Alternative Agricultural Markets in Alberta, 2012

Executive Summary

Alberta Agriculture and Rural Development

January 2013

Canada

Alberta Government

Growing Forward 2
A federal-provincial-territorial initiative

Executive Summary

Introduction

For more than a decade Alberta Agriculture and Rural Development (ARD) has devoted 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. The study was repeated in 2008 for three of the sectors. The 2012 report is the third tracking study in the series, monitoring two of the original markets – farmers' markets and farm retail – and establishing baselines for two new ones – restaurants chosen because they serve food made from Alberta ingredients and community supported agriculture or community shared agriculture (CSA)/box programs.

The trend to purchase local food, defined for the purposes of the study as, “food grown or made in Alberta”, was explored for the first time in 2008. At that time the focus was on identifying the views of Alberta consumers relating to this trend. In 2012 the focus tightened, to gain an understanding of the extent to which different perspectives are held and different behaviour occurs.

These 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, bedding plants and flowers, herbs, honey, meat and other farm products, including processed foods like 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 and nursery stock, 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.
- *CSA or box programs*: CSA means community supported agriculture or community shared agriculture. In both CSAs and box programs, households purchase a subscription to receive a box of freshly harvested food such as fruit and vegetables, dairy or meat products, every week.
- *Restaurant for Alberta ingredients*: Households deliberately choose to eat at a restaurant or other type of eating establishment in Alberta specifically because it served food prepared from ingredients that are grown or made in Alberta.

A telephone survey of 1,058 randomly selected Alberta household heads who felt they would be "in a position to talk about past food purchases and expenditures made by your household" was undertaken from late September through October 2012.

THE FOUR ALTERNATIVE AGRICULTURAL MARKET CHANNELS

Awareness

Farmers' Markets remained the best known of the three alternative agricultural markets for which this question was asked and depth of knowledge continued to increase over the past four years (from 57% in 2004 to 74% in 2012, a gain of 17% who felt they knew ‘a lot’ or ‘something’ about them). Only 1% of the population had not heard of farmers’ markets compared to approximately 15% for farm retail and 46% for CSA/box programs. Familiarity with farm retail dropped back to its 2004 level and neither channel was anywhere near as well understood as farmers’ markets (35% knew ‘a lot’ or ‘something’ about farm retail and 16% about CSA/box programs).

Market size

Market penetration, the proportion of households in the population that purchased from each channel, increased dramatically since 2008 for farmers' markets (from 60% to 72%). It continued to decrease for farm retail from 34% (2004) to 30% (2008) to 27% (2012). CSA/box programs were purchased by 2% and in a population where 96% purchase from restaurants, 22% chose at least some restaurants because they use Alberta ingredients.

As a result, there was a substantial increase in the number of households purchasing from farmers’ markets. Over the 12 month period September 2011 to August 2012, 1,079,000 Alberta households visited a farmers’ market, a gain of 232,000 since 2008 (and that is in addition to 112,000 in the preceding four years). The estimated number of households purchasing from farm retail outlets was 416,000 (down 17,000 from 2008). Because of the small sample base, no estimate was prepared for CSA/box programs. For restaurants chosen for Alberta ingredients, the estimated number of purchasing households was 335,000.

Market value

Average per visit spending at farmers’ markets increased 22% over the past four years, from $45 to $55, an amount that continues to be well in excess of inflation. There was little change in per visit spending for farm retail (from $116 to $115, or -1%). The average purchase at restaurants chosen for Alberta food was $88.

Taking the number of visits made in the past 12 months into account, annual spending per household continued to rise very substantially for farmers' markets: from $317 in 2004 to $449 in 2008 and $671 in 2012. For farm retail the annual household expenditure dropped again from $453 (2004) to $417 (2008) to $371 (2012). Household spending on CSA/box programs averaged $564 (note however, this was for an extremely small user base). Restaurants chosen for use of Alberta ingredients generated expenditures of $1,115 among their users.

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 2011 to August 2012, farmers' markets (excluding crafts) were valued at $724 million, 90% more than the $380 million in 2008 and up from $233 million in 2004. The market is now worth three times what it was eight years ago, in a period that included a major economic crisis and recession.
- Farm retail was estimated to be worth $154 million, further down from $181 million in 2008 and $191 million in 2004, a loss of one-fifth of its value since tracking began.
- Estimates for restaurants chosen for including Alberta ingredients on their menus proved to be quite substantial at $374 million. Choosing restaurants serving Alberta ingredients influenced almost 10% of all restaurant spending, far higher than the 6% of visits made, indicating that these restaurants earn a substantial price premium.

Respondent expectations for the next 12 months indicate that market growth for farmers' markets will come more from higher expenditures due mainly to more frequent shopping by current purchasers, than from new market entrants. This suggests that farmers' markets are nearing full market penetration. For farm retail, higher expenditures will depend more on gaining new market entrants, but also on more frequent purchases and higher expenditures by existing customers. Half of the CSA/box program users said they would not continue to subscribe (but again the extremely small base should be kept in mind). 6% of non-purchasers indicated interest in the channel, three times the current usage rate, but this is unlikely to become a mainstream outlet without a large increase in awareness and knowledge of the channel.

Seasonal use

Thirty-four percent (34%) of farmers' market purchasers used this channel year round – a gain of 7% since 2008. This was far higher than for farm retail at 22%.

However, the majority of purchasers, 62% for farmers’ markets and 73% for farm retail, visited only in summer, while 2% purchased only in winter.

Among those who did visit during a season, frequency of purchase was higher in the six-month summer period than the winter (7.9 vs. 5.1 visits for farmers’ markets and 3.8 vs. 3.1 for farm retail), a difference that has increased in size over the years. Average spending per purchasing household over the summer was much higher at farmers' markets too ($541 vs. $390 for winter purchasers). This was no longer true for farm retail, where winter spending increased and summer spending dropped, to resemble the seasonal patterns of 2004 (summer $297, winter $339 per purchasing household).

Once the number of purchasers in each season was also taken into account, it was found that 81% of all visits and 79% of expenditures were made in summer for farmers’ markets; 77% and 77% respectively for farm retail. This represents a decrease in the proportion of visits and expenditures occurring in summer for farm retail.

Seasonal patterns were not examined for CSA/box programs or restaurants.

Market profiles

Distinctive market characteristics for these markets were as follows:

- Purchases were made from *at least one of the four alternative markets by* 79% of households. Overall, females aged 45-54, with a post-secondary and especially a university education and a mid-range or high household income were slightly more likely to do so. They were also more likely to live in larger urban centres (over 10,000, but under 1 million population), to grow food for their own consumption and to cook most meals from scratch.
- The market for *farmers' markets* has broadened to include all lifestages except older singles, with an emphasis on the 45-55 years age group and married/couple households. The income of purchasing households has further diversified to include mid-range as well as higher incomes. Farmers' markets were most popular in the City of Calgary and larger urban centres, but less well supported in small centres.

  Year round purchasers were found more often in the City of Edmonton and the City of Calgary and among respondents with university degrees. Summer-only purchasers were found more often in the major urban centres (Fort McMurray, Grande Prairie, Lethbridge, Medicine Hat and Red Deer) and among older households (empty nesters and older singles, and people aged 55+).

  Higher expenditures at farmers’ markets were associated with larger size households, a university education and the Calgary Census Metropolitan Area

(CMA). Purchase frequency was more important than the amount spent at each visit in contributing to total expenditures, as was shopping at a farmers' market while on a pleasure trip in Alberta.

- *Farm retail* purchasers continued to be distinguished by more often being young families (with pre-school or elementary school aged children), in the 35-44 age group and by spending more than others. They tended to be in the mid-range or high income groups and were found proportionately more in rural locations – living on farms/ranches or in small towns, villages and hamlets.

  Farmers/ranchers were themselves more likely than average to buy at farm retail outlets year-round. Frequent purchasers and heavy annual spenders tended to purchase in both seasons.

- Households *choosing restaurants for their use of Alberta ingredients* were more likely to be in the Calgary CMA, but less likely to be used by 55+ year olds. While not statistically significant, there are indications that this channel appealed less as lifestage progressed.

  However, higher expenditures were found in empty nester households, while light spenders had a below average household income.

  Purchase frequency was highest among farm/ranch families and in rural areas, but average spending per visit was low in rural locations.

- With so few users, *CSA/box program* purchaser profiles showed no defining characteristics. Directional results suggest that younger respondents (up to age 44) and older families (with teen or older children) may have been more likely to use the program. Users were most often found in the City of Edmonton.

Food grown or made in Alberta (local food)

For the purpose of this study, the notion of 'local food' was defined as 'food grown or made in Alberta' and this phrase was used throughout the interview and in the report. Questions asked of all respondents showed that 20% had never heard the term 'local food', 75% would accept food grown or made in Alberta as local food and 5% would not.

Market size and growth

Ninety-three percent (93%) of Alberta households (90% in 2008) indicated that they had purchased food grown or made in Alberta in the past 12 months (September 2011 to August 2012), the equivalent of 1,414,000 households and a gain of 135,000 since 2008.

Of the total population, one-third of households thought they would either buy more in the next year (29%) or would start to purchase food grown or made in Alberta (4%). As only 3% thought they would buy less, the growth trend is likely to continue.

Market value

Market value for food grown or made in Alberta that was purchased at farmers' markets, farm retail outlets, CSA/box programs and restaurants chosen for using Alberta ingredients was investigated when asking questions about these alternative channels.

- On average, $47 of the $55 spent per visit to *farmers' markets* was thought to be on Alberta grown or made food. The average spent by purchasing households over the past year was estimated at $575.

  The total value of Alberta food purchased at farmers' markets was estimated at $598 million (up from $302 million in 2008), 79% of which was spent over the six month summer period. Food grown or made in Alberta was estimated to make up 83% of total farmers' market expenditures.
- For *farm retail* outlets, $108 of the $115 spent per visit was thought to be on food grown or made in Alberta, with the average spent by purchasing households over the past year being estimated at $355.

  The total value of Alberta food bought through this channel was estimated at $144 million (down $10 million from 2008), 78% of which was spent during the summer. Food grown or made in Alberta made up 93% of total estimated farm retail expenditures.
- *CSA/box programs* were purchased on a subscription basis. Bearing in mind potential variability from the very small respondent base, the average annual cost reported was $564, of which $356 was thought to be for food grown or made in Alberta. On a proportionate basis, this is much lower than for other alternative market channels.

  The total value of the market was not estimated because of the small sample size.
- Spending at *restaurants chosen for Alberta ingredients* was not a subset of the total purchased on one visit as with the other markets; rather the expenditures represented different purchases. Per visit expenditures were higher at $88 when the restaurant was specifically chosen for serving Alberta sourced food than the average restaurant purchase of $61 – a 46% price premium.

  Average annual expenditures were calculated in a number of different ways. A key finding was that per household spending on all restaurant food by all households in the population (not just purchasing households) averaged $2,597 – a figure that is remarkably close to an external estimate of $2,537 (Statistics Canada. *2010 Survey of Household spending*, including adjustment for inflation). This is the first survey estimate that could be compared to an outside criterion and provides some reassurance about the accuracy of the results being obtained.

Purchasing households spent 39% of their annual restaurant budget on restaurants using Alberta ingredients. Among all restaurant users, the figure was 9%.

The total value of restaurants chosen for Alberta ingredients was $374 million.

It is not possible to estimate what proportion of the restaurant expenditures were actually made on Alberta ingredients, but the impact their use had on choice of restaurant, and the revenues accrued by these restaurants, were clearly not trivial within the total industry.

Purchasing outlets

Purchasers of food grown or made in Alberta were asked on a prompted basis where they had bought Alberta food in the past 12 months and where they bought most often.

- The source used most often was a supermarket for 51%, with 93% saying they bought food grown or made in Alberta there.
- Second most widely used as the main source were farmers' markets at 21%, among 73% who had used them to buy Alberta food in the past 12 months.
- Approximately 60% each used club stores and specialty stores, with club stores being third most likely to be chosen as the store type used most frequently (8%).
- The remaining types of outlets were used by between 2% and 47% in total; small grocery stores stood out as the most frequent supplier at 6% (43% total).

Based on where they had purchased food originating in Alberta, five shopper segments were identified as using distinctive store mixes:

- *Rural* shoppers: 23% of the market purchased food grown or made in Alberta mainly at a mix of farmers' markets, small grocery stores and farm retail outlets. They were less likely to use supermarkets.
- *Mainstream* shoppers: 23% of the market mainly used supermarkets, club stores and mass merchandisers and were less likely to use farmers' markets, farm retail or restaurants for Alberta food.
- *Specialized* outlets: 22% of households used a mix of specialty stores, farmers' markets, ethnic grocery stores and health, natural or organic food stores. They tended not to use convenience stores, small grocery stores or mass merchandisers.
- *Fringe* shoppers: 17% preferred an outlet mix that included drug stores, convenience stores, mass merchandisers and ethnic food stores. Restaurants

and farmers' markets were used less as a source of food grown or made in Alberta.

- *Alternative* shoppers: 15% favoured restaurants and health, natural or organic food stores, but also supermarkets. All CSA/box program users were in this segment.

Just over one in five restaurant users had heard of the Dine Alberta program (22%). Respondents who had chosen restaurants for using Alberta ingredients were only marginally more aware at 28%. One in four of the restaurants last visited specifically because they used Alberta ingredients, was affiliated with Dine Alberta (24%).

Relationship with farmers

Respondents who had purchased from a farmers' market, farm retail or CSA/box program were asked eight questions about their relationship with, and knowledge about, the farm/ers they purchase from.

Four relationship clusters were found to exist:

- *Product Focused* purchasers: 26% of all households (34% of purchasers from farm/ers) were especially likely to know about the production practices of the farm/s and what made these products special compared to store-bought food. They were particularly likely to buy from farmers' markets.
- *Engaged* purchasers*:* 22% of all households (29% of purchasers from farm/ers) were a high involvement group that appeared to have the closest relationship to the farms they buy from. A distinguishing feature was that the large majority had visited the farm/s to see things for themselves. They spent more on farm retail than the other segments and purchased more often at multiple alternative markets.
- *No or Little Connection:* 28% of all households (37% of purchasers from farm/ers) were less likely to know anything about their farm suppliers and were less likely than average to buy food grown or made in Alberta.
- *Non-purchasers*: 24% of households did not purchase from any of the three alternative markets and were less likely than average to buy food grown or made in Alberta anywhere else.

The 23% who “followed the progress of crops or livestock on the farms, or the dates of events”, were asked how they currently communicate with the farm/s. In person contact was most widely used (81%), followed by telephone and reading displays or leaflets (49% and 40% respectively) and then e-mail and websites (32% and 31% respectively). All purchasers from farms were asked what their top two preferred methods for “keeping up to date with the activities and events at farms” were. Preferred communication methods were widely varied, with the highest responses being for e-mail, reading displays or leaflets and accessing websites, suggesting that a much more removed approach would be preferred by the wider audience. These choices were followed by in person and telephone (especially favoured by Engaged purchasers), and mail communication methods.

Influences on the decision to buy, or to not buy, food grown or made in Alberta

All respondents, whether purchasers of food grown or made in Alberta or not, were asked to rate the influence that each of 19 features had on their decision to buy, or to not buy, food grown or made in Alberta. The items were selected mainly from the open-ended responses on benefits and barriers identified in the 2008 study. The top five influencers were:

- The food itself – its freshness, quality and taste;
- Safety was in fourth place, an amazing result since the survey was conducted at the height of a major national and international recall of meat produced by Alberta's largest packing plant;
- Fifth was support for Alberta's farm families.

While no items were rated predominantly as a disincentive or barrier to purchase, a substantial minority viewed inconvenience as influencing a decision to not buy. The influencers were:

- How far they have to travel to purchase food grown or made in Alberta (greater distance functions as a barrier – and this was verified by purchasing patterns associated with farmers' markets); and
- Information on why or where to buy (lack of information functions as a barrier).

Factor analysis revealed five themes or groups of features which influenced different segments of the population. They were:

- *Pragmatic Issues*: 26% were most concerned by the price of the food and how far one need travel to buy it. Also important was having information on where and what to buy. Many who had not bought food grown or made in Alberta fell into this group and many others appeared to lack interest in food grown or made in Alberta.
- *Information*: 20% were most influenced by information on why and where to buy, labelling and signage, knowing the source of the food and the type of food grown or made in Alberta. They were especially likely to want to buy more.
- *Economic Support*: 19% were mainly motivated by the impact of purchasing food grown or made in Alberta on the provincial economy (also the community or regional economy and Alberta's family farms, but not to the same degree).

- *Health & Environment*: 19% were most influenced by health benefits, nutritional value and the environmental impact of food grown or made in Alberta. Also food safety, how the food was grown or raised and distance one would have to travel to buy it (in this case distance was probably interpreted in terms of environmental impact). They were higher spenders at farmers' markets and were especially likely to want to buy more food grown or made in Alberta.
- *Food characteristics*: For 17% the strongest influences were freshness, quality, taste and appearance of the food itself, followed to a lesser degree by food safety.

Market profile

Because such a high proportion of households purchased food grown or made in Alberta, the market profile was similar to that of the overall population. The main distinguishing characteristics were that incidence of use was slightly higher than average in empty nester households and among university graduates.

Incidence was somewhat lower in the lowest income group, suggesting that ability to afford Alberta food was a factor influencing behaviour. Households that did not grow food for their own consumption and those that did not cook most meals from scratch were less likely to buy food grown or made in Alberta.