



Marketing Practices and Financial Performance of Local Food Producers: A Comparison of Beginning and Experienced Farmers

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What Is the Issue?

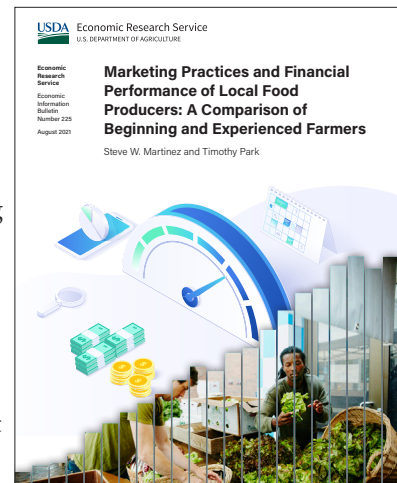
Local foods represent a small (less than 4 percent of total farm sales) but growing share of the U.S. food system—one reflection of consumers' increasing influence on food production. Local foods include products sold directly to consumers, retailers, institutions (e.g., schools and hospitals), and intermediaries (e.g., food hubs, processors, and wholesalers).

We used data from the first local food survey conducted by the U.S. Department of Agriculture (USDA) to evaluate how local food farmers (less than 9 percent of all farms) of varying levels of experience responded to the increasing demand for local food. The survey was used to compare how experience in direct marketing and experience in farming affect producer choices. The study defined 3 levels for farming and marketing experience: first-year producers (no more than 1 year experience); inexperienced producers (2 to 10 years of farming experience or 2 to 5 years of direct marketing experience); and experienced producers (more than 10 years of farming experience or more than 5 years of direct marketing experience). The report focuses on production and marketing practices, including internet use, use of farm management records, and participation in government programs, along with various financial indicators.

What Did the Study Find?

Local foods—or products produced and sold directly to consumers, retail markets, institutions, or intermediate markets for human consumption—are an important sales component of local food producers, accounting for 76 percent of their gross value of agricultural product sales. Local food producers with more farming and direct marketing experience showed higher shares of local food sales. Comparisons of the production and marketing practices of local food producers across different levels of farming experience showed the following:

- More experienced farmers were less likely to have internet access. For instance, 89 percent of first-year farmers had internet access compared to 82 percent of inexperienced farmers and 70 percent of experienced farmers.



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- The percentage of farmers using the internet to purchase farm inputs such as commodities, equipment, and other farm materials and to access non-USDA price/market information fell as farming experience increased. The most popular reason for internet use across all levels of farming experience was to purchase farm inputs.
- A larger share of inexperienced farmers kept farm management records compared to first-year and experienced farmers. Balance sheets and income statements were the most popular types of records among all experience levels compared to cashflow analyses, written business plans, and separate marketing plans. The smallest share of local food producers maintained a separate marketing plan across all levels of farming experience compared to other farm management records.
- Among all local food operations, less than 6 percent participated in any of the five USDA programs included in the survey: the Noninsured Crop Disaster Assistance Program, Farm Loan Programs, Whole-Farm Revenue Protection Program, Environmental Quality Incentives Program (EQIP), and the Value-Added Producer Grant Program. Through the EQIP, which had the second-highest participation rate at 5 percent, USDA helps eligible farmers adopt conservation practices, and beginning farmers are eligible for an increased cost-share rate. Eight percent of inexperienced farmers participated in the EQIP, whereas 4 percent of experienced farmers participated in the program.
- A smaller percentage of farmers with more experience earned positive net sales (i.e., gross value of sales, including Government payments, minus farm expenses paid). Eighty-three percent of first-year farmers earned positive net sales, followed by 73 percent of inexperienced farmers and 70 percent of experienced farmers. Positive net farm sales were associated with internet use to purchase farm inputs and access price and market information.

Comparisons of production and marketing practices across levels of direct marketing experience show:

- First-year and inexperienced direct marketers had a higher percentage of producers with internet access (74 percent and 78 percent, respectively) compared to experienced direct marketers (70 percent). Local food producers with more direct marketing experience were also less likely to use the internet to access resources.
- Balance sheets and income statements were by far the most popular type of farm management records among all levels of direct marketers. Local food producers who maintained a marketing plan separate from other farm management records make up the smallest share across all experience levels.
- Producers with more direct marketing experience had a higher percentage of earning positive net farm sales. Seventy-three percent of experienced direct marketers had positive net farm sales, followed by 65 percent of inexperienced and 57 percent of first-year direct marketers.

How Was the Study Conducted?

The study used data from the 2015 Local Food Marketing Practices Survey (LFMPS) conducted by the USDA, National Agricultural Statistics Service (NASS). The survey provided data on sales, expenses, and marketing practices for agricultural products produced for human consumption and sold directly to consumers, retail markets, institutions, and intermediate markets. The survey was administered in all 50 States. It relied on confidential farm-level survey records to examine how farming and direct marketing experience correlate with the adoption of production and marketing practices and producers' financial performance. The report also compared demographics, farm size and location, and products produced to farms included in the NASS 2012 Census of Agriculture.