

PDF version available



AEC-77

Establishing and Operating a Community Farmers' Market

Forrest Stegelin, Extension Marketing and Agribusiness Specialist

Consumers today are expressing renewed interest in buying food directly from the farmer or grower. At one time, farmers' markets flourished. Over the years, with improved transportation, improved storage facilities, and modern mass merchandising, local farmers' markets slowly disappeared.

Increasing transportation costs and consumers' new awareness of the importance of fresh vegetables and fruit in the diet are creating new opportunities for marketing local production to consumers through farmers' markets. Furthermore, community leaders are realizing the economic opportunities and rewards of farmers' markets in the realm of community (metro and non-metro) development.

What is a community farmers' market? This form of direct marketing is located in or near a community and offers the market environment and market convenience where many sellers can sell their farm-origin products to many customers.

This publication is designed to help community leaders, policy-makers, consumers, and marketers establish and manage a community farmers' market.

Establishing a Farmers' Market

Five topics need to be considered when establishing a farmers' market: market feasibility; sponsorship of a farmers' market; creating a favorable environment; location and site considerations; and market facilities. The planning stages are critical to the success of the operation, especially when the farmers' market is a new market outlet to the buyers and the sellers.

Proposed Timetable

The following timetable proposes a calendar of actions and activities that should be followed to establish a community farmers' market. Consider it a "things to do" list or checklist.

January	Gather a group of interested people
	Determine specific goals and tasks
February	Explore the mechanics of direct marketing
	Look for and settle on a location
	Gain community support and fund raising
	Check into legalities
	Begin publicity to farmers (continue through May)
March	Promote the farmers' market concept
April	Market management and organization
May	Begin publicity to consumers (continue through September)
June	Open the farmers' market
July	Promote the farmers' market (peak season)
August	Sponsor a special activity
September	Organize and solidify farmer-consumer association
October	Extend the marketing season with fall crops
November	Solicit and evaluate suggestions from farmers and consumers
December	Close market

Market Feasibility

Thoughts to Consider

- Usually enough support from consumers and producers develops as marketing opportunities become apparent.
- Continued participation is assured if a balance between buyers and sellers occurs when the market first opens.
- A half-dozen consistent, quality conscious sellers and 100 regular shoppers justify a farmers' market.

The first step in planning and establishing a farmers' market is to consider its economic feasibility. This involves two critical segments: consumers and producers.

A community farmers' market has four concerns regarding **consumer preferences**: good quality; adequate quantities; reasonable prices; and conveniently located facilities. Nearby roadside stands and pick-your-own farms could reduce the demand for goods at the farmers' market.

Research has shown that assuring an adequate number of **producers** as sellers at a farmers' market is probably more important than evaluating consumer numbers in planning the market. Five to ten producers providing a variety of items over the entire local production season are all that are needed to start a farmers' market.

To keep these producers selling, average daily sales exceeding \$100 per producer are needed. With an average daily sale to each customer of \$10, 100 buyers must be present each day to support a minimum market. About 25-30 farmers are needed for best results during peak sales periods, and these require more than 300 customers to support them at the \$100 per day sales level.

Other factors to evaluate when considering market feasibility include:

- Percentage of population in and around community with gardens;
- Quality and prices at the local retail food stores;
- Existence of other nearby farmers' markets;
- Existence of nearby roadside stands and u-pick farms;
- Existence of wholesale merchants who sell to consumers;
- Tastes and preferences of consumers;
- Socio-economic mix of consumers;
- Production and marketing experience of potential growers;
- Consumer confidence in producers for providing safe, quality products;
- Attitude toward the market by government officials, human resource agency officials, commercial business people, and the agricultural community;
- Expectations of the community (and are they attainable?);
- Cooperativeness of producers with each other; and
- Interest and support of various segments of the professional agricultural community, such as Extension agents and specialists, FmHA, ASCS managers, county agriculture committees, State Department of Agriculture, and educational institutions.

Sponsorship

Thoughts to Consider

- Civic clubs and business and community organizations are potential sponsors.
- Sometimes a city or county will provide facilities.
- Area development groups may also help.

Cooperation and community pride are the keys. Examples of this cooperation include sponsorship or participation by:

- local governments with county Extension staff;
- several local civic clubs, local banks, agricultural organizations, and public-minded businesses;
- local fairgrounds, if available;
- producer cooperatives;
- a public body providing facilities if a producer group can be organized to manage and operate the market; and
- grants for developing markets from the Small Business Administration, Save the Children Federation, Appalachian Regional Commission, Tennessee Valley Authority, or Area Development District.

Many farmers' markets have been developed by local governments in cooperation with the county Extension staff. This approach minimizes problems of site location, funding, and zoning. Maintenance, policing, staffing, insuring, and development of facilities can be a part of regular governmental procedures. While operating funds may be obtained from seller fees, developmental funds come from public sources.

Perhaps the major disadvantages of public ownership are political pressure to allow the use of the market facilities for non-related purposes, lack of control by market users, and potential removal of the market in order to provide other necessary public services.

Some groups (or individuals) who frequently should be involved or contacted when planning a farmers' market include:

Who Should be Involved?	Why?
County or city officials	Site, funding, policing, staffing
County Extension staff	Technical information, leadership
Area development district staff	Funding applications, coordination
Planning, zoning, building code officials	Facilities development
Utility representatives	Water, electricity, sewer, garbage
Highway department or city street department officials	Entrances, traffic
Police representatives	Security, traffic
Fire marshall's office	Fire safety
FmHA office	Grants, loans
ASCS county manager	Federal ag program support
Soil Conservation Service	Site considerations
Civic clubs and churches	Support, funding
Banks	Operating loans, support
Agricultural organizations	Support, funding
Local farmer co-ops or other ag suppliers	Materials at reduced cost
Community Action Programs	Support through anti-poverty programs
Local health department	Health code considerations
Tennessee Valley Authority	Management support, funding
State Department of Agriculture	Promotion, regulations, facilities

Local produce dealers and supermarket representatives	Market coordination, goodwill, technical help
Local director of Manpower, Inc. or CETA programs	Labor
High school vocational agriculture teacher	Educational help
Private groups involved in local market development	Assistance, support, promotion

Favorable Environment

Thoughts to Consider

- Do not share a location with vigorous non-produce sales activities.
- The market may benefit from the proximity of a wholesale produce area.
- Farmers' market customers may not mix well with commercial produce activity.

In some larger cities, such as Louisville, wholesale marketing districts exist. There may be some interest in locating a farmers' market in the same vicinity. A farmers' market is generally believed to be complementary to commercial produce wholesaling, but it is important to note that they differ in their kinds of activities, customers, and facility requirements.

An advantage of having the two activities in proximity is that it permits producers to contact wholesalers to sell excess supplies and enables wholesalers to buy some of their needs from farmers. Yet, the wholesale industry is characterized by big trucks, fast-moving materials handling equipment, stacks in vehicular areas, early hours, perspiring workers—all of which may prove distasteful or threatening to retail farmers' market shoppers. Adequate, well-marked, well-lighted parking areas away from moving equipment gives the retail customer more security.

Not much data exist about the impact of non-produce sales activities in farmers' markets, but flea markets or antique shows which operate regularly all year will likely swallow up a farmers' market in the immediate vicinity. A farmers' market located on the road towards a popular activity like a flea market *might* be very successful if flea market patrons stop to buy produce. However, it is likely that sharing buildings and parking will diminish the impact of the farmers' market. Most customers will either refuse to visit the market because of parking and walking distances, or will divert their major attention (and dollars) to the non-produce activities.

Although it is possible that more customers would buy produce at the farmers' market if they were attracted by a flea market, the danger is that producers will lose control and the facility will increasingly be operated for the benefit of the non-produce segment. The best stalls will be continuously occupied by non-produce sellers and soon all stalls will contain flea market sellers who sell each day, while produce sellers will be consigned to outside areas in the back of the parking lot on the days they share the market.

Location and Site Considerations

Thoughts to Consider

- Locate the market where it is convenient and close to buyers.
- Locate it where sellers can reach it easily.
- Make sure the entrance and exit are not traffic hazards.

- Provide enough space for parking and traffic flow.
- Choose a well-drained, relatively level site.

In selecting a location, it is more important to be near the majority of customers than to be close to producers. Closeness should be measured in terms of convenience as well as distance. Studies show that most customers will come from within a 15-mile radius of the market. The typical customer will not drive a long distance to reach the market, while sellers will travel much farther.

Farmers' markets are characterized by considerable foot and vehicular traffic. Paved or well-graveled drives and walkways are required for continuous operation over five or six months. Sites which expose patrons to heavy commercial or industrial activities should be avoided. It is beneficial to have a site with well-drained, fast drying soil.

Steep slopes make it difficult to enter and exit stalls; they also create a hazard from parked autos; and they make it much more difficult to display, load, and unload produce. In addition, building construction is harder on steep slopes.

Publicly-sponsored farmers' markets placed in the path of urban renewal projects or urban sprawl are likely to be lost due to political pressure to use the land for a higher-valued use. Obtaining a long-term commitment from a government body may be difficult in such cases.

Markets which remain accessible at night may become littered or vandalized. Some means of locking-up the site, such as a chain across the drive, is desirable. However, this means the manager will need to arrive at the site very early each morning to admit sellers.

Some customers of farmers' markets associate the market with rural openness. If so, then the market would benefit from a relatively large site where only farm-type produce is seen, that is as free as possible from encroachment by other activities. This large site would be especially beneficial for parking and roadways.

Sites such as church or shopping center parking lots are suitable temporary location options. However, the usual lack of shade and the high temperatures radiating from paved or asphalt lots will cause produce quality to deteriorate rapidly; customer and seller discomfort may also be experienced.

Sites served by utilities such as water, sewers, and electricity would allow installation of restrooms and produce washing facilities at minimum cost.

Before committing the farmers' market organization to a site, regulatory agencies involved in controlling land use and access need to be involved. Such agencies as zoning and land use planning boards, the highway department, the building inspection office, the fire marshall's office, and the police and utility departments may shed light on the suitability of a site.

Facilities

Thoughts to Consider

- Provide plenty of close-in parking.
- Provide well-defined parking spots.
- Provide for orderly traffic flow around market.

- Provide shelter from rain and sun.
- Provide a telephone (possibly a pay phone).
- Provide restrooms (for sellers and buyers).
- Provide good lighting if open early mornings, late evenings, or around the clock.
- If possible, provide an on-site office.

City or county ordinances may affect the provision of many of the items listed above. This is another reason why regulatory agencies should be included in the planning and operation of a farmers' market.

Operating a Farmers' Market

Managing a Farmers' Market

Thoughts to Consider

- On-site guidance should be provided by a market manager.
- A Board of Directors should develop policies consistent with the by-laws and organizational goals.

The farmers' market should have a Board of Directors to provide overall direction and policy. The Board should be composed of producers, consumers, government officials, community leaders, agribusiness managers, and other individuals who can lend support and skills to managing the market. The broader the community involvement on the Board the greater the chances of success, since experience shows that markets need to have a community focus. Because the market is a business organization, the composition and election of the Board members would be according to the by-laws of the market.

Among its responsibilities, the **Board of Directors** should:

- Establish policy concerning hours, days, and months of market operation;
- Determine who may sell at the market;
- Set fees for selling in the market;
- Select employees;
- Designate individuals who may act for the Board in an emergency;
- Specify the responsibilities of the manager plus the extent of the manager's authority;
- Make provision for careful accounting of resources and funds; and
- Assure that all governmental reports (state, local, federal) are prepared and distributed.

To handle the managerial responsibility of most farmers' markets, only a part-time manager may be needed because the market may not operate every day. Due to funding limitations, the manager may have to be chosen from among the regular market sellers, be a retired person offering services free or at low cost, or be a government official to whom market management responsibilities are added above other assigned duties.

An **on-site manager** is needed to:

- Provide orderly parking by sellers (and buyers);
- Maintain order and cleanliness;
- Collect seller fees;
- Open and close the market grounds;
- Exercise supervisory control;

- Record names and addresses of sellers;
- Develop an anonymous system for reporting sales by each seller;
- Provide pricing and merchandising help to sellers; and
- Confer with local law enforcement officials concerning authority to regulate behavior at the market and the support available for accident investigation, traffic control, removal of unauthorized sellers, and control of disorders at the market site.

Who May Sell at the Market?

Thoughts to Consider

- Reasonable policy must be established and applied consistently.

Generally, farmers' markets are attractive places at which to buy and sell produce. This encourages the presence of non-producers who may buy produce and offer it for resale at the farmers' market. Consequently, potential problems may arise with non-producers, peddlers, "pinhookers," and resellers. Since many of these marketers buy produce from other areas and offer it earlier in the spring and later in the fall, the money received for their produce sometimes leaves the vicinity because the produce may not be locally grown and the sellers do not reside nearby.

All of these factors lead to strong demands by resident producers for regulating who may sell on the market. This leads to a considerable managerial problem. The Board has several policy options:

- only local farmers may sell;
- only farmers may sell;
- farmers and non-farmers may sell.

Most markets find it difficult to exclude all non-farmers. Some community leaders may feel that it is not wise to limit selling to bona fide producers. Reasons cited include the notions that peddlers may assure more uniform supply and more attractive volume, and that a local producer with quality homegrown produce can effectively compete with the peddler. The bottom line is often that it is almost impossible to police a farmer-only rule.

The size of the market and the availability of an adequate range of quality produce from local farmers may affect the decision. Whatever the decision, the Board needs to impartially enforce the ruling until, after careful review and evaluation, the Board chooses to change it.

Besides the political debate, experiences indicate that allowing resellers and other non-producers to operate in the market may cause the market to come under closer surveillance by sales tax collection authorities, weights-and-measure regulatory agencies, and labor law enforcers. Suddenly, all laws applying to retail sales become applicable.

Financing the Market Operations

Thoughts to Consider

- Usually, seller fees are expected to pay operating costs.

Although some cities or counties may be willing to underwrite the establishment of a market, few will pay

its operating costs. In most situations money will need to be raised from market users to pay current expenses. Three methods are frequently used, all of which charge only the seller.

If a **membership fee** is charged, only members have any right to sell on the market. This may permit a little more control since eligibility to belong to the group can be established more carefully. It also may exclude casual sellers who only have produce items to sell infrequently, or for a short period of the season. For these sellers, the membership fee may be uneconomical or the membership application procedure troublesome.

Stall rental fees (by the day, week, month or season) do permit anyone to use the market, but the better sites are usually rented and occupied for the season by first-come, first-served marketers. **Commissions on gross sales** are hard to document because sales are usually cash and records are frequently sketchy. Commissions are usually used when market employees sell produce for the grower.

Hiring Employees

Thoughts to Consider

- Wage and hour laws apply to retail marketing establishments.
- Federal and state withholdings must be maintained.
- OSHA rules apply regarding safety.
- Job descriptions must be furnished to each employee.

The Kentucky Cooperative Extension Service Farm Labor Task Force has several publications that can serve as resources on this topic. There is a one page, three-fold brochure, *Agricultural Employment Guidelines*, plus a series of fact sheets, including *Federal Farm Labor Laws (IP-25)* and *Tax Requirements for Agricultural Employers (IP-28)*. All of these materials are available from your local county Extension office.

Handling Supplies and Equipment

Thoughts to Consider

- Inventory all durable supplies and mark for identification.

Some farmers' markets may furnish such items as tables, scales, tools, and waste containers to be used at the market. Someone must be assigned the responsibility for this market property. Disposable supplies (bags, marking pens, tape, nails, light bulbs, etc.) furnished by the market need to be safeguarded and issued only as needed; records of issue need to be kept. Careful records of supply disbursements and money collected should be kept in a record designed for tax and other business purposes.

Periods of Operation

Thoughts to Consider

- Operate at least two days each week.
- Try to keep some sellers at the market all day (hours of operation).
- Publicize days and hours of operation.

The nature of the produce marketed at farmers' markets dictates that, in most cases, the market should be open at least two days each week—once near the beginning and once near the end of the week. Typically, smaller local markets open on Tuesday and Saturday (and Friday). This allows Monday for harvesting, as well as catering to those who work outside the home and must process their food on the weekend. Data indicate the volume of sales doubles on Saturday compared to early week days. As the market grows, daily operation may become justified.

Consider the local situation when deciding **days of operation**. Is there a day when other activities in town generate a large crowd, such as the livestock auction? Is there a day when customers have money and are thus more prone to shop?

Probably the most troublesome issue for a farmers' market is the **hours of operation**. Producers typically like to arrive early (7 am), get the better sales stalls, sell their produce before it is affected by rising daytime temperatures, go home early (2 pm) to do farm work or chores, and then prepare another day's produce for sale at this market or another farmers' market.

Consumers typically do not shop early, and some consumers prefer two periods for sales: 7 to 10 am and 3 to 6 pm; some may want noon hour sales if the market is within walking distance of their employment site. With these hours for the market, customers can purchase early when there is a wide selection of the freshest produce, and also get produce for the evening meal on their way home.

The days and general hours of operation, as well as the months the market is open, should be widely advertised so consumers can be assured of finding produce when they come to the market.

Items to Sell in a Farmers' Market

Thoughts to Consider

- Do sell fresh fruits, vegetables, flowers, shrubs, Christmas trees, plants, honey.
- Consider selling eggs, cheese, prepared coffee, pies and cakes, jams, jellies, craft items.
- Do **not** sell home canned goods, fresh meat, antiques, or purchased items.

Health regulations pertain to three categories of items:

1. **acceptable items**—fresh produce and other raw agricultural products sold by the producer. Sanitary cleanliness, proper weights and labels, and freedom from adulteration by agricultural chemicals would be checked. No sales tax need be charged if sold by the original producer. *Examples: fresh fruits, vegetables and melons, and other raw agricultural products, including Christmas trees, cider, firewood, flowers, honey, potted plants, shrubs and ornamentals, and vegetable and flower bedding plants.*
2. **questionable items**—items whose sale may be technically restricted by State or Federal law, but which usually are not the subject of extensive law enforcement activity because they are unlikely to present an extreme health or safety hazard. Some of these “processed or manufactured” items which include major components that were purchased may expose the seller to liability for sales tax. Craft items fit into this category. *Examples: baked breads, pies, cookies, jams, jellies, pickles, eggs, and homemade cheese.*
3. **forbidden items**—fresh meat and home canned foods. Local health departments may have tighter policies than either the State or Federal law requires, so a check should be made with the local health department before any questionable items are offered for sale.

In addition to following health regulations, follow regulations about collecting **sales tax**. Sales tax must be collected on all items sold by persons who did not produce them. This is a good reason to sell only farmer-owned, raw agricultural products grown by the seller.

Pricing

Thoughts to Consider

- Post prices.
- Price above wholesale, but usually below retail.
- Don't compete with other market sellers.

Buyers patronize farmers' markets not only for high quality but also for economy. Statistics show **quality** is more frequently cited as a reason for shopping at farmers' markets than favorable prices. Since there are no middlemen to pay, selling below retail still generates greater profits to the grower than he or she would receive from selling to brokers or middlemen buyers, providing costs are carefully controlled. Sometimes, if quality and demand justify, pricing at or even above retail may be appropriate.

Where wholesale market price quotes are available by telephone, such as the Cincinnati market, a good plan might be to add 10 to 15% to the wholesale price to establish the selling price. Prices may also be less of an obstacle if smaller-sized packages are available. If food stamps are accepted, the level of prices will have less effect on sales. Will credit cards be accepted?

Sellers at a farmers' market should be especially careful not to engage in price wars with each other, or consumers will expect it and wait. Establish a fair price and stick with it. The price cutter may sell out (at little or no profit) and go home; regardless, fairly priced quality produce will always sell.

A typical comparison of supermarket and farmers' market prices in the Lexington vicinity during June to September indicates:

Item	Farmers' Market Price as % of Supermarket's
Tomatoes	68
Summer Squash	62
Onions	63
Potatoes	76
Sweet Corn	68
Bell Peppers	73
Cucumbers	88
Beans	82

Packaging and Grading

Thoughts to Consider

- Sell quality produce.

One advantage of the farmers' market is that most customers come from the immediate vicinity of the market. This permits the offering of ripe, ready-to-eat produce which might be rejected by wholesalers who would need to receive it at a less-mature stage to permit handling and shipping.

Only good produce should be offered for sale at a farmers' market, but clearly, it is unnecessary to offer only U.S. #1 grade as may be required with wholesale or institutional markets. It is better for the seller to take any picked-over residual "junk" home than try to move it at a bargain basement price; let the "undertaker" buy it as a last resort. Price cutting games are won by the consumers, not by the producers.

Attractive displays with readable information are great helps in selling. In addition, follow these pointers:

- use contrasting colored items to call attention to each offering (examples: red peppers beside zucchini, unhusked corn beside carrots, bell peppers beside yellow squash);
- be sure produce is clean (no dirt);
- don't display items with defects, such as insect damage or spoilage;
- use large bulk displays if possible; and
- offer more than one package size.

Be sure containers are attractive and clean. When selling by weight, be sure the package actually contains enough produce to meet the weight specified. Weight does not include the container.

Building a Clientele of Shoppers and Sellers

Thoughts to Consider

- Sell consistent quality.
- Be friendly and interested in customers.
- Establish policies helpful to sellers.
- Sell regularly and stay at the market.

The best way for a seller to succeed in a farmers' market is to develop repeat customers who return time after time. When the seller sells regularly, preferably from the same location, and comes each day or on the same days each week, customers learn to associate the seller with quality and concern and so patronize that seller repeatedly.

Success is not selling out quickly, but rather having enough produce to permit steady selling all day. Much is lost by sellers who lose patience and leave the market quickly. The most fruitful selling is done after the impatient sellers leave.

Friendliness with customers will open opportunities to suggest new uses for produce, thereby encouraging more sales. Recipes, free samples, proper handling guidelines, storage suggestions, and utilization procedures all show that the seller cares about the customer. After all, it is the seller's produce, and there should be some pride and sense of accomplishment in delivering a quality product to the market.

A clientele of sellers can be developed by: fairness in dealing with each seller; making it convenient to sell in the market in terms of layout, times of operation, good facilities, and parking; and, developing a faithful, growing customer group. Catering to low volume sellers may be appropriate since most sellers produce on only a few acres.

Customers

Thoughts to Consider

- Be prepared to meet consumers' needs.
- Strive for regular, repeat business.
- Set hours and days of operation with consumers in mind.

A careful study of potential consumers will help in planning the market for their greatest convenience. Some markets are not patronized by many potential consumers because: hours of operation are too early; hours of market operation coincide with working hours (remember, more than half of all women are employed outside the home; also, there is an increasing number of single purchasers, all of whom prefer to shop after work or on their lunch hour); and, a considerable number of potential customers pay for food with food stamps or credit cards. Unless the market is able to accept food stamps or the individual sellers can accept credit cards, those segments of consumers may not patronize the farmers' market.

Studies from Tennessee, Virginia, and Pennsylvania indicate that customers give these reasons for shopping at farmers' markets:

Why Customers Shop at Farmers' Markets	Percent
Want fresher, better quality produce	46
Want cheaper price	14
Want larger quantities	13
Enjoy the market	10
More variety	9
Know the farmer	5
Other reasons	3

Legal Concerns

Thoughts to Consider

- Provide liability insurance for market organization.
- Provide liability insurance for management and employees (bonding and workers' compensation).

The Board needs to be advised on insurance needs and other legal actions which can be taken to reduce

the market's liability. As a general rule, insurance is needed which covers liability for accidents on the farmers' market site and liability for injury caused by using products sold at the market. Everything from auto and pedestrian accidents to vandalism needs to be considered.

Having each seller sign a form agreeing to release the market organization from any liability—although a good idea—will not completely bar liability claims in some cases. Signs saying “Not Responsible for Accidents” may cause patrons to be more careful, but these signs will not usually reduce the liability either. All farmers' market employees, members of the Board of Directors, and the on-site manager need to be covered by liability insurance.

Sellers may be asked to provide proof of “product liability” insurance. Product liability insurance is necessary because customers may have an allergic reaction or illness due to some chemical residue, product-acidity, food spoilage, or other food-safety related issue.

Money handling (fees, taxes, sales) procedures to ensure accountability should be established. Thought should be given to bonding employees of the market if large sums are handled. A good accounting system will help eliminate any mishandling of funds, as well as provide management insights for the Board of Directors. Payment of all market bills by check is highly recommended.

Concluding Comments

Farmers' markets are a viable, direct marketing activity that provide ample variety, fresh quality, and reasonably priced farm-raised commodities to consumers of all ethnic and economic backgrounds. Shopping at a farmers' market is a delight for the senses—the medley of smells, tastes, textures, and colors creates a memorable experience that consumers enjoy returning to. However, if the market is to be used profitably and efficiently, community leaders, policy-makers, consumers, and producer-marketers must work together in establishing and operating the community farmers' market.

[Equal opportunity statement](#)