



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

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

2016 REPORT AND 2017 PLAN

January 2017

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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 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 two 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 Southeast Virginia Farmers Market (SEVFM), Courtland, Virginia, is operated by Farmers Market, L.L.C.

In 2016, the Virginia Farmers Market System recorded \$21 million in sales, compared to \$56.1 million in 2015. However, the Northern Neck of Virginia Farmers Market, previously owned by VDACS, was sold in 2016, and therefore sales from that market are not included in the 2016 report. Based on a comparison of sales for the two remaining farmers markets, the 2016 sales value was \$1.1 million higher than the sales value for those markets in 2015. The numerical breakdown is as follows:

- The two markets served 1,700 acres of production in 2016.
- The system served 24 brokers and 550 major retail stores and institutional buyers.
- One hundred and eighty three (183) producers marketed product or used market services at the two markets (combined). The established goal was 182 producers for 2016.
- Gross value of products marketed was \$21 million for the two markets, representing over 911,000 product units.

¹ A third shipping point farmers market in the state system, the Northern Neck of Virginia Farmers Market (NNVFM), Oak Grove, Virginia, was sold to Parker Farms, Inc. in July 2016. The NNVFM was not in the state system as of December 1, 2016; therefore it is not included in the 2016 State Farmers Market Report.

II. PRODUCTION CONDITIONS AND MARKET FACTORS

The following factors had a positive effect upon production and marketing volumes for the past year, as cited by the market operators in 2016”

The two 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 U.S. require that all of their produce suppliers hold GAP certification. In addition, the SEVFM holds 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 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 small growers with lower production and acreage and larger corporate producers whose acreage has been increasing.
- The ESVFM expects an increase in tomato and shellfish production in 2017.
- 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).
- Watermelon production and marketing continues to play a major role in the success of the SEVFM.
- The SEVFM weekly produce auction continued to be successful. The 2016 auction served 100 producers and 500 buyers, with sales of approximately \$125,000.

The following factors negatively affected production and marketing volumes for the past year:

- 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 or updating software and other equipment related to product traceability. The markets will eventually require capital improvements to meet modern food safety compliance standards that are becoming the standard in the produce industry.

- Labor 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 Program 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 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 2017. The market manager also noted that ESVFM Seafood Market expects to see an increase in shellfish production in 2017 as well.
- The SEVFM indicated that watermelon producers experienced adverse weather conditions that caused a slight dip in production last year. Prices were fair, but not exceptional. Despite the difficulties, Virginia growers in the region were still pleased with their profits. The unusual weather patterns caused more problems for the growers who sell at auction. As a result, less produce was available this year at the auction that operates at the SEVFM.

IV. SUCCESS IN MEETING 2016 GOALS

- 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 2016. The one remaining cooler available for spot

lease was in full operation throughout the season. The seafood facility is now fully operational with nearly 50 percent of capacity under lease.

- Watermelon handling and marketing has been the cornerstone of activity at the SEVFM in recent years, and 2016 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 the number of growers participating in the auction and in the produce volume sold. The market's relationship with the DOC remains strong, and its 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 2017

The ESVFM operator's goals for 2017 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 2017:

- 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 large acreage sweet potato production and sales as a new agribusiness enterprise opportunity for the market and region.
- 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 to ensure it remains a viable tenant.

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 is working closely with aquaculture producers and the Working Waterman's Association to solidify this interest among younger growers. The market operator believes that there is a strong opportunity for further development of the market's seafood business. However; there appears to be diminishing options for growth in fresh market produce outside of the large commercial contract tomato operations. Many long-time produce growers are moving into large commodity grain enterprises because of labor constraints and recent commodity grain prices. These factors, coupled with an aging farmer population and the low number of younger people entering the farming business, continues to threaten the long term viability of the Eastern Shore produce industry.
- The SEVFM manager reported that producer attitudes remain positive on the market and the production opportunities it offers for the future. The market added several new watermelon growers who had successful seasons and the market manager believes the future of watermelon production for the market remains 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 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, 2016

ACREAGE AND CLIENTELE OVERVIEW ¹

	2016 GOAL	2016 ACTUAL 12/01/16	2017 GOAL
Producers served	182	183	187
Total acres served	1,800	1,700	1,800
Brokers served	26	24	26
Buyers served	550	550	550

1. The acreage and client goals and actual figures do not include estimates for the NNVM as provided in the 2015 report. Therefore, the 2016 goals will be slightly lower in the 2016 State Farmers Market Report than the 2016 goals stated in the 2015 report.

**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
	2016	2016	2016	2017
Apples	11,000	10,250	\$112,750	11,000
Asparagus	1,200	1,000	\$40,000	1,200
Beans	850	850	\$12,750	850
Blueberries	0	0	\$0	0
Broccoli	700	675	\$8,100	700
Cabbage	0	0	\$0	0
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	500	\$50,000	675
Singles	0	0	\$0	0
Carrots (Bags)	44,500	44,000	\$396,000	44,500
Cauliflower	0	0	\$0	0
Bins	85	80	\$11,200	85
Celery	0	0	\$0	0
Chili Peppers	0	0	\$0	0
Collards	1,500	1,450	\$8,700	1,500
Corn	2,000	1,500	\$12,000	2,000
Crates	0	0	\$0	0
Corn Stalk Bin	1,300	1,250	\$12,500	1,300
Cucumbers	0	0	\$0	0
Bins	650	600	\$6,000	650
Eggplant	400	375	\$2,625	400
Gourds	0	0	\$0	0
Greens	0	0	0	2,000
Jalapeno	0	0	\$0	0
Lettuce	0	0	\$0	0
Nectarines	0	0	\$0	0
Okra	0	0	\$0	0
Onions	0	0	\$0	0
Peaches	0	0	\$0	0
Pears	0	0	\$0	0
Peas	0	0	\$0	0
Peppers	1080	850	\$6,800	1080
Plums	0	0	0	0
Potatoes	0	0	\$0	0
Bags	165,000	165,250	\$1,322,000	165,000
Pumpkins	0	0	\$0	0
Bins	150	100	\$11,000	150
Singles	0	0	\$0	0
Squash (hard)	0	0	\$0	0

Bins	0	0	\$0	0
Yellow Squash	3,000	2,750	\$22,000	3,000
Straw	0	0	\$0	0
Strawberries (Flats)	150	140	\$1,120	150
Sweet Potatoes	45,000	30,000	\$240,000	45,000
Tomatoes	0	0	\$0	0
Red	6,600	3,932	\$151,375	6,600
Cherry	400	350	\$4,200	400
Roma	900	964	\$24,808	900
Grape	500,000	506,475	\$10,408,061	525,000
Turnips	0	0	\$0	0
Watermelon	0	0	\$0	0
Bins	20,050	21,000	\$2,100,000	20,050
Singles	0	0	\$0	0
Zucchini	3,000	2,500	\$20,000	3,000
Miscellaneous	0	0	\$0	0
TOTAL PRODUCE	854,690	841,191	\$15,250,089	879,690
SEAFOOD				
Clams	5,000	25,000	\$2,500,000	25,000
Oysters	1,500	16,049	\$641,960	16,500
Conch	0	0	\$0	0
Bunker	500	550	\$11,000	550
Silver Sides	500	0	\$0	500
Squid	150	0	\$0	150
Horseshoe Crab	150	225	\$112,500	250
Oysters (gal)	0	27,900	\$2,511,000	27,500
Shark for Bait	110	97	\$1,164	110
TOTAL SEAFOOD	7,910	69,821	\$5,777,624	70,560
GRAND TOTAL	862,490	911,020	\$21,062,849	950,245
	Grand Total	Total	Total	Grand Total
	Goal Units	Actual Units	Actual Value	Goal Units
	2016	2016	2016	2017
Boxes	567,925	616,900	\$15,872,581	655,735
Bins	21,165	21,930	\$2,263,348	21,160
Bags	259,000	259,100	\$2,784,100	258,950
Crates	2,000	1,500	\$12,000	2,000
Flats	550	490	5,320	550
Singles	0	0	\$0	0
Bushels	11,850	11,100	\$125,500	11,850
GRAND TOTAL	862,490	911,020	\$21,062,849	950,245

APPENDIX

Virginia Department of Agriculture and Consumer Services
Organizational and Reporting Structure

