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NEW CROP OPPORTUNITIES CENTER

2008 Kentucky Produce Planting & Marketing Intentions Survey and Outlook

July 14, 2008

AEC-EXT 2008-05

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Summary

The 2008 Kentucky Produce Planting & Marketing Intentions Survey measured marketing practices and planting intentions of Kentucky fruit and vegetable growers, focusing primarily on commercial vegetable growers. This is the sixth consecutive year this survey was conducted.[1]

Gross sales from Kentucky's commercial produce will likely increase substantially over the $26 million realized in 2007 across all markets. These sales will continue to increase over the next three years as growers indicate they expect continued expansion, bolstered especially by vigorous growth among Kentucky's direct markets. Commercial vegetable acreage will increase to about 10,580 acres in 2008 (+17%), while commercial fruit acreage will slightly increase to about 2,727 acres (+9%).

While direct markets remain key, growers are diversifying into other market channels. As the industry expands steadily in Kentucky, there are important barriers emerging, as well. Labor access and management, as well as higher land prices and input costs were identified as the more important barriers to growth

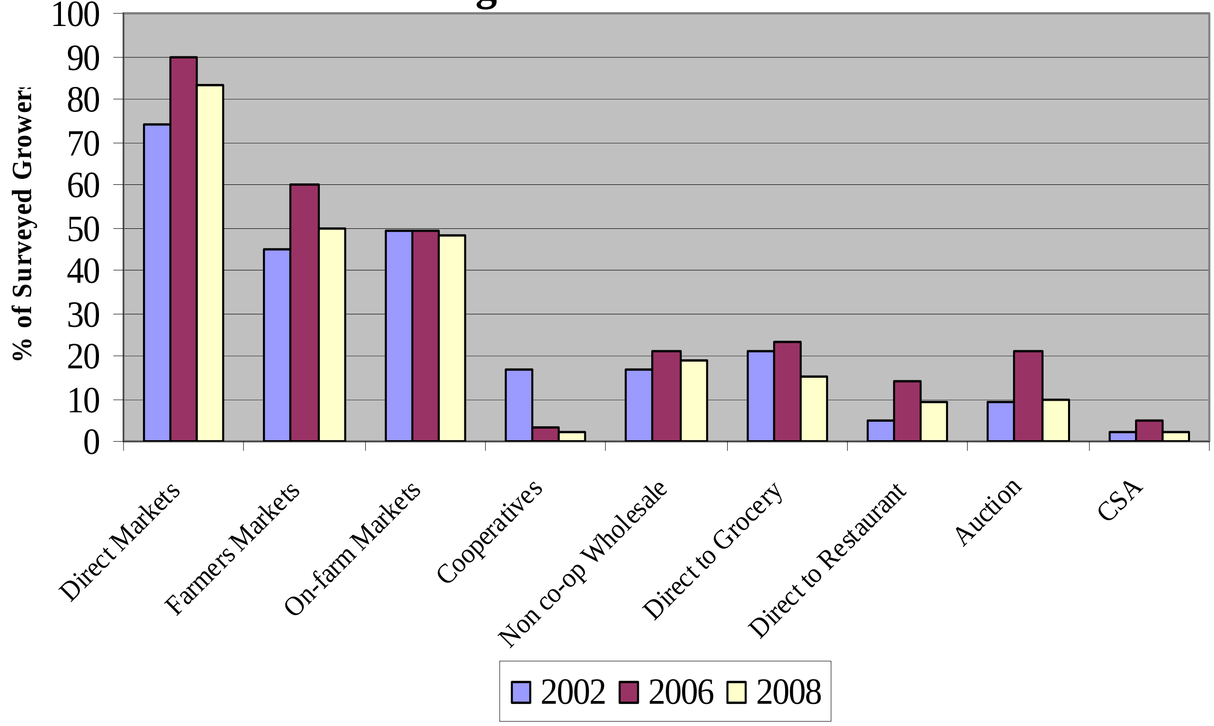
Marketing Focus

Direct marketing remains a major focus for produce farmers in Kentucky. The current survey asked again for information on marketing focus by market channel. The results, summarized in Figure 1, show the emphasis on direct markets such as community farmers markets and on-farm

[1] This year's survey was returned by 194 produce growers representing 1,355 commercial vegetable acres and 455 commercial fruit acres. An additional 101 surveys of the 1,396 mailed were returned but unusable or removed from the mailing list. This represents a 21% response rate and approximately 14% of commercial produce acreage in Kentucky. This report summarizes the findings of the current survey and seeks to offer some perspective comparing results from previous years.

retailing.[2] Produce farmers are diversifying their marketing channels. Eighty-one percent reported selling into more than one kind of market; 34% reported selling into three or more. The diversity of marketing options is increasingly important in Kentucky as producers expand production.

Figure 1. Kentucky Produce Marketing Channels Farm Selling at Least 10% in Channel



Farmers' Markets

Kentucky farmers' markets have tripled in number during the past decade. There were 114 farmers' markets registered with the Kentucky Department of Agriculture in 2007 with estimated gross sales of $8 million. Data provided by the Kentucky Department of Agriculture identified over 2000 vendors last year. Farmers' markets account for about one-quarter of all Kentucky farm produce sales.

The past few years have shown that farmers' markets have had the distinction of having a significant number of growers marketing 100% of their produce through this market channel. Farmers seem to be diversifying into additional market channels. In 2006, 18% of farmers indicated 100% sales at a farmers' market. That number declined to 12% in 2007 and finally 5% in 2008. This indicates that more farmers are expanding their opportunities by exploring different markets to sell their produce.

[2] Direct markets here and in Figure 1 refers to either community or on-farm retailing, although selling direct to institutions such as restaurants and grocery is also considered by some to be direct marketing.

Because the survey's anonymity does not guarantee the same producers respond each year, the actual percentage of farmers' market participation may vary. When compared with a more rapid rate of growth in the number and gross sales at Kentucky farmers' markets since 2002, the 5% annual increase in farmers' market participation suggests that farmers' markets are multiplying as growers participate in multiple markets. This is supported by anecdotal evidence and observations of farmers' market member list information from around the state.

Restaurants

Growing interest among restaurants in sourcing local produce, together with programs like Restaurant Rewards, has increased interest in this market channel. Sixteen percent of the growers indicated they were selling to restaurants, but most of them view this as a secondary market channel. Only 9% sold more than 10% of their produce direct to restaurants. Opportunities for expansion in this channel continue, although quality assurance and insurance issues are becoming increasingly challenging issues. There are opportunities to utilize specialized wholesalers to service this niche and some growers are consolidating sales in this way to reach restaurants.

Auctions

The percentage of respondents selling produce through auctions has decreased in the last year from 17% to 8% for those who sold at least than 10% of their total produce sales, although figures from the auctions themselves shows record number of vendors registering. Nearly 400 growers sold at least some produce through at least one of the auctions in 2007. All auctions have the dilemma of attracting enough buyers and sellers to create a vibrant local market. It remains to be seen if a preference for fresher produce and the renaissance toward eating locally produced food will expand far enough in Kentucky to adequately support emerging produce auctions. However, these produce auctions can currently fill a niche as part of a diverse direct and wholesale marketing plan. Growers, especially in geographic areas of the newer auctions, appear to be using auctions sparingly.

CSA

Direct marketers have found that Community Supported Agriculture (CSA) can be an economically attractive marketing option, especially in areas with higher per capita incomes. The number of farmers using this kind of market program, and reporting at least some sales, remains in the 4% to 5% range. In 2008, only 2% reported that at least 10% of their total produce sales had come from CSA. The Kentucky Department of Agriculture had registered 35 active CSAs in 2007, and many of them continue to expand membership and acreage.

On-Farm Markets

Interest in on-farm stands and U-Pick alternatives continues to hold a significant percentage of overall produce sales. The percentage of farmers reporting sales from their on-farm market has continued to increase by 3% or 4% in each of the last several years and currently 54% report at least some sales in this market (Appendix 2). The percent of farmers who report at least 10% of their sales coming from on-farm markets has increased in the past several years and now remains steady at 45%. On-farm markets are continuing to grow in popularity as 2008 recorded this market as the most popular way to sell produce with 54% of all the surveys received reporting at least some sales in this form. Although farmers' markets hold a slight edge, 47% to 45%, over on-farm markets in the category of selling 10% or more of their total produce in a market, farmers' markets have been experiencing a decline in recent years and suffered a 6% drop in just the last year. This may be an indication that on-farm markets will be the overall preferred marketplace for produce in the near future.

Produce Grower Demographics: 2001 to 2008

Age and Experience

Significant expansion has occurred in Kentucky's produce industry over the last 10 years. Kentucky's farm operator population, however, continues to age, and this produce expansion has primarily happened on farms operated by older (>50) operators. Much of this trend is indicative of changes in Kentucky agriculture in general, but it has important implications for the future. Responses to questions about age and experience this year, as in previous years, reflect these general assumptions (Table 1). The "Under 30" age group has declined to 4% while the "Over 60" age group has experienced the largest percentage increase and now holds the largest percentage of any age group.

Producer years of experience in growing produce has seen a similar shift (Table 2). Farmers with over 10 years experience now make up nearly half of all produce farmers. Fifty-eight percent of the growers reported produce sales of less than $10,000 (Figure 2). This is fairly typical of growers focused on direct markets and using produce as a means for diversifying the sources of farm income along with other crops that have been their mainstay commodities.

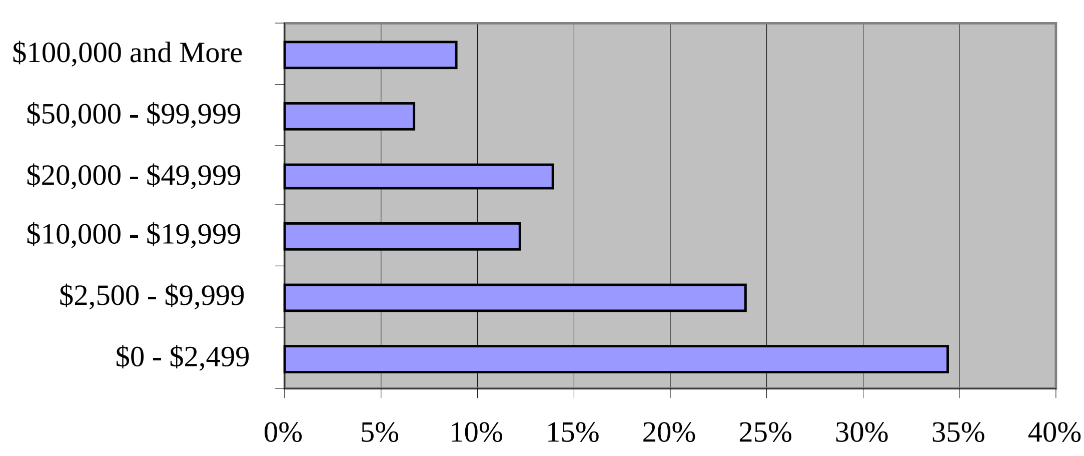
Table 1. Surveyed Producer Age, 2001 to 2008

	Under 30	31-40	41-50	51-60	>60
2001	7%	14%	31%	24%	23%
2008	4%	7%	26%	29%	34%

Table 2. Years of Experience Growing Produce 2001 to 2008

	Less than 3	3 to 6	7 to 10	Over 10
2001	25%	23%	14%	38%
2008	8%	23%	20%	49%

Figure 2. Produce Gross Sales



Produce Sales over the Next 3 Years

The industry appears to be poised for steady growth in sales over the next three years. Growers were asked to provide their own expectations regarding their produce sales. In spite of the challenging weather circumstances dominating 2007, growers continue to lean toward future expansion. While the majority of growers indicated they expected to stay about the same in sales, many more indicated they expected to at least increase somewhat or substantially (Figure 3). The expectation of growth seems to be consistent across all the different types of markets emphasized by growers – direct (farm market/on-farm retail), wholesale, or direct to retail (Figure 4). Overall sales for 2007 are estimated to have been around $26 million across all market channels, in spite of adverse production conditions. Markets, however, were strong last year and growers seem to be responding to this again with their planting activity for 2008. It would not be unexpected to see produce sales in Kentucky nearing $40 million by 2010.

Figure 3. Produce Sales over the Next 3 Years

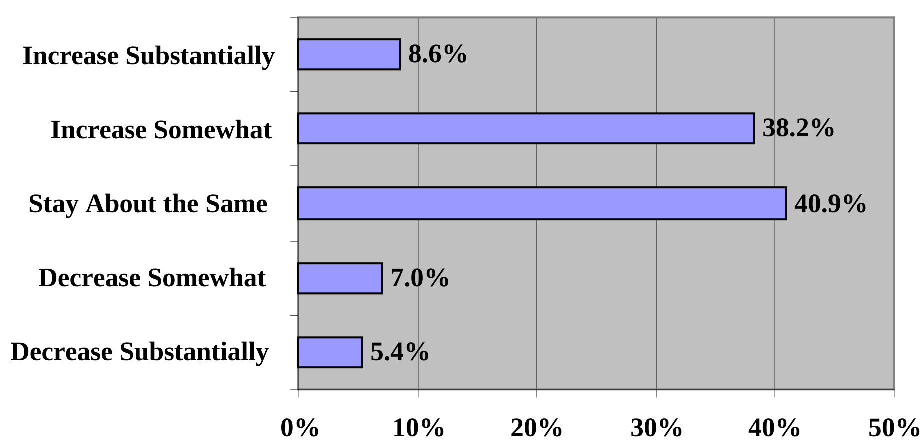
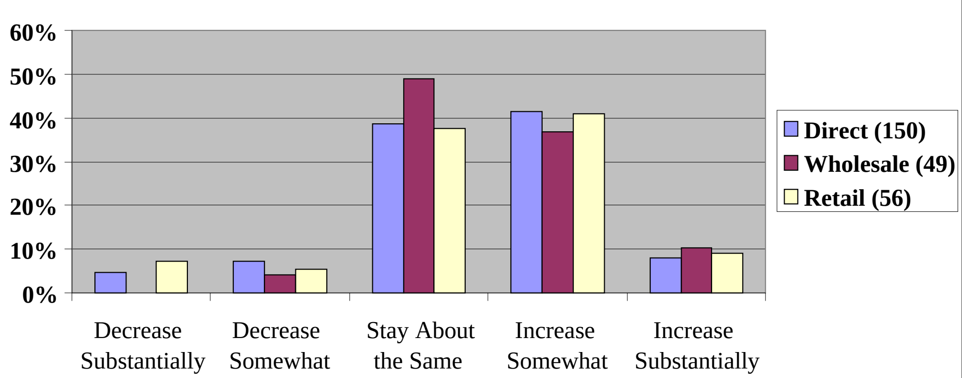


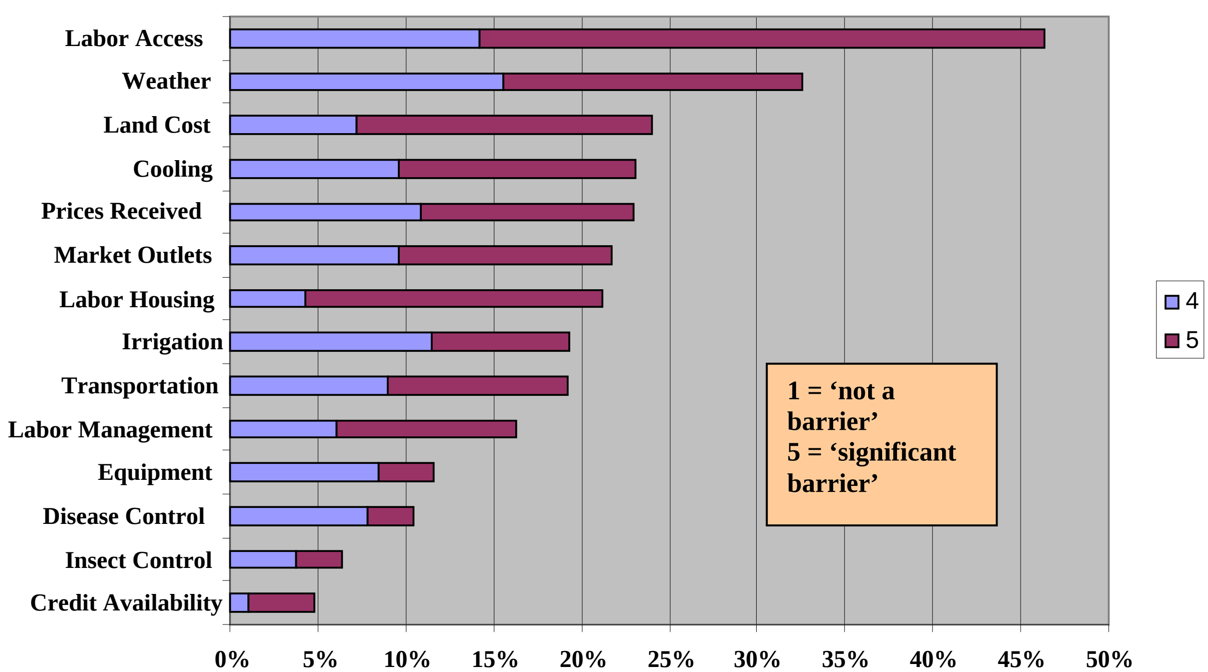
Figure 4. Longer-Term Planting Outlook



Although many farmers in Kentucky are planning on increasing sales in the next three years, there are many variables that are likely to limit expansion. Growers were asked to review a list of potential barriers to growth and rank them on a scale of 1 (‘not a barrier’) to 5 (‘significant barrier’).   (see Appendix 3 for detailed results).

Labor issues (access and housing) were identified as by far the largest limitation to growth (Figure 5). This presents a major challenge for all of Kentucky agriculture that is labor intensive currently. At the time the survey was being designed, input costs (fuel, fertilizer) were higher but had not taken the large surge realized during the actual planting period. Many growers wrote this factor in, and certainly these higher costs will play into future expansion for 2009. Land costs, including rental of crop land, are also rising, limiting opportunities for some of the lower-value produce items such as cabbage. Grain prices in Western Kentucky have driven rental rates beyond what produce growers are prepared to pay.

Figure 5. Factors Limiting Expansion



Conclusions/Outlook

Primarily fueled by growth in direct marketing, production from Kentucky’s produce industry should increase by about 16% in 2008 over what was experienced in 2007. Produce continues to emerge as an additional source of income for many Kentucky farms and, as marketing and management expertise are increasing annually, this sector should continue its modest rate of a 5-10% increase in gross sales. On-farm markets are on the rise and may be the preferred market for many produce farmers across Kentucky in the near future.

Planted acres for specific crops were projected based on changes noted in the surveys received and are summarized in Table 3. Overall, total produce acreage in Kentucky is up over 25% from the 10,598 acres reported in the 2002 Census of Agriculture. Most of the produce is marketed locally, but growth in markets with wider distribution is in evidence, as well.

Acknowledgments

Thanks to the Kentucky growers who have taken time to complete this survey during its existence.

Thanks to Dr. Greg Halich for reviewing this publication.

This research was partially funded by the New Crop Opportunities Center at the University of Kentucky through a USDA Special Grant.

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Appendix 1. Percent of Growers Reporting 10% or More Gross Sales from Specific Markets

	2002	2005	2008
Farmers' Markets	42%	58%	47%
On-Farm Direct Markets (U-Pick, Farm Stand)	49%	46%	45%
Direct to Grocery	21%	16%	14%
Wholesale, Non Co-op	17%	15%	18%
Wholesale, Cooperatives	17%	8%	2%
Direct to Restaurants	5%	17%	9%
Auctions	9%	16%	10%
CSA/Subscription	3%	1%	2%

Appendix 2. Percent of Growers Reporting Any Quantity of Gross Sales from Specific Markets

	2002	2005	2008
Farmers' Markets	47%	63%	59%
On-Farm Direct Markets (U-Pick, Farm Stand)	55%	46%	50%
Direct to Grocery	28%	16%	23%
Wholesale, Non Co-op	20%	15%	21%
Wholesale, Cooperatives	18%	8%	3%
Direct to Restaurants	14%	17%	14%
Auctions	9%	16%	20%
CSA/Subscription	3%	1%	5%

Appendix 3. Factors Limiting Expansion 2008

	1	2	3	4	5	No Response
Cooling	53	16	23	17	23	62
Credit Availability	85	18	12	2	7	70
Disease Control	54	31	28	14	5	62
Equipment	61	20	29	15	6	62
Insect Control	54	40	30	7	5	58
Irrigation	55	19	24	20	14	62
Labor Access	33	15	25	24	47	49
Labor Housing	64	6	10	8	28	78
Labor Management	65	11	16	11	18	73
Land Cost	61	11	15	13	28	66
Market Outlets	45	24	25	17	21	62
Prices Received	34	23	42	19	21	55
Weather	23	24	40	26	28	52
Transportation	52	21	22	16	18	65

Table 3. Surveyed KY Acreage and Commercial Planting Intention Projections, 2008

	2002 USDA Estimated Acreage (Ag Census)	***2007 Acreage Estimate***	**2008 Acreage Forecast**	***2007-08 Percent Change***
Asparagus	44	**42**	58	**37%**
Beans, Snap	541	**401**	427	**6%**
Beets	8	**45**	N/A	**N/A**
Broccoli	49	**320**	419	**31%**
Cabbage	262	**450**	68	**-85%**
Chinese Cabbage	25	**N/A**	N/A	**N/A**
Cantaloupes	575	**552**	749	**36%**
Corn, Sweet	2010	**2797**	3101	**11%**
Corn, Ornamental	N/A	**170**	179	**5%**
Cucumbers, Fresh	146	**156**	266	**70%**
Eggplant	2	**25**	N/A	**N/A**
Garlic	8	**46**	56	**22%**
Greens (Collards, Kale, Mustard, Turnip)	81	**66**	79	**20%**
Lettuce - Leaf, Head, & Romaine	14	**51**	74	**45%**
Lettuce (Greenhouse)	N/A	**16**	18	**10%**
Okra	12	**29**	309	**964%**
Onions (Dry & Green)	13	**36**	59	**64%**
Ornamental Vegs.	N/A	**51**	56	**9%**
Peas	6	**51**	367	**620%**
Peppers, Bell	348	**505**	531	**5%**
Peppers, Jalapeno	52	**86**	46	**-47%**
Peppers, Other	N/A	**92**	103	**12%**
Potatoes, Red	N/A	**77**	75	**-2%**
Potatoes, White	N/A	**89**	87	**-2%**
Pumpkins	1524	**1310**	1437	**10%**
Squash, Summer	136	**131**	185	**41%**
Squash, Winter	N/A	**50**	57	**13%**
Sweet Potatoes	N/A	**83**	171	**106%**
Tomatoes, Field	911	**578**	596	**3%**
Tomatoes, Greenhouse	N/A	**23**	31	**33%**
Watermelons	450	**574**	819	**43%**
Herbs	12	**19**	29	**55%**
Other Vegetables	69	**97**	128	**32%**
Apples	1920	**970**	998	**3%**
Blackberries	86	**146**	151	**4%**
Blueberries	61	**134**	124	**-7%**
Grapes	489	**365**	394	**8%**
Peaches	408	**606**	749	**24%**
Pears	74	**50**	67	**34%**
Raspberries	20	**38**	43	**13%**
Strawberries	216	**182**	195	**7%**
Other Fruits	26	**5**	7	**37%**
Total Fruit Acres	3,300	**2,496**	2,727	**9%**
Total Vegetable Acres	7,298	**9,018**	10,580	**17%**
Total Produce Acres	10,598	**11,514**	13,307	**16%**