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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Direct Farmer-To-Consumer Marketing Program Should Be Continued And Improved

Direct farmer-to-consumer sales offer additional income opportunities for farmers and fresher, cheaper food for consumers. Direct marketing may also reduce energy consumption, help preserve farmland, and decrease the reliance of many areas on out-of-region food sources.

The Federal Direct Marketing Program has encouraged direct sales, but it is limited. As it ends in 1980, questions will remain about its overall impact and potential to improve farm viability, consumer satisfaction, and resource use.

Continued Federal financial support for an additional period would allow time for the Department of Agriculture to assess the program's effects on energy, land, and resource issues which have become more important since the Farmer-to-Consumer Direct Marketing Act of 1976 was passed.



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To the President of the Senate and the
Speaker of the House of Representatives

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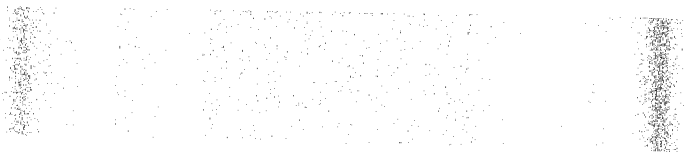
This report discusses the need for continuing and improving the Federal Farmer-to-Consumer Direct Marketing Program.

We are sending copies of this report to the Director, Office of Management and Budget, and the Secretary of Agriculture.

Milton J. Auster

Acting Comptroller General
of the United States

AGC00042



D I G E S T

The Federal Direct Marketing Program, a pilot effort which began with the Farmer-to-Consumer Direct Marketing Act of 1976 and ends after the 1980 growing season, was designed to give farmers higher returns and consumers cheaper, fresher food. It has recently become more significant in view of increasing concerns over energy limitations, loss of prime farmland, and dependence on out-of-region food sources. (See pp. 5 to 8.)

Federal support of the program should be authorized by the Congress for an additional 2- to 3-year period to allow more time for adequately assessing the effects of direct marketing on issues which have become increasingly important since the act was passed. Also, the current program can be made more effective by improving evaluations and coordination of federally funded activities.

THE FEDERAL DIRECT
MARKETING PROGRAM

The Farmer-to-Consumer Direct Marketing Act of 1976 authorized \$3 million for Federal grants to "initiate, encourage, develop, or coordinate methods of direct marketing from farmers to consumers * * *."

Appropriations of \$0.5 million for fiscal year 1977 and \$1.5 million for fiscal year 1978 were subsequently made available for use by State departments of agriculture and by the Extension Service of the U.S. Department of Agriculture (now the Science and Education Administration-Extension). The Department's Economics, Statistics, and Cooperatives Service also received a supplemental appropriation of \$0.5 million in September 1978 to conduct a continuing survey of existing methods of direct marketing. Equal amounts were budgeted in fiscal years 1979 and 1980. (See p. 2.)

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Twenty-one direct marketing projects in 23 States and Puerto Rico (see app. II) have been approved and are being administered jointly by the Department of Agriculture's Agricultural Marketing Service, and Science and Education Administration-Extension.

IMPORTANCE OF DIRECT MARKETING
HIGHLIGHTED BY NEW CONCERNS

As the program reached its midpoint, the 1979 energy crisis called attention to the Nation's reliance on petroleum in producing and transporting agricultural products and increased the importance of exploring alternative farming and marketing methods to help reduce energy consumption. Energy constraints, technology limitations, and water shortages also pointed out the need to conserve the most productive farmland and the potential advantages of increased local food production.

The U.S. agriculture/food system that has evolved since World War II was built on the availability of abundant, low-cost energy. Today's system has fewer but larger farms and less diverse production patterns, is losing 3 to 5 million acres of prime and other farmland annually to nonagricultural uses, and depends on a nationwide transportation network fueled largely by foreign oil.

In some regions, especially the Northeast, people are becoming more and more concerned about the extreme reliance on other regions or countries for most of their food and the resulting possibility of disruption of food supplies. This concern was amplified in mid-1979 by the oil crunch and truckers strikes.

Although not all types of farm goods can be grown in each region or area, the opportunity exists for some greater degree of local food independence by encouragement of direct marketing. As farmer-to-consumer direct marketing increases, small-volume producers may be persuaded to keep their land and/or increase production. Not only could farm income be improved and consumers

be provided with fresher, lower cost food, but dependence on out-of-region food sources and on long-distance transportation may be reduced. (See pp. 5 to 8.)

CURRENT PROGRAM IS LIMITED
AND CAN BE MORE EFFECTIVE

Although the Department is collecting a considerable amount of information through the funded projects and through consumer and farmer surveys, the pilot program is limited. GAO noted that

- many of the final project evaluations will be based on activities which either cannot meet their objectives within the program's funding period or are of a continuing nature;
- project progress reports have been subjective and have not contained enough information on problems and constraints to enable program officials or the Congress to fully evaluate the program's merits; and
- Federal program activities need to be better coordinated with State, local, and privately sponsored activities to ensure that maximum benefits are achieved. (See pp. 10 to 13.)

In addition, the program does not provide for adequately assessing the impact of direct marketing on issues which have become more important since the act was passed. The program's success may be measured in terms of providing (1) additional income to farmers and (2) fresher, cheaper products to consumers--the original concerns of the Congress. However, the contributions of direct marketing, in terms of increasing regional and local food security and economic development, developing or retaining local jobs, reducing overall energy consumption, and enhancing farmers' ability to keep their land and continue to produce are not likely to be addressed in the final project evaluations. (See pp. 15 and 22 to 24.)

These are longer term goals which a continued program would help to achieve.

Extending the Direct Marketing Program could also allow for more participation by local governments and private nonprofit groups. Since the current program provided funds for direct marketing projects only to the Department of Agriculture's Extension Service and State departments of agriculture, many other groups or agencies with enthusiasm and valuable experience in establishing direct marketing activities and dealing with farmers and consumers were precluded from applying for grants. Short-term grants could provide the seed money, which is helpful--or necessary in many cases--for starting activities and keeping them operating until they become self-sufficient.

RECOMMENDATIONS TO THE CONGRESS

To permit adequate tests of the impact of direct marketing and to make the most of the program, the Congress should authorize funds for an additional period to be used by the Secretary of Agriculture to

- help current program grantees with viable projects plan their activities once Federal pilot funds are terminated;
- make additional short-term grants available to either State or local public and private organizations for other farmer-to-consumer direct marketing activities; and
- evaluate the effects of direct marketing on (1) local and regional food production and security, (2) economic development, including local job development and/or retention, (3) energy consumption, and (4) the ability of small farmers to keep their land and produce efficiently.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

GAO recommends that the Secretary, to help make the project evaluations more meaningful, require that project reports include

information not only on problems and constraints but also on any adverse or negative effects.

GAO also recommends that the Secretary designate a single USDA office to be responsible for coordination of direct marketing activities and to serve as a clearinghouse for exchange of direct marketing information between public and private organizations sponsoring activities. (See p. 16.)

AGENCY COMMENTS

The Department generally agreed with GAO's recommendations. (See pp. 16 and 17 and app. I.) It noted that should the Congress reauthorize the act and include private groups, it should specifically identify the types of organizations, the total amount to be funded and for what purposes. Also, any funded activities should be coordinated with the State agencies involved.

The Department agreed that expanded evaluations of the effects of direct marketing would be desirable, but hoped that such evaluations would not be more costly than the benefits derived. GAO does not believe the cost of such evaluations would exceed the cost of potential benefits.



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ABBREVIATIONS

AMS	Agricultural Marketing Service
ESCS	Economics, Statistics, and Cooperatives Service
FFA	Future Farmers of America
SEA-E	Science and Education Administration-Extension
USDA	U.S. Department of Agriculture

CHAPTER 1

INTRODUCTION

The increasing cost of food at the supermarket in recent years has encouraged the growth of alternative food-marketing methods. Many consumers have formed cooperatives to benefit from wholesale buying. Retailers are providing low-cost alternatives in the form of "generic" foods and limited-assortment "no-frills" discount food stores. Direct farmer-to-consumer marketing--roadside stands, farmers markets, "pick-your-own" operations--is receiving increasing support.

While most alternatives seem to be aimed at cutting consumers' food costs, direct marketing has considerable potential to affect several other important issues--energy, land use, and the increasing reliance of many cities and States on out-of-region food sources. Although direct marketing is not a cure-all and only complements our conventional marketing methods, it nevertheless has nationwide implications.

For the consumer, direct marketing can offer fresher food and, in many cases, lower prices than the conventional retail outlet. Other benefits which should not be overlooked relate to the social, educational, and recreational values of participating in direct sales markets. Many benefits a family receives from a trip to the country to buy directly from a farm or an orchard are indirect and cannot be measured. Some of the more significant intangibles involve consumer sharing of food preferences and problems with farmers in exchange for information about the food and its production. While not measurable, these social and educational benefits are an important facet of direct marketing.

Direct marketing offers farmers additional channels for selling their produce and may allow them to realize a higher return than they would through traditional channels. For the small-volume producer, direct marketing may be a primary means of support, and could even be the difference between keeping or losing a farm.

Food marketed directly represents a small percentage--current estimates range from 3 to 5 percent of fruits and vegetables--of the total food produced; however, direct sales have increased substantially in recent years. Commercial estimates of direct sales outlets in 1976 indicated some 13,000 outlets--including farmers markets, pick-your-own operations, and roadside stands--in the 50 States and the District of Columbia. In comparison, recent U.S.

Department of Agriculture (USDA) figures based on a six-State survey completed in December 1978 indicate over 60,000 farmers who were selling directly to consumers, with about \$260 million in sales. USDA predicted that if the percentage of farmers selling directly in these six States was projected nationwide, using the average sales per farmer indicated in the survey, direct market sales would have totaled almost \$1.6 billion in 1978.

THE FEDERAL DIRECT MARKETING PROGRAM

The increasing public interest in direct marketing resulted in enactment of the Farmer-to-Consumer Direct Marketing Act of 1976 (Public Law 94-463, 90 Stat. 1982, 7 U.S.C. 3001 et seq.). The act, approved on October 8, 1976, was enacted to

"* * * promote, through appropriate means and on an economically sustainable basis, the development and expansion of direct marketing of agricultural commodities from farmers to consumers."

Section 4 of the act required the Secretary of Agriculture to conduct a continuing survey of existing methods of direct marketing. USDA's Economics, Statistics, and Cooperatives Service (ESCS) subsequently received a \$500,000 appropriation in September 1978 to undertake the research mandated under section 4 of the act. Equal amounts were budgeted in fiscal years 1979 and 1980.

Section 5 of the act authorized the allocation of funds to State departments of agriculture and USDA's Extension Service (now the Science and Education Administration-Extension) to facilitate direct marketing. The act authorized \$1.5 million to be appropriated in each of fiscal years 1977 and 1978 to fund section 5 activities, and the Congress subsequently appropriated \$0.5 million and \$1.5 million, respectively.

Project selection

The two USDA agencies which administer this program, the Agricultural Marketing Service (AMS) and the Science and Education Administration-Extension (SEA-E), jointly issued policies and procedures for allocating project funds to States. States were invited to submit proposals describing (1) the rationale for their projects, (2) project objectives, (3) planned methods to achieve them, (4) the methods of evaluating project cost effectiveness, and (5) estimated project costs for 2 years.

Over 50 proposals were received from 40 States, the District of Columbia, and Puerto Rico. Priority was given to proposals that suggested especially innovative approaches to direct marketing, those States with available staff to provide project leadership, and activities that provided for project evaluations. In fiscal years 1977 and 1978, USDA awarded grants totaling \$1,948,000 for 21 projects in 23 States and Puerto Rico.

Project activities

The act allows funds to be used to "initiate, encourage, develop, or coordinate methods of direct marketing * * *." Within these limitations, each State is pursuing activities designed to serve its particular needs. Some activities try to facilitate direct marketing on a statewide or multi-State level, while others are concentrating on specific areas of the State, limited-resource farmers, or low-income consumers. Some activities involve demonstration projects, such as determining the feasibility of mobile markets, while others involve the more traditional farmers markets or roadside stands. (See app. II.)

Most States are pursuing one or more of the following project activities:

- Helping farmers select fruits and vegetables desired by local consumers and suitable for growing in the area.
- Helping farmers select appropriate direct marketing outlets.
- Helping farmers, consumers, or organizations establish, operate, improve, or maintain direct marketing outlets.
- Helping consumers locate direct marketing outlets by operating "hotlines" or publishing directories.
- Conducting conferences and meetings to exchange direct marketing information.

Two projects involve direct marketing of beef while the rest deal with fruits and vegetables.

Although the 1976 act promoted the development and expansion of direct marketing, questions exist regarding the importance of direct marketing and what the Federal role should be in supporting it. To help answer some of these questions, this report discusses some important

implications of direct marketing; includes an overview of private, State, and federally funded direct marketing activities; and outlines how the Federal Direct Marketing Program can be more effective.

SCOPE OF REVIEW

We reviewed legislation, congressional hearings, and studies and reports relating to direct marketing. We also interviewed officials of AMS, SEA-E, and ESCS.

We visited 5 States--Arizona, Illinois, Massachusetts, Missouri, and New York--of 23 receiving grants from funds authorized by the Direct Marketing Act. We selected these States because they (1) offered direct marketing projects covering a wide range of activities, (2) were geographically dispersed, and (3) included projects receiving funds in both fiscal years 1977 and 1978. We also looked at direct marketing in California and New Hampshire, two States which requested but did not receive funds. We discussed direct marketing with State departments of agriculture officials, State cooperative extension personnel, and private interest group representatives.

The above sources provided considerable information on both real and perceived advantages of direct marketing and on what could/should be done to encourage and promote it. Little information was available, however, on its adverse effects.

Increased direct marketing activity may have an adverse effect in some sectors, such as reducing truck and rail income from produce shipments and decreasing retail produce sales. Although the extent of any negative effects has not been estimated, we believe it to be minor in view of the potential benefits.

CHAPTER 2

DETERMINING THE IMPACT OF DIRECT MARKETING--

NEW ISSUES SHOULD BE CONSIDERED

Proponents of direct marketing claim it provides a wealth of benefits ranging from lowering food costs for consumers and raising income for farmers to aiding in revitalization of regional and local agriculture. Although some research has been done, such as farmer and/or consumer surveys to determine the number and types of direct sales outlets or types of produce sold, little data is available on actual dollar benefits. Available information, however, indicates that this alternative does provide benefits, in many cases, in the form of lower costs and fresher produce to consumers and additional markets and income for small farmers. Accompanying the recent increased interest in direct sales are questions about the overall impact of direct marketing, particularly on current issues such as energy consumption, retention of prime farmland, and regional and local food production.

DIRECT MARKETING--A NEW LOOK AT AN OLD CONCEPT

Direct marketing, particularly popular in the 1800s, began to decline as technological improvements--long-distance transportation with refrigeration, improved packaging, chemical preservatives, and the rise of chain supermarkets--made other forms of marketing more expedient. An increase in the number of required operating and marketing permits, as well as the need to comply with local, State, and Federal health and safety regulations, also added costs and discouraged direct sales.

In recent years a strong interest in direct marketing seems to have been prompted by renewed consumer desire to cut food costs and obtain fresher fruits and vegetables, as well as by nostalgia--a longing to return to simpler times. Although these are still primary attractions of direct marketing, it is also being favored for its potential to decrease reliance on out-of-region food sources, save energy, aid in the survival of the family farm, and preserve agricultural land.

DIRECT SALES MAY BE A KEY TO REVITALIZING LOCAL AND REGIONAL AGRICULTURE

Farmland near urban areas is giving way to shopping centers and suburban homes. Local and regional food

production declines as it becomes more economically feasible to transport food from distant areas. These trends, once generally accepted, are now being questioned as public attitudes toward the food and agricultural system change.

Increasing reliance on out-of-region food

In some regions, particularly the Northeast, people are becoming more and more uneasy about the extreme reliance on other regions or countries for most of their food. Many are concerned about the possibility of disruption of their food supply. This concern was amplified in mid-1979 by the oil crunch and truckers strikes.

The Northeast contains about one-fourth of the U.S. population but imports about three-fourths of its food. One estimate indicates about 85 percent of food consumed in Massachusetts is brought into the State.

Reliance on out-of-region food sources, although more pronounced in the Northeast, is not peculiar to any one region. One recent study ^{1/} of food distribution and consumption in Knoxville, Tennessee, indicated that less than 5 percent of the produce sold locally is grown locally.

Granted that, because of weather and/or soil conditions, not all types of produce can be grown in every region or area. The opportunity still exists, however, for more local independence through encouraging direct marketing which, in turn, may spur small-volume producers to increase production.

Potential for energy conservation

In some cases, food grown in one area may not be marketed in that area or may be shipped out of the area only to be shipped back in a few days. For example, the above study indicated that although about 3,000 acres of tomatoes are cultivated in the Knoxville area, virtually none are marketed there. According to another source, \$17 million worth of Tennessee's annual fruit and vegetable production is shipped out of State while \$32 million worth of fruits and vegetables is shipped into Tennessee from Texas and California. Farmers in some States ship produce to regional distribution centers in other States from which it eventually returns for retail sale in the State where it was

^{1/}"Food Distribution and Consumption in Knoxville--Exploring Food-Related Local Planning Issues," Graduate School of Planning, University of Tennessee, Summer 1977.

grown. One estimate indicates that fruits and vegetables in the United States travel an average of 2,000 miles to market.

It is unclear how direct marketing may affect energy consumption, but possibilities for reducing energy usage exist. Given the rising cost of fuel, even a small reduction in the amount of fruits and vegetables transported over long distances may be significant. Eventually, retail chains may even be induced to require their local stores to buy from local producers where traditionally the chains have purchased produce elsewhere for economic reasons or to guarantee quantity of supply.

Direct marketing aids survival of some small-volume producers and helps preserve farmland

Increased local production is seen as a way to provide insurance against food supply disruptions and to conserve energy. But local production cannot be increased overnight. Time, money, and effort will be required, mainly because economic pressures have already forced many farmers out of business. Many small family farms, which are more inclined toward direct marketing, have disappeared because of lack of access to markets and/or inadequate prices for their food.

USDA statistics indicate a steady decline in the number of farms since the mid-1930s. In 1935, U.S. farms numbered about 6.8 million, while 1974 census statistics showed about 2.3 million. Many of the farms which disappeared were small family operations unable to compete economically with the larger farms for marketing outlets. 1/

As the trend toward larger, more concentrated farms has continued, the surviving smaller farms have been able to exist, for the most part, on the outskirts of urban areas. These farmers have not been forced to sell out partly because they have changed their production systems and marketing strategies to take advantage of local conditions. Many manage to survive by selling directly to consumers. For example, some have chosen pick-your-own techniques to reduce harvesting costs and dependence on petroleum-powered machinery.

1/For additional information, see our study entitled "Changing Character and Structure of American Agriculture: An Overview" (CED-78-178, Sept. 26, 1978).

By direct marketing of some or all of their production, small farmers may earn enough to stay on the land, which might be difficult or impossible if they had to produce in quantities large enough for most wholesale buyers. While the ability to maintain these farms on the urban fringes has not been overwhelming, this development should not be overlooked. Estimates are that between one-quarter and one-third of all cropland in the United States is located near urban areas.

Since farmland is one of our major natural resources, much national concern has developed over the annual loss of an estimated 3 to 5 million acres of farmland to urban and other nonagricultural uses. ^{1/} This loss of farmland not only has significant implications for our Nation and the world in the future but also has current significance, as shown by two studies ^{2/} which document the increase in consumer food costs when farmland is lost.

To the extent that direct marketing may help small-volume producers remain viable, it may also help farmers from becoming discouraged and selling their land, thereby helping to decrease the loss of farmland to nonagricultural uses.

FINANCIAL AID CAN BE ESSENTIAL IN INITIATING NEW DIRECT MARKETING ACTIVITIES

Direct sales do not always evolve naturally. Many small farmers are reluctant to try direct marketing. Some must be convinced that there will be enough customers to realize a profit. They also need to be informed of the health regulations to be met and what marketing, location, and occupancy permits must be obtained. Consumers in different areas have to be asked what products they want. Then they have to be told which types of products will be sold and where and when they will be sold.

^{1/}For additional information, see our report entitled "Preserving America's Farmland--A Goal the Federal Government Should Support" (CED-79-109, Sept. 20, 1979).

^{2/}"The Impact of Local Production on Consumer Welfare in the New York-New Jersey-Philadelphia Megapolis--A Case Study for Fresh Tomatoes," Department of Agricultural Economics and Marketing, Rutgers--The State University, New Brunswick, N.J., Oct. 1976, and "The Economics of Saving Massachusetts Farmland," Tufts University, Medford, Mass., Feb. 1976.

Although volunteers may help establish direct marketing activities and bring farmers and consumers together, often someone has to be hired for this role. As farmer and consumer interest in direct marketing increases, cities or towns with established pick-your-own operations, farmers markets, and roadside stands may wish to try new or innovative direct marketing techniques. Others may wish to establish traditional direct sales outlets. Some short-term financial support may be helpful, or even necessary in many cases, to get an activity started and keep it operating until it becomes self-sufficient.

FOCAL POINT FOR ENCOURAGING DIRECT
SALES COULD END WITH FEDERAL PROGRAM

The Direct Marketing Act provided funds for promoting direct marketing and has been a cornerstone for its recent expansion. The current program, however, will end after the 1980 growing season.

In 1978 the Congress considered legislation (H.R. 12101) to amend the Direct Marketing Act, but the bill, which passed the Senate, failed to pass in the House of Representatives. Because of time constraints, the legislation was brought up under a suspension of rules and, although a majority of the House members voted for the bill, it fell short of obtaining the necessary two-thirds vote. This amendment would have provided additional funds for direct marketing activities.

Some limited Federal assistance may continue to be provided through State cooperative extension services funded under the Smith-Lever Act of 1914, and the Federal/State Marketing Improvement Program funded under the Agricultural Marketing Act of 1946, and through some State and private programs. (See app. IV.) However, termination of the Federal program would eliminate a valuable focal point for encouraging direct sales.

The following chapters discuss our review of the program and present our recommendations to extend and improve it.

CHAPTER 3

PROGRAM EFFECTIVENESS CAN BE IMPROVED

Although USDA's annual reports to the Congress suggest that some progress has been achieved, the Federal Direct Marketing Program is ongoing and a qualitative program assessment has not yet been made. The program has potential, however, and could be more effective. We found that

- many projects are not expected to reach their objectives by the end of the 2-year funding period, and USDA has not ensured that project officials will develop plans to enable them to continue once Federal funds are exhausted;
- initial project progress reports are subjective and have not contained enough information on problems and constraints to enable program officials or the Congress to fully evaluate the program's merits; and
- Federal program activities need to be better coordinated with State, local, and privately sponsored activities to ensure that maximum benefits are achieved.

MANY PROJECTS CANNOT REACH OBJECTIVES WITHIN FUNDING PERIOD

USDA allocated funds to approved projects at levels sufficient to cover estimated costs for a maximum of 2 years. Of the 21 approved projects, however, 18 are not expected to reach their objectives within the funding period, and USDA has not ensured that project officials can or will develop plans to complete their work. Because many projects will not be completed within 2 years, final reports on these projects, when submitted, may not provide complete data for assessing their merits.

An SEA-E official estimates the 18 projects will require up to 6 more years (an average of 2 years) to achieve their objectives. According to the estimate, the Missouri and Arizona projects need the most additional time. (See app. III.)

The Missouri project involves working with small farm families to develop alternative farm enterprises as a means of increasing their incomes. This task, including the time required for the farmers to change their operations, is expected to require about 6 more years before the project's objectives are fully achieved.

The Arizona project is expected to need 5 more years to achieve its objectives. Ironically, additional time will be necessary because of the widespread interest in direct marketing. Originally, the project director planned to demonstrate the feasibility of direct marketing in smaller communities, hoping that larger ones would copy the results. However, due to extensive publicity, statewide interest in direct marketing developed much faster than anticipated. This situation created an unexpected demand on project personnel for direct marketing assistance, and consequently they have not been able to devote enough time to achieving the original project objectives.

In some cases, Cooperative Extension Service officials hope to absorb some project activities into ongoing extension service programs to continue at least a minimum level of effort. The greatest problem when Federal funds run out, according to several officials, will be loss of direct marketing specialist personnel dedicated to helping farmers and consumers facilitate direct marketing.

Officials of the projects reviewed hope that funding can be obtained to continue their programs. One State official said State funds will be requested to continue direct marketing. She said that if specific funding cannot be obtained, other programs will be cut back to continue at least a minimum level of effort, but achievement of project objectives will be substantially delayed.

Some projects' objectives are finite, such as establishing farmers markets or developing "how to" manuals, while others relate to continuing services, such as helping consumers locate sales outlets. Even if projects achieve their finite goals within the federally funded period, other sources of funds are needed to provide these continuing services unless or until the projects can become self-sufficient.

PROJECT EVALUATIONS INDICATE SOME
SUCCESS BUT HAVE BEEN LIMITED

Project reports provide
limited information

Project officials must evaluate their projects and submit reports to USDA. Initial reports were due at the end of the first year and final reports due by September 15, 1980. Initial project reports generally described the extent of implementation of planned activities and contained mainly favorable information. Only limited or no information was reported on constraints, problems, or adverse impacts of the activities.

One State's initial evaluation, for example, reported on the activities underway to establish a certified farm market program. 1/ The report did not discuss problems encountered, such as farmers' reluctance to participate in a statewide certification program or delays in organizing farmers to establish the necessary rules, regulations, and operating procedures. The first problem was resolved by pursuing separate regional certification programs in lieu of a single statewide program. The second problem was not resolved and was expected to cause a 1-year delay in achieving this objective.

All project evaluations should specifically address the problems encountered in pursuing particular activities, as well as any adverse effects of the projects. Because evaluation reports are distributed to other project officials, some of whom are engaged in similar activities, disclosure of such information--including any corrective action taken--could be useful to them. Moreover, routine disclosure of problems, if found to be common in several projects, could indicate the need for regional or national solutions.

Project evaluation reports submitted to USDA form the basis for a major portion of USDA's annual report to the Congress, required by section 6 of the act. In our opinion, annual reports which do not include information on problems encountered in accomplishing project objectives and adverse effects of the projects, if any, have limited usefulness to the Congress in evaluating the success of the Direct Marketing Program.

Some program success indicated

In the opinion of USDA officials, the projects have increased direct marketing sales. Also, initial data from some projects suggests that farmers' incomes have been increased and consumers have obtained better quality produce at lower prices. For the most part, however, not enough evidence has been obtained to adequately assess the projects' financial impact on farmers or consumers.

1/The objective of this program is to establish quality standards for roadside markets, enabling consumers to patronize them with greater confidence.

Success of the projects may be indicated mainly by the increasing number of direct marketing outlets. Although it is unclear whether the increase in direct marketing activity would have eventually occurred without the Federal program, federally funded projects have probably encouraged direct sales. One project official stated that the primary benefit of the project was that it served as a catalyst, enabling the State to move faster in facilitating direct marketing than would otherwise have been possible.

OPPORTUNITY FOR USDA TO EXPAND ROLE AS COORDINATOR

USDA took the lead in coordinating direct marketing projects after enactment of the Direct Marketing Act. This coordination, however, has been divided among three USDA agencies--SEA-E, AMS, and ESCS--and has focused primarily on the federally funded projects involving State departments of agriculture and State cooperative extension services.

Many direct marketing activities--those sponsored by Federal, State, local, or private organizations--appear to be similar (see apps.), and a clearinghouse for exchanging information could be valuable. In particular, various groups, both public and private, wanting to establish direct marketing activities could benefit from experience and information gained in similar ongoing or completed projects. Also, some duplication of practical materials--booklets, slide sets, movies, or other visual aids--might be avoided, along with the associated expenses.

Another area where improved coordination of activities could be helpful is in the consumer and farmer direct marketing surveys being conducted or planned by various agencies and organizations.

In response to section 4 of the Direct Marketing Act requiring the Secretary of Agriculture to conduct a continuing survey of existing methods of direct marketing, ESCS has

- conducted surveys to measure the extent and types of direct marketing activities in six States;
- executed cooperative agreements with six States to conduct detailed case studies of selected direct marketing methods;
- surveyed agricultural cooperatives to determine the quantity and value of various products moving directly to consumers, or consumer groups.

Some states with federally funded projects also have ongoing direct marketing surveys of various kinds. As of April 1979, USDA noted at least 10 States with producer surveys, 9 States with consumer surveys, and 8 States with other types of direct-marketing-related surveys. In April 1979 an ESCS representative expressed concern that the large number of surveys made in connection with the act had not really been coordinated.

Although many of these surveys may be necessary because of (1) geographical differences or (2) a need to determine locations of farmers and types of products, a focal point for coordinating these surveys would help ensure that maximum benefits would be derived from them and would minimize duplication of effort.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

As interest in and enthusiasm for farmer-to-consumer direct marketing continue to grow, expectations rise as to what this marketing method might accomplish. It is now viewed not only as providing fresher, cheaper food to consumers and increased income to farmers but also as encouraging revitalization of regional and local agriculture, aiding in survival of the family farm, and possibly contributing to energy conservation.

The Direct Marketing Act has aided the expansion of direct marketing. Although USDA has not yet made a comprehensive assessment of the program because it is still ongoing, available data suggests that some farmers' incomes have been increased and consumers have been able to obtain fresher and cheaper food.

The overall benefits of the direct marketing activities funded under the 1976 act will be difficult, if not impossible, to accurately measure in dollars and cents. The success of these activities may be evaluated in terms of (1) more direct marketing outlets with resulting increases in sales, (2) providing profit for the farmer, and (3) providing fresher, cheaper food for the consumer. However, the contribution of a given activity to increasing regional and local production, to developing or retaining local jobs, to reducing overall energy consumption, or to enhancing farmers' ability to keep their land and continue to produce may not be measurable for some years. These are longer term goals which direct marketing may help achieve.

As the Federal program ends in the fall of 1980, questions will remain about the overall potential of direct marketing. Final evaluations of projects funded by the 1976 act are expected to contain limited information on the impact of direct marketing on farm energy, land, and resource issues. (See pp. 22 to 24.) Many of the evaluations will be based on activities which either cannot meet their objectives within the program's funding period or are of a continuing nature.

Extended aid by the Congress for those projects determined by USDA to be viable would help the States continue such projects until (1) the original objectives are reached, (2) the projects become self-sufficient, and/or (3) other sources of funding can be obtained. Making additional

short-term funding available for new projects (1) could allow more participation by other States and local public or private organizations--groups precluded from applying for grants under the 1976 act--and (2) would permit USDA to approve projects/activities that could contribute information on the effects of direct marketing on issues which have become more important since passage of the 1976 act. Also, extension of the Federal Direct Marketing Program would provide more time for USDA to improve evaluations and coordination of direct marketing activities.

RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress continue support for the Direct Marketing Program for an additional 2- to 3-year period by authorizing such funds as it deems appropriate to be used by the Secretary of Agriculture to (1) assist current program grantees having viable direct marketing projects in planning for continuing their activities once Federal pilot funds are terminated, (2) make grants available to either State or local public and private organizations for use in establishing additional direct marketing activities and projects, (3) evaluate the impacts--both positive and negative--of direct marketing on local and regional food production and security, development or retention of local jobs, energy consumption, and the ability of small farmers to keep their land, and (4) administer and coordinate the Direct Marketing Program.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that the Secretary:

- Require project evaluation reports to include information on any adverse effects of the projects, as well as specify constraints and problems encountered in particular activities.
- Designate a single office within USDA to be responsible for coordination of direct farmer-to-consumer marketing activities. This office should serve as a clearinghouse for obtaining, evaluating, and ensuring availability of direct marketing information.

AGENCY COMMENTS

In commenting on this report, USDA generally agreed with our recommendations. (See app. I.) With regard to our recommendations to the Congress, USDA noted that should the Congress reauthorize the act and include private

groups, it should specify the types of organizations, the total amount to be funded and for what purposes. Also, funded activities should be coordinated with the State agencies involved.

The Department agreed that expanded evaluations of the effects of direct marketing would be desirable, but hoped that such evaluations would not be more costly than the benefits derived. We do not believe the cost of these evaluations would exceed the cost of potential benefits.

In regard to our recommendations to the Department, USDA agreed that evaluation reports should include information on any adverse effects of the projects as well as on project problems and constraints. The Department also said it planned to form a committee composed of individuals from AMS, SEA-E, and ESCS to be chaired by the lead agency and charged with (1) coordinating all USDA work on direct marketing, (2) eliminating unnecessary duplication of activities, (3) providing an information clearinghouse, and (4) evaluating program effectiveness and providing directions and motivations for needed changes.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

MAR 17 1980

TO: Mr. Henry Eschwege
Director, Community Economic
Development Division
U. S. General Accounting Office

SUBJECT: Proposed Draft Report, "Direct Farmer-
to-Consumer Marketing--The Federal Program
Should be Improved and Continued"

The Department of Agriculture appreciates the opportunity to review and comment on the draft of the proposed report "Direct Farmer-to-Consumer Marketing--The Federal Program Should be Improved and Continued."

In general, the report and the recommendations for improvement reflect the considerable work which has been done to obtain an understanding of direct marketing and its potential for benefits to both consumers and farmers.

Our specific comments follow:

1. Page i, para 4: It should be noted that the Economics, Statistics, and Cooperatives Service (ESCS) received a \$500,000 supplemental appropriation in September 1978 to undertake the research mandated under Section 4 of the Act. Equal amounts were budgeted in fiscal years 1979 and 1980.
2. Page iii, para 1: The research being conducted by ESCS under Section 4 of the Act will add to the information-base being developed through the projects funded under Section 5 of the Act.
3. Page iv, first para: In some State projects, existing groups were an integral part of the approved projects. In most States, existing groups were aided or consulted during the course of the project.
4. Page iv, para 2: If private and public organizations and institutions are included in any new legislation, it would be helpful in administering the Act if they were clearly defined. Also, to maintain a coordinated program within a State, all projects should be proposed in conjunction with State Departments of Agriculture and State Extension Services. In administering the 1976 Act, joint signatures were required on all proposals from the States, even if only one of the State entities was active in the project.

Mr. Henry Eschwege

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5. Page iv, para 2: The cost of conducting the recommended research to measure the impact of direct marketing on local and regional food production and security, energy conservation, and preservation of farmers' land may exceed potential benefits.

6. Page 1, para 5: The estimates of direct marketing sales outlets for 1976 which indicated some 13,000 outlets were prepared by a commercial publication firm and based on a telephone survey which was not statistically sound. They are not associated with a USDA survey referred to in the following sentence.

7. Page 3, last para: This refers to Section 5 of the Act only. Section IV of the Act which was not funded until the fall of 1978 is designed to answer some of these questions.

8. Page 10, 1st para, 1st indent: The objectives of many projects are not expected to be completed by September 1980, but all funded projects will be completed by that date. In the same item -- both the Agricultural Marketing Service (AMS) and the Science and Education Administration-Extension (SEA-E) have encouraged their associates in the States to continue to build programs based on their experiences with the funded projects. It is true that in many cases the full achievement of the established objectives will require a longer period and will not be reflected in the final report. Many of these longer range objectives are more difficult to achieve and may be more beneficial than those of a short term nature. In this respect, the funded projects act as "seed money" for ongoing work. We have enclosed a copy of the final report guidelines which was sent to the States on January 2, 1980. The guidelines include a request for future plans regarding the project activity.

9. Page 10, 1st and 2nd indents: All project reports received thus far are reports of progress. We are confident the guidelines identified in the previous paragraph will provide more definitive information for the final report. Additionally, as a result of the Farmer-to-Consumer Direct Marketing Act of 1976, there is for the first time a considerable body of information and data being brought together for future use.

10. Page 10, 1st para, last indent: We agree with your suggestion to establish a clearinghouse or a focal point for the exchange of information. The three agencies involved have been in close contact on direct marketing work, and a procedure for coordination is being established. At the same time, it should be pointed out that each agency (especially AMS and SEA-E) has responsibilities related to specific State organizations about program development and program assistance. We want to proceed in a manner that will augment and build these relationships while at the same time provide more public access.

Mr. Henry Eschwege

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For additional coordination, a national conference was held for project officials in the spring of 1978; an additional conference, open to any group interested, was sponsored by the three agencies in the spring of 1979; and, a third conference will be held in the fall of 1980. It will examine the impacts and the shortcomings of present programs. The 1979 conference involved nonprofit groups, and the 1980 conference will expand this audience.

11. Page 14, last para: Some activities are very similar but geographical differences need to be determined also. In addition, some of these activities needed to be replicated to establish validity. For example, several consumer surveys inquired about distance traveled to farm markets. These surveys have established sufficiently well the size of the farm market trading area. On the other hand, many of the farmer surveys were for the purpose of publishing directories about locations of farmers selling directly, what they had to sell, and when, so that consumers could better contact these farmers during the season they had products to sell. These directories are specific to each State and need to be periodically updated.

12. Page 16, 1st para: Should The Congress reauthorize the Act and include private institutions or organizations, we believe Congress should specifically identify the types of organizations, the total amount to be funded to these groups, and for what purposes. Also, it should state that any funded activities should be coordinated with the State agencies involved in direct marketing. We also agree that assessments of the extent and impact of direct marketing on local and regional food production and food security, energy conservation and income stability for farmers is desirable. We would hope that efforts and financing to accomplish these objectives would be on a balanced scale in keeping with program development aimed at bringing the benefits of direct marketing to small and medium-sized farmers and to consumers.

13. Page 27, para 2: We agree with the first recommendation. In respect to the second recommendation, USDA proposes to formalize an informal working relationship which has developed among the three agencies on direct marketing work. A committee composed of one or more individuals from each agency and chaired by the lead agency, will be formed and charged with (1) coordination of all USDA work on direct marketing, (2) eliminating unnecessary duplication of activities, (3) providing a clearinghouse for information, and (4) evaluating the effectiveness of direct marketing programs and providing directions and motivations for needed changes.

The Department's Budget and legislative recommendations for fiscal year 1981 do not include specific funding for the ES/AMS portions of the program nor a request for authorizing legislation to renew the program. Many of the experimental projects initiated in 1977 and 1978 will extend through September 30, 1980. Prior to developing or committing the Department to an ongoing comprehensive effort we need to evaluate the results from these projects.

Included in the initial appropriations was funding to evaluate the benefits and costs of the projects. These studies, in addition to those being conducted by ESCS, should provide the basis for selecting the most promising ventures, if any, for public support at the Federal level. Once these evaluations are completed, the Department will reconsider the need for legislation and the appropriate levels of funding.

In conclusion, we believe the report on direct marketing identifies problem areas, yet does, at the same time, a commendable job in summarizing the essence of our direct marketing efforts. We are building data, information, and programs aimed at providing small and medium-sized farmers with alternative markets and providing consumers with additional choices as they buy fresh, high-quality agricultural products.



ANSON BERTRAND
Director
Science and Education

Enclosure

GAO NOTE: The Department's comments suggesting changes and clarifications were considered, and the report was revised where appropriate. Page and other references have been changed to conform to the printed version.

UNITED STATES DEPARTMENT OF AGRICULTURE
SCIENCE AND EDUCATION ADMINISTRATION

OFFICE OF THE DEPUTY DIRECTOR FOR
EXTENSION
WASHINGTON, D.C. 20250

January 2, 1980

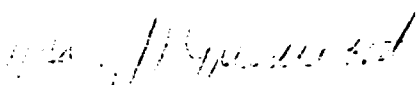
SUBJECT: Guidelines for Final Reports on Projects Funded Under
the Farmer-to-Consumer Direct Marketing Act of 1976

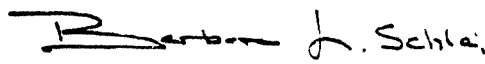
TO: State Extension Directors
Extension Administrators, 1890 Land Grant Institutions
and Tuskegee Institute
Directors, Secretaries, or Commissioners of State
Departments of Agriculture in States being Funded
by the Farmer-to-Consumer Direct Marketing Act
of 1976

Project completion dates for projects conducted under the Farmer-to-Consumer Direct Marketing Act of 1976 will vary State by State, but in all cases will be completed by September 1980. Enclosed are guidelines for your final report. As you may recall, the guidelines under which the States submitted project proposals included plans for program evaluation and particularly for evaluating their cost effectiveness. This information will be used in preparing a USDA Secretary's report to the Committee on Agriculture, United States House of Representatives, and the Committee on Agriculture and Forestry, United States Senate, as required by the Act and due on or before October 8, 1980. Copies of the Secretary's report also will be forwarded to each of you.

We hope that you will follow the evaluation procedures outlined in the project proposals. We would appreciate combined annual reports for those projects which involve jointly submitted project proposals.

Please send each of us two copies of your final report as soon as your projects are completed. In all cases the final reports are due by September 15, 1980. If you have questions, please contact Ed Watkins, 202/447-3450, or James Toomey, 202/447-2704.


MARY NELL GREENWOOD
Acting Deputy Director for Extension


BARBARA LINDEMANN SCHLEI
Administrator, AMS

Enclosure

GUIDELINES FOR FINAL REPORT ON DIRECT MARKETING PROJECTS
DUE UPON COMPLETION OF PROJECT

A. State:

B. Project Title:

C. Personnel and expenditures:

1. State Extension Service

Names of principal personnel involved:

Estimates of funds expended from project inception through completion:

Direct Marketing Act: \$ _____

Other support provided to the project: \$ _____
(Personnel time and other direct expenditures)

2. State Departments of Agriculture:

Names of principle personnel involved:

Estimates of funds expended from project inception through completion:

Direct Marketing Act: \$ _____

Other support provided by the project: \$ _____
(Personnel time and other direct expenditures)

D. For each objective: (As stated in project proposal)

1. State the objective:

2. List principal activities:

3. Identify specific accomplishments:

For D. 2 and D. 3 above, please include a brief statement of accomplishments and consider, where applicable, the following general areas.

a. Type of information provided producers and consumers.

b. Methods of information dissemination.

Page 2

- c. Types of information obtained from studies, surveys, and other sources.
 - d. Estimates of number of consumers and growers reached.
 - e. Any special characteristics of audiences.
 - f. Support or contributions to the programs by other groups and other agencies.
 - g. The general impact of the direct marketing program upon consumer awareness, understanding, participation, and growers awareness, understanding and participation.
- E. Two or three illustrative examples of project's success or accomplishments:
- F. In a summary statement (up to one page in length) consolidating all objectives for the full period of the project, indicate the number of farmers involved in your project selling directly, gross sales, effect on net income, other farmer benefits, major problem areas encountered, number of consumers participating, identification of consumer benefits, impacts upon communities, and other information available:
- G. Outline priorities of and plans for continuing direct marketing programs:
- H. Include copies of publications, mimeographs, and other materials prepared as a part of the project:

PROJECTS/ACTIVITIES FUNDED
1976 FARMER-TO-CONSUMER DIRECT

PROJECT LOCATION	GENERAL DESCRIPTION	PROJECTS/ACTIVITIES FUNDED										
		Develop Beef	Marketing	Develop Slide Sets, Movies, and Other Visuals	Hold Direct Marketing Conferences & Meetings	Emphasize Low-Income Farmer Opportunities	Serve Low-Income Consumers	Computerized Information Retrieval & Distribution				
ALABAMA	Assist in developing roadside emphasis on working with low-farmers in the selection of open.				X	X	X					
ALASKA	Educate producers and consumers. Establish a farmers market develop market information for				X	X						
ARIZONA	Evaluate and assist farmers methods, assist small growers products, and provide information				X	X	X					
COLORADO	Publish handbook on direct marketing farmers selling direct to consumers and regulatory requirements, markets.				X						X	
DELAWARE	Compile a listing of laws and regulations, develop visual aids about feasibility of a farmers market conference.		X	X								
FLORIDA	Determine why consumers do not use outlets, survey producers sell markets at State market located market on wheels.				X							
GEORGIA/ SOUTH CAROLINA	Establish farmers markets in rural areas and organize limited-resource consumers in an inner city.				X	X	X					
ILLINOIS	Survey direct marketing in the Midwest individuals in organizing and pick-your-own farms, and expand market operators and consumers				X	X						
INDIANA	Develop service, promotional materials, Federal and State regulations community markets, and develop to find out location of direct		X	X								
KANSAS	Explore feasibility of year-round to help move product from surplus and evaluate backhaul operation				X							
KENTUCKY	Establish a computerized beef market and producers. Evaluate demand direct and explore site located markets.	X			X						X	
MASSACHUSETTS	Establish a prototype nontraditional mobile markets and a pilot system and sellers.					X	X					
MICHIGAN	Organize farmers markets for steps involved. Develop a code laws affecting a farmers market					X	X					
MISSOURI	Develop a direct marketing program Springfield market area including regulations applying to direct				X	X						
NEW JERSEY	Produce a film showing opportunities Survey pick-your-own programs on this phase of direct marketing		X	X								
NEW YORK	Develop informational program cooperative clearing house that in contact with producers. Evaluate of roadside markets.				X	X	X	X			X	
NORTH CAROLINA	Expand direct marketing of fruit demonstration projects, and increase use of mobile markets.				X	X						
PENNSYLVANIA	Establish a direct marketing program Philadelphia area, especially for senior citizens					X	X					
PUERTO RICO	Assist small farmers in marketing provide consumers information				X	X	X					
SOUTH DAKOTA/ WYOMING	Improve beef-marketing system marketing beef directly.	X			X							
WASHINGTON/ OREGON	Identify farmers marketing direct educational programs for farm consumers.				X	X						

SOURCE: USDA, SEA-E.

SUMMARY OF SELECTED PROJECTS FUNDED
UNDER THE 1976 DIRECT MARKETING ACT

A total of 21 direct marketing projects involving 23 States and Puerto Rico were funded under section 5 of the Farmer-to-Consumer Direct Marketing Act of 1976. We reviewed five of these projects to evaluate their status and expected accomplishments. We selected the projects to achieve broad geographical coverage and a representative mixture of the types of projects undertaken.

ARIZONA

Farmer and consumer interest in direct marketing increased considerably between 1972 and 1977. Between 1975 and 1977, the Arizona Cooperative Extension Service received over 50 requests from farmers for information on and assistance in establishing roadside markets, and several food cooperatives expressed interest in establishing contacts to make quantity purchases directly from producers. Before 1977, local cooperative extension agents provided limited direct marketing assistance to farmers and consumers. However, a formal program had not been initiated because of inadequate staff and the limited expertise of State extension personnel.

Arizona's \$33,999 direct marketing project was funded from USDA's fiscal year 1977 appropriation. Work started in January 1978. Major project accomplishments during 1978 follow.

- Consumer surveys were conducted to determine interest in direct marketing and to gather information to be used for counseling growers in managing direct marketing outlets.
- Guideline fact sheets, covering 45 different vegetables, were developed to help farmers in growing produce for direct marketing.
- Consumer information fact sheets, covering 16 fruits and vegetables, were developed to help consumers select and use direct market products.
- Meetings and workshops covering various aspects of direct marketing were held with farmers, consumers, and community representatives.

Project officials estimate that participating growers have increased their gross incomes by at least 50 percent. Much remains to be done, however, on other aspects of the project.

The original project objective was to demonstrate the feasibility of direct marketing in smaller communities, with the hope that larger ones would copy the results. However, due to widespread publicity, statewide interest in direct marketing developed much faster than anticipated. This situation created an unexpected demand on project personnel for direct marketing assistance, and consequently they have not been able to devote enough time to achieving the project objective. A USDA representative has estimated the project may now take up to 7 years to reach its objective.

ILLINOIS

Production and marketing of horticultural crops in Illinois underwent drastic changes between 1972 and 1977. Difficulty in obtaining migrant workers, increasing regulations on migrant worker housing, higher wages, competition in the wholesale marketplace, and unsatisfactory prices resulted in a decline of large wholesale farming operations. Many farmers converted their wholesale farming operations to serve direct marketing outlets.

In 1977 the primary direct marketing needs in Illinois were (1) practical guidelines to tell producers how much direct marketing a given population could support and (2) a system to inform consumers where, when, and/or how to buy produce directly from farmers.

The Illinois project received \$145,305 from the fiscal years 1977 and 1978 appropriations. Project implementation is the joint responsibility of the Illinois Cooperative Extension Service and the State Department of Agriculture.

Project objectives are to

- survey direct marketing of agricultural products in Illinois to determine the potential for successful expansion and to establish a baseline for evaluation;
- help communities and individuals to organize, establish, and operate community markets and pick-your-own farms;

- expand the present educational program for roadside market operators; and
- develop a program to create consumer awareness of direct marketing benefits.

Project personnel have made various surveys to gather information to facilitate direct marketing in Illinois. A general survey was made to identify direct marketing outlets throughout the State. Farmers were surveyed to determine marketing methods and other economic data. Consumers were surveyed to determine the factors influencing their patronage of direct marketing outlets.

Directories were published to inform consumers where they could obtain fresh fruits, vegetables, and Christmas trees. These directories, originally published for the 1978 growing season, were updated for 1979.

Twenty conferences and grower schools were held to present information on direct marketing and improved cultural practices. These included

- three special day-long conferences for marketers to discuss marketing opportunities and improved methods (approximately 200 markets were represented);
- seven commodity-oriented conferences and schools, attended by about 1,000 producers; and
- nine other schools and training sessions, attended by about 400 producers and 1,000 gardeners, to present improved cultural practices and varietal recommendations.

Guidelines were published to help communities organize, establish, and operate markets. In 1978 there were 48 community markets in operation, an increase of 17 from 1977. Project officials estimate that community markets are the major outlets for over half the participating producers.

According to project officials, direct marketing plays a minor role in Illinois' total food supply. However, the economic benefits are significant for individual producers, and direct marketing provides a major source of income to many. Also, the consumer benefits from significantly lower prices (estimated at 19 percent) when compared with those at local retail stores.

MASSACHUSETTS

In 1977 the food situation here was characterized by

- a significant decline in farm acreage (18 percent between 1969 and 1974),
- food prices which averaged 6 to 7 percent above the national average, and
- a dependence on other regions for 85 percent of the State's food supply.

A 1974 report by the Governor's Commission on Food and Agriculture noted the vulnerable position of the State with respect to its food supply and price situation, and the critical role direct marketing could play as a positive force in stabilizing the State's agricultural production. As a result of the commission's work, a Task Force on Direct Marketing was established in 1976 to identify problems and opportunities for expanding direct marketing.

Two problems identified as inhibiting direct marketing follow.

1. Little information was available to aid in organizing and operating direct marketing outlets, other than roadside stands. Very little was known about nontraditional roadside marketing, and even less about small-scale farmers markets and other forms of direct selling.
2. As a result of the fragmented production and marketing system, there were many instances of market imbalances, either in the form of producer surpluses or unsatisfied buyer needs. This problem was particularly acute with consumer food cooperatives where purchases fluctuated widely, sources of supply were less firmly established, and the manpower necessary to make producer contacts was unavailable.

Massachusetts' \$73,300 direct marketing project, funded from the 1978 appropriation, was directed toward solving the problems. Project objectives were to:

1. Establish a prototype for roadside markets in nontraditional settings, including a portable or mobile market to reach consumer groups not served by existing roadside stands or farmers markets.
2. Establish a pilot system for improving the coordination between prospective consumer groups (primarily food cooperatives) and sellers of locally produced and marketed food products.

To accomplish the first objective, a mobile market experiment was conducted with the cooperation of a local farmer. The farmer's truck was equipped with display racks, product assortment and pricing strategies were established, and arrangements were made with two private housing developments in a major metropolitan area to conduct sales from their parking lots. Operations were conducted 1 day a week for 3 hours at each site.

According to project officials, the first week's gross sales totaled \$93, then increased to an average of \$211 per 6-hour selling period over the remaining 6 weeks of the experiment. The farmer planned to expand the mobile market experiment for the 1979 marketing season.

To accomplish the second objective, a purchasing coordinator was hired to establish direct marketing arrangements between local farmers and a regional food cooperative that operates as a broker for consolidating purchases of about 68 local cooperatives. The cooperative had been purchasing produce primarily from a wholesale produce center; direct purchases from farmers in 1977 had totaled only about \$2,000. Through the efforts of the coordinator, direct marketing purchases during the first 3 months of the program increased to about \$20,000.

MISSOURI

About 70,000 of Missouri's 115,711 farms reported annual farm sales of less than \$10,000 in 1974. Because studies show that farm production expenses consume about 70 to 80 percent of gross sales, these farmers had net annual farming incomes of less than \$3,000.

Historically, programs designed to assist farmers have been directed toward large farms while smaller, limited-resource farmers have not received adequate help. To counteract this trend, the University of Missouri Extension Division initiated a pilot small farm program in 1971 to help small farmers improve their quality of living. The program's objective was to be achieved by working with small farmers to increase their knowledge of and skills in appropriate technology and management of resources.

While the program assisted families to better use their labor and resources, it did not address alternative farm enterprises as a means of increasing farm income.

Missouri's \$106,950 direct marketing project was designed to fill this void. The project was funded from the fiscal year 1978 appropriation. Work started in September 1978 and is funded through August 1980. The Missouri Cooperative Extension Service and State Department of Agriculture are jointly responsible for the project. The project is being implemented in conjunction with the existing Small Farm Program. Project activities are targeted toward a 14-county area in the southwest part of the State.

At the time of our review, most activities were just getting started or were still being planned. Completed activities follow.

- Sixty-two meetings or short courses, attended by 1,200 persons, were held on direct marketing dealing with organization, production, and marketing of fruits and vegetables.
- Assistance was provided on some phase of direct marketing to many of the 200 producers enrolled in the program.
- Assistance was provided to establish three direct marketing outlets.
- A series of direct marketing guides were developed for small commercial producers of fruits and vegetables. Over 3,000 copies of these guides have been or are being distributed to growers in the target area and throughout the State.

Since Missouri had not completed its first growing season under the project, no information on project benefits had been gathered. According to a project official, interest in the program has grown considerably. Representatives from chambers of commerce, churches, civic clubs, community action program centers, 4-H Club members and leaders, and Future Farmers of America (FFA) members and instructors are highly enthusiastic about direct marketing. Small farm operators and FFA members and instructors have indicated a keen interest in the program because it offers an alternative source of family income.

NEW YORK

New York's August 1977 project proposal said that interest in direct marketing had increased sharply in recent years: many new direct marketing outlets had been opened and a large number of consumer food-buying cooperatives had been organized. The major barrier to increased direct marketing, according to the proposal, appeared to be a lack of understanding by farmers and consumers of the factors involved in direct marketing. The proposal also indicated a need for both public and private organizations to perform services necessary to facilitate direct marketing.

New York's \$154,780 direct marketing project was implemented jointly by the Cooperative Extension Service and the State Department of Agriculture and Markets. Work began on the 2-year project in January 1978. The project contains three elements--an informational program, a cooperative clearinghouse, and a certified farm market program.

The objective of the informational program is to give growers interested in establishing or expanding direct marketing outlets information on (1) potential sales opportunities, (2) applicable laws and regulations, and (3) business management, farm production, and necessary equipment and facilities.

Information on various aspects of direct marketing has been provided to interested parties via (1) newsletters and special bulletins, (2) meetings with growers, both individually and in groups, and (3) the media.

Much of the Cooperative Extension Service's project work has involved individual market operators. Project officials believe this activity has been particularly beneficial because:

- It enables extension workers to learn what the farmers' objectives are and to tailor assistance accordingly.
- It gives extension workers the opportunity to learn the real-life problems of managing and operating a direct marketing activity.
- Experiences and techniques learned from one operator can often be passed on to another.
- It enables extension workers to increase their knowledge and competence by working directly with market operators.
- It enables extension workers to perceive and assess the relative importance of areas where additional information or research may be needed to further facilitate direct marketing.

The cooperative clearinghouse program was organized to help farmers and cooperatives locate each other and establish communications. A clearinghouse was set up in New York City to serve as a prototype for similar ventures in other major cities.

Activities accomplished at the clearinghouse have included

- gathering information on food cooperatives and farmers interested in direct marketing;
- operating a referral service to place farmers and cooperatives in contact with one another;
- distributing publications on various fruits and vegetables describing their nutritional value, preparation, and storage techniques;
- establishing a library with publications on various aspects of directing marketing useful to farmers, consumers, and cooperatives; and

--preparing and distributing information packets on establishing cooperatives, with discussions of issues and problems involved.

The certified farm market program is designed to encourage improvements to existing markets and establishment of new ones where feasible. Conferences have been held with farmers and market operators in three areas of the State to discuss the feasibility and advisability of establishing a certification program. The problems and potential benefits of market certification were discussed at the conferences, and project officials provided information on similar programs in other States.

Project officials said it now appears that separate certification programs will be established on a regional basis. The programs will be established, operated, and governed by the farmers themselves--setting their own rules, regulations, and conditions of membership. Although progress in this program has been slower than originally anticipated, project officials expect the first regional certification program will soon be operational in western New York.

EXAMPLES OF DIRECT MARKETING PROJECTSFUNDED BY PUBLIC AND PRIVATE ORGANIZATIONSCOOPERATIVE EXTENSION SERVICE

The objective of the Cooperative Extension Service--established by the Smith-Lever Act of 1914 (7 U.S.C. 341 et seq.)--is to help people identify and solve their farm, home, and community problems through use of research findings of the USDA and the State land-grant colleges and programs administered by USDA. Funding for cooperative extension activities is provided by Federal, State, and local sources.

In 1975, USDA reported that the cooperative extension service agencies in 18 States had already established active, continuing direct marketing programs and published over 100 related informational bulletins. Below are examples of some publications.

--"Financial Planning for Roadside Markets" and "Ohio Roadside Market Management and Marketing Practices," published by the Cooperative Extension Service, Ohio State University.

--"Planning a Farmers' Market" and "Deciding Whether To Organize a Food Buying Club," published by the Extension Division, Virginia Polytechnic Institute and State University.

--"Direct Farm Marketing," published by the Oregon State University Extension Service.

In general, the direct marketing activities pursued by the cooperative extension service agencies appear similar to those authorized by section 5 of the Farmer-to-Consumer Direct Marketing Act of 1976--for example, 12 of the projects funded under the act involve planning farmers markets and 11 involve roadside markets. (See app. II.) The major difference appears to be that extension service activities are more limited in scope, due to funding constraints. The New Hampshire Extension Service, for example, has given farmers and consumers limited assistance and technical guidance to establish direct marketing outlets. However, funding has not been available to (1) research existing marketing methods or develop new ones or (2) develop

information on or solutions to specific marketing problems. More importantly, the New Hampshire Extension Service does not have the staff expertise in direct marketing to further increase the level of assistance to farmers and consumers.

FEDERAL/STATE MARKETING IMPROVEMENT PROGRAM

This program, established under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.), provides matching grants to States to conduct research and provide services in connection with the marketing of agricultural commodities. During fiscal year 1978, 35 marketing improvement projects were funded by the program. Four of these, involving three States, were related specifically to direct marketing, as follows:

- California - \$25,411 to finance a toll-free hotline to move agricultural products directly from farm to consumer, and to develop a clearinghouse for farmers markets throughout the State.
- Maryland - \$9,000 to encourage the establishment of roadside markets by giving producers the necessary information on how to market directly.
- Massachusetts - \$6,092 to develop and publish a directory of State fruit and vegetable growers for use by individuals or wholesale firms.

\$3,405 to work with three Boston intercity farmers markets to increase grower and consumer participation.

All these projects are similar to ones funded under the 1976 Direct Marketing Act. (See apps. II and III.)

The California project is particularly interesting in that (1) it is part of a broader direct marketing program, (2) many types of activities are involved, and (3) financial support was provided by the State, two Federal programs, and a private interest group.

THE CALIFORNIA DIRECT MARKETING PROGRAM

As a result of increasing food prices and a grass-roots interest in more nutritious food, the California Department of Food and Agriculture began a Direct Marketing Program in 1976. Financial support for the program, totaling \$207,400 through fiscal year 1978, has been provided by several State agencies, USDA, the U.S. Civil Service Commission, and the California Cling Peach and Apricot Advisory Boards.

The program was established to coordinate all direct marketing activities in California. The activities involved determining what direct marketing assistance was needed by producers and consumers and giving it when necessary. Program staff from the Department of Food and Agriculture coordinated with staff from another agency in providing service to the individuals and groups normally served by each agency and establishing a feedback system to guide the agencies in program operations.

A consultant was hired to develop and test effective service programs for producers and consumers and to conduct training on direct marketing concepts at the State and local levels. To promote education on direct marketing techniques, classes were offered by the University of California Extension, with the assistance of a consultant, for farmers, consumers, and university extension staffs.

Some program accomplishments, as described by the program director, follow.

--"Hotline": A direct marketing hotline program was established to bring producers and consumers together and to increase both public and industry awareness of direct marketing concepts. Between June and September 1976, the hotline averaged 360 calls per day. Program officials estimated farmers sold 2.7 million pounds of produce as a result of the hotline, or an average of 97 pounds per call. Based on initial experiences with the hotline, refinements were made to increase efficiency and reduce costs, and the program continues as an annual activity.

--Newsletters: A newsletter was established for farmers participating in the hotline to inform

them of such things as (1) new techniques in direct marketing, (2) State and Federal laws and regulations relating to direct marketing, and (3) announcements of classes, training, and other activities. Although the newsletter was originally intended to serve the needs of farmers, consumer interest developed and the format was changed to include articles of interest to consumers. Circulation of the newsletter increased from 285 in October 1976 to over 1,500 by October 1977.

--Regulation changes: As a result of contacts with producers and consumers throughout the State, a need became apparent to change some regulatory laws applied to the marketing of fresh produce. Through the efforts of the program, State regulations were amended to provide exemptions from size, standard pack, labeling, and standard container requirements for fresh produce sold by "certified farmers" and "certified farmers' markets." In another area, a regulatory exemption was obtained to permit retail stores and cooperatives to sell produce from bulk bins, thereby saving costs involved with packaging and grading.

Other program activities involved (1) working with producer and consumer cooperatives to encourage them to use direct buying and selling techniques, (2) working with individuals and local groups to establish farmers markets and roadside stands, and (3) establishing a pilot program to facilitate direct sales to institutions.

PRIVATE GROUPS

In several areas of the country, private groups have established programs to facilitate direct marketing. Two of these are discussed below.

Greenmarket Urban Farmers Market Program

This program began in April 1976 under the direction of New York City's Council on the Environment. The council is a privately funded, tax-exempt organization affiliated with the Office of the Mayor and is actively involved in urban gardening and environmental education projects in communities throughout the city.

The council appointed a project director for the Greenmarket Program and assigned him responsibility for fundraising and project development, including locating market sites and farmers willing to participate. Funding was obtained from several private foundations, and the first market opened in July 1976.

The success of the first market led the City Planning Department to ask the council to open additional markets to stimulate business in depressed areas of the city. A second market was opened in August 1976 and a third, in September. In all, eight farmers markets were established by the program. Markets generally operate 1 day per week between June and October each year. The choice of market days is made to provide for the greatest convenience, and therefore participation, of both farmers and consumers.

Space rental fees charged farmers cover only about 35 percent of the total expense of operating the markets. Foundation grants cover the balance.

Market guidelines permit only good quality, locally grown produce to be sold at the markets--it must be either grown by the farmer (who must be certified by the county extension agent) or purchased from neighboring farms. Other requirements include the posting of reasonable prices, use of scales approved by the city, a sign identifying the farmer by name and location, and clean-up of the selling space at the end of the day. Each market has a manager responsible for enforcing these requirements.

Each farmer usually sells most of his produce by the end of the market day. Therefore, his profit depends largely on the amount of produce he brings to market. According to the Greenmarket project director, gross returns range from less than \$300 per day to over \$1,200--up to 2.5 times more than could be obtained on the wholesale market.

According to the Greenmarket project director, the program has offered those small farms within the New York metropolitan area a consistently profitable means to market their produce. For the consumer, the markets offer fresher, tastier, and cheaper produce than is available through retail outlets.

Agricultural Marketing Project

The following information, provided by the Agricultural Marketing Project, summarizes this project's activities.

The project is a nonprofit organizing/educational/advocacy organization operating primarily in the States of Tennessee and Alabama. The focus of the project is the survival of the small family farm. The project seeks systemic changes in the food production and distribution system to increase farmer and consumer control over the economic forces affecting their lives. Concepts of decentralization, local self-sufficiency, and maintenance of an ecological balance are all important factors in shaping the project's directions.

The project began as a public interest research group at the Center for Health Services on the Vanderbilt University campus in the fall of 1974. By May 1975 it was decided that direct marketing would provide an excellent means to assist area small farmers. The first Food Fairs--direct farmer-to-consumer markets commonly held on church parking lots--were organized in Nashville that summer. The Nashville markets were successful, and a farmers' association was organized by the project to manage future Nashville Food Fairs. In 1976 new Food Fairs were organized in Memphis, Knoxville/Oak Ridge in Tennessee and Attalla/Gadsden in Alabama. Farmers' associations were created, and the project began operating full time in both States.

In early 1978 a nonprofit Tennessee corporation, AMP, Inc., was formed. In the summer of 1978, Food Fairs were successfully held in 29 cities in Tennessee, Alabama, and Mississippi. Participating farmers grossed over \$500,000, more than doubling the 1977 figure. By the fall of 1978, 18 separate farmers' associations had been formed through the project's involvement.

Project goals are to:

- Develop viable economic alternatives controlled by the small farmers and consumers who use them.
- Decentralize and diversify landholding patterns, energy usage, production practices, and marketing and distribution systems.

- Create urban-rural coalitions to communicate mutual interests and share key social and political information.
- Affect consumer nutritional habits to promote consumption of locally grown foods and improve health.
- Promote rural revitalization through utilizing local resources.
- Affect Government and private institutional approaches to farm and food issues.
- Develop model programs replicable on a regional and national level.

The project has several ongoing activities involving technical assistance to farmer organizations, nutrition education, landownership research, consumer education through issuance of newsletters and pamphlets, and demonstration projects to introduce energy alternatives based on renewable resources.

The project is presently operating on an annual budget of approximately \$160,000. To date, this amount has been raised from a sequential series of small grants from church organizations and private foundations.

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