



Direct Marketing from Farmers to Consumers - A Growing Trend

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In 1992, American consumers spent an estimated \$400 million to \$1 billion on food purchased directly from the farm or from farmers' markets.^{[1],[2]} While this was less than 0.5 percent of the \$319 billion spent on all food to be consumed at home, there are indications that direct marketing from farmers to consumers is growing in popularity.^[3]

The number of farmers' markets in New York State increased from 6 in 1965 to 174 in 1994.^[4] Nationwide, there were a total of 2,400 farmers' markets in 1996.^[5] In 1997, there were 600 farms involved in community-supported-agriculture (CSA) nationwide, and this number is projected to reach 1,000 by the year 2000.^{[6],[7]} As a member of a CSA, the consumer pays the farmer at the beginning of the season, thereby assuming some of the risk. In exchange, the consumer receives a weekly share of produce, eggs, and sometimes meat, poultry, and dairy products. Working memberships are often available, where part of the payment is in the form of farm labor. Many newspapers are featuring local farmers' markets and CSA's, and listings are easily available on the internet.^[8]

What are the reasons for this increase? For farmers, bypassing wholesalers and selling directly to consumers enables them to improve their profit margin. At established farmers' markets, farmers average \$200 to \$600 per day in gross sales, typically 200-250 percent higher than from wholesale market sales.^[7] This difference in margins can allow small farmers, in particular, to stay in business.

Consumers are attracted to farmers' markets and other direct agricultural sales outlets for several reasons. One is that many consumers like to support local farmers by buying local products. Responding to this interest, the state agriculture department in Vermont, for example, has issued a

set of proposed rules defining terms such as 'native', 'locally-grown', and 'farm fresh'. The Vermont Department of Agriculture, Food and Markets also issues a special 'Vermont Seal of Quality' for some agricultural products. The seal may be carried if at least 85% of the product is made in Vermont, and all of the producing, processing, and packaging facilities are located in the state.^[9]

Other reasons that direct sales outlets appeal to consumers is the desire for a personal connection to agriculture and for fresher, less processed, and more organic foods. This is demonstrated in part by the recent surge of interest in organic foods. The organic industry had an estimated \$3.5 billion in sales in 1997, compared with \$1 billion in 1990.^[10] CSA's, most of which provide organic products, offer the consumer all of these elements.

Regulations regarding direct sales are changing to accommodate both farmers' and consumers' interests. In California it was illegal for farmers to sell directly to consumers in the late 1970's. As a result of consumer demand, the state Department of Agriculture established a certification program for growers to sell at farmers' markets, opening the way for 12 farmers' markets in 1979. Today, more than 3,000 growers in California are certified to sell their products at more than 300 farmers' markets.^[11]



Nationally, the USDA was designated in the Farmer-to-Consumer Direct Marketing Act of 1976 to provide funds to state departments of agriculture in order to 'promote the establishment and operation of direct marketing from farmers to consumers'.^[12] States were to use these funds to compile relevant laws and regulations, as well as to facilitate establishment and operation of direct marketing outlets.

In 1992, USDA established the Women, Infants, and Children Farmers Market Nutrition Program. This program provides federal funds for women, infants, and children who are nutritionally at risk to purchase foods from farmers' markets.^[13] Funding for this program in 1998 was \$12 million.

In a 1998 report, USDA's National Commission on Small Farms recommended that 'USDA should develop an interagency initiative to promote and foster local and regional food systems featuring farmers' markets, community gardens, Community-Supported-Agriculture, and direct marketing to school lunch programs'.^[14] The Commission further recommended 'USDA to take aggressive action in a timely manner to end the inequities in meat inspection'. Slaughter and processing of meat and poultry must be inspected by federal or state authorities regardless of the route of sale. However, the recommendation aims to give farmers more flexibility to market their meat products.

To illustrate, if a farmer wants to direct-market meat to consumers, he must process the animals at a state- or federally-inspected plant. A state plant is usually more convenient to the farmer, as well as less costly. But when selling state-inspected meat, the farmer must sell by 1/4's or 1/2's of a carcass and cannot sell across state lines. In order to sell meat by the cut, Federal inspection is required.^[1]

Federal laws currently provide for some exceptions to the inspection regulations. Meat and poultry slaughter and processing for personal use or for nonpaying guests and employees is exempt from inspection.^[14] In addition, farmers are exempted from inspection if they slaughter or process not more than 20,000 poultry annually for sale within the state.^[15]

At this time, no such exemption exists for the sale of small amounts of products from cattle, swine, sheep, or goats. However, there are indications that this may change. A resolution before the Virginia state legislature, for example, is aimed at broadening current inspection exemptions within the state to allow farmers to sell meat directly to consumers.^[16]

Expansion of opportunities for direct-marketing of animal products creates a 'new' marketing channel, one that largely bypasses the auction market and the slaughterhouse. Animal health programs including disease surveillance, certification, and emergency management may have to accommodate this new means of distribution in the future. Instead of being able to focus on places where animals are assembled, new approaches, such as more on-farm activities, will be needed.

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