. PRODUCER ATTITUDES ON PROFITABILITY AND OUTLOOK FOR THE FUTURE

The Southwest Virginia Farmers Market reports that producers are, for the most part, cautiously optimistic about the future of vegetable and fruit production in the region. The producers better understand the need for product diversification and changing their marketing strategy as a means of increasing their potential for profitability and survival in the business. After seeing success, the region's producers are more willing to try new crops than in past years. 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 of Virginia Farmers 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 alternative crops for profitability. The increase in land values will prohibit 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 is likely to 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 Farmers Market operator reports that despite many challenges, producers have reported being generally happy with the outcome of the season and prices received, so he expects utilization of the market to remain fairly stable. Some parts of the region experienced several periods of dry weather, but generally rainfall was adequate to normal for most of the region. The high costs for production inputs will remain a concern for growers in the area, as higher input costs translate into greater financial risk for

growers. Fluctuations in the cost of certain inputs may make planning difficult. This past year, however, higher prices received for the vegetables sold provided increased income to offset the rising costs of producing and transporting the crop. If vegetable prices remain high, then vegetable acreage will remain consistent. The market operator indicated that 2008 was a better than average year in terms of revenue and units moving through the market and while the number of producers served may be down slightly in 2009, they are hopeful that the volume of units moving through the market will remain stable.

The Southeast Virginia Farmers Market operator reports that the producer attitudes toward watermelon production are very favorable, due to good demand and favorable prices for the 2008 crop. The operator is optimistic about the future of watermelons in the area. As for the production of new crops in the area such as butterbeans and sweet potatoes, market management is optimistic about their potential for profitability but realistic in knowing it will take a great effort for it to be successful.

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

DECEMBER 1, 2008

ACREAGE AND CLIENTELE OVERVIEW

	2008 GOAL	2008 ACTUAL 12/01/08	2009 GOAL
Producers served	113	95	102
Total acres served	5,500	5,443	5,600
Brokers served	46	42	45
Buyers served	170	226	206

**VIRGINIA FARMERS MARKET SYSTEM
ANNUAL PLAN AND REPORT
December 1, 2008
CROP VOLUME AND VALUE**

	Total	Total	Total	Total
	Goal Units	Actual Units	Actual Value \$	Goal Units
	2008	2008	2008	2009
Apples	75,000	88,254	1,235,764	85,000
Asparagus	0	600	21,000	600
Beans	21,000	12,300	236,248	13,800
Blueberries	800	1,728	42,970	1,700
Broccoli	285,000	389,615	4,678,347	400,840
Cabbage	12,000	2,310	16,731	2,500
Bags	0	42,000	210,000	42,000
Crates	4,000	4,428	39,852	4,000
Cantaloupe				
Bins	2500	1,464	147,386	1,540
Singles	125,000	15,000	15,000	30,000
Carrots	0	320	4,032	100
Bags	0	42,000	378,000	42,000
Cauliflower				
Bins	0	60	8,400	60
Chili Peppers	7,000	7,201	87,397	7,000
Collards	0	1,800	9,000	1,800
Corn	300,000	306,200	3,255,396	300,000
Crates	5,500	16,380	160,440	11,680
Corn Stalk Bins	0	24	3,846	0
Cucumbers	122,500	101,775	1,021,796	102,900
Eggplant	15,000	11,564	105,704	10,000
Greens	26,000	225,077	464,974	81,000
Jalapeno	14,000	11,707	161,995	11,000
Lettuce	500	140	1,589	100
Nectarines	500	94	940	200
Okra	60	324	4,557	100
Onions	1,500	144	2,205	100
Peaches	7,000	7,140	97,633	8,000
Pears	200	0	0	0
Peppers	62,500	71,102	823,571	73,100
Potatoes	40,000	4,783	57,988	5,000
Bags	0	168,000	1,176,000	168,000

Pumpkins				
Bins	480	413	46,202	350
Singles	70,000	45,920	80,360	50,000
Squash (hard)	5,000	2,945	32,645	5,000
Bins	0	48	12,086	0
Yellow Squash	141,000	121,756	1,086,551	102,670
Straw	0	60	300	0
Strawberries	15,500	5,035	52,515	5,670
Sweet Potatoes	1,500	25,150	150,975	2,600
Tomatoes	950,050	778,015	11,558,627	795,090
Turnips	350	83	830	200
Watermelon				
Bins	10,700	9,104	792,132	9,700
Singles	1,000	3,850	9,625	5,000
Zucchini	175,000	167,110	1,332,121	165,000
Miscellaneous	2,500	7,728	92,736	10,000
TOTAL	2,500,640	2,700,751	\$29,716,466	2,555,400
Boxes	2,281,460	2,352,060	\$26,637,137	2,191,070
Bins	13,680	11,113	\$1,010,052	11,650
Bags	0	252,000	\$1,764,000	252,000
Crates	9,500	20,808	\$200,292	15,680
Singles	196,000	64,770	\$104,985	85,000
Total	2,500,640	2,700,751	\$29,716,466	2,555,400

APPENDIX

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

