

The Prospect for Expanding Portland's Farmers Markets: Are Growers Ready to Ramp Up the Supply?

I. Introduction

The City of Portland is conducting a study examining the capacity of Portland's farmers markets to expand in the future, looking at both local consumer demand and regional farmer/vendor supply. To complete the study, the City has commissioned a consultant team led by Barney & Worth, Inc. Team members include Globalwise, Inc., which specializes in agricultural economics.

The Globalwise analysis of the regional agricultural supply capacity was conducted to determine the ability of direct-market producers to adequately supply existing and expanded/additional farmers markets in Portland. Information for this analysis comes from several sources:

- A 2008 survey of 52 area growers, including those who predominantly sell products in Portland farmers markets and some growers who do not currently participate in farmers markets;
- Acreage and sales trends data from the Oregon Agricultural Information Network (OAIN) maintained by the Oregon State University Extension Service;
- Oregon State University economic and production research reports; and
- A map of grower locations in Multnomah, Washington and Clackamas Counties prepared by the Office of Sustainable Development.

II. Highlights

The following are highlights of the grower supply capacity analysis. A more detailed assessment is provided in the next sections.

1. There is sufficient supply to sustain Portland's existing farmers markets for the foreseeable future, and add some new markets. The current growers who sell at farmers markets are succeeding and some are expanding as they explore the many marketing options available to them.
2. Increased food supply for farmers markets will come partially from new, smaller farms whose numbers have been increasing in Oregon. These smaller, specialty farms are tailor-made for selling at farmers markets. They often use the farmers markets as

their first direct-market channel, expanding later to restaurant sales, wholesale markets and other methods.

3. There is adequate capacity to supply some new markets – but these new markets may not look like today's larger, well-established markets and markets should expand at a moderate pace since the vendors for new markets are likely to come primarily from the ranks of the smaller, or less experienced growers.
4. An attractive market expansion opportunity is to extend the season. Customers support the longer season, and early experiments with shoulder seasons and winter markets have been successful. Also, many farmers are preparing now to sell fresh crops over an extended season.
5. A primary factor constraining the expansion of fresh local food supplies is the lack of available farm labor.
6. Many farmers currently find advantages for selling at farmers markets. To attract growers in the future, however, Portland's farmers markets can expect to face stiffer competition from other farmers markets in Western Oregon and from other direct-market sectors (CSAs, restaurant/institutional sales, wholesale distributors). Portland's markets may need to show constant improvement to retain the growers they have and attract new ones.

Supplying Portland's Farmers Markets Pluses and Minuses

Plus

- + Large acreage of productive cropland within 100-mile radius. More land being certified for organic production
- + Oregon's land use laws protect farmland
- + Increased consumer demand
- + Earn higher prices for food at the markets than through other channels
- + Diversity of farmers markets: size, days, tenure
- + Opportunity to extend farmers market seasons
- + Opportunity to co-market with other direct-market channels such as restaurants

Minus

- Most acreage is committed long-term to non-food crops – growers unlikely to convert
- Half of tri-county area farms are located outside EFU zones
- A labor shortage undermines farmers' expansion plans
- Rising fuel costs make it less likely more distant growers will serve markets
- Portland's established farmers markets are at full capacity for vendors
- Established farmers are unwilling to enter new markets, at least initially
- Growing competition from markets outside Portland, closer to farmers

The Area that Supplies Portland's Farmers Markets

The interviews with area farmers reveal a clear picture of the principal supply area for Portland's farmers markets. Approximately 90 percent of the food sold in the current farmers markets in Portland is grown within a 100 mile radius of the city. Half of all farms serving the markets are located within 30 miles of Portland, but these tend to be smaller farms and they clearly account for less than half of the food supply. The larger farms, typically located further from Portland, supply most of the food sold at the city's farmers markets. A few farms beyond the 100 mile distance are also important supply sources. However, rising fuel and labor costs suggest that significantly increased participation by growers from beyond 100 miles will be more challenging especially for smaller farm operations.

In Oregon, the primary supply area covers 11 counties: Multnomah, Washington, Clackamas, Columbia, Yamhill, Marion, Polk, Linn, Benton, Lane and Hood River. In Southwest Washington the principal supply counties within the 100-mile catchment area are Clark, Lewis, Skamania and Klickitat.

The nearby supply area (30-mile radius) is primarily in Clackamas, Multnomah and Washington Counties. GIS maps prepared under the direction of the Portland Office of Sustainable Development show 135 participating farms dispersed throughout this three-county area. Another eight farms in Southwest Washington also currently supply Portland's farmers markets. Washington farms may add further to food supply for the Portland markets, but this is likely to be limited. There is good potential for expansion of farmers markets in Vancouver and other cities on the Washington side of the river. Also, small farm expansion has been much slower in southwest Washington than in the supply areas of Oregon.

Farms that bring food a distance greater than 30 miles include some of the largest producers that sell in the Portland markets. These farms are reliable and competitive suppliers. They are larger volume fresh crop producers affording them greater efficiencies in production, transportation and marketing functions. Also some of these more distant farms sell higher value products such as specialty cheeses or meat and livestock products. The larger, diversified growers are particularly adept at supplying their Portland customer base by consolidating loads to serve both farmers markets and other market channels – especially fresh produce wholesalers and restaurants. Larger growers also benefit from cost savings on equipment such as light weight, fuel-efficient delivery vans. In some cases they can also back-haul materials to their home base.

The Agricultural Land Resource Base

Data from the Oregon Agricultural Information Network (OAIN) provides annual, county-level analysis of acreage and supply potential. Data was extracted from the OAIN database for all 11 Oregon counties within the farmers market catchment area for the years 2000, and 2004 to 2007. Some data are omitted by OAIN to avoid proprietary business disclosure for farmers, food handlers or processors that have dominant sales at the county level. Also, the 2007 data is preliminary and subject to revision.

Tables 1 and 2 show the acreage trends for the four main categories of crops sold in farmers markets: vegetables, tree fruits and nuts, small fruits / berries, and specialty crops (such as nursery and greenhouse crops, bulbs, turf, sod, and Christmas trees). Table 1 looks at the three counties closest to Portland and Table 2 shows the acreage trends in the more distant eight-county Oregon supply area.

Most notable is the trend for acreage planted in vegetables, whether for processing or fresh marketing. While the fruit and specialty crop categories hold relatively constant or trend upward, vegetable acreage shows a steep decline from 2000 to the 2004 - 2007 period. The decline is very pronounced in the Mid-Willamette Valley but acreage losses are also significant across the three-county area around Portland. The closure or down-sizing of Oregon processing plants during the period significantly reduced acreage planted in vegetables. It is also important to note that many of the growers who previously raised vegetables for processing turned to crops other than fresh market vegetables. This is an indicator that many farmers with land suitable for vegetables made a management decision to not switch into fresh market vegetables. This trend will be discussed in greater detail later in the report.

Another contributing factor for the decline of vegetable acreage in Oregon is the centralized, large scale fresh produce procurement practices of the mass-market retail store chains. Safeway, Albertsons, Kroger/Fred Meyer and other chains account for the major share of fresh produce sales in the Portland area. They have increasingly relied on large growers and distributors with operations in California, Arizona and Texas to supply fresh vegetables and fruits.

Year	Vegetables and Truck Crops	Tree Fruits and Nuts	Small Fruits And Berries	Specialty Crops
2000	10,740	12,670	8,080	2,430
2004	9,890	12,680	7,600	2,440
2005	9,050	12,180	7,135	2,200
2006	8,860	12,250	7,209	2,300
2007	NA	12,600	7,584	2,430

Source: Oregon Agricultural Information Network, Oregon State University.

Year	Vegetables and Truck Crops	Tree Fruits and Nuts	Small Fruits And Berries	Specialty Crops
2000	43,350	45,750	9,480	3,980
2004	14,250	47,830	9,530	3,710
2005	14,220	48,000	9,450	3,770
2006	13,600	48,640	9,270	3,370
2007	8,930	50,200	9,890	2,390

*Counties include: Benton, Columbia, Hood River, Lane, Linn, Marion, Polk and Yamhill

Source: Oregon Agricultural Information Network, Oregon State University.

Producing for Farmers Markets is Not Always an Attractive Option

The Willamette Valley has 70 percent of the state's high quality farmland. The latest OSU estimates show this fertile valley currently has about 700,000 acres in cropland production, including almost 500,000 acres in grass and legume seed production (or 71 percent of the total acreage). The total farm gate value of sales exceeded \$2.0 billion in 2007.¹

Vegetables, tree fruits, small fruits and specialty crops such as nursery crops are grown on about 83,500 acres in the Willamette Valley. Looking strictly at land conditions, it would seem that a small shift in cropland use could easily accommodate all the fresh crop needs of expanding Portland farmers markets. However, many other factors are determinants of how land is used for agricultural production.

The contraction in vegetable processing that hit the Willamette Valley in the 2000 to 2005 period is very telling. This led farmers to switch from growing major processing vegetable crops such as peas, snap beans, and sweet corn. Few of these growers turned to the fresh market vegetable and fruit crops. The major reasons are:

- 1) Processed crop growers rely heavily on mechanized planting and harvesting of their vegetable crops and they do not have the requisite labor to grow fresh market crops.
- 2) Switching to fresh crops means new customer relationships must be established, which are challenging when the production is coming from farms with several hundred acres.
- 3) Growers are leery of trying to market large supplies of perishable crops in a relatively short time period.
- 4) The cropland formerly farmed for processed vegetables is not certified for organic production. Also, the farming practices of processed crop growers are generally not suited to the demands and desires of farmers market customers. This leaves many Oregon farmers out of direct-market channels such as farmers markets and placing them in competition with growers in California, Mexico and other growing regions that are large scale specialists in producing and marketing fresh vegetable and fruit crops for mass-market retail sales.

Additionally, the grass and legume seed producers are dominant players in this production area. They typically farm 300 acres or more with multi-year contract obligations to seed companies. They own expensive, specialized farm equipment. They typically do not use organic production practices, and use minimal hired labor. Grass seed farmers lack experience producing the wide range of fresh vegetable and fruit crops sold in farmers markets, and do not have direct-market marketing know-how. The

¹ 2007 Oregon County and State Agricultural Estimates, Special Report 790-07, revised February 2008 by the Oregon State University Extension Service.

grass seed farmers are also the main producers of grain in the Willamette Valley because they use grain as a rotational crop between seed crop plantings.

Hay and forage production typically occurs on marginally productive land which is generally not a good candidate for transitioning to vegetable or fruit production to support farmers markets. Furthermore, there is competition for farmland from wine grape producers and nursery crop growers that are expanding in the Willamette Valley.

Access to hired labor is another primary constraining factor weighing against expanding Willamette Valley farmland for fresh market crop production. Farmers are reticent to plant crops that need large numbers of hired workers because of a worker shortage coupled with pending tougher federal enforcement of immigration laws. Actions by the federal government are expected to drastically reduce the ability of growers to hire farm workers. Even established growers of fresh crops for farmers markets and other direct-market channels are seeking ways to reduce their dependence on labor. New growers of labor-intensive crops will be even more disadvantaged and reluctant to take the risk of planting these crops.

Finally, growers must have the right personality for meeting the public and promoting their crops at farmers markets and other direct market venues. Some farmers are not comfortable dealing directly with consumers as their customers, preferring instead to sell in business-to-business settings with fewer buyers. These growers are not suited to the marketing requirements of farmers markets and say they generally avoid serious consideration of direct-market channels.

Good News – Positive Factors for Attracting More Food Supply

Farmers are very entrepreneurial. Many farmers interviewed in the grower survey conducted for this study are keenly aware of rising demand for fresh local and organic/sustainable foods and the current condition of demand growing faster than supply. Greater demand is increasing prices paid for fresh food crops, and in turn attracting more growers to produce the crops in greatest demand. Some traditional farmers may be willing to consider farmers markets and other direct-market channels. The conversion is more likely when traditional marketing channels are threatened.

Oregon is a national leader in small, specialty farm production. Growth in the number of small farms in Oregon in recent years is a big reason the state has maintained its overall farm count at about 40,000 since 1999. Most of the growth in small farms is occurring in the Willamette Valley, and many of these new farm operations are within 100 miles of Portland (the primary catchment area to supply Portland's farmers markets). The mild marine-influenced climate, favorable soils for vegetables and fruit crops, and the prospect of selling food in Portland are attractive factors in this trend. These new farms, which can quickly adapt to the most favorable market conditions, are a core source of supply for farmers markets.

Oregon land use laws do a good job of protecting agricultural land from major conversion to non-agricultural use. Holding land for food production is a first order prerequisite to enhance the food supply at farmers markets. However, there is concern, especially in the nearby Clackamas, Multnomah and Washington Counties area, because about half of the farms selling at farmers markets are not in the Exclusive Farm Use (EFU)

Agricultural Zones. The long-term outlook of these nearby farms for food production is therefore much less reliable than more distant farms typically located within EFU zones.

According to the Oregon Department of Agriculture, more than half of Oregon farmland is in the hands of farmers who will retire in the next 10 to 15 years. This means that significant acreage is passing to the next generation of farmers, or it will be managed in estates and trusts for lease to farmers, or it will be sold. This opens the opportunity for new farmers to enter agriculture. Some lessees and purchasers will include aspiring entrepreneurs who “boot strap” their farming operations like generations before them, taking prudent risks to gain a toe-hold in the fresh food industry. Agriculture community observers say today’s new farmers also include middle and high income career changers who have the financial resources and business acumen to find emerging opportunities. These observers report that a new generation of farmers has been emerging over the past decade, becoming an important supply source for fresh produce and fruit production in the Willamette Valley. This trend should continue to add to the production base for farmers markets.

The grower survey also revealed that some large Willamette Valley land holdings are being managed for certification to organic production status and then leased to farmers. This trend should assure more suitable land for production and could add to the food supply at farmers markets.

Significant numbers of growers and consumers alike are interested in extending the season for local food supply at existing farmers markets. Market managers think customers would support year-round markets. Growers are gearing up for this opportunity.

Today, more growers are using techniques such as greenhouses and hoop houses to expand their production per acre and extend their growing season. These early successes are inspiring others to consider these methods.

Farmers markets have always offered a good entry point for new farmers in the region, allowing them to start small and expand incrementally while refining their business model. This is still true today.

Other Considerations for Supplying Farmers Markets

The well established Portland farmers markets are at full capacity for vendors. Also, the successful vendors have established their own strong customer base and plan primarily to keep the focus on growing their existing markets. New suppliers are more likely to find their opportunities in the small and/or new (and often less profitable) Portland farmers markets. This challenges both market managers and the growers in the second-tier markets to raise their performance levels.

Well established growers also realize that newly organized farmers markets take time to develop, and in the initial years markets sales are rarely robust. In response, the established growers hesitate to enter these new markets in the first year or two. Organizers of any new farmers market need to be aware they must rely primarily on new growers. In the start-up phase of markets the growers are likely to come from the ranks of less experienced farmers. This can be a good situation, if growers understand they can increase their sales as the emerging farmers market becomes better established.

To meet farmers' needs, and ultimately to succeed, new markets must attain a minimum threshold customer count and sales levels acceptable to each vendor. As a benchmark, new, smaller vendors expect to earn at least \$300 in gross sales per market day. The larger, well established growers expect to realize market day sales of \$2,000 or more.

Another supply side consideration: the more experienced organic growers serving the Portland markets generally sell through four or five direct-market channels. Farmers who sell in the farmers markets also sell by:

- 1) Subscription sales (Community Supported Agriculture or CSA);
- 2) Restaurant or institutional sales such as schools and universities;
- 3) Direct retail sales at their farm or farmstand; and/or
- 4) Sales to wholesale distributors.

Growing demand is reported within each of these (potentially more profitable) direct market sectors. If demand continues to exceed the available local supply of organic and sustainable foods, then more competition can be expected among all channels for the available supply. This competitive situation and the relative pricing is a key to determining if farmers markets will garner the quality food products their customers demand, at prices their customers are willing to pay.

Portland's farmers markets also compete for growers, increasingly, with other Oregon markets. Outside Portland, farmers markets are expanding. Growers see a "sellers market" emerging, and fully expect the growth in demand for fresh, local and organic food sales in farmers markets and other direct-market channels to continue in the future. Some of the competing farmers markets are closer to the farms that sell in Portland and may attract more local participation of farmers who might otherwise sell at new Portland markets. Data from the Oregon Farmers Markets Association shows that there are more than 50 farmers markets outside Portland and within 100 miles – and more new markets are established every year. In the end the best run (and most profitable) markets will attract farmers. This should be kept in mind while expansion in Portland is considered.