Agricultural Marketing Service

Creating Opportunities for American Farmers and Businesses

The Changing Landscape of Acquiring Local Food—and What It Means for You

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Local Food Research and Development

Marketing Services Division

USDA Agricultural Marketing Service

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Creating Opportunities for American Farmers and Businesses

Webinar for the Federation of Farmers Market of New York

Presented on March 14, 2018 as part of the Federation's Annual Meeting

USDA Agricultural Marketing Service

Contents of Presentation

- How do we (USDA AMS MSD) support local food work?
- What do the FM Directory and Manager Survey Data reveal?
- What can FMs learn from recent CSA experiences?
- Overview of emerging food preferences

Legislative Authority Supports USDA/AMS Interest in Local Food Marketing

Ag. Marketing Act of 1946: USDA/AMS is mandated to:

- Support the development and creation of **shorter food supply chains**
- Work toward ensuring that food producers receive a **greater share of the final retail price**
- Support profitable marketing of all American farmers at **all scale levels**

Direct to Consumer Marketing Act of 1976

- Promote direct marketing of farm products where it provides **mutual benefit** to farmers and consumers

AMS Marketing Services Division: How Do We Help?

- Through **market research, analysis, data products and other tools**, we help stakeholders better understand trends in the rapidly evolving direct to consumer marketplace.

- Three areas of concentration:
  - Local Food Directories and Surveys
  - Local Food Systems Research and Technical Assistance
  - Food Market Facility Design

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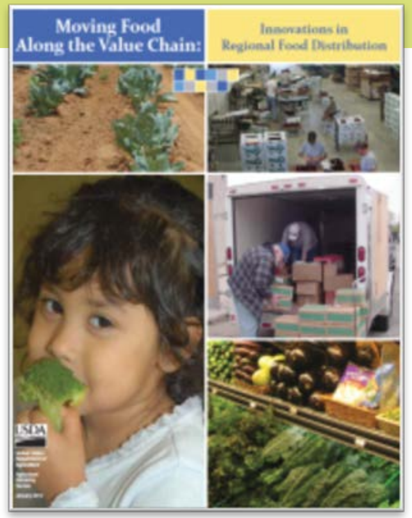
Local Food Directories and Surveys

- **Administers voluntary Farmers Market Manager Survey**
  - Nearly 1,400 farmers market managers participated in the 2014 survey
- Maintains four national directories on local food
  - Farmers Markets (8,716)
  - CSAs (799)
  - Food Hubs (215)
  - On-Farm Markets (1,463)

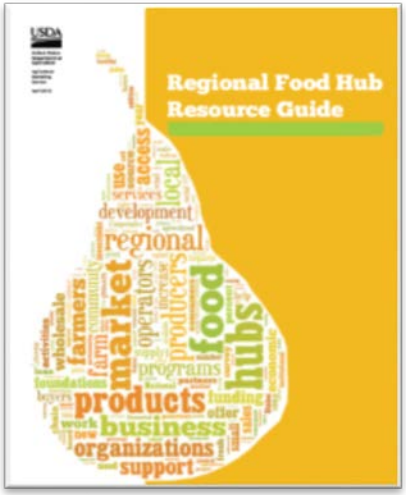
www.usdalocalfooddirectories.com

MSD Reports on Local Food Systems

Moving Food Along the Value Chain:
Innovations in Regional Food Distribution
(March 2012)

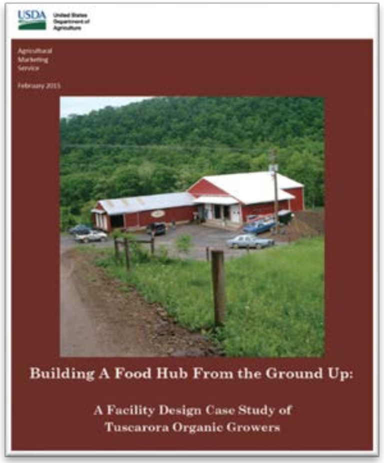


Regional Food Hub Resource Guide
Food hub impacts on regional food systems, and the resources available to support their growth and development (April 2012)



MSD Reports on Local Food Systems

Food Value Chains:
Creating Shared Value to Enhance Marketing Success
(May 2014)



Building a Food Hub from the Ground Up:
A Facility Design Case Study of Tuscarora Organic Growers
(February 2015)

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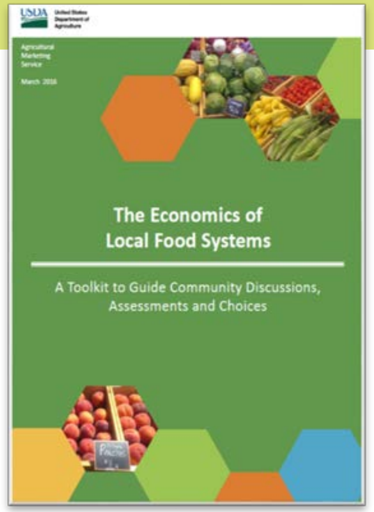
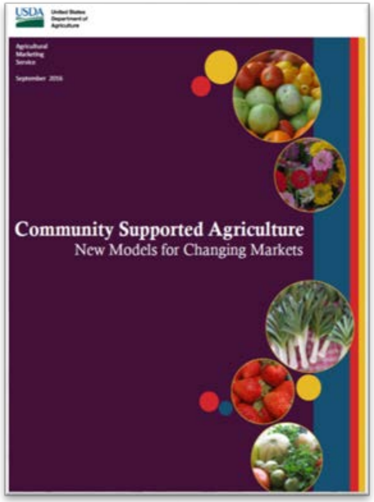
MSD Reports on Local Food Systems

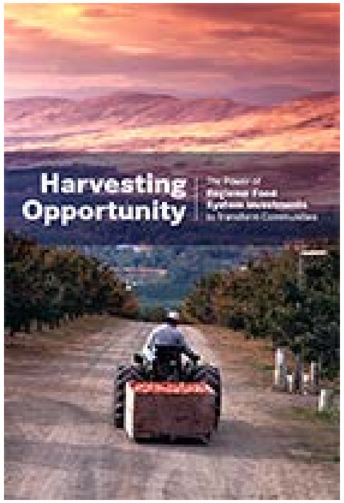
Evaluating the Economic Impacts of Local & Regional Food Systems:
A Toolkit to Guide Community Discussions, Assessments and Choices
(February 2016)



Community Supported Agriculture:
New Models for Changing Markets
Results of national survey and focus group interviews in six states
(April 2017)



MSD Reports on Local Food Systems



Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities
(August 2017)

Federal Reserve, USDA/AMS and USDA/RD
https://www.stlouisfed.org/community-development/publications/harvesting-opportunity

Highlights successful models of collaboration in regional food systems between policymakers, practitioners and the financial community, and discusses potential ways to address existing gaps in research, policy and resources.

What is Local Food Anyway?

- A food product that is **raised, produced, aggregated, stored, processed, and distributed** in the locality or region in which the final product is marketed.
- **No official national designation**, though some individual USDA programs use a broad (maximum) definition:
  - **Less than 400 miles** from the origin of the product, or
  - **Within the State** in which the product is produced.

What is Local Food Anyway?

- USDA statistical tabulations on local food include both **direct-to-consumer sales AND intermediated sales** by distributors/food hubs that **preserve local product identity.**
    - To restaurants, grocery stores, schools/universities, hospitals, et. al.

What's Happening at Markets Across the Country?

National Farmers Market Directory and Manager Survey

- **Directory:**
  - Voluntary Listing of Market Products, Location, Time and Contact Information
  - Excel Export and API Functionality
  - Continuously Updated (Posts within 2 business days)
- **Manager Survey:**
  - Voluntary Questionnaire about farmers market trends and activities
  - Automated and Data-Driven (respondents see only what is relevant to them)
  - Reflects the Directory Population at the Regional and Divisional Level

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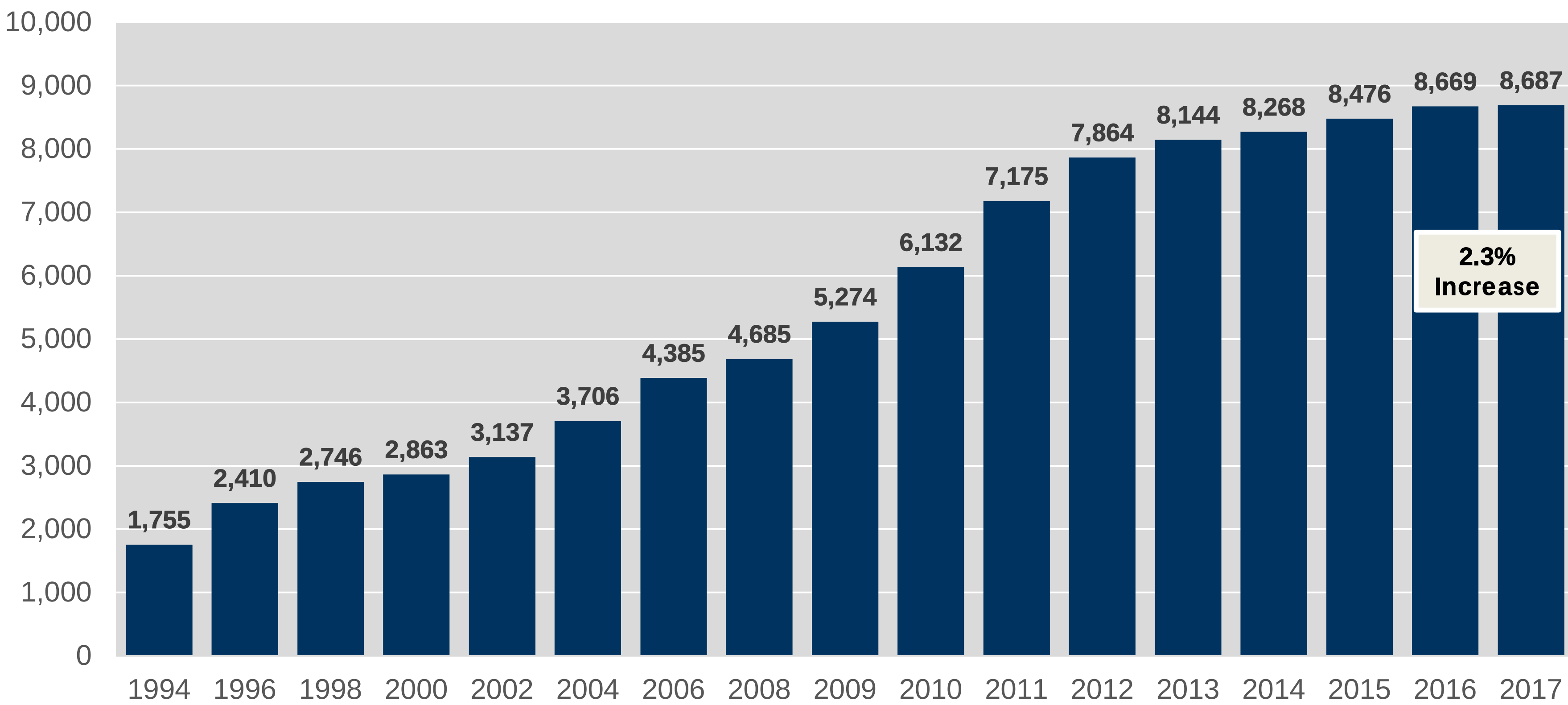
National Count of Farmers Market Directory Listings



Source: USDA-AMS-Marketing Services Division
Farmers Market information is voluntary and self-reported to USDA-AMS-Marketing Services Division

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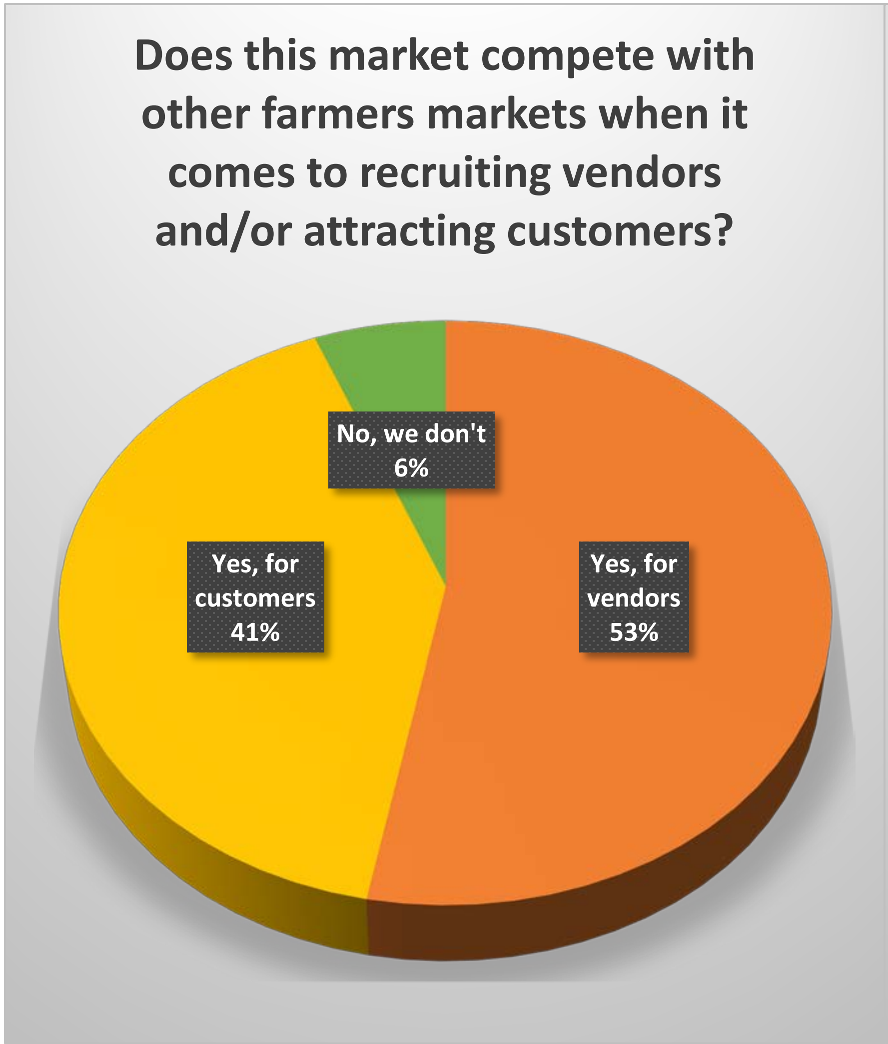
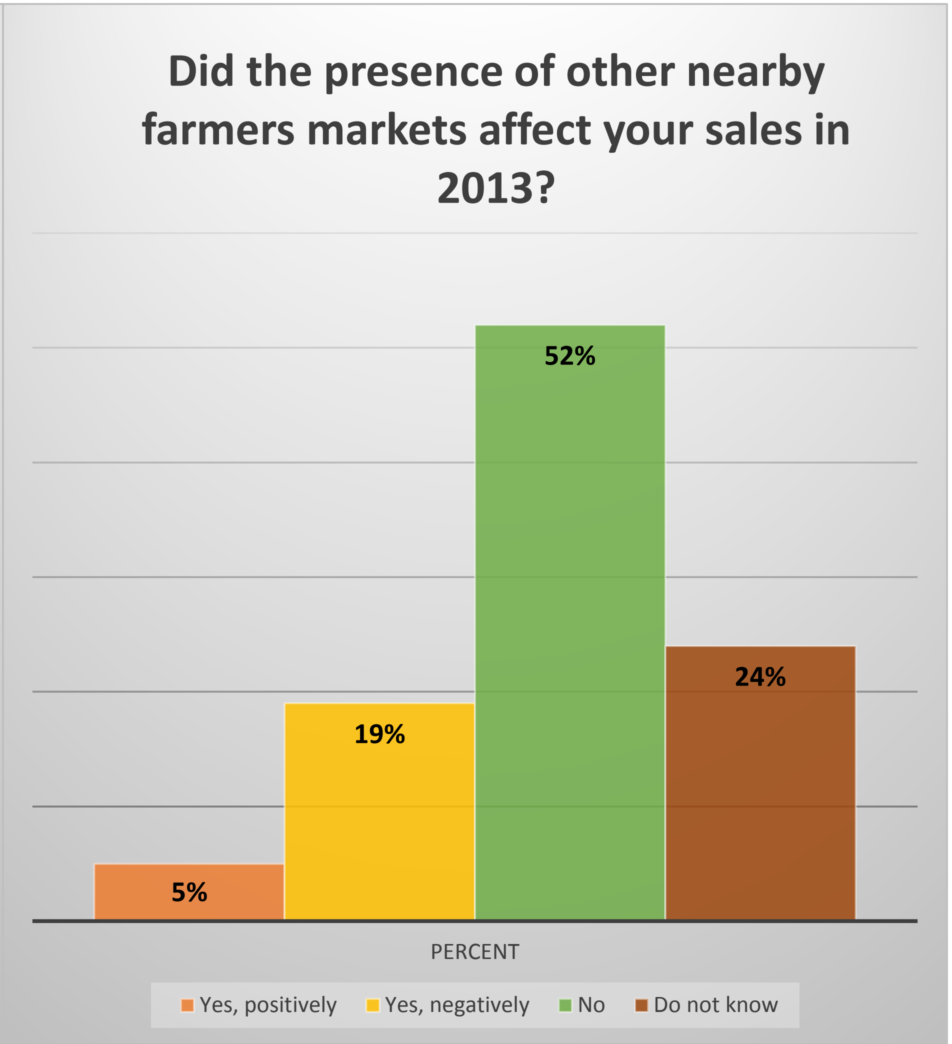
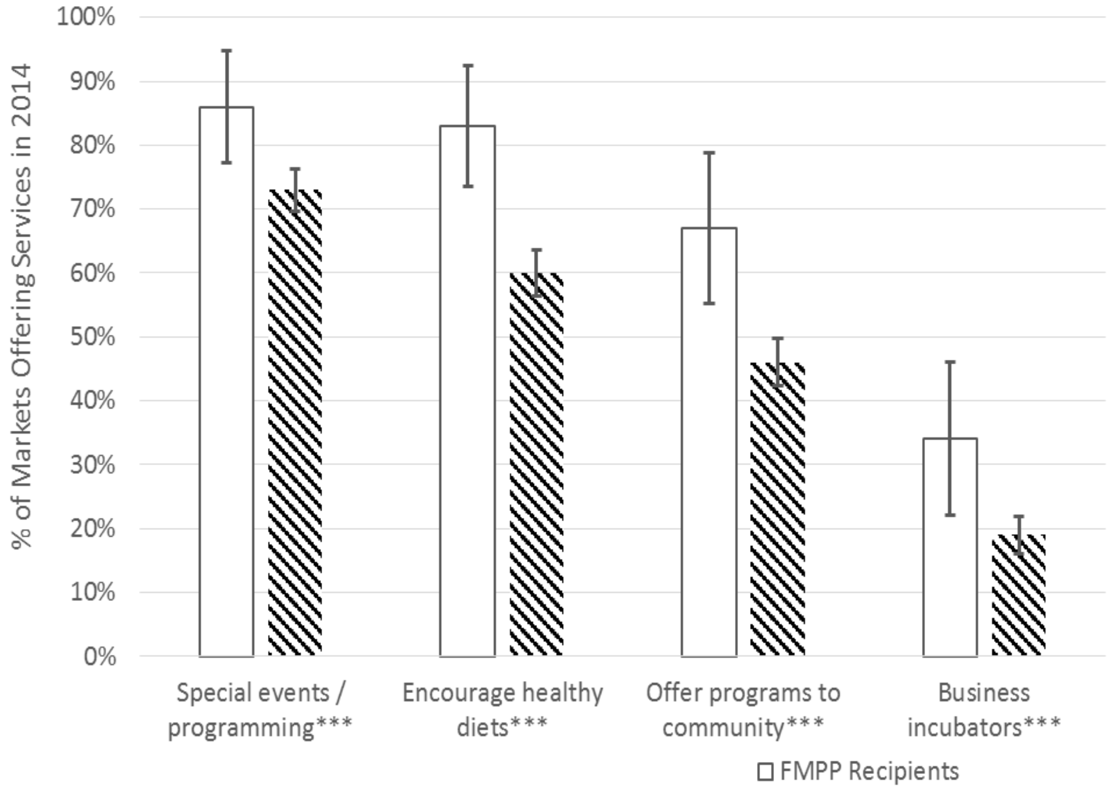
Competition?





Public Investment
(e.g., Farmers Market Promotion Program (FMPP))



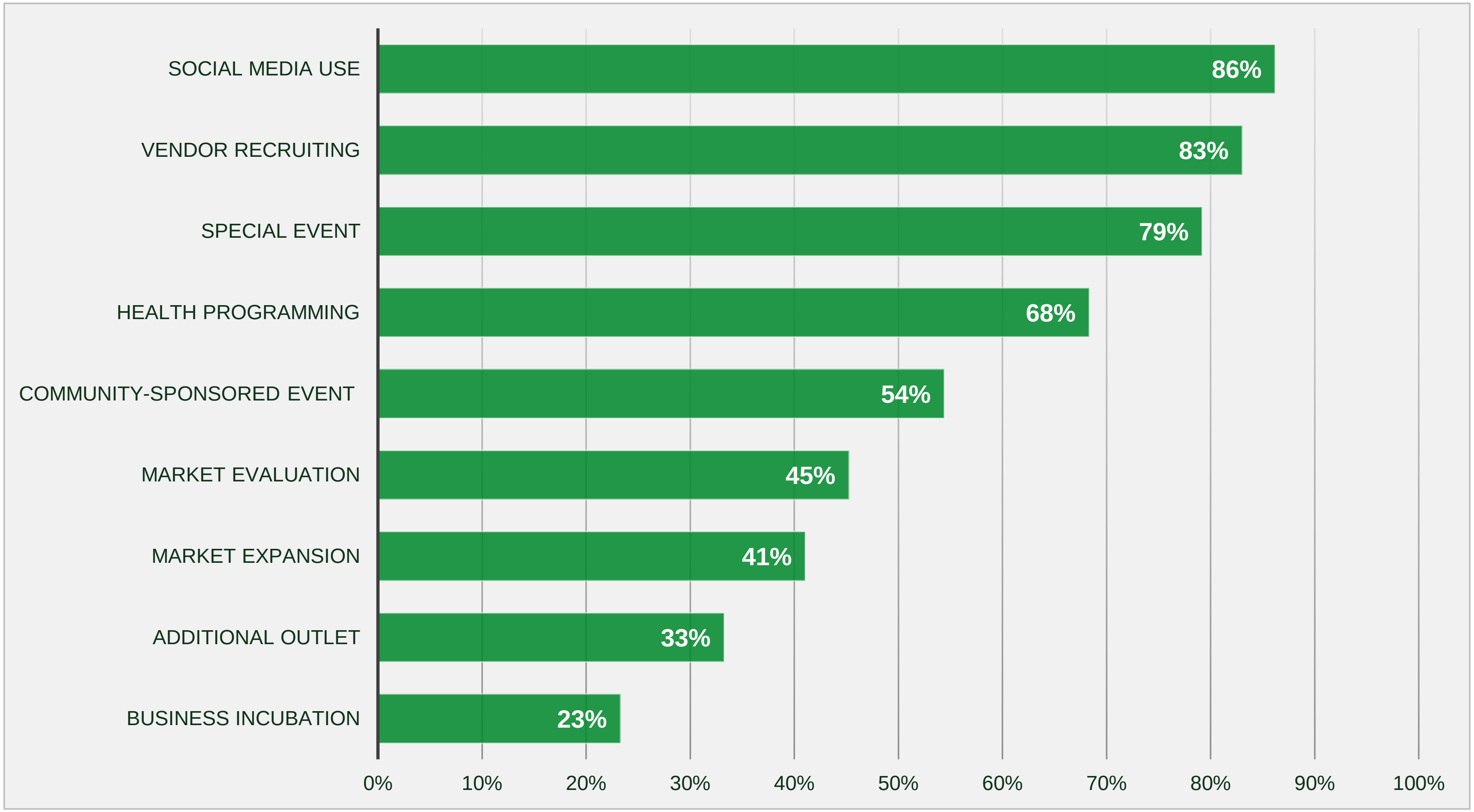
Note: *** -- statistically significant difference at 1% level.

Services	Non FMPP Recipients	FMPP Recipients
Sales***	2.50	2.72
Customers**	2.53	2.66
Repeat Customers***	2.58	2.75
Producers/Vendors	2.41	2.48
Vendor Retention	2.21	2.28
Vendor Recruitment***	2.43	2.61
Diversity of Products	2.53	2.58
Community / Civic Contributions / Outreach	2.39	2.30
Community Support	2.55	2.52
Financial Health	2.34	2.42
Responses	*1,217*	*104*

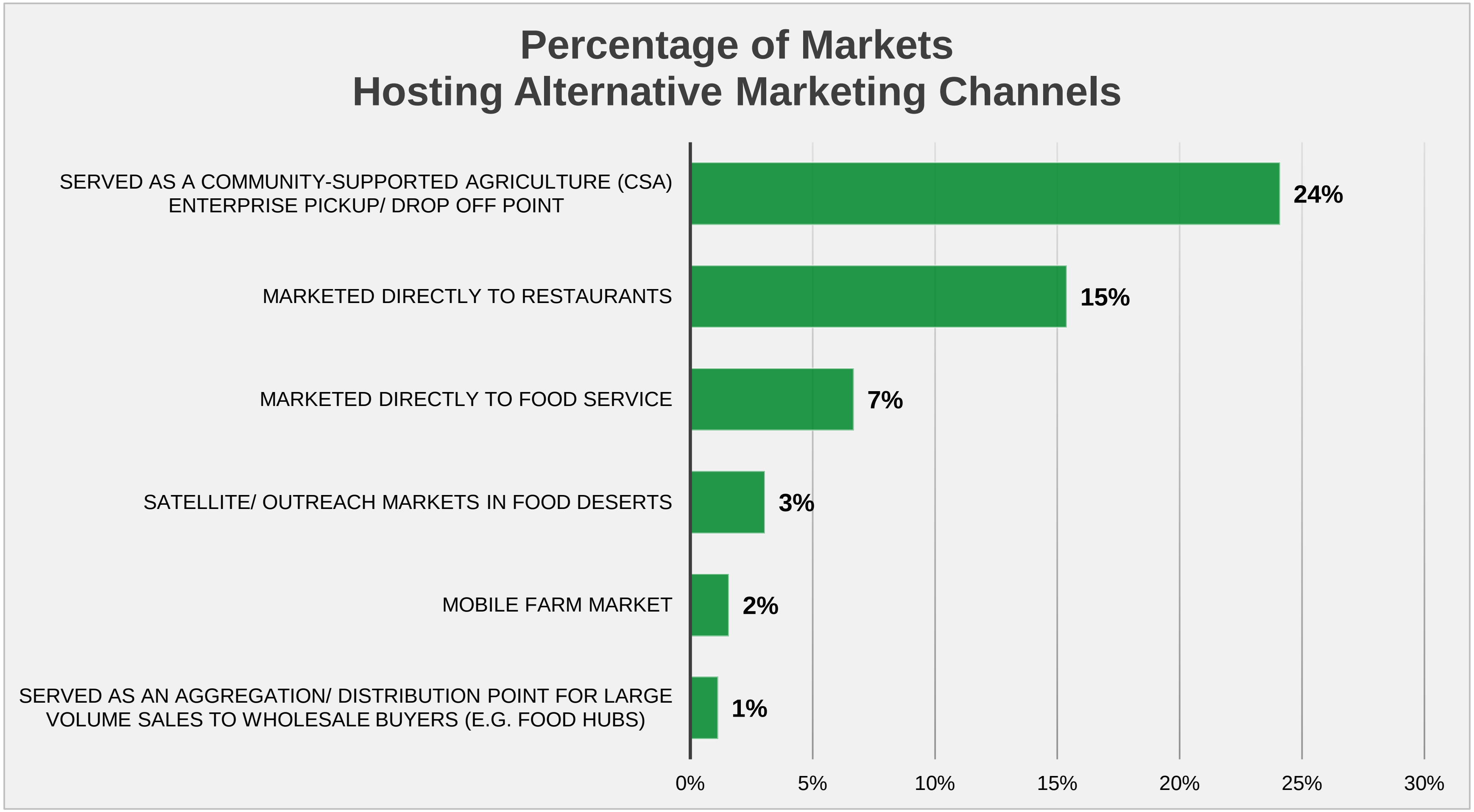
*** -- Statistically significant difference at 1% level.

** -- Statistically significant difference at 5% level.

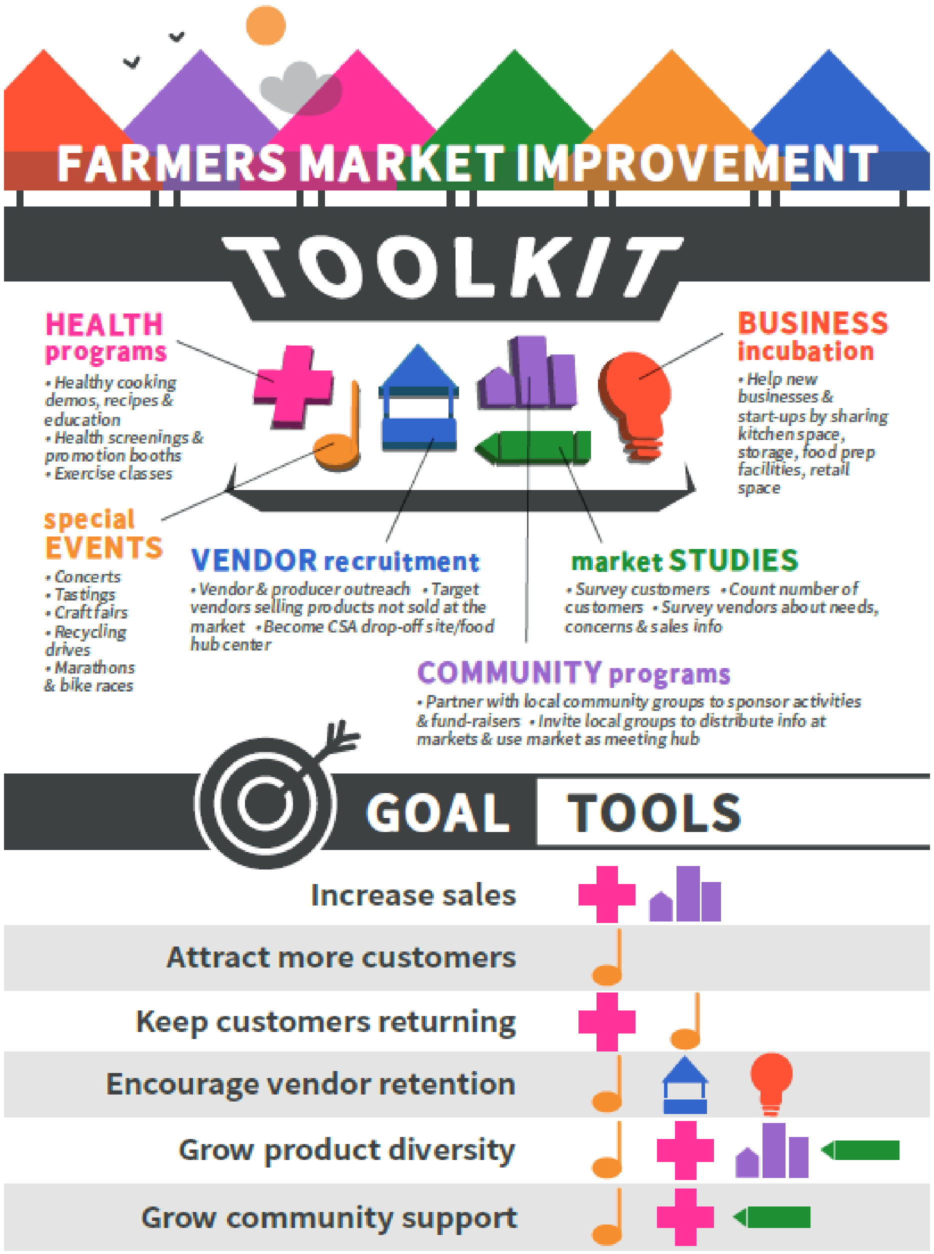
Participation in Market Development Activities in 2013



Hosting Additional Marketing Channels



Farmers Market Improvement Toolkit Infographic



Attract Customers and Train Vendors

Market managers should complement market-sponsored events and programming with vendor and customer education that takes advantage of increased attendance and community support from event hosting – **greater attendance does not equate to greater sales.**

Beware of the Infrastructural Performance Shock

Market planners should exercise caution when using infrastructural improvements to bolster market performance. Study findings show that market infrastructural expansion and improvements are associated with each performance category; however, greater context will show other contributing factors in addition to improvements.

Working Relationships with Community Groups

It is also important that market organizers carefully consider how to meaningfully incorporate community groups in market programming and events. Community groups develop trust and connections with community residents who are encouraged to partake in the full market experience.

Provide Opportunity to Ag. Businesses

Market planners and managers should continue to look for ways to offer business incubator services/facilities and additional marketing outlets as a way to retain vendors.

Links to the Materials Mentioned Above

National Local Food Directories

https://www.ams.usda.gov/services/local-regional/food-directories-update

The Impacts of the Farmers Market and Local Food Promotion Programs

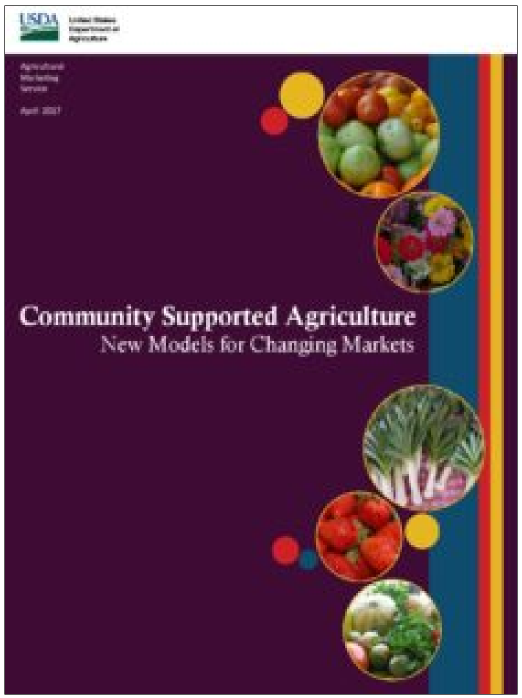
https://www/tandfonline.com/doi/pdf/10.1080/15575330.2017.1350729

USDA Blog

https://www.usda.gov/media/blog/2018/03/06/farmers-markets-can-grow-vegu-cation

What Can Farmers Markets Learn From The CSA Experience?

Background on CSA Study: New Models for Changing Markets



USDA/AMS cooperative research agreement with Dr. Tim Woods at the University of Kentucky (published 2017). Examined:

- Recent changes in CSA business practices
- Motivation behind shift in business scope
- Perceived impact of changing practices on business performance and competiveness

Emerging Trends Shaping the CSA Industry

Focus on risk management **shifts attention to consumer preference, convenience and affordability**

Highlights:

- **Multi-season operations**
- **Emphasis beyond fresh produce**
- **Multi-channel collaboration**
- **Exploration of incentives** tied to health insurance
- **More affordable pricing** structures (including partial share, sliding scale and SNAP redemption options)
- **Possible plateauing of organic interest** in some regions (as range of local food customers expands beyond traditional core customers)

Regional Breakdown of Key CSA Characteristics

Notable observations:

- **Mixed views of future sales prospects, more negative in NE**
  - *Possible relationship to high shareholder size, older CSAs?*
- **High degree of urbanicity**
- **Tepid interest in USDA certified organic production**
  - *Departure from early 2000s data: 46% certified organic (Lass, et. al.)*

Characteristic	Region*				
	Northeast	North Central	Southeast	West	Overall
Average CSA Size (shareholder # estimated for 2014)	203.8	154.5	105.9	125.7	144.8
Age of CSA (years)	7.8	6.5	6.0	6.8	6.8
Certified Organic (%)	28.0%	22.7%	19.5%	32.8%	27.2%
Share in Urban Locations	54.7%	54.7%	67.1%	56.5%	57.4%
Expect Increasing CSA Sales Next 2 Years	39.0%	59.7%	52.9%	51.3%	51.1%
N	100	119	87	189	495

* Regional designations of various states in this study follow those made by USDA – Northeast, North Central, Southeast, and West.

Moving from Producer-Centric to Consumer-Centric

Overarching challenge for CSA industry:
How to compete successfully in an increasingly crowded local food marketplace while maintaining a distinct identity

Neil Stauffer, former General Manager for Penn's Corner Farm Alliance in Pittsburgh, PA:

"*When CSAs were first around, it seems like it was more like customers saying, 'We really believe in you, the farmer, and how can we make this work for you?"*

"Now, it seems like it has shifted and the farmers are saying, ***'How can we make the CSA work better for you, the customer?***'"

It's Not Just About Seasonal Produce Anymore

CSAs responding to changing customer preferences

New **income opportunities:**

- Expanded product mix – meat, dairy, eggs, as well as value – added and processed products coming from the farm – **extend marketing season**
- Season-specific, partial and optional add-on shares (e.g., eggs, meat, flowers) **contribute to income and cash flow stability**
  - Aided by widespread adoption of **season extension technologies**
  - May have driven move toward **multi-farm cooperation**

Case study example: Penn’s Corner Farm Alliance

Key **season-extension initiatives** have included:

- **New bi-monthly winter CSA**, with 237 shares sold during the winter of 2012-13.
- **Sales of #2 tomatoes for processing.** The co-op recently started outsourcing processing of its #2 tomatoes to Stello Foods, a specialty food manufacturer founded in 1990 in Punxsutawney, PA. Prior to this, many growers had no market for #2 tomatoes, and simply composted them.

Case study example: Penn's Corner Farm Alliance

PCFA's *profit* from selling processed products from mostly #2 tomatoes exceeded $10,000 in 2012.

PCFA's product line during the first year of production included:

- 3,650 pounds of chopped tomatoes in quart jars
- 3,076 pounds of tomato juice in 10-pound cans for restaurants
- 2,508 pounds of tomatillo salsa in small jars for CSA shares

Case study example: Penn's Corner Farm Alliance

Inclusion of processed products to their CSA product line has been a convenient way for PCFA to

- **boost grower income,**
- **provide less perishable product** to shareholders,
- **complement their existing product mix**, and
- enable small producers to offer new items to the Pittsburgh market at relatively low additional cost.

Expanding product scope AND marketing windows

- PCFA recently added on an **egg share option and a flower share**
- In 2013, they introduced an **every-other-week** share during the regular season.

Traditional Channel Boundaries Starting to Blur

Most CSAs farmers are active participants in other local food marketing channels

Current use of marketing channel	Number yes	Share yes	Near large city	Near small city	Small town	Countryside
Farmers markets	**304**	**65 %**	**60%**	**69%**	**69%**	**68%**
Wholesale to Restaurants	**258**	**55 %**	58%	61%	54%	47%
On-farm retail	**194**	**41 %**	47%	37%	35%	56%
Wholesale to Grocery	**180**	**38 %**	32%	38%	44%	43%
Wholesale to Schools/ Institutions	**92**	**20 %**	19%	17%	26%	19%
Contracts with processors	17	4 %	3%	5%	4%	3%
Auction markets	12	3 %	4%	2%	4%	3%

Market Diversification Expected to Ramp Up

Current use of marketing channel	Decrease	About the same	Increasing	N
Farmers markets	33	123	175	331
Wholesale to Restaurants	31	92	182	305
On-farm retail	8	78	158	244
Wholesale to Grocery	24	72	132	228
Wholesale to Schools/ Institutions	6	33	98	137
Contracts with processors	4	16	23	43
Auction markets	5	8	5	23

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Finding New CSA Customers Beyond the Traditional Shareholder Base

Ginger Turner
CSA Manager for Farmer Dave's
(Dave Demaresq), Dracut, MA

Farmer Dave's/Many Hands Organic Farm

Partnering with urban community development agencies and others to reach lower income, inner-city shareholders

Collaborators include:

- Harvard Medical School
- Boston Housing Authority
- Madison Park Development Corporation
- East Boston Neighborhood Health Center
- Northeast Organic Farming Association

Incorporates seafood CSA, "Community Supported Fishery," extending the distribution model to a greater range of products

How Do They Do It?

Partners share responsibility for coordinating:

- Shareholder recruitment
- SNAP and other subsidy facilitation
- Peer shareholder leadership
- Cooking classes
- Community health programs
- Food consumption behavioral studies

PROJECTBREAD.ORG
THE WALK for HUNGER

Elizabeth Gonzalez Suarez
Trinity Property Management

Tapping Into the Workplace CSA Market

Madison Area Community Supported Agriculture Coalition (MACSAC), now called FairShare CSA Coalition, and Physicians Plus, one of Madison's three Health Maintenance Organizations (HMOs) developed the **Eat Healthy Rebate Program.**

- Coordinated between HMO and employer wellness programs
- Employers offer rebate voucher based on household size
- Voucher covers portion of CSA share cost on reimbursable basis.

Area's healthcare system had **low penetration of national providers** – *agility enabled launch of community-based program.*

Eat Healthy Rebate Program	2005	2006	2007	2008	2009	2010	2011	2012
Estimated total rebates issued	96	972	1,282	3,550	6,100	6,800	7,300	7,200
Approximate # of total shares available via FS farms	2,000	2,800	3,500	4,500	6,950	8,650	8,733	9,700

What Do We Know About U.S. Consumer Demand for Local Food?

News Headlines Are Changing Public Perception

International Food Information Council Foundation, 2016 Food and Health Survey:

Nearly a third of Americans have changed their mind about nutrition issues in the past year.

News articles are a top driver of this change.

Nearly half of Americans have read an article or book, or watched a documentary about the food system in the past year...and **about half of them** have changed their food purchases as a result.

Connection Between Consumer Food Preferences and Rise in Local Food Demand

Phil Lambert, "Supermarket Guru", 2013:
People are choosing their foods more holistically based on ***multiple "food factors":***

- ✓ Taste
- ✓ Ingredients
- ✓ Source
- ✓ Nutritional composition
- ✓ Asking who is making their foods
- ✓ Understanding impact on environment & animal welfare

All of the above factors – **quality, promotion of personal health**, **transparency, trust, and social/environmental values** – contribute to steady growth in local food demand.

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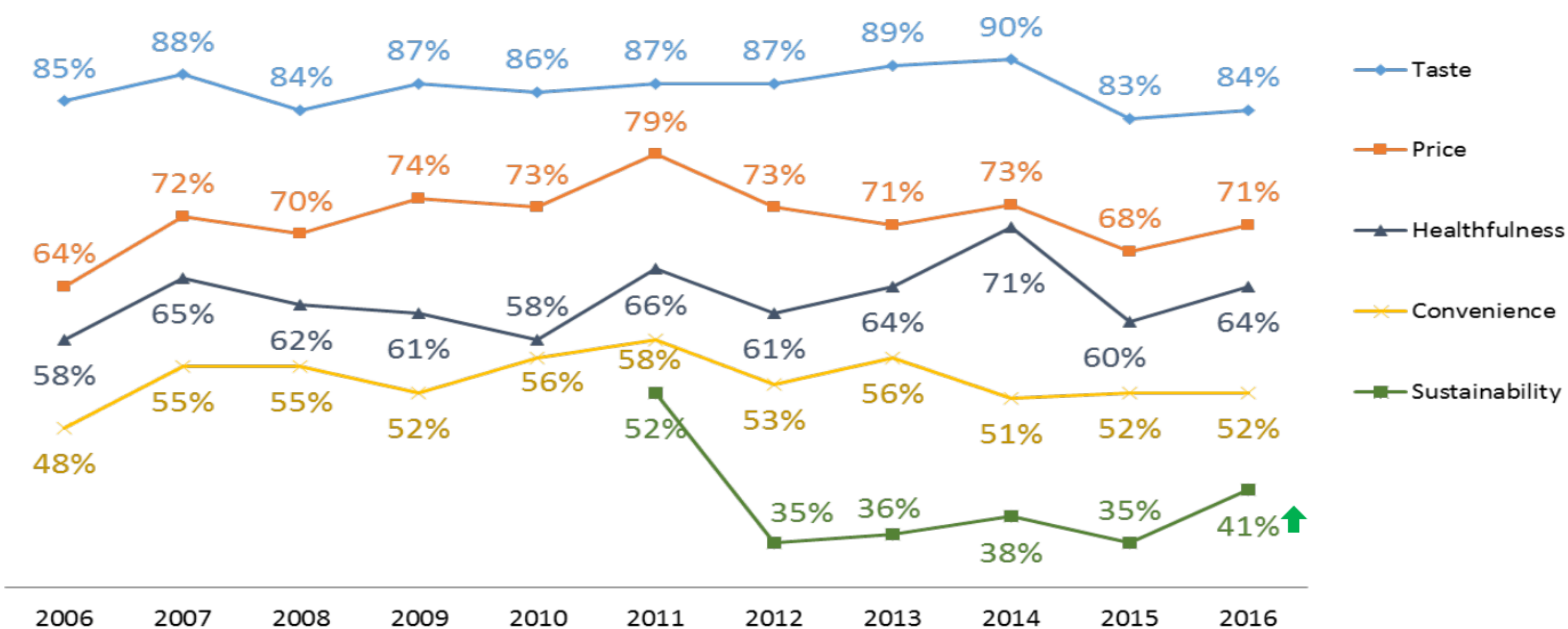
Food and Health Survey 2016, International Food Information Council Foundation

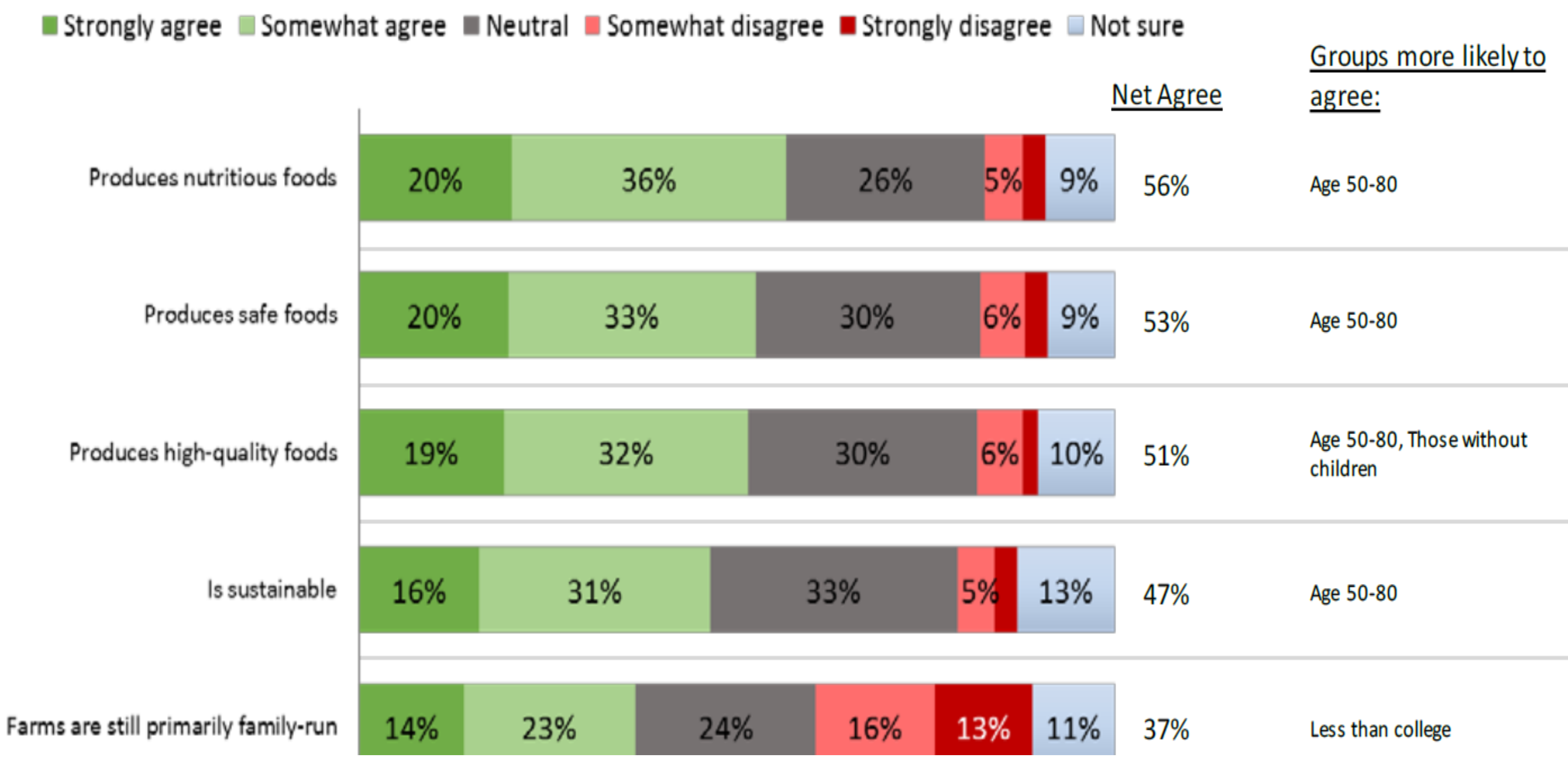
How much of an impact do the following have on your decision to buy foods and beverages?
(% Rating 4 to 5 on 5-point scale, from No Impact to A Great Impact)



2016 n=1,003
Arrows indicate significant (.95 level) differences vs. 2015.

Opinions About Modern Agriculture & Sustainability

In general, to what extent do you agree or disagree with the following statements about the use of modern tools, equipment, and technologies in agriculture? Modern agriculture...



Shoppers Intentionally Seek Out Local Foods… Even at Higher Price Points

One-third of consumers claim they consciously purchase locally grown or locally produced foods **at least once a week.**

- **Nearly half of the respondents** agreed they were willing to pay up to 10 percent more for locally grown or produced foods
- **Almost one in three** said they would pay up to 25 percent more.

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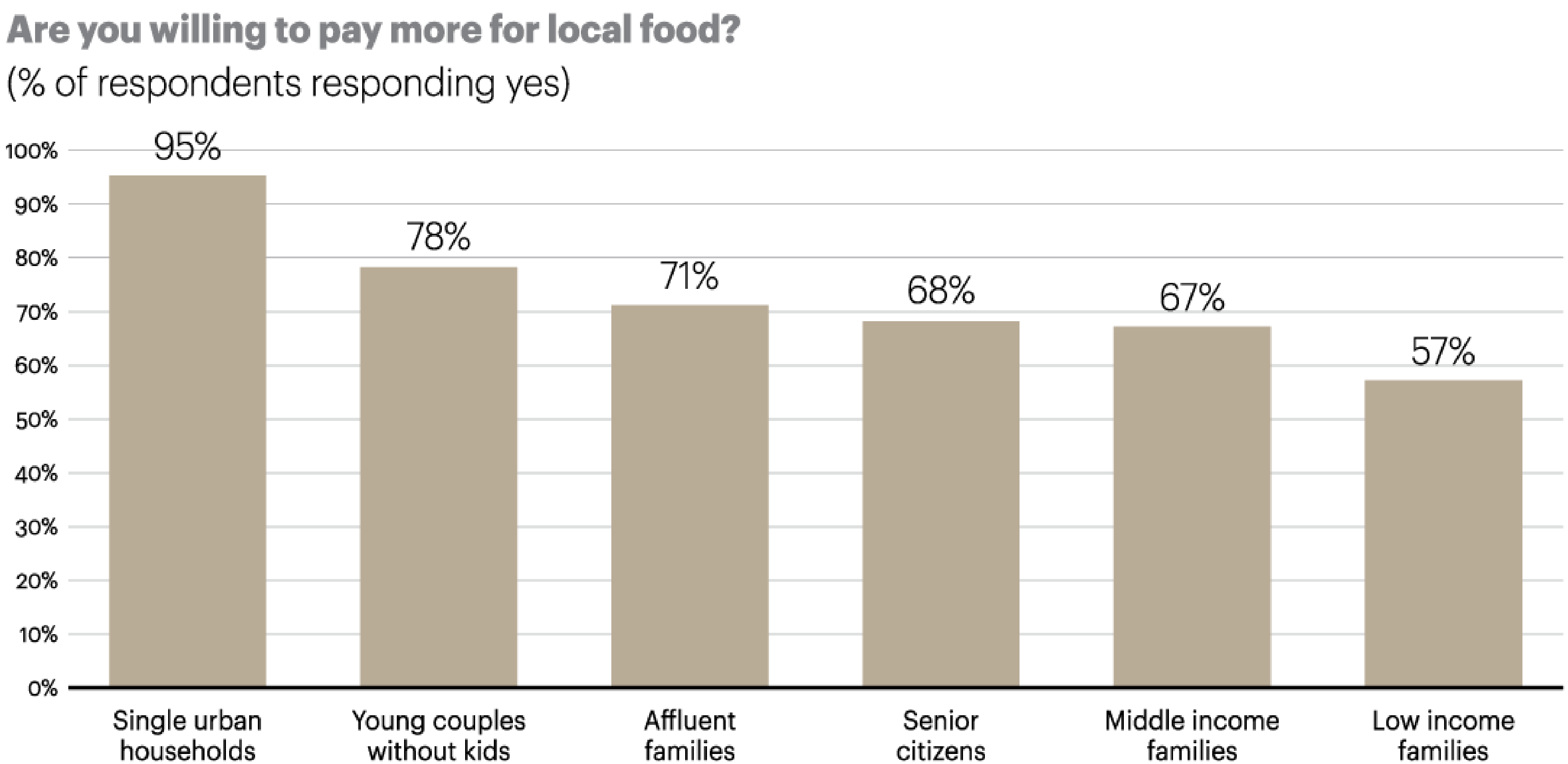
Willingness to Pay More Spans Income Spectrum



Source: A.T. Kearney analysis

Local Foods Still Dominate Chefs' Preferences

2016 "What's Hot"

1. Locally sourced meats and seafood
2. Chef-driven fast casual concepts
3. Locally grown produce
4. Hyper-local sourcing
5. Natural ingredients/minimally processed food
6. Environmental sustainability
7. Heathful kids' meals
8. New cuts of meat
9. Sustainable seafood
10. House-made/artisanal ice cream

2017 "What's Hot"

1. Hyper-local sourcing
2. Chef-driven fast casual concepts
3. Natural ingredients/"clean" menus
4. Environmental sustainability
5. Locally grown produce
6. Locally grown meats and seafood
7. Food waste reduction
8. Meal kits
9. Simplicity/back to basics
10. Nutrition

Source: National Restaurant Association

Shoppers Are Looking for More Natural, Nutritionally-Rich Foods

2015 Supermarket Guru/NGA Consumer Survey:

- 28 percent want **minimal processing**
- 25 percent want a **shorter list of ingredients**

Int'l Food Information Council 2016 Food & Health Survey:

- 36 percent worry about **chemicals in their foods**
- **Foods labeled with a health attribute** experienced a sales increase of 13 percent in the past year vs. flat sales

FMI U.S. Grocery Shopper Trends 2016:

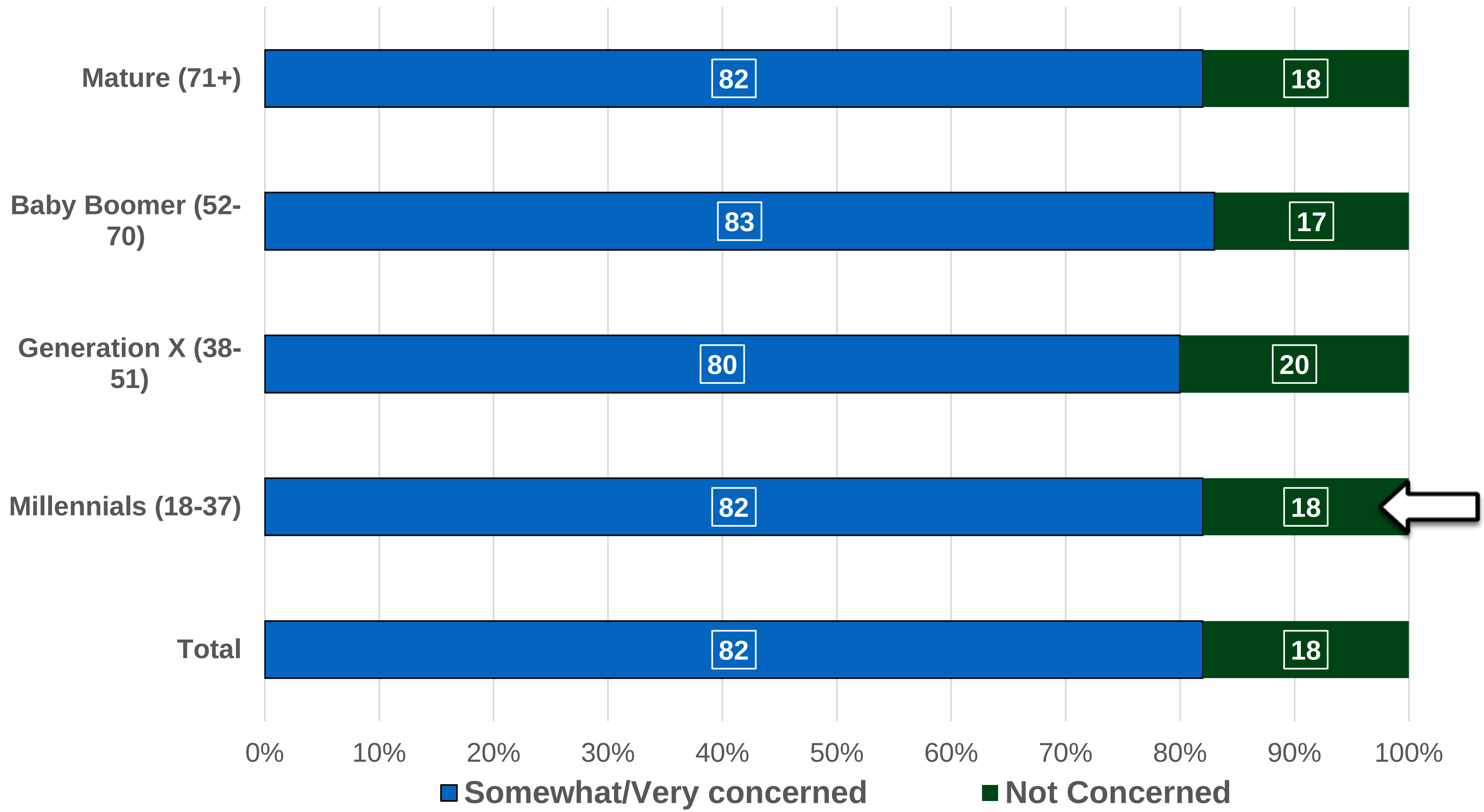
- **22 percent** worry the food they eat isn't nutritious enough
- **26 percent seek products ENHANCED for nutritional reasons** (e.g., vitamins, antioxidants, calcium)

Why Are Shoppers Demanding Local Food?

They perceive local food as possessing superior quality or nutritional attributes, and they want to improve the quality of their diets

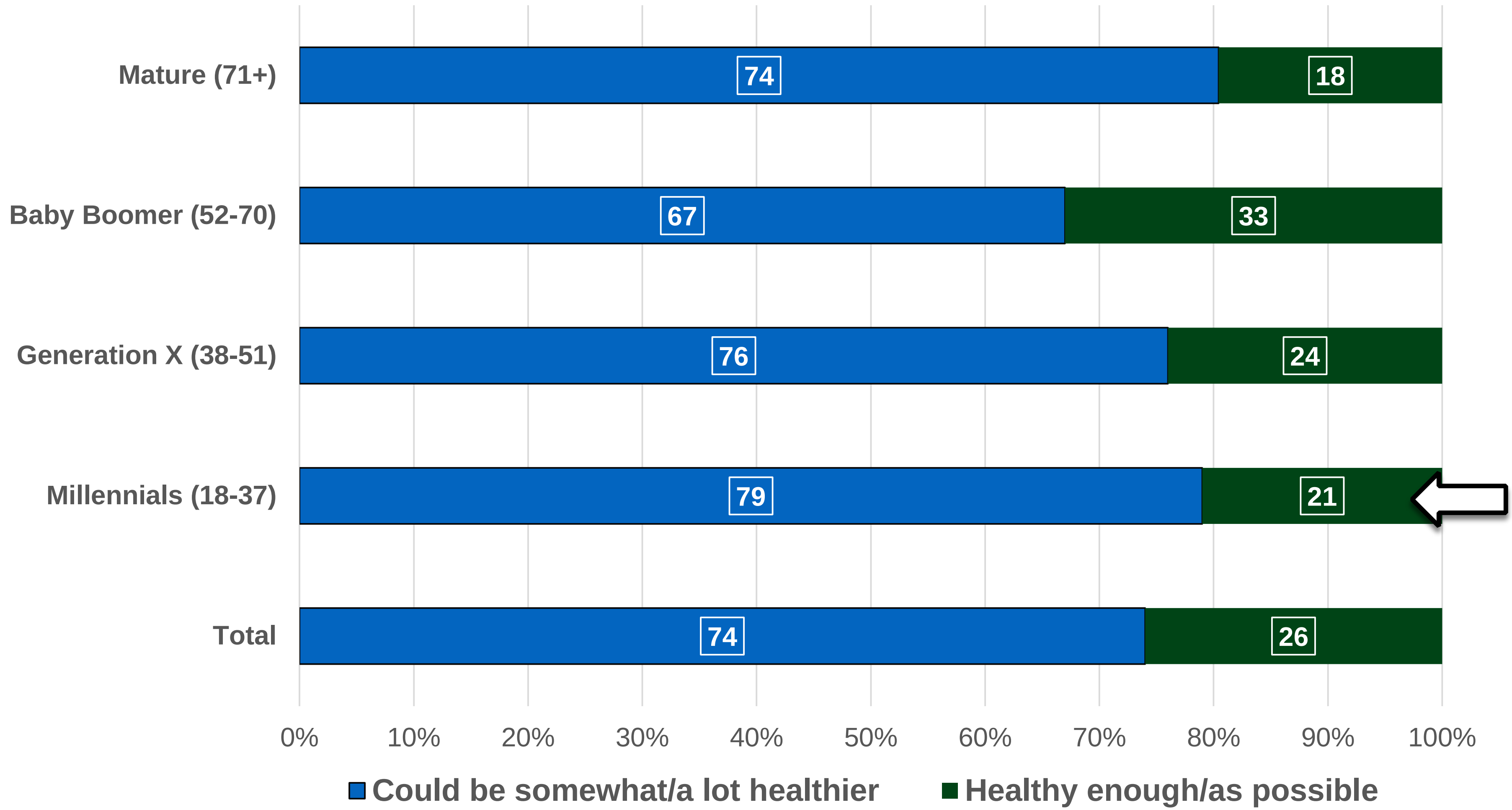
- **60 percent of consumers** say they purchase local food because the products are fresher
- **44 percent** say they taste better
- **Roughly one-third** believe that local products are healthier

Shopper Concerns About Food Nutritional Content



FMI U.S. Grocery Shopper Trends, 2016

Self-Assessment of Food Purchases for At-Home Eating: Room for Growth?



FMI U.S. Grocery Shopper Trends, 2016

Fruit and Vegetables Take Center Stage

Between 2010-2014:

- U.S. supermarket produce sales **rose 21.7 percent**
- Supermarket sales overall **rose only 9.3 percent**
- Produce share of supermarket sales **rose from 10.4% to 11.6%**

- Baby Boomers eat an average of **4.43 servings** of fruits and vegetables a day.
- Generation X members eat an average of **4.71 servings** of fruits & vegetables a day
- Millennials eat an average of **5.12 servings** of fruits & vegetables per day

Why Are Shoppers Demanding Local Food?

- They want to have **trust in the source and integrity** of the food they purchase
- They seek **authentic** food products
- They seek **clarity and transparency** in food labeling
- (Phenomenon is strongest among younger consumers)

Watershed Communications, 2016 food & beverage survey

- Interviewed ~400 Millennials about food and beverage preferences
- **Every single respondent** indicated that he or she **frequently** purchased foods and beverages **based on the brand's reputation for authenticity.**

Why Are Shoppers Demanding Local Food?

Factors that were most frequently attributed to creating an authentic brand included:

1. **CLEAN INGREDIENTS**
Real. All Natural. Fresh. Organic. **What was once niche is the new normal. It's expected and demanded.**

2. **QUALITY PRODUCT/ GREAT TASTING**
Authentic food and beverages must still be quality products. **Top-shelf ingredient and great flavor are non-negotiable!**

3. **TRUE TO MISSION**
Know your brand's true north and stick to it. Having a mission is half the battle. **Brands must stay true to their claims and their own slogans.**

Why Are Shoppers Demanding Local Food?

Factors that were most frequently attributed to creating an authentic brand included:

4. **CULTURALLY ACCURATE**
Millennials have been exposed to global flavors since birth. They **appreciate brands that genuinely honor cultural heritage.**

5. **TRANSPARENCY**
No fine print, please. Be upfront in BIG bold letters. Food and beverage packaging should expressly state what is in the product and why.

Generation Z consumers – under 18 – are also said to place a high value on authenticity and transparency when purchasing food products and developing brand loyalty.

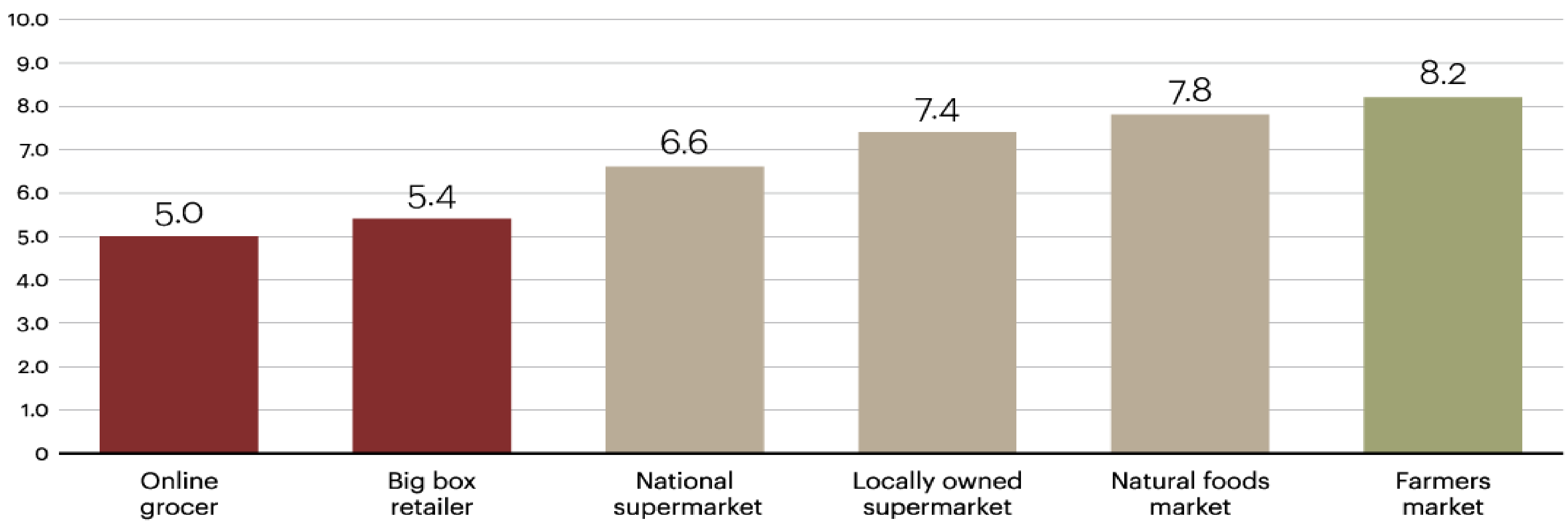
Trust in Food Stores' Ability to Deliver Local Food

Figure 1

Online, big-box, and national chains rank lowest in food trustworthiness

How much do you trust each format to deliver local food?

(1 to 10, with 10 as most trustworthy)



Source: A.T. Kearney analysis

Why Are Shoppers Demanding Local Food?

They seek to direct their food expenditures in a way that advances social and environmental goals

Dr. Ion Vasi, Department of Sociology and Tippie College of Business at the University of Iowa:

- **The local food market is a *moralized market*** where people **combine economic activities with their social value**
- **It's a relational and ideological exchange** in addition to an economic one

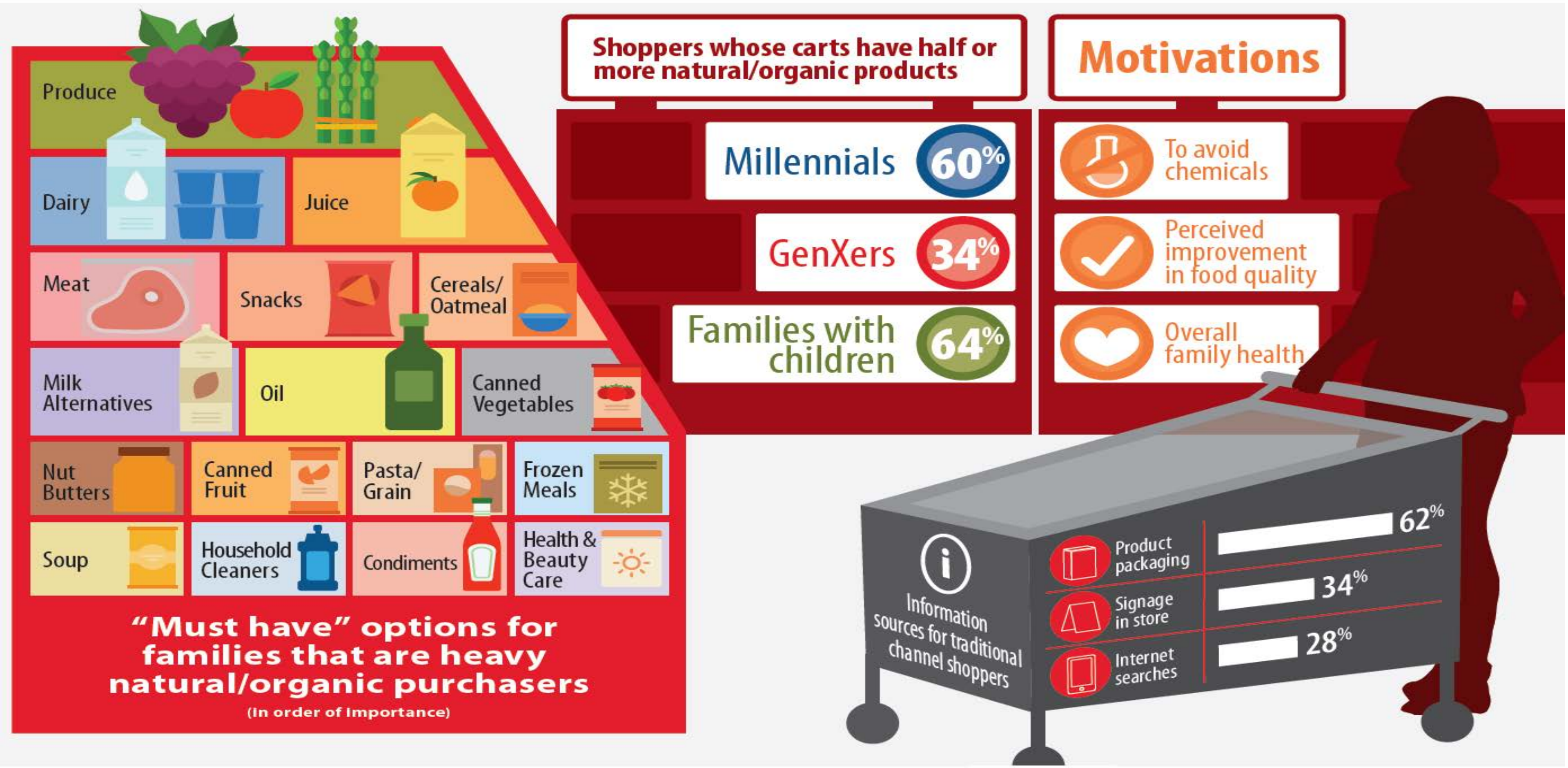
Vasi discovered that local food markets were more likely to develop in areas **where residents had a strong commitment to civic participation, health, and the environment.**

Food Purchases Motivated by Social/Environmental Mission

FMI U.S. Grocery Shopper Trends, 2016

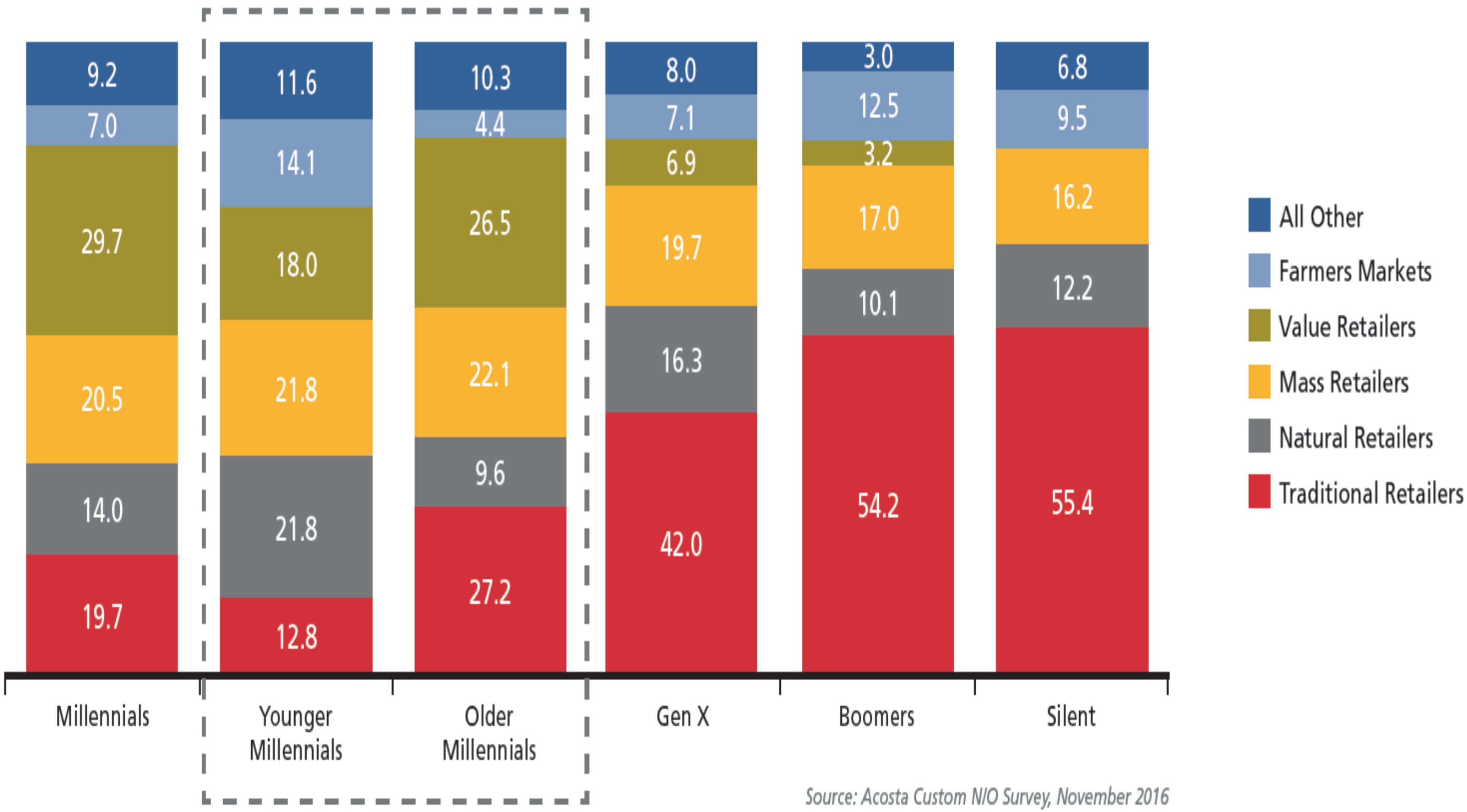
- **29 percent** of all surveyed shoppers prefer shopping in food stores that they believe **support the local economy**
- **21 percent** prefer shopping in grocery stores that **procure meat from sources that treat animals humanely**
- **14 percent** look for organic certification

February 2017: Acosta "Back to Our Roots" Report on Natural/Organic Food Shoppers



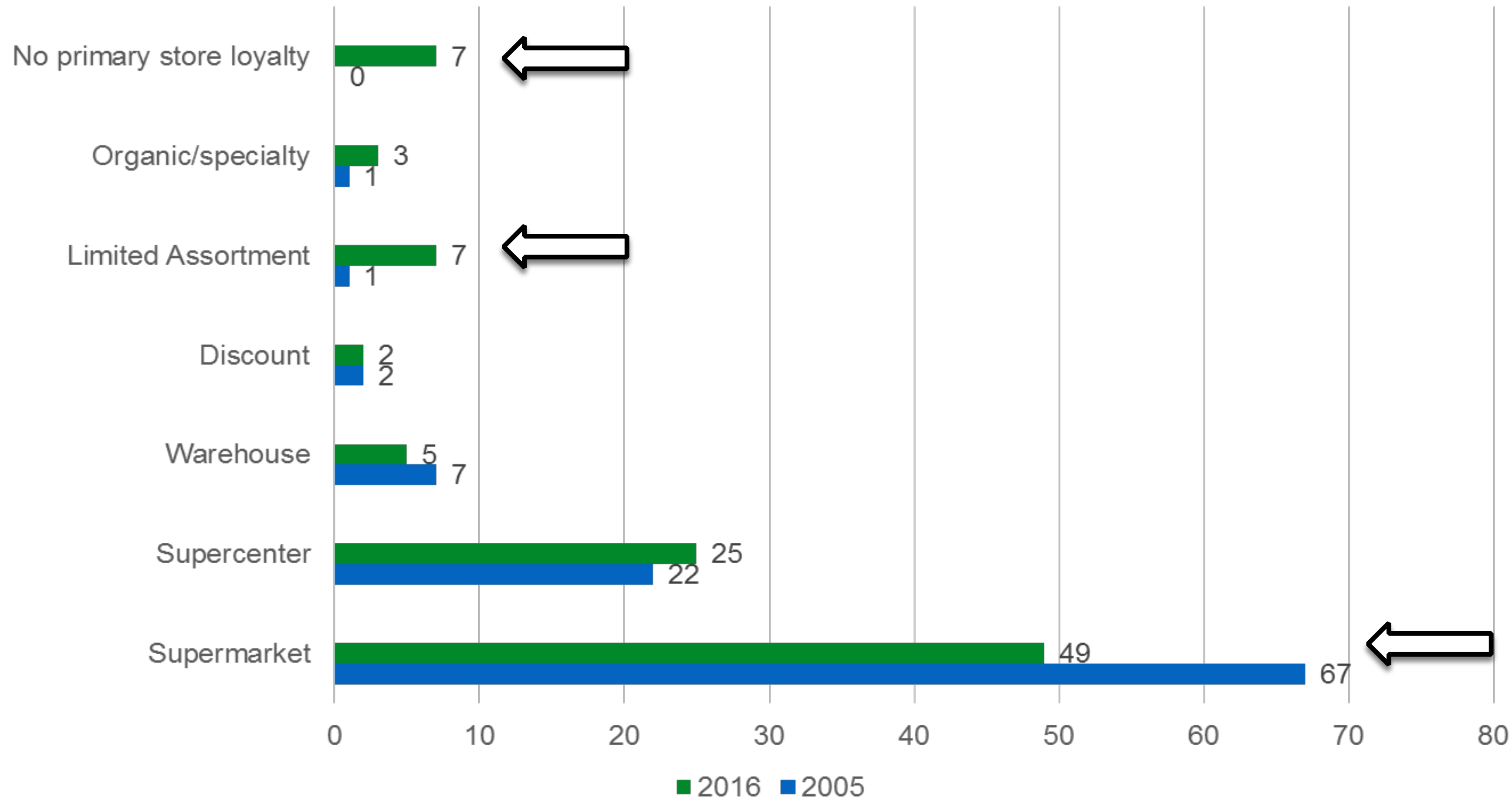
www.acosta.com/hottopicreports

Retail Preferences for Natural/Organic Foods, by Age Cohort



Source: Acosta Custom N/O Survey, November 2016

Store Loyalty Has Become More Fickle; Supermarkets No Longer Dominant



Everything Old…Is New Again?

Food shoppers aspire to a more natural [and sometimes romanticized] past –

"My husband comes from an Italian family who cooked and ate together. My mom was young with lots of kids. She did what was easy and cheap. We ate out of boxes and cans. Food was not good growing up.

I don't want that for my kids."

FMI: 2016, US Grocery Shopper Trends

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