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Direct Marketing of Fresh Produce in New York: Testimony at Public Hearing on Farm and Food Policy New York State Assembly Task Force

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DIRECT MARKETING OF FRESH PRODUCE IN NEW YORK

Testimony at Public Hearing on Farm and Food Policy

New York State Assembly Task Force

by

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DIRECT MARKETING OF FRESH PRODUCE IN NEW YORK

Testimony at Public Hearing on Farm and Food Policy
New York State Assembly Task Force
Syracuse, New York, February 5, 1976

My name is Brian How and I am a Professor of Agricultural Economics in the College of Agriculture and Life Sciences at Cornell University. I have been teaching and doing research and extension on farm management and marketing of fruits and vegetables in New York for about 20 years. I would like to testify in support of proposals to improve the direct sales of fresh produce from farmers to consumers, including, if feasible, the establishment of farmers' markets at Thruway service areas. The results of such efforts cannot be predicted with certainty, but if successful could greatly benefit New York producers and consumers.

There has been a considerable upsurge in interest in direct farm to consumer marketing in recent years. Three main channels are being used. These are farmers' markets, roadside markets, and pick-your-own operations. A related method, although involving some intermediate marketing firms, is the consumer food buying cooperative. Gleaning may be considered another form of direct distribution-where in some areas growers have allowed elderly or low income people to pick over fields already commercially harvested.

In 1974 Philip Minges of the Department of Vegetable Crops at Cornell made a survey of roadside markets and U-pick operations in New York(1). He located a total of 847 commercial roadside markets, 1,553 small markets, and 335 U-pick operations, some associated with roadside markets. Minges estimated total gross sales for these enterprises at $33-$35 million annually. Earlier studies indicated a substantial growth in the number of markets in the previous 10 years, but especially between 1964 and 1969. Observation

would suggest that growers offering pick-your-own opportunities are also increasing in number and volume of business annually.

A study of the vegetable industry in the Capital District of New York in 1974 found that of 100 commercial vegetable growers in the area 21 sold vegetables entirely at retail, 46 sold part at retail and part at wholesale, with the remainder marketing entirely at wholesale in most cases through the Menands Market (2). Some vegetable growers made wholesale sales to other growers who operated roadside markets.

Farmers' markets were commonplace in upstate communities many years ago, but all except a few in larger cities ceased operation by about World War II. There has been a revival of interest in the last few years. Richard Pease of Cooperative Extension obtained information from 30 New York farmers' markets last fall (3). He found that 18 of the 30 had begun business within the previous two years. There were about 60 farmers' markets in New York in 1975 where fruits and vegetables were sold at retail as well as, in some cases, at wholesale.

We know that a number of consumer food buying cooperatives have organized in recent years in urban communities but not how many. Members join for various reasons, but mainly to obtain fresh produce at lower cost (4). The cooperative performs the retailing function, with members contributing time and energy as well as money to obtain this service.

Whether interest in direct marketing will continue to increase in the future or will subside when economic conditions improve is uncertain. There are strong indications, however, that growers and consumers will continue to explore and support new marketing channels for produce. Perishable produce, especially from New York, is not adapted to mass merchandising through self-service supermarkets either from the standpoint of cost or quality maintenance. Yet consumers are displaying an interest in obtaining good quality produce

at reasonable prices, and New York growers are in good position to fill this need.

Supermarket merchandising requires mass displays of uniform items preferably of consistent quality throughout the year. Consumer packages of radishes or individually wrapped heads of lettuce can only be obtained continuously over long periods of time from states with long growing seasons such as Florida, Arizona, or California. Produce buyers often find it necessary to maintain purchases from these areas even when local supplies of excellent quality are available.

Supermarket costs of operation are high, especially for marketing fresh produce. The large number of items, many sold in relatively small volume, result in high costs of preparation and handling per unit. A few years ago New York Cooperative Extension working with the Department of Agriculture and Markets and the U.S. Department of Agriculture made a concerted effort to help upstate supermarket operators to reduce costs of produce handling, and improve quality. Industrial engineering methods were applied to trimming, grading, and packaging operations in the store backroom areas. Some reduction in labor costs was achieved, but the program was not successful in preventing increases in retailing margins.

The U.S. Department of Agriculture reported recently that lettuce sold nationwide last fall for an average retail price of 40 cents per head returned growers about 14 cents each, or one-third the retail value (5). The margin covers the costs of trimming, packaging, transportation, storage, wholesaling, and retailing. The retail margin generally represents the largest share. The U.S.D.A. also had reported that during 1972 California iceburg lettuce sold in New York City for an average retail price of 37.7 cents per head (6). Of this the wholesale and retail margin amounted to 55 percent, transportation

charges to 18 percent, harvesting and packing costs 15 percent, while the grower received 12 percent or an average of 4.5 cents per head of lettuce in the field.

New York growers are generally in a better competitive position with respect to storeable commodities such as apples, potatoes, and onions than they are with perishable crops such as lettuce, tomatoes, or grapes. Even so, the retail margins on storeable commodities delivered to retail stores already sorted, graded, washed, and bagged are still relatively wide. Local potato growers frequently report that packages of potatoes they delivered direct to retail supermarkets are offered for sale to customers at twice or more the price that they were paid. This does not imply that store operators are making exhorbitant profits on potatoes, since they claim that operating costs justify such margins.

Not every New York farmer has the opportunity to sell directly to consumers, but many of those that do apparently find this financially satisfying. A study of marketing channels and marketing costs for western New York apples in 1974 found that only a small proportion of the total crop was sold direct to consumers through U-pick or roadside markets (7). The bulk of the crop was sold to processors or through brokers for fresh use. But on tree returns per bushel, net of harvesting and marketing costs, were highest for the roadside and U-pick sales. The large crop of 1975 stimulated interest in direct sales, and the proportion of the crop sold this way probably increased substantially over the previous year.

Interest in direct marketing appears to be generated even more by consumers searching for better sources of supply than it does from growers seeking better markets. Customers of roadside markets offer a number of reasons why they prefer to purchase fresh produce this way (8). There is growing evidence that many consumers today enjoy eating fresh produce, and

recognize the nutritional qualities of fresh fruits and vegetables (9). A recent U.S.D.A. study found that homemakers who understood and appreciated the nutritive content, number of uses, and texture and flavor of fresh vegetables were generally younger, had higher educational level, resided in households with higher incomes, and more frequently resided in households with children than did typical homemakers in the survey (10). This bodes well for the future.

Consumers living in or near major production areas for fruits and vegetables in New York, such as the Hudson Valley and Western New York have fairly good opportunities now to purchase fresh produce directly from growers. This market will probably continue to expand even without special effort by public educational and service agencies. What is needed, it seems to me, is to develop ways of providing consumers passing through these production areas or living at a distance with fresh produce more directly. Farmers' markets at Thruway service areas could provide consumers either travelling long distances or on their way to or from vacation with a chance to stock up on local fresh fruits and vegetables. An exploration this coming season might provide information on which to decide whether to expand into other areas next year or try other means.

A further challenge will be to develop methods of supplying New York City consumers more directly with fresh produce without unwarranted disruption of present distribution channels. We need something equivalent to the old Washington Street market push cart system suitable to today's standards of health and environmental protection. This will take the combined knowledge of those familiar with the City and those with some background in produce marketing and New York agriculture and cannot be settled here.

Thank you for this opportunity.

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