



USDA's Agricultural Marketing Service:

The Influence of Agency Policy on the Development of Local Food Systems

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Presentation Overview

- AMS Connection to Local Food Marketing
- Evolving Market Landscape
- Emerging Challenges in Local Food Arena
- AMS Financial Assistance for Local Food Projects
- Concluding Remarks and Questions





AMS Connection to Local Food Marketing

Begins with Agricultural Marketing Act of 1946

- It is the intent of Congress. . .to aid the distribution of agricultural products through research, market aids and services, and regulatory activities, to the end that:
 - **distribution costs may be reduced**
 - **the price spread between the producer and consumer may be narrowed**
 - **new and wider markets for American agricultural products may be developed**
 - **the full production of American farms [is] disposed of usefully, economically, profitably, and in an orderly manner.**



AMS Connection to Local Food Marketing

Takeaways from 1946 Agricultural Marketing Act

- **Reducing distribution costs and the price spread** between producers and consumers is an integral component of AMS policy.
- AMS policy is predicated on the idea that the “**full production**” of American farmers—regardless of **scale**—should be marketed in a useful, economical, profitable, and orderly manner.
- **AMS is authorized to engage in cooperative research** projects with external agencies and organizations to address marketing and distribution concerns.



Evolving Market Landscape

- U.S. demand for locally grown food expected to rise from an estimated \$4 billion per year in 2002 to as much as \$7 billion by 2012
- **Stimulated by rise in direct-to-consumer marketing**
 - Direct sales of farm products for human consumption **tripled** between 1992 and 2007 (\$404 million to \$1.2 billion)
 - Farmers markets up from 1,755 in 1994 to approximately 4,800 in mid-2009
 - Community-supported agricultural arrangements up from 2 in mid-80's to more than 2,800 in mid-2009
 - More than 130,000 farmers involved in direct food sales
 - More than 12,000 farmers involved in subscription agriculture

Evolving Market Landscape

- Restaurant, retailers, institutional foodservice: all want to capture a portion of rising consumer demand for fresh, locally grown food
- Growing numbers of producers/producer organizations are trying to satisfy this demand through innovative marketing arrangements
- But ***challenges remain*** that make it difficult for local producers, which are often smaller-scale farm operations, to take full advantage of these shifting consumer preferences





Emerging Challenges in Local Food Arena

- **Limitations in production capacity.** Smaller-scale farms often have difficulty accessing foodservice, institutional and retail markets because they individually lack the capacity to meet customer requirements for product volume, quality or extended availability
- **Traceback mechanisms and recordkeeping.** Commercial, institutional and retail buyers are not just looking to procure food products that are locally grown, but can actually be traced back to the farm in the event of a foodborne illness outbreak. Many farmers lack knowledge about how to create adequate records and product monitoring systems that would facilitate such quick product identification and traceback.
- **Food safety:** Commercial and institutional customers are increasingly demanding certified quality assurances for the food products they purchase, a marketing requirement that many farmers have not had to address in the past

Emerging Challenges in Local Food Arena

- Suggests additional work needs to be done to:
 - Identify successful collective marketing arrangements and options for product aggregation so that a greater number of producers can participate in retail, foodservice and institutional marketing channels
 - Facilitate exposure to and education about promising collective marketing models
 - Create infrastructure that supports collective product aggregation, sorting, packaging and storage of locally grown perishables
 - Identify common buyer specifications for locally grown food
 - Help producers establish appropriate recordkeeping and inventory control systems
 - Educate producers about Good Agricultural Practices (GAPs) and other relevant postharvest handling protocols
 - Provide information about available quality assurance certification services





AMS Financial Assistance

- Two Competitive Award Programs
 - Farmers Market Promotion Program
 - Federal-State Marketing Improvement Program
- Specialty Crop Block Grant Program
- Cooperative research agreement authority
 - AMS devotes a limited amount of non-competitively awarded program funds each year to cooperative research agreements in order to facilitate collaborative research on priority marketing issues.
 - Typically initiated with state, local and Tribal government agencies, land-grant universities, or non-profit organizations.



Farmers Market Promotion Program

The Farmers Market Promotion Program (FMPP) is a competitive grant program explicitly designed to assist eligible entities in improving and expanding domestic direct to consumer marketing outlets, including:

- Farmers markets
 - Roadside stands
 - Community-supported agriculture programs
 - Agritourism activities
 - Other direct-to-consumer marketing opportunities for farm products
- Originally authorized in the 2002 Farm Bill
 - Funded for the first time in FY 2006 (\$1 million)



Increases in FMPP Fund Availability

FY-2007 (\$1 million)

- 329 proposals accepted for review
- 22 funded (7% awarded)
- Grant cap at \$75,000
- Average award: \$39,130

FY-2008 (\$3.4 million)

- 225 proposals accepted for review (Note: increase in funding to \$3 million+ not authorized until after submission deadline)
- 85 funded (38% awarded)
- Grant cap of \$75,000
- Average award amount: \$40,529

FY-2009 (\$5 million)

- 500 applications accepted for review
- Grant cap of \$100,000


FY 2010 funding expected to remain at \$5 million, rising to \$10 million per year in FY 2011 and 2012.



Farmers Market Promotion Program

Funds most commonly used to support:

- Professional education opportunities for farmers, market managers and farm vendors
- Purchases of critical supplies and equipment for financially-strapped and newer farmers markets
- Permanent signage for farmers markets that identify location and operating hours, and enhance visibility
- Market publicity and media campaigns
- Market-based community outreach and nutrition education
- **Special 10 percent set aside** for electronic benefits transfer to encourage SNAP redemption (started FY 2009)



Federal-State Marketing Improvement Program

One-to-one matching grant program to State agencies, to foster marketing projects and marketing research.

Funding levels:

- Approximately 1.3 million per year (appropriated)
- Approximately 25 projects funded each year
- Average grant award + \$50,000

Support of local food projects:

- FY 2008—25 projects awarded, 7 local food projects
- Total \$382K out of \$1.3 million, or around 29 percent
- FY 2007—26 projects awarded, 5 local food projects
- Total: \$198K out of \$1.3 million, or around 15 percent

Federal-State Marketing Improvement Program

Sample FSMIP local food projects (FY 2008)

- **Delaware** – \$64K to assess consumer willingness to pay for locally grown, organic and natural produce in a 5-state region.
- **Kentucky** - \$56K to identify new niche markets for sheep and goat products through direct marketing to Hispanic consumers and retailers.
- **Maine** – \$56K to utilize word-of-mouth marketing strategies that can help farmers expand their customer base and increase sales of locally produced agricultural products.
- **Maryland** – \$51K to facilitate use of locally-produced foods in Maryland hospitals.
- **Oregon** – \$60K to expand opportunities for agricultural producers and processors through the development of products for Oregon school food programs.





Specialty Crop Block Grant Program

- Initiated in FY 2005
- Authorizes USDA to “make grants to States for each of the fiscal years 2005 through 2009 to be used by State departments of Agriculture solely to enhance the competitiveness of specialty crops.”
- All 50 States, the District of Columbia, and the Commonwealth of Puerto Rico are eligible.
- Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

Specialty Crop Block Grant Program

- In FY 2009, each state will receive an approximate base grant of \$160,000
 - Equals 1/3 of 1 percent of \$49 million, the total amount available in FY 2009.
 - Remainder of the funds allocated to individual States based on the latest available USDA/National Agricultural Statistics Service (NASS) state specialty crop cash receipt data.





Specialty Crop Block Grant Program

Highlights of approved block grants related to local food promotion (FY 2008)

- **California** - Encouraging more retail purchases of local specialty crops to supply the demand already in place, clearly identify it, and create easier access for food buyers to find, purchase and prepare locally grown specialty crops.
- **Louisiana** - Conducting research to determine consumer needs and wants at farmers markets, and determining the ability of producers to supply greater quantities and varieties of fruits and vegetables at farmers markets.
- **Michigan** - Implementing peer-to-peer farmer training and mentoring by successful, innovative farmers in the fresh, local market supply chain.
- **Minnesota** - Assisting markets in adopting Electronic Benefits Transfer (EBT) technology at farmers markets and providing two regional educational workshops twice a year to farmers market specialty crop vendors.

Specialty Crop Block Grant Program

- **Pennsylvania** - Expanding the distribution of fresh and nutritious commodity foods to food insecure households by providing funds on a competitive level to Pennsylvania based businesses, such as farm stands, farmers markets, non-profit organizations, farmers and local governments.
- **Puerto Rico** - Creating an exclusive space in several retail outlets for collective sales of locally-grown products.
- **Washington** - Supporting an island-wide 18 week Community Supported Agriculture (CSA) learning center based on a Washington farm to teach a team of 8-10 new farmers to farm on 1/2 acre of land.





AMS Support for Local Food in Schools

Numerous demonstration projects:

- In mid-1990's, AMS provided seed money through its cooperative research agreement authority to two pilot farm-to-school marketing projects (among the first in the U.S.).
- Participants:
 - Georgia Department of Agriculture and Fort Valley State College
 - Florida A&M University and West Florida Resource Conservation and Development Council (in partnership with New North Florida Cooperative, Marianna, FL)



AMS Support for Local Food in Schools

- Georgia project terminates early
 - Schools generally unwilling to accept bulk produce
 - Buyers disappointed with levels of quality and service
- New North Florida Cooperative (NNFC) changes product mix
 - Drops most fruit deliveries
 - Concentrates on niche convenience product – fresh, chopped, bagged collard greens – which is unavailable from other suppliers



AMS Support for Local Food in Schools

- Florida cooperative able to expand customer base
 - Receives second cooperative agreement from AMS to rent refrigerated equipment, develop business operations
 - Extends direct delivery services from one to several local school districts
 - Partners with other small farm cooperatives in the Southeast to share distribution networks and offer expanded range of product to customers (e.g., sweet potato sticks)
 - Supplies fresh-cut and processed produce to school districts in 4 Southeastern States



AMS Support for Local Food in Schools

In FY 2001, AMS provided \$27,000 (through a FSMIP grant) to the New Mexico Department of Agriculture to conduct a farm-to-school pilot project involving three public schools and a new cooperative of small-scale Hispanic farmers.

Results:

- Annual purchases by the Santa Fe and Taos public school systems have grown from \$21,000 (for 3 pilot schools) in 2002 to over \$400,000 in 2006. Products have ranged from apples, peaches, and pears to mixed salad greens and other vegetables.
- Coordinators of program have seen changes in student eating habits as result of program.



AMS Support for Local Food in Schools

In FY 2004, the Connecticut Department of Agriculture received \$56,200 through a FSMIP award to develop a state-wide system to promote the use of locally-produced food in public schools.

Results:

- Number of Connecticut farms selling products directly to schools increased from 15 in 2004 to 28 in 2005.
- More than 50 schools enrolled in program.
- 6 produce distributors are working with their school accounts to source Connecticut Grown products.



AMS Support for Local Food in Schools

FY 2006: AMS awarded \$41,800 to the Davis Farmers Market Foundation, Davis CA, through a FMPP grant to create new marketing opportunities for current vendors at the Davis Farmers Market by developing an innovative partnership with the Davis Joint Unified School District.

Results:

- During period of project, local sourcing of produce in Davis public schools averaged 22 percent of total produce purchases.

Potential Future Expansion in AMS Local Sourcing for Schools

- AMS will be hiring an employee to assist with the continued development of “Buy Local” and “fresh-cut” initiatives within its commodity procurement functions
 - Both projects require local producers and handlers to fully understand USDA inspection and contractual requirements.
 - Past pilot projects have shown a good deal of education is needed to assure local producers fully understand their responsibilities prior to harvest and contract award.
 - A great deal of time will also be spent locating growers with whom AMS does not currently have a business relationship.



Questions?



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