



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

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

2011 REPORT AND 2012 PLAN

January 2012

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 2011 Year	4
V. Market Goals for 2012	5
VI. Producer Attitudes on Profitability and Outlook for the Future	7
VII. 2011 Acreage and Clientele Overview	8
VIII. 2011 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, Chesapeake, and Natural Resources, 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, Chesapeake, and Natural Resources, the Senate Committee 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 (§ 3.2-3501 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 served by each market, the types of crops sold at the market, and the number of brokers, buyers and producers that utilized 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 (SWVFM), Hillsville, is operated by the County of Carroll.
- The Eastern Shore of Virginia Farmers Market (ESVFM), Melfa, is operated by the Eastern Shore Marketing Cooperative, Inc.
- The Northern Neck of Virginia Farmers Market (NNVFM), Oak Grove, is operated by the Northern Neck Vegetable Growers Association.
- The Southeast Virginia Farmers Market (SEVFM), Courtland, is operated by Farmers Market, L.L.C.

In 2011, the Virginia Farmers Market System broke the \$40 million level in sales, with a gross sales value of \$42.8 million. This represents a 7.3 percent increase above 2010 and more than doubles the reported value of sales over the past five years, at 110 percent above the 2006 sales level. The number of farmers using the Market System in 2011 increased by 34.8 percent and produce acreage rose by nearly 20 percent in the past year. Statistically, the breakdown is as follows:

- 209 producers marketed product and/or used market services at the four markets (combined), compared to 155 producers in 2010.

- Gross value of products marketed was \$42.8 million, representing 2.9 million product units; compared with \$39.9 million in 2010, representing 2.9 million product units.
- The markets served 7,726 acres of production in 2011, compared with 6,448 acres in 2010.
- The system served 17 brokers and 638 major retail stores and institutional buyers, compared with 36 brokers and 317 retail stores and institutional buyers in 2010.

Factors that had a positive effect upon production and marketing volumes for the past year, as cited by the market operators in 2011, were:

- A continued trend in a greater diversity of the types of produce grown and marketed through the Farmers Market System. Virginia farmers are diversifying their produce business in terms of product mix, varieties, and volume according to customer demand.
- Produce prices, while mixed, were generally higher than in 2010, depending on the particular produce item and the time sold during the season.
- The 20 percent increase in production acreage served by the market system offset the yield reductions due to the high temperatures and drought in some regions and the hurricane damage and wet weather conditions that impacted eastern Virginia in late summer and early fall.
- Production meetings and grower educational sessions were held in all regions served by markets during the winter months to recruit growers and educate farmers on market demand and the latest production recommendations and techniques.
- The “Buy Locally Grown” and “Virginia Grown” consumer movements continued to generate greater produce marketing opportunities thereby resulting in increased production of fresh produce items by Virginia farmers.
- The SWVFM continued its transition from a market that was primarily serving wholesalers, to one that increasingly packs and ships directly to grocery chain stores and to companies that supply them. This has resulted in increased volumes of produce being grown and marketed in the region.
- The capital investments in 2009-2010 at the SWVFM in forced air coolers, five-ton capacity ice machines, and hydro-coolers, have proven to be instrumental in opening up sales opportunities and fostering greater production of sweet corn and broccoli, thereby increasing the economic viability and crop diversity of Southwest farm businesses.
- The NNVFM’s utilization of early season produce contracts as a key marketing and risk management strategy secured higher prices for the region’s produce growers.
- The ESVFM continued to expand as a full agricultural industry service center site with the construction of a Seafood Market slated for completion in early 2012. The market also provided scale services for the vegetable and grain trucks leaving the Shore and dry storage, whenever possible, for boxes etc. for vegetable producers in the region.
- The ESVFM worked 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.

- The SEVFM weekly produce auction saw a marked expansion in participating producers, buyers and in the volume of produce sold. Participating producer level more than doubled to 80 growers and the sales volume increased 71 percent to \$110,000. It was estimated that the weekly auction attracted around 450 buyers.
- The SEVFM continued to forge collaborative business opportunities with public and private sector partners to increase volume, market demand and economic opportunities for the market and the market's farmer base. Such partnerships include expanding produce business opportunities with the Department of Corrections (DOC) and the NNVM to increase market demand and produce sales.

Factors that negatively affected production and marketing volumes during the past year, as cited by the market operators in 2011, were:

- Produce production and quality were impacted by extreme weather conditions with extended periods of high temperatures and drought through the summer, followed immediately by major storms, Hurricane Irene and Tropical Storm Lee, which resulted in excessive rainfall, flooding and damaging high winds.
- Wholesale buyers continued to decline in number, as a result of consolidations and closures.
- The condition of the economy in some of the market regions was worse than overall conditions in the national economy.
- Due to a lack of local labor, produce growers in most regions were dependent on migrant labor. The availability and high cost of migrant labor, as well as the migrant housing requirements continued to be issues of concern.
- The Eastern Shore has experienced a production shift by many growers from vegetables to an increased acreage of corn, soybeans, wheat, and to a lesser extent cotton, resulting in declining vegetable acreage being planted on the Shore. Southeast Virginia experienced a similar situation with cotton, as some vegetable production shifted to cotton as a result of the high cotton futures in 2011.

III. PRODUCTION CONDITIONS AND MARKET FACTORS

There were 2.9 million produce units handled, packaged and shipped out of the Virginia Farmers Market System in 2011. Though this level was relatively stable from the past year, it is a significant volume given the extreme weather conditions in 2011 and the adverse impact on production. Both produce acreage and the number of participating growers rose in 2011 with a 20 percent increase in acreage and a 35 percent increase in grower base. This amounted to 1,278 acres of new produce acres being grown by 54 new farmers utilizing the markets. The increases in acreage offset the yield reductions, enabling the markets to remain consistent in production volume from 2010 to 2011.

Overall, average sales prices were higher in 2011 as compared to 2010, which largely accounted for the 7.3 percent increase in the sales value of product moving through the farmers market system. While prices were above average, increased production in some growing areas and overlapping product availability and market windows reduced product demand, especially during the mid to late season. This had a negative effect on prices received for some produce crops.

The NNVM used early season forward contracting to mitigate and stabilize market prices, thereby allowing the produce to move at higher prices. Also, increased consumer demand for “local” product increased product sales into nearby metropolitan areas.

The SWVM continued efforts to diversify their product base in 2011. The market placed major emphasis on broccoli, cauliflower, sweet corn, collard greens, kale, cilantro, fall squash, pumpkins and fall ornamental nursery products. Pumpkins are now the largest acreage fruit and vegetable crop in the region having gone from a mere 50 acres of production in 1992 to between 2,500 to 3,000 acres in 2011. Pumpkin volume through the market in 2011 increased to 102,960 units or 64 percent above 2010. Sweet corn saw a 29 percent increase in volume. Despite adverse weather, broccoli and greens remained stable, compared with 2010 volume. Packing and shipping directly to chain stores has proven successful, and each year a larger percentage of the markets’ shipments go this route.

Produce business at the Eastern Shore market is now comprised 100 percent of tomato production grown under contract with large corporate tomato firms. The agricultural base transitioned to increased production of commodity feed grains and soybeans due to significantly higher commodity grain prices, full mechanization and the low labor requirements. The market is likewise transitioning to focus on seafood as a major product with the Seafood Market nearing completion and with potential tenants already evaluating opportunities.

The SEVM saw a 39.7 percent increase in watermelon volume, accounting for over \$1.3 million in sales and representing 36 percent of total sales for the market. A key produce grower and market supplier reallocated produce acreage to cotton due to the higher futures contract prices for 2011 cotton. This action resulted in significantly lower sweet corn and squash volume for the market.

IV. SUCCESS IN MEETING GOALS FOR THIS YEAR

The total number of producers served exceeded the goal by 28 percent and the total number of brokers and buyers purchasing through the markets exceeded the set goal by 79 percent. Total produce acreage committed to the markets was three percent above projections set last year.

The extreme weather conditions of 2011 and the subsequent adverse impact on crop production and yields resulted in produce volume falling 24 percent below the combined projected goal of the operators for 2011.

The SWVM was successful in continuing to increase the amount of product it moved into chain store channels. This was due in large part to improvements in product cooling and packing, and continued focus on greater crop diversification to meet market demand. The market achieved USDA GAP (Good Agriculture Practices) Certification for the second year.

The SWVFM's goal and corresponding effort to diversify the region's production into a wider array of crops continued to show progress. Despite adverse weather conditions, the continuation and expansion of broccoli and leafy greens projects proved to be successful. This diversification gives the regions' producers a better chance of increasing income, increasing the buyer base, spreading risk, and lessening some of the price competition between individual growers.

The NNVFM continued to enhance market presence and target major produce buyers in the region, resulting in increased produce revenues. The operator reported that the market was generally well received by the major buyers and that marketing ability continues to increase. The market continued to focus on a commitment to production and quality for member producers, sponsoring an educational tour and meeting to the Pennsylvania Vegetable Conference in Harrisburg, Pennsylvania. The market also sponsored an \$8,500 educational scholarship as a commitment to youth in agriculture.

The ESVFM operator, working with its current tenants to ensure that they remain profitable, 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. took on outside contracts for additional income. The contracts include management of the Pacific Tomato Growers housing site. The operator was very successful in obtaining long-term tenants in 2011, with all bays and two coolers leased and potential tenants for the remaining coolers.

The SEVFM was successful in increasing the acreage of watermelon being handled at the market as well as the overall amount of produce, in spite of unfavorable weather conditions during the growing season. The continuation of the working relationship with the NNVFM, whereby the SEVFM packed and cooled the crops and the sales were handled by the NNVFM, provided for increased sweet corn and squash acreage dedicated to the market. Unfortunately, the increased acreage for these crops did not materialize into greater volume because of the extreme weather conditions.

The SEVFM increased movement of produce through the Farmers Market due to newly formed relationships with retailers looking for local grown produce. The second year of a weekly produce auction saw a marked increase in participation, as 80 growers sold approximately \$110,000 worth of produce to 450 buyers.

The DOC, which continued to lease space at the market, handles their own production and shipping from the facility as well as served as a buyer of some production from area growers. The SEVFM operator continued to attend meetings seeking to enhance the production and marketing of local produce.

V. MARKET GOALS FOR 2012

The SWVFM's goals for 2012 include the following:

- Continue transitioning the region's produce for grocery chain stores and other markets where the best, most stable, prices are available.

- Further develop as much product diversity as possible to enhance ability to more properly mix loads to meet buyer specifications.
- Continue efforts to assure that proper cooling, packing, and handling equipment are available for achieving the goals of the market.
- Properly address food safety and GAP certification issues.
- Enhance producer awareness and education through regional extension meetings, small-scale grower meetings, and one-on-one discussions.

The ESVFM operator's goals for 2012 include the following:

- Continue working with present tenants to help ensure their profitability by keeping their lease rates as low as possible.
- Participate with county extension agents in Accomac and Northampton counties in agricultural conferences and grower meetings.
- Develop and implement outside contracts, such as the Pacific Tomato Growers housing contract, for additional revenue in order to maintain lower rental rates.
- Actively pursue leases for the Seafood Market with the goal of achieving 75% occupancy the first operational year.
- Continue to look for ways to serve any and all facets of the agricultural community on the Eastern Shore.

The NNVFM operator's goals for 2012 include the following:

- Expand sales revenue beyond \$20 million
- Expand acreage dedicated to the market by 1,000 acres resulting in a 20 percent increase in produce acreage.
- Continue to forge increasingly good relationships with major chain store buyers and maintain solid pricing practices for products.

The SEVFM has the following goals for 2012:

- Maintain or slightly increase the amount of watermelon acreage moving through the market.
- Expand the weekly produce auction sales based upon previous years' sales, interest, demand and positive results.
- Continue to work with the NNVFM in the expansion of sweet corn, yellow squash, and zucchini in the southeast region.
- Establish relationships with new buyers to expand produce marketing opportunities for growers.
- Maintain and continue lease arrangement with the DOC.
- Continue to investigate expansion opportunities for the farmers market by working in conjunction with area extension agents to provide meetings for local vegetable producers.
- Participate in meetings to build relationships with new growers and buyers.

VI. PRODUCER ATTITUDES ON PROFITABILITY AND OUTLOOK FOR THE FUTURE

The SWVFM growers are generally optimistic about the future of vegetable and fruit production in the region. Producers recognize the need for product diversification and, as demand dictates, modifying marketing strategies to meet buyer needs and preferences. After seeing success, the region's producers are more willing to try new crops due to market demand and as a production risk management strategy. As chain store buyers are becoming much more willing to buy locally grown products, if they 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 outlets.

The ESVFM operator indicates that long time producers are shifting production between vegetables and grain according to net enterprise profitability versus cost. Unfortunately, with young people not entering traditional produce farming, the future of fresh vegetable production on the Eastern Shore is questionable. However, there is much enthusiasm for future potential in the seafood business, particularly among the younger segment of Eastern Shore producers. The market's positive working relationship with aquaculture producers and the Working Watermen's Association, as well as the upcoming availability of services of the Seafood Market is fostering this optimism. The Eastern Shore Marketing Cooperative, Inc. will continue to provide all the services and encouragement possible to help the agricultural community in this time of change.

The NNVFM operator reports that diligent, dedicated producers recognized profitable returns on produce, despite the adverse production impacts of a most challenging year with extreme weather throughout the growing season. Growers see increasing potential for the "locally grown" market as it will affect the demand for their produce. Due in part to competing high prices for commodity grain and oilseeds, the total number of produce growers will likely decline in the near term. Dedicated produce farmers, however, will see opportunity for enhanced profitability by increasing produce acreage.

The SEVFM operator reports that growers were pleased with the profitability of watermelons and are optimistic about the future of watermelons in the area. Many producers are enthusiastic about the future potential of the weekly produce auction, having experienced very satisfactory results in 2010 and 2011. Producers are eager to establish new buyer relationships through the farmers market, and are optimistic about expanding produce acreage of various produce products based upon market potential.

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

DECEMBER 1, 2011

ACREAGE AND CLIENTELE OVERVIEW

	2011 GOAL	2011 ACTUAL 12/01/11	2012 GOAL
Producers served	163	209	224
Total acres served	7,490	7,726	9,095
Brokers served	36	17	36
Buyers served	330	638	665

**VIRGINIA FARMERS MARKET SYSTEM
ANNUAL PLAN AND REPORT
DECEMBER 1, 2011
CROP VOLUME AND VALUE**

	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value \$	Goal Units
	2011	2011	2011	2012
Apples	62,876	91,761	\$1,474,312	96,000
Asparagus	900	925	\$33,345	1,000
Beans	24,300	6,206	\$169,847	4,750
Blueberries	0	1,200	\$24,624	0
Broccoli	775,900	664,892	\$8,412,444	975,650
Cabbage	15,000	8,853	\$58,719	15,000
Bags	44,000	44,200	\$265,200	44,500
Bins	0	0	\$0	0
Crates	7,000	9,100	\$72,800	9,500
Cantaloupe	0	0	\$0	0
Bins	3,740	1,279	\$110,408	1,175
Singles	30,000	29,400	\$36,750	30,000
Carrots (Bags)	0	252	\$4,554	0
Cauliflower	42,000	43,300	\$389,700	44,000
Bins	50,000	441	\$4,501	20,000
Celery	65	75	\$10,500	75
Chili Peppers	0	64	\$918	0
Collards	1,900	1,540	\$9,240	1,600
Corn	700,000	383,455	\$4,415,963	600,000
Bins	0	17	\$2,350	100
Crates	56,000	89,028	\$1,145,514	102,500
Corn Stalk Bin	0	23	\$3,821	25
Cucumbers	125,915	44,570	\$610,001	101,150
Bins	0	0	\$0	0
Eggplant	25,750	8,109	\$101,415	10,700
Gourds	600	650	\$4,550	700
Greens	90,000	66,624	\$433,166	65,000
Jalapeno	20,000	3,956	\$57,117	5,000
Lettuce	0	105	\$3,772	0
Nectarines	200	253	\$4,554	300
Okra	2,000	1,126	\$16,129	1,500
Onions	5,000	172	\$2,987	0
Peaches	5,500	8,120	\$96,974	5,500
Pears	0	0	\$0	0
Peas	0	73	\$1,710	0
Peppers	110,800	38,964	\$452,451	81,875
Plums	0	1	\$145	0
Potatoes	4,000	4,702	\$84,156	5,000
Bags	168,000	164,500	\$1,151,500	165,000
Pumpkins	0	0	\$0	0
Bins	1,200	139	\$15,410	75
Singles	75,000	102,960	\$180,180	120,000
Squash (hard)	15,000	1,281	\$19,172	10,000
Bins	0	180	\$54,561	250

Yellow Squash	225,700	156,966	\$1,637,692	180,800
Straw	0	435	\$2,173	500
Strawberries (Flats)	5,300	5,094	\$64,698	6,350
Sweet Potatoes	26,000	25,275	\$176,925	25,500
Tomatoes	790,300	611,113	\$15,620,415	672,500
Red	0	0	\$0	0
Cherry	400	525	\$6,300	550
Roma	0	0	\$0	0
Grape	0	0	\$0	0
Turnips	1,000	864	\$9,504	1,000
Watermelon	0	0	\$0	0
Bins	15,000	22,368	\$2,693,501	27,000
Singles	4,000	5,510	\$11,020	5,000
Zucchini	263,000	191,831	\$2,089,901	204,000
Miscellaneous	12,000	43,486	\$532,599	25,000
TOTAL	3,805,346	2,885,965	\$42,780,188	3,666,125
	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value	Goal Units
	2011	2010	2010	2011
Boxes	3,365,641	2,382,210	\$36,701,578	3,125,525
Bins	20,005	24,082	\$2,890,696	28,700
Bags	254,000	252,000	\$1,806,400	253,500
Crates	56,000	89,028	\$1,145,514	102,500
Flats	700	775	\$8,050	900
Singles	109,000	137,870	\$227,950	155,000
TOTAL	3,805,346	2,885,965	\$42,780,188	3,666,125

APPENDIX

Virginia Department of Agriculture and Consumer Services
Organizational and Reporting Structure

