



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

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

2012 REPORT AND 2013 PLAN

January 2013

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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.

All four markets within the system sell a large portion of their produce to retail chain stores. Food safety is a priority for the chain store buyers, and many retailers now require growers and packing facilities to be certified under the Global Food Safety Initiative (GFSI) program or other similar food safety programs. GFSI requirements cover the growing, harvesting and packaging of produce. In order to pass GFSI audits, packing facilities such as the farmers markets are under pressure to make capital investments to improve packing lines, cooling facilities, and ice machines, as well as purchasing/updating software and other equipment related to product traceability. It is

clear that each market will eventually require capital improvements to meet modern food safety compliance standards being required by the produce industry.

For the second consecutive year the Virginia Farmers Market System in 2012 recorded over 40 million dollars in sales, with gross value reaching nearly \$42.3 million dollars. Though the gross value was slightly below the 2011 level of \$42.8 million, it still represents an 86 percent increase over the past five years. The number of farmers using the Market System in 2012 increased by 4.8 percent over 2011 and produce acreage rose slightly more than 11.8 percent in the past year. The numerical breakdown is as follows:

- 219 producers marketed product and/or used market services at the four markets (combined), compared to 209 producers in 2011
- Gross value of products marketed was \$42.3 million, representing 3.07 million product units; compared to \$42.8 million in 2011, representing 2.9 million product units.
- The markets served 8,640 acres of production in 2012, compared to 7,726 acres in 2011.
- The system served 34 brokers and 663 major retail stores and institutional buyers, compared to 17 brokers and 638 retail stores and institutional buyers in 2011.

Factors that had a positive effect upon production and marketing volumes for the past year, as cited by the market operators in 2012, were:

- The 11.8 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 wet weather conditions impacting 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 educate growers on market demand and the latest production recommendations and techniques.
- The “Virginia Grown” and “Buy Fresh Buy Local” movement continues to generate greater produce marketing opportunities thereby resulting in increased production of fresh produce by Virginia farmers.
- The ESVFM seafood facility opened in June of 2012 and had three freezers and three bays leased by the end of the year. The Seafood Market generated over \$600,000 in revenue in just 6 months of operations during 2012. The opening of the seafood processing facility further expands the ESVFM into a full agricultural industry service center. The market also provides scale services for the vegetable and grain trucks leaving the Shore and dry storage, whenever possible, for boxes etc. for vegetable producers.
- The ESVFM is leasing four bays and two coolers to a large tomato agribusiness firm and one bay to a broker who buys a significant amount of product from local growers. The facility also has two coolers available to local growers for spot leasing by independent local producers. This allows the market to meet the needs of both the small grower with lower production and acreage and the larger corporate producer, whose acreage has been increasing.
- The SWVFM continues to increase business opportunities by packing and shipping produce directly to the region’s chain stores and to businesses that supply the

stores. This has resulted in increased volumes and a greater diversity of produce being grown, handled and marketed in the region.

- The SWVFM made significant investments in building infrastructure to expand the retail business and in loading, shipping and cooling equipment to improve wholesale operations. These improvements coupled with the previous investments in 2010 for 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.
- The NNVFM utilized produce contracts as a key marketing and risk management strategy to provide stabilization of prices, thereby reducing the price impact of a weak market and over-supply in peak production periods.
- The SEVFM weekly produce auction continues to be successful for participating producers and buyers, and is expected to be a positive opportunity for expansion of produce volume. In 2012 the auction served over 80 producers and 450 buyers with sales approximating \$130,000.
- The SEVFM continues 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 NNVFM.
- All four state farmers markets have obtained "Good Agricultural Practice" (GAP) Certification which provides a quality assurance standard for produce industry buyers and shippers.

Factors that negatively affected production and marketing volumes for the past year, as cited by the market operators in 2012, were:

- Produce production and quality was severely impacted by extreme weather conditions with winter and early spring high temperatures, late spring freezes, and extended heat and drought conditions in many areas through late summer. In some areas these conditions were followed immediately by excessive rainfall in late summer through early fall.
- Migrant labor costs and issues continue to negatively impact production viability and economic sustainability of the produce business. The vast majority of produce growers are dependent on migrant labor because of the lack of a local labor force. Much of this migrant labor force is employed under the H2A Federal Program which requires growers to pay transportation and housing in addition to wages for the migrant workers. Total cost often exceeds \$13.00 per hour, making labor the highest variable production cost in the business. Further labor regulations and mandatory wage increases are major issues of concern.
- The Eastern Shore and eastern Virginia regions have 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. Due to cheaper labor costs and high commodity prices, such grain crops often provide greater net return and reduced regulatory burden for producers.
- The condition of the economy in some of the market regions is worse than the national economy.

III. PRODUCTION CONDITIONS AND MARKET FACTORS

There were 3.07 million product units handled, packaged and shipped out of the Virginia Farmers Market System in 2012. This represents a six percent increase over the past year and is a significant volume increase given the unfavorable weather conditions in 2012 and the adverse impact on yield. Both produce acreage and the number of participating growers rose in 2012 with an 11.8 percent increase in acreage and a 4.8 percent increase in grower base.

The produce industry, as a whole, experienced a weak market due to a stronger supply of higher quality produce from the southeastern United States, Mexico and Canada. The weak market, coupled with lower quality Virginia production, resulted in overall lower prices in most areas. Further compounding the weak market demand was the overlapping produce availability and market windows from produce in the Northeast U.S., and ever increasing volumes of lower priced produce from Mexico. The weak market for produce accounted for an overall drop of \$1.2 million in value of produce sold, almost three percent less than the 2011 value. The reduction would have been even greater except for the increase in production units due to expanded produce acres and the new seafood product sales at the ESVFM.

The NNVM used contracts and strong relationships with large chain store buyers to mitigate and stabilize market prices. Also, the increasing demand of consumers for "local" product provided some market stabilization in nearby metropolitan areas.

The SWVM continued efforts to diversify their product base in 2012. The crop diversity includes broccoli, cauliflower, sweet corn, collard greens, green beans, kale, cilantro, fall squash, peppers, pumpkins, sweet corn and tomatoes. In the 1980's and early 1990's, two crops (cabbage and apples) made up 90 plus percent of the region's horticulture production. 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 2012. The SWVM has seen a surge in broccoli production, having gone from 0 boxes in 2006 to around 48,000 boxes in 2012. Likewise, there has been a marked increase in production of greens going from 0 in 2006 to around 78,000 boxes in 2012. The increase in greens production was facilitated by the continuing produce business activities of Walter P. Rawl & Sons Company with the SWVM. The company is a major east coast greens supplier headquartered in Pelion, South Carolina.

Produce business at the ESVFM is now largely comprised of tomato production grown under contract with large corporate tomato firms, with little anticipation of any future fresh market vegetable production. However, the ESVFM has transitioned and positioned itself to take advantage of potential economic opportunities in seafood with the opening of the Seafood Market in June 2012. Having been operational for just half of 2012, the market realized over \$600,000 in value.

The SEVM continued to realize a strong volume of watermelon production despite quality problems due to early summer dry weather and wet conditions in late summer. Despite these factors, there was a slight increase in both volume and value of watermelons above 2011. Watermelon sales were \$1.34 million versus \$1.33 million in

2011. Although growth of the SEVFM produce auction was negatively affected by the upstart of a similar auction nearby, the auction continued to be successful.

IV. SUCCESS IN MEETING GOALS FOR THIS YEAR

The SWVFM 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 Certification for the third consecutive year.

The SWVFM's goal and corresponding effort to diversify the region's production into a wider array of crops continues to show progress. Despite adverse weather conditions, the continuation and expansion of the broccoli and leafy greens projects proved to be successful and continued expansion of these relatively new crops to the region is expected. Broccoli sales were about eight times more than they were in 2007. It is felt that 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 NNVM continued to increase market penetration and target major produce buyers in the region, helping to stabilize produce revenues during extended periods of weak market demand. The operator reported that the market was generally well received by major buyers. The NNVM continued to focus on a commitment to production and quality for member producers by sponsoring educational tours and meetings. The market also sponsored an \$8,500 educational scholarship as a commitment to youth in agriculture.

The ESVM works with its agribusiness tenants to ensure that they remain profitable. One of the key factors is to keep overhead costs consistent and lease rates at a minimum level. In order to maintain the low 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. The ESVM manager was very successful in obtaining long-term tenants in 2012, with all bays and two coolers leased and potential tenants for the remaining coolers.

The SEVFM continues to be 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 ongoing communication and partnership with Parker Farms at the NNVM will be an asset to increase market presence in key high-end markets. The SEVFM increased produce movement due to newly formed relationships with retailers looking for locally grown produce. Market management visited the other farmers markets in the system to build on existing business relationships and forge new opportunities for the future.

The third year of the SEVFM weekly produce auction saw an increase in sales of approximately \$130,000 worth of local produce, with approximately 80 growers and 450 buyers participating. Market management toured other produce auctions in Maryland and Virginia to identify opportunities for future improvement of the auction.

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

V. MARKET GOALS FOR 2012

The SWVFM's goals for 2013 include the following:

- Continue transitioning the region's produce for grocery chain stores or wherever the best, most stable, prices are available.
- Further develop as much product diversity as possible to enhance ability to 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 2013 include the following:

- Continue working with present tenants to help ensure their profitability by keeping their lease rates as low as possible.
- Assist with further operational management of the new Seafood Market, including assistance with bringing the new blast freezer on-line and full utilization of the ice plant.
- Participate with county extension agents in Accomack 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.
- 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 2013 include the following:

- Anticipate breaking the \$20 million level in produce sales revenue.
- Expand acreage dedicated to the market by 750 acres.
- Maintain consistent pricing practices for produce and potentially implement additional contracts for production and sales.
- Continue to forge increasingly good relationships with major chain store buyers and market outlets.

The SEVFM has the following goals for 2013:

- Increase the amount of watermelon acreage moving through the market up to market capacity.
- Investigate the handling and marketing of locally grown pumpkins to large scale buyers.

- Interject new ideas to increase producer and buyer participation in the produce auction to increase produce sales.
- Establish relationships with new buyers to expand produce marketing opportunities for growers.
- Continue to investigate new expansion opportunities for the farmers market by working in conjunction with area agents to provide meetings for local vegetable producers.
- Maintain and continue lease arrangement with the DOC.

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 both from a market demand standpoint and a production risk management strategy. As chain store buyers are becoming much more willing to buy local 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 markets.

The ESVFM operator indicates that long time producers are diversifying 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 highly questionable. However, in working closely with the aquaculture producers and Working Watermen's Association, there is an increased interest among younger producers in the seafood industry. The upcoming availability of services that the Seafood Market offers will provide an opportunity for increased economic development of the seafood industry. 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 will continue to realize profitable returns on produce. The "Buy Fresh Buy Local" and "Virginia Grown" movement is providing growth opportunity in the locally grown market segment. Continuing production and market growth is occurring with existing produce growers who consistently employ good production and fiscal management practices into their produce business operations.

The SEVFM operator reports that the profitability of the production and the handling of watermelons remains the focal point of the market's future. Growers continue to be pleased with the profitability of watermelons and are optimistic about the future of watermelons in the area. The optimism of the future of watermelon production does not overshadow the optimism of the future success of the produce auction. Many producers are enthusiastic about the potential of the weekly produce auction, having experienced very satisfactory results in 2010, 2011 and 2012. 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, 2012

ACREAGE AND CLIENTELE OVERVIEW

	2012 GOAL	2012 ACTUAL 12/01/12	2013 GOAL
Producers served	224	219	227
Total acres served	9,095	8,640	9,400
Brokers served	36	34	37
Buyers served	665	663	673

**VIRGINIA FARMERS MARKET SYSTEM
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CROP VOLUME AND VALUE**

	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value \$	Goal Units
	2012	2012	2012	2013
Apples	96,000	73,231	\$1,330,634	86,000
Asparagus	1,000	969	\$34,849	2,000
Beans	4,750	14,777	\$286,064	14,800
Blueberries	0	432	\$4,533	0
Broccoli	975,650	842,391	\$9,274,837	1,060,700
Cabbage	15,000	12,794	\$107,095	10,000
Bags	44,500	42,275	\$253,650	44,000
Bins	0	0	\$0	0
Crates	9,500	14,115	\$105,863	12,000
Cantaloupe	0	0	\$0	0
Bins	1,175	960	\$86,333	675
Singles	30,000	20,604	\$37,675	34,000
Carrots (Bags)	44,000	43,800	\$394,200	44,000
Cauliflower	20,000	4,998	\$51,051	10,000
Bins	75	353	\$34,249	75
Celery	0	0	\$0	0
Chili Peppers	0	0	\$0	0
Collards	1,600	1,225	\$7,350	1,500
Corn	600,000	367,698	\$3,057,305	500,000
Bins	100	212	\$21,127	0
Crates	102,500	54,539	\$647,468	67,500
Corn Stalk Bin	25	21	\$3,487	0
Cucumbers	101,150	41,366	\$522,943	76,200
Bins	0	0	\$0	0
Eggplant	10,700	14,682	\$166,768	15,650
Gourds	700	375	\$2,625	400
Greens	65,000	78,726	\$513,908	60,000
Jalapeno	5,000	6,619	\$87,065	7,500
Lettuce	0	0	\$0	0
Nectarines	300	477	\$9,540	300
Okra	1,500	1,175	\$16,982	1,500
Onions	0	34	\$932	0
Peaches	5,500	3,734	\$61,063	5,500
Pears	0	0	\$0	0
Peas	0	0	\$0	0
Peppers	81,875	63,434	\$662,304	81,875
Plums	0	0	\$0	0
Potatoes	5,000	3,800	\$60,800	5,000
Bags	165,000	165,200	\$1,156,400	165,000
Pumpkins	0	0	\$0	0
Bins	75	199	\$20,575	150
Singles	120,000	125,880	\$276,936	140,000
Squash (hard)	10,000	850	\$17,438	5,000

Bins	250	17	\$2,860	250
Yellow Squash	180,800	176,823	\$1,763,600	204,000
Straw	500	297	\$3,250	0
Strawberries (Flats)	6,350	5,108	\$60,833	4,350
Sweet Potatoes	25,500	25,837	\$181,803	25,500
Tomatoes	22,500	19,355	\$275,976	20,500
Red	0	5,046	\$107,178	0
Cherry	550	350	\$3,850	400
Roma	0	1,085	\$20,860	0
Grape	650,000	543,722	\$15,766,156	650,000
Turnips	1,000	163	\$1,956	1,000
Watermelon	0	0	\$0	0
Bins	27,000	17,148	\$1,621,398	20,000
Singles	5,000	3,826	\$30,095	5,000
Zucchini	204,000	226,924	\$2,007,259	253,000
Miscellaneous	25,000	35,020	\$490,130	30,000
TOTAL PRODUCE	3,666,125	3,062,666	\$41,651,253	3,665,325
SEAFOOD				
Clams	0	462	\$39,590	0
Oysters	0	50	\$1,600	0
Conch	0	6,970	\$580,000	0
TOTAL SEAFOOD	0	7,482	\$621,190	0
GRAND TOTAL	3,666,125	3,070,148	\$42,272,443	3,665,325
	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value	Goal Units
	2012	2012	2012	2013
Boxes	3,113,775	2,578,608	\$41,290,692	3,132,125
Bins	28,700	18,910	\$361,229	21,150
Bags	253,500	258,741	\$620,522	253,000
Crates	102,500	54,539	\$0	67,500
Flats	900	620	0	750
Singles	155,000	148,630	\$0	179,000
Bushels	11,750	10,100	\$0	11,800
GRAND TOTAL	3,666,125	3,070,148	\$42,272,443	3,665,325

APPENDIX

Virginia Department of Agriculture and Consumer Services
Organizational and Reporting Structure

