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Alternative Agricultural Markets in Alberta

An Overview

December 2004

Canada

The Agricultural Policy Framework (APF)
A Federal-Provincial-Territorial Initiative

Alberta

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For more information on this study, call (780) 349-4466, ext. 1.

Table of Contents

List of Tables

Executive Summary

In the mid-1990's, Alberta's agriculture and agri-food industry set a goal to attain an industry value of $20 billion in value-added processing and $10 billion in farm cash receipts by 2010. The industry is diversifying to take advantage of market opportunities resulting from changing market demands and trends. Diversification - moving from the traditional to the leading edge - is the core of ***Alberta's Agri-food Growth Strategy***.

Alberta Agriculture, Food and Rural Development (AAFRD) has for some time been devoting resources to these sectors with the expected outcome of developing new opportunities for farmers to market their products. This has included research, distribution channel support and advice on how farmers can access and maximize their returns from these markets, among other activities. The Ag-Entrepreneurship Division has specified the key initiatives of Farm Direct Marketing (including Farmers' Markets), Regional Cuisine and Agriculture Related Recreation and Hospitality Enterprises (Ag Tourism) as base hits in the Growth Strategy.

Those key initiatives have all conducted research projects to gain some understanding of the scope and potential for those industries. For the most part, the research looked at the industry from the perspective of the producer or provider. The *Alternative Agricultural Market Quantification Study* (Infact, 2004) looked at regional cuisine, farmers' markets, farm direct marketing and agriculture related recreation and hospitality enterprises from the perspective of the consumer. The objectives were to assess the current market value and growth potential of each market. Agriculture related recreation and hospitality enterprises are made up of on-farm and off-farm activities. A subset, known as ag tourism, occurs when the visitor travels over 80 km one way from home and takes part in either on-farm or off-farm ag activities.

The following questions were addressed for each alternative agricultural market:

- What is the consumer awareness?
- What is the percentage of Albertans purchasing products or services?
- What is current consumer spending?
- What is the growth potential?
- What is the economic impact?

The results of the research will be key components in the department's contribution to both the Growth Strategy goals and objectives and the Rural Development Initiative Strategy. Understanding the current and potential impact of alternative agricultural markets will assist the ministry to provide resources and information to enhance growth and prosperity in rural Alberta.

Awareness

The measure of awareness and familiarity of alternative agricultural markets by Albertans provides a baseline against which future market evaluations can be compared. It also provides useful information on demographic and geographic differences across the province for each market.

Albertans are far more familiar with farmers' markets than any of the other products. Second best known were off-farm country-style activities. On-farm products, both farm direct and on-farm activities, came next with the least familiar of the alternative markets being regional cuisine. Those who buy more often and spend more tend to have the highest familiarity with a product. Of the two, frequency of purchase was by far the more important criterion for all but off-farm activities. In addition to differences in awareness based on use, there were differences in awareness based on geographic and demographic factors.

Regional cuisine was better known in the Edmonton metropolitan region, the City of Edmonton, and among people living on farms and ranches. Awareness rose with increase in education, with highest awareness being registered among respondents with university level qualifications and households in the highest income groups. Farmers' markets, the most widely known and most familiar of the alternative markets, were well known in all parts of the province and all community sizes. They were most familiar to the highest income group (over $120,000/yr) and increasingly familiar with higher education levels. Farm direct was more or less equally well known in most geographic and demographic groups; however, people living on a farm or ranch were significantly more likely to know of it and awareness was somewhat greater in the two higher income groups (over $80,000/yr) than at lower income levels. Both on-farm and off-farm activities were best known by people living on a farm or ranch.

Market Size

Market size is defined by the number of households that purchased each product over a twelve month period (May 2003 – April 2004) and the number of customers who plan to enter or exit the market in 2004-2005. When projected to the total population of 1.24 million households in Alberta, results suggest that 1.0 million households purchased from at least one of the alternative agricultural channels.

Consistent with the far higher level of awareness found for farmers' markets, this was also the most widely used alternative agricultural market, with 59% of the population indicating that they had made at least one purchase at a farmers' market in the past year. Interestingly, the second most widely used market at 39% was regional cuisine, which was the least well known product. Forty percent of respondents participated in on-farm and off-farm activities with off-farm being by far the most used. While one-third of the population had taken an off-farm ag-related trip, when only ag tourism trips (over 80km one way from home) were considered, total market penetration for on- and off-farm combined was 17%.

Farmers’ markets, farm direct and regional cuisine markets had a greater likelihood of being purchased with increasing education and income. The difference was not as marked for the on- and off-farm activities.

Projected growth in market size is determined by current market size and the number of households that plan to exit or enter the market in the period May 2004 – April 2005. The highest rate of annual growth in market size is expected for the smallest product - on-farm activities. The numbers also suggest that there is considerable "churn" in the on- and off-farm activities and ag tourism markets, with many new households coming in each year and many dropping out. The second highest rate of growth is anticipated for farm direct marketing, followed by farmers' markets. All of the alternative agricultural markets are growing in size.

Market Value

To estimate the value of each alternative agricultural market, the key objective of this study, respondents were asked the season in which each product other than regional cuisine was purchased, the number of times purchases were made in each season by any member of the household and expenditure on the last visit/trip in each season.

With the exception of regional cuisine, all markets proved to be predominantly seasonal with greater access in the summer. Frequency of purchase and annual expenditures were associated more often with seasonality than other factors. In general – and in particular for farmers' markets and farm direct – households that purchase more frequently and/or spend more on an annual basis, tend to purchase the product year-round.

Total market value of each alternative market in Alberta was estimated taking into account the combination of the number of purchasers, the number of times they purchased each product each season and how much they spent on the last purchase in each season. Estimated expenditures in each market for the May 2003 - April 2004 period are as follows:

Regional Cuisine	$214.0 million
Farmers' Markets	$232.9 million
Farm Direct	$191.1 million
On-Farm Activities	$51.6 million
Off-Farm Activities	$274.0 million
Total Estimated Domestic Expenditures	**$963.6 million**

Of the total $325.6 million agriculture related recreation and hospitality expenditures (on- and off-farm combined), ag tourism accounted for a total of $194 million (60%). In addition, a recent in-house assessment of agriculture related recreation and hospitality enterprises in Alberta reveals that a minimum of $18 million comes from visitors outside of Alberta.

Potential Growth

The growth potential of alternative agricultural markets in Alberta is calculated using the value of purchases made in the past year, the change in the value of purchases anticipated by current

purchasers in the next year, and the value of purchases that may be made by households not currently in the market.
All alternative agricultural markets appear to be set to grow in value in the next year. Generally, over 70% of purchasers indicate that they do not expect to change their purchasing behaviour. Of those who do, a greater proportion expect to increase than reduce spending with the exception of on-farm activities and ag tourism where the proportions were similar. The major change in spending comes from potential new market entrants, except in the case of farmers' markets, which already enjoys high market penetration. The two products that usually require a visit to a farm, farm direct and on-farm activities, seem poised to grow most substantially in value - 40-50%. Farmers' markets is projected to grow at a rate of 24%, off-farm activities at 16% and regional cuisine is likely to grow at the slowest rate (8%). The total domestic expenditures is estimated at $1.2 billion in 2004-2005 – an increase of over $200 million in one year.

If the current trend is maintained at an 8% average yearly growth rate for all markets, the market value is estimated at $1.7 billion by 2010. All four alternative markets studied in this research are base hits for the Ag-Entrepreneurship Division and appear to have the potential to make a significant contribution toward achieving the Growth Strategy objectives and goals.

Economic Impact Assessment

All four alternative markets were assessed on economic impact using Alberta economic multipliers published by Alberta Treasury in 2004. For this report, *intensity ratios for industries* were used to estimate the economic impact for each alternative agricultural market based on its potential growth for the value of purchase.

In 2003-2004, the combined value of domestic purchases of regional cuisine, farmers' markets, farm direct and agriculture related recreation and hospitality enterprises totalled $963.6 million. Using economic multipliers, the total economic impacts of alternative markets in Alberta in 2003-2004 are estimated at a $881.7 million injection into GDP generating $583.9 million in household income and creating 24,091 jobs.

All four alternative agricultural markets are forecasted to grow by $223 million in 2004-2005 to reach $1.2 billion. This growth will be translated into a $183.9 million increase in GDP at factor cost, a $101.9 million increase in total household income and an additional 5026 jobs.

Summary

As a result of the findings of the market quantification study, it is recommended that these alternative agricultural markets continue to develop in order to stimulate revenue growth and market expansion. The following strategies are recommended for each alternative agricultural market:

- Increase awareness level among the general population;
- Retain core customer base;

- Mitigate seasonality fluctuations by reducing the revenue gap between winter and summer (not applicable for Regional Cuisine);
- Increase purchase frequency and customer loyalty;
- Increase per purchase spending.

The Alberta Agri-food Industry Growth Strategy will be achieved through a variety of key initiatives and base hits on behalf of both the ministry and industry partners. Alternative agriculture markets have the potential to contribute significantly to ***Alberta's Agri-food Growth Strategy*** with an estimated value of $1.7 billion by 2010. Increased focus on awareness and market expansion has the potential to increase spending, therefore multiplying the value of the industry and developing rural Alberta.

Introduction

Background

In the mid-1990's, Alberta's agriculture and agri-food industry set a goal to attain an industry value of $20 billion in value-added processing and $10 billion in farm cash receipts by 2010. Growth of the industry comes with a dedication to sustainability – balancing economic gains with environmental conservation and stability.

In a trend report for Alberta Agriculture, Roberts (2001) reported the following:
- More sophisticated consumers are emerging who will have higher demands for information, quality and value.
- Global market forces will intensify competition and consumer's appetite for specialty foods from around the world.
- Boomer-headed families are entering their peak earning and spending years.
- Our indulgent society will have an unquenchable appetite for pleasurable experiences and sensuous foods.

Alberta's agri-food industry is diversifying to take advantage of market opportunities resulting from changing market demands and trends. Diversification - moving from the traditional to the leading edge - is the core of ***Alberta's Agri-food Growth Strategy***. Some sectors showing growth include farm direct marketing, regional cuisine and ag tourism (Government of Alberta, 2004).

Alberta Agriculture, Food and Rural Development (AAFRD) has for some time been devoting resources to these sectors with the expected outcome of developing new opportunities for farmers to market their products. This has included research, distribution channel support and advice on how farmers can access and maximize their returns from these markets, among other activities. The Ag-Entrepreneurship Division has specified the key initiatives of Farm Direct Marketing (including Farmers' Markets), Regional Cuisine and Agriculture Related Recreation and Hospitality Enterprises (Ag Tourism) as base hits in Alberta's Agri-food Growth Strategy.

Although the interest in alternative marketing channels and the potential impact on the agriculture industry is increasing rapidly, the literature reveals that, although expanding, very little research has been done to identify the profile of alternative market consumers, the economic impact of these channels, or the value in the local and global economies.

To enhance and facilitate strategic business planning and future tracking by Alberta government stakeholders, partners and industry clients, AAFRD understood that baseline information on alternative agricultural markets would be useful. Specifically, the Ministry was interested in:

- Product or service awareness;
- Market penetration;
- Current expenditures;
- Market potential; and
- associated market profiles.

Purpose

The Farm Direct Marketing, Farmers' Markets, Regional Cuisine and Agriculture Related Recreation and Hospitality Enterprises Initiatives have all conducted research projects to gain some understanding of the scope and potential for those industries. For the most part, the research looked at the industry from the perspective of the producer or provider.

The most recent research (Infact, 2004) looked at those four alternative agriculture markets from the perspective of the consumer. A telephone survey of randomly selected households located throughout the province of Alberta was undertaken during June/July 2004. Interviews were conducted with male or female household heads who felt they were in a position to talk about past household purchases and expenditures.

The objectives of the research were to assess the current market value and the growth potential of each of the four markets. The following questions were addressed for each:

- What is the consumer awareness?
- What is the percentage of Albertans purchasing products or services?
- What is current consumer spending?
- What is the growth potential?
- What is the economic impact?

Alternative markets for agriculture products and services may be significant contributors to economic impact across North America and a viable alternative for agriculture producers and processors seeking to diversify their operations. It is a way to market goods and services to bypass other intermediary channels, thus potentially increasing income.

This report provides an overview of the results, findings and recommendations of the *Alternative Agricultural Market Quantification Study* (Infact, 2004) in comparative format and by market. Subsequent to the study, an economic impact assessment for each alternative market was done using economic multipliers published by Alberta Treasury. The market quantification study findings and economic impact analysis are supplemented with related information from the literature and recent projects initiated by the Ag-Entrepreneurship Division of AAFRD and completed in partnership with industry.

Definition of Terms

The alternative agricultural markets included in the study were: regional cuisine, farmers' markets, farm direct marketing and agriculture related recreation and hospitality enterprises. They were defined to respondents as follows:

Regional Cuisine

Meals sold at a restaurant or food event where Alberta grown and processed ingredients are used. These include grains, fruits and vegetables, dairy and meats like free range, organic or grass-fed beef, elk, bison and other alternative meats, but not regular Alberta beef. "Regular Alberta Beef" was specifically excluded since it represents a well-established commodity, rather than an alternative market. These Alberta ingredients are specifically advertised by the restaurant or food event as being locally sourced "Regional Cuisine”.

Farmers' Markets

A place or space which is open on a regular scheduled basis, where one can buy fresh fruits and vegetables, flowers, herbs and other farm products, including processed food like jams, pies and sausages, from farmers and growers who sell at stalls or tables there.

Farm Direct Purchasing

Buying products like fresh fruit and vegetables, flowers, bedding plants, herbs, meat and other farm products, including jams, pies and sausages, at a farm or ranch gate, a farm or ranch store or stand, a roadside stall, a greenhouse on a farm, a U-Pick farm, or by Internet or mail from a farm.

Agriculture Related Recreation and Hospitality Enterprises

For the purposes of the alternative agricultural market quantification study, agriculture related recreation and hospitality enterprises were divided into two categories – on-farm and off-farm activities. In addition, an ag tourism subset from a combination of all on- and off-farm activities was examined to better make comparisons to Alberta and Canada tourism data.

On-Farm or Ranch Activities that you <u>pay</u> to participate in include things like staying in a farmhouse or on a guest ranch; attending a horseback riding camp on a ranch; taking a wagon or sleigh ride; going through a maze; a petting farm; or going on a tour of different farms with unusual animals like elk, ostrich, llama or bison, or something similar that you pay to do on a farm or ranch.

Off-Farm Country-Style Activities that you pay to visit or participate in include horse and equipment shows; a livestock auction; a rodeo; a tour inside a restored grain elevator or sugar processing facility; an agriculture-related conference or trade show; a heritage farm festival with threshing machines and tractor pulls; a cowboy poetry festival or something similar that takes place off the farm.

For this study, *Ag Tourism* refers to on-farm and off-farm activities requiring a visitor to travel a minimum one-way distance of more than 80 km from home.

Alternative Agricultural Markets in Alberta

This section of the report provides comparative information on the four markets in the areas of market awareness, current and projected market size, market value, growth potential and economic impact.

Awareness

The measure of awareness and familiarity of alternative agricultural markets by Albertans provides a baseline against which future market evaluations can be compared. It also provides useful information on demographic and geographic differences across the province for each market.

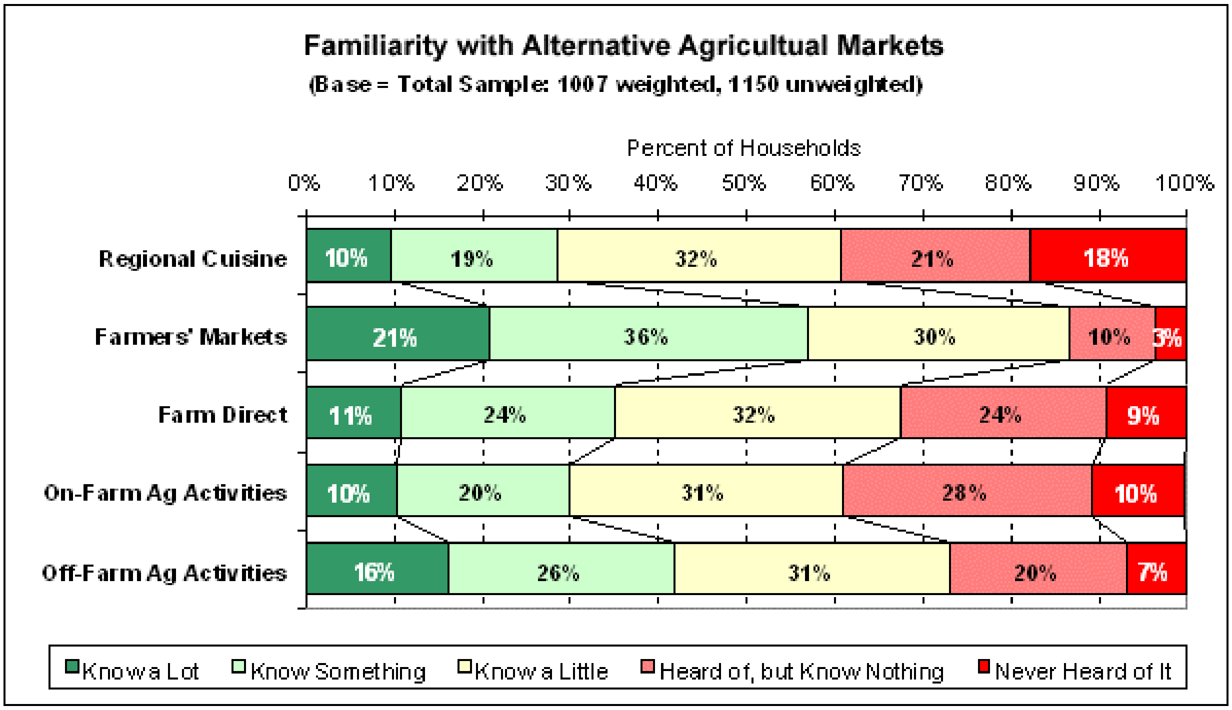
As shown in Table 1, results indicate that Albertans are far more familiar with farmers' markets than any of the other products. This is demonstrated by higher levels of knowledgeability. Over half knew "a lot" or "something" about farmers' markets, while few said they had only heard of them or had never heard of them. They were well known in all parts of the province and all community sizes. Farmers' markets were most familiar to the highest income group (over $120,000/yr) and increasingly familiar with higher education levels.

Second best known were off-farm country-style activities. On-farm products, both farm direct and on-farm activities, came next. Farm Direct was more or less equally well known in most geographic and demographic groups; however, people living on a farm or ranch were significantly more likely to know of it and awareness was somewhat greater in the two higher income groups (over $80,000/yr) than at lower income levels.

Both on-farm and off-farm activities were best known by people living on a farm or ranch. Consistent with the demographics of these areas, those who were more likely to know about the product tended to be empty nesters in the older age groups (55+ years), while males reported greater familiarity than females.

The least familiar of the alternative markets was regional cuisine, with one in five people not having heard of it previously. Regional cuisine was better known in the Edmonton metropolitan region, the City of Edmonton, and among people living on farms and ranches. Awareness rose with increase in education, with highest awareness being registered among respondents with university level qualifications. The highest average level of awareness registered by any sub-group was found in households in the highest income group (over $120,000/yr). This latter finding is consistent with the current concentration and positioning of the product in high end restaurants.

Table 1: Familiarity with Alternative Agricultural Markets



For all four less well known products, a substantial proportion of the population – ranging from about 25% to 40% - indicated they had no knowledge of them, even if they had heard of them previously. Those who buy more often and spend more tend to have the highest familiarity with a product. Of the two, frequency of purchase was by far the more important criterion for all but off-farm activities. In addition to differences in awareness based on use, there were differences in awareness based on geographic and demographic factors.

Current and Projected Market Size

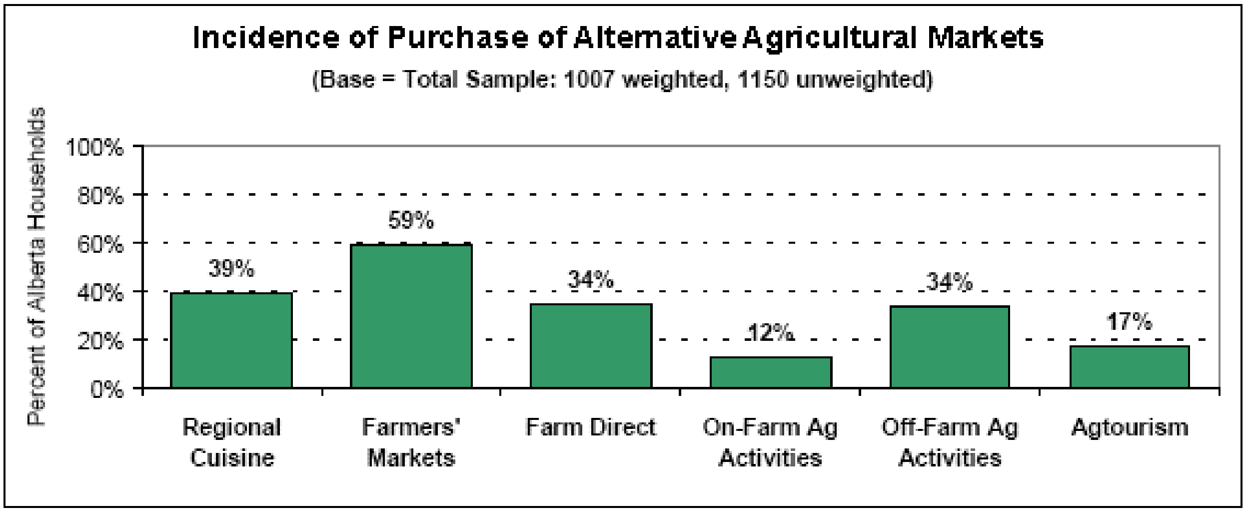
Market size is defined by the number of households that purchased each product over a twelve month period (May 2003 – April 2004) and the number that plan to enter or exit the market in 2004-2005. When projected to the total population of 1.24 million households in Alberta, results suggest that 1.0 million households purchased from at least one of the alternative agricultural channels over the period May 2003 to April 2004. Table 2 shows the incidence of purchase of each alternative market.

Consistent with the far higher level of awareness found for farmers' markets, this was also the most widely used alternative agricultural market, with 59% of the population indicating that they had made at least one purchase at a farmers' market in the past year.

Interestingly, the second most widely used market at 39% was regional cuisine, which was the least well known product. It is believed that this is due to a broad interpretation of the market by respondents who regarded regional cuisine as offerings found at small restaurants, tea

rooms in a local area, and events such as “A Taste of Edmonton” and “Heritage Days”, rather than high end restaurants.
Forty percent of respondents participated in an agriculture related recreation and hospitality activity (on-farm or off-farm) with off-farm being by far the most used. While one-third of the population had taken an off-farm ag-related trip, total market penetration for on- and off-farm combined was 17% when only ag tourism trips (over 80 km one way from home) were considered.

Table 2: Incidence of Purchase of Alternative Agricultural Markets



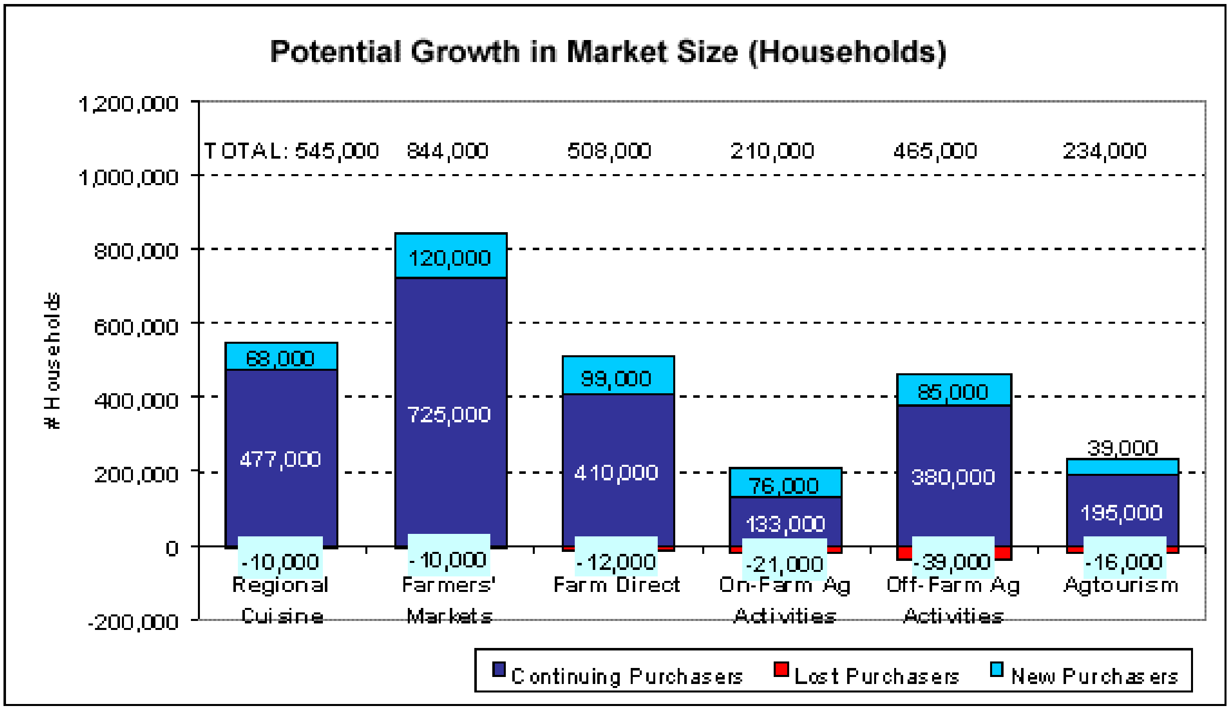
The first three alternative agricultural markets were more likely to be purchased with increasing education and income. The difference was not as marked for the on- and off-farm activities.

Projected growth in market size is determined by current market size and the number of households that plan to exit or enter the market in 2004-2005 (see Table 3).

The number of current buyers that were unlikely to continue purchasing the product next year was highest for the two products involving ag-related travel, especially off-farm activities; however, the highest rate of annual growth in market size is expected for the smallest product - on-farm activities. The numbers also suggest that there is considerable "churn" in the on- and off-farm activity and ag tourism markets, with many new households coming in each year and many dropping out.

The second highest rate of growth is anticipated for farm direct marketing, followed by farmers' markets. All of the alternative agricultural markets are growing in size.

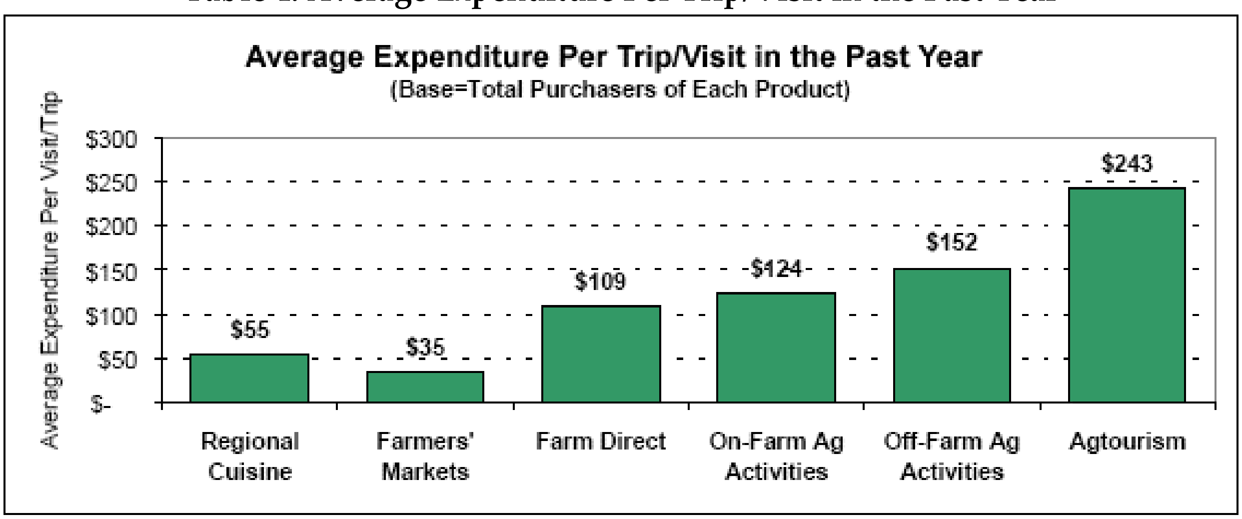
Table 3: Potential Growth in Market Size (Households)



Market Value

To estimate the value of each alternative agricultural market, the key objective of this study, respondents were asked the season in which each product other than regional cuisine was purchased, the number of times purchases were made in each season by any member of the household and expenditure on the last visit/trip in each season (Table 4).

Table 4: Average Expenditure Per Trip/Visit in the Past Year



All markets proved to be predominantly seasonal, with greater access in the summer. This was particularly true for on-farm and off-farm activities and ag tourism trips over 80 km; however, on-farm activities also had the largest proportion drawn solely during the winter. This suggests that unique winter activities play a role in attracting different groups of customers. In addition, farmers' markets and farm direct had sizable customer bases that accessed the channels year round.

Frequency of purchase and annual expenditures were associated more often with seasonality than other factors. In general – and in particular for farmers' markets and farm direct – households that purchase more frequently and/or spend more on an annual basis, tend to purchase the product year-round.

Estimated expenditures by Albertans in each market for the May 2003- April 2004 period are as follows:

Regional Cuisine	$214.0 million
Farmers' Markets	$232.9 million
Farm Direct	$191.1 million
On-Farm Activities	$51.6 million
Off-Farm Activities	$274.0 million
Total Estimated Domestic Expenditures	**$963.6 million**

Of the total $325.6 million agriculture related recreation and hospitality expenditures (on- and off-farm combined), ag tourism accounted for a total of $194 million (60%). In addition, a recent in-house assessment of agriculture related recreation and hospitality enterprises in Alberta reveals that a minimum of $18 million comes from visitors outside of Alberta.

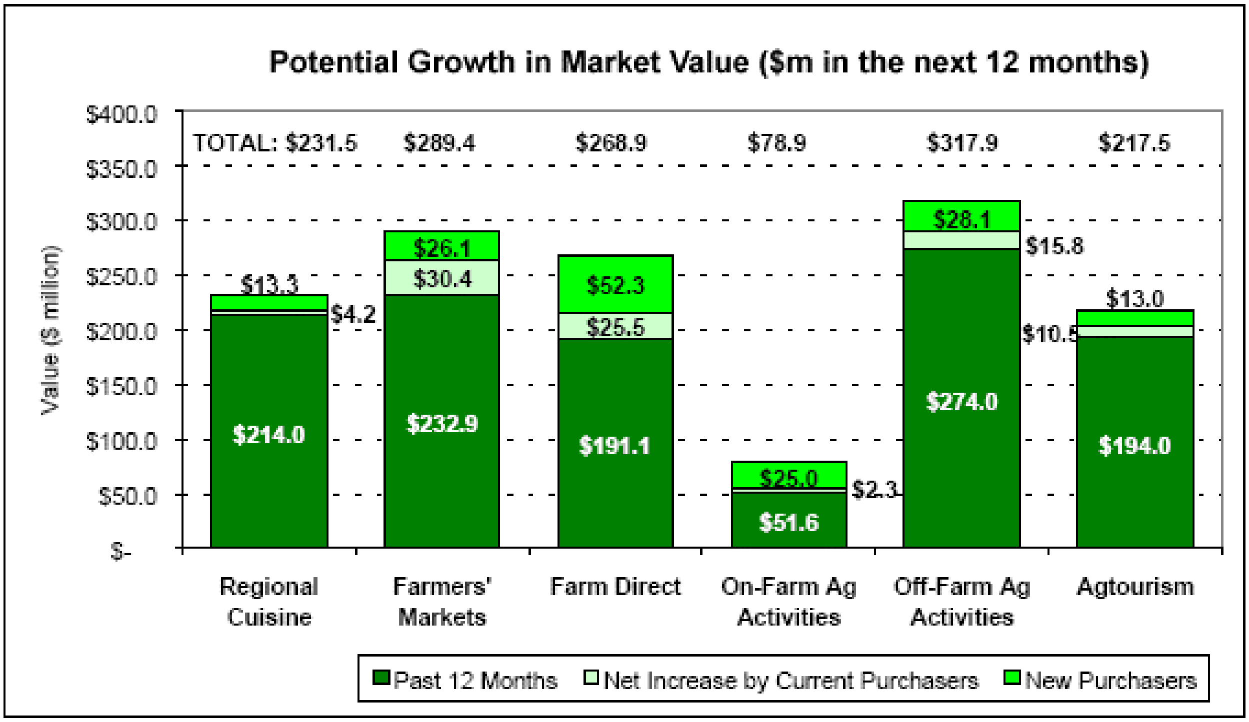
Growth Potential of Alternative Markets in Alberta

The growth potential of alternative agricultural markets in Alberta is calculated using the value of purchases that may be made by households not currently in the market, the value of purchases made in the past year, and the change in the value of purchases anticipated by current purchasers in the next year (Table 5).

Generally, over 70% of purchasers indicate that they do not expect to change their purchasing behaviour. Of those who do, a greater proportion expect to increase than reduce spending with the exception of on-farm activities and ag tourism where the proportions were similar. Total increase in spending by current purchasers is likely to come from additional purchases (visits/trips) and, to a lesser degree, from spending more per purchasing occasion. Where purchasers thought they would spend less, this was usually because they expected to use the channel less often rather than to reduce the value of their purchases.

All alternative agricultural markets appear to be set to grow in value in the next year. The major change in spending comes from potential new market entrants, except in the case of farmers' markets, which already enjoys high market penetration. The two products that usually require a visit to a farm, farm direct and on-farm activities, seem poised to grow most substantially in value - 40-50%. Regional cuisine is likely to grow at the slowest rate.

Table 5: Potential Growth in Market Value



Projected values of alternative agriculture markets in Alberta are calculated using the current value from 2003-2004 and next year's value as estimated from the market quantification study. Using the lowest growth rate of all the alternative markets (8%), the projected value for 2010 was estimated for each. On the more conservative side, there is also an estimate of value for 2010 using a 3% growth rate which is the August 2004 Canadian inflation rate (Table 6).

Table 6: Value Projections for Alternative Agricultural Markets in Alberta

	Value Projection by 2010	
Regional Cuisine	**Calculated at 8%**	**Calculated at 3%**
Estimated expenditures in the past 12 months	$ 214,000,000	$ 214,000,000
Estimated total change in the next 12 months*	$ 17,120,000	$ 17,120,000
PROJECTION VALUE BY 2005 @ 8%	**$ 231,120,000**	**$ 231,120,000**
VALUE PROJECTION BY 2010	**$ 339,591,105**	**$ 267,931,424**
Farmers' Markets		
Estimated expenditures in the past 12 months	$ 232,900,000	$ 232,900,000
Estimated total change in the next 12 months*	$ 55,896,000	$ 55,896,000
PROJECTION VALUE BY 2005 @ 24%	**$ 288,796,000**	**$ 288,796,000**
VALUE PROJECTION BY 2010	**$ 424,336,071**	**$ 334,793,716**
Farm Direct		
Estimated expenditures in the past 12 months	$ 191,100,000	$ 191,100,000
Estimated total change in the next 12 months*	$ 77,777,700	$ 77,777,700
PROJECTION VALUE BY 2005 @ 41%	**$ 268,877,700**	**$ 268,877,700**
VALUE PROJECTION BY 2010	**$ 395,069,554**	**$ 311,702,947**
On-Farm A Activities		
Estimated expenditures in the past 12 months	$ 51,600,000	$ 51,600,000
Estimated total change in the next 12 months*	$ 27,296,400	$ 27,296,400
PROJECTION VALUE BY 2005 @ 53%	**$ 78,896,400**	**$ 78,896,400**
VALUE PROJECTION BY 2010	**$ 115,924,696**	**$ 91,462,551**
Off-Farm A Activities		
Estimated expenditures in the past 12 months	$ 274,000,000	$ 274,000,000
Estimated total change in the next 12 months*	$ 43,840,000	$ 43,840,000
PROJECTION VALUE BY 2005 @ 16%	**$ 317,840,000**	**$ 317,840,000**
VALUE PROJECTION BY 2010	**$ 467,011,236**	**$ 368,463,672**
On- and Off- Farm Ag Tourism (travel over 80 km)		
Estimated expenditures in the past 12 months	**$ 194,000,000**	**$ 194,000,000**
Estimated total change in the next 12 months*	**$ 23,086,000**	**$ 23,086,000**
PROJECTION VALUE BY 2005 @ 12%	**$ 217,086,000**	**$ 217,086,000**
VALUE PROJECTION BY 2010	$ 318,970,555	$ 251,662,172
Total Current Value of Alterative Markets	**$ 963,600,000**	**$ 963,600,000**
Total Value Projection by 2010	**$ 1,741,932,662**	**$ 1,374,354,309**

If the current trend is maintained at an 8% average yearly growth rate, then by 2010 the market value of regional cuisine, farmers' markets, farm direct and agriculture related recreation and hospitality enterprises (on- and off-farm activities) will be about $1.7 billion. In the Ag-Entrepreneurship Division, all four alternative markets studied in this research are base hits and appear to have the potential to make a significant contribution toward the achievement of the Growth Strategy objectives and goals.

Economic Impact

The economic impacts due to each alternative agricultural market are calculated using Alberta economic multipliers published by Alberta Treasury in 2004. For this report, *intensity ratios for industries* were used to estimate the economic impact for each alternative agricultural market based on its potential growth for the value of purchase.

Based on major business activities that best described the industry, intensity ratios for Agricultural and Related Services Industry were applied to farmers' market and farm direct and ratios for Accommodation and Food Service Industry were applied to regional cuisine, on-farm activities, off-farm activities and ag tourism over 80 km. This is calculated by dividing the total economic impact by the change in consumption or output that led to the change.

In 2003-2004, the combined value of domestic purchases of regional cuisine, farmers' markets, farm direct and agriculture related recreation and hospitality enterprises totalled $963.6 million. Using economic multipliers, the total economic impacts of alternative markets in Alberta in 2003-2004 are estimated at a $881.7 million injection into GDP generating $583.9 million in household income and creating 24,091 jobs (Table 7).

Table 7: 2003-2004 Economic Impacts of Alternative Agricultural Markets

	Value of purchase 2003-04 ($m)	GDP at factor cost ($m)	Household Income ($m)	Employment (person years)
Regional Cuisine	214.0	195.8	129.7	5350
Farmers' Market	232.9	213.1	141.1	5823
Farm Direct	191.1	174.9	115.8	4778
On-Farm Activities	51.6	47.2	31.3	1290
Off-Farm Activities	274.0	250.7	166.0	6850
Ag Tourism > 80km	194.0	177.5	117.6	4850
Total Contribution of Alternative Markets (excludes Ag Tourism)	**963.6**	**881.7**	**583.9**	**24091**

All four alternative agricultural markets are forecasted to grow by $223 million in 2004-2005 to reach $1.2 billion. This growth will be translated into a $183.9 million increase in GDP at factor cost, a $101.9 million increase in total household income and an additional 5026 jobs (Table 8).

Table 8: 2004-2005 Potential Economic Impacts of Alternative Agricultural Markets

	Value of purchase 2003-04 ($m)	Value of purchase 2004-05 ($m)	Growth Estimate ($m)	Growth in GDP at factor cost ($m)	Growth in Household Income ($m)	Growth in Number of Employment (person years)
Regional Cuisine	214.0	231.5	17.5	16.0	10.6	438
Farmers' Market	232.9	289.4	56.5	43.2	20.3	1181
Farm Direct	191.1	268.9	77.8	59.5	27.9	1626

On-Farm Activities	51.6	78.9	27.3	25.0	16.5	683
Off-Farm Activities	274.0	317.9	43.9	40.2	26.6	1098
Ag Tourism > 80km	194.0	217.5	23.5	21.5	14.2	588
Total Contribution of Alternative Markets (excludes Ag Tourism)	**963.6**	**1186.6**	**223**	**183.9**	**101.9**	**5026**

Summary

This section of the report summarizes the findings of the market quantification study as well as other sources of information to provide an overview of the current awareness and market size of regional cuisine, farmers' markets, farm direct and agriculture related recreation and hospitality enterprises along with an estimate of current market value, potential for growth and economic impact. Subsequent sections of the report discuss each alternative market separately to provide more detailed information and findings to industry partners and stakeholders. The final section is a compilation of conclusions and recommendations for all four alternative agricultural markets.

Regional Cuisine

There is very little research available on the relatively new phenomenon referred to as "Regional Cuisine." Although travellers have always sought food and drink, there is now a realization that many tourists seek specific food and drink – that which is local and unique to an area.

Tourism Magazine (2004) reports "Canada is on the verge of becoming a true culinary destination" and that "we need to encourage visitors to find those unique places that promote the cuisines of Canada and use local produce … the use of local produce creates a connection between the land and the culture of the people who abide there" (pp 1-2).

The foodservice industry is one of the fastest growing areas in the food business, partly as a result of the demand for local or regional foods as a tourist product along with consumer interest in where and how their food is produced.

The 2004 market quantification study defines regional cuisine as: Meals sold at a restaurant or food event where Alberta grown and processed ingredients are used. These include grains, fruits and vegetables, dairy and meats like free range, organic or grass-fed beef, elk, bison and other alternative meats, but not regular Alberta beef. "Regular Alberta Beef" was specifically excluded since it represents a well-established commodity, rather than an alternative market. These Alberta ingredients are specifically advertised by the restaurant or food event as being locally sourced "Regional Cuisine" (Infact, 2004).

Awareness

The results of the market quantification study revealed that regional cuisine was not a widely known or well understood product, with 39% of the population saying they had never heard of it (16%) or had heard of it, but knew nothing about it (21%). Ten percent knew "a lot", 19% knew "something" and 32% felt they knew "a little". The average familiarity scores for both purchasers and non-purchasers were lower than for any of the other markets investigated.

Awareness and propensity to purchase regional cuisine was found to increase with levels of education and income. Per purchase spending increased in the same way. It was particularly popular among young singles/couples/groups, with single and divorced people reporting higher purchase frequency than married household heads. Awareness rose with increase in education, with highest awareness being registered among respondents with university level qualifications. The highest average level of awareness registered by any subgroup was found in households in the highest income groups.

The results of the Alberta study seem to reflect the literature as far as consumer profile. Ignatov's (2003) study indicated that cuisine travellers tend to be represented by females between the ages of 26 and 55 with a university education and average or above average incomes (p. 51). Over half travel in the summer accompanied by a spouse/partner.

Vetter and Jones (2000) examined the potential reasons behind the regional cuisine trend and identified both globalization and changing demographics. For example, they conclude that foods that are familiar and predictable are seen as delicious and satisfying, which is why comfort foods are usually regional foods. In addition, consumers are better educated and well traveled, with a desire for stimulation as well as the historical aspect.

Market Size

Interestingly, the research indicated that although regional cuisine was the least well known product of the four markets studied, it was the second most widely used (39% of households). Through the focus group testing, it was evident that a small restaurant or tea room in a rural area that used local produce and food-related events were more widely regarded as offering regional cuisine than high end restaurants.

The market quantification study also gathered data from respondents to estimate expected growth in market size over the next year. Taking into consideration current purchasers, potential purchases and those households who do not plan to continue to purchase a product next year, the projected growth in market size for regional cuisine is 11.9% for 2004-2005.

Market Value

The International Culinary Tourism Association points out what seems like the obvious – that nearly 100% of tourists dine out when travelling (Wolf, 2004). According to the Napa and Sonoma Valley visitor associations, 10 million visitors per year spend $2 billion in the two counties (p. 10).

The Market quantification study focused only on the domestic market and did not include data on visitors from outside Alberta; however, locally based tourism does have an impact. Results show average spending on regional cuisine per visit was approximately $55 and average annual spending per household of $439.

Annual data were gathered for regional cuisine as seasonal purchasing behaviour was not thought to occur to the same extent as for the other alternative markets. Most regional cuisine purchasers went between once and six times a year. The total value of the market for regional cuisine from May 2003 – April 2004 was estimated to be $214 million.

Growth Potential

New entrants into the market in the next twelve months were estimated to be likely to contribute another $13 million, while current purchasers anticipate spending an additional $4 million by making more visits and spending more per visit, for a total value of $232 million. This represents an 8% growth rate in regional cuisine expenditures.

Using this same growth rate, regional cuisine's projected value in 2010 is $340 million. A conservative projection for the value of regional cuisine in Alberta by 2010 is $268 million using the August 2004 Canadian inflation rate of 3%.

Economic Impact

Economic impact of an industry is calculated using Alberta economic multipliers published by Alberta Treasury in 2004. Intensity ratios for the accommodation and food service industry were applied to estimate the economic impact for regional cuisine based on its potential growth for the value of purchase.

Total economic impacts of the regional cuisine activities in 2003-2004 were estimated at a $195.8 million injection into GDP, generating $129.7 million in household income and creating 5350 jobs. If Alberta demand for regional cuisine increases by $17.5 million during 2004-2005, the economic effects for GDP at factor cost would rise by $16 million and total household income would increase by $10.6 million. This increase would generate an additional 438 jobs.

Summary

Research in regional cuisine is very preliminary, likely due to the fact that the terminology reflecting the growing interest in regional food and drink is relatively new. Although travellers have always sought food and drink, the industry is becoming more aware of their growing desire to experience a location not only through its sites, but through its food as well.

As with the other alternative markets, consumer trends indicate a potential growth for regional cuisine. Consumers are better educated and well travelled, with a desire for stimulation as well as the historical aspect. Food safety and freshness are also concerns, which result in an appeal for fresh, local in-season ingredients.

Results of the research indicate growth in market size and market value in regional cuisine. Low awareness of this market leads to the conclusion that more publicity is required as well as greater clarity on what regional cuisine is. A concerted effort in these areas could lead to greater growth than projected by the current data.

Farmers' Markets

In Alberta, the *Alberta Approved Farmers' Market Program Guidelines* (AAFRD, 2003a) provides the following mission statement:

> The Alberta Approved Farmers' Market Program creates an operational framework that facilitates direct market access for community-based entrepreneurs who make, bake, or grow the product they sell. Basic operating guidelines, provincial program awareness initiatives, and the education of vendors, managers and consumers are the key components of this community-based program.

For the market quantification study, farmers' markets were defined as: A place or space which is open on a regular scheduled basis, where one can buy fresh fruits and vegetables, flowers, herbs and other farm products, including processed food like jams, pies and sausages, from farmers and growers who sell at stalls or tables there.

Awareness

Farmers' markets were the most widely known and most familiar of all the alternative agricultural markets reviewed, and were well known in all parts of the province and all community sizes. Three in five households indicated that they knew "a lot" (21%) or "something" (36%) about them and only 13% knew "nothing" (10%) or had never heard of them (3%).

Household heads in the age group 45-54 years had the highest propensity to shop at farmers' markets, while those under the age of 34 were far less likely to know of the channel or to participate. Per purchase expenditures rose with increase in household size, while high purchase frequency and high total expenditures for the year, along with high awareness, were most likely to be found in the highest income group (over $120,000/yr). Familiarity increased with an increase in education levels.

This profile of farmers' market consumers is consistent with previous research and North American literature. The 2002 study of Alberta Farmers' Market vendors and consumers (Weststar, 2003) indicates that customers tend to be female (76.4%), 36 to 55 years of age with some form of post-secondary education and family earnings of more than $55,000 per year, suggesting that local market places are attractive to clients with a high disposable income.

Cummings, Murray and Kora (1999) indicate that in Ontario, not unlike results around North America, the majority of farmers' market customers are women (65%). The largest single age category is 45-54 years, representing just fewer than 25% of the customer base with close to 70% of customers in the 45 years and older range (p. 24).

In the United States, Abel, Thompson, & Maretzki (1999) cite several studies concluding that farmers' market patrons are generally white females with above average incomes, age, and education. Govindasamy, Italia and Adelaja (2002) report that New Jersey farmers' market patrons tend to fit the description given in other studies – white females over 51 years old who had at least graduated from college and had an annual household income of $40,000 - $59,999. Twenty-seven percent made $100,000 or more (pp 5-6).

Market Size

Consistent with the far higher level of awareness found for farmers' markets, this was also the most widely used alternative agricultural market with 59% of the households surveyed indicating they had purchased from farmers' markets over the twelve month period May 2003 – April 2004. This represents 735,000 Alberta households. These households generally made a large number of multiple visits, with an average of 8.7 over the year. Twenty seven percent of purchasers used this channel year round – the highest of the products examined.

The market quantification study also gathered data from respondents to estimate expected growth in market size over the next year. The results indicated that, among non-purchasing household heads who were aware of a product, the highest level of interest was shown in farmers' markets. Taking into consideration current purchasers, potential purchasers and those households who do not plan to continue to purchase a product next year, the projected growth in market size for farmers' markets is 14.9% for 2004-2005.

Market Value

To estimate the value of farmers' markets, respondents were asked to provide information on the season that they most frequently visited in, number of times purchases were made and the expenditure on the last visit in each season. Farmers' market spending excluded spending on crafts.

Although farmers' markets had sizable customer bases that accessed the channels year round (27%), summer (May to October) was still predominant at 71%. In addition, households that purchase more frequently and/or spend more on an annual basis tend to purchase year-round. This was somewhat dependent on geographic factors, as farmers' markets are not available year-round in many areas. Residents of Edmonton were especially likely to use the markets in both seasons.

Purchases were made at farmers' markets more frequently than for other alternative market products. Most purchasers shopped more than once a quarter, with one in five going more often than once a month. Relatively few went only once or twice a year. The average expenditure per trip was $35 – the lowest average of all the alternative markets.

The high purchase frequency and low spending per visit for farmers' markets resulted in estimated expenditures of $214 million from May 2003 to April 2004. Over 70% of purchasers indicated that they do not expect to change their purchasing behaviour in the next year and more growth is likely to occur from an increase in the value of purchases than from an increase in market size. For farmers' market purchasers, increased visitation rather than increased purchase value seems to be the more important factor in predicting a growth in total expenditures.

In comparison, Ontario findings revealed that on a provincial average, customers spend approximately $20 per visit to the market. The study concluded that the year round markets recorded annual sales figures in excess of $1.5 million with three of the markets surveyed having $3 million or more annual sales and one at $50 million.

Growth Potential

In Alberta, vendors generally perceive a bright future for farmers' markets – 53.6% rate the future as either "very strong" or "moderately strong" and 33.9% rating the future as 'strong" (Weststar Inc, 2003, pg. 45).

Using the market quantification study results of market value, a 24% growth rate for farmers' markets is estimated for 2004-2005, resulting in an increase in expenditures of $56.5 million. Using the lowest growth rate (8%) from all of the alterative markets studied, the value of the industry by 2010 is estimated at $425 million. On the conservative side, using the August 2004 Canadian inflation rate of 3%, the value of farmers' markets by 2010 is estimated at $335.5 million.

Economic Impact

Economic impact of an industry is calculated using Alberta economic multipliers published by Alberta Treasury in 2004. Intensity ratios for the agricultural and related services industry were applied to estimate the economic impact for farmers' markets based on its potential growth for the value of purchase.

Total economic impacts of farmers' market activities in 2003-2004 were estimated at a $213.1 million injection into GDP, generating $141.1 million in household income and creating 5823 jobs. If Alberta demand for farmers' market products increases by $56.5 million during 2004-2005, the economic effects for GDP at factor cost would rise by $43.2 million, total household income would increase by $20.3 million and employment impacts would be an addition of 1181 jobs.

The Ontario study also examined economic impact and estimated that close to 50% of customers stop to shop at various businesses on the way to or from the market (Cummings, Murray and Cora, 1999, p. 56). Multipliers associated with agriculture and other special events like fairs suggest that for every dollar spent in the market, another two dollars ripple through the provincial economy.

Summary

Farmers' markets were well known and widely used by Albertans - likely a result of it being the longest and best established, as well as most extensively promoted, alternative market considered. Growth is likely to come from new market entrants and increased frequency of purchase by current buyers. Future considerations for farmers' markets in Alberta include greater access to year round markets or seasonal extension along with investigating market growth from younger households.

Farm Direct Marketing

In marketing terminology, direct marketing is "a way of selling to consumers without using a retail store, or of selling to businesses and institutions without using a traditional sales force that makes personal calls on customers" (Keegan, Moriarty, Duncan & Paliwoda, 1995, p. 648).

Direct marketing, as it relates to agriculture, is defined by the North American Farmers' Direct Marketing Association (NAFDMA) as "selling directly to consumers – individuals, families, restaurants, tour groups, big companies and others" (http://www.nafdma.com).

For the market quantification study, farm direct marketing was termed 'Farm Direct Purchasing' and defined as follows: Buying products like fresh fruit and vegetables, flowers, bedding plants, herbs, meat and other farm products, including jams, pies and sausages, at a farm or ranch gate, a farm or ranch store or stand, a roadside stall, a greenhouse on a farm, a U-Pick farm, or by Internet or mail from a farm.

Awareness

Results of the market quantification study indicate that over one-third of survey respondents knew "a lot" (11%) or "something" (24%) about purchasing directly from a farm, while a similar proportion, 35%, knew "nothing" (9%) or had never heard of (24%) this channel.

Farm direct was best known and most frequently used by people living on farms and ranches. Purchasers in the age group 35-54 years, with children of any age, were overrepresented in this market. Farm direct purchases were more likely with increasing education and income - 40% reported university level education and 51% indicated an annual household income of more than $120,000.

North American literature indicates similar consumer demographics. In 1994, a survey of New Jersey consumers was conducted to collect information on various characteristics of consumers visiting direct markets (Govindasamy & Nayga, 1997). Findings suggest that the typical farm direct consumer is female (71%) between 36 and 65 years of age with a college education. Those with incomes of more than $60,000 per year are most likely to frequent a pick-your-own operation.

Market Size

Results indicated that 34% of the households reported purchasing directly from a farm over the twelve month period May 2003 – April 2004. This represents 422,000 Alberta households. Furthermore, it was found that with decreasing income, higher purchase frequency was accompanied by lower per purchase expenditure (and vice-versa) suggesting that affordability had an impact. The same was true for married respondents, where high purchase frequency was accompanied by low per purchase spending.

The expected growth rate in market size for 2004-2005, based on respondents who were currently purchasers, likely to become purchasers and those who do not plan to continue purchasing, is estimated at 20.5% - the second highest rate of growth of the four alternative markets studied.

Market Value

To estimate the value of farm direct marketing, respondents were asked to provide information on the season that they most frequently visited, number of times purchases were made and the expenditure on the last visit in each season.

The farm direct market proved to be predominantly seasonal, with greater access in summer. It was found that households that purchase farm direct more frequently and/or spend more on an annual basis tend to purchase year-round (22%).

Households generally made multiple visits, with an average of 5.5 over the year. The majority made between one and four purchases; however, one-third purchased more frequently. The average expenditure per trip in 2003-2004 was $109 with the average total expenditures by farm direct purchasing households estimated at $453. Summer spending was slightly lower than winter, even though access was greater.

Taking into account the combination of the number of purchasers, the number of times they purchased each product each season and how much they spent on the last purchase in each season, the estimated value of farm direct for the May 2003 – April 2004 period is $191 million.

A 2003 farm direct marketing study in Alberta indicated that the products most commonly reported as being marketed through farm direct channels were fresh produce, value-added products, and a combination of meat and value-added products (AAFRD, 2003b). Meat was the highest income product followed by produce and value-added products. The high number of respondents reporting meat as a product, along with value-added meat products, seems to indicate that this commodity is perhaps one of the most established in Alberta’s farm direct marketing industry. In addition, it seems that those in the higher income ranges sell a more diverse range of meat species.

The findings of a meat processors survey indicate that the value of the farm direct-marketed protein industry is higher than anticipated – over $29 million per year with 66% of that in beef (AAFRD, 2004a, p. 12).

Growth Potential

Farm direct seems to be one of two markets poised to grow most substantially in value at a growth rate of 41%. More growth is likely to occur from an increase in the value of purchases than from an increase in market size.

The total estimated value of farm direct purchases in 2004-2005, based on the value of purchases that may be made by households not currently in the market, the value of purchases made in the past year and the change in value of purchases anticipated by current purchasers in the next year is approximately $270 million.
Using the lowest growth rate (8%) from all of the alterative markets studied, the value of the industry by 2010 is estimated at $395 million. On the conservative side, using the August 2004 Canadian inflation rate of 3%, the value of farm direct by 2010 is estimated at $312 million.

Economic Impact

Economic impact of an industry is calculated using Alberta economic multipliers published by Alberta Treasury in 2004. Intensity ratios for the agricultural and related services industry were applied to estimate the economic impact for farm direct based on its potential growth for the value of purchase.

Total economic impacts of farm direct marketing activities in 2003-2004 were estimated at a $174.9 million injection into GDP, generating $115.8 million in household income and creating 4778 jobs. If Alberta demand for farm direct increases by $77.8 million during 2004-2005, the economic effects for GDP at factor cost would rise by $59.5 million, total household income would increase by $27.9 million and employment impacts would be 1626 additional jobs.

Summary

Findings from the market quantification study indicate that farm direct appears to offer the most immediate opportunities for substantial growth among the less developed alternative agricultural markets. Awareness of the existence of farm direct channels along with available outlets would enhance growth from new market entrants.

In addition, growth is anticipated from repeat customers who expect to purchase more frequently and to spend more per visit. There may also be advantages to promoting farm direct in the winter season when per purchase spending tends to be slightly higher than summer. Consumer trends provide opportunities for growth of the farm direct marketing industry, particularly for fresh produce (vegetables and fruit) and meat products.

Agriculture Related Recreation and Hospitality Enterprises

Agriculture related recreation and hospitality enterprises are widely known in AAFRD and Alberta Tourism as “Ag Tourism” enterprises. Ag tourism is the marriage between two of Alberta's top industries - agriculture and tourism. It presents the consumer or tourist with an opportunity to engage in a direct exchange of values between themselves and the farm community - whether it is on a farm tour, at an agriculture festival or fair, or at a country vacation farm or market garden. All of the alternative markets studied would contribute to a total measurement of ag tourism; however, with the objective of determining individual market values, these overlaps were separated as much as possible.

For the purposes of the alternative agricultural market quantification study, agriculture related recreation and hospitality enterprises were divided into two categories – on-farm and off-farm activities. In addition, an ag tourism subset was examined to better make comparisons to Alberta and Canada tourism data.

On-Farm or Ranch Activities that you pay to participate in include things like staying in a farmhouse or on a guest ranch; attending a horseback riding camp on a ranch; taking a wagon or sleigh ride; going through a maze; a petting farm; or going on a tour of different farms with unusual animals like elk, ostrich, llama or bison, or something similar that you pay to do on a farm or ranch.

Off-Farm Country-Style Activities that you pay to visit or participate in include horse and equipment shows; a livestock auction; a rodeo; a tour inside a restored grain elevator or sugar processing facility; an agriculture-related conference or trade show; a heritage farm festival with threshing machines and tractor pulls; a cowboy poetry festival or something similar that takes place off the farm.

For this study, *Ag Tourism* refers to on-farm and off-farm activities requiring a visitor to travel a minimum one-way distance of more than 80 km from home.

Awareness

Results of the market quantification study revealed that on-farm activities were not a widely known or well understood product, with 38% of the population saying they had never heard of it (10%) or had heard of it, but knew nothing about it (28%). Ten percent knew "a lot", 20% knew "something" and 33% felt they knew "a little".

Off-farm activities were better known than on-farm, with 42% saying they "know a lot" (16%) or "know something" (26%) about it. One-quarter had never heard of it (7%) or felt they "know nothing" about it (20%). Awareness of off-farm activities was higher outside Edmonton and Calgary, especially among farmers/ranchers, and was better known by men than women.

Market Size

The market quantification study results indicate that 40% of households surveyed participated in an agriculture related recreation or hospitality activity in the period May 2003 – April 2004. There were significant differences between on-farm and off-farm activities with 12% indicating they had taken paid on-farm trips as compared to 34% taking off-farm trips. When only ag tourism trips (over 80 km one way from home) were considered total market penetration for on- and off-farm combined was 17%.

Participation in on-farm activities occurred to a greater degree in larger, younger households where the head was under 45 years of age, and especially in homes with pre-school and young children under the age of 12. There was disproportionately strong participation by rural non-farm households and more frequent visitation by residents of major urban centres.

Participation in off-farm activities appears to be enjoyed by all age groups. People living on farms/ranches were most likely to participate, followed by those living in a rural non-farm setting and residents of the City of Calgary. In addition, ag tourism trips (over 80 km) were especially likely to be made by farmers and ranchers, who also were more frequent, year round travellers.

A higher proportion of the population prefer same day on-farm trips close to home in both seasons. More households took day trips than stayed away overnight, especially in the summer - 4% of the population took trips over 80 km and twice that number took trips in the local area.

Respondents who had not participated in an on- or off-farm activity in the last year were asked about their likelihood of doing so in the next year. About half the non-purchasers were not at all interested in them, compared to about one-quarter to one-third of the other alternative market products. This suggests a comparatively low ceiling on potential market size.

On the other hand, the highest rate of growth for 2004-2005 is anticipated for on-farm activities at 36%. The rate of growth is the percentage increase the total change in market size represents over the existing purchasing population. Change in market size is the number of households that purchased last year plus the number interested in purchasing next year less those that will not continue to do so.

On-farm and off-farm markets are growing in size, despite the “churn” in those markets with many households coming in each year and, at the same time, many dropping out.

A March 2003 study (Criterion Research Corp.) interviewed 1200 participants with the objectives of assessing the market potential for agriculture related recreation and hospitality enterprises in Alberta, examining market profiles and segmentation, determining general perceptions regarding vacations, and measuring interest levels in potential products. Findings of this study indicate a broader appeal than the results shown in the Infact (2004) study, with 88% of respondents indicating that they are very likely to take part in at least one activity. Those results, however, also include activities that may have been omitted from the agriculture related recreation and hospitality enterprises definitions in the market quantification study and, instead, included in other alternative market definitions and other tourism sectors. For example, Criterion results indicate that the most preferred activities reported were shopping at a farmers' market, sampling regional foods, attending a country fair, U-picking fruits at a market garden, horseback riding on a foothills ranch and attending a fall supper.

Market Value

Agriculture related recreation and hospitality markets proved to be predominantly seasonal, with greater access in summer; however, on-farm activities also had 13% drawn solely during the winter. This suggests that unique winter activities play a role in attracting different groups of customers.

The largest number of purchasers went on one trip during the past year, the majority took two or fewer trips, and very few took more than four trips. Farmers/ranchers were particularly likely to take off-farm types of trips, to do so year round, with a higher than average trip frequency and higher annual expenditure. High per trip expenditures were found among purchasers from major urban centres.

Almost twice as many households participating in off-farm activities took local trips as took trips further away, in both seasons. Same day trips in particular, were likely to be located close to home, while many more households travelling over 80 km took trips lasting one or more nights. The majority of households that took ag tourism trips over 80 km from home participated in off-farm country-style activities.

Average household expenditures for on-farm activities were significantly lower than for off-farm activities. This could suggest that these are quite different market sectors. In addition, summer spending was slightly lower than winter for off-farm activities. It was notable that while 40% of participants taking on- or off-farm trips had taken an ag tourism trip (i.e., over 80km from home), 60% of the value of the combined on- and off-farm markets was attributable to ag tourism.

The estimated value of on-farm ag activities, based on expenditures in 2003-2004 is $51.6 million, and for off-farm is $274 million. Of the total on- and off-farm activity expenditures, trips over 80 km from home accounted for a total of $194 million. Expenditures are calculated using a combination of the number of purchasers, the number of times a household purchased each product each season and how much they spent on the last purchase in each season.

Non-Albertans

Leaders of the AAFRD Agriculture Related Recreation and Hospitality Enterprises Initiative felt non-Albertans – other Canadians and international visitors - also have an impact on the overall value of the industry in Alberta. To determine a "non-Albertan value" for agriculture related recreation and hospitality, including on-farm accommodation and outfitters and off-farm leisure activities, a variety of sources were contacted and interviewed to provide information on the leisure travel market. These included agriculture related enterprises and attractions, post-secondary institutions, visitor and convention bureaus, and government departments (AAFRD, 2004b). Business travel was not assessed as the data was not readily available.

Information about on-farm activities was gathered from 49 out of 74 (66.2%) farms/ranches currently listed on Alberta Agriculture's ag tourism database and offering on-farm accommodations and/or outfitting.

Using the numbers supplied by the operators and calculating a value for the remaining operators based upon the averages, the value of non-Albertan on-farm accommodations is $2.5 million and the value of non-Albertan outfitting offered by those operators who also supply on-farm accommodations is $.12 million. Off-farm leisure travel, made up of major exhibition centres, major equine events and farm heritage attractions and events, was valued at $15.3 million (Manecon, 1999).

Although the percentages vary from a low of 1% Alberta guests to a high of 100% Alberta guests, the averages are almost equally split with 52% of guests coming from Alberta and 48% of guests coming from outside Alberta. This assessment of agriculture related recreation and hospitality enterprises in Alberta reveals that a minimum of $18 million comes from visitors outside of Alberta.

Growth Potential

The total estimated value of agriculture related recreation and hospitality purchases in 2004-2005 is based on the value of purchases that may be made by households not currently in the market, the value of purchases made in the past year and the change in value of purchases anticipated by current purchasers in the next year.

New purchase figures were impacted by the value of trips that might be taken by households currently taking only one type of ag-related trip (on- or off-farm) and who were interested in taking another type. Growth in total expenditures among current off-farm purchasers will be predicted on a combination of both increased visitation and increased purchase value. For on-farm activities, increased visitation will be the more important factor.

All alternative markets appear to be set to grow in value in 2004-2005. On-farm activities seems to be one of two markets poised to grow most substantially in value at a growth rate of 53%. Off-farm activities is projected to grow at a rate of 16%.

Including both on-farm and off-farm activities, the industry in Alberta is currently valued at $325.6 million. Using the lowest growth rate (8%) from all of the alterative markets studied, the value of agriculture related recreation and hospitality enterprises by 2010 is estimated at $583 million. On the conservative side, using the August 2004 Canadian inflation rate of 3%, the value by 2010 is estimated at $460 million.
Ag tourism, a subset of both on-farm and off-farm activities describing trips over 80 km one-way from home, is projected to grow at a rate of 12% in the next year. Using a growth rate of 8%, the predicted value of this sector by 2010 is almost $320 million.

Economic Impact

Economic impact of an industry is calculated using Alberta economic multipliers published by Alberta Treasury in 2004. Intensity ratios for the accommodation and food services industry were applied to estimate the economic impact for ag tourism based on its potential growth for the value of purchase.

Total economic impacts of on-farm activities in 2003-2004 were estimated at a $47.2 million injection into GDP, generating $31.3 million in household income and creating 1290 jobs. If Alberta demand for on-farm activities increases by $27.3 million during 2004-2005, the economic effects for GDP at factor cost would rise by $25 million, total household income would increase by $16.5 million and an additional 683 jobs would be generated.

For off-farm activities, total economic impacts in 2003-2004 were estimated at a $250.7 million injection into GDP. This would generate $166 million in household income and create 6850 jobs. If Alberta demand increases by $43.9 million during 2004-2005, the economic effects for GDP at factor cost would rise by $40.2 million, total household income would increase by $26.6 million and 1098 additional jobs would be generated.

Economic impact for ag tourism, a subset of the combination of on-farm and off-farm activities over 80 km one way from home, was estimated at a $177.5 million injection into GDP for 2003-2004. This would generate $117.6 million in household income and create 4850 jobs. If Alberta demand for ag tourism increases by $23.5 million during 2004-2005, the economic effects for GDP at factor cost would rise by $21.5 million, total household income would increase by $14.2 million and 588 jobs would be generated.

Summary

The literature reveals that agriculture related recreation and hospitality has economic value and is a method of adding additional income at the farm gate. The results of the market quantification study would agree, indicating that the value of agriculture related recreation and hospitality enterprises (on- and off-farm activities) in Alberta is currently estimated at $325.6 million.

Consumer trends indicate that travellers are increasingly seeking educational and historic learning opportunities as well as the chance to take part in an agricultural experience due to the greater interest in health, relaxation and "back to basics" attitude. The projected value of agriculture related recreation and hospitality enterprises by 2010 is estimated at $583 million, which is a substantial component (39%) of the total domestic value of alternative agricultural markets in Alberta based on the findings of the market quantification research.

Both on-farm and off-farm activities appear to have similar limitations to growth; notably, a loss of current customers and a low chance of purchasing the product among non-customers. It is important to try to understand the reasons for these limitations so that future strategies can be designed accordingly. Both markets would benefit from increased awareness and understanding of the existence and diversity of the experiences offered, particularly among young families with children under 12 years and in larger urban centres.

Conclusions and Recommendations

Although the findings of the market quantification study indicate that all four alternative agricultural markets are growing and have potential to grow, there is strong evidence they are not widely known or well understood by their potential customers. This finding, combined with strong correlations between degree of awareness and product/service purchases, leads to the conclusion that there may be even greater potential for growth than currently estimated if efforts are targeted toward increasing awareness among the general population.

For on-farm agriculture related recreation and hospitality enterprises, evidence shows that the growth rate in value was substantially higher than the growth rate in market size. The greatest gains in value of purchases are expected to come primarily from additional trips along with significant increases in spending per visit. This suggests the need to encourage repeat visitation and the development of additional offerings (profit centres) at each site.

In addition, strong participation by rural non-farm households and more frequent visitation by residents of major urban centres to on-farm agriculture related recreation and hospitality enterprises indicate a higher return on investment if a marketing strategy concentrates on targeting these markets. As yields are greatest when activities involve at least one night stay, the implication would be to encourage the packaging and partnering of agriculture-based on- and off-farm offerings to achieve an overnight stay.

Farm direct marketing is best known and most frequently used by people living on farms and ranches, aged 35 to 54 years with children of any age, tending to have higher incomes. The root cause of this trend should be closely investigated to determine what factors (e.g. proximity to customer based, distribution channels, etc) would impact growth in this particular market. Strategies aimed at increasing awareness and maintaining the core customer base should not be overlooked.

Awareness and propensity to purchase regional cuisine increases with the level of education, income and the household size. Strategies aimed at increasing awareness among the general population with a focus on higher income and higher household size should sustain industry growth.

Household heads aged 45 to 54 years have the highest propensity to shop at farmers' markets, while those under the age of 34 were far less likely to know of the channel or to participate. Per purchase spending rose with the level of income and household size. Although farmers' markets are the most widely known among all alternative markets, it would still benefit from increased awareness especially among younger households. Market growth could also stem from establishing strategies aimed at increasing customer visitation and per purchase spending in the winter season.

In general, to stimulate revenue growth and market expansion, the following strategies are recommended for each alternative agricultural market:

- Increase awareness level among the general population;
- Retain core customer base;
- Mitigate seasonality fluctuations by reducing the revenue gap between winter and summer (not applicable for Regional Cuisine);
- Increase purchase frequency and customer loyalty;
- Increase per purchase spending.

The *Alberta Agri-food Industry Growth Strategy* will be achieved through a variety of key initiatives and base hits on behalf of both the ministry and industry partners. Alternative agriculture markets have the potential to contribute significantly to the Growth Strategy with an estimated value of $1.7 billion by 2010. In addition, taking advantage of potential opportunities can enhance rural development across the province as part of the Rural Development Initiative Strategy. Increased focus on awareness and market expansion has the potential to increase spending and therefore multiply the value of the industry.

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Alternative Agricultural Markets in Alberta

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