



*VIRGINIA DEPARTMENT  
OF AGRICULTURE AND  
CONSUMER SERVICES*

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

**2014 REPORT AND 2015 PLAN**

**January 2015**

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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 2014, the Virginia Farmers Market System recorded an all-time record high of \$44.6 million in sales, a 12 percent increase over the \$39.8 million in 2013. While the value of sales set a record in 2014, the individual markets face functional obsolescence without major capital improvements to replace aging infrastructure, meet modern food safety compliance standards and improve operational efficiencies. In order to continue operating, packing facilities such as the farmers markets are under pressure to make significant capital investments to improve packing lines, cooling facilities, and ice machines as well as purchase/update software and other equipment related to product traceability. Each market requires capital improvements to meet modern food safety compliance standards that are becoming the norm in the produce industry.

It was determined that the Commonwealth was not in a financial position to invest in major capital improvements at the markets, and the private operators of the markets are unable to secure financing for major capital improvements to properties that are state owned. One solution put forth to address this issue was the possible sale of certain markets. During the past year, the Department of Agriculture and Consumer Services received authorization to sell the NNVFM and the SWVFM. The NNVFM is currently listed for sale with a commercial real

estate broker. The SWVFM is in the process of executing deed restriction provisions prior to being placed in the commercial market.

The numerical breakdown of sales and clients served by the Virginia Farmers Market System in 2014 is as follows:

- The markets served 8,773 acres of production in 2014, which was slightly below the 2013 acreage of 9,280.
- The system served 32 brokers and 681 major retail stores and institutional buyers, which was slightly higher than the number of brokers and buyers in 2013.
- A total of 270 producers marketed product or used market services at the four markets. The established goal was 227 producers for 2014.
- Gross value of products marketed was \$44.6 million, representing 3.6 million product units as compared to \$39.8 million in 2013, representing 3.01 million product units.

## **II. PRODUCTION CONDITIONS AND MARKET FACTORS**

Market operators cited that the following factors had a positive effect upon production and marketing volumes in 2014:

- All four state farmers markets or sections of the markets continue to maintain “Good Agricultural Practices” (GAP) certification, which provides a quality assurance standard for produce industry buyers and shippers. The major wholesale and retail produce buyers in the United States require all of their produce suppliers to hold GAP certification. In addition, the NNVFM completed its second Global Food Safety Initiative (GFSI) certification audit and its largest produce supplier attained Primus certification for farm production operations. Likewise the SEVFM attained GFSI certification and the SWVFM passed the U.S. Department of Agriculture (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” movements continued to generate fresh produce marketing opportunities, resulting in increased production of a variety of crops by Virginia farmers.
- 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 three 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 one cooler 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 ESVFM does not expect any increases in fresh market vegetable production in the near future; however, it does expect an increase in tomato and shellfish production in 2015.
- The SWVFM continued to increase business opportunities by packing and shipping produce directly to the region's chain stores and the businesses that supply these stores, resulting 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 retail business and in 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 2014 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, operated by Carroll County, continued to prosper in 2014. Infrastructure upgrades such as improvements to the market entrance, expanded customer parking, and the development of a small business mall have increased retail business volume and 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 extending the production season on products offered for sale. The market forged expanded relationships with grower suppliers in South Carolina, Georgia, Florida, 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.
- 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 continuing to solidify produce business opportunities with the Department of Corrections (DOC).

- The SEVFM weekly produce auction continued to be successful. The 2014 auction served 100 producers and 475 buyers with sales of approximately \$135,000.

Factors that negatively affected production and marketing volumes in 2014 were as follows:

- Food safety and product traceability are major issues in all segments of the food industry. Retail grocery chains are attempting to mitigate the financial risks associated with any food borne incidents and companies are moving to comply with regulations promulgated under the federal 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. In order to continue 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 the facilities are 25 to 30 years old, the need for repairs and improvements consisting of large-scale capital projects increases with each passing year. Upgrades needed for these facilities to avoid becoming functionally obsolete and to be able to comply with modern food safety demands make the need for capital improvements critical. 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 had a budget for infrastructure projects that would allow for large-scale 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 greatly impacted by adverse weather conditions, with an extremely dry spring and early summer followed by excessive rainfall and wet weather conditions throughout late summer and early fall. These extremes in weather conditions caused lower yields in the early part of the season and lower quality produce due to disease related to

wet conditions. 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.

- Costs and issues with migrant labor continue to negatively impact the 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.

### **III. CROP PRODUCTION AND SALES**

The SWVFM indicated that the 2014 production season was challenging in terms of both yield and quality due to early season dry weather and late season excess rainfall. Crops such as pumpkins, squash, and cucumbers were 20 to 40 percent lighter in yield due to the excessive rainfall. However, produce prices of broccoli, cauliflower, sweet corn, collard greens, green beans, kale, cilantro, fall squash, pumpkins, potatoes, corn, apples, and peaches remained fairly stable throughout entire season. Coupled with the SWVFM's continued focus on crop diversification and the increase in acreage and grower numbers in 2014, the market was able to offset the adverse weather impacts and meet 2014 market projections.

The NNVFM indicated that prices were mixed in 2014 with high prices in 2013 leading to more produce acreage being planted in 2014. The dip in commodity prices for corn and soybeans also contributed to greater produce acreage in 2014. The greater volume of produce handled by the NNVFM continues to expand market opportunities and stabilize prices to a large degree.

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. The market expects an increase in contract tomato and shellfish production in 2015.

The SEVFM continued to realize opportunities through watermelon production despite adverse weather conditions and the impact of hail storm damage to half of the watermelon acreage. Production volume was high with the remaining acreage showing exceptional yield levels. The 2014 market prices were lower than normal but remained steady throughout the season. 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 2014 GOALS**

The SWVFM succeeded in increasing the amount of product moved into chain store channels. This was due in large part to improvements in product diversification, cooling capability, and packing capacity. Broccoli continues to be successful with sales increasing eight-fold since 2007. The completion of the hydro-cooler will continue to support additional production and sales opportunities.

The SWVFM's goal and corresponding effort to diversify the region's production of a wider array of crops continues to show progress. 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 increase market presence and ability in the Southeast and Mid-Atlantic regions of the U.S. The market has forged new partnerships with growers in Pennsylvania, South Carolina, Georgia, and Florida thereby greatly expanding the seasonal availability of produce to buyers. The NNVM continued to focus on 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 ESVM obtained long-term tenants in the produce facility for 2014. The market indicated that all of the produce bays and the three coolers were leased in 2014 with one remaining cooler available for spot lease. The seafood facility is now fully operational and under full lease by tenants with very high increases in production.

Processing watermelons has been the cornerstone of activity at the SEVFM in recent years and 2014 was another successful year for the watermelon business despite weather challenges. The market was successful in harvesting and packing watermelons during a trying year with some producers profiting from above average yields despite lower prices. Although excessive late season rainfall was a deterrent for auction producers, the amount of produce sold and the number of growers participating in the auction remained stable. Maintaining the DOC as a tenant continues to be a positive component of the market. Market management was able to attend many production and marketing meetings to further enhance the success of the market.

## V. MARKET GOALS FOR 2015

The NNVM's goals for 2015 include the following:

- Achieve \$30 million in sales for the first time.
- Continue to maintain GFSI and GAP certification and compliance.
- Expand produce acreage dedicated to the market by 500 acres.
- Continue to stretch seasons and 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 strong relationships with major chain store buyers and market outlets.
- Explore seasonal expansion opportunities through the import of produce from Honduras and Mexico.
- Negotiate arrangements for the purchase of the NNVM from the Commonwealth of Virginia. 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 of the 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 into the general fund. If purchased in 2015, the sales agreement requires the market purchaser to continue to conduct business with farmers from the region and the state for a period of at least 10 years. Such condition does not exclude the purchaser from utilizing the facility to conduct business with growers from outside of the region, or the state, but stipulates a minimum number of Virginia farms that must be served by the market, on an annual basis, for at least the period of time specified.

The SWVM's goals for 2015 include the following:

- Continue transitioning the region's produce for grocery chain stores and other buyers to the best, most stable prices.
- Further develop as much product diversity as possible to enhance ability to properly mix truckloads to meet buyer specifications.
- Maintain efforts to assure that proper cooling, packing, and handling equipment are available for achieving the goals of the market.
- Continue to address food safety and GAP certification issues and retain food safety compliance certification.
- Enhance producer awareness and education through regional extension meetings, small-scale grower meetings, and one-on-one discussions.
- Negotiate arrangements for the acquisition of the SWVM from the Commonwealth of Virginia. The Department of Agriculture and Consumer

Services is authorized to sell the Southwest Virginia Farmers Market, located at 497 Farmers Market Road, Hillsville, Virginia 24343. Notwithstanding the provisions of § 2.2-1156 of the 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 into the general fund. If purchased in 2015, the SWVFM will continue to serve the grower community to which it currently serves.

The ESVFM's goals for 2015 include the following:

- Continue working with present tenants to help ensure their profitability by keeping their lease rates as affordable as possible
- Explore outside contracts with agribusiness users for additional market revenue in order to maintain lower facility rental rates.
- Further develop the tenant base for the new Seafood Market by working with the seafood industry, Virginia Marine Resources Commission, and the Virginia Department of Agriculture and Consumer Services to identify and secure viable tenants that have needs that the market can fulfill.
- Participate with county extension agents in Accomack and Northampton counties in agricultural conferences and grower meetings.
- 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 SEVFM's goals for 2015 include the following:

- Continue to maximize watermelon production and sales to reach full market capacity.
- Maintain GAP certification for melon operation and continue to advance GAP certification protocols for other produce products.
- Investigate and develop, as warranted, large acreage sweet potato production and sales as a new agribusiness enterprise opportunity for the market and region.
- Enhance the market auction efficiency and viability through market equipment upgrades, such as a new computer system.
- 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 facilitate meetings for local vegetable producers.

- Maintain and continue lease arrangement with DOC.

## **VI. PRODUCER ATTITUDES ON PROFITABILITY AND OUTLOOK FOR THE FUTURE**

The ESVFM operator indicates that there appears to be an increased interest among younger producers in the seafood industry. The market believes that there is a strong opportunity for further development of the market's seafood business. On the down side, there appears to be diminishing options for growth in fresh market produce outside of the large commercial contract tomato operations. Long-time produce growers tend to be moving into large commodity grain enterprises due to labor constraints and recent commodity grain prices. These factors, coupled with aging farmer demographics and the small number of younger people entering the farming business, continue to threaten the long term viability of the Eastern Shore produce industry.

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 as 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 NNVFM operator reports that growers are cautiously optimistic for the produce business in 2015 despite the lower prices received for produce in 2014. Expanded market sales volume and favorable yields on some products were major factors in fostering a positive outlook. Growers continue to be 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 reports 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. Many producers are also enthusiastic about the growth potential of the weekly produce auction, having experienced satisfactory results since it was started in 2010.

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

**DECEMBER 1, 2014**

**ACREAGE AND CLIENTELE OVERVIEW**

	<b>2014 GOAL</b>	<b>2014 ACTUAL 12/01/14</b>	<b>2015 GOAL</b>
<b>Producers served</b>	<b>227</b>	<b>270</b>	<b>300</b>
<b>Total acres served</b>	<b>9,550</b>	<b>8,773</b>	<b>9,660</b>
<b>Brokers served</b>	<b>35</b>	<b>32</b>	<b>37</b>
<b>Buyers served</b>	<b>675</b>	<b>681</b>	<b>703</b>

**VIRGINIA FARMERS MARKET SYSTEM  
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DECEMBER 1, 2014  
CROP VOLUME AND VALUE**

	Grand Total Goal Units	Total Actual Units	Total Actual Value \$	Grand Total Goal Units
	2014	2014	2014	2015
Apples	91,000	116,696	\$1,917,679	106,000
Asparagus	2,000	1,286	\$44,451	2,000
Beans	25,300	42,171	\$86,5326.53	55,350
Blueberries	0	1,022	\$19,831	0
Broccoli	1,060,700	919,886	\$11,924,451	1,160,700
Cabbage	35,000	49,636	\$402,704	70,000
Bags	44,500	44,350	\$266,100	44,500
Bins	0	0	0	0
Crates	0	0	0	0
Cantaloupe	0	0	0	0
Bins	675	805	\$77,703	675
Singles	15,000	12,245	\$12,245	15,000
Carrots (Bags)	44,000	44,000	\$396,000	44,500
Cauliflower	5,000	861	\$16,6951	5000
Bins	80	80	\$11,200	85
Celery	0	128	\$504	0
Chili Peppers	0	0	0	0
Collards	1,500	1,450	\$8,700	1,500
Corn	0	0	0	0
Bins	0	180	\$23,434	0
Crates	567,500	532,350	\$5,317,362	717,000
Corn Stalk Bin	0	22	\$4,160	0
Cucumbers	101,250	164,510	\$1,797,029	126,300
Bins	0	0	0	0
Eggplant	15,650	19,001	\$190,258	25,650
Gourds	400	375	\$2,625	400
Greens	105,000	39,767	\$688,575	85,000
Jalapeno	7,500	8,131	\$113,882.53	10,000
Lettuce	0	0	0	0
Nectarines	500	525	\$7,875	500
Okra	1,500	237	\$2,586	1,500
Onions	0	3,370	\$46,457	0
Peaches	6,000	8,234	\$125,395	7,000
Pears	0	182	\$1,888	0
Peas	0	0	0	0
Peppers	103,875	130,820	\$1,553,708	254,080
Plums	0	0	0	0
Potatoes	5,000	6,833	\$96,056	5,000
Bags	165,000	165,250	\$1,156,750	165,000

Pumpkins	0	0	0	0
Bins	150	109	\$10,910	150
Singles	150,000	147,600	\$332,100	165,000
Squash (hard)	6,000	11,179	\$148,318	12,000
Bins	500	36	\$8,580	0
Yellow Squash	203,000	185,912	\$2,314,049	253,000
Straw	0	0	0	0
Strawberries (Flats)	4,150	4,460	\$65,950	4,650
Sweet Potatoes	26,000	25,500	\$178,850	45,000
Tomatoes	20,000	17,388	\$263,359.31	20,000
Red	500	6,495	\$172,848	6,600
Cherry	400	350	\$3,850	400
Roma	0	870	\$24,986	900
Grape	500,000	457,662	\$8,237,916	500,000
Turnips	300	115	\$1,725	300
Watermelon	0	0	0	0
Bins	20,000	13,998	\$1,116,586	15,050
Singles	5,000	1,929	\$8,265	5,000
Zucchini	253,000	323,098	\$3,600,591	378,000
Miscellaneous	32,000	36,528	\$472,920	38,000
<b>TOTAL PRODUCE</b>	<b>3,624,930</b>	<b>3,547,632</b>	<b>\$44,053,432</b>	<b>4,346,790</b>
<b>SEAFOOD</b>				
Clams	5,000	4,000	\$400,000	5,000
Oysters	1,500	1,461	\$51,135	1,500
Conch	0	0	0	0
Bunker	500	200	\$4,000	500
Silver Sides	75	400	\$12,000	500
Squid	150	150	\$6,300	150
Horseshoe Crab	32	105	\$52,500	150
<b>TOTAL SEAFOOD</b>	<b>7,257</b>	<b>6,316</b>	<b>\$525,935</b>	<b>7,800</b>
<b>GRAND TOTAL</b>	<b>3,632,187</b>	<b>3,553,948</b>	<b>\$44,579,367</b>	<b>4,354,590</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>	3,167,432	3,106,221	\$41,002,414	3,242,025
<b>Bins</b>	21,405	59,763	\$1,251,943	16,015
<b>Bags</b>	258,500	213,600	\$1,822,850	259,000
<b>Crates</b>	2,500	1,000	\$9,000	652,000
<b>Flats</b>	550	490	\$15,050	550
<b>Singles</b>	170,000	161,774	\$352,610	185,000
<b>Bushels</b>	11,800	11,100	\$125,500	0
<b>GRAND TOTAL</b>	<b>3,632,187</b>	<b>3,553,948</b>	<b>\$44,579,367</b>	<b>4,354,590</b>

**APPENDIX**

**Virginia Department of Agriculture and Consumer Services  
Organizational and Reporting Structure**

