

Enhancing the Success of Northwest Farmers' Markets

An Executive Summary



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ENHANCING THE SUCCESS OF NORTHWEST FARMERS' MARKETS: An Executive Summary

Farmers' markets in the Pacific Northwest and across the United States are experiencing exceptional popularity with consumers and growth in numbers. For instance, nearly 70 farmers' markets operated in Oregon during 2005, a result of steady growth over recent decades. Nationally, farmers' markets have been growing at a similar pace numbering over 3,700 as of 2004, an increase of 2,000 markets in 10 years.

Small farmers are using farmers' markets and other direct marketing channels to create a new entrepreneurial agriculture that operates independently of traditional wholesale commodity market channels and provides a gateway into farming for those with limited resources. Farmers' markets are a crucial marketing channel for small farmers. In addition, farmers' markets play a key role in local food economies and the social life of communities.

Farmers' markets are operated independently in individual communities. The markets are funded almost entirely by farmers' fees. They are community-based grassroots organizations that operate on "shoestring" budgets with little in the way of resources for customer research, strategic planning, or the other practices that businesses and organizations access in order to assure their longevity. Perhaps as a result, the growth in numbers of farmers' markets has not been entirely smooth. Each year there are farmers' markets that are forced to close. Along with high numbers of market start ups there are also high numbers of market failures. Farmers' market organizers, customers, small farmers, and local food system/security advocates and practitioners are concerned about the long term viability of farmers' markets and interested in enhancing this important market channel and hub for communities. An overarching question is: With farmers' markets increasing in popularity and numbers, why do some markets thrive while others fail? The research findings summarized here make an important contribution toward the answer.

This report examines the conditions associated with success and failure of individual farmers' markets and provides information and recommendations for market organizers to assist with their decision making and strategic planning. It explores historic trends related to growth and decline in market numbers; it examines the management organization associated with markets of specific sizes; it looks at the characteristics and issues associated with markets that fail; and it synthesizes a model that illustrates how farmers' market organizers successfully adapt to barriers and challenges in their environment.



In addition, specific findings have provided the foundation for recommendations regarding market organization and planning that may enhance the success and longevity of individual farmers' markets. This is the first step toward the development and use of this information as educational outreach materials to benefit farmers' market managers, boards of directors, and others who assist with current management and strategic and long-term planning for farmers' markets.



A variety of research methods were used to carry out this project. A 2002 survey questionnaire administered by telephone represented 50 of the 53 farmers' markets eligible to participate (94% response rate). Other methods included extensive interviews, participant observation, and focus groups. The project had a participatory approach. A project advisory committee was used for guidance and input and participants were included at each stage of the project from assisting in creating the survey instrument, offering input on data analysis, reviewing and critiquing preliminary data results, and finally reviewing and critiquing the findings.

The research project summarized here focused on farmers' markets in the Pacific Northwest (Oregon, Idaho and Washington). Full research findings will be presented in a series of technical reports. The project gathered information on fundamental aspects of market operations in the three states. In addition, the data for Oregon were analyzed in greater depth to provide detail on specific issues surrounding market success and failure. These findings provide guidance for farmers' market organizers and are presented in this executive summary under five headings:

1. The Nature of Farmers' Markets
2. Historic Cycles of Expansion and Decline
3. Market Size and Management Tools
4. Not all Markets are Successful
5. Managing to Maximize Atmosphere, Products and Community

Also presented here are recommendations to assist in planning for market success under five broad headings:

1. Plan New Markets Carefully to Assure Success
2. Management Organizational Structure Should be Appropriate for the Size of the Market
3. Some Markets Should Pursue Community Financial Support
4. Focus Market Resources on the Local Market and Focus Collective Resources to Address State and Federal Policy
5. Applied Research and Outreach is Necessary for the Success of Farmers' Markets

1. The Nature of Northwest Farmers' Markets

Oregon's farmers' markets share some common elements but also show a diversity of adaptations. Farmers' market vendors are most commonly farmers (producers of food or agricultural products) but some markets allow and encourage craft vendors. The number of vendors is highly variable among markets, with some markets having a very small number and others rather large numbers. The markets reflect their communities and often markets that are only a few miles apart will appear, "feel," and be managed in ways that are different. This mirrors local subculture, socioeconomics, and other local conditions.

The markets are transient in character. They are able to set up quickly and transform a stark street or parking lot into an active marketplace, then dismantle just as quickly. In fact, the physical environment is inherent in the nature of farmers' markets. Farmers' markets interact directly with the physical environment in two ways:

1. Through the market site and
2. Through the products for sale at the market.

Unlike retail food venues that operate daily and have a wide selection of food regardless of the season, farmers' markets operate in a localized natural environment exposed to a diversity of climatic whims.

The open-air form of farmers' markets and requirements that their products be grown locally anchor farmers' markets to their natural environment. Although these features have established markets as a popular niche in the greater consumer marketplace, they also require continuous adjustment to their exposure to the elements and dependence on local farming conditions to provide product (food). For instance, the length of the market operating season and time of operation are often influenced by the physical comfort and seasonal quantity of daylight for vendors and customers. Plus, the influence of local agro-ecozone conditions impacts crop availability.

2. Historic Cycles of Expansion and Decline

Because we are currently in an era of rapid growth of farmers' markets, it is useful to realize there have been other periods of expansion and decline in numbers of farmers' markets. Using data for Oregon, a historical perspective shows that periods of farmers' market expansion and decline have been associated with major external influences at the greater community level and the national and international level. The effects are often beyond the scope of management solutions of individual market organizers and their customers.

National economic downturns, world wars, demographic shifts, local power hierarchies, lifestyle trends, political activism, and public policy all have had negative and positive influences on farmers' markets. Surges in the numbers of farmers' markets occurred during various periods of the 20th century. For instance, the number of markets grew as a result of "self help" programs during

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the 1930's and political activism during the 1970s. The most recent expansion of farmers' markets began during the 1990s and continues today. Periods of decline include the decades of 1950s and 1960s and the late 1980s (Brown, Allison. 2001. "Counting Farmers Markets." *The Geographical Review*, 91(4): 655_674).

The influences said to be stimulating the current growth in numbers of markets although plausible, are for the most part speculation. Research findings from this project indicate that at least one reason for the expansion during the 1990s was the use of farmers' markets to build community. There is further evidence demonstrating that farmers' markets continue to adapt, blending community building and farmer income as goals.

3. Market Size and Management Tools

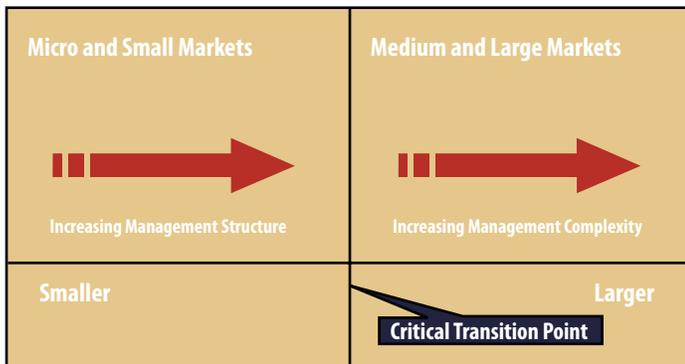
Using data for Oregon, four size categories for farmers' markets were created and used in an analysis of management structures. The size categories are: Micro, Small, Medium, and Large. The categories are presented in Table 1 with the associated numbers of vendors and the number of each size category for Oregon farmers' markets.

Table 1. Size Categories of Oregon Farmers' Markets (All Vendors) included in the 2002 Survey.

Category	Number of Markets	Percent of Markets
Micro (5–8 vendors)	8	16
Small (9–30 vendors)	20	40
Medium (31–55 vendors)	12	24
Large (56–90 vendors)	10	20
Total	50	100

Each market creates internal structures within its available resources so it can manage external challenges and barriers. Each market size category has unique management characteristics along a continuum from Micro to Large. The research findings indicate that markets add management and organizational structure or management complexity as they increase in size (Figure 1). Each market size category uses a specific array of management tools. The selection of management tools changes among market size categories. Knowledge of these changes may help markets plan for maintaining efficiency as they grow.

Figure 1. Market Size and Increasing Management Structure and Complexity



There is a critical transition point for markets that are “smaller” as they become “larger” markets. Specifically, this point occurs between what this research has identified as Small- and Medium-size markets (Figure 1). Markets must be prepared for this transition if they anticipate growing successfully beyond the Small market size.

Micro and Small markets use more management tools as they grow. This adds more management organizational structure with growth. Tools would include site management tools such as maps to assign spaces, and market governance tools, such as written rules and boards of directors.

Because the management structure used by smaller size markets is already in place for Medium and Large markets, these markets add “management complexity” as they increase in size. This complexity consists of planning for and acquiring a paid manager and additional employees and stable revenue to support these positions, as well as increased effort in the form of the number of hours worked in-season and off-season. The tasks performed by managers in these size categories are more complex, for example, budgeting and planning systems are more sophisticated.

4. Not all Markets are Successful

Although farmers’ markets are currently growing rapidly, the number that fail is high. In Oregon, between 1998 and 2005, 62 new markets opened. During the same period 32 markets closed. Table 2 shows the life span of the 32 Oregon markets that closed between 1998 and 2005. The life span of these markets is brief with nearly half closing after only one season. Older markets fail too. In addition, the turnover rate for market managers is high, with 101 manager changes between 1998 and 2005. These findings indicate the struggle many markets experience as they attempt to provide a sustainable management organization.

There are significant differences in the ability of farmers' markets to obtain financial resources.

Table 2. Life Span of Markets that Closed 1998 to 2005

Number of Years Operating	Number of Markets	Percent of Markets that Closed*
1 years	15	47
2 years	5	16
3 years	4	13
4 years	6	19
More than 4 years**	2	7
Total	32	100

* Rounded to the closest percent.

** These markets operated 11 and 22 years.

There are significant differences in the ability of farmers' markets to obtain financial resources. Market administrative revenue (revenue the market management receives from stall fees and other sources) is impressive on an aggregate basis, but is unevenly distributed among markets. A small number of markets collect nearly half the total administrative revenue for all markets. Administrative revenue has an impact on the ability of market organizers to hire labor to perform functions that help grow and sustain markets. The type of labor used (paid or volunteer) is connected to the ability of the market to generate administrative revenue. Larger markets not only take in more administrative revenue based on their size (number of vendors), but they also charge higher stall fees than smaller markets adding to their resources.

Smaller markets often experience a circular condition in which they cannot attract sufficient customers because they do not have sufficient vendors, but cannot attract sufficient vendors because they do not have sufficient customers to do so. These markets are challenged to garner resources needed to support a paid market manager, a key function of which is to recruit vendors and customers and handle other important operational aspects of the market. From the data available, five interconnected factors were identified with markets that fail:

1. Small size
2. A high need for products
3. Low administrative revenue
4. Volunteer or low-paid manager
5. High rate of manager turnover.

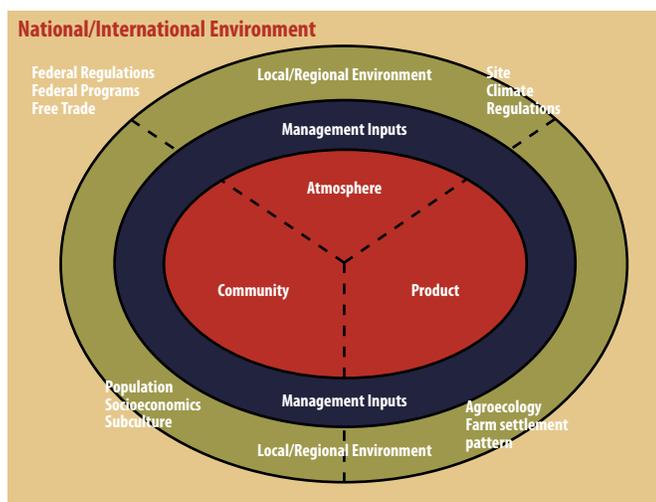
Additional concerns related to market failure include: a correlation between new markets and inexperienced managers, and a threshold for the number of work hours for volunteer managers.

5. Managing to Maximize Atmosphere, Products, and Community

Market managers identified atmosphere, product, and community as key elements of good farmers' markets. These elements may be seen as a target or goals for market organizers. Markets operate under wide-ranging external influences. Skilled management supports successful markets as they adapt to these influences, flourish, and reach market goals. The simple visual model shown in Figure 2 places farmers' markets in an environment made up of natural and political influences ranging from the dependence of crop production on local agro-ecozone conditions to the impacts of state and federal regulations. Markets adapt to these conditions through management (represented by the yellow band) and their adaptations are visible: they create an atmosphere conducive to socializing and sales, they procure a variety of high quality products, and they build community support via a loyal customer base and integration into local social and economic systems.

Figure 2. Farmers' Market Model

Much of the ability to excel in the key traits of successful farmers' markets is based on the use of management tools. Individual farmers' markets have access to varying quantities of resources in terms of people, time and revenue. The availability of these resources impacts the ability of market organizers to manage and therefore, impacts the level and quality of management markets receive.



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Plan for Success: Recommendations for Farmers' Market Organizations

Presented here are five broad recommendations for market managers, boards and organizers. The recommendations are supported by research findings from this project and can be implemented at the local community or individual market level. It is important to keep in mind that permanent sustainable solutions are influenced by state and federal policy. Because these policies change, continually monitoring these external influences is an important management tool for farmers' markets.

Recommendation 1: Plan New Markets Carefully to Assure Success and Avoid Market Failure

Market organizers should spend considerable time deciding whether and how to open a new market. Better planning and promoting before a new market is opened may help with some of the issues that arise during the first year of operation. An important part of the planning process is setting a goal for market size in general or a goal by year, so that cash flow can match the scale of the market and appropriate management tools can be provided. Planning for size is the first step in creating a viable organization that will endure challenges and conflicts that occur with growth. See more detail on this in Recommendation 2.

Market size will be influenced by: community population density, population subculture (interest in purchasing local food and the experience of an open air market), and other factors influencing the scale of a market from the demand side. Local farm settlement pattern (number and type of small farms), agro-ecozone (soils, climate, etc.) and other factors influence the size of the market from the supply side. Organizers should carefully assess whether there is sufficient population to support a market and whether there are sufficient farmers and/or market gardeners to support a market.

Training programs for new managers and boards of directors may reduce the number of markets that close after a brief life and reduce manager turnover in operating markets. Recommendation 5 addresses applied research and training.

Some communities will always have difficulty generating enough funds to support a paid manager. Possible solutions are outlined in Recommendation 3.

These recommendations apply to newer markets. Some older markets also close. The conditions associated with older market closures are far more complex and require further investigation.

Recommendation 2: Management Organizational Structure Should be Appropriate for the Size of the Market

As pointed out in Recommendation 1, planning for the size of a market is an important step in creating an organization that will have the skills and financial

resources to sustain long term operation. The research findings on market structure identified an association between markets of specific sizes and the management tools they used. Table 3 summarizes recommendations for farmers' markets based on the four size categories used in this study (the categories are presented with the range of vendors they represent). The recommendations are based on current practice and may not represent the ideal. The icons represent whether a management tool is "Not Necessary," "Useful," "Necessary," or "Dangerous." Navigating changes between size categories is not easy. For instance, a market's financial situation may challenge its growth if there is a need for a paid manager but the market cannot afford one. Funding limitations that constrain additional hours of work during the season and off-season may make a market less efficient or threaten its stability.



Table 3. Summary of Management Recommendations for Market Size Categories

Management Tool	Micro (5-8)	Small (9-30)	Medium (31-55)	Large (56-90)
Volunteer manager	☺	☺	💣	💣
Paid manager	☺	☺	☺	☺
Design market layout	◆	☺	☺	☺
Market guidelines	☺	☺	☺	☺
Site map	◆	☺	☺	☺
Arrange vendors to meet goals	☺	☺	☺	☺
Board of directors	☺	☺	☺	☺
Bylaws	◆	☺	☺	☺
Board officers	◆	◆	☺	☺
Board committees	◆	◆	◆	☺
Additional employees	◆	☺	☺	☺
Plan for minimum hours for a manager per week per market in-season	7	10+	20+	30+
Plan for minimum hours for a manager per week per market off-season	2+	3+	10+	15+
Plan for minimum additional employee hours per week per market	0	4+	20+	32+

◆ = Not necessary ☺ = Necessary ☺ = Useful 💣 = Dangerous

Here are specific recommendations for management tools that are useful or necessary to markets of the four size categories (Micro: 5-8 vendors, Small: 9-30 vendors, Medium: 31-55 vendors, Large: 56-90 vendors):

Volunteer manager: Appropriate for some Micro and Small markets, but not appropriate for Medium and Large markets.

Paid manager: May not be necessary for Micro and Small markets, although all markets would benefit from having a paid manager. A paid manager is absolutely necessary for Medium and Large markets.

Designing the layout of the market: May not be necessary for Micro markets. Recommended for Small markets and necessary for all Medium and large markets.

Site map to assign spaces: May not be necessary for Micro markets. Recommended for small markets, and necessary for Medium and Large markets.

Arrange vendors to meet market goals: May not be necessary for Micro markets. Recommended for Small markets, and necessary for Medium and Large markets.

Written guidelines: Recommended for Micro markets. Guidelines are probably necessary for all but the smallest of Small markets. They are necessary for all Medium and Large markets.

Board of directors: Not necessary for Micro markets, but an advisory committee would be helpful for markets this size. A board of directors is recommended for Small markets and necessary for Medium and Large markets.

Board officers and committees: Doesn't apply to Micro and the smallest Small markets. Small markets that have boards should have officers. Officers are necessary for Medium and Large markets. Committees may necessary for some Medium markets and most Large markets.

In-season hours of work required: Managers of Micro and Small markets should anticipate working about 7 to 10 hours per week. Medium and Large markets should be prepared to employ a manger half time to three-quarter time. These hours are per market, in the case of multiple-market organizations.

Off-season hours of work required: Managers of Micro and Small markets should anticipate working about 2 hours to 3 hours per week (although they would likely benefit from working more than this). Medium and Large markets should be prepared to employ a manager one-quarter to half time. In cases of multiple-market organizations, these hours are per market.

Additional employees: Not necessary for Micro and Small markets. Necessary for Medium and Large markets. Plan on additional half-time employee(s) for Medium markets and a nearly full-time employee(s) for Large markets.

Recommendation 3: Some Markets Should Pursue Community Financial Support

Some markets will always have difficulty generating enough administrative revenue to support a paid manager and other important market functions. Because of the circular condition of smaller farmers' markets, some markets may be viable only through financial or labor resources provided through other civic or government entities. There are precedents for this in Oregon. The Oregon market manager survey data indicated that in 2002 seven markets were connected with downtown associations or city governments. These organizations support their farmers' markets by providing a salaried staff member for management and other amenities. Farmers' markets are an important part of a local economy and enhance the quality of community life. There is justification for government and economic development sector support.

The faith community is another group of potential community sponsors. For instance, the Ecumenical Ministries of Oregon have demonstrated their interest in community food security through production of local food guides and a recent grant-funded effort to link church members with local food production through community supported agriculture and farmers' market coupons. Many environmental organizations point to locally produced food as good for the environment but likely are not directly involved in the financial support of individual farmers' markets. The current operation of farmers' markets by health care provider Kaiser Permanente in the Portland area and elsewhere offers a model for private sector support that holds some potential for providing markets in some communities." Seeking this type of support may be the only option for a stable market in some communities that do not have sufficient population and funding to support a manager and other basic organizational structures.

Access to financial and other resources is a national policy-related issue with significant impacts on farmers' markets, particularly small markets. Small markets are expected to be self-sustaining while other publicly delivered services do not have a similar expectation. Public funds support services that enhance the global trade of food products but similar resources are not made available to support local agricultural markets. This is a political decision.

Recommendation 4: Focus Market Resources on the Local Market and Focus Collective Resources to Address State and Federal Policy

Individual market organizations should focus their limited resources on the three core traits of successful markets - atmosphere, products and community. It is difficult for individual market organizations to have any impact on higher-level issues (state, national, international). While regulatory barriers are an issue for farmers' markets, they are not the best use of time for an individual manager and would waste valuable resources. This is not a recommendation to become insular, however. These issues can be engaged and changed collectively. This is one of the reasons for having a statewide farmers' market association.

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Collective action by farmers' markets can and has impacted policy at the state level. Therefore, a strong statewide farmers' markets organization is useful in addressing issues of concern beyond the local level. With a statewide organization, sentinel managers inform other managers of state and national issues so the group may respond with one voice. Even the appearance of a statewide group garners the respect of state agencies. Here are some examples of Oregon Farmers' Market Association's (OFMA) successes on behalf of Oregon's farmers' markets:

- Achieved a common understanding on food safety regulations for farmers' markets from the Oregon Department of Agriculture (ODA) Food Safety Division.
- Clarified issues relating to weighing and packaging food at farmers' markets with ODA Weights and Measures Division.
- Procured liability insurance for all farmers' markets in Oregon.

Although there have been successes, OFMA is by no means sustainable as it currently operates. Because it is overseen by a small, dedicated group of volunteers, burnout is a real possibility. A salaried executive director is needed to handle day-to-day operations and to act as the organization's representative with statewide government agencies and individual communities. Funding for some OFMA functions like the organization's web site and annual brochure has been supported with short-term public funds. The institution of membership dues for individual farmers' market organizations has provided a small operating budget. But since most farmers' markets struggle to pay their own managers, it is unlikely that dues will ever support a budget sufficient to provide salaried staff for OFMA. Moving OFMA to a 501(c)(3) legal non-profit status so it may apply for foundation funds for its support may offer some remedy in the medium term.

Advocates of farmers' markets must monitor and influence national policy as well. There is a nascent national organization, the Farmers' Market Coalition, that plans to fill this role. As with state level organizations, financing the support of a national level advocacy organization is a challenge. The eventual resolution may have to come from strategies such as an assessment or fee on an item for which farmers' markets represent an alternative in the same way cigarette taxes fund some health care programs.

Recommendation 5: Applied Research and Outreach is Necessary for the Success of Farmers' Markets

There is a need for continued applied research supporting farmers' markets and educational outreach to managers, boards of directors, and vendors. Applied research provides markets with the information they need to impact public policy. It can also assist markets in making strategic management decisions. For instance, two of the research findings from this project offer an opportunity for educational enhancement. The first regards directing resources to the key

traits of good farmers' markets. The second is a notable underestimation by managers of the external influences on their markets. Together these can be key components of an educational outreach curriculum. The market model can assist managers in addressing strategic planning and resource allocation. In addition, training in farmers' market management, farmers' market-based business management, concepts of marketing, innovative crop production techniques, and other related areas may assist managers and vendors in keeping their competitive edge on more commercialized businesses that may appropriate farmers' market products, appearances, and techniques.