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Promoting the Successes of Small Farmers and Ranchers



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industrial advantages and have desirable socio-political virtues. And bamboos can do this while providing a soothing and evergreen beauty.

Session 2 G

Track/Session: Marketing Opportunities/Collaborative Efforts

Exploring Efficiencies in the Merger of the New Generation Growth Cooperative and Farmers' Market to Enhance Vibrant Rural Economies and National Food Security

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Introduction

Many university educators, Extension specialists, and others have supported all the niche marketing strategies for helping fruits and vegetables producers and farmers in general to sell their produce at a profit. These strategies include: farmers markets, road-side-stands, pick-your-own operations, and community supported agriculture (CSA). Through the USDA Agricultural Marketing Service's Farmers Market Promotion Program, the farmers' market niche has mushroomed all over the nation and has become the main channel for producers to sell directly to the final consumers, thus improving profit margins and avoiding the middleman.

However, as I travel around speaking with farmers, I find that there are many who would like to have additional markets where it would be faster for them to sell their produce, increase profit, and still have the time to participate in other life endeavors, such as taking care of their families and taking their kids to games. Because they have to be present in almost all the niche markets, they find it difficult to participate in these other activities. The limited acreage they have to operate allows them to produce small quantities of fruits and vegetables. Since this is hardly enough to sustain the family's financial needs, small farmers usually undertake off-farm jobs to supplement their family income requirements.

The question then is how do we help our small underserved and socially disadvantaged farmers increase their farm income, enjoy time with their families, and participate in other rewarding activities? Those who operate large farms do not have this dilemma because they have enough volume of fruits and vegetable, or whatever crop they grow, to fill big refrigerated trucks and ship long distances to sell at reasonable profits. They are freed from additional sales responsibilities to focus on growing their produce or indulging in these other additional family activities.

Which Market Is More Efficient?

From the title of the presentation, it is assumed that there are efficient market issues involved. Markets are efficient mechanisms for distributing resources. In order for this to take place, certain conditions must be met. Information must be widely available, property rights of individuals must be protected, contracts between persons and/or entities must be enforced, there must be very limited or no spillover effect from other actors, and there must be competition (Stone, 2008). If we take information as our example, we can easily see that the market for larger producers tends to be more efficient than the niche markets. Prices offered in the larger markets are quoted at different boards of trade, such as Chicago, meaning that people can easily find the prices for their produce before they ship them for sale. That would encourage the determination of the quantity to ship and how often to ship if the producer can control some factors involved in fruit and vegetable production, such as the perishable nature of produce.

Prices in niche markets are not determined similarly. Producers and consumers usually haggle for prices. The quality and appearance of the produce tend to determine the selling price. The number of persons in the niche market selling similar produce also determines prices paid. Examined from the price information requirement of efficient market, we can say that the markets open to larger producers tend to be more efficient than niche markets.

Opportunity Cost

Another factor that tends to impact efficiency, which is not mentioned above, is opportunity cost. It is the alternative benefit foregone as one undertakes an activity. For example, when one goes to sell at a farmers' market and stays there for approximately 4 hours, the alternative activity he/she could have undertaken is the opportunity cost. If, for example, he/she were to work for those 4 hours and earn an income, that income is the opportunity cost. It is the income forgone as one sells at either the farmers' market, roadside stand, or any of the niche markets. The higher the opportunity cost is, the less incentive there is to continue the current activity unless it has the potential of increasing future income, such as acquiring college education. There is therefore greater opportunity to be more profitable in wider marketplaces than in niche markets (Ajuzie and Swartz, 2012).

Based on the two scenarios, price information and opportunity cost, we can conclude that niche markets are more inefficient than larger marketplaces. However, this type of conclusion does not take into account the fact that small farmers sometimes sell at higher prices in these niche markets. The down side is that they may not sell as much as they would in the wider market place. There is also personal interaction to consider. Some see the farmers' market as a place to get together and mingle with friends and well-wishers, a situation that can add to the wellbeing of individuals.

Merging a More Efficient Market with Farmers Market

Can any good come out of the merger of the farmers' market with the more efficient marketplace? The answer to the question should be positive if we can find a way to help small underserved limited resource farmers gain access to the more efficient wider marketplace. In order for this to occur, small farmers must gain market power whereby they would have enough volume of produce to penetrate the larger marketplace. This could be done by creating marketing cooperatives for these farmers. This is a situation where small, limited-resource farmers produce fruits and vegetables and market them jointly.

Many of these cooperatives have been successfully formed in the past. They lasted for 10 years on the average and discontinued existence. In 1999, Lincoln University Cooperative Extension helped to start one for its clientele. Although the cooperative did very well, by 2005, it ceased to operate due to reasons that plague such organizations. The two most important reasons were: 1) the distribution of revenue from

sales and 2) the lack of adequate management. Because of how well the cooperative did before its dissolution, there was a need to start another one.

In 2010, a cooperative with an umbrella name of New Generation Growth Cooperative (NGGC) was incorporated with the State of Missouri. It was developed by the Agricultural Economics and Marketing Program of Lincoln University of Missouri. Its focus is on organizational perpetuity and longevity, which were lacking in earlier small farmers' cooperatives. Again, it provides the opportunity for small farmers to produce and collectively market for increases in income and profits on few acres of land. Larger marketplaces are contracted to buy from these cooperatives and, like large producers, these buyers take big refrigerated trucks to pick up produce from distribution centers where small farmers collect or pool their fruits and vegetables for shipment. Because of this marketing arrangement and its income generating potential, these small farmers have the incentive to produce more within a given acreage and also expand their operation. These lead to the attraction of new members to the cooperative in record numbers.

NGGC members will still sell their fresh produce in farmers markets. This is quality produce which, because of its bent shape and larger size, does not gain easy acceptance by big merchandize stores. The larger marketplaces are very particular about the specification of the produce they buy. Because of the increase in the quantity of produce grown, there is also bound to be significant increase in the produce that fail to meet specification but are still good quality. It means that there will be substantial increase in the quantity of produce that is taken and sold at farmers' markets.

In recent years, national emphasis has been placed on food security. Defined narrowly, food security refers to the situation when all people at all times have both physical and economic access to sufficient safe and nutritious food that "meets their dietary needs for an active and healthy life". In this age of uncertainties, it also refers to the ability of communities to provide and feed their citizens with healthy locally grown food. The vastly enhanced profitability of NGGC draws many small farmers to it and increases the volume of produce sold at farmers' markets. With a statewide focus of this program, the food security concerns of the State of Missouri will be met with time. More economic opportunities will be generated through entrepreneurial offshoot activities to be created throughout our rural communities. Small farmers will have the opportunity to increase their farm income and quality of life, leading to vibrant communities. The model is transferable to other institutions nation-wide.

Conclusion

There is a misplaced belief that marketing cooperatives will hinder the growth of farmers' markets as the main niche for marketing fruits and vegetables by small producers. We have dismissed that fear by showing that, instead of being in competition with one another; the growth of farmers' markets is indeed enhanced by the existence of strong fruit and vegetable marketing cooperatives. The efficiencies in the larger marketplaces through which marketing cooperatives operate create the opportunity for small farmers to make more profit and produce more fruits and vegetables. The increase in production leads to greater quantities of fruits and vegetables that fail to meet larger marketplace specifications for merchandizing. Given that they are still good quality fruits and vegetables, they are taken to farmers' markets where they increase the quantity sold.

Meeting the food security requirements of the U.S. would take more than producing for farmers' markets. Despite the rate at which farmers' markets are growing, consumers still go in droves to our large grocery stores to buy fruits and vegetables. To verify this, all one needs to do is go into stores, such as Wal Mart, and watch carts loaded with food items. Most of these fruits and vegetables come from places outside the United States. Food safety means finding ways to flood these grocery stores with our locally grown healthy fruits and vegetables. This investigation shows that the harmonious collaboration between

farmers' markets and marketing cooperatives promises to be a creative vehicle that would help us to meet the food safety need of satisfactorily feeding our people with nutritious locally grown fruits and vegetables to meet their dietary needs.

Reference

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Stone, Gerald W., *Core Economics* New York, NY: Worth Publishers, 14 Madison Avenue, New York, NY 2008.

Session 2 H

Track/Session: Outreach to Underserved Communities/New and Beginning Farmers Part II

Using Business Plans to Empower Women Who Manage Horticultural Businesses in New Jersey and Turkey

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Annie's Project in New Jersey, USA

Twenty-two percent of New Jersey's 10,327 farms have a female principal operator as compared to 14 percent nationally (National Agricultural Statistics Service, 2010). As the number of women farmers in the United States continues to grow, Annie's Project successfully provides a comprehensive educational program and support network for women farmers by focusing on farm and family financial management, legal aspects of farming, marketing, managing human resources, and production planning.

For more information about the Innovative Solutions project, please contact:

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