

**Fresh produce
and low prices**



Direct Marketing Program, CDFA

Direct marketing in California

Suzanne Vaupel



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Direct marketing in California has grown rapidly in recent years but still accounts for less than 1 percent of the state's total fruit and vegetable production.

Farmers receive only a small share of the retail food dollar in the wholesale-retail marketing system — about 28 to 29 percent for fresh fruits and vegetables in 1984, according to the U.S. Department of Agriculture (USDA) *Agricultural Outlook*. Direct marketing gives farmers an opportunity to increase profits by cutting out the middle layers and receiving a larger share of the retail dollar.

Direct marketing is the sale of agricultural products directly by the producer to the consumer. Roadside stands, certified farmers' markets, farm trails, and "U-pick" operations are all forms of direct marketing.

In California, direct marketing is made possible by regulations promulgated by the Bureau of Fruit and Vegetable Quality Control and Standardization within the California Department of Food and Agriculture (CDFA). The regulations exempt direct sales of fruits, nuts, and vegetables from the standard size, packaging, and container requirements of the wholesale system. Technical assistance to certified farmers' markets and roadside stands is offered by the Direct Marketing Program within CDFA.

Producer benefits

Producers who sell directly set their own prices, receive immediate cash payment, and realize larger net profits. Direct marketing can mean financial stability for many long-time career farmers. A 1981 CDFA/USDA survey of 70 direct marketing producers (with more than backyard plots) in Stockton indicates that the average respondent had been in farming for almost 22 years and that farming

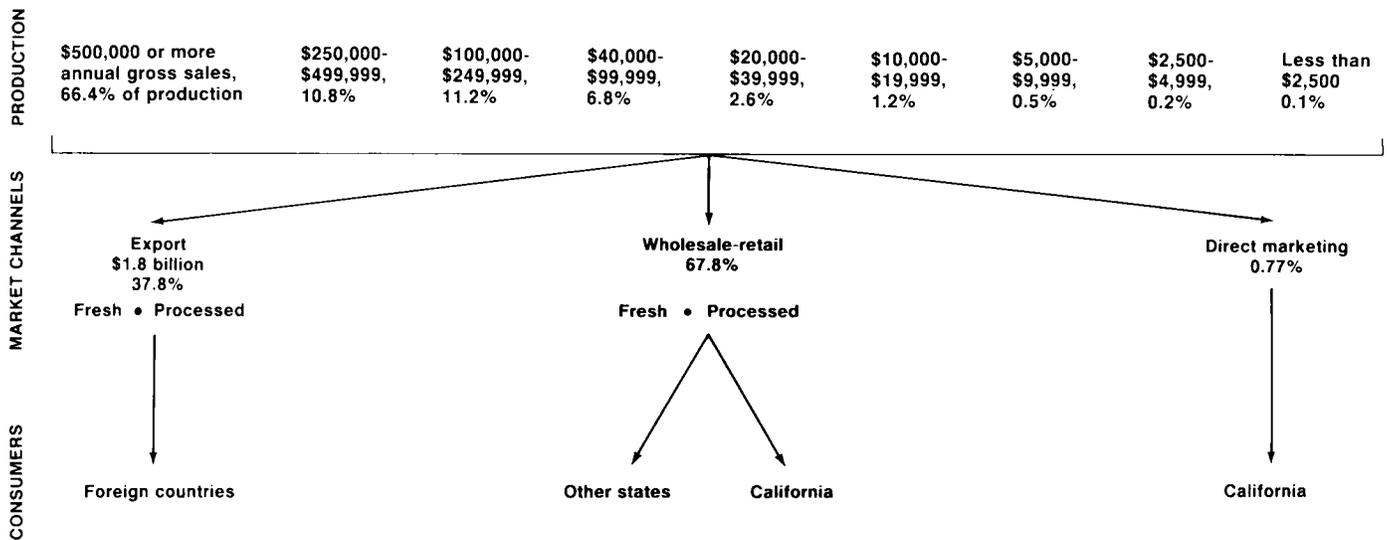


Fig. 1. California fruit and vegetable production and marketing in 1982.

was the principal source of income for two-thirds of the respondents. Prices received for most but not all products at the Stockton Certified Farmers' Market were greater than those at the San Francisco wholesale market. Over a 12-week period, prices received by farmers for 30 commodities averaged 22 percent higher at the farmers' market than at the San Francisco wholesale market.

Direct marketing provides a secondary marketing option used by many farmers, both large and small. According to the *Census of Agriculture* (U.S. Bureau of the Census), 560 California farmers with annual gross sales of \$100,000 and more sold \$18.6 million of produce through direct marketing in 1982. A 1980 USDA study found that direct-marketing producers in California sold an average of only 9 percent of their total production through direct sales. A Reedley farmer said he moved about 5 percent of his 100 acres of tree fruit through certified farmers' markets in 1983 and 10 percent in 1984. According to his books, he lost money at the wholesale market; his only profits were from direct marketing.

Another benefit of direct marketing is that, unlike marketing to wholesalers in bulk shipments, it offers growers an opportunity to try new varieties of produce and explain to the consumers what they are and how to use them. Consumers can also provide useful feedback to farmers.

Consumer benefits

For California consumers, direct marketing generally means fresher produce at lower prices. Many crops are picked only hours before they are sold at road-

side stands and farmers' markets. State quality standards for produce sold in certified farmers' markets are the same as for produce sold by other forms of marketing. Of the 587 customers interviewed at 17 certified farmers' markets by the UC Davis Center for Consumer Research in 1978, 63 percent said that the quality of the produce was the main attraction. Some small growers do not grade their products before selling at farmers' markets, however, so lower grades can be found mixed with higher grade produce. Since July 1984, the California Tree Fruit Agreement has required that all tree fruit coming to certified farmers' markets from growers who use a packing shed be #1 fruit but with an additional tolerance for soft and overripe fruit.

Direct purchases eliminate the costs of grading, packing, shipping, handling, brokering, wholesaling, distributing, and retailing, which amount to about 72 cents of every dollar spent on fruits and vegetables. According to the 1978 UC Davis study, the average unit cost at farmers' markets was 34 percent less than at supermarkets in the same community. Fifty-four percent of the consumers interviewed listed price as a reason for buying at farmers' markets.

Other consumer benefits include the availability of organically grown produce and the opportunity to buy in bulk for freezing, canning, and dehydrating. While many consumers prefer the conveniences of one-stop shopping, direct marketing offers an alternative for those who prefer fresher produce, a greater variety of products, and the ambience of farmers' markets, roadside stands, or pick-your-own

operations. Communities benefit as well from direct marketing, since the money spent is injected directly into the local economy.

Growth of direct marketing

Since the direct marketing regulations took effect in 1977, direct sales and the number of farmers' markets have increased greatly. A conservative estimate shows that in 1982 over 8,300 California farmers sold produce valued at about \$37 million directly to consumers (*1982 Census of Agriculture*). This was 30 percent more than the 6,363 farmers selling and 56 percent above the \$24 million sold directly in 1978.

Between 1977 and 1984, the number of certified farmers' markets in California increased from 4 to 85. The Direct Marketing Program of CDFR estimates that in 1984 over 3,000 producers sold produce to about 150,000 consumers at farmers' markets across the state each week.

There has been no systematic statewide collection of data on value and tonnage of sales at farmers' markets, roadside stands or U-pick operations, but figures are available for some markets. The 12 Southland Markets in the Los Angeles area gross approximately \$4 million annually. The 250 producers who sell in these markets average \$16,000 in annual farmers' market sales each. About 16,000 consumers shop at Southland Markets each week. Farmers' markets in Santa Monica and Pasadena gross about \$1 million each annually.

Approximately \$2 million of produce has been sold at the Stockton certified farmers' market in five years. The total

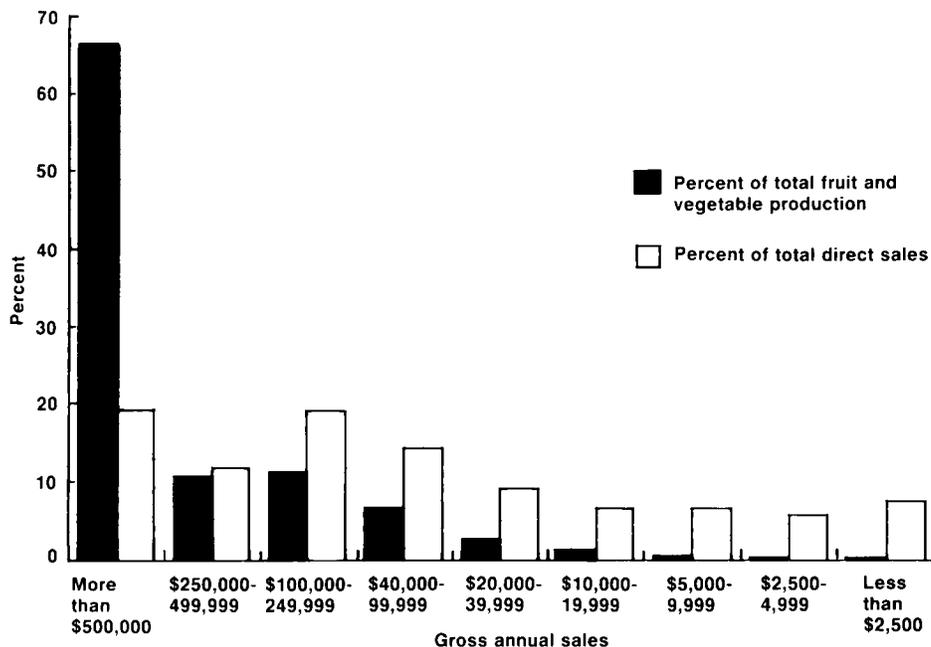


Fig. 2. Distribution of California fruit and vegetable production and direct marketing sales by farms, by gross annual sales, 1982. (Source: 1982 Census of Agriculture)

amount sold at that market increased from 295 to 610 tons (107 percent) from its first to second year of operation (1979 to 1980), and to 931 tons (another 53 percent) in 1981. The average number of producers per week increased 43 percent, from 28 to 40 between 1979 and 1980, and to 51, another 28 percent, in 1981. The average amount of produce offered per producer increased 47 percent, from 13.8 to 20.2 tons in the second year and to 23.4 tons, another 15 percent, in the third year.

Further growth possible

Despite the growth in direct marketing, there is room for further expansion. Of the 206 California cities with a population of 20,000 or more, only 71 have one or more certified farmers' markets. Such markets now are supported by towns with populations as low as 18,000.

Local farmers could supply some of the produce that is being imported from other states and countries. For example, during September, October, and November in 1979 to 1981, California imported an average of 49, 55, and 45 percent, respectively, of the onions consumed during those months, according to USDA unload reports. Much of this local demand could be met by current California production.

New avenues of direct marketing are also being attempted. A farmer in Woodland sells fresh produce to local day-care centers and schools. This same idea was encouraged in New York State by legislation in 1980 permitting schools to buy

fresh produce (up to a value of 15 cents per student per day) directly from local farmers without going through the usual bid process (NY General Municipal Law Section 103(9)). This approach reduces governmental red tape and supports the local economy. A district with only 2,000 students could purchase \$54,000 of local produce annually while stimulating the local economy even more through the multiplier effect.

Direct marketing in perspective

While direct marketing has grown from infancy to a \$37 million industry in the last six years, its market share remains small by California standards. According to the *Census of Agriculture, 1982* direct marketing sales represented less than 0.4 percent of the value of all California agricultural products sold for human consumption or about 0.8 percent of the value of California fruits, berries, nuts, and vegetables. Between 1978 and 1982, direct marketing sales increased by about \$13 million, but value of total production of fruits, nuts, and vegetables increased by \$1.3 billion, from \$3.5 to \$4.8 billion.

In terms of farm size, growers who sell direct are a microcosm of California fruit and vegetable producers as a whole. In both production and direct marketing, the largest percentage of the product is supplied by the largest farms. (Comparison is made with fruit and vegetable production, including berries, nuts, and melons, since

these items are the bulk of directly marketed products.) The largest farms, those with annual gross sales of \$500,000 or more, produce over 66 percent of California fruits and vegetables, while the smallest farms, with annual sales between \$1,000 and \$2,500, produce only 0.1 percent (fig. 1).

A similar pattern exists in direct marketing. Almost 20 percent of direct marketing sales are from the largest farms, those with annual sales of \$500,000 or more. This is the largest single category of direct marketing sales. A high percentage also comes from farms with annual gross sales of \$250,000 to \$499,999 and \$100,000 to \$249,999. For farms with smaller gross sales, the patterns of production and direct marketing sales are nearly parallel (fig. 2).

Direct marketing represents less than 1 percent of fruit and vegetable production. The total value of direct marketing sales is approximately equal to the value of apricot production in California. Despite the small percentage of California produce that moves through direct marketing, this channel is used by a large number of farmers. Over 8,300 farms, more than 10 percent of total California farms, participate in direct marketing. There are over twice as many growers in direct marketing as there are California vegetable farms (4,000), more in direct marketing than the number of all California citrus farms (7,500), and more in direct marketing than all California farms producing plums, prunes, peaches, and pears (about 8,000).

CDFA Direct Marketing Program

While the Department of Food and Agriculture offers many statistical services and market reports to farmers participating in the wholesale-retail market system, the Direct Marketing Program is the only section within CDFA that specifically assists farmers engaged in direct sales. The program offers technical assistance to producers and consumers in starting up certified farmers' markets, roadside stands, and farm trails. From 1980 to 1982, the program provided limited start-up funds from a federal grant to inner city markets. About \$126,000 was distributed to 10 markets. The program does not operate any markets and is not responsible for writing or amending direct marketing regulations. The Direct Marketing Program will send a list of California certified farmers' markets to persons who phone their toll-free number: (800) 952-5272.

Suzanne Vaupel is a Visiting Assistant Agricultural Economist, University of California, Davis.