Local & Organic:

Bringing Maryland Organics from Farm to Table

Survey analysis, case studies and recommendations for Maryland's agricultural producers and policy makers

Presented by the Chesapeake Fields Institute

April 2004

Funded by the USDA Federal-State Marketing Improvement Program and the Maryland Department of Agriculture

The Chesapeake Fields Institute

The mission of the Chesapeake Fields Institute is to strengthen the profitability of traditional agricultural markets for family farms, while conserving the region's natural and cultural resources.

OUR VISION: Preservation Through Profitability

Preservation through profitability will be realized through collaboration among area family farmers, community, government, business leaders, and institutions of higher education throughout the Delmarva Peninsula. This collaboration will result in the development of a community-based food systems enterprise that is locally-owned and operated using environmentally sound practices. This will be promoted through health and education entities.

We believe that addressing needs on economic, social, and environmental levels will ensure our goals of:

- improving the economic profitability and viability of Delmarva family farmers;
- strengthening respect for and preservation of agricultural land;
- building awareness that agriculture is our preferred land use; and
- increasing use of production methods among Delmarva family farmers.

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I. Executive Summary

Many Maryland consumers want to buy locally-grown organic food, according to a new survey by the Chesapeake Fields Institute (CFI). They're even willing to pay a premium price to get it. But few retail outlets make these food products easy to find. This project was funded by the USDA Federal-State Marketing Improvement Program and the Maryland Department of Agriculture. It develops a comprehensive understanding of the Maryland-grown organic food market and uncovers innovative ways to strengthen the bonds between Maryland's organic farmers and the people who want to buy the fruits (as well as the vegetables, eggs, meat, dairy, grain and poultry) of their labor.

At the time of publication, there were 84 annually certified organic agricultural producers in the state of Maryland. They were farming about 5000 acres, according to the Maryland Department of Agriculture Organic Certification Program. Approximately 50 other agricultural producers are interested enough in becoming certified organic to contact the state's Organic Certification Program each year. Most of these organic and "organic interested" producers want to sell their products locally, and would like to join cooperative marketing efforts, according to a new survey conducted by CFI as part of this project.

Despite interest from both consumers and producers, not all retail outlets carry Maryland-grown organic food. And some of those that do carry Maryland-grown organic food fail to label it as such.

To help understand and improve the Maryland market for locally-grown organic food this project investigates the supply and demand for locally-grown organic food in Maryland. This project has researched the market through a four-stage process:

- Statewide consumer and producer surveys;
- In-depth one-on-one interviews with a panel of top industry experts;
- Three detailed case studies on well-developed organic food marketing efforts with potential for successful replication in Maryland; and
- Outreach through this report, an editorial, a press release, a mailing to food industry members and Maryland state legislators and more.

Project results show that Maryland's certified organic and "organic interested" producers want to sell locally (74 percent) and be part of collective marketing efforts (82 percent). Results show that most consumers surveyed do seek out locally-grown food (79 percent) and have purchased certified organic food in the last six months (56 percent). Through our search of existing literature, a rigorous analysis of survey results, and a series of in-depth conversations with experts in the field, the project chose three organic product markets that the project believes could be profitable in Maryland:

1. Maryland Organic Poultry;
2. Maryland Organic Beef; and
3. Maryland Organic Fresh Fruit and Vegetable Juices.

The three case studies developed for this report have been built around these opportunities. The project also uncovered latent opportunities for improving Maryland-grown organic food markets within current initiatives being run by state agencies and organizations. Project recommendations grow from the four-stage research process described above.

RECOMMENDATIONS

- **Adequately fund a statewide labeling program (e.g., the Maryland Department of Agriculture Certified Organic label program or the Maryland's Best label program) to market Maryland-grown organic food to Maryland consumers.**
- **Encourage state institutions to develop contracts with state certified organic producers for their agricultural product needs through a pilot project in a public school or other institutional venue.**
- **Educate non-organic farmers in Maryland about the certification fee rebate program and other help available through workshops and mailings.**
- **Facilitate a series of meetings on specific Maryland organic product markets to aid in the development of these markets in collaboration with interested producer groups, other industry members and non-profit organizations.**

II. Organic and Local Food: A Growing National Presence

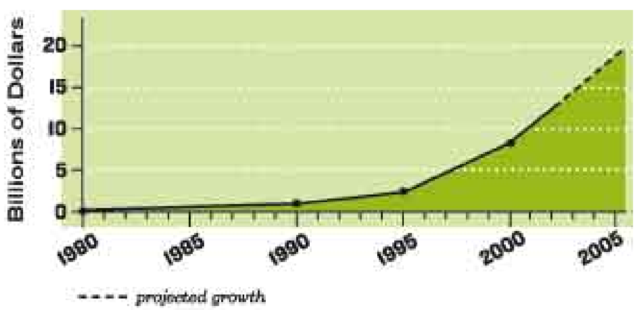
Over the past two decades the organic food industry has expanded from small natural food stores to major supermarkets. A growing number of farmers' markets are attracting younger customers in search of the freshest food possible.

Organic product sales increased dramatically from less than $1 billion in 1990 to $11 billion in 2002 (Organic Trade Association: http://www.OTA.com/organic/mt/food.html, "Food Facts"). There are no signs of a slowdown. Trendy restaurants highlight local and organic items on their menus, and top food industry groups feature organic food trendsetters as industry leaders (Ibid).

Farmers and ranchers see organic certification as a valuable marketing tool to help them increase profit and stay on their land, and they see organic production as a way to keep their families safe. Consumers, in vast numbers, believe that organic food is better for the environment and better for their families. More and more are putting organic food into their shopping carts on a regular basis.

The trend toward organic production is easy to trace. Organic acreage reached 2.34 million acres in 2001, according to the USDA Economic Research Service (U.S. Organic Farming in 2000-2001, AIB-780). One million acres have been added since 1997 alone. Certain markets, such as livestock, have been growing even faster. The amount of certified organic pasture and rangeland for livestock doubled between 1997 and 2001.

Organic Retail Food Sales in the U.S.



(Source: Natural Marketing Institute/Organic Trade Association)

Certified Organic Acreage in the U.S.

(Source: USDA Economic Research Service, Organic Farming in 2000-2001)

Among the general population, organic purchases grew almost 10 percent from 1999 to 2000, according to the Organic Consumer Trends report published in 2001 by the Natural Marketing Institute. In the Organic Consumer Profile developed by the Hartman Group, almost a third of consumers stated that they currently buy organic food products. They also found an additional 50 percent of consumers who don't currently purchase organic foods but say they would be willing to try them. And a full 67 percent of all people say that the store where they shop the most does offer organic food (Food Marketing Institute, *Trends in the U.S.: Consumer Attitudes and the Supermarket*, 2000).

Local food has also seen a steady rise in popularity, though not at supermarkets like organic food, except for a few seasonal specials. Some supermarkets and many food cooperatives try to carry locally-grown foods, and often mark these items as such. But much local food is sold the old fashioned way—directly from farmer to consumer. The most popular type of direct market is the farmers' market. The number of farmers' markets across the nation is currently 3,100, according to the National Farmers' Market Directory. This number reflects a remarkable 79 percent increase between 1994 and 2002, according to the National Farmers' Market Directory. Other direct markets, such as community-supported farms, farm stands and pick-your-own operations are also thriving.

III. Organic and Local Food Markets in Maryland: A Brief Description

Producers and consumers want to connect and do business in Maryland, but so far little is taking place. This is not for lack of programs. Current efforts to sell Maryland-grown and/or Maryland organic products include:

- The Maryland's Best program;
- County initiatives in Frederick, Howard and Harford counties;
- The "Shore-to-Store" program covering the Delmarva area;
- The "Southern Maryland Harvest" project;
- The "Ask for Maryland Wine" program;
- The Maryland Certified Organic Growers Cooperative;
- The Maryland Organic Food and Farming Association;
- The Chesapeake Fields Institute agricultural business park;
- And more...

"We need to keep it simple—don't confuse the consumer."

Bruce Mertz

Some say there are too many different programs for any one to make an impact. Others believe many small programs are the most sensible way to build what are essentially separate markets for items with just one thing in common—their place of origin. Despite differing opinions, one thing is clear: none of the programs currently operating have the resources they need to accomplish their goals.

One of the most significant programs listed above in terms of potential is the Maryland's Best label program. It was developed, according to the Maryland Department of Agriculture Web Site, in order to:

- Heighten awareness of Maryland agriculture;
- Promote the quality and uniqueness of Maryland agricultural products;
- Support conservation of natural resources and open space; and
- Strengthen Maryland's economy.

Another program with great potential is the Maryland Department of Agriculture Certified Organic label program, which is linked to the state's organic certification program.

"I would urge a broad spectrum approach. Different product types have different degrees of market penetration, but they all have opportunity for growth."

Catherine Greene

These labeling programs suffer due to lack of funding. However, either could be developed into a powerful marketing tool for Maryland-grown organic products.

Statewide labeling programs in other states are very successful. For example, the Jersey Fresh program run by the New Jersey Department of Agriculture states on its Web Site that a 1997 survey they performed showed that 38 percent of shoppers in the New York–Philadelphia metropolitan region were aware of the program and 54 percent stated that they were more inclined to purchase Jersey Fresh farm products if they are labeled as such at the point of purchase. Maryland can learn from the success of other states' programs and make a statewide labeling program a boon to farmers and consumers alike. The key is to learn lessons from other states that have thriving programs.

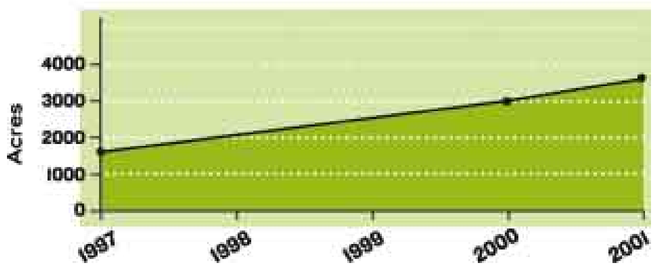
"We need to develop an infrastructure that will allow us to enter the mass markets with quality products packaged and distributed in a manner they prefer. This may require us to change!"

John Hall

A more direct way for the state to support local organic food sales is by encouraging state institutions, like schools, to purchase Maryland-grown certified organic products. Institutional local and/or organic buying programs are successful in school districts and public universities all across the country (including Maine, Pennsylvania, Wisconsin, Ohio and California). Start-up grant money has been awarded to institutional buying projects by the USDA Sustainable Agriculture Research and Education Program and private foundations. There are even sample school food policies available on the Internet. Maryland can learn from other states' institutional buying programs to create a new market venue that benefits the state's farmers and consumers alike.

The Maryland Organic Certification Program (OCP) certified 84 producers farming about 5000 acres, one retailer and nine handlers in 2002. Around 50 additional producers annually are interested enough in becoming certified to contact the OCP for information on certification but have not yet submitted organic farm plans for consideration. Certified acreage is increasing gradually, and growth market areas appear to be concentrated in pasture, hay and grain, reflecting a growing interest in animal production.

Certified Organic Acres in Maryland



Organic Product Sales in Maryland in 2002

$160 Million
1.88 percent of total U.S. organic product sales
20 percent of regional organic product sales (including DC, DE, MD, PA, VA, WV)

(source: conversation with *Natural Business Journal* staff)

"Many people are not aware that their food purchases have an impact on the local economy and land preservation. Buying food grown locally supports rural areas in Maryland."

Jim Hanson

Maryland farmers have the great benefit of being in one of the most densely populated areas in the country. That means local markets are easier to come by than in other areas. The population is well-educated and well-off financially—both characteristics that contribute to high locally-grown and organic food sales. These facts make the state an excellent place to produce high-value food products, such as certified organic food products, to be sold fresh locally.

IV. Survey Findings

The project performed two surveys in December 2002. One surveyed the state's consumers and the other surveyed the state's certified organic and "organic interested" producers. "Organic interested" producers were those who had contacted the OCP in the last year to ask for information about gaining organic certification.

Together, the surveys paint a picture of the organic industry in the state—how it looks now, and what it could look like in the future. The results indicate what types of organic, locally-grown food products Maryland consumers are most interested in purchasing. And which marketing initiatives Maryland organic and "organic interested" producers would be most likely to join.

The project also sought input from top industry experts at the state and national levels, including:

- Bob Anderson, President, Walnut Acres organic food company;
- Neil C. Doty, President, N. C. Doty & Associates, an agricultural services consulting firm;
- Catherine Greene, Agricultural Economist, United States Department of Agriculture Economic Research Service;
- Jack Gurley, owner, Calvert's Gift Farm, a certified organic farm located in northern Baltimore County;
- John Hall, President, Chesapeake Fields Institute, a nonprofit organization strengthening the profitability of traditional agricultural markets for family farms, while conserving the region's natural and cultural resources;
- Jim Hanson, Agricultural Economist with the Maryland Cooperative State Research Education and Extension Service, which works to advance knowledge for agriculture, the environment, human health and well-being, and communities;
- Keith Jones, Director of Program Development, United States Department of Agriculture National Organic Program;
- Errol Mattox, owner, Three Maples Farm, a certified organic farm located on Maryland's Eastern Shore; and
- Bruce Mertz, Executive Director, Future Harvest-Chesapeake Alliance for Sustainable Agriculture, a nonprofit organization promoting environmentally sound and socially acceptable food and farming systems that work to sustain communities.

In-depth one-on-one interviews with these individuals lend many perspectives to the findings.

MARYLAND CONSUMER SURVEY FINDINGS

The consumer survey had a total of 218 respondents. Surveying took place in-person just outside the door at six retail food stores throughout the state of Maryland. The stores were located in Annapolis, Baltimore, Cabin John, Frederick, Salisbury and Waldorf. Individuals approaching the store were asked to fill out the survey regardless of perceived gender, age or socioeconomic status.

Three of the stores where surveys took place were supermarkets, and three were natural food stores. Approximately 34 percent of the surveys were completed by natural food store shoppers. Natural food store shoppers were thus oversampled in the project's survey. Oversampling is a common method of obtaining accurate informa-

"The mass market is where farmers need help from the governmental, non-profit and business sectors."

Catherine Greene

tion about a targeted subgroup within a population. The project's focus on finding new markets for locally-grown organic food led the project to target a group of consumers who the project hypothesized would be predisposed to purchasing local and organic food. The project did not retain the ability to analyze the data from supermarkets vs. natural food stores. The project recommends that this ability be retained if this survey is to be duplicated.

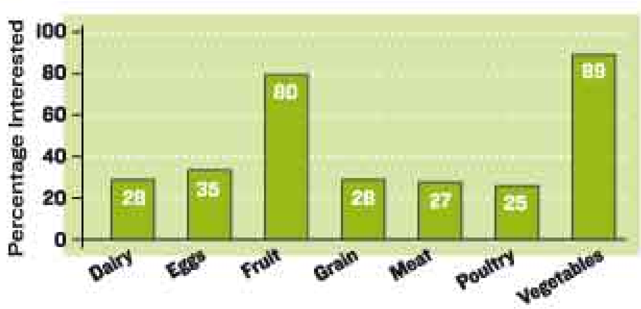
Thirty-seven percent of respondents were men and 63 percent were women. Twenty-seven percent had children under the age of 18 living at home. People holding graduate degrees made up 28 percent of our respondents, while those with a college degree made up 32 percent and those with a high school diploma made up 16 percent. The remaining percentage fell in the in-between categories, i.e., some college, some high school, some grad school. Sixty-two percent of respondents were married. Total household income distribution was as follows: 11 percent made under $25,000, 18 percent made $25,000–$50,000, 31 percent made $50,000–$100,000, 21 percent made $100,000–$200,000, and two percent made over $200,000.

Findings reported in the following section were found to be statistically significant. Statistical significance indicates the level of probability (from less than 1% to 100%) that results occurred by chance. The project used the probability level of .05 (5%), which is generally considered the cutoff of what is significant and what is not in social science. Specific levels of statistical significance for particular findings are available (see appendices for contact information).

Of the Maryland consumers surveyed, most want to eat local organic food products. An overwhelming 89 percent of them would buy local organic products if they cost the same as non-local non-organic food. Fifty-two percent said that they would be willing to spend an extra 10 percent for food products that were local and organic.

They want local organic vegetables (89 percent) and fruits (80 percent) more than any other product category presented. Thirty-five percent were interested in local organic eggs. Numbers for those interested in local organic dairy and grains (both 28 percent), meat (27 percent) and poultry (25 percent) are still respectable with over a quarter of all respondents interested.

What Local Organic Foods Do Consumers Want to Buy?



Many of the people surveyed want to purchase local organic food products at regular mass market supermarkets (46 percent). Thirty-eight percent are interested in buying them at farmers' markets and other direct marketing venues. Twenty-seven percent want to buy them at gourmet food stores and 26 percent want to buy them at natural foods supermarkets.

MARKETING TIP #1:

Many people surveyed want to buy locally-grown organic food at MASS MARKET SUPERMARKETS

"The mass market is the place to focus for two reasons: (1) we live in a busy society, and (2) we need to reach out to the broadest number of people."

Errol Mattox

Most of the people surveyed usually shop at mass market supermarkets, with a full 97 percent stating that they do so "always" or "sometimes." Our results show 60 percent of those surveyed "always" or "sometimes" shopping at a small food store. Results also show 49 percent of those surveyed "always" or "sometimes" shopping at a large natural foods supermarket. Surprisingly, 89 percent of those surveyed answered that they "always" or "sometimes" shop at a farmers' market or other direct marketing venue.

Where do Consumers Want to Buy Local Organic Food?

Defining A Target Market

"People make choices based on very personal reasons. A "cause" attached to buying a product is a plus."

Bob Anderson

Of all respondents, women with college or post-graduate educations in the 26 to 35 year age range are most likely to buy locally-grown organic food products. This is exciting in several respects. First of all, women are the ones who do most of the food shopping (Progressive Grocer's 70th Annual Report on the Grocery Industry found that the female head of household was the primary food shopper in 69 percent of households). Second, those with higher levels of education are generally those with the money to pay for premium food products. Third, a young market demographic means a group of people who will be around for decades to build strong and lasting relationships with new food brands.

MARKETING TIP #2:

Of all people surveyed, EDUCATED WOMEN BETWEEN 26 AND 35 YEARS OF AGE were most likely to want to buy locally-grown organic food

Women in our survey were highly interested in purchasing local organic vegetables (93 percent of female respondents) and fruits (89 percent). No other product category came close. Forty percent said they would be interested in purchasing local organic eggs, 33 percent said they would be interested in purchasing local organic dairy products, 32 percent said they would be interested in purchasing local organic meat, 31 percent said they would be interested in purchasing local organic grain and 30 percent said they would be interested in purchasing local organic poultry.

> "That young people are interested in local organic food is extremely exciting. But a program to sell local organic food needs backup support to build caché and succeed."
>
> **Bob Anderson**

Women were statistically significantly more likely than men to say that they would buy local organic food products in all product categories.

Those surveyed with college or post-graduate educations were highly interested in purchasing local organic vegetables (95 percent) and fruits (86 percent). Forty-two percent said they would be interested in purchasing local organic eggs, 35 percent said they would be interested in purchasing local organic dairy and grain, 32 percent said they would be interested in purchasing local organic meat and 30 percent said they would be interested in purchasing local organic poultry.

Those with college or post-graduate educations were statistically significantly more likely than those with less education to say that they would buy local organic food products in vegetable, dairy and meat product categories.

Those surveyed between the ages of 26 and 35 were highly interested in purchasing local organic vegetables (96 percent) and fruits (83 percent). They were also quite interested in purchasing local organic eggs (58 percent), grains (50 percent) and dairy (50 percent). Local organic meat (38 percent) and poultry (33 percent) were of less interest to them.

Those respondents between the ages of 26 and 35 were statistically significantly more likely than older respondents to say that they would buy local organic food products in the grain, dairy and egg categories.

> "Building branded products is the way to succeed. The problem is how to get your label to mean something to consumers. Being "Certified Organic" is one way to get your label to mean something."
>
> **Keith Jones**

So are they buying organic?

Fifty-six percent of all respondents said that they had purchased a certified organic product in the last six months. Most of these (50 percent) said the item was a vegetable, followed by fruit (39 percent), grain (27 percent), dairy and eggs (both 23 percent), poultry (15 percent) and meat (13 percent). Of those who said that they do not buy organic, the largest percentage (27 percent) stated it was because they had no need. Very few avoided organic because of perceived expense, lack of availability or poor quality. Of those who did not buy organic, only 26 percent said they would if it were the same price as conventional (non-organic).

Recalling that the project oversampled customers at natural food stores (about 34 percent of respondents were natural food store shoppers), we can report that of those surveyed 81 percent said they felt organic was better for the environment. Forty-nine percent felt that organic food was safer for them than non-organic food. A significant percentage (42 percent) of respondents felt that organic was more nutritious. Forty-one percent stated they felt organic tasted the same as non-organic, while 32 percent said organic tastes better.

MARKETING TIP #3:

Over half of all people surveyed are ALREADY BUYING organic food for a variety of reasons

> "Local is the number one identifier—it is the label with the most power."
>
> **Errol Mattox**

What about locally-grown?

Seventy-nine percent of those surveyed stated that they seek out local food. Of those, 55 percent said it was because local was fresher. Almost the same percentage, 51 percent, said it was to benefit the local economy. Only 34 percent said it was because of superior taste, and even fewer said it was to benefit the environment (17 percent), because it was more nutritious (11 percent) or because it was safer (8 percent).

> "Marketing should focus on the most effective message. Stick to unarguable points related to environment and safety."
>
> Bruce Mertz

Of those who did buy local, the majority purchased vegetables and fruits (76 percent and 64 percent, respectively). Eggs came in a distant third at 19 percent, while dairy (13 percent), grain (12 percent), poultry (11 percent) and meat (10 percent) all lagged behind.

Overall, 53 percent of those surveyed felt that local food tasted better than non-local food. Forty-five percent felt that it was better for the environment. On the other hand, only 22 percent of respondents felt that local food was safer than non-local food as opposed to 42 percent feeling that it was the same, and only 28 percent felt that local food was more nutritious than non-local, as opposed to 49 percent feeling it was the same.

MARKETING TIP #4:

People buy locally-grown food because they feel it is FRESHER and BENEFITS THE LOCAL ECONOMY

Overall, those surveyed felt that the most important factors in selecting their food products in general were freshness (98 percent), taste (95 percent) and safety (94 percent). Nutritional value (89 percent), convenience (73 percent) and price (72 percent) were also considered very important. In comparison, a smaller but still respectable 40 percent cared if their food was locally-grown, and 31 percent cared if it was certified organic.

> "A label could roll out in the summer at the farmers' markets and then, after building brand loyalty, move into the supermarkets in the fall."
>
> Bob Anderson

Media Outreach

Letting people know about new food products is not easy. There are overwhelming numbers of products already out in the marketplace, and most people picked out their favorites long ago. Our respondents were most likely to get their food news from the newspaper (53 percent). In-store signage was less popular (35 percent), as were television (30 percent), radio (23 percent) and the Internet (18 percent). Billboards and bus signs were both in the single digits.

MARKETING TIP #5:

People surveyed get news about new food products through NEWSPAPER ADVERTISING and IN-STORE SIGNAGE

Results were similar for health news. Our respondents were most likely to get their health news from the television (65 percent) and the newspaper (55 percent). Radio garnered 36 percent and the Internet got 23 percent. Billboards, in-store signage and bus signs were all in the single digits.

MARYLAND PRODUCER FINDINGS

"People who grow things are generally poor marketers. They like to grow it—not sell it. They need to be encouraged to grow something to help establish a local identity."

Errol Mattox

The producer survey was sent by mail to all certified organic producers in Maryland and to 100 producers referred to as "organic interested" in this report. The "organic interested" producers were taken from a list provided by the Maryland Department of Agriculture's Organic Certification Program of producers who had contacted the Program to request a producer certification information packet within the last 12 months.

Sixty-eight producers responded to the survey. Of these, 40 were certified organic and 28 were "organic interested" as defined above.

The survey was sent to "organic interested" farmers in addition to certified organic farmers because the project hopes to plant seeds for new initiatives that can improve farm profitability for both producers who are currently certified organic and those who are considering certification. Certified organic producers were similar to organic interested producers in most ways. Statistically significant differences between the two groups are discussed at the end of this section under the heading "Certified Organic Vs. 'Organic Interested.'"

"The most successful farms have one person focusing on production and the other on marketing. But not every farm has people with skills in both areas."

Bruce Mertz

As with the consumer survey section, findings reported in the producer survey section were found to be statistically significant at a probability level of .05 (5%), and specific levels of statistical significance for particular findings are available (see appendices for contact information).

Farmers in Maryland want help marketing their products. When asked if they would join a "well-managed, effective producers' collaborative to market locally-grown organic food," 33 percent of respondents said "yes" and another 49 percent said "maybe." Only 12 percent said they would not be interested. (Results do not add up to 100% due to some respondents skipping the question.) Some of them have no time to market; others have no interest. Many are wary of collective marketing efforts: they have seen many fail.

SUPPLY FACT #1:

Eight out of ten FARMERS want help with MARKETING

Producers were most interested in selling at farmers' markets, with 46 percent rating their level of interest as a "four" or "five" on a scale of one to five. There was also a significant amount of interest in Community Supported Agriculture (CSA) farms (34 percent). CSA farms sell shares to individuals and organizations before the season begins and then deliver weekly "farm shares" to their "members," restaurant sales (32 percent) and farm stands (31 percent). There was slightly less interest in producers' cooperatives (28 percent), sales to natural foods supermarkets (25 percent) and sales to food stores (24 percent). Few farmers were interested in entering wholesale or mass-market supermarket venues in any way.

"A single producer would need to have 500-1000 acres to sell to mass market stores."

Jack Gurley

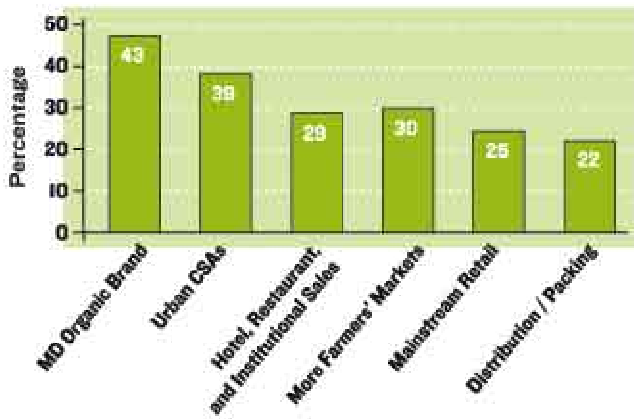
When asked where they preferred to sell their products, a full 74 percent stated that they preferred to sell locally. In comparison, 18 percent said they wanted to sell wherever the price was highest. Of those who did not say that they preferred to sell locally, relatively equal numbers stated their reasons as the failure of supermarkets to buy their products, low local prices, unstable local markets and small local outlets (e.g., restaurants, food stores, bakeries) not buying enough quantity.

SUPPLY FACT #2:

Three-quarters of FARMERS want to sell their products LOCALLY

When we asked what types of collective marketing initiatives producers were most interested in, the most popular concept was a "new 'Maryland Organic' brand introduction." Fully 43 percent of all respondents rated their level of interest as a "four" or "five" on a scale of one to five. The second most popular was the development of "urban CSAs" (38 percent). Next came the development of "additional farmers' markets" (31 percent) and "hotel, restaurant, and institutional sales" (29 percent). Producer collaboratives geared toward mainstream retail market entry and distribution/packing systems were the least interesting to producers.

How Do Producers Want to Market Their Food?



"In order to help farmers with marketing, we need to do what they can't do on their own. The supermarkets are the biggest potential outlet of sales."

Jim Hanson

Producer's lack of interest in selling to mass market supermarkets is a key problem, as this is where most consumers want to buy local organic food. In order to resolve farmers' reservations about selling in this venue, work needs to be done to ensure that farmers will consistently meet retailers' delivery specifications and be paid good prices for their products. Past experience makes it clear that this work has been done through collective marketing efforts like producer cooperatives—also unpopular with survey respondents.

Lack of interest in collective action is another key problem. Collective action is the best, and often the only, way for a group of small actors in an economy to gain power. Farm policy makers have long assumed that farmers will not work together to increase their own well-being (Richard A. Levins, *An Essay on Farm Income*, April 2001, pg. 1). The Maryland survey results indicate that this assumption holds true in our state. In fact, farmers are known for being fiercely independent and competitive with one another, which actually reduces their economic power (Ibid, pg. 5).

"It appears that collaboration is key. We need to start an organized effort to work together."

John Hall

There are ways to overcome these key problems. We look at some successful examples in our case studies. In general, as Levens says, reducing farmer competition and enabling more successful collective action is the solution to this problem. He points to several factors that make collective action by farmers more likely, such as their being fewer in number, more educated, more able to communicate with each other and

"Farmers don't want to join anything. They are not interested in market demand. But population change is causing pressure that may make them more responsive to help."

Errol Mattox

more aware of their status as an "endangered species." These factors are certainly true for Maryland farmers, and communicating them clearly to Maryland farmers could have an impact. In addition, the creation of cooperatives that both gather and process food could have an impact, as these cooperatives capture more profit than those without a processing aspect.

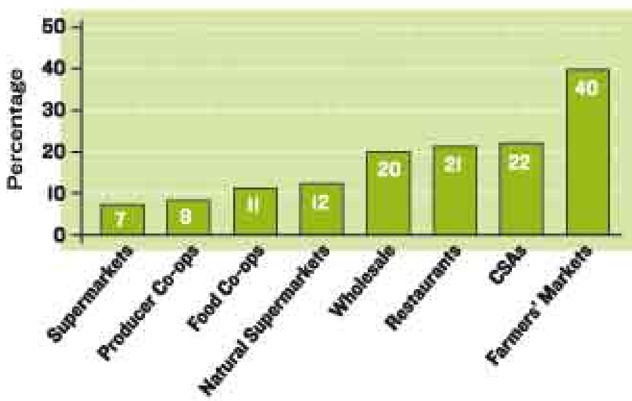
Where are farmers selling now?

Only seven percent of our respondents sold to mass-market supermarkets (e.g., Giant, Safeway). Twelve percent of respondents sold to natural foods supermarkets (e.g., Whole Foods). Eleven percent reported selling to natural food stores. Unfortunately for producers, almost 20 percent make some percentage of their sales to wholesale markets, where they get the least money for the work they have devoted to their crops.

Direct markets such as farmers' markets, farm stands, cooperative sales outlets and CSAs were popular with some of our respondents. Farmers' markets were by far the most popular. Over 40 percent said that they made some percentage of their sales at farmers' markets.

Farm stands were used by 19 percent of farmers. Sales to buyer cooperatives were significantly less popular. CSAs were in operation on 22 percent of farms. Sales to restaurants accounted for sales by 21 percent.

Where Do Maryland Producers Sell Their Products Now?



"The market for organic food is exploding. Organic producers have banded together in several instances to own the means of processing their food with great success. And local producer/processors in Maryland would have the advantage of proximity to a great many customers."

Neil Doty

Some producers cited other sales outlets that the survey did not address directly. These included auctions and sales to friends, neighbors and family members.

Seventy-five percent of all producers surveyed had used one or more value-added labels on their products (this does not include the certified organic label). These labels included "fed organic feed," "natural," "free range," "fresh picked," "heirloom," "grass fed," "holistic," "homegrown," "local," "pasture fed," "pastured free" and "pesticide free."

SUPPLY FACT #3:

Three-quarters of FARMERS are trying out VALUE-ADDED LABELS (this does not include the certified organic label)

Marketing Barriers

The survey asked farmers to identify what, in their experience, were barriers to effective marketing of their products. A full 30 percent cited low market prices as a major problem with marketing their products. Nineteen percent cited distance from buyers. Fifteen percent of respondents cited delivery time specifications as a major barrier. Nine percent said that meeting product specifications (e.g., quality, consistency) was a major barrier to effective marketing. Only two percent cited electronic interface (e.g., electronic purchase orders, payment orders and advance shipping notices) issues as a barrier of major importance.

"There are too few organic farmers. Many don't need marketing assistance because the market is so strong for organic food."

Bruce Mertz

The largest category of barrier cited was the "other" category, with 34 percent. Problems written in by those who checked this selection included, most frequently, developing appropriate point-of-sale signage, issues surrounding harvesting and having no time to both grow and market. Other marketing issues included creating a market for an unusual type of meat, lack of marketing "connections" and difficulty in getting across the benefits of local, seasonal products to potential buyers. Some respondents cited regulatory issues related to marketing including problems with shelf life for dairy and sales regulations for eggs.

Several respondents, mostly in the certified organic category, wrote in that they have no problem marketing and/or cannot keep up with demand.

Attitudes Toward Organic

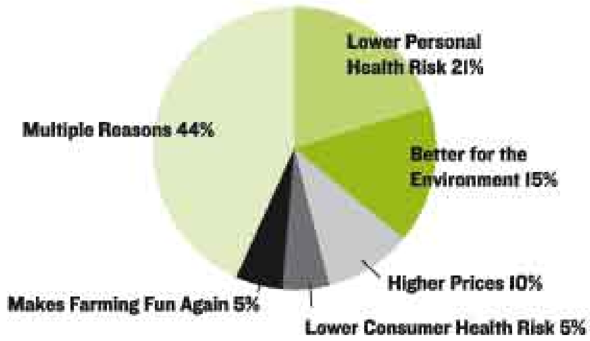
Interestingly, when asked how they thought the market for certified organic products would grow in the next five years, a full 47 percent believed it would grow faster. Another 32 percent thought it would grow at the same rate. Ten percent thought it would grow more slowly and less than 10 percent thought it would remain the same or shrink.

SUPPLY FACT #4:

Almost 80 percent of FARMERS believe that the ORGANIC MARKET WILL GROW

As stated earlier, 68 producers responded to the survey. Of these, 40 were certified organic and 28 were "organic interested" as defined at the beginning of this section. Of those who were certified organic, 21 percent stated their motive was a lower health risk for self and family, while 15 percent said it was because organic production is better for the environment. Ten percent cited higher prices. Less than 10 percent said their motive was consumer health, reduced production costs or that being certified organic makes farming fun again. Although we asked producers to select only one motive as primary, many selected multiple reasons, showing that these reasons are linked.

Why Do Maryland Farmers Choose to Grow Organically?



> "The cost of certification is the number one issue. The paperwork is secondary. There would be more interest if there was an upfront rebate for the cost."
>
> Errol Mattox

We then asked those who were not certified organic about their reasons for not being certified. Unfortunately, many failed to answer the question. Less than 10 percent each cited cost of certification, dislike of USDA rules or paperwork related to being certified as their sole reason. A large percentage of those who did answer cited multiple reasons, showing that these reasons are strongly linked.

> "The process of certification needs to be demystified for the producer. There should be a template to help farmers develop organic handling plans. The fact that there is a 75 percent rebate for the cost of certification should be promoted."
>
> Bob Anderson

Certified Organic Vs. "Organic Interested"

Certified organic producers were similar to "organic interested" producers in most ways. The only statistically significant differences were in interest regarding assistance with new marketing schemes. "Organic interested" producers were more likely to be open to these ideas than certified organic producers. Specifically, "organic interested" producers were more likely to respond favorably to the concept of joining a generically described "well run, profitable producers collaborative" than certified organic producers. Thirty-one percent of certified organic producers responded "yes" and an additional 41 percent responded "maybe." In comparison, 36 percent of "organic interested" producers said "yes" and a full 61 percent said "maybe."

When asked to rate their interest in specific marketing schemes on a scale of one to five, "organic interested" producers were more likely to be interested in the development of a new Maryland Organic brand (50 percent checked a "four" or "five" as compared to 38 percent of certified organic producers who did so). Organic interested producers were also more likely to be interested in the development of an urban CSA (50 percent checked a "four" or "five" as compared to 31 percent of certified organic producers who did so).

SUPPLY FACT #5:

"ORGANIC INTERESTED" FARMERS are open to NEW MARKETING IDEAS

V. Conclusions and Recommendations

This project comes at a critical time for Maryland's agricultural producers, as for small farms all over the country. The 1998 USDA National Commission on Small Farms Commission report, *A Time to Act*, makes this painfully clear. The report states:

- In 1978, there were 2.3 million farms in the United States
- In 1998, there were 2.0 million farms in the United States
- In 1980, 4 firms controlled 36 percent of the beef slaughter
- In 1998, 4 firms controlled 80 percent of the beef slaughter
- In 1980, the farmer received 37 cents of every consumer dollar spent on food
- In 1998, the farmer received 23 cents of every consumer dollar spent on food

The Small Farms Commission report identifies organic farming as a way to provide opportunity for small farms to succeed. It points to locally-owned, value-added food processing companies and producer owned cooperatives as a key to small farm success. The report calls for the development of local and regional food systems, with a healthy small farm economy being a top priority.

Maryland faces almost all the problems outlined in *A Time To Act*. Maryland also has great opportunities available to build locally-grown organic food markets to overcome these problems.

This project has examined organic production and consumption in the state. The state has programs that deserve supportive policy action, including a statewide labeling program such as the Maryland's Best program or the Maryland Department of Agriculture Certified Organic program. The project surveyed 218 consumers and 68 producers. Also, eight experts were formally interviewed for their comments and advice, and countless others added their opinions through less formal means. Three case studies of marketing initiatives with potential for success were identified and developed in collaboration with respective groups of key industry and government officials. Our work has been communicated to consumers, producers, processors, retailers and other key industry, government and non-profit decision-makers throughout the state.

The following recommendations are provided to assist those involved with Maryland agriculture as they work to increase its profitability and viability by taking the next step in forming solutions to Maryland's agricultural challenges.

RECOMMENDATIONS

- **Adequately fund a statewide labeling program (e.g., the Maryland Department of Agriculture Certified Organic label program or the Maryland's Best label program) to market Maryland-grown organic food to Maryland consumers.**
- **Encourage state institutions to develop contracts with state certified organic producers for their agricultural product needs through a pilot project in a public school or other institutional venue.**
- **Educate non-organic farmers in Maryland about the certification fee rebate program and other help available through workshops and mailings.**
- **Facilitate a series of meetings on specific Maryland organic product markets to aid in the development of these markets in collaboration with interested producer groups, other industry members and non-profit organizations.**

Case Study #1

Cooperative value-added organic farming and marketing: The Coulee Region Organic Produce Pool Cooperative

Overview

The Coulee Region Organic Produce Pool (CROPP) is one of the largest organic farmers' cooperatives in the United States. Headquartered in La Farge, Wisconsin, CROPP is a national marketing cooperative which processes a wide variety of organic food products ranging from meat to fruit juices. Starting with only seven Wisconsin farmers, the cooperative has grown to over 550 family farm members in 14 states. The cooperative currently employs 225 individuals and had revenue of $150 million in 2002.

Made up of primarily small to mid-sized family farms, CROPP now has 404 dairy, 59 vegetable, 36 egg, 21 beef, 14 citrus, 10 pork and four broiler farms in their membership pools. All are selling products under the brand name "Organic Valley." CROPP's products are available in all 50 states and two foreign countries.

Marketing and Distribution

CROPP is focused on producing a wide variety of value-added organic foods for distribution through wholesale channels. CROPP's sales are dominated by its full line of dairy products—these products account for 90 percent of sales. Eggs account for an additional six percent with the remaining four percent coming from meat, produce and juice product sales. CROPP maintains market leadership by constantly updating its product line of nearly 100 products to match changing consumer tastes and trends. For instance, CROPP is planning to enter the institutional and food service market this year by adding single-serve chocolate and two percent milk based in large part on the success of other organic single-serve products being marketed to schools and universities.

CROPP's customer base of nearly 200 buyers is dominated by retailers ranging from small buyer cooperatives to retail giants such as Wal-Mart. Nearly 85 percent of distribution goes through wholesalers while the remaining 15 percent goes directly to chain store warehouses like Wal-Mart and Publix. Although most orders come in via fax, CROPP has dramatically increased its capabilities for electronic data interchange (EDI), whereby customer inventory is managed electronically

based on point-of-sale data generated at the store level. CROPP maintains a marketing staff of 10 to facilitate sales through in-store promotions, farmers' markets and similar events.

CROPP generates additional marketing caché through its innovative use of packaging. For instance, CROPP uses all surfaces of its beverage cartons to sell non-product benefits such as the company's commitment to sustaining family farms as well as its commitment to environmental protection. By selling these additional benefits of purchasing "Organic Valley" products, CROPP is able to capture a premium price in the marketplace.

Producer Involvement

CROPP relies on its farmer members to produce its primary inputs to production. CROPP farmer members are organized by geography and commodity lines into production pools. As CROPP grows and expands, it uses a self-designed market demand model to determine the best method to expand or add production pools. If market demand for organic dairy products increases in the Southeastern United States for example, CROPP would conduct a market demand assessment to determine if it should develop a local dairy production pool in the Southeast or try to serve that market by expanding its mid-Atlantic/Northeast pool. Members of CROPP production pools are full members of the cooperative and share in all cooperative decision-making.

Much of CROPP's success in attracting members to its production pools has been attributed to its grower payment model. This model is built on the philosophy that growers should be paid a stable, equitable and sustainable price for pooled products. Compensation is based on the cost of production plus a fair return decided upon in an internal negotiated settlement process. Under the current pricing scheme, CROPP's dairy producing members average approximately $20.00 per hundredweight of milk including quality and component adjustments—well over the 2002 market average of approximately $11.50 per hundredweight. Egg farmers are paid about $1.30 per dozen, well in excess of regional averages, which range from $0.33 to $0.60 per dozen.

Most production pools, including those for egg and dairy, produce exclusively for CROPP, while the others (i.e., meat, produce and juice) pools are allowed to sell through other marketing channels. The majority of the pooled commodities are processed through contract production agreements, with the exception of butter, which CROPP produces in-house. Outsourced processing allows CROPP the flexibility to quickly amend or change its product lines and add new product pools without having the expense of managing fixed assets. Another advantage of outsourced production is that CROPP invests more in marketing activities than it does in bricks and mortar. This helps it return higher payments to its members.

Expansion into Organic Juice

In 2001, CROPP was approached by the Roper Growers Cooperative of Winter Garden, Florida. Roper was seeking a strategic partnership with a like-minded company to assist with sales and distribution of its organic citrus juices. At the same time, CROPP was expanding its dairy beverage business to capture a greater share of the fast growing organic beverage market (24 percent annual growth projected 2000–2005[1]) by adding drinks such as organic smoothies. Because CROPP was already heavily invested in the organic beverage industry and given the rapid growth of non-dairy organic beverages (26 percent annual growth[2]), the product fit seemed appropriate. Roper became a CROPP production pool in 2001.

Currently the Roper Grower Coop is CROPP's only juice pool and represents fourteen Florida citrus farmers. Total combined juice sales represent roughly two percent of CROPP's total revenue with 2003 sales projected between $3 and $4 million (one percent of the super-premium juice

[1] Natural Foods Merchandiser, June 2001.

[2] 2001 OTA Manufacturers' Market Survey, Organic Trade Association.

category). Because Roper owns its own processing capacity, producers in the pool are paid by CROPP for their farm production and then paid again by Roper for their ownership share in the processing facility.

Although CROPP met with early success in the juice market, it has found that juice market fundamentals are significantly different from fluid milk. The primary challenge facing CROPP is that the refrigerated juice market is highly segmented unlike the largely undifferentiated market for fluid milk. CROPP finds itself competing for shelf space against long established brands such as Odwalla. In fact, the Odwalla brand accounts for 52 percent[3] of single-serve refrigerated super-premium juices in the natural foods category in grocery stores and 40 percent[4] in natural food stores. Differentiating itself as an organic product is similarly challenging due to the Horizon Organic brand line of citrus products.

Because the juice sector is intensely competitive, market share driven in large part by a constant stream of new product introductions. In reaction to this, CROPP is planning to be more proactive with their product development plans. They introduced seven new smoothie flavors in summer 2003 to compete directly with new product introductions from Horizon Organic and Odwalla. With sales in this category increasing at an annual rate of 31 percent[5], CROPP views near-term success in product introductions as essential to its future in the juice business.

[3] Source: ACNeilsen Scantrack: SPINS Natural Track.

[4] Ibid.

[5] Ibid.

LESSONS FOR MARYLAND PRODUCERS

CROPP shows that a grower cooperative that maintains a clear focus on the interests and needs of its farmer members can be competitive in today's market environment. For farmers in CROPP's various producer pools, this translates into a solid, stable income at a time when many other farmers face significant price volatility.

Lessons learned from CROPP:

STARTING A COOPERATIVE

* **Development of value-added producer pools can be done in a manner that is not competitive with individual farm operations in the pool.**
* **Contract production is an effective way for small producer pools to enter the marketplace with maximum flexibility and limited risk in owning/managing fixed assets.**
* **Entering the value-added market can be done on a small but effective scale through cooperative agreements.**

DEVELOPING PRODUCTS

* **As the organic food market matures, value-added strategies will be necessary to ensure on-farm profitability.**
* **Fast growth markets like value-added organic foods are competitive and, in large part, driven by new product development[6] in addition to the standard measures of price, quality and convenience.**

DISTRIBUTION

* **As organic products continue to enter mainstream marketing channels, marketing infrastructure, such as Electronic Data Interchange and category management programs, must keep pace with industry standards.**

MARKETING

* **Identifying and marketing non-product benefits such as environmental protection and support of local agriculture have a positive impact on price point.**

[6] According to IRI research, approximately 50 percent of supermarket sales increases are driven by new product introductions.

Case Study #2

Small-scale organic poultry processing & marketing: Petaluma Poultry

Overview

Petaluma Poultry was founded in 1969 and now processes 200,000 chickens per week from 15 California farms. Since the company's establishment, it has demonstrated sustained sales growth within its regional market by producing a fresh, high quality product backed by the company's philosophy of sustainable farming. Their annual revenues now exceed $40 million and they employ approximately 250 people. They sell whole chickens, parts and case-ready meats. This Sonoma County, California-based company is currently focused on expanding their region's market for organic and free-range poultry into specialty and ethnic markets.

Petaluma Poultry mixes concern for the environment with profitability through constant innovation. For instance, they are investigating new methods of plant sterilization through an "Ozonation Pilot Project," which is dedicated to eliminating the use of chlorine in their processing plant. This change could reduce their water usage by as much as 85 percent. In recognition of their efforts, Petaluma Poultry was named "Environmental Business of the Year" by the Sonoma County Conservation Council in 2002.

Petaluma Poultry stopped using antibiotics in its feed in 1986 under the leadership of current company president Darrel Freitas. At this time their feed formulation also changed from one using animal byproducts and animal fats to one based on corn and soy proteins. These changes allowed them to effectively expand their company's market share in the emerging natural foods segment.

Petaluma Poultry worked with leading San Francisco Bay Area chefs to develop a line of high-quality all-natural poultry products. They introduced "Rocky," their first product in this line, in 1986. "Rocky" was region's first commercially available antibiotic-free, free-range[7] chicken. In 1989, Petaluma expanded its product offerings by introducing "Rocky Jr.," an organically raised, smaller and younger version of "Rocky." When the USDA announced its decision to allow the use of a certified organic label on meat and poultry, Petaluma introduced "Rosie," the first certified organic chicken in the marketplace.

[7] The term "free-range" refers to birds allowed to roam and forage in outdoor fenced areas once they are mature and fully feathered.

Products & Programs

Petaluma Poultry's sustainable farming practices have helped distinguish the company as a regional brand name for natural and organic poultry. Details about Petaluma's four main products are below:

- **Rocky—The Range Chicken**

Rocky is a premium-roaster bird averaging five pounds and was the first USDA approved free-range chicken. At nine weeks old, birds marketed under the Rocky label have access to fenced yards where they are free to roam in an open air fenced area and forage through native grasses.

- **Rocky Jr.—The Natural Chicken**

Rocky Jr. is a younger bird with an average weight of 3.5 pounds. It is a premium quality broiler/fryer. Birds marketed under the Rocky Jr. label roam in spacious grow-out houses rather than outside because they are young and only partially feathered.

- **Rosie—The Organic Chicken**

Rosie was the first poultry product in the United States to carry a certified organic label. Rosie weighs an average of four pounds and is allowed to forage outdoors in an open-air, fenced area. Birds marketed under the Rosie label have a diet consisting of 100 percent certified organic corn and soybeans. The company raises birds marketed under the Rosie label in accordance with organic protocols and has birds independently verified by a third party certifier. Petaluma estimates that its organic feed is three times the cost of non-organic formulated poultry feed. Additional costs are incurred raising this certified product due to the rigorous audit required (reaching from hatchery to processing and distribution).

- **Rocky Dogs—The Hot Dog**

Petaluma Poultry only recently introduced its first further value-added product, Rocky Dogs, a poultry hot dog. Rocky Dogs allow the company use off-grade birds and parts. Petaluma markets their hot dogs as an antibiotic-free and nitrate/nitrite additive-free.

Petaluma Poultry products sell at a premium in the marketplace. Their chickens sell for \$2.00 to \$2.59 per pound in comparison to \$0.99 per pound for conventional chickens. Their boneless chicken breasts sell for \$5.99 per pound in comparison to \$3.99 per pound for conventional products. Petaluma Poultry products sell for a premium because the company markets a range of benefits to consumers that go beyond typical product attributes (e.g., quality and freshness). Some of these "added benefits" include natural resource conservation, support of family farms, enhancement of wildlife habitat, consumer health benefits and local production and processing.

Petaluma markets and distributes most of its products to retailers, wholesalers and foodservice establishments within the Bay Area. They deliver direct to 25 retail outlets in order to ensure that their products arrive within one day of processing. Although the company does have partnerships around the nation, the Petaluma Poultry brand remains regional to insure quality and freshness and to remain close to its consumers.

LESSONS FOR MARYLAND PRODUCERS

Petaluma Poultry shows that there is a great market for regionally identified organic poultry in a relatively well-educated and wealthy area. For this company, building a high quality product line and marketing it successfully has translated to consistent price premiums far in excess of national averages.

Lessons learned from Petaluma Poultry:

PRODUCT DEVELOPMENT

* **Working directly with potential buyers while developing products can help ensure products that meet market needs for taste, freshness and portion size.**
* **Finding innovative ways to use off-grade birds and parts can improve the bottom line.**

DISTRIBUTION

* **Providing direct delivery to retail stores can help ensure a high level of quality and freshness.**
* **Establishing strong quality control from farm to table can assist in meeting premium product buyers' requirements for consistency, freshness and quality.**

MARKETING

* **A consistent marketing message including non-economic benefits such as organic certification, environmental protection, support for the local farm economy and community stewardship can allow premium prices to be charged.**
* **Effective use of a position of industry leadership and environmental stewardship can generate positive public relations and free publicity.**

Case Study #3

Providing goods and services through a farmer association: Alliance Pastorale and The New England Livestock Alliance

ALLIANCE PASTORALE

Alliance Pastorale (AP) was founded in 1933 by a group of sheep and goat farmers in France. During this time, small-scale animal farmers were finding it difficult to compete with cheap imported products.[8] They decided to join together to solve their common problems by pooling their market power under a collective. The result—Alliance Pastorale—exists to this day as an association that helps farmers succeed by providing them with a wide variety of affordable professional goods and services that aid in producing, processing, distributing and marketing their products.

Production

The production-related goods that AP provides include livestock, equipment, insurance, semen and embryos. Their production-related services include trainings related to genetic improvement of flocks and herds, as well as farm management techniques. They also provide individualized on-farm assistance with animal nutrition, health care and reproduction as well as financial management. These goods and services enable small-scale farmers to engage in value-added production in many ways. For example, they provide appropriately scaled equipment and training for producing cheese and yogurt.

Given AP's collective purchasing power, they are usually able to price their goods and services below market level. AP sells their goods and services through catalogs and 10 retail stores located across the country.

Processing, Distribution and Marketing

AP works to develop processing capacity in several ways. They have collaborated in the creation of a specialized small ruminant slaughterhouse (SODEM). This slaughterhouse maintains strict

[8] The AP model of "open-air" production was designed to produce products that could compete on the basis of quality rather than price.

quality standards. It is now the second largest sheep slaughterhouse in France, processing about 400,000 sheep per year. AP has also formed a number of partnerships with specialty processors (such as butchers) to develop new markets for their member farmers.

To process and market their products, member farmers can join a group that AP created as separate business association—Pastorale Viande (PV). PV allows small-scale farmers to join together to process and market their products. By doing this, these farmers are able to meet the volume, packaging and quantity specifications demanded by large food buyers.

For farmers who prefer to market individually, AP provides timely market information generated through an information feedback loop. They also provide individualized marketing training, as well as assistance in finding and keeping customers. A farmer who has found a buyer can have his animals custom processed by AP based on that buyer's specific needs.

Today, AP is active throughout all regions and agricultural sectors, but it focuses on traditional agricultural regions and specific livestock sectors (e.g., sheep, goats and cattle).

In America, the New England Livestock Alliance (see overview below) is the only organization attempting to replicate AP and PV's work.

THE NEW ENGLAND LIVESTOCK ALLIANCE

Formed in 2001, the New England Livestock Alliance (NELA) is dedicated to revitalizing the regional market for livestock in the Northeast by helping farmers meet demand for high-quality and value-added meat products. NELA is a new organization, and its current focus is on developing its core group of member farmers and building its capacity to help them. Eventually, it plans to help member farmers gain profits of 25 to 30 percent above commodity prices.

NELA plans to provide production, processing, distribution and marketing services.

Production

Production assistance will include production planning, genetic improvement, herd management, animal nutrition, animal welfare and more. It will help ensure product quality by working with member farmers to implement a "quality chart" that clearly defines quality for the producer (i.e., genetics, feed and other important characteristics). Adherence to the "quality chart" will be verified by a third-party certification and testing system.

Processing and Distribution

NELA will provide processing and distribution services focusing on quality, coordination and facilitation. NELA has worked jointly with the owners of Stafford Enterprises, a slaughterhouse in Stafford Springs, Connecticut, to develop product quality guidelines. Stafford Enterprises will provide member farmers access to a processor that meets customer quality and product needs. NELA's distribution services will focus on ensuring easy ordering and timely delivery. It will also organize collective processing and distribution to large buyers.

Marketing

Marketing services will include the creation of brand names and marketing materials. NELA plans to develop a regional marketing feedback loop and will also work to identify new markets including retail stores, restaurants, institutions and food stores.

LESSONS FOR MARYLAND PRODUCERS

Alliance Pastorale shows that assisting small-scale livestock producers through provision of affordable goods and services can improve the performance of these farmers and help reinvigorate regional markets for high quality and value-added meat products.

Lessons learned from Alliance Pastoral:

FORMING A PRODUCER ASSOCIATION

* **Trust in the process, products and leadership of an association is essential to success.**
* **Enabling members to take advantage of value-added opportunities both individually and as a collective allows them to develop in ways that fit their individual skills, interests and characteristics.**

PRODUCTION

* **Providing production-related goods and services helps farmers to improve their methods and products, resulting in a positive impact on farm profitability.**

PROCESSING AND DISTRIBUTION

* **Collective processing increases market opportunity, opening markets to large buyers.**
* **Maintaining product quality is essential to maintaining farmer membership and customers base.**

MARKETING

* **Timely and accurate market data is essential to identifying and capitalizing on opportunities.**
* **The market development work that an association does helps member farmers find new markets both as individual operators and as a group.**
* **Providing marketing-related training and professional services helps farmers reach new buyers, resulting in a positive impact on farm profitability.**

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Appendix 2: Survey Formats

A) Consumer Survey

INTRODUCTION

"Hello, my name is ____________________ and I am from the University of Maryland. I am helping to conduct a survey on behalf of the Maryland Department of Agriculture and the US Department of Agriculture.

"The survey takes about 5 minutes. Would you be willing to take it?"

"Thank you. All of the information you give me will be kept strictly confidential. You can let me know if we come to any questions that you don't want to answer and we will skip to the next question."

When I ask about "food," I am referring to all food groups: vegetables, fruits, poultry, grains, dairy, eggs and meat."

Gender:___________

1. With respect to the food you purchase, could you please rate the following factors on a scale of 1 to 5, where 1 is NOT AT ALL IMPORTANT and 5 is VERY IMPORTANT (read and circle number for each line):

❑ Convenience	1	2	3	4	5
❑ Price	1	2	3	4	5
❑ Taste	1	2	3	4	5
❑ Locally-grown	1	2	3	4	5
❑ Safe	1	2	3	4	5
❑ Fresh	1	2	3	4	5
❑ Nutritious	1	2	3	4	5
❑ Brand name	1	2	3	4	5
❑ Certified organic	1	2	3	4	5

2. Have you purchased organic food in the last 6 months (check one)?
   - ❑ Yes
   - ❑ No

IF YES, GO TO QUESTION 3, THEN SKIP TO QUESTION 6
IF NO, GO TO QUESTION 4

3. Which products do you most prefer to buy organically (PROMPT: vegetables, fruits, poultry, grains, dairy, eggs and meat) (circle all mentioned)?

   vegetables | fruits | poultry | grains | dairy | eggs | meat

4. Why don't you buy organic food. Please pick one. (check one)?
   - ❑ Too expensive
   - ❑ Not available
   - ❑ Poor quality
   - ❑ No need
   - ❑ Other (please list): ____________________________

5. Would you buy organic food if the price were the same as non-organic food (check one)?
   - ❑ Yes
   - ❑ No
   - ❑ Don't know

6. In your opinion, which is safer for you (check one):
   - ❑ Organic
   - ❑ Non-organic
   - ❑ Both are the same
   - ❑ Don't know

7. In your opinion, which is more nutritious (check one):
   - ❑ Organic
   - ❑ Non-organic
   - ❑ Both are the same
   - ❑ Don't know

8. Do you think that organic food tastes better than non-organic food (check one)?
   - ❑ Yes
   - ❑ No
   - ❑ Don't know

9. Do you think that organic food is better for the environment that non-organic food (check one)?
   - ❑ Yes
   - ❑ No
   - ❑ Don't know

10. Do you seek out locally-grown food (check one)?
    - ❑ Yes
    - ❑ No

IF YES, GO TO NEXT QUESTION

IF NO, GO TO QUESTION 13

11. Why do you buy locally-grown food. Please pick up to three. (check up to three)?
    - ❑ Supports local economy
    - ❑ Better for the environment
    - ❑ Tastes better
    - ❑ Fresher
    - ❑ More nutritious
    - ❑ Safer

12. Which foods do you prefer to purchase locally-grown, (PROMPT: vegetables, fruits, poultry, grains, dairy, eggs and meat) (Circle all mentioned.)?

    vegetables | fruits | poultry | grains | dairy | eggs | meat

13. Do you ALWAYS, SOMETIMES, or NEVER shop at a (circle correct letter for each listing):

Farmers' market or farm stand	A	S	N
Small natural foods or gourmet foods shop	A	S	N
Large natural foods supermarket (e.g., Fresh Fields)	A	S	N
Regular supermarket (e.g., Giant)	A	S	N

14. In your opinion, which is safer for you (check one)?
    - ❑ Locally-Grown
    - ❑ Non-local
    - ❑ Both are the same
    - ❑ Don't know

15. In your opinion, which is more nutritious (check one)?
    - ❑ Locally-Grown
    - ❑ Non-local
    - ❑ Both are the same
    - ❑ Don't know

16. Do you think that locally-grown food tastes better than non-local food (check one)?
    - ❑ Yes
    - ❑ No
    - ❑ Don't know

17. Do you think that locally-grown food is better for the environment than non-local food (check one)?
    - ❑ Yes
    - ❑ No
    - ❑ Don't know

18. Would you buy **locally-grown organic** food if it cost the same amount as regular food (check one)?
    - ❑ Yes
    - ❑ No
    - ❑ Not sure

IF YES or NOT SURE, GO TO THE NEXT QUESTION

IF NO, SKIP TO QUESTION 23

19. Would you buy **locally-grown organic** food if it cost 10% more (check one)?
    - ❑ Yes
    - ❑ No
    - ❑ Not sure

IF YES or NOT SURE, GO TO THE NEXT QUESTION

IF NO, SKIP TO QUESTION 21

20. Would you buy **locally-grown organic** food if it cost 50% more (check one)?
    - ❑ Yes
    - ❑ No
    - ❑ Not sure

21. Which products would you most prefer to purchase **locally-grown organic**, (PROMPT: vegetables, fruits, poultry, grains, dairy, eggs and meat) (circle all mentioned.)?

    vegetables | fruits | poultry | grains | dairy | eggs | meat

22. How interested would you be in buying **locally-grown organic** food from a (circle one for each line):

   Farmers' market or farm stand

      Not at all | Somewhat | Very

   Small natural or gourmet shop

      Not at all | Somewhat | Very

   Large natural foods supermarket (e.g., Fresh Fields)

      Not at all | Somewhat | Very

   Regular supermarket (e.g., Giant)

      Not at all | Somewhat | Very

23. Where do you get information about food products (check all that apply)?
   - ❑ Radio
   - ❑ Bus ads
   - ❑ Television
   - ❑ Billboards
   - ❑ Newspaper
   - ❑ Internet
   - ❑ In-store signs
   - ❑ Other (please list: __________)

24. Where do you get information about health and environmental issues (check all that apply)?
   - ❑ Radio
   - ❑ Bus ads
   - ❑ Television
   - ❑ Billboards
   - ❑ Newspaper
   - ❑ Internet
   - ❑ In-store signs
   - ❑ Other (please list: __________)

25. What is your age?

   ____

26. Do you have children under age 18 living at home (check one)?
   - ❑ Yes
   - ❑ No

27. What is the highest level of education you completed (check one)?
   - ❑ Some high school
   - ❑ High school
   - ❑ Some college
   - ❑ College degree
   - ❑ Some graduate work
   - ❑ Graduate degree

28. Are you married (check one)?
   - ❑ Yes
   - ❑ No

29. What is your total household income (check one)?
   - ❑ Less than $25,000
   - ❑ $25,000 to $50,000
   - ❑ $50,000 to $100,000
   - ❑ $100,000 to $200,000
   - ❑ Over $200,000

30. What is your zip code (write in)?

   ____

31. Please rate this survey:
   - ❑ Poor
   - ❑ Fair
   - ❑ Good
   - ❑ Excellent

B) Producer Survey

This statewide survey is being conducted on behalf of the Maryland Department of Agriculture and the US Department of Agriculture. All of the information you provide will be kept strictly confidential. Please fill out the survey and send it back using the enclosed self-addressed, stamped envelope.

1. How do you sell your product (put percentage of sales on the lines provided)?
   - Direct to supermarket ____%
   - Direct to natural supermarket ____%
   - Direct to food cooperative ____%
   - Wholesale outlet ____%
   - Farmers' market ____%
   - Farm stand ____%
   - Farmers' cooperative ____%
   - CSA (community-supported farm) ____%
   - Other (please specify): ____%

2. What are the major problems you face in marketing your products (check up to 3)?
   - ❑ Delivery time specifications
   - ❑ Low prices
   - ❑ Distance from buyers
   - ❑ Meeting product specifications (quality, consistency, etc.)
   - ❑ Electronic interface issues
   - ❑ Other (please specify): __________

3. What markets are you interested in entering? Please rate your interest in entering the following markets on a scale of 1 to 5, where 1 is NOT AT ALL INTERESTED and 5 is VERY INTERESTED:

• Direct to supermarket	1	2	3	4	5
• Direct to natural supermarket	1	2	3	4	5
• Direct to food cooperative	1	2	3	4	5
• Wholesale outlet	1	2	3	4	5
• Farmers' market	1	2	3	4	5
• Farm stand	1	2	3	4	5
• Producers' cooperative	1	2	3	4	5
• CSA (community-supported farm)	1	2	3	4	5
• Other (please specify): __________	1	2	3	4	5

4. If a well-managed, effective producers' collaborative to market locally grown food were established, would you join?
   - ❑ Yes
   - ❑ No
   - ❑ Maybe

5. If you indicated Yes or Maybe to question 4 above, please rate your level of interest in the following producers' collaborative marketing venues on a scale of 1 to 5, where 1 is NOT AT ALL INTERESTED and 5 is VERY INTERESTED:

• Mainstream retail market entry	1	2	3	4	5
• New "MD Organic" brand introduction	1	2	3	4	5
• Hotel, restaurant, & institutional sales	1	2	3	4	5
• Additional farmers' markets	1	2	3	4	5
• Urban "community supported ag"	1	2	3	4	5
• Distribution and packing system	1	2	3	4	5

6. Are you certified organic?
   - ❑ Yes
   - ❑ No

[IF "NO" PLEASE SKIP QUESTION 8 - 9]
[IF "YES" PLEASE SKIP QUESTION 7]

7. What is the main reason you are not certified organic (please check one)?
   - ❑ Cost of certification
   - ❑ Too much paperwork
   - ❑ Don't like USDA's rules
   - ❑ No need
   - ❑ Other (please specify: __________)

8. How long have you been certified organic?

____

9. What is your principal motivation for farming organically (please check one)?
   - ❑ Higher prices
   - ❑ Reduced production costs
   - ❑ Lower health risk for self and family
   - ❑ Better for the environment
   - ❑ Consumer health
   - ❑ Makes farming fun again
   - ❑ Other (please specify: ________)

10. Have you ever used other "value-added" labels to sell your product (e.g., "Pesticide-free," "IPM," "natural")? If so please list them:

____

11. Please complete the following statement by choosing the selection you agree with most: "In the next 5 years, the organic food market will…"
   - ❑ Grow faster
   - ❑ Grow at the same rate
   - ❑ Grow more slowly
   - ❑ Remain the same
   - ❑ Shrink

12. Please complete the following statement by choosing the selection you agree with most: "I prefer to sell my product…"
   - ❑ Locally (i.e., in Maryland)
   - ❑ Nationally
   - ❑ Internationally
   - ❑ Wherever I find the highest price

13. If you did not check "Locally" above, what are the reasons that you do not prefer to sell your product locally?
   - ❑ Supermarkets won't buy it
   - ❑ Small outlets (cooperatives, restaurants, bakeries, etc) do not buy enough
   - ❑ Prices are lower
   - ❑ Market outlets are not stable
   - ❑ Other (please specify):

14. How many acres do you farm?

____

15. How many acres do you farm organically?

____

16. Do you plan to increase, decrease, or maintain your current acreage over the next 5 years?
   - ❑ Increase
   - ❑ Decrease
   - ❑ Maintain

17. What do you produce (please enter number of acres):
   - ❑ Vegetables, flowers, ornamental crops:
     - Organic: _________
     - Non-organic: _________
   - ❑ Fruit, nut, tree crops:
     - Organic: _________
     - Non-organic: _________
   - ❑ Field crops:
     - Organic: _________
     - Non-organic: _________
   - ❑ Livestock:
     - Organic: _________
     - Non-organic: _________

18. What is your age?

____

19. What is your gender?
   - ❑ Male
   - ❑ Female

20. What is the highest level of education you completed?
   - ❑ Some high school
   - ❑ High school diploma
   - ❑ Some college
   - ❑ College degree
   - ❑ Some graduate work
   - ❑ Graduate degree

21. How many people are in your household?

____

Appendix 3: Total Acres Farmed and Organic Acres Farmed Charts for Producer Survey Respondents

Total Acres Farmed

Acreage Category	Number of Farmers Reporting in Category
Less than 5	23
Between 5 and 10	11
Between 10 and 25	4
Between 25 and 50	10
Between 50 and100	7
Between 100 and 200	4
Between 200 and 500	3
Between 500 and 1000	3
Between 1000 and 2500	1
(One missing value)	

Organic Acres Farmed

Acreage Category	Number of Farmers Reporting in Category
Less than 5	25
Between 5 and 10	12
Between 10 and 25	10
Between 25 and 50	9
Between 50 and100	5
Between 100 and 200	2
Between 200 and 500	3
Between 500 and 1000	1
Between 1000 and 2500	0
(One missing value)	

Appendix 4: Zip Code Chart for Consumer Survey Respondents

Zip code category, followed by number of consumers reporting in category:

19923	1	20718	1	21023	1	21701	7	21849	1
19947	1	20740	1	21030	3	21702	4	21852	1
19966	2	20743	1	21032	3	21703	3	21853	1
20016	2	20772	1	21035	2	21704	1	21863	1
20017	1	20784	1	21037	1	21705	3	21871	1
20601	16	20811	1	21093	1	21711	1	22032	1
20602	8	20814	1	21120	1	21717	1	22042	1
20603	9	20816	1	21140	2	21769	2	22601	1
20613	2	20817	6	21152	1	21785	1	23418	1
20640	1	20818	6	21206	1	21787	1	25425	1
20646	3	20838	1	21401	31	21791	1	25443	3
20659	2	20853	1	21403	4	21798	1	26726	1
20693	1	20854	2	21405	1	21801	5	28104	1
20695	2	20871	1	21410	2	21804	28	76273	1
20715	2	20906	1	21412	1	21821	1		
20716	2	21012	1	21643	1	21826	2		

Total: 216 (2 consumers did not report this data)

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