The CORE BUSINESS of Farmers Markets

A resource for strategic planning

David J. Connell
with Christopher Hergesheimer
(March, 2013)

University of Northern British Columbia, Prince George, BC, Canada

ACKNOWLEDGEMENT

The ideas in this book have been gathered and refined over several years working with and at farmers markets. Many of these projects have been completed in partnership with and the full support of the British Columbia Association of Farmers' Markets (BCAFM).

Much of the financial support for these past projects was provided by Agriculture and Agri-Food Canada and the Investment Agriculture Foundation of BC.

The authors also want to acknowledge the invaluable support and involvement of the many farmers markets, farmer vendors, and market shoppers who contributed in various ways to past projects. We owe much of what we learned from you.

TABLE OF CONTENTS

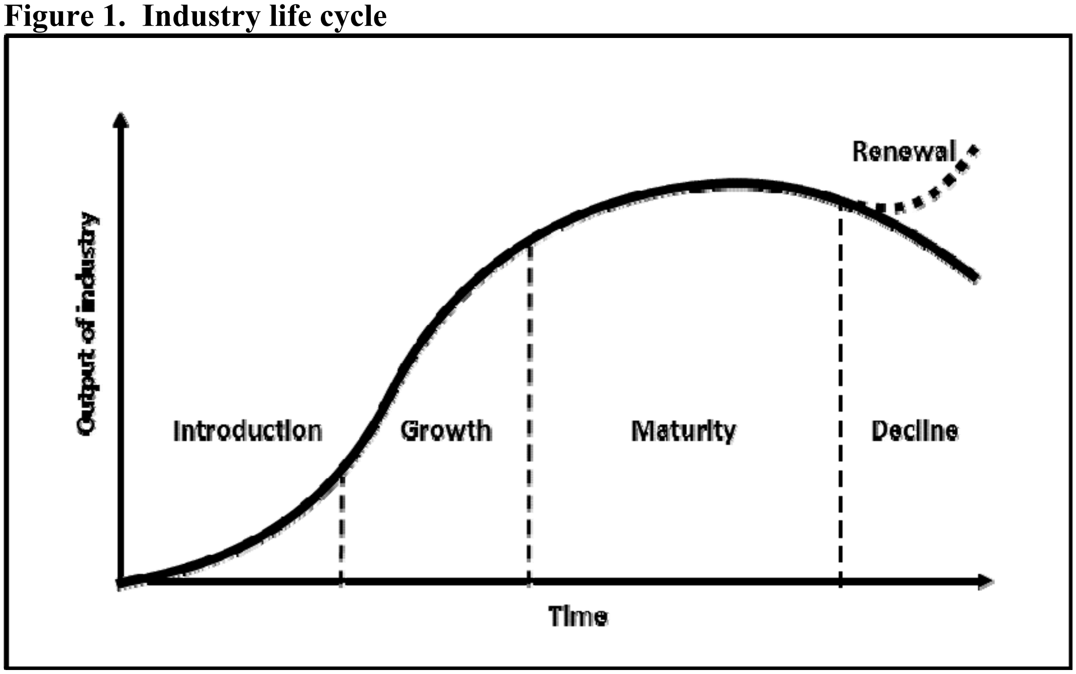
INTRODUCTION

The rising interest in purchasing food directly from farmers has led to a tremendous growth in the number of farmers markets over the past twenty years. The outcome of this fantastic growth is that more shoppers have more access to fresh local produce. And more farmers have a viable marketing channel to sell directly to local shoppers.

While this growth in the number of farmers markets is viewed almost exclusively in positive terms, there are also emerging challenges associated with this growth. At the forefront of these challenges is increased competition among farmers markets as the marketplace gets more crowded. There are more options available to shoppers, such as CSAs, farmgate sales, as well as grocery stores that promote local produce and restaurants that feature local ingredients. As well, more farmers markets are finding they have to compete directly with other farmers markets. The bottom line is that farmers markets must do more to attract shoppers' and recruit new farmer vendors to meet the increasing demand.

What is happening with the growth of farmers markets is consistent with a classical view of how industries develop, which is referred to as an industry life cycle (Figure 1). Industries, of any kind, tend to go through a sequence of stages, from an introductory stage of a product or service during which new markets are created, to a period of growth as both new competitors and new customers emerge, to maturity as the industry becomes more stable, and on to either decline or, preferably, renewal. Each stage has a unique set of dynamics as companies and their products, as well as profits and losses, come and go and awareness among buyers rises and falls.

Figure 1. Industry life cycle



A key issue in the growth stage is increased rivalry among more competitors[1]. Because there is industry-wide acceptance of the product, more new entrants join the industry and more intense competition results. Rivalry among this increased number of competitors also rises as products become more standardized. But this standardization of products also helps to entice more customers. Altogether, these dynamics require businesses participating in growth industries to create strategies with the explicit aim to standardize offerings to customers while also differentiating a business from its competitors. To be successful, efforts are needed to make changes to the product or services that build upon the core of the business in order to better reflect customer's needs and suggestions.

Some characteristics of the growth stage of the industry life cycle are evident among farmers markets. Most importantly, there is greater acceptance among consumers that farmers markets are reliable places to do their shopping. This acceptance is reflected in a growing interest in the 'authenticity' of farmers markets (i.e., are 'real' farmers selling truly 'local' products). There is also evidence of increased competition as more farmers markets are looking for new farmer vendors – but are having a more difficult time recruiting them. For example, the results of a survey by the British Columbia Association of Farmers' Markets (BCAFM) in 2010 indicate that almost every one of its member markets was looking for additional farmer vendors. Some markets needed more farmers to meet customer demand for the usual vegetables; other markets were looking to complement existing farmer vendors with specialty products. Just as shoppers have more options to buy local food, so too do farmers. Selling at a farmers market is only one option of many that are available to farmers and shoppers. Consequently, farmers markets have to be more strategic to attract the interest of more farmers and of more shoppers.

For farmers markets to be successful in the rapidly growing and increasingly contested marketplace, we believe that a farmers market must be able to think of itself as a business. And second, a market must think of itself as a business that operates separately from its vendors. Most farmers markets presently view themselves as a collection of vendors. The path to changing the way we view farmers markets starts by changing the way we view their core business.

Purpose and structure of the book

There are many excellent resources available about how to start and organize farmers markets, to build relations with the community, to reach out to diverse populations, and to help its vendors be successful. All of these resources can help to grow and develop a farmers market, and this book is not intended to replace these resources. Ideally, the materials in this guide complement other ways of looking at a farmers market and build upon what you already know about them.

What sets this book apart from other resources is that we view farmers markets first and foremost as a business entity through a business lens. As we examine the business of farmers markets our aim is to engage you in a process of thinking about

[1] Source: adapted from http://www.enotes.com/small-business-encyclopedia/industry-life-cycle. Accessed February 25, 2013.

farmers markets in a way that you probably have not thought about them before – as a business that operates independent of its vendors.

Some simple advice for a farmers market to be successful is to keep its vendors happy. But this does not mean that a market exists *only* for its vendors.

A unique feature of farmers markets is that the people who are directing the growth and development of a farmers market are often also its vendors. This serves the market extremely well when everything is working. But this can also limit a market's ability to see beyond the needs and interests of its existing vendors. While the interests of a farmers market and of its individual vendors overlap to a great extent, there is not complete overlap. Everything that is good for a farmers market is not necessarily good for every one of its existing vendors. And everything that has worked well for a market's existing vendors may not always work well for new vendors. For these reasons it is important for farmers markets to view itself as an entity that is separate from its vendors.

We believe that farmers markets can be more successful if they have a better understanding of how they function as a business and then use this understanding as the foundation for strategic planning. Planning is the process of making the future a visible part of today's decision-making processes. Strategic planning considers "what if" scenarios, such as what if the growth in farmers markets drops or what if competition increases. In this book we refer to strategic planning as a future-oriented initiative with an explicit focus on the external dynamics of competition. The materials in this guide are presented in the following parts.

1. **Strategic Planning**
   The first chapter of the book explains the scope of strategic planning. We describe a four-stage path of development and a framework for understanding several important factors that influence development.

2. **The Core Business of Farmers Markets**
   The second chapter presents farmers markets as a business, one that 'profits' by bringing farmers and shoppers together in a unique setting. Here we introduce the idea of the **farmer-market-shopper match** and how this match lends insight to a typology of three markets: urban, suburban, and rural.

3. **Industry Analysis**
   In this chapter we focus on can the industry in which farmers markets participate. We then examine this industry through 'market power,' a strategic business planning tool that provides insight to how the structure of an industry influences the viability of farmers markets.

4. **Competitive Analysis**
   After looking at the industry as a whole, in this chapter focuses on farmers markets and its competitors. Competitive analysis provides insight to differences among farmers markets and other forms of farm-direct marketing.

5. **Market Positioning Through Policies**
   In the fifth chapter we review four areas of farmers market policy that are

most relevant to strengthening a market's competitive advantage. These policy areas are geographic boundaries of a market's trade area, staffing of vendor tables, co-operative selling arrangements, and re-selling produce.

6. **Moving Forward**
   This chapter provides a brief conclusion.

7. **Appendix: Selling at BC's Farmers' Markets**
   The appendix describes the contents of *Selling at BC's Farmers' Markets*, which is a series of brochures aimed at farmers who are considering selling at farmers markets. This series includes three-page profiles of BC's farmers markets, its market customers, and its vendors. These materials are included because they can complement a farmers market's strategic planning efforts. Although the profiles are based on farmer vendors selling at farmers markets in British Columbia, Canada, the information is applicable to farmer vendors selling at farmers markets across North America.

STRATEGIC PLANNING

The aim of strategic planning for a farmers market is to actively decide on a desirable path of development. A "development path" refers to typical patterns of growth for a farmers market and the steps associated with this pattern of growth. While it is possible to generalize about such patterns and steps, the specific development path of a market will be unique. Notwithstanding possible differences among markets, our aim in this book is to describe important factors that both define a path of development and influence how a market might develop. A market can take an active role in determining its own future. Ask yourself, what can a market control, influence, focus on? A common path of development for a market is summarized in Table 1.

Table 1. Paths of market development

Start up	
Type of board:	Creation (coming together)
Composition of board:	Founders
Focus:	Getting organized; operating market; immediate needs
Issues:	Lack of co-ordination; challenge to think beyond present problems and opportunities
Outlook:	Short-term, often with either little planning or few details
3-5 years	
Type of board:	Working
Composition of board:	Founders, some new members
Focus:	Growth (or lack of growth); operating market; managing new staff and delegating responsibilities; some policy development
Issues:	Too much focus on growth, instead of development; managing transition from operations to governance
Outlook:	Short-term, with some concern for medium-term issues
6-10 years	
Type of board:	Managing
Composition of board:	New members, some founders
Focus:	Stability (which includes steady growth); policy development and governance; more interest in financial management as budget grows; managing staff
Issues:	Struggles with a variety of roles; board-staff relations as staff takes on more responsibilities; managing change when founding objectives or vision need to be altered or let go; staff turnover
Outlook:	Short-term, with more concern for long-term stability
Over ten years	
Type of board:	Governing
Composition of board:	New members, returning members, some founders
Focus:	Governance (fiduciary responsibilities); established roles
Issues:	Improving accountability and evaluation; staff turnover
Outlook:	Medium-term with longer-term strategic planning

As a market gets older it also gets wiser – or at least it is expected to do so as its board members gain experience and it has more resources available to support development efforts. But as a market gets older and wiser the issues also get more complicated, as the focus shifts from getting organized to growth to stability to governance. Correspondingly, the market's leadership team (its board and staff) shifts its focus from short-term, immediate problems toward longer-term strategic planning.

How successfully a market moves along its path of development is influenced by a number of factors. These factors include the board of directors, operations, staff, budget, and financial management. We have re-organized these factors that influence development to show how they relate to each other and to strategic planning, as shown in Figure 2.

First, we have identified the size of a market (by number of vendors) and the age of a market (in years) as the two most important dimensions of development. We are treating age and size of the market as independent factors. At the same time, we recognize that the age and size of a market might be correlated; that is, as a new market grows the numbers of vendors will likely increase, at least up to a point. Although related in some ways, we treat age and size as independent factors because there are aspects of a farmers market that tend to be associated more with one than the other. These associated factors of development are also shown in Figure 1.

Size of market

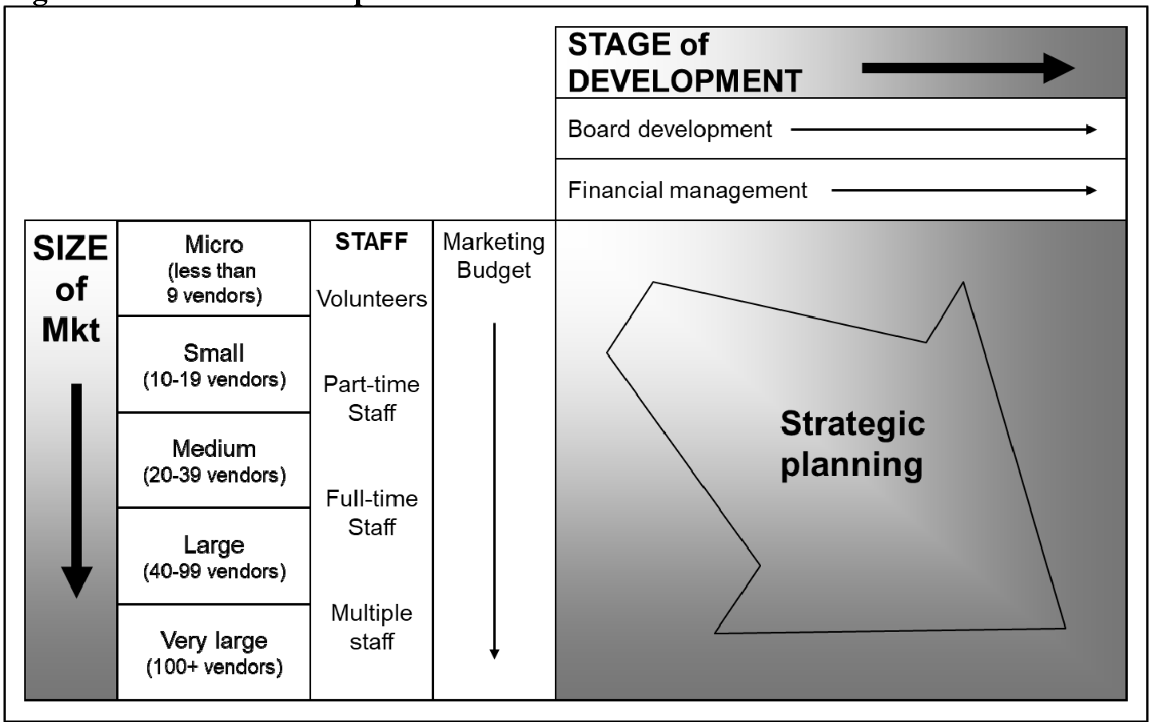
The size of a market is one of its most visible attributes and measures of development. Size, however, can be measured in different ways. The most common, and probably the most useful, measure of size is the number of vendors. A market's size could also be measured in terms of the number of shoppers or total sales, among others. We have chosen to categorize markets as follows:

Micro:	less than 10 vendors
Small:	10-19 vendors
Medium:	20-39 vendors
Large:	40-99 vendors
Very large:	over 100 vendors

The relationship between the size of a market and its success is not strictly linear. The expectation that a market starts very small and continues to grow throughout its lifespan does not apply to all markets. Some markets start very small with a handful of vendors. But other markets can start with 30 vendors or more. As is most often the case, there are real limits to how many vendors a market can accommodate. Even the largest urban markets (such as Granville Island in Vancouver and the Byward Market in Ottawa) have limited physical space. On the other hand, the size of rural, isolated markets is more likely to be constrained by the number of producers (and other vendors) in the area as well as its population base.

With these considerations in mind, it is important to recognize that there are benefits to having more vendors – at least up to a point. Evidence suggests that there are significant benefits of growth up to about 40 vendors. Most importantly, the average

Figure 2. Paths of Development



amount spent by shoppers tends to increase up to this point, but starts to flatten beyond 40 vendors. This relationship between average spent by shoppers and the number of vendors is most likely related to the diversity of products available. Another factor is the type of vendor. Shoppers are more likely to spend more on fruits and meats, but products like tree fruits may not be present at smaller markets.

Most significantly, as the number of vendors increases the size of a market's budget will also increase. What also increases are the time, skill, and management requirements. To help meet these requirements, one of the first important steps in a market's development is to hire staff, at least on a part-time basis to start.

Staffing

The paid staffing of a market tends to grow along with the market itself. A market that may have been run by volunteers during the start-up phase can add a part-time staff person as funds permit. As the market continues to grow the staffing resources can build toward a full-time position. In some markets that are large enough, a full-time person can be supplemented by a part-time staff person.

One option to growing a single market is for one market society to open and operate more than one market. This can be an effective way to build capacity within a market society. One of the biggest benefits is to use the greater pool of funds to build the staff component. Whereas one market may only have resources to hire a part-time market manager, a society with two markets (on different days) could combine resources to hire a full-time manager whose time is used to manage both markets. If a society adds more market then it is possible to divide responsibilities between management of the society and on-site management of each market.

Generally, as the market grows the total hours required to deal with on-site market activities will grow proportionately. It takes more time to do the same things as the number of vendors increases. As more of the day-to-day contact with vendors and customers shifts from board members to staff it makes sense to transfer some of the operational duties from the board members to the staff person. As discussed below, a board will transition from one focussed on operational issues to governance as the board develops. This transition is supported by the delegation of responsibilities to a market manager.

Discretionary budget (advertising, promotions, development)
A common question that market boards ask themselves is, "How much should we spend on advertising?" The usual answer is, "As much as we can." The question that follows is, "Where do we spend our advertising dollars?" Questions like these arise only when discretionary funds are available. As the market grows so too does the amount of discretionary funds – and so too do the number of questions that arise about what to do with these funds. This aspect of a market's development has two impacts. First, it gives the market more options, including the opportunity to use funds specifically for market research and development. Second, it requires more of the board members to make better decisions. Financial planning and market analysis can help in this regard with the possible use of outside expertise for assistance, if needed.

Age of market
The first year of a market is likely to be the most difficult, but its operation and management should get better with experience and as the market becomes a regular part of the local scenery. We have characterized the ageing of a market like the development of a person, from infancy (start-up), to childhood (3-5 years), to adolescence (6-10 years), to maturity (over 10 years). As part of this maturing process a market should focus on the continual development of its governance (through its board of directors) and continual improvement of its abilities to manage its finances. The management of the board's operation and its financial responsibilities are critical aspects of a market's fiduciary responsibilities. The term 'fiduciary responsibility' refers to the legal and ethical care of an organization's finances, assets, and obligations. It derives from the trust that an organisation's members place in its board of directors.

Board development
Through these stages of growth, a market's board of directors should develop continually. Although the members of the board will change it is critical that a market establish mechanisms, policies, and procedures that will maximize its institutional memory and its development as a corporate entity. Areas to focus on include conducting board meetings, internal communications, market policies, and individual leadership.

Financial management
Managing the finances of a farmers market society is a critical part of a board's responsibilities, and very much a part of the stages of development outlined above. We have separated financial management from other board responsibilities due to its

importance and the specific skills required for doing an effective job. The evolution of financial management skills can also be described as a series of three steps:

- Bookkeeping
  - Keeping track of what money is coming in and going out
- Budgeting
  - Preparing detailed financial statements for one or two years ahead
- Financial planning and analysis
  - Feasibility studies
  - Business planning

Areas of board skills to be developed:

- Financial Literacy
- Roles and responsibilities of leadership in context of financial management
- Basic financial accounting concepts and reporting
- Role of budgets in helping elected members manage society funds
- The importance of and the tools available to achieve accountability and transparency

As the market develops its capacity in all of the above areas, it also increases its capacity for strategic planning. The shift from market management to strategic planning represents an important transition for markets. It represents a change from viewing the market as a collection of individual vendors to viewing the market as a business entity that is separate from its vendors. As a separate entity, a market can focus on its core business in relation to its internal capabilities and external opportunities. With a better sense of how a market functions as a business it can make better use of business planning and analysis tools to understand how to compete more effectively in a rapidly growing and increasingly contested industry.

THE CORE BUSINESS OF FARMERS MARKETS

There are many good reasons for selling at a farmers market.

- Access to fresh, local produce
- Higher financial returns for vendors
- No middleperson
- Greater control for producers
- Good for communities
- Direct connection between producers and shoppers
- Intertwined social and economic benefits
- Low cost exposure for products and business ideas

> ***"If you go to the farmers market you've got a whole captive audience. You've got a place to start that's set up, that's ready to go, and people go there."***
> BC farmer

Overall, farmers markets offer producers a consistent, low cost, low risk, and viable method to market, display, and distribute BC farm products directly to customers. These are real potential benefits and most farmers markets use this information as their sales pitch when recruiting new farmer vendors and attracting shoppers. However, a standard sales pitch is not likely to address the specific needs of prospective farmer vendors or help to differentiate one market from the next.

In this section we present a series of questions and answers that build from one to the next. We also include exercises designed to encourage readers to answer questions on their own before we provide our responses.

What is the core business of a farmers market?

- *Whom does the market serve?*

It is important to see a farmers market not only as a collection of vendors but also to see how a market functions as a business that is separate from its vendors. Our view is that a farmers market is something greater than the sum of its existing vendors. *It is a business that 'profits' by bringing vendors and market shoppers together in a unique setting.* As a business, a farmers market provides one very important service: it serves to match farmers who want to sell directly to customers with shoppers who want to buy food directly from farmers. For a farmers market to be successful its farmer vendors must sell enough products at the right price and its customers must be able to buy what they want at the right price. This is what we refer to as 'the farmer-market-shopper match.'

Options available to farmers and shoppers

- *What options do prospective farmer vendors have for selling food directly to local buyers?*
- *What options do local residents have for buying local food?*

Understanding the farmer-market-shopper match lends insight to what makes a particular market successful (or not). Knowing why one market is different from another is also a key to deciding how a particular market can match the specific needs of vendors and shoppers. We can gain insight to the nature of the farmer-market-shopper match by focusing on two dimensions of the relationship: (1) the options available to farmers to sell via direct marketing channels; and (2) the options available to shoppers to purchase directly from farmers. On the one hand, shoppers usually have more choices to purchase directly from farmers; they have more options for which market to attend. They also have new ways of purchasing directly from farmers because of the parallel growth in Community Supported Agriculture (CSA). As well, shoppers who live in the urban fringe areas have easier access to farm gate sales. And for those shoppers less inclined to buy direct from farmers, they now have both the convenience of and greater access to buying local food at grocery stores, although not directly from farmers. On the other hand, farmers may have more choices these days because there are more markets at which they can sell their products, more customers who live closer to their farm, and more interest in CSAs. Restaurants and institutions are also more interested in buying directly from farmers, which adds to the options available to farmers and shoppers.

Work through the exercise described in the following text box to gain a better understanding of the farmer-market-shopper match.

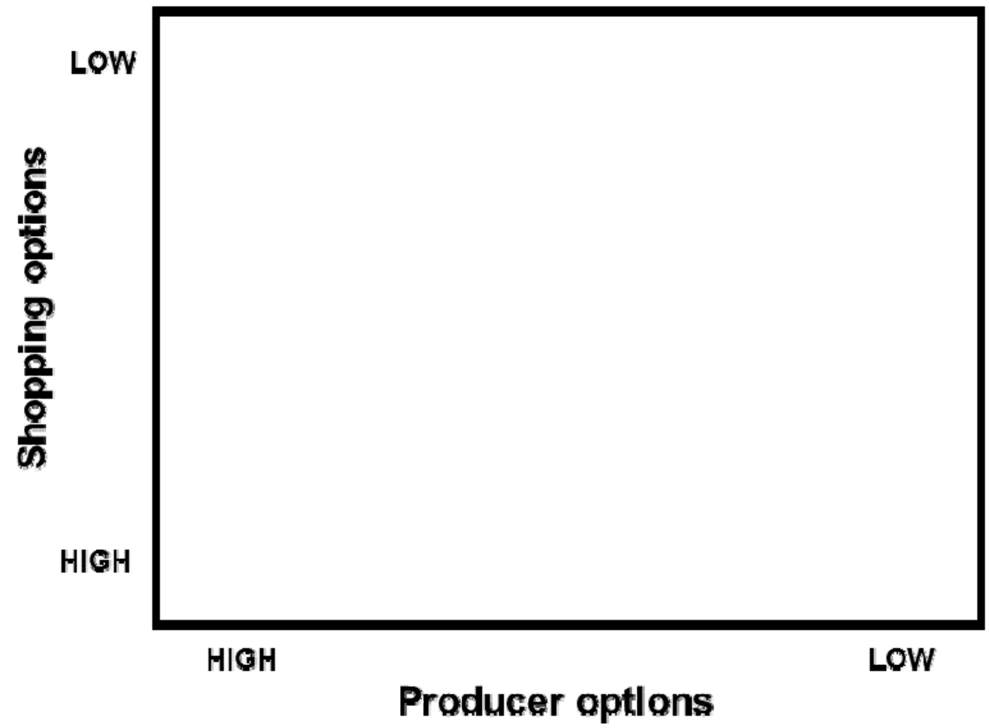
Exercise: Visualizing the farmer-market-shopper match

You can visually see what kind of match a market serves in the local marketplace by completing the following steps.

1. Think about the options available to that market's farmer vendors for selling food directly to shoppers. Make a list of nearby farmers markets, CSAs, and farm gate sales that are available to these vendors. Be sure to also think of these options from your perspective. Relative to other farmers markets that you know about, would you consider the level of these options at the particular market you are analyzing to be high or low? Using Figure 3 (next page), place an X along the horizontal axis that corresponds to your answer.
2. Now think about the options available to the market's shoppers for buying local food. Make a list of other farmers markets, CSAs, and farm gate sales that are available to these shoppers. Consider other places where shoppers can purchase local food, such as restaurants and grocery stores. Note that this list may be different from the list of options available to the market's farmer vendors. Would you consider the level of these options available to shoppers to be high or low? Using Figure 3, place an X along the vertical axis that corresponds to your answer.
3. Extend lines from each of your Xs until they meet inside the box of Figure 3. At this point where they meet is what defines the type of match that the farmers market serves in that particular marketplace.

Please note that your responses are probably very subjective and you might be uncertain about your answers. Rather than thinking of where you put your Xs as a final outcome, where you put your Xs are best used as points for further discussion.

Figure 3. The 'match' your farmers market serves in the marketplace



Priorities among farmer vendors
- *Why would a farmer want to sell at your market?*

> ***"The reason I am vending here, and the reason I pretty well have from the start, is because it's close. It's five minutes from our farm, so for us it makes sense because we are not spending an hour on the road."***
> BC farmer

It is essential to make the connection between the business goals of your farmers market and the personal priorities of farmer vendors. We found that a farmer's decision to sell at a particular market is influenced by a mix of four factors: money, mobility, marketing, and morality. A farmer will match these four factors against the opportunities to sell at a particular farmers market.

- **Money:** The financial match is based on all resources involved (time, labour, transport); reasonable market fees relative to income earned.
- **Mobility:** The geographical match is based on the location of farm, distance to market(s), and distance one is willing to travel to a market.
- **Marketing:** The marketing match relates to how selling at a market can be used as a marketing tool to increase the exposure of a farm business. In addition to direct sales, being at a market can serve educational and public relations

objectives, draws customers to farm gate stands, provides a venue for product testing, and creates opportunities for cross-promotions.

- **Morality:** This match is about ideology: are the values and principles of the farmers market consistent or compatible with the personal values of the farmer? Ideological influences include a farmer's commitment to educating customers about buying local food direct from farmers and providing the customers with that food, a customer base that fits with and supports on-farm ethics and ideals, and a perception of high social benefits and community feelings.

In ideal cases, an appropriate match consists of all these perspectives combined, although in most cases not in equal amounts. Therefore, farmers weigh different values for different components. For example, there may be a strong geographical match and a strong financial match but ideologically, the market does not match up. This situation can arise, for example, when a farmer wants to sell at a market where the majority of vendors are farmers. If a market is dominated by artisans and crafters then the market would not match this farmers' ideology. Examples such as this beg larger questions about how each farmer weighs their priorities: Is a good financial match worth overlooking ideological inconsistencies? Is a strong geographical match enough to continue at a market despite the poor financial returns? How valuable is a good marketing match even if the other components are not present? A good match is based on varying priorities, objectives, goals and resources. The outcome is that a farmer will not always choose to sell at a market that presents the highest level of financial return. Rather, each farmer will consider how a particular market can meet its priorities from both a business and personal perspective.

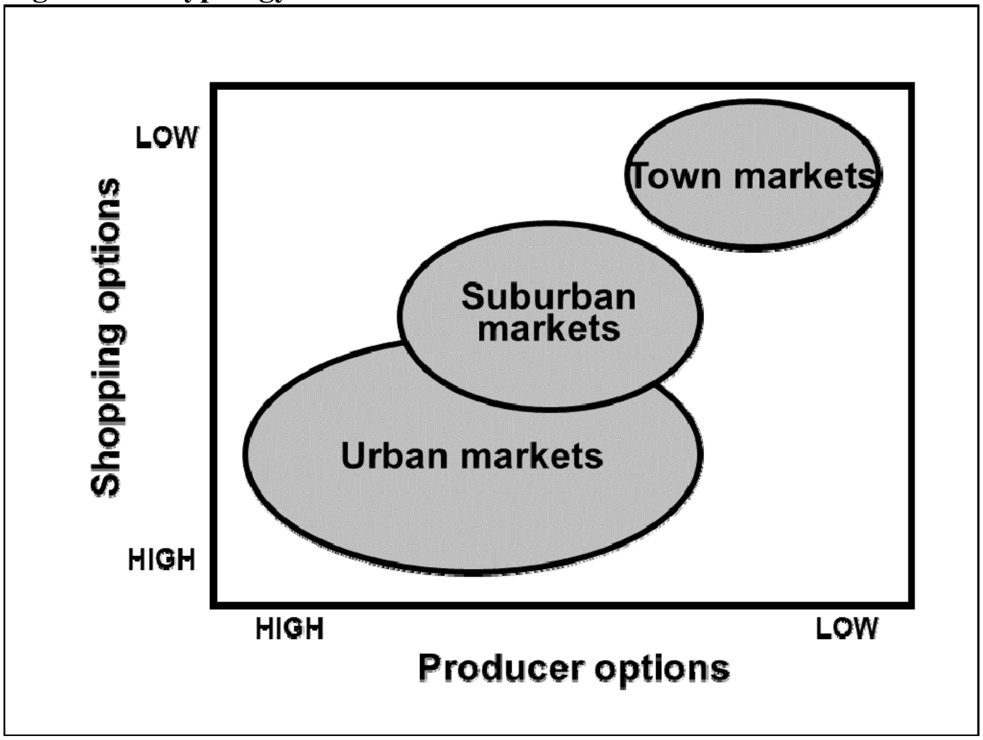
Types of farmers markets

- *What are the primary differences among markets?*

> ***"It's about finding that market and where your product is needed."***
> BC farmer

How you visualized the farmer-market-shopper match relates to important differences among farmers markets. From the analyses we have completed, we found that the options available to both shoppers and farmers are often higher in urban areas and lower in rural areas and towns. These results suggest that it is helpful to that there are three general types of markets, with each type corresponding to a different set of shopper and producer options. That is, there are basically three different types of farmer-market-shopper matches, as shown in Figure 4. Urban areas include both inner city areas and city neighbourhoods. City neighbourhoods and some suburban areas may overlap. Town markets are found in rural and isolated areas, and include small cities. Each of the three types of farmers markets is described in more detail in Box 1 on the following page.

Figure 4. A typology of farmers markets



In addition to understanding these three types of farmer-market-shopper matches, it is also important to recognise how two particular factors, rivalry among markets and customer loyalty, influence a farmers market's position. Rivalry among farmers markets, and among its vendors, tends to be higher in urban locations. This higher level of rivalry is related directly to the greater number of options available to both vendors and market shoppers. Conversely, there is likely to be lower levels of rivalry in locations with fewer options, and higher levels of collaboration among vendors. Customer loyalty also differs among the three types of markets. Among core customers, loyalty appears to be a more important factor in rural and town farmers markets and less important in urban locations.

Box 1. A typology of farmers markets: detailed descriptions

URBAN	SUBURBAN	RURAL/TOWN
Description: Located in high population centres. May also include markets in larger suburbs in the southwest region. **Consumer options**: Have access to a variety of other direct marketing channels (CSA, food box delivery, U-pick) that offer a convenient, alternative outlet to purchase local food direct from farmers. Also have access to many retail establishments. **Producer options**: Farmers have access to a broad spectrum of customers and marketing options; ranging from restaurants through to specialty retail establishments and institutions. **Rivalry among vendors:** Competition is typically higher and the threat of new entrants is a concern. Producers face a wide range and large number of customers with high purchasing power. Space at urban markets is limited and regulations are strict. **Customer loyalty**: Urban markets tend to have more people visiting their markets but also have a smaller proportion of core customers. Loyalty is important for the core but vendors have an opportunity to attract other customers through competitive pricing and niche products. **Challenges**: Stalls in urban markets tends to be limited and controlled. Access requires advance planning and dedication. Fees tend to be higher. Consistent production and attendance, innovation, price and product presentation are very important.	**Description:** Located within a short drive of urban centres. Provide a range of producer and consumer options. **Customer options**: Often compete with CSAs, farm stands, and U-pick operations which tend to be located in suburban areas. Specialty and retail outlets offering local food are not as prevalent as in urban centers. **Producer options**: Being located closer to areas of production, producers at suburban markets often use the market as a promotional tool to attract business to local farm stands. However, the prevalence of suburban "farm markets" that stock out of season and cheap products offers a distinct challenge to producers in terms of pricing and convenience. **Rivalry among vendors:** Can be significant as new entrants expanding their market circuit often focus on suburban markets. Slow growth of the customer base may increase rivalry. **Customer loyalty**: While customer numbers tend to be lower than in urban markets, suburban markets do have a core base. Loyalty is important for the core but vendors also have an opportunity to attract new customers through competitive pricing and niche products. **Challenges**: Suburban markets are often located within range of other markets and many operate on the same day and during the same hours, distributing the customer base across a number of sites.	**Description:** Located in small towns or isolated areas with few or no other markets nearby. Town markets provide the smallest range of options to producers and consumers. **Consumer options**: While many town markets have a committed customer base, town markets provide one of the only access points for farm products that meet consumer ideals. Although the profile of alternative direct marketing options is rising, town markets tend to be the primary point of contact between consumers and local agricultural products. **Producer options**: For vendors, town markets often serve as the only available marketing channel for small-scale production. Market power is restricted by the lack of economically viable marketing options. **Rivalry among vendors**: Generally low due to ideals of mutual support and encouragement. New entrants are not often seen as a threat and instead provide a welcome increase in supply. **Customer loyalty**: The availability of substitutes is low since local products are mainly distributed through markets. Loyalty is very important for the core customers. **Challenges**: Face challenges with building and maintaining a consistent base of primary producers with a wide range of product offerings. Consistency and quality of products are central to market growth and stability.

INDUSTRY ANALYSIS

Here we want to shift our focus to the industry that farmers markets participate in. Before we present our thoughts, we first ask you to think about this. What industry do you think farmers markets participate in? Take a moment to write down your answer before reading ahead.

We asked this question about industry during workshops with board members and market managers. The responses were quite varied. Some people suggested that farmers markets are in the entertainment industry or public services or tourism. Some suggested that farmers markets are involved in community development. What we realized about these responses is that the people in the workshops were not always able to distinguish between the objectives and activities of farmers markets and the broader concept of industry. We believe that this lack of clarity is related primarily to the fact that many of the workshop participants had never thought about their market as participating in an industry.

It is possible to think of farmers markets as participating in several different industries. The industry can be defined narrowly as farmers markets, which means that markets compete only with other markets. The industry can also be defined as food retail. In this broad definition farmers markets compete with all forms of food retail, including grocery stores, health food stores, and corner stores. While there is merit to either of these definitions of the industry in which farmers markets are players, we find that defining the industry as 'farm direct food retail' is the most helpful. As a niche segment of the food retail sector, the farm-direct food retail industry is relatively small and specialized.

Competitors

- *Who competes with your farmers market?*

> ***"The market is set up in a way that means we can all work together so that its not about being competitive its about working together."***
> BC farmer

Before reading our thoughts about competitors, first ask yourself, who do you think competes with farmers markets? Write down a list of both the types of competitors and a list of specific businesses by name with whom your market competes.

As a player in the farm direct food retail industry, farmers markets compete directly with other forms of direct-to-consumer retail outlets such as farm gate sales, U-pick, Internet sales, and CSAs. By this same industry definition, farmers markets do not compete directly with other non-direct marketing channels, such as grocery stores. Instead of being direct competitors, grocery stores are defined as substitutes for shopping at a farmers market. Importantly, shoppers always have the convenience of going to grocery stores and health food stores, both of which are focussing more on local foods.

Market power

- *How much control does your farmers market have in the farm-direct food retail segment?*

Now that we have a better understanding of farmers markets as a business that participates in the farm-direct food retail industry we can explore the strength and vitality of this niche market. For this next step we will focus on 'market power'[2]. Market power refers to how much influence and control a farmers market has to set prices in order to maintain an appropriate level of revenues (and net income). The level of influence and control can be analyzed by looking at five forces:

- Power of suppliers
- Power of buyers
- Availability of substitutes
- Threat of new entrants
- Intensity of competition

For farmers markets the power of suppliers refers to shoppers and the ability of markets to attract and retain shoppers. From a farmers market perspective the buyers are the vendors. The power of vendors refers to their ability to negotiate vendor fees and the challenges associated with recruiting new vendors.

Before we go through the details of the analysis, we can share with you that our analysis of these five forces reveals that customer loyalty and collaboration among existing vendors are the two most important factors. We discussed both of these above in relation to the set of options available to farmers and shoppers. Customer loyalty is related to both the power of buyers and threat of new entrants. The level of collaboration among vendors is directly related to the intensity of competition among existing vendors. When vendors are more willing to collaborate for the benefit of the market as a whole they are also less likely to compete with each other over prices. The power of suppliers and the availability of substitutes are factors that influence a farmer vendor's prices, but these other factors tend to be outside the control of a farmer vendor.

As you read through each of the following, keep in mind that each force is analyzed in relation to the farm direct food retail industry, which includes farmers markets, CSA, and farmgate sales as direct competitors and health and grocery stores as substitutes.

Power of Buyers
• *How much control do shoppers have over farmers markets?*

In general terms, the bargaining power of buyers refers to the ability of customers to influence prices. The greater the power of customers the more sensitive they are to price changes and to switch to another source when they don't like the price being offered. This condition usually arises when there are a small number of buyers, buyers purchase large quantities, there is little differentiation among products, and the product is not very important to the buyers.

Typically, a farmers market has many buyers, all acting independently, which usually lends itself to more control for farmers markets. As well, a few other important factors reduce the level of power of buyers. Ideologically, many farm direct customers are committed to supporting the local food industry. This loyalty usually means that farm direct shoppers are not as price sensitive and they tend to be loyal to farmer vendors. But this loyalty varies among market customers. It is strongest among customers who shop more frequently at farmers markets. Those who shop less often at farmers markets are

---

[2] This analysis of producer options is based on Michael Porter's work on competitive strategy (Porter, M.E. 1980. *Competitive Strategy*, Free Press, New York). The concept of 'market power' does not refer to farmers markets; rather, it refers to the general economics of exchange in an industry.

less concerned about 'local food' and more likely to compare prices and product quality to grocery stores. However, one must also look at the options available to shoppers. As discussed above, shoppers have more options to buy local food directly from farmers in urban centres, which gives the shopper more buying power.

Threat of New Entrants

- *How easy is it for a new farmers market to start up?*

The usual factors that influence the threat of new entrants in many industries include costs of entry, cost of exit (if things do not go well for the new entrant), costs to customers of switching to another company, and government regulations. Generally, if an industry is highly profitable then it will attract new entrants.

In the farm-direct food retail industry there is a mix of factors that both increase and decrease the threat of new entrants. Factors that increase the threat include the low costs entering the industry and the generic quality of the typical products sold. On the other hand, there are three factors that reduce the threat of new entrants. First, location is critical. If an existing market already occupies a prime location then that makes it much more difficult to establish itself. As well, a local government may have policies and preferences that create additional barriers to establish a new market in the same area. A second barrier to entry is customer loyalty. Shopping patterns among core customers tend to be routine and based on relationships with vendors at existing markets. It may be difficult to overcome this loyalty and it can take time to for new farmers markets to build it. The third and perhaps biggest barrier is recruiting farmer vendors. It is becoming increasingly difficult to find farmers who are willing to sell at farmers markets, although there are opportunities. For example, a new farmers market to be included as part of a vendor's existing circuit, but this might mean that the market operates on an off-day so that it does not compete directly on the same day as an existing market. Opening on off-days usually means lower crowds, however.

Intensity of competition

- *How much competition (or collaboration) is there in the farm-direct food retail industry?*

Companies usually compete with each other based on price, quality, and innovation. When there are many players of about the same size with similar products then rivalry can be intense. And when the prospect for attracting new customers is low, because of a lack of growth in the industry for example, then companies can only gain customers by competing directly for the same pool of customers. The result of this intense competition is low returns because the cost of competing, whether by price, advertising, or innovation, is high.

Competition in the farm-direct food retail industry is focused less on price and more on features such as quality of the food product, consistency, and reliability of its vendors, as well as sociability of the venue. As well, as noted above, location is critical. These factors tend to reduce the level of rivalry among farmers markets. Still, rivalry can come to the surface when the trade area of different markets overlap, that is, when two or more markets draw from the same population for its shoppers. Rivalry can be more heated when it comes to recruiting new vendors when the latter are in short supply.

Availability of Substitutes
- *What options do shoppers have to purchase local food (if not directly from farmers)?*

When one product is perceived by customers to be equal or very similar to another then it is considered a substitute product. A customer's perception of substitute products is important when the price or quality of one of the two products changes. The availability of substitutes, in terms of price and accessibility, is important. If it is easy to substitute products then customers are more likely to switch. Generally, whenever substitute products are available to customers with little cost of switching then this exerts pressure on companies to lower their prices.

For the farm-direct food retail industry it is likely that many of its customers view products sold in grocery stores to be substitutes for buying local food. Although the food is not bought directly from the farmer, grocery stores can be major threats to the farm-direct food retail industry. When the prices and quality of products sold at farmers markets are not to customers' satisfaction then these customers will easily and quickly switch to grocery stores. The latter offers greater selection, usually at lower prices, and grocery stores are increasingly marketing local products to maintain their customer base.

However, shopping at a farmers market is more than grocery shopping. Food purchased at a market embodies many qualities beyond price and quality; it embodies personal relations with the farmer and the opportunity to support the local economy. In this context, the direct marketing experience and the social atmosphere of the market are not easily substituted for those customers who are making deliberate choices to go to a market over conventional food retail channels.

Power of Suppliers
- *How much control do vendors have over farmers markets?*

When suppliers of raw materials, components, labour, and services have power they can exert sufficient pressure to negotiate higher prices, which means higher costs to the industry. This usually happens when there are very few suppliers, the product is essential to the industry product and there are no substitutes available (i.e., a company cannot source a replacement product). Such conditions usually mean that buyers must accept the prices offered, thus reducing the profit margin.

For farmers markets, their suppliers are the vendors, and here again we focus on farmer vendors. The key factors here are the options available to farmers to sell their products through other channels. As discussed above, these options vary if the market is in an urban, suburban, or rural location. Options are highest in urban area, which generally means that farmers have higher levels of influence over the stall fees that markets can

> ***"I think other people would say there are already five vegetable vendors there and we don't need another one because it will cut our margins down. But I think it's actually the opposite. The more vendors there are the more people will come."***
> BC farmer

charge. The loyalty and stability of the market's customer base is an important factor that gives some of this power back to the market.

Ties between the farmer vendors and the market can exist when there is direct farmer representation on the market's board and when more farmer vendors are actively engaged in promoting the market. When these formal and informal ties are strong and broad then the interests of the farmers and of the farmers market are likely to be more closely aligned. The effect is to increase the level of collaboration. Farmer vendors also have an opportunity to make their market more attractive and increase its presence in the larger food retail sector. At the same time, long-standing vendors may also command special treatment and assume leadership roles without the expressed support of other vendors. This special treatment may take shape through market-specific policies and procedures, including preferential placement within the market.

When considering the power of buyers we must also look at the ability of markets to recruit new farmer vendors. Entry to most industries requires an expensive marketing campaign to introduce new companies and products. However, the costs of marketing at a farmers market are low, as the market itself bears the cost of marketing, which is shared among all vendors. The result is that markets provide low-cost exposure to interested shoppers. Thus, with few barriers, the opportunities for new farmers can be high. In addition, the threat of retaliation by existing vendors is also low. Price lowering is not a good strategy to deter new farmer entrants because prices are already considered too low among farmer vendors. Thus, any retaliation impacts the whole farmers market negatively. In many cases new farmer vendors are welcomed, if not actively recruited, as helping to provide more local food production to better serve market customers and to make the market itself more attractive to customers by providing more choices.

Exercise: Visualizing your market's power

Based on the five forces discussed above, what forces do you think influence your market's level of market power? Think about factors that are specific to your farmers market and also specific to the farm-direct food retail industry.

Rate each of the following by circling the one of low, medium, or high.

1. **POWER OF BUYERS**
   How much control do shoppers have over your farmers market? (Is it difficult to attract shoppers? Do customers try to negotiate? Do they complain about high prices?)

   LOW MEDIUM HIGH

2. **THREAT OF NEW ENTRANTS**

   How easy is it for a new farmers market to start up in your area?

   LOW MEDIUM HIGH

3. **INTENSITY OF COMPETITION**
   How much competition (or collaboration is there in the farm-direct food retail industry?

   LOW MEDIUM HIGH

4. **AVAILABILITY OF SUBSTITUTES**
   What options do shoppers have to purchase local food (if not directly from farmers)?

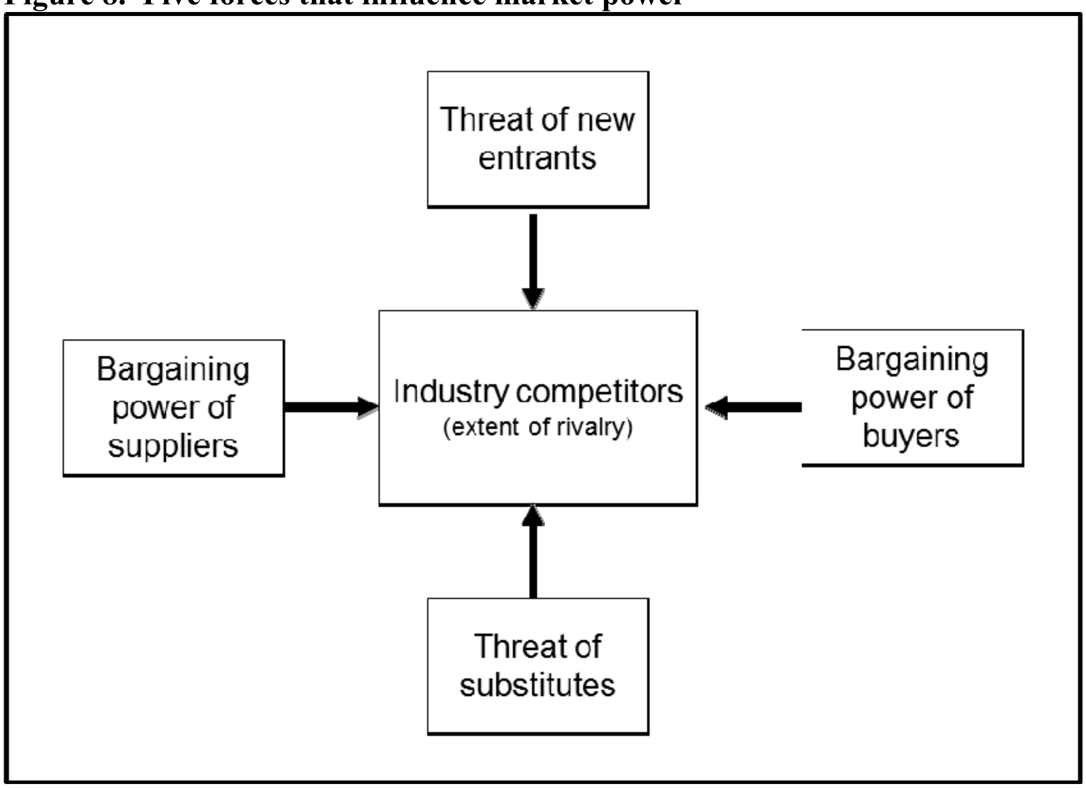
   LOW MEDIUM HIGH

5. **POWER OF SUPPLIERS**
   How much control do vendors have over farmers markets?

   LOW MEDIUM HIGH

Transfer your responses to each of the five questions to Figure 8 (below). For each of the five forces record on the figure whether the force is low, medium, or high.

Figure 8. Five forces that influence market power



COMPETITIVE ANALYSIS

When completing a competitive analysis, the objective is to understand what factors influence relations among competitors. Traditionally, relations among farmers markets have been friendly and stable, but the farm-direct food retail industry has changed dramatically over the past ten years. As the interest in local food has grown so has the number of direct-marketing options. This has increased the level of competition in the farm-direct food retail segment, both among farmers markets and with other farm-direct marketing channels. Existing farmers markets are being challenged by the emergence of new farmers markets and with more farmers' opting to use other farm-direct marketing channels. While relations among farmers markets and its direct competitors remain mostly friendly, what would these relations look and feel like as the level of competition increases? On what basis would the most direct competitors compete?

To gain insight to the nature of competition within the farm-direct marketing industry we can use a strategic business planning tool called 'strategic group analysis.'[3] Strategic group analysis is used to identify who a business's direct competitors are and on what basis they compete. The aim is to focus on the business models of the major players in the industry. A business model refers to the underlying rationale of how a business is organized, how it operates, and the strategies it uses to maintain value.

As an example, let's look briefly at the automotive industry. In the automotive industry, for example, price is very important, but not sufficient on its own as price and performance are closely linked. Based on price/performance we can easily think of Ferrari, Jaguar, and Porsche, as well as Audi and BMW, as having a very different underlying rationale compared to Ford and General Motors. On this basis we can safely say that price/performance helps to understand one aspect of how different automotive companies compete with each other and to what extent. But price/performance is not sufficient to explain differences among the companies because we know that some of their products compete very closely with each other. So, we can look again at the range of car manufacturers and ask if there is another strategic difference among them. One factor often used to identify strategic groups in the automotive industry is the breadth of product line. By thinking about price/performance and breadth of product line we can see that although while General Motors might compete with Porsche (to some extent) in the performance sports car segment the two companies are very different, with different strategies.

Analyzing strategic groups requires three steps. The first is to specify the industry. The second is to identify the businesses competing in the industry. We have already discussed these first two steps. Completing the third step, however, can be tricky. In this step the aim is to identify the most important factors or strategies that businesses use to compete with each other.

Getting back to farmers markets, let's start our analysis of strategic groups by looking first at the general dynamics of food retail industry. In this we have already completed the first step by identifying the industry. The businesses that compete in the

---

[3] This discussion of strategic group analysis draws from Michael Porter's work on competitive strategy (Porter, M.E. 1980. *Competitive Strategy*, Free Press, New York).

food retail industry are well known. There are the large, warehouse food retailers like Walmart and Costco and the regional food retailers like Save-On-Foods. Then there are the smaller players like independent grocers and convenience stores, as well as farmers markets. There are other players, too, but this list will serve our present needs.

In simple terms, we can organize the food retail sector based on two strategic dimensions: price (which is closely linked with volume) and breadth of products and services. Looking at Figure 5, we can see how these two dimensions help us to 'map' the relations among competitors in the food retail industry. The national (and international) food retailers Walmart and Costco are clearly focused on low prices (and very high volumes) with regional food retailers like Save-On-Foods do their best to compete with them. Simultaneously, we can see that these retailers have far broader ranges of products and services compared to farmers markets and convenience stores. The latter will never able to compete on these terms with the bigger retailers. And the reality of the situation is better illustrated in Figure 6, which reflects the relative size of each business. It should be noted, however, that the reality of the situation is distorted by the size of fonts. If we showed a more accurate picture we would not be able to see farmers markets on the chart because the font size would be too tiny.

As the strategic group analysis shows, farmers markets cannot compete directly with big, national retailers. Thankfully, you don't have to. Every business has an opportunity, at least to some extent, to choose and shape the industry in which it wants to compete. Instead of thinking about your farmers market competing in the food retail industry, you can choose to think of your industry in narrower terms. This is why we stated above that it is best to think of farmers markets as competing in the farm-direct food retail industry. By changing your view of the industry, you can also change your view of the strategic dimensions that define who are your most direct competitors and on what basis you want to compete with them.

Before looking below at how we have mapped the strategic groups of the farm-direct food retail industry, we want you to think about the strategic dimensions that help define and shape the industry. With the strategic group analyses of the automotive industry and the food retail industry in mind, think about the underlying rationale that sets farm-direct food retail businesses apart from the food retail sector. Write down these factors and then try to construct a map of the farm-direct food retail industry like we did in Figures 5 and 6.

Our strategic group analysis of the farm-direct food retail industry is shown in Figure 7. The two dimensions that we selected might be different, and can be different, from what you selected. We used (1) the social experience of shopping at the retail outlet and (2) the type of relation between the farmer and the shopper. For the latter we focussed on the extent to which the relation was either personal or impersonal. As part of our strategic group analysis we included the conventional food retailers. The dashed line around these retailers indicates that they are not direct competitors with farmers markets; instead, they compete indirectly as substitutes for buying directly from farmers.

An important outcome of this analysis is that we can now see more clearly that farmers markets form a strategic group with CSAs, farmgate sales, U-pick, and internet sales. These are the most direct competitors with farmers markets. At the same time, however, your direct competitors may also be your vendors – which presents some interesting dynamics. What is in the best interest of the farmer who sells at your market but also has a CSA program may not be in the best interests of your farmers market. This is just one example of why it is important to view your farmers market as a business that operates separately from its vendors.

Figure 5. Strategic group map for the food retail industry

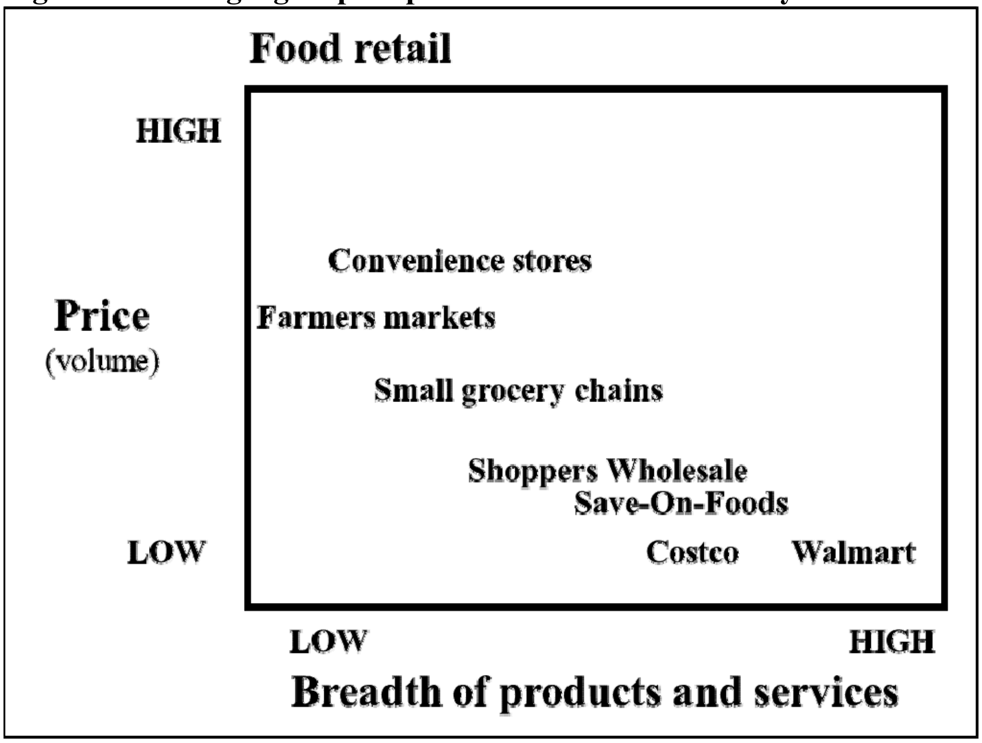


Figure 6. Strategic group map for the food retail industry by relative size

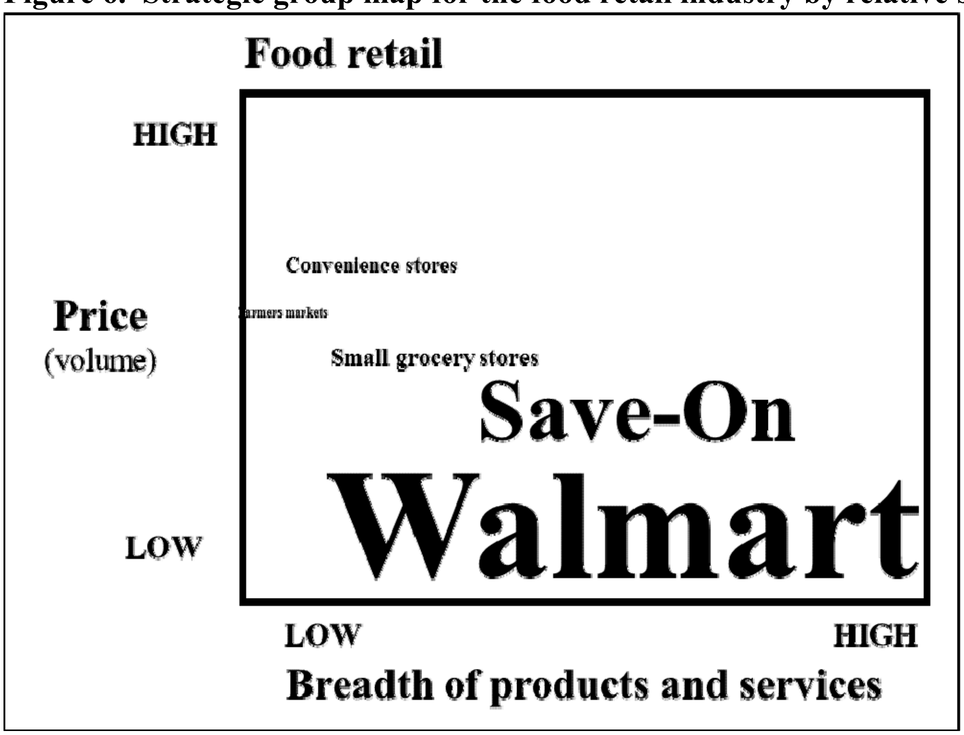
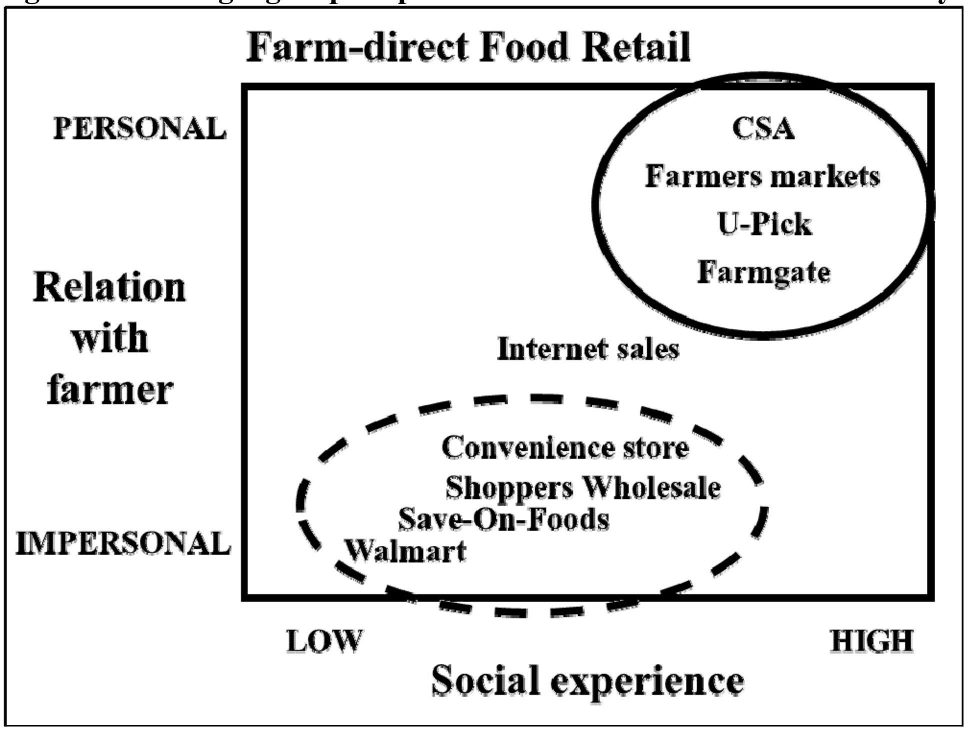


Figure 7. Strategic group map for the farm-direct food retail industry



MARKET POSITIONING THROUGH POLICIES

It is time now to start pulling together all of the ideas discussed so far and transform them into strategic decisions that will strengthen your market. How farmers markets compete within the farm-direct food retail industry translates into what business analysts refer to as 'market positioning.' In the context of strategic planning and market development, positioning refers to the decisions and strategies that a business uses to set it apart from its competitors. To get customers' attention and dollars, a business tries to distinguish itself from its competitors and to differentiate its product and services by focusing on its strengths and turning them into an advantage. The idea of position refers to where one business is positioned in the marketplace vis-à-vis other businesses in the same industry. Such positioning is usually achieved through pricing and quality and reinforced through advertising, promotions, and branding. For example, in the auto industry, not all cars are the same. There are different sized cars with different performance levels that can be used for different reasons. Correspondingly, car owners have different needs and motivations for buying a car. The outcome is that not all car manufacturers occupy the same "space," or position, in the industry. Likewise, as we discussed above, they don't all compete directly with each other.

The concept of market positioning also applies to farmers markets. Although farmers markets tend to look and feel the same, there is diversity among farmers markets. The location of a market, for example, introduces many factors related to the options available to vendors and shoppers. The customer base presents other factors such as area resident versus tourist, as well as income and shopping patterns and preferences. Likewise, there is diversity among farmers, including products, production methods, size, and marketing channels used. As such there are many factors that influence market position. Knowing how to position your farmers market vis-à-vis other farmers markets and other farm-direct retail outlets (e.g., CSA, farmgate sales) is a key to success.

In the farm-direct food retail sector, what we learned are two of the most important strategic dimensions are the social experience of the market visit and the personal relation that a shopper has with the vendors (refer to Figure 7). These dimensions define the industry as a niche segment that is separate from the food retail sector. But they also reflect the primary dimensions that farmers markets compete with each other and their direct competitors. What this means is that each farmers market has an opportunity to decide how it *positions* itself along each of these two dimensions. How important is it for the market to promote personal relations between its customers and its vendors? What can the market do to maintain or improve the experience of shopping at the market? In an ideal world one might think that every market wants to be at the far ends of both dimensions so that it provides the most personal experience is the most sociable venue. In reality, financial resources may constrain what a market can offer in terms of entertainment. It may be that some markets are willing to compromise the quality of the personal relation between vendors and shoppers in order to achieve other goals. What we have found is that a farmers market's policies are the essential tools to support market positioning. These tools are at your immediate disposal and contribute directly to both dimensions of the farm-direct food retail industry.

In this section we highlight four areas of market policy that we believe are most relevant to market positioning. These are:

- Geographic boundaries of a market's trade area
- Staffing of vendor tables
- Co-operative selling arrangements
- Re-selling produce

Any one of these policies may hinder a farmers market's ability to compete in the farm-direct food retail industry.

However, before you read further, we encourage you to look again at the strategic group analysis map shown in Figure 7. Take time to reflect on what has been discussed so far. What options are available to farmer vendors? What options are available to shoppers to buy local food from other retail outlets? How strong is loyalty among your customers? Who specifically are your competitors? How intense is the rivalry among your direct competitors? Where is your market currently positioned on the 'social experience' dimension? Where would you like to be? Where is your market currently positioned on the 'farmer-shopper relation' dimension? Where would you like to be? After you have thought about each of these questions critically consider how each of the following four policy areas presently influence your market's position in the local farm-direct food retail segment, and then think about how you might change your policies to improve your market position.

Geographic boundaries of a market's trade area

- *Do you live within the defined geographic boundaries of the market?*

Some markets have policies that define the market's boundaries, which means that only vendors from within the defined geographical area of BC are eligible to sell at that farmers market. Such policies can be seen as a hindrance to the overall success of market maintenance and future growth. A common sentiment is that existing individual farmers will make choices within the context of their own priorities, for example, whether or not a poor geographical match can be overcome in favour of a strong financial match. In some cases, open boundaries can be seen as an "attractant" in terms of increasing product offerings to meet the customer desire for a wide range of products, some of which cannot be produced in a given region. An open policy can also benefit a market that does not have enough farmer vendors to meet current demand. For some markets the boundary policies are restricted to product offerings. For example, external vendors are not allowed to sell certain products that undermine local growers. The primary reason for this is that seasonal influxes bring sales down for local growers.

Overall, boundary policies are a part of on-going discussions in many markets. Boundary policies, whether open or closed, are becoming more important as the number of farmers markets continues to grow and recruiting new farmer vendors becomes more difficult. In some markets, their boundary policy is being evaluated in the context of future growth, with consideration for future representation of certain products and increases in the number of committed regional producers.

Staffing of vendor tables

- *Does your market allow vendors to hire people to sell on their behalf?*

Staffing policies are another sensitive area for some markets. At issue is whether the farmer and family members must be present at the vending table or whether paid staff could be present instead of the farmer. This policy is also referred as the 'farmer as seller' policy, referring to the preference to have farmers also be the sellers. A common sentiment among farmer vendors is that if paid staff is there, they ought to be knowledgeable about the products offered and the production techniques employed. This knowledge is essential to maintain legitimacy of the 'make, bake, grow' mandate of many farmers markets and to provide the connection between the farm and the farm product that the customer is seeking at farmers markets. For many farmers this staffing policy is not an issue because they either do not need paid help or cannot afford to hire someone. The greatest concern about not having a 'farmer as seller' policy is that it can create an unfair advantage for larger producers, who usually already have paid staff. A relaxed policy would make it easier for these farmers to sell at farmers markets, but may also push out the smaller producers.

Although the 'farmer as seller' policy may mesh with the vision of a farmers market, there is recognition that not all good farmers are good marketers. Some farmers would benefit from having others staff tables on their behalf. A related advantage to using paid staff members is to allow the farmer and family to spend more time producing food, thus creating a job for someone interested in learning about agricultural marketing, and allowing products to be represented in more than one market at the same time.

Overall, there are diverging opinions about whether staffing should be regulated by the market through formal policy or self-regulated by farmer vendors. The alternative to market regulation, which is very hard to monitor, is to leave it to the farmer vendors to make the best staffing choices within the context of their farm business and priorities.

Co-operative selling arrangements

- *Are you considering a co-operative effort with other farmers?*

Co-operative selling arrangements are often discussed by farmers markets but are not well developed. Co-operative selling is when two or more farmers sell their produce as a single vendor. While this may sound like a reasonable solution to some obvious challenges of staffing market booths, there are also concerns. Many of these concerns stem from a lack of understanding about what a formal producer co-op looks and acts like, which is related in part to a lack of familiarity with this approach. This lack of understanding contributes to concerns about compromising the authenticity of the market ideal and shopping experience. In some ways, these concerns are similar to those related to the staffing policy.

> ***"Absolutely love [co-operative selling]. I totally, totally subscribe to it. We are setting a very loose coop right now. We are doing that with two other farmers who are organic. Who are our neighbours. Who are right there. Who could never possibly get to come to the farmers market. I think cooperative marketing like that is the backbone of how to grow farmers markets. I feel really strongly about that. And if they tell me I can't come and sell my things, I will find another place to sell and won't do farmers markets."***
> BC farmer

There are clear advantages of co-operative selling arrangements. Co-operative selling presents a possibility to entice new entrants who feel over-whelmed by product volume, diversity, time and labour commitments, and marketing or sales challenges. Co-operatives can also assist small farmers and help larger farms with product testing. For these reasons, co-operative selling is being considered by some markets as part of their vendor recruitment strategies. These markets often are targeting backyard growers as potential vendors, as the option to sell co-operatively might inspire some of these growers to increase production knowing that an outlet for selling their surplus exists.

Although there are benefits, some markets believe that restrictions might be necessary. Such restrictions might be applied to the number of co-ops allowed at one market, the scale of the farmers that choose to co-operate, or the type of products that co-ops can carry at certain times of the year. Preserving the integrity in the marketplace and adhering to long-held ideals of the farmer as seller poses some challenges to co-operative selling arrangements. Reservations, whether justified or not, often stem from the "slippery slope" between co-operative selling arrangements and re-selling.

Re-selling produce

- *Are vendors permitted to sell something that someone else produced?*

Re-selling refers to farm produce that has been purchased and is being sold again, without changing the product, at a farmers market. In effect, a person who re-sells farm produce is acting as a wholesaler. The common definition of a re-seller is that a third party purchases food from a farmer, and the third party is not a farmer, and sells at the farmers market. In this sense, it is important to distinguish between re-selling and co-operative selling. Co-operative selling is not re-selling. In co-operative selling the farm produce is being sold – for the first time – at the farmers market.

Re-selling is the most contentious of all the policy issues at farmers markets. This contention over re-selling arises with regard for who enforces this policy. Questions arise about whether the policy is enforced (with limited time and resources) and what the consequences are if it is known to have been violated. In the end, as with other market policies, enforcing policies relies on trust. Although some people argue that offering more generic products at a lower price is good for increasing the customer base of the market, there is a strong belief that re-selling undermines the ideals of a farmers market.

Permission to re-sell has been granted, often in smaller markets and for certain products. In most cases, these exceptions to the 'make, bake, grow' mandate were permitted to provide products that cannot be produced in the region, which, in turn, can provide more choices to customers and enhance the appeal of the market. A common example is allowing fruit trucks from outside the region. If re-selling is happening, we recommend that all re-sold products be clearly labelled as to their origins.

MOVING FORWARD

At this point we have led you through a series of questions and exercises that we were intended to help you think of your farmers market as a business. This way of thinking is not well developed among farmers markets and there is lots more to learn.

What we have tried to do is provide the foundation for this kind of thinking. We encourage you to engage others in the same process. Bring together members of your board and staff and lead a strategic planning session. Use this book as a resource to guide the process. You can ask the same questions and use the same exercises as they have been presented here.

We welcome any feedback you may have about how we can improve this book as a resource to help strengthen the core business of farmers markets and the farm-direct food retail as an industry.

We wish you the best in your efforts.

Appendix: SELLING AT BC'S FARMERS MARKETS

This book arose from work completed for the British Columbia Association of Farmers' Markets (BCAFM) to support the recruitment of farmer vendors. The materials developed for this other project can also support your strategic planning efforts. The *Selling at BC's Farmers Markets* series includes seven profiles featured in individual pamphlets of BC's farmers markets, its market customers, and its vendors. In this section we describe the scope of each profile and explain their charts and tables. Please note that some of the terminology used is different between this book and the series of pamphlets.

All of the materials described in this Appendix can be downloaded from the BCAFM website under 'Resources' at http://www.bcfarmersmarket.org/resources/related-links-documents.

Selling at BC's Farmers markets
A PROFILE OF FARMERS MARKETS (see pamphlet)

Not all farmers markets are the same. The information in this profile will help you to understand important differences among farmers markets. The profile includes information about three types of farmers markets (urban, suburban, and town) and highlights several important features of farmers market operations. You can use this information to assess how well each type of market matches with your business goals and operations. The profile of farmers markets includes the following information.

The farmer-market-shopper match

- *Markets in BC*
  This pie chart shows the proportion of urban, suburban, and town markets in BC. Almost half of all BC's markets are located in towns.
- *Producer and consumer options*
  The text box explains what we mean by 'the farmer-market-shopper match.' The match corresponds to the options available to farmers who want to sell their produce directly to shoppers and the options available to shoppers who want to buy food directly from farmers. The corresponding chart illustrates how combinations of these options are related to the location of a market. We found that the set of options is highest in urban areas and lowest in towns and rural areas.

> ***"You know that the number one rule for retail, whether it's a farmers market or otherwise, is location. If you are in the right place, you are going to get the business."***
> BC farmer

Three types of markets

On this page we describe in more detail how the combinations of farmer and shopper options play out in each of the three types of markets: urban, suburban, and rural.

Operations

- *Types of all market vendors*
  This bar chart shows all the types of vendors who sell at BC's farmers markets. About 60% of vendors are related to food, while 40% are crafters. About 35% of vendors are farmers, as opposed to gardeners, bakers, or food processors.
- *Size of markets (# of vendors)*
  The pie chart shows the percentage of farmers markets in BC by size, where the size of the market is measured by the number of vendors. (Small = less than 20 vendors; Medium = 20 to 39 vendors; Large = 40 to 99 vendors; Very large = over 100 vendors). Almost half of the farmers markets in BC are large.
- *Types and sizes of markets*
  This table shows the relationship between the types of markets (urban, suburban, town) and the size of markets. While small markets tend to be located in towns, larger markets can be found in urban, suburban, and town locations.
- *Trends over past five years: total market sales*
  Market managers were asked to report on the change in the total market sales at their farmers market. The bar chart shows that total sales have increased in the majority of BC's farmers markets over the past five years. About three-quarters of all markets reported that sales increased either slightly or significantly. Only a few markets reported a decline in sales.
- *Trends over past five years: market customers*
  Market managers were asked to report on the change in the number of customers visiting their farmers market. Most market managers reported that the number of customers has increased over the past five years, as shown in the bar chart. About thee-quarters of markets reported that the number of customers increased either slightly or significantly over the past five years. Very few markets reported a decline in the number of market customers.
- *Market managers*
  This pie chart shows the percentage of markets with paid market managers, as opposed to volunteer market managers. A well paid market manager usually means that the market is well organized. About two of every three markets have a paid market manager; however, the level of payment varies significantly.

Selling at BC's Farmers markets
A PROFILE OF MARKET CUSTOMERS (see pamphlet)

The information in this profile will help you to understand who shops at BC farmers markets. The profile provides key insights about what customers are looking for and how much they spend. You can use this information to assess how well your business goals and operations align with the needs and interests of market customers. The profile of farmers market customers includes the following information.

Key facts and spending patterns

- *Amount spent at markets*
  The amount of money spent by customers at farmers markets is one way to assess the success of a market. On average, customers in BC spend $18.18 during each market visit, according to a 2006 study (see bar chart on left). Another study completed in 2008 shows that farmers market customers across Canada spend $32.08 per visit (see bar chart on right). The difference between these two numbers shows the difficulty of tracking this kind of information. Nevertheless, the results of the studies provide a useful range. Customers are more likely to spend more money when there is a good complement and diversity of vendors. They also spend more on average when there are higher priced goods, such as meat and high-end artisans.
- *Opportunities for value-added product sales*
  Farmers market shoppers were asked how much they spend at nearby businesses immediately before or after their visit to the market. As shown in the bar chart at the bottom on the page, three out of four market customers also shop at nearby businesses when they visit the market, with many of these shoppers spending more than $30 at these nearby businesses. While these results show that farmers markets benefit the local economy, the results also show that there is an opportunity for farmers market vendors to capture some of this shopper spending by selling value-added products.

Shopping preferences

- *Frequency of visits to markets*
  The bar chart at the top of the page shows the frequency that customers shop at farmers markets. The results lend insight to the degree of loyalty customers have to the market. Almost half of all customers shop at the market at least twice per month. These are the market's regular customers. The results also lend important insights to the dynamics of a market. Regular shoppers who are loyal to a market may also be loyal to particular vendors, which makes it harder for new vendors to enter the market. For similar reasons, the number of first-time visitors to farmers markets is important to new vendors as these customers have no loyalties to existing vendors, but may not come back to the market either. About one of every five shoppers is visiting the market for the first time.
- *Use of food retail outlets*
  The next bar chart shows where BC farmers market shoppers buy their groceries and how often they shop at these places. The results show that farmers market shoppers use the market, on average, about once every two weeks, which is similar to how often they shop at large grocery stores. These same shoppers indicated that they purchase at the farm gate only once or twice per year.
- *Food purchases and frequency of shopping at markets*
  Farmers market customers were asked two questions: (1) how frequently they shop at farmers markets and (2) how important different factors are when

purchasing food (see list below). The table at the bottom of the page shows the relation between these two questions. The columns are organized by frequency of shopping (frequently, weekly, bi-weekly, etc.). The order of factors influencing food preferences are presented within each column. The factors are listed from most to least important. The factors shaded in blue were rated as either 'important' or 'very important.' What the table shows is that those customers who shop more frequently at farmers markets have a greater number of factors that they consider important. This means that the most loyal farmers market shoppers are most concerned about the food they buy and about whom they buy it from. These loyal shoppers were also more concerned about local food and less concerned about price.

Market customers were asked to rate the importance of each of the following factors when buying food.

- Animal welfare
- Appearance of product
- Brand name
- Certified organic
- Ease of preparation
- Fair trade
- Food safety
- Grown/produced in BC
- Grown/produced in Canada
- Grown/produced locally
- Grown/produced someone known
- In season
- Low price
- Natural (not certified)
- Nutritional content
- Packaging (aesthetics)
- Packaging (materials)

About market customers

- *Household income*
  As illustrated in the bar chart at top-left, the household incomes of farmers market shoppers cover a wide range. About one-quarter of shoppers are from households with incomes greater than $100,000.

- *Age*
  The bar chart on top-right shows that about three-quarters of farmers market shoppers are between the ages of 36 and 65 years.

- *Trends over past five years: regular shoppers*
  Market managers were asked to report on recent changes in the number of regular customers visiting their farmers market. The top bar chart shows that about three-quarters of the managers reported that the number of regular shoppers has increased either slightly or significantly over the past five years.

- *Trends over past five years: first-time shoppers*
  Market managers were asked to report on recent changes in the number of first-time customers visiting their farmers market. The middle bar chart shows that the number of first-time shoppers has not increased as much as has the number of regular shoppers. Nevertheless, most markets reported an increase in first-time shoppers to their market over the past five years.

- *Trends over past five years: tourist shoppers*
  Market managers were asked to report on recent changes in the number of tourists visiting their farmers market. The bottom bar chart shows that the number of tourist shoppers has grown the least, compared to regular and first-time shoppers, over the past five years. Generally, the number of tourists visiting a market varies by the location of the market. Some markets are based in popular tourist spots while other markets are aimed at neighbourhood residents. Tourist shoppers are more likely to be craft items rather than meat and vegetables.
- *Mode of transportation*
  The pie chart in the middle shows how shoppers travel to farmers markets. Each market manager was asked what portion of their customers drives to the market and what portion bikes to the market. The top pie chart shows that two-thirds of the markets reported that most customers drive to the market. In contrast, only ten percent of the markets reported that most of their customers bike to their market. Keep in mind that whether a shopper can get to a market by car or bike depends on the location of the market and the availability of parking, among other factors. This could influence how much the shopper is willing to buy.

Selling at BC's Farmers markets
A PROFILE OF MARKET VENDORS (see pamphlet)

This profile includes information about revenues, area cultivated, operations, and marketing channels used by producers who sell at BC farmers markets. You can use this information to compare your operations against other vendors, to assess how realistic your goals are, and to decide whether a farmers market is an appropriate channel for your operations. The profile of vendors includes the following information.

> ***"I put this much greenhouse up to take up all my time just growing stuff, but I figured I was just going to wholesale. If I was to do it again, I wouldn't have as much greenhouse here so I would have certain time to sell. It really comes down to a decision about how you size your operation."***
> BC farmer

<u>Size of vendor operations</u>

- *Gross annual revenues from farmers markets*
  Farmers who presently sell at BC farmers markets were asked about their gross annual revenues that they generate at the market. (Note that some farmers sell at more than one market, as discussed below.) Farmers reported a wide range of annual revenues, from $2,500 to over $200,000, as shown in the top bar chart. However, almost 70% of farmer vendors earned less than $20,000 of gross sales from farmers markets. The range is related to the types of farmers included in the survey. Vegetable farmers are likely to have much lower gross revenues than fruit and meat farmers. For more details, refer to the profiles for each type of farmer vendor. Revenues also vary proportionally with the size of the operation.
- *Area cultivated or pasture (acres)*
  Farmers who presently sell at BC farmers markets were asked about the size of their operations in terms of either area cultivated or used for pasture. Most farmer vendors cultivate less than five acres. Similar to revenues, the different types of

operations (vegetable, fruit, or meat) contributed to the range of responses: from 0.1 acre to over 100 acres, and up to 10,000 acres for beef farmers. For more details please refer to the corresponding profiles for each type of farmer vendor.

- *Area cultivated and gross annual revenues from markets*
  The table at the bottom of the page shows the relation between the size of the farm operation and gross annual revenues from farmers markets. The results show that most farmer vendors are smaller operations (less than five acres) with annual gross revenues of less than $20,000. Perhaps more than any other piece of information presented in the *Selling in BC's Farmers Market* series, these results show that selling at farmers markets is not for every farmer – but does serve some farmers very well for their particular operation. Thus, this table also shows how important it is for a prospective farmer vendor to consider how a particular farmers market serves their particular business goals.

<u>Farmer vendor operations</u>

- *Types of farmer vendors (by primary product sold)*
  The bar chart at the top of the page shows the types of farmer vendors that sell at farmers markets. We have organized farmer vendors by the primary products they sell: vegetables, fruit, fruit and vegetables, meat, mixed, and other. As shown, there are more vegetable farmer vendors than other types. The category of 'other' includes baked goods, eggs, plants, preserves, honey, and more.

- *Production method*
  The pie chart shows the methods of farm production used farmer vendors. Most farmers (55%) identify their method of production as natural. Just under one-quarter of farmer vendors produce certified organic products. It should be noted that the difficulty of defining methods of production leaves room for interpretation. For this question we provided the three categories of organic, natural, and conventional. Farmers self-identified their method of production.

- *Products sold by farmer vendors*
  This bar chart shows the range of products that are sold by farmer vendors at farmers markets. The individual products are grouped by type of farmer vendor. The results show the smaller proportion of meats that are sold at markets.

- *Age of farmers*
  The average age of farmers is an on-going concern for agriculture in BC and the rest of Canada. Based on the data received from farmer vendors, it appears that the age of farmers selling at farmers markets is similar to the rest of the farming population, as shown in the bottom-left bar chart. More than half of farmer vendors are at least 50 years old.

- *Years farming*
  Although most farmer vendors are at least 50 years old, the bottom-right bar chart shows that half of the farmer vendors have been farming for less than ten years. Almost one-quarter of farmer vendors have been farming for less than five years.

The most probably answer for this mix is that more new retirees are getting into farming for the first time and using farmers markets.

Marketing channels used

The information on the "Marketing channel used" page of this pamphlet lends insight to the importance of sales from farmers markets for farmer vendors.

- *Percent of sales from markets*
  The first bar chart shows the sales that farmer vendors generate from markets as a percentage of their total farm sales. For half of farmer vendors, the market is the primary source of annual gross revenues (at least 75% of total farm sales).
- *Farmers market revenues and number of markets used*
  The table on this page shows the relation between sales and the number of markets that a farmer attends. About half of the farmer vendors surveyed reported that they sell at more than one farmers market. One vendor reported selling at twelve markets! This table also shows that those farmer vendors who generate at least $30,000 in gross annual revenues from farmers markets are more likely to sell at four or more markets. Those farmer vendors who sell at only one market are most likely to generate less than $20,000 in annual gross revenues (these also tend to be the smaller-sized farms). The results shown in the table re-inforce the idea that farmers markets can serve farmers in different ways and for different reasons.
- *Other marketing channels used*
  The bar chart at the bottom of the page shows what direct-to-consumer marketing channels farmer vendors use in addition to farmers markets. The results show that farm gate sales are the next most important marketing channel being used by farmer vendors. 70% of the farmer vendors who were surveyed also sell at the farm gate.

A similar profile is available for each of the following types of farmer vendors:
- Vegetable farmers
- Fruit farmers
- Fruit & vegetable farmers
- Meat farmers

You can look up the profile that corresponds with your farm operations to assess how realistic your goals are in relation to similar operations.

Sources of data

The information used to create the *Selling at BC's Farmers' Markets* pamphlets is based on data collected in British Columbia. The following sources, and corresponding methods, were used.

BCAFM Membership Database
Each year the BCAFM asks its members to complete a profile as part of its application process. This process is administered by BCAFM.

BCAFM Market Profile
In addition to the BCAFM membership database, information about individual farmers markets was collected via a telephone survey. An effort was made to contact all BCAFM members. A total of 35 markets responded.

BCAFM Vendor Profile
A telephone interview was conducted by BCAFM as part of this initiative to develop business case materials. As no complete list of vendors at BC's farmers markets exists, the first step was to create this list. The primary source of vendors was webpages of individual markets. Other sources included information provided to BCAFM by individual markets and BCAFM's knowledge of market vendors. A partial list of known vendors was created. The vendors were organized by region (Vancouver Island, Coast-Garibaldi, Fraser Valley, North, Cariboo-Chilcotin, Thompson-Okanagan, Kootenays). An effort was made to contact different types of farmers in each region. A total of 151 vendors completed the telephone survey.

BCAFM Case Studies
To gather more detailed information about specific farmer-market-shopper matches, BCAFM completed seven case studies of markets in BC. Each case study involved on-site interviews with market managers, Board members, and market vendors. Whenever possible, interviews were also completed with farmers who were either considering selling at farmers markets or had specific reasons for not selling at farmers markets.

In addition to these primary sources, two sources of secondary data were used to complete the profile of market customers. The primary source was a study of the economic and community benefits of BC's farmers markets: Connell, David J., Teresa Taggart, Kyle Hillman, and Adam Humphrey 2006. *Community and Economic Benefits of Farmers Markets in British Columbia: Provincial Report*. School of Environmental Planning, University of Northern British Columbia. The second source is a brochure highlighting the results of a national study (completed in 2008) of the economic benefits of farmers markets in Canada (available at: http://www.farmersmarketscanada.ca)