FLORIDA FRESH PRODUCE: DIRECT MARKET & PRODUCTION TRENDS

7th Annual Florida Agricultural Policy Outlook Conference
Apopka, FL
21 March 2022
Dr. Kimberly L. Morgan, Associate Professor, Extension Economist
Opportunities for LFS Research & Extension in the South*

- Market & supply chain logistics
- Financial & risk management
- Economic, social, & environmental outcomes
- Consumer demand
- Food safety
- Food security & access; food system policy; strategic planning
- Human capital development
- Youth, family & community engagement

* Shared during 2013 AAEA Organized Symposium: Buy Local: Federal & State Level Policies & Incentive Programs
What cost is added by each supply chain industry group to the food dollar?

Source data based input-output data from the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA).
How has the value added (costs) to the food dollar by each industry group changed over time?

<table>
<thead>
<tr>
<th>Industry group</th>
<th>Avg</th>
<th>Min</th>
<th>Max</th>
<th>1993 to 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness</td>
<td>3.0</td>
<td>2.2</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Farm production</td>
<td>9.2</td>
<td>8.5</td>
<td>11.1</td>
<td></td>
</tr>
<tr>
<td>Food processing</td>
<td>16.8</td>
<td>14.9</td>
<td>19.2</td>
<td></td>
</tr>
<tr>
<td>Packaging</td>
<td>3.6</td>
<td>2.7</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>3.7</td>
<td>3.1</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>10.0</td>
<td>8.3</td>
<td>11.4</td>
<td></td>
</tr>
<tr>
<td>Retail trade</td>
<td>12.4</td>
<td>10.0</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>Food services</td>
<td>28.5</td>
<td>25.4</td>
<td>31.1</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>5.3</td>
<td>4.2</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>3.1</td>
<td>2.6</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>2.4</td>
<td>2.0</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Legal &amp; accounting</td>
<td>1.6</td>
<td>1.5</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

Top 10 Restaurant Trends in 2022

1. Sustainable, reusable and recyclable packaging
2. Packaging that maintains food quality and ensures the food travels well during delivery
3. Packaging that retains temperature—hot food hot, cold food cold
4. Zero waste/sustainability
5. Immunity-boosting snacks

What’s Hot in 2022? (National Restaurant Association)
Top 10 Restaurant Trends in 2022

6. Menu streamlining, featuring fewer items and SKUs
7. Immunity-boosting/functional ingredients
8. Plant-based sandwiches
9. Food security/tamper-proof packaging
10. Alternative sweeteners, like maple and coconut sugars

What’s Hot in 2022? (National Restaurant Association)
Food Futurists

Amazon Go store in Seattle is the "world's most advanced shopping technology".

Dr. Morgaine Gaye – Food Futurologist
FOOD FUTURISTS

As AI continues to grow and dominate production, may find an increasing demand for artisan products handcrafted by people.

As the world becomes more technology-driven people may want to create food at home more often.

Dufton, E. 06 June 2018. “A futurist predicts the new technologies that will change your life.”
Food Futurists

Image recognition tells nutritional content
Link between personal health monitoring devices and menu
People want to know “how a dish makes them feel and not just whether it tastes good”

This year’s Food and Health Survey took a closer look at the eating habits and food priorities of the Baby Boomer generation, those who were born between 1946 and 1964.

### Knowledge about Healthy Choices
70% of Baby Boomers are confident in their ability to choose healthy foods. However, compared with Millennials, they tend to be less familiar with resources that can help inform their food choices:

- **64%** know very little or have never heard of the Dietary Guidelines for Americans
- **33%** find it very or somewhat difficult to figure out how healthy a food or beverage is based on information on the packaging

### Diet Priorities for Baby Boomers
One in 4 Baby Boomers followed a specific eating pattern or diet over the past year, compared with 38% of Gen X-ers and 53% of Millennials. For Baby Boomers, the top reasons for adopting a new approach to eating were protecting long-term health and preventing future health conditions.

### Sustainability and Social Consciousness
- **54%** say it’s at least somewhat important to them that the foods they buy or eat are produced in an environmentally sustainable way
- **59%** say it’s at least somewhat important to them that the foods they buy or eat are committed to the fair and equitable treatment of workers

When asked about the impact of their individual food and beverage purchasing decisions on the environment:
- **36%** say they have a moderate or significant impact compared with **48%** of Millennials who said the same.

The most common food-related actions that Baby Boomers took to support their community in the past year were:
- Supporting local restaurants (50%)
- Tipping restaurant servers and/or delivery people more (45%)

Boomers were more likely to do each of these things, compared with Millennials (50% vs. 36% and 45% vs. 39%, respectively).

### From International Food Information Council (IFIC) Foundation’s

**2021 Food and Health Survey**
Direct marketing – WHY?

Farms with direct-to-consumer sales had higher rates of business survival between 2007 and 2012

Business survival rate (percent)

<table>
<thead>
<tr>
<th>2007 sales category</th>
<th>No direct sales in 2007</th>
<th>Direct sales in 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1-9,999</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>$10,000-49,999</td>
<td>50</td>
<td>65</td>
</tr>
<tr>
<td>$50,000-249,999</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>$250,000+</td>
<td>70</td>
<td>80</td>
</tr>
<tr>
<td>All</td>
<td>60</td>
<td>70</td>
</tr>
</tbody>
</table>

Notes: The survival rate is defined as the share (%) of Census respondents with positive sales in 2007 who also reported positive sales in the Census in 2012.
Defendable Differentiation

Monopolistic Competition

- Large Number of Firms
- Free Entry and Exit
- Heavy Expenditure on Advertisements and Other Selling Cost
- Some Control Over Price

Product Differentiation

Product Variation
Defendable Differentiation

MARKET DRIVEN

FIRST identify a market need
THEN grow products that satisfy that need
At a price customers are willing to pay
AND
Returns a profit to the business.
Defendable Differentiation

How do I know WHY people want to buy?

- Study (and adapt to) changing market demand conditions
- Do your homework, inside and out

How much can I earn?

- Targeted marketing based on product attributes and consumer feedback
- Control your costs from inputs to leftovers
WHAT DO CUSTOMERS WANT??

Over the past six months have you purchased any food/food products directly from a grower/rancher/farmer/fisherman?

<table>
<thead>
<tr>
<th>City</th>
<th>Respondents per city</th>
<th>YES, I have purchased direct from grower in past 6 months</th>
<th>---Percent---</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta*</td>
<td>206</td>
<td>78</td>
<td>37.9%</td>
</tr>
<tr>
<td>Austin</td>
<td>208</td>
<td>73</td>
<td>35.1%</td>
</tr>
<tr>
<td>Birmingham</td>
<td>202</td>
<td>73</td>
<td>36.1%</td>
</tr>
<tr>
<td>Houston</td>
<td>205</td>
<td>49</td>
<td>23.9%</td>
</tr>
<tr>
<td>Nashville</td>
<td>202</td>
<td>100</td>
<td>49.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1023</td>
<td>373</td>
<td>36.5%</td>
</tr>
</tbody>
</table>

* Atlanta was used as base scenario
WHERE DO YOU BUY DIRECT?

- Farmers Market, 50%
- Roadside Stands, 28%
- CSA, 6%
- U-Pick, We-Pick, Internet Sales, Mail Order, Other, 11%
HOW MANY TIMES HAVE YOU BOUGHT DIRECT IN LAST SIX MONTHS?

5.88

HOW MUCH DID YOU SPEND PER TRIP?

$21.73
WHY DON’T YOU BUY DIRECT?

- Not aware of any growers selling directly to...
- Inconvenient location (27%)
- Limited payment options (9%)
- Takes too much time (10%)
- Lack of availability, variety, other (11%)
- Too expensive (7%)
- Poor quality (0%)
How likely are you to consider buying direct in the next six months?

2.11

How likely are you to continue buying direct in the next six months?

3.62
WHO ARE CUSTOMERS?

More concerned about US food safety...

$0.14/trip

And average total expenditures...

$3.59/trip
GREATER INCIDENCE OF FAMILY HEALTH ISSUES...

$0.04/trip

AND AVERAGE TOTAL EXPENDITURES...

$0.65/trip
GREATER KNOWLEDGE OF AGRICULTURE...

$0.07/trip

AND AVERAGE TOTAL EXPENDITURES...

$1.57/trip
Walk 3+ miles per day...

$0.26/trip

or walk less than 1.5 miles per day...

$0.30/trip
HOW MUCH WILL CUSTOMERS PAY?

## CHOICE EXPERIMENT ATTRIBUTE LEVELS

**PURCHASE OPTIONS:**
- FARMERS’ MARKET TOMATO
- GROCERY STORE TOMATO
- NEITHER

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Levels used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance travelled</td>
<td>Fewer than 50, 50-274 miles, (275-400 miles)</td>
</tr>
<tr>
<td>Water per pound</td>
<td>2.8 gallons, 3.4 gallons, (4.0 gallons)</td>
</tr>
<tr>
<td>Uses petroleum-based fertilizer</td>
<td>No, (Yes)</td>
</tr>
<tr>
<td>Pesticide residue</td>
<td>60% below maximum set by Environmental Protection Agency, 40% below maximum, (20% below maximum)</td>
</tr>
<tr>
<td>Price per pound ($/lb)</td>
<td>$0.95, $1.15, $1.35, $1.55, $1.75, $1.95</td>
</tr>
</tbody>
</table>

Note: Levels in parentheses serve as omitted base levels in the regression.
No petroleum-based fertilizer and purchased at grocery store...

$0.31/lb

No petroleum-based fertilizer and purchased at farmers’ market...

$0.51/lb
Traveled <50 miles to grocery store...

$0.38/lb

Traveled <50 miles to farmers market...

$0.19/lb
PESTICIDE RESIDUE <60% EPA STANDARD AT GROCERY STORE...

$0.23/lb

PESTICIDE RESIDUE <60% EPA STANDARD AT FARMERS MARKET...

$0.27/lb
WHY DO CUSTOMERS WANT IT??

CUSTOMERS ARE....

....driven by higher level of concerns about the safety of US foods, NOT US food price trends
...searching for food relationships in response to diet-related disease incidences in themselves and their family members
DIRECT MARKET STRATEGY

MESSAGE AT THE MARGIN

Grown using less water
Contain lower pesticide residue
No petroleum-based fertilizers
Shorter distances to final point of sale
Direct market strategy

Budget marketing costs:

• Percent of gross sales depending on business stage
• Provide samples and showcase attributes
• Hire/train professional sales folks
DIRECT MARKET STRATEGY

FOCUS ON CUSTOMER ENGAGEMENT

• Attract new consumers based on local market research
• Foster long-term relationships with loyalty programs
• Create client database (ID who is influencing household food purchases)
• Target health-motivated consumers
AgTools database

Capture data used by grower daily to make production and harvest decisions at the margin

- Market price data – terminal shipping retail
- Import data and trends
- Fuel, labor costs over time
- Current and optimal weather
- Measure of sustainability (food miles)
- Up to the minute news specific to commodity
MEANS (Matching Excess and Need for Stability) Database launched in February 2015 with the belief that it should be easy for those with excess food to share with those in need. Our organization was founded by Maria Rose Belding, who witnessed the challenges faced by emergency feeding system staff as a volunteer at her local food pantry. Maria Rose reached a turning point when she had to throw out hundreds of boxes of macaroni and cheese while people waited in line for food outside of her local food pantry. At that moment, she knew there must be a better way to distribute food and reduce food waste.
• Nonprofit funds transport fresh produce deemed non-marketable
• Grower posts item, food pantries get a text about availability and claim within an hour, Means ID and value item, arrange transport within 4 hours
• Tax benefits to donor based on fair market value
• Good Samaritan Act “in good faith, fresh and safe”
• Staff ServSafe trained
Food Policy Councils

Lessons learned:

• **FOCUS! FOCUS! FOCUS!**
  • Areas of effort
  • Member skills/resources
  • Needs v. wants

• Find common ground across agents
• Networks pay off! Participate! Cooperate!
About Us

Our Mission:
The Florida Food Policy Council works to address gaps and affect policy within the food system through integrity and collaboration for the benefit of all Floridians and the environment.

FLFPC Non-Discrimination Policy:
In accordance with Federal civil rights law, the Florida Food Policy Council prohibits discrimination based on race, color, ethnicity, national origin, sex, sexual orientation, gender identity, disability, or age within its membership, programs, publications, and decision making among its Board of Directors.
SW FL Small Farms Network

Things they are really good at:

• Adapting to COVID-19/unexpected demand shifts
• Customer-driven social media outputs/outlets
• Diversifying product offerings
• Sales across geo boundaries
• Finding/retaining markets for new products (medicinal mushrooms)
• Participatory/collaborative learning
Examples of the issues they shared with us that they need help with

• Shared storage facilities
• Distribution and transportation
• Decision point analysis on market diversification – When? For whom? Where?
There are many vibrant outdoor markets throughout Southwest Florida, each with a different personality and feel. A farmer’s market is defined by the USDA as “a multi-stall market at which farmer-producers sell agricultural products, particularly fresh fruits and vegetables—but also meat products, dairy products, and/or grains—directly to the public at a central or fixed location”. There are several wonderful farmer’s markets in Southwest Florida, but currently there is a greater demand than our small farms can fill so many of our outdoor markets, while wonderful events, do not fit this definition. Below is a list of farmer’s markets and other outdoor markets in each county, with the times and locations:

**Farmers Markets**

- **Southern Fresh Farmer’s Market**
  8500 Penzance Blvd.
  Fort Myers
  Day: Everyday
  Time: 9 a.m. – 9 p.m. Fri & Sat, 9 a.m. – 3 p.m. other days
  Season: Year Round

- **Coconut Point Farmer’s Market**
  Coconut Point Mall – Panera Bread Parking Lot
  23106 Fashion Drive, Estero
  Day: Thursday
  Time: 9 a.m. to 1 p.m.
  Season: Through April 30

- **River District Farmers Market**
  Centennial Park – Downtown – under Caloosahatchee Bridge
  2000 W. First St., Fort Myers
  Day: Thursday
  Time: 9 a.m. to 1 p.m.
  Season: Year Round
SW FL Regional Planning Council Strategy for Local Food Supply awarded $350,000.00 in CDBG-MIT (Community Development Block Grant – Mitigation) General Planning Support funding

Project Overview

The Southwest Florida Regional Planning Council Resiliency Strategy for Local Food Supply has been awarded $350,000.00 in CDBG-MIT (Community Development Block Grant – Mitigation) General Planning Support funding. The goal of the Resiliency Strategy is to develop an actionable plan for a thriving regional food system in the seven counties comprising Southwest Florida: Manatee County, Sarasota County, Charlotte County, Lee County, Collier County, Hendry County and Glades County. This is a large region and for this reason the SWFRPC has partnered with IFAS staff from 5 counties and Immokalee along with the Resource Conservation & Development Council and a national expert on food systems to ensure comprehensive coverage and outreach to the region’s growers, businesses, agencies, residents and other stakeholders.

The goal is to develop a Resiliency Strategy for Local Food Systems in Southwest Florida that will provide realistic solutions for ensuring a healthy, sustainable and equitable food system for all people, at all times and that is resilient during times of disasters.

Project Deliverables

1. Develop a Regional Needs Assessment
2. Create an Outreach Strategy
3. Identify Impacts of a Food Hub Network

Project Timeline

TBD
THANK YOU!

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