



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

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

2015 REPORT AND 2016 PLAN

January 2016

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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 the Virginia Department of Agriculture and Consumer Services (VDACS) to submit a report by February 1st 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 three shipping point farmers markets, each operating under a contract between the Commonwealth of Virginia and a private sector or county government organization: ¹

- The Eastern Shore of Virginia Farmers Market (ESVFM), Melfa, Virginia, is operated by the Eastern Shore Marketing Cooperative, Inc.
- The Northern Neck of Virginia Farmers Market (NNVFM), Oak Grove, Virginia, is operated by the Northern Neck Vegetable Growers Association.²
- The Southeast Virginia Farmers Market (SEVFM), Courtland, Virginia, is operated by Farmers Market, L.L.C.

In 2015, the Virginia Farmers Market System recorded \$56.1 million in sales, a 26 percent increase over the \$44.6 million in 2014, and represented an all-time high mark for sales. This record sale value was achieved even though the SWVFM was sold to Carroll County and thus not included as part of this report. The numerical breakdown is as follows:

- The three markets served 7,875 acres of production in 2015.
- The system served 34 brokers and 660 major retail stores and institutional buyers.
- One hundred eighty two (182) producers marketed product or used market services at the three markets (combined). The established goal was 177 producers for 2015.
- Gross value of products marketed was \$56.1 million for the three markets, representing 4.09 million product units as compared to \$44.6 million for four markets in 2014, representing 3.6 million product units.

¹ A fourth shipping point farmers market in the State System, the Southwest Virginia Farmers Market (SWVFM), Hillsville, Virginia was sold to the County of Carroll in July 2015. The SWVFM was not in the State System as of December 1, 2015, therefore it is not included in the 2015 State Farmers Market Report.

² The Northern Neck of Virginia Farmers Market (NNVFM) was sold to Parker Farms, Inc in December 2015. It was in the State Farmers Market System as of December 1, 2015 and as such is included in the 2015 State Farmers Market Report.

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 2015, were the following:

- All three 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. Major wholesale and retail produce buyers in the United States require that all of their produce suppliers hold GAP Certification. In addition, the NNVFM and SEVFM continue to hold Global Food Safety Initiative (GFSI) certification.
- 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 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 expects an increase in tomato and shellfish production in 2016.
- The NNVFM continued to gain visibility with premium customers by extending the marketing season on products offered for sale. The market forged expanded relationships with grower suppliers in South Carolina, Georgia, Florida and Pennsylvania, resulting in increased produce volume, an extended marketing season and increased returns for Virginia growers.
- 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 2015 auction served 100 producers and 500 buyers with sales of approximately \$140,000.

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 foodborne incidents and companies are moving to comply with regulations promulgated under the Food Safety Modernization Act. All 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 or similar food safety programs. Each year, additional requirements are added to food safety audits. 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. Much of the infrastructure and the equipment systems in these facilities is 25 to 30 years old, therefore 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. Since 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.
- 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.

III. CROP PRODUCTION AND SALES

- The NNVFM indicated that prices were strong for 2015. The wet conditions reduced production volume, but the warm fall temperatures extended the growing and marketing season. Continuing low commodity prices in the feed grain and oil seed markets are encouraging additional growers to enter and expand in the produce business. 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 production in 2016. They also noted that ESVFM Seafood Market expects to see an increase in shellfish production, adding to the \$956,000 realized from eight seafood product lines in 2015.
- The SEVFM continued to realize opportunities through watermelon production, surpassing the goals for 2015 due to above average production and enhanced marketing. Management attended many production and marketing meetings to further enhance the success of the market. 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 2015 GOALS

- The NNVFM increased market presence and ability in the Southeast and Mid-Atlantic regions of the United States. The market operator, Parker Farms, was sought out by premier major produce buyers. The market forged new partnerships with growers in Pennsylvania, South Carolina, Georgia and Florida, thereby greatly expanding the seasonal availability of produce to buyers. 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, coolers and space were leased in 2015. The one remaining cooler available for spot lease was in full operation throughout the season. The seafood facility is now fully operational and under full lease by tenants with very high increases in production.

- Watermelon handling and marketing has been the cornerstone of activity at the SEVFM in recent years and 2015 proved to be equally successful in the watermelon business. The market was very successful in harvesting and packing watermelons due to above average production and due diligence in marketing. The produce auction remained steady with a slight increase in number of growers participating in the auction and the produce volume sold. The market's relationship with the DOC remains strong and their lease 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 2016

The NNVM operator's goals for 2016 include the following:

- Continue to serve the grower community as a private market in 2016. (The NNVM became a private market upon being bought by Parker Farms, Inc. from the Department of General Services on December 18, 2015.)

The ESVFM operator's goals for 2016 include the following:

- Continue working with present tenants to help ensure their profitability by keeping lease rates as affordable as possible
- Explore outside contracts with agribusiness users for additional market revenue in order to maintain lower facility rental rates.
- Participate with county extension agents in Accomack and Northampton counties in agricultural conferences and grower meetings.
- Further explore ways to serve any and all facets of the agricultural community on the Eastern Shore.
- Further develop the tenant base for the new Seafood Market, working with the seafood industry, Virginia Marine Resources Commission, and VDACS to identify and secure viable tenants that have needs that the market can fulfill.

The SEVFM has the following goals for 2016:

- Continue to maximize watermelon production, handling, and sales to reach full market capacity.
- Maintain GAP certification for melon operation and continue to advance GAP certification protocols for other produce products.
- Continue to explore and investigate, as warranted, large acreage sweet potato production and sales as a new agribusiness enterprise opportunity for the market and region.
- Upgrade computer systems to enhance the produce auction process and efficiency.

- 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.
- 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, which presents 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 because of labor constraints and recent commodity grain prices. These factors, coupled with an aging population of established farmers and the small number of younger people entering the farming business continues to threaten the long term viability of the Eastern Shore produce industry.
- The NNVFM operator reports that growers are cautiously optimistic for the produce business in 2016. 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 reported that due to record breaking production of watermelons, the attitude of producers is extremely positive. Based on the increased interest in watermelon production from growers and the success of existing producers, the outlook for the future of watermelons at the market is very bright. The market also continues to have additional growers participate in the produce auction, which is encouraging for its future success. The profitability of the production and the handling of watermelons remains the focal point of the SEVFM's future. It is anticipated that watermelon production and the produce auction, along with an emphasis on sweet potato production, will help to accomplish the original goals of VDACS in building a regional farmers market.

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

DECEMBER 1, 2015

ACREAGE AND CLIENTELE OVERVIEW ^{1. 2.}

	2015 GOAL	2015 ACTUAL 12/01/15	2016 GOAL
Producers served	177	182	187
Total acres served	8,300	7,875	2,500
Brokers served	36	34	26
Buyers served	630	660	550

1. The acreage and client goals and actual figures do not include estimates for the SWVFM as provided in the 2014 report. Therefore the 2015 Goals will be slightly lower in the 2015 State Farmers Market Report than the 2015 Goals stated in the 2014 Report.

2. The 2016 Goals do not include the Northern Neck of Virginia Farmers Market as this market was sold in December 2015 and will not be part of the State Farmers Market System in 2016.

**VIRGINIA FARMERS MARKET SYSTEM
DECEMBER 2016 ANNUAL PLAN AND REPORT
CROP VOLUME AND VALUE ***

	Grand Total Goal Units	Total Actual Units	Total Actual Value \$	Grand Total Goal Units
	2015	2015	2015	2016
Apples	86,000	110,325	\$1,909,146	11,000
Asparagus	2,000	1,000	\$40,000	1,200
Beans	50,850	32,617	\$623,588	850
Blueberries	0	340	\$6,469	0
Broccoli	1,100,700	964,347	\$12,836,258	700
Cabbage	50,000	28,746	\$185,041	0
Bags	44,500	44,350	\$266,100	44,500
Bins	0	16	\$1,120	0
Crates	0	0	0	0
Cantaloupe	0	0	0	0
Bins	675	710	\$59,601	675
Singles	0	0	0	0
Carrots (Bags)	44,500	45,469	\$408,126	44,500
Cauliflower	5,000	189	\$3,485	0
Bins	85	80	\$11,200	85
Celery	0	0	0	0
Chili Peppers	0	14,252	195,649	0
Collards	1,500	1,450	\$8,700	1,500
Corn	0	0	0	0
Crates	625,000	606,603	\$6,138,649	2,000
Corn Stalk Bin	0	22	\$3,777	0
Cucumbers	126,300	259,080	\$3,103,782	1,300
Bins	0	0	0	0
Eggplant	25,650	32,321	\$314,250	650
Gourds	400	375	\$2,625	400
Greens	50,000	0	0	0
Jalapeno	10,000	0	0	0
Lettuce	0	0	0	0
Nectarines	0	0	0	0
Okra	1,500	1,850	\$22,119	0
Onions	0	2,106	\$34,638	0
Peaches	0	2,424	\$37,042	0
Pears	0	182	\$1,888	0
Peas	0	0	0	0
Peppers	251,080	338,683	\$4,263,994	1,080
Plums	0	0	0	0
Potatoes	5,000	6,833	\$96,056	0
Bags	165,000	165,250	\$1,322,000	165,000
Pumpkins	0	0	0	0
Bins	150	109	\$11,910	150

Singles	0	0	0	0
Squash (hard)	10,000	15,831	\$210,588	25,000
Bins	0	106	\$23,050	0
Yellow Squash	235,000	233,988	\$2,463,813	0
Straw	0	0	0	0
Strawberries (Flats)	150	140	\$1,120	150
Sweet Potatoes	45,000	30,000	\$240,000	45,000
Tomatoes	5,000	5,153	\$69,959	0
Red	6,600	65,668	\$151,375	6,600
Cherry	400	350	\$4,200	400
Roma	900	761	\$19,656	900
Grape	500,000	703,846	\$14,087,701	698,000
Turnips	0	0	0	0
Watermelon	0	0	0	0
Bins	15,050	21,931	\$2,209,219	20,100
Singles	0	0	0	0
Zucchini	378,000	408,672	\$3,815,100	2,000
Miscellaneous	0	0	0	0
TOTAL PRODUCE	3,881,990	4,079,342	\$55,106,947	1,052,740

SEAFOOD

Clams	5,000	8,000	\$800,000	5,000
Oysters	1,500	1,582	\$63,280	1,500
Conch	0	0	0	0
Bunker	500	521	\$10,420	500
Silver Sides	500	400	\$12,000	500
Squid	150	125	\$62,500	150
Horseshoe Crab	32	105	\$52,500	150
Shark for Bait	0	97	\$1,164	110
TOTAL SEAFOOD	7,800	10,875	\$955,664	7,910

GRAND TOTAL	3,889,790	4,090,217	\$56,062,611	1,060,650
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	Grand Total Goal Units 2015	Total Actual Units 2015	Total Actual Value 2015	Grand Total Goal Units 2016
Boxes	2,950,225	3,187,325	\$44,626,665	766,035
Bins	16,165	23,124	\$2,382,377	21,215
Bags	259,000	261,575	\$2,784,100	259,000
Crates	652,000	606,603	\$6,138,649	2,000
Flats	550	490	\$5,320	550
Singles	0	0	\$0	0
Bushels	11,850	11,100	\$125,500	11,850
GRAND TOTAL	3,889,790	4,090,217	\$56,062,211	1,060,650

APPENDIX

Virginia Department of Agriculture and Consumer Services
Organizational and Reporting Structure

