Local and Regional Markets

AIC White Papers on California Agricultural Issues

Consumers have shown increased interest in local and regional markets, and farmers are paying more attention to marketing their products to meet this market niche. Locally-produced goods can be marketed through traditional retailers, and it appears that this is a growing trend. Another form of local marketing is directly from the farmer to the consumer. Such direct marketing can take such forms as farmers’ markets, direct sales to restaurants, schools and institutions, and community-supported agriculture. Direct marketing has benefits for both consumers and producers. 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).

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. In fact, the top three U.S. counties for direct marketing were all in California – 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). (The census data and other information listed here exclude the wine industry where direct marketing to consumers has long been and continues to be a major revenue source.)

California’s 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). Many buyers believe that food 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. Also direct marketing may allow producers to sell products in smaller lot sizes and to sell fresh produce 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.

Farmer’s markets are the form of direct marketing that is most commonly associated with the local food movement. Starting in 1977, the California Department of Food and Agriculture (CDFA) exempted farmers who sold their good directly to the public from packing and labeling requirements. However, to exercise this exemption, farmers must be certified by their county agricultural commissioner and sell their goods at Certified Farmer’s Markets. California leads the nation in the number of farmers markets with about 500 markets, of which about half are active year-round (NASS 2007).

Direct marketing also includes community-supported agriculture (CSA), in which individuals form a group that pledges to cover in advance the expected costs of a farm and thereby share in
the risks and benefits of food production. Members receive a share of the farm’s output, usually through regular deliveries or pick-ups. The number of CSA farms in the country increased from 60 in 1990 to about 1,700 in 2004, with CSA farms more common in California, New York, Pennsylvania, Wisconsin and Washington (Strochlic and Shelley 2004). However, CSA farms remain a small share of total farms, representing less than 0.1 percent of all U.S. farms. Another important form of direct marketing is roadside stalls or direct from the farm marketing.

As mention above, revenues from direct marketing are still small compared to total agricultural revenues. If consumers shift toward more unprocessed fruits and vegetables and come to appreciate locally grown products for their contribution to the local culture, there may be significant potential for growth in markets for locally produced food, especially in California.

Locally-produced foods are often interpreted to be more environmentally sustainable than other foods. However, there are several reasons why “food miles” (the distance food must travel between stages of production and final consumption) are not a good indicator of embedded energy, life-cycle greenhouse gas emissions, or other measures of environmental impact. Transportation from the producer to the consumer represents only 4 percent of life-cycle emissions for food. Differences in transport distance are easily offset by differences in yields, land use practices, and storage costs necessary to supply locally-produced food through all seasons. Weber and Matthews (2008) suggest that dietary shift can be more effective in reducing emissions than buying locally-produced food, especially when red meats are avoided. Furthermore, the distinction between locally-produced food and organic production must be acknowledged. Although often used synonymously, locally-produced foods are not necessarily organic and vice-versa. Organic production carries its own set of environmental implications, since organic production tends to have lower yields and therefore require more land for similar levels of output.

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 would decline. Second, because local production and direct marketing is generally more expensive for consumers, fewer low-income consumers choose this marketing channel. One result is that most direct marketing efforts and venues are less available to low-income consumers, especially the urban poor.

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 exposure to farmers and farm workers to non-farm people can be a useful contribution of direct marketing that extends beyond the share of production or producers involved.

Sources:


2002 Census of Agriculture. Washington D.C.


