Competitiveness and Access to Produce Markets for Smaller-Volume Tennessee Producers

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Introduction

For fruit and vegetable growers, the diversity of products, their perishable nature, and the shifting geographic locations (national and international) of raw supplies throughout the year all contribute to distinctive assembly/distribution problems associated with moving fruits and vegetables from growers to consumers. Consolidation characterizes the effects of most of the recent changes in the marketing system. Increased concentration has favored larger-scale producers who deliver sufficient quantities for long enough time periods to attract agents in the commercial marketing system.

A major problem confronting most Tennessee fruit and vegetable growers is the difficulty of gaining access to commercial wholesale buyers. Tennessee does have successful large-volume growers, but most operations are small-scale, and this substantially greater number of small-volume growers finds it difficult to participate in the commercial distribution system. They also have difficulty expanding their operations because of limited direct-market outlets (for example, PYO, farmer’s markets) and production limitations associated with land and labor constraints for many of these farmers.

Production problems and limitations for fruit and vegetable growers are, of course, intimately associated with marketing. The timing of crop harvest may often be as critical as obtaining high-quality yields per acre. Because of the highly perishable nature of produce production, growers need to consider the timing of production to take advantage of marketing opportunities as well as production opportunities; however, growing for identified market opportunities may entail the acceptance of increased risk of temperature-related damage.

The tradeoff between income from vegetable production during the so-called “safe” part of the growing season and potential income opportunities from production during more “risky” time periods was examined in Tennessee within a market window analysis (Best and Brooker, 1991). A market window was defined as a harvest period when the opportunity for higher prices appeared most likely. Estimated returns to growers, using their standard planting dates, were compared to returns with target-market planting dates and net returns with two- and three-crop sequential cropping schemes. For the nine vegetables included in this study, considerable variation was revealed in the net returns. None of four wholesale markets within shipping distance of Tennessee were consistently lower or higher for the nine vegetables. The results suggested that growers could enhance their potential for higher net returns by targeting certain market windows to particular wholesale markets and by sequential cropping schemes that also permit one or two crops in a sequence to coincide with an identified market window.

A nine-county region in East Tennessee was targeted as the study area to obtain information regarding production, post-harvest handling procedures, and perceptions about the performance of existing outlets (Brooker, Eastwood, and Brenchley, 1990). While this study was conducted in 1989, based on discussions with local Extension agents the situation in these counties has not changed. The most notable finding was that there are several factors interacting to create a supply-side constraint. The majority of growers were part-time, preferred to operate without hiring outside labor, and did not have a strong interest in expanding acreage to support a cooperative packing facility. These producers were, therefore, operating without participating in commercial markets.

Wholesale Markets

Major expansion of fruit and vegetable production in Tennessee, and in states with similar production situations, are not likely to occur outside of the commercial wholesale market. The infrastructure of Tennessee’s fruit and vegetable production/marketing system was described and used as a base for recommendations regarding development of feasible, long-run marketing programs that would
support expansion of the state’s fruit and vegetable industry (Brooker, 1985). It was recognized that small-volume growers would have to aggregate and coordinate their production in order to gain access to the commercial segment. Independent grocery stores were more likely to have localized produce-buying offices that could be viable outlets for small-volume growers.

Access to commercial wholesale buyers partially depends on appropriate grading and packing of the products. Wholesale buyers prefer to purchase products from suppliers who can deliver consistent, relatively large volumes per delivery, over an extended period of time (Brooker, 1983); therefore, on-farm grading/packing operations are at a disadvantage to shippers/brokers utilizing adequately equipped packinghouses.

**Direct Sales to Consumers**

For many of the growers, produce sales through farmer’s markets comprise a major source of income. A variety of conditions result in successful markets. Each market has unique features so that there is not one set of factors that can be listed and referred to as a common set of necessary and sufficient criteria to ensure the success of a farmer’s market (Brooker, 1982). Another conclusion from the same study was the existence of a simultaneity problem, with growers feeling that the problem is an inadequate numbers of customers and customers expressing a desire for greater volumes for a larger number of commodities over an extended period of time. Consumers expect produce to have the size, color, and shape attributes considered important in each commodity. Also, market managers need to stress flavor, freshness, and nutrition in promotions.

Evaluation of consumer demand for locally grown fresh produce revealed that the most important criteria customers used to evaluate retail fresh produce outlets were (in descending order) quality, price, convenience, and flavor (Eastwood, Brooker, and Gray, 1998). With respect to the quality of locally grown versus out-of-state produce, it was determined that most consumers did not know how Tennessee-grown commodities compared to out-of-state commodities. Also, consumers did not have a bias for in- or out-of-state produce.

**Branding of In-State Products**

To examine consumers actual purchasing behaviors when confronted with locally grown produce for sale in retail chain stores, tomato sales experiments were conducted in several retail stores (Brooker et al., 1987); thus, in these trials, shoppers did not incur the extra travel cost of going to a farmer’s market. A key component of this study was the use of the Tennessee Department of Agriculture’s (TDA) “Country Fresh” logo as part of the displays. The price of Tennessee’s tomatoes was set at the same price as the “other” tomatoes being sold in test stores and at 15, 30, and 50 cents per pound higher in other stores. Interestingly, raising the Tennessee price by 15 and 30 cents above the “other” tomatoes did not significantly affect sales; however, at the 50-cent increment, the impact on sales was statistically significant. Responses to the use of the Tennessee “Country Fresh” logo emphasized the need to inform the general public about the logo.

Another TDA logo-related project tested the effectiveness of using the Tennessee promotional logo in special displays in supermarkets to increase consumer purchases of in-state produce (Brooker and Eastwood, 1991). Two major supermarket chains in Chattanooga, Tennessee, assisted with this project by allowing display tables with Tennessee produce to be featured with shelf-talkers and banners. Also, the retailers agreed to purchase fruit and vegetable supplies from area growers. The experiment was timed to coincide with TDA’s “Pick-Tennessee-Products” month. Shoppers were also asked to complete a questionnaire. Nearly all respondents, 88 percent, preferred supermarkets with good produce departments; 86 percent desired information about origin; 62 percent said the “Pick-Tennessee-Products” display was useful; and an even larger percentage, 84 percent, said that they wanted the display for the entire growing season.

The regularity of consumer purchases, levels of satisfaction, concerns over origin, and willingness to pay for local versus out-of-state produce were addressed in a study focusing on apples, broccoli, cabbage, peaches, and tomatoes (Eastwood, Brooker, and Orr, 1987). Among these five products, consumers were most concerned about the origin of tomatoes. Tomatoes and apples were purchased most frequently, followed by peaches. Consumers were more concerned with the origin of peaches than with the origin of apples, but both were well behind concern with the origin of tomatoes. For broccoli and cabbage, consumers cared less about origin and primarily noted their decision criteria as price and quality. An important general marketing implication from this study was that local promotion
should be product-specific—that is, a blanket approach will not be as effective. Of the five products, tomato was the only crop for which customers expressed a willingness to pay more than the price for out-of-state tomatoes.

The most recently completed project examining the marketing practices of small-scale Tennessee growers dealt with growers in 27 counties near the six major metropolitan areas in Tennessee (Eastwood and Brooker, 1999). On average, the farms had 23.5 acres of produce, raised a fairly wide variety of commodities, and used a variety of market outlets in selling their crops. While some sales were made to wholesalers, direct-marketing outlets were prevalent. This finding emphasized the importance of continuing to help develop outlets, both direct and commercial, so that these farmers have viable outlets. The most pervasive factor limiting these growers' plans about expansion was hired labor. Smaller-scale growers typically do not have the scale of operations needed to attract commercial outlets, and because of the limited sources of supply, commercial agents do not usually purchase from smaller-scale Tennessee growers.

References


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