



*VIRGINIA DEPARTMENT  
OF AGRICULTURE AND  
CONSUMER SERVICES*

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

**2013 REPORT AND 2014 PLAN**

**January 2014**

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## I. EXECUTIVE SUMMARY

This report complies with § 3.2-3501 B. of the Code of Virginia, which requires the Commissioner of Agriculture and Consumer Services to submit a report by February 1 of each year 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. The report summarizes the market operators' reports and plans for the farmers markets operating pursuant to a contract between the Commissioner and the market operators during the preceding calendar year.

The Virginia Farmers Market System includes four shipping point farmers markets, each operating under a contract between the Commonwealth of Virginia and a private sector or county government organization:

- 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 2013, the Virginia Farmers Market System recorded \$39.8 million in sales. Though the gross value of sales in 2013 was slightly below the \$42.3 million achieved in 2012, this reduced sales value reflects extremely wet conditions throughout Virginia during the produce growing season and a subsequent reduction in both quality and quantity of produce sold. Despite the challenging growing season, the number of farmers using the market system and the acreage in 2013 remained essentially the same as in 2012. The numerical breakdown is as follows:

- The markets served 9,280 acres of production in 2013, which was equal to 2012 acreage.
- The system served 30 brokers and 653 major retail stores and institutional buyers, which equaled the number of brokers and buyers in 2012.
- Two hundred eighteen producers marketed product or used market services at the four markets (combined). The established goal was 219 producers for 2013.
- Gross value of products marketed was \$39.8 million, representing 3.01 million product units as compared to \$42.3 million in 2012, representing 3.07 million product units.

## II. PRODUCTION CONDITIONS AND MARKET FACTORS

Factors that had a positive effect upon production and marketing volumes for the past year, as cited by the market operators in 2013, were the following:

- All four state farmers markets or sections of the markets obtained “Good Agricultural Practices” (GAP) certification, which provides a quality assurance standard for produce industry buyers and shippers. A minimum of GAP Certification is now required by all major wholesale and retail produce buyers in the United States. In addition, the NNVFM attained Global Food Safety Initiative (GFSI) certification and sections of the SWVFM passed the USDA Harmonized Inspection program.
- 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 continued to generate greater fresh produce marketing opportunities, thereby resulting in increased production of a variety of crops by Virginia farmers.
- The larger corporate tomato producers continued to increase production acreage on the Eastern Shore of Virginia, and the ESVFM utilized flexibility of operational protocols in order to serve the needs of both small and large producers. ESVFM is leasing four bays and two coolers to a large tomato agribusiness firm and one bay to a year-round 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 as well as the larger corporate producer whose acreage has been increasing.
- The SWVFM continued to increase business opportunities by packing and shipping produce directly to the region’s chain stores and to businesses that supply these stores. This approach 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 also loading, shipping, and cooling equipment to improve wholesale operations. These investments were achieved through grants from the Virginia Tobacco Indemnification and Community Revitalization Commission with matching construction work funding through Carroll County. The improvements made for the 2013 crop year included additional tow motors, two additional pallet jacks, and equipment for additional cooling capacity and grading. These investments proved to be instrumental in increasing sales opportunities and fostering greater production of produce in the area to include broccoli, cauliflower, greens and sweet corn.
- The retail portion of the SWVFM continued to prosper in 2013. Infrastructure improvements such as the development of a small business mall, covered retail entrance, and expanded parking increased retail business viability.

Customer-oriented retail incentives such as the Senior Farmers Market Nutrition Program also positively affected retail business.

- The NNVFM continued to gain visibility with premium customers by increasing efforts to extend the production season on products offered for sale. The market forged expanded relationships with grower suppliers in Georgia and Pennsylvania, resulting in increased returns for Virginia growers.
- The NNVFM utilized strong market demand to secure higher prices for growers due to the overall weak market supply throughout the southeastern United States. Though excessive rainfall impacted the entire region, central Virginia producers were less impacted and the NNVFM worked to educate its produce customers on produce availability and quality, thereby taking advantage of the tight supply.
- The SEVFM weekly produce auction continued to be successful, and in 2013 the auction served over 80 producers and 450 buyers with sales of \$120,000.
- The SEVFM continued to forge collaborative business opportunities with public and private sector partners to increase volume, market demands 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.

Factors that negatively affected production and marketing volumes for the past year were the following:

- Food safety and product traceability are major issues in all segments of the food industry. Retail grocery chains are looking to mitigate the financial risks associated with any food borne incidents and companies are moving to comply with regulations promulgated under the Food Safety Modernization Act. All four markets within the system sell a large portion of their produce to retail chain stores. As such, the markets are under pressure to meet increasingly rigorous food safety audits. These audits require growers and packing facilities to be inspected and certified under programs such as the GFSI program or other similar food safety programs. Each year, additional requirements are added to food safety audits, and, in order to keep operating, 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. Each market will eventually require capital improvements to meet modern food safety compliance standards that are becoming the standard in the produce industry.
- The main produce handling buildings and equipment systems in the Virginia Farmers Market System were constructed between 1992 and 1998. Because much of the infrastructure and the equipment systems in these facilities is 25 to 30 years old, the need for repairs and improvements consisting of large-scale capital improvement projects increases with each passing year. Upgrades needed for these facilities to avoid becoming functionally obsolete and for them to be able to comply with modern food safety demands make

the need for capital improvements pressing. While VDACS has been diligent in working with market operators to ensure proper maintenance of each facility over the past several decades, the agency has not enjoyed a budget for infrastructure projects that would allow for the scale of the needed improvements. Because the operators of the markets do not own the facilities, they are not able to make long-term capital investments in the infrastructure of their markets.

- Produce production volumes and quality were severely impacted by excessive rainfall and wet weather conditions throughout the primary production season, lasting from spring through late summer. The extremely wet growing season caused significant disease and pollination problems for produce crops throughout Virginia. These issues greatly impacted the quality and yield, while also increasing cost of production management of the crops. Despite these impacts, prices obtained for product sold remained stable due to supply constraints. Similar adverse weather impacted production throughout the southeastern and Mid-Atlantic states.
- Labor costs and issues with migrant labor continue to negatively impact production viability and economic sustainability of the produce business. The vast majority of produce growers are dependent on migrant labor employed under the federal H2A Program, which allows agricultural employers who anticipate a labor shortage to apply for permission to hire temporary foreign workers. The H2A requires growers to pay transportation and housing in addition to wages for workers. The total cost per worker often exceeds \$13.00 per hour, making labor the highest variable input cost in the business. Complex 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 production of corn, soybeans, wheat and, to a lesser extent, cotton, resulting in declining vegetable acreage being planted. Cheaper labor costs and high commodity prices mean that row 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. CROP PRODUCTION AND SALES**

The NNVFM indicated that tight produce supplies drove up produce prices for many products, and growers who were able to mitigate or adapt to the wet conditions were in a position to take advantage of this price upside. The SWVFM echoed the upside on solid market prices, indicating that broccoli, pepper, green bean, squash, sweet corn, cucumber, and tomato prices were relatively strong for the entire season. Kale and collard prices were also stable without wide price variations during the production and market year. Pumpkin prices and movement were also very good, and potato prices were above average on a limited crop.

The diversification of the produce base at the SWVFM continued during 2013. Crop production and sales now include 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 over 90 percent of the region's horticulture production. Pumpkins are now the largest acreage produce crop in the region, having gone from a mere 50 acres of production in 1992 to more than 2,500 acres last year. The SWVFM saw a surge in broccoli production, having gone from 0 boxes in 2006 to approximately 51,000 boxes in 2013. Likewise, there was an increase in the production of greens. Sales of this product increased from zero in 2006 to around 89,000 boxes in 2013.

The 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 significant future fresh market vegetable production. However, the ESVFM has 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 a year and a half, the seafood market segment realized nearly \$300,000 in value through six seafood product lines.

The SEVFM continued to realize opportunities through watermelon production despite quality and yield impacts due to excessive rainfall and weather related disease problems. Although there were adverse growing conditions, watermelon sales were \$1.37 million in 2013 versus \$1.34 million in 2012 with market prices remaining stable throughout the year. The SEVFM produce auction continues to be successful with growers remaining satisfied with auction prices and demand from buyers attending the auction.

#### **IV. SUCCESS IN MEETING 2013 GOALS**

The SWVFM was successful in continuing to increase the amount of product moved into chain store channels. This was due in large part to improvements in product cooling capability and packing as well as continued focus on greater crop diversification

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

The NNVM continued to target major produce buyers in the region, helping to stabilize produce revenues for produce farmers. The operator reported that

though production was down, higher prices through marketing efforts pushed revenue above 2012 levels and beyond market goals. The NNVFM continued to focus on a commitment to production and quality for member producers by sponsoring educational tours and meetings. The market also sponsored a \$10,000 educational scholarship as a commitment to youth in agriculture.

The ESVFM was successful in obtaining long-term tenants this year in the produce facility. The market indicated that all of the produce bays and the two coolers were leased in 2013 and a full-time lease on the third cooler is expected for 2014. The farmers market is diligently working to address challenges to the seafood facility, namely the lack of utilization of the flash freezing equipment. One example of these efforts is the increase of seafood product lines from the original three to the six products now offered. Still, the market noted that more planning and work is needed.

The ESVFM worked with its agribusiness tenants to ensure that they remain profitable. One of the key factors was to keep overhead costs consistent and lease rates at an affordable level. In order to maintain competitive 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 fourth year of the SEVFM weekly produce auction saw approximately \$120,000 worth of local produce sold, with around 80 growers and 450 buyers participating in 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 meet with potential growers and to attend farmer meetings, seeking to enhance the production and marketing of local produce.

## **V. MARKET GOALS FOR 2014**

The SWVFM's goals for 2014 include the following:

- Further develop as much product diversity as possible to enhance ability to properly mix truckloads to meet buyer specifications.
- Continue transitioning the region's produce for grocery chain stores and other buyers for the best, most stable, prices.
- Maintain 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 2014 include the following:



- Further develop the tenant base for the new Seafood Market, working with the seafood industry, Virginia Marine Resources Commission, and the Virginia Department of Agriculture and Consumer Services to identify and secure viable tenants to make full use of the new blast freezer and ice plant.
- Continue working with present tenants to help ensure their profitability by keeping their lease rates as affordable as possible.
- 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 facility rental rates.
- Continue to work with tenants and produce companies on GAP food safety certification and compliance.
- Further explore ways to serve any and all facets of the agricultural community on the Eastern Shore.

The NNVM operator's goals for 2014 include the following:

- Reach the \$25 million sales level for the first time in 2014.
- Continue to maintain GFSI and GAP certification and compliance.
- Expand produce acreage dedicated to the market by 500 acres.
- Continue to expand into full year production and marketing of seasonable produce with the ultimate goal of building year round programs.
- Maintain consistent pricing practices for produce and implement additional contracts for production and sales.
- Continue to forge increasingly good relationships with major chain store buyers and market outlets.
- The following language is included in Senate Bill No. 29 (2014), § 3-1.01.SS:

*The Department of Agriculture and Consumer Services is authorized to sell the Northern Neck of Virginia Farmers Market, located at 1647 Kings Highway, Oak Grove, Virginia, 22443. Notwithstanding the provisions of § 2.2-1156, Code of Virginia, the proceeds from the sale shall first be applied toward remediation options under federal tax law of any outstanding tax-exempt bonds on the property. Any proceeds that remain after the implementation of such remediation options shall be deposited to the general fund.*

The property listing and sales contract will include language that the services the NNVM provides the grower community will continue regardless of market ownership for at least the succeeding ten years.

The SEVFM has the following goals for 2014:

- Increase the volume of watermelons handled through the facility to meet market capacity.
- Maintain GAP certification for melon operation and continue to advance GAP certification protocols for other produce products.
- Continue to facilitate increased pumpkin production by farmers through additional handling and marketing of locally grown pumpkins to large scale buyers.
- Explore and develop increased producer and buyer participation in the produce auction to increase sales.
- Continue to develop relationships with produce buyers to expand marketing opportunities for growers.
- Participate in produce marketing meetings to gain knowledge for exploring new and innovative ideas to make the market more successful.
- Continue to investigate new expansion opportunities for the farmers market by working in conjunction with area extension agents to provide meetings for local vegetable producers.
- Maintain and continue lease arrangement with 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 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 production between vegetables and grain depending on current profitability. Unfortunately, with fewer young people entering traditional produce farming, the future of fresh vegetable production on the Eastern Shore is at stake. 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 growers are generally optimistic for the produce business in 2014. Higher produce prices are a factor leading to this positive outlook. This is despite lower yields realized in 2013 and the challenging production season. Growers are also more aware of the importance of food safety and achieving a verifiable food safety certification as a tool for marketing products. Obtaining and developing consistent labor resources and maintaining labor cost stability is paramount to achieving future success and viability.

The SEVFM operator reported that the profitability of the production and the handling of watermelons will remain the focal point of the market's future growth. Growers continue to be pleased with the profitability of watermelons and are optimistic about the future of watermelon production in the area. The market will continue to explore the opportunity for increased pumpkin production in 2014 despite the challenges due to the wet growing season in 2013. Many producers are also enthusiastic about the growth potential of the weekly produce auction, having experienced very satisfactory results since it was started in 2010. Producers are eager to establish new buyer relationships through the farmers market, and they are optimistic about expanding acreage of various produce items based upon market potential.

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

**DECEMBER 1, 2013**

**ACREAGE AND CLIENTELE OVERVIEW**

	<b>2013 GOAL</b>	<b>2013 ACTUAL 12/01/13</b>	<b>2014 GOAL</b>
<b>Producers served</b>	<b>219</b>	<b>218</b>	<b>227</b>
<b>Total acres served</b>	<b>9,320</b>	<b>9,280</b>	<b>9,550</b>
<b>Brokers served</b>	<b>36</b>	<b>30</b>	<b>35</b>
<b>Buyers served</b>	<b>665</b>	<b>653</b>	<b>675</b>

**VIRGINIA FARMERS MARKET SYSTEM  
ANNUAL PLAN AND REPORT  
DECEMBER 1, 2013  
CROP VOLUME AND VALUE**

	Grand Total Goal Units	Total Actual Units	Total Actual Value \$	Grand Total Goal Units
	2013	2013	2013	2014
Apples	86,000	91,099	\$1,631,481	91,000
Asparagus	2,000	870	\$31,320	2,000
Beans	14,800	25,501	\$585,968	25,300
Blueberries	0	0	0	0
Broccoli	1,060,700	862,090	\$12,885,011	1,060,700
Cabbage	10,000	12,912	\$126,781	15,000
Bags	44,000	44,250	\$265,500	44,500
Bins	0	48	\$3,984	0
Crates	12,000	19,218	\$192,180	20,000
Cantaloupe	0	149	\$1,649	0
Bins	675	631	\$61,273	675
Singles	34,000	12,245	\$12,245	15,000
Carrots (Bags)	44,000	43,500	\$391,500	44,000
Cauliflower	10,000	2,955	\$56,043	5,000
Bins	75	78	\$10,920	80
Celery	0	0	0	0
Chili Peppers	0	0	0	0
Collards	1,500	1,340	\$8,040	1,500
Corn	500,000	357,292	\$3,273,522	500,000
Bins	0	346	\$43,390	0
Crates	67,500	61,031	\$809,003	67,500
Corn Stalk Bin	0	38	\$5,907	0
Cucumbers	76,200	77,329	\$997,609	101,250
Bins	0	0	0	0
Eggplant	15,650	14,564	\$194,547	15,650
Gourds	400	350	\$2,450	400
Greens	60,000	89,059	\$622,647	105,000
Jalapeno	7,500	7,878	\$116,520	7,500
Lettuce	0	0	0	0
Nectarines	300	525	\$7,875	500
Okra	1,500	433	\$7,193	1,500
Onions	0	322	\$6,109	0
Peaches	5,500	8,162	\$124,788	6,000
Pears	0	42	\$816	0
Peas	0	6	\$120	0
Peppers	81,875	61,349	\$852,782	103,875
Plums	0	0	0	0
Potatoes	5,000	4,325	\$73,525	5,000
Bags	165,000	165,500	\$1,158,500	165,000

Pumpkins	0	0	0	0
Bins	150	283	\$28,825	150
Singles	140,000	147,600	\$332,100	150,000
Squash (hard)	5,000	4,054	\$56,991	5,000
Bins	250	214	\$59,002	500
Yellow Squash	204,000	169,904	\$1,556,516	204,000
Straw	0	69	\$2,707	0
Strawberries (Flats)	4,350	3,770	\$64,350	4150
Sweet Potatoes	25,500	26,085	\$182,482	26,000
Tomatoes	20,500	3,967	\$267,476	20,500
Red	0	0	0	0
Cherry	400	325	\$3,575	400
Roma	0	0	0	0
Grape	650,000	416,057	\$8,353,088	500,000
Turnips	1,000	115	\$1,725	300
Watermelon	0	0	0	0
Bins	20,000	15,449	\$1,461,827	20,000
Singles	5,000	1,845	\$5,535	5,000
Zucchini	253,000	228,022	\$2,056,341	253,000
Miscellaneous	30,000	32,386	\$487,239	32,000
<b>TOTAL PRODUCE</b>	<b>3,665,325</b>	<b>3,007,073</b>	<b>\$39,489,079</b>	<b>3,624,930</b>
<b>SEAFOOD</b>				
Clams	0	2,207	\$229,445	5,000
Oysters	0	727	\$25,445	1,500
Conch	0	0	0	0
Bunker	0	100	\$2,000	500
Silver Sides	0	50	\$1,500	75
Squid	0	100	\$4,200	150
Horseshoe Crab	0	3,184	0	32
<b>TOTAL SEAFOOD</b>	<b>0</b>	<b>3,184</b>	<b>\$262,590</b>	<b>7,257</b>
<b>GRAND TOTAL</b>	<b>3,666,325</b>	<b>3,010,257</b>	<b>39,751,669</b>	<b>3,639,444</b>
	<b>Grand Total</b>	<b>Total</b>	<b>Total</b>	<b>Grand Total</b>
	<b>Goal Units</b>	<b>Actual Units</b>	<b>Actual Value</b>	<b>Goal Units</b>
	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2014</b>
<b>Boxes</b>	3,132,125	2,563,858	\$35,538,641	3174689
<b>Bins</b>	21,150	17,087	\$1,675,128	21405
<b>Bags</b>	253,000	255,457	\$2,044,945	258500
<b>Crates</b>	67,500	1,100	\$9,900	2500
<b>Flats</b>	750	445	\$13,175	550
<b>Singles</b>	179,000	161,690	\$349,780	170000
<b>Bushels</b>	11,800	10,620	\$120,100	11800
<b>GRAND TOTAL</b>	<b>3,665,325</b>	<b>301,0257</b>	<b>\$39,751,669</b>	<b>3,639,444</b>

APPENDIX

Virginia Department of Agriculture and Consumer Services  
Organizational and Reporting Structure

