

Executive Summary

INTRODUCTION

Alberta Agriculture and Rural Development (ARD) has for some time been devoting resources to the development of new opportunities for farmers to market their products. In 2004, ARD established a baseline estimate of the value of five alternative market sectors for agricultural products and services and investigated their growth potential. ARD wished to repeat these measures and obtain current information on three of the sectors, Farmers' Markets, Farm Retail (formerly known as Farm Direct) and Farm Activities (formerly termed On-Farm Ag Activities). Since 2004, increasing interest has been expressed about the trend to purchase Local Food, so this sector was added to the 2008 survey.

These alternative markets were defined to respondents as follows:

- **Farmers' Markets:** A place or space which is open on a regular scheduled basis, where one can buy fresh fruits and vegetables, flowers, bedding plants, herbs and other farm products, including processed food like honey, jams, pies and sausages, from farmers and growers who sell at stalls or tables there.
- **Farm Retail purchasing:** Buying products like fresh fruit and vegetables, flowers, bedding plants, herbs, meat and other farm products, including wine, honey, jams, pies and sausages, at a farm or ranch gate, a farm or ranch store or stand, a roadside stall, a greenhouse ON A FARM, a U-Pick farm, or by Internet or mail from a farm.
- **Farm or Ranch Activities:** This includes things like staying in a farmhouse or on a guest ranch; attending a horseback riding camp on a ranch; taking a wagon or sleigh ride; going through a maze; a petting farm; or going on a tour of different farms with unusual animals like elk, ostrich, llama or bison, or something similar that you PAY to do on a farm or ranch.
- **Local Food:** Food grown or made in Alberta.

A telephone survey of 1,015 randomly selected Alberta household heads who felt they would be, "in a position to talk about past purchases and expenditures made by your household" was undertaken during September 2008 and a supplementary sample of 53 households that had taken Farm Activities trips was added to this (on a weighted basis) to increase the reliability of the Farm Activities results.

AWARENESS OF FARMERS' MARKETS, FARM RETAIL AND FARM ACTIVITIES

Farmers' Markets remained the best known of the three alternative agricultural markets and depth of knowledge even increased over the past four years (from 57% to 69%, a gain of 12% who felt they knew 'a lot' or 'something' about them). Only 2% of the population had not heard of Farmers' Markets compared to approximately 10% for the other channels. Farm Retail and Farm Activities made modest gains in familiarity (+2% and +3% respectively), but were nowhere near as well understood as Farmers' Markets (37% knew 'a lot' or 'something' about Farm Retail and 33% about Farm Activities).

FARMERS' MARKETS, FARM RETAIL AND FARM ACTIVITIES MARKET SIZE

Market penetration, the proportion of households in the population that purchased from each channel, has remained relatively stable since 2004 – slightly up for Farmers' Markets (from 59% to 60%) and slightly down for Farm Retail (from 34% to 30%) and Farm Activities (from 12% to 10%).

Nevertheless, due to strong population growth, there was a substantial increase in the number of households purchasing from Farmers' Markets. Over the twelve month period September 2007 to August 2008, 847,000 Alberta households visited a Farmers' Market, a gain of 112,000 since 2004. The estimated number of households purchasing from Farm Retail outlets was 433,000 (up 11,000) and the estimated number purchasing Farm Activities was 142,000 (down 12,000).

FARMERS' MARKETS, FARM RETAIL AND FARM ACTIVITIES MARKET VALUE

Average spending per visit increased 30%, from \$35 to \$45 for Farmers' Markets, an amount well in excess of inflation. Per trip spending changes for Farm Activities was even higher at 40%, from \$124 to \$174, but there was little change in per visit spending for Farm Retail (from \$109 to \$116, or 7% – a level below inflation).

Taking the number of visits/trips made in the past twelve months into account, annual spending per household rose for Farmers' Markets from \$317 to \$449 and for Farm Activities from \$335 to \$441. However, Farm Retail spending per household appears to have dropped from \$453 to \$417.

The total estimated market value for each channel was as follows. It should be noted that since the estimates are based on a sample survey, the figures below may not be precise, but fall within a margin of error. The confidence interval for each estimate is shown in the body of the report.

- From September 2007 to August 2008, Farmers' Markets (excluding crafts) were valued at \$380 million, up from \$233 million in 2004, a 63% increase reflecting both population growth and higher per visit spending.
- Farm Retail was estimated to be worth \$181 million, down from \$191 million in 2004 (-5%), due both to a loss in market penetration and a limited increase in per visit spending.
- Farm Activities increased from \$52 million to \$62 million (+21%) despite a loss in the number of households using the product. The change was due to substantially higher per visit expenditures and a small increase in purchase frequency.

Respondent expectations for next year suggest that market growth will come more from higher expenditures by current purchasers than from new market entrants, particularly for Farm Retail. For Farmers' Markets and Farm Retail these higher expenditures will depend on whether the expected increase in frequency of visits/trips takes place, more so than an increase in per visit/trip expenditure. This particularly applies to Farmers' Markets, which now appear to be a maturing rather than a high growth channel. For Farm Activities, little growth can be expected

from current purchasers; rather, the ability to attract new market entrants will be key to growing the sector.

SEASONAL USE OF FARMERS' MARKETS, FARM RETAIL AND FARM ACTIVITIES

27% of Farmers' Markets purchasers used this channel year round – the highest of the products examined (20% for Farm Retail and 18% for Farm Activities). The majority of purchasers, 70% for Farmers' Markets, 75% for Farm Retail and 81% for Farm Activities went only in summer, while 3% or fewer purchased only in winter.

In addition, among those who did visit during a season, frequency of purchase was higher in the six-month summer period than the winter (7.4 vs. 5.7 visits for Farmers' Markets and 4.6 vs. 4.3 for Farm Retail)¹ while average spending per household over the summer was higher too (\$384 vs. \$266 for Farmers' Markets and \$380 vs. \$233 for Farm Retail).

Once the number of purchasers in each season was also taken into account, it was found that 81% of all visits and 83% of expenditures were made in summer for Farmers' Markets and 81% and 87% respectively for Farm Retail. In both cases, but particularly for Farm Retail, the trend since 2004 has been to a higher proportion of visits and expenditures occurring in summer. Extending the season could provide new growth opportunities, since the majority of frequent purchasers and the majority of heavy annual spenders were year round customers.

FARMERS' MARKETS, FARM RETAIL AND FARM ACTIVITIES MARKET PROFILES

Distinctive market characteristics for each of these markets were as follows:

- The most distinguishing feature of Farmers' Markets shoppers was income, with a substantially higher penetration rate being found in the highest household income group (over \$120,000).

Empty nesters and 45-54 year olds, married/common-law household heads and females had a higher propensity to shop at Farmers' Markets, along with Calgary residents who were also more likely to buy year-round.

Younger adult households (singles and couples), older singles, farm/ranch residents and those with the lowest education (high school or less) and income (under \$50,000) were less likely to use the channel. Residents of major urban centres (Fort McMurray, Grande Prairie, Lethbridge, Medicine Hat and Red Deer) were especially likely to be summer-only purchasers.

Higher expenditures at Farmers' Markets were associated with larger size households while high purchase frequency and high expenditures were most likely to be found in the highest income group (over \$120,000).

- Farm Retail purchasers were more often young families (with the youngest children in elementary school). Equally differentiating of this market was that users were found

¹ Estimates are not available for Farm Activities' winter purchases due to very small sample bases.

proportionately more often in rural locations – living on farms/ranches or in small towns, villages and hamlets. Rural residents were also more familiar with Farm Retail than people living in large urban centres and farmers/ranchers were themselves more likely than average to buy year-round.

The channel was used relatively less often by young singles/couples, 18-34 year olds, those who were separated/divorced/widowed and in the lowest education group.

- The key distinguishing criterion for purchase of Farm Activities was the presence of pre-school and elementary school-age children in the household, with the result that Farm Activities purchasers had the largest family size. The chance of participating in Farm Activities declined steadily with respondent age, being at its peak among the child-raising 18-34 year old age groups.

Farm Activities also appealed somewhat more to residents of the City of Edmonton – who tended to be summer-only visitors – and to residents of small (rural) towns, villages and hamlets. Awareness and year-round visitation was higher in rural areas and among farm/ranch residents.

Higher expenditures on Farm Activities were associated with the presence of young children (6 to 12 years of age) and an above average household income.

LOCAL FOOD

Market size and growth

90% of Alberta households indicated that they had purchased Local Food in the past twelve months (September 2007 to August 2008), the equivalent of 1,279,000 households.

Of the total population, almost one-third of households thought they would either buy more Local Food in the next year (27%) or would start to purchase Local Food (5%). As only 3% thought they would buy less, this is likely to be a growing market.

Market value

Market value for Local Food purchased at Farmers' Markets and Farm Retail outlets was investigated when asking questions about these alternative channels.

- On average, \$38 of the \$45 spent per visit to Farmers' Markets was thought to be on Local Food. The average spent by purchasing households over the past year was estimated at \$363.

The total value of Local Food purchased at Farmers' Markets was estimated at \$302 million, 82% of which was spent over the six month summer period. Local Food made up 79% of total estimated Farmers' Market expenditures.

- For Farm Retail outlets, \$92 of the \$116 spent per visit to was thought to be on Local Food, with the average spent by purchasing households over the past year being estimated at \$359.

The total value of Local Food bought through this channel was estimated at \$154 million, 86% of which was spent during the summer and 14% in winter. Local Food made up 85% of total estimated Farm Retail expenditures.

Purchasing outlets

At the start of the survey respondents were asked on a spontaneous basis where they had bought food in the past 12 months. Later they were asked the same question about Local Food. Two dominant suppliers of Local Food in Alberta were identified:

- The primary source was a Supermarket (56%). However, Supermarkets were not nearly as important as suppliers of Local Food as they were for food generally (90%).
- The second most widely used outlet was Farmers' Markets at 45%, mentioned by a much higher proportion for Local Food than for general food purchases (10%).
- Other outlets mentioned by a substantial number of Local Food purchasers were Farm Retail channels (15% vs. 1% for food in general) and Small Grocery stores (11% vs. 9%).
- Other important general suppliers of food, Warehouse Club stores and Supercentres/Mass Merchandisers (mentioned by 18% and 16% of households respectively) were rarely thought to be a source of Local Food purchases (4% and 3%).

Four Local Food purchasing segments were identified based on demand-side purchasing patterns:

- Segment I: 33% of the market focused their Local Food purchases at Supermarkets and did not mention using any of the outlets used by Segment II.
- Segment II: 36% of the market bought Local Food from Farmers' Markets, Farm Retail, Small Grocery stores (often in rural areas) and/or a CSA/Box Program, but not from Supermarkets.
- Segment III: 22% of households patronized both the above groups of outlets for Local Food.
- Segment IV: The balance, 9%, purchased Local Food only from other types and combinations of outlets.

Perceptions of Local Food

In response to an open-ended question, Albertans identified three key benefits for buying Local Food as well as a variety of other less widely held beliefs.

- 35% felt that Local Food is fresher than food that was picked earlier in order to be shipped a longer distance. Freshness was associated with having a better taste (mentioned as a benefit by 7%) as it was picked riper and was also not "processed" to preserve or ripen the food. Purchasers were more concerned about freshness than non-purchasers (37% vs. 14%), emphasizing the influence of this benefit.

- The 31% who identified that buying Local Food helps support the local economy saw the benefit as accruing to local people, families and neighbours, stores, businesses and industry.
- Support to the local farmer was mentioned by 25%. Some had in mind local or Alberta farmers, some the broader agricultural industry, which they thought needed help to stay in business. Non-purchasers were particularly likely to see this as a benefit of buying Local Food (35%).
- While about half the respondents mentioned either or both support for the local economy and/or local farmers (49% unduplicated), many more referred to benefits to the local community rather than the province overall. Only 15% specifically mentioned that Local Food supports the Alberta economy, Alberta farmers, Alberta products and Albertans living and working here, or expressed patriotic sentiments about the province.
- The next most frequently mentioned benefit was inexpensive or cheaper price at 14%, but often these comments were made on the basis of expectations (due to lower transportation costs) than knowledge.
- Trust in the food and knowing its origin was strongly linked to the category of safety. Together, the two were referred to by 14% of households (unduplicated). Trust was sometimes based on knowledge of individual farmers and sometimes on confidence in the national and provincial regulatory systems. Trust was important in generating assurance that the food is what it claims to be (e.g., organic). Safety was explicitly described as food cleanliness and the lack of bacterial contaminants or unwanted additives.
- 12% thought that Local Food is of “good quality”. This term appeared to embrace perceptions of taste and freshness or other intrinsic food qualities, and confidence in local standards and the conscientiousness of local farmers.
- There was a perception or expectation that Local Food is healthy as it has fewer chemicals, pesticides, additives and preservatives, is nutritious/wholesome or is organic. 11% (unduplicated) mentioned one or more items within this theme.
- Other benefits included being grown close to home (10%) and reduced environmental impacts due to less transportation being needed (8%).

There were three key barriers to buying Local Food:

- Lack of product availability, mentioned by 35%, mainly reflected a lack of ready availability and choice in the supermarket or store where they usually shop. It also included not being able to get items that are not grown or produced here and seasonal availability. There was a perception either that not much food is grown in Alberta or that not much stays in the province, and that there are not enough places to buy Local Food. This issue was predominantly raised by Local Food purchasers (38% vs. 9% of non-purchasers) suggesting that availability is limiting increased consumption.
- Inconvenience was mentioned by 26% and included: resistance to shopping at non-usual food suppliers; the days and hours of operation, traffic, crowding and parking at Farmers’ Markets; and less convenient locations of places to buy Local Food (it takes planning and an effort, while transportation may be an obstacle). Inconvenience was mentioned more often by non-purchasers and is a particular barrier to increasing market participation.
- Information and labelling was a barrier to 17%. This covered lack of knowledge of where to buy Local Food; deficiencies in in-store identification of product origin, particularly in

supermarkets; perceived poor marketing and advertising for Local Food, including awareness promotion to raise interest in buying it. Product labelling by manufacturers/producers was suggested as one way to address some of these issues. These concerns were more important to non-purchasers than purchasers.

- Other barriers were: not needing to purchase Local Food (e.g., grow their own) at 13%, perceived high/er costs (13%) and limited selection or variety (5%, mentioned only by purchasers).

Ease of identification of Local Food

Comments made when respondents were talking about benefits and barriers suggested that there would be preference for Alberta made or grown food over non-local and that one of the barriers to choosing it was being unable to identify it.

- When asked how often they choose to buy items grown or made in Alberta rather than elsewhere when a choice is available, almost two-thirds said they 'always' (27%) or 'frequently' (37%) do so, confirming a high level of interest in Local Food.
- However, only one-third found it easy to recognize items that are grown or made in Alberta, with 10% saying it is 'never', 25% 'rarely' and 29% 'occasionally' easy to do so.

Non-purchasers of Local Food purchasers found it more difficult to recognize Alberta products, but close to two-thirds of purchasers had difficulty too, so this is clearly an important barrier.

Market profile

Because of the high proportion of households purchasing Local Food, the market profile was similar to that of the overall population. The main distinguishing characteristics were that incidence of use of Local Food was slightly higher than average in empty nester households, while lower market penetration occurred in younger households – among young singles, couples and groups and in pre-school families where the household head tended to be under 35 years of age. A lower level of use was also found in the lowest education group.