

## Local & Regional Markets

Farmers' markets and other forms of direct marketing such as direct sales to restaurants, schools and institutions, community-supported agriculture, and agritourism benefit both consumers and producers. Direct marketing has grown over the last decade, and California leads the nation in the number of farmer's markets. In 2007, direct marketing sales were \$163 million in California, or about 0.5 percent of total agricultural product sales (USDA NASS, *2007 Census of Agriculture*). (The census data and other information listed here excludes the wine industry where direct marketing to consumers has long been and continues to be a major revenue source.) The 2008 Farm Bill included provisions to encourage local consumption of locally produced foods, including through farmers' markets.

Farmer's markets had been common prior to the advent of refrigeration and low cost transportation and regulation of agricultural marketing. In 1977, the California Department of Food and Agriculture (CDFA) exempted farmers who sold their goods directly to the public from packing and labeling requirements. However, these farmers must be certified by their county agricultural commissioner and sell their goods at Certified Farmer's Markets. Federal government support for direct marketing efforts such as farmers' markets expanded with the 2008 Farm Bill, which offers incentives to promote local consumption of locally produced foods and funding for farmers' markets (ERS 2008).

According to the *2007 Census of Agriculture*, California has about 500 farmers' markets, of which about half are active year-round. More than seven thousand farms in California (or almost 10 percent of the total) marketed some part of their output directly to consumers, more than in any other state. The top three U.S. counties for direct marketing were Fresno (\$17.2 million), San Joaquin (\$11.8 million) and Tulare (\$11.7 million) (NASS 2007). The total value of direct marketing sales in California more than doubled between 1997 and 2007. In 1997, direct marketing sales were worth more than \$73 million or about 0.3 percent of the state's total value of agricultural output. Sales increased to about \$114 million in 2002 or about 0.4 percent of total agricultural output. In 2007, sales reached more than \$162 million or about 0.5 percent of the state's total agricultural output by value (NASS 1997, 2002, 2007).

California's relatively high level of direct marketing sales is likely a result of a combination of factors: large urban centers spread throughout the state, a climate conducive to many types of crops, long growing and marketing seasons and a large variety of high-value horticultural crops (Hardesty 2003). Direct marketing includes community-supported agriculture (CSA) and the number of CSA farms in the country increased from 60 in 1990 to about 1,700 in 2004, with the largest shares of CSA farms in California, New York, Pennsylvania, Wisconsin and Washington (Strochlic and Shelley 2004). Another important form of direct marketing is roadside stalls or direct from the farm marketing.

Many buyers believe that produce bought directly from the producer is fresher and that the food is safer. Sometimes producers gain from direct marketing because producers

can capture a higher price, but of course costs can also be high. Direct marketing may allow producers to sell products in smaller lot sizes and to sell fruit that might not be suitable for retail stores. Direct marketing may be well suited for small farms with low labor costs or with family members or workers who enjoy interacting with consumers.

Revenues from direct marketing are still small compared to total agricultural revenues. However, there exists significant potential for increased sales through direct marketing efforts. If consumers shift toward more unprocessed fruits and vegetables and come to appreciate locally grown products for their contribution to the local culture their may be significant potential for local markets for locally produced food.

A focus on local consumption of locally produced foods raises two important concerns for California agriculture. First, California produces so much that most of its farm output, especially fruits and vegetables, is shipped to other parts of the United States. Because California producers already serve most California consumption, if shipments from California to other regions decline with a shift there towards local produce, overall demand for California produce will decline. Second, because local production and direct marketing is generally more expensive for consumers when full costs are included and access is more difficult for the poor, especially the urban poor, emphasis on local production and direct marketing can reduce overall produce sales and raise concerns about nutrition, especially of vulnerable populations.

An important contribution of direct marketing that may benefit all of agriculture occurs when consumers (and voters) use the experience to learn more about farming and the challenges that farmers face. Bringing more of farm reality to non-farm people can be a useful contribution of direct marketing that extends beyond the producers involved.

– University of California Agricultural Issues Center, July 2009

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