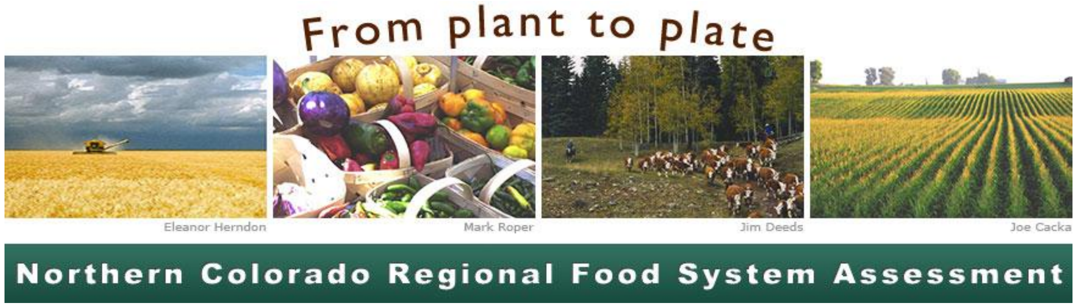


www.larimer.org/foodassessment/

Northern Colorado Regional Food System Assessment

Food Markets and Buyers

Consumers in the Northern Colorado region use a variety of markets and venues to meet their food needs. Colorado eats away from home more than the national average, and there is evidence that a higher share of food purchased for home consumption is bought at farmers markets or in other ways direct from producers. The continued development of local food system links, directly with consumers and through partnerships with chefs and institutional food service providers (schools, health institutions, caterers) may be one way to strengthen the food sector of the regional economy. An overview of the new Colorado Market Maker online database shows one example of a project that is meant to facilitate connections between consumers and food producers in the region.

Tracking our Food Dollars: Where do we Shop and Eat?

Food markets in the Northern Colorado region have continued to evolve in response to the changing buying and eating patterns of its citizens. A food retail industry that had become dominated by larger, national chain stores is becoming more diverse again, as some shoppers trade convenience and price for natural foods, gourmet food choices and buying relationships with the producers of their food. Beyond food markets, the region has seen a significant increase in the share of dollars spent on food away from home (following the national average, but outpacing the US in share of dollars spent at restaurants, schools, health institutions and other food service enterprises).

Colorado's food expenditures are slightly higher than the national average, primarily because of higher disposable income. These food demand data are important as they show the total potential food industry dollars that could be a base economic driver for the region—for producers, stores, markets and restaurants.

Demand Characteristics

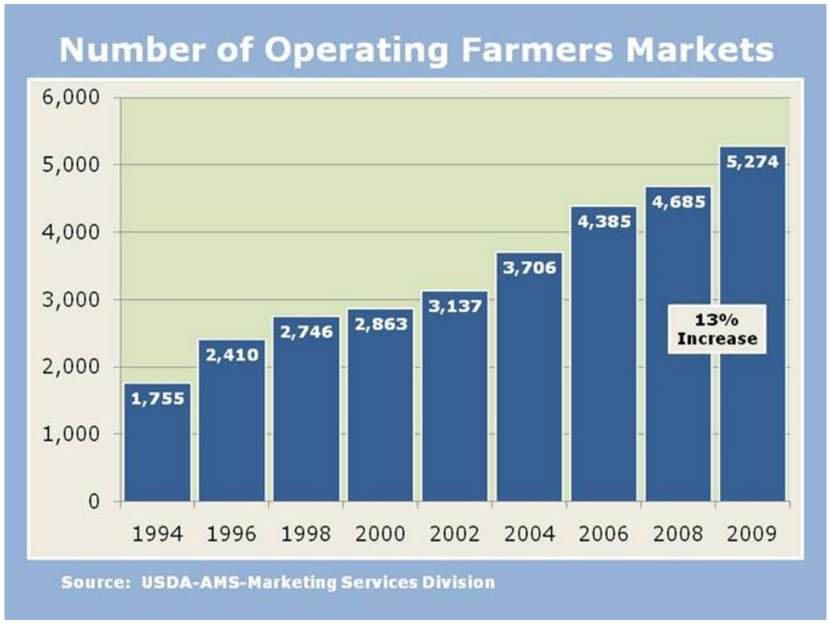
US Consumers

Disposable personal income percentage:

Statistic	National	Colorado	Boulder	Larimer	Weld
Population	304,059,724	4,939,456	293,161	292,825	249,775
Personal Income per Capita	$34,471	$39,491	$49,628	$35,397	$26,002
Disposable Personal Income per Capita	$30,675	$33,211	$40,695	$29,026	$21,322
Expenditure on Food - At home basis		as a share of disposable personal income per capita for all food			
$ per capita with food away from home	$3,896	$4,218	$5,168	$3,686	$2,708
$ per capita (less $ spent away from home)	$2,389	$2,434	$3,266	$2,065	$1,578
$ by population	$726,372,068,280	$12,024,776,698	$957,368,246	$604,827,276	$394,095,335
Percentage higher than national population		2%	37%	-14%	-34%

The United States Department of Agriculture reported that, since 1994, the number of farmers markets nationwide has grown nearly threefold (Figure 1). USDA estimates that, as of August 2010, the total number of farmers markets in the nation had reached 6,132, a 40 percent increase from August 2006 (http://www.usda.gov/img/content/Numbers_of_Farmers_Markets_1994-2010.jpg).

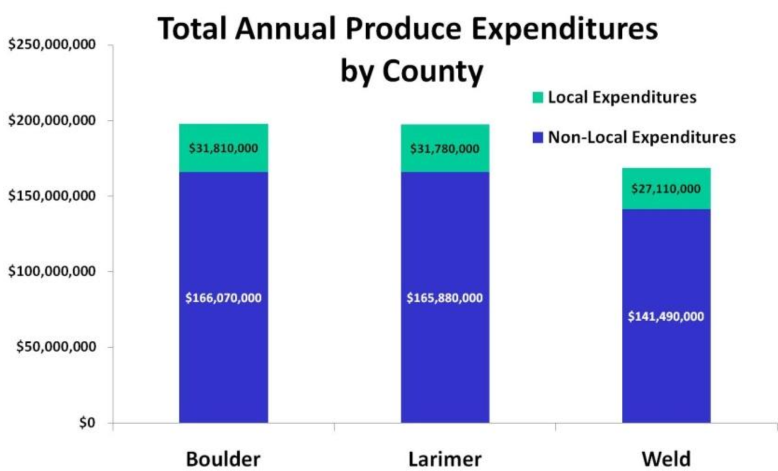
Direct marketing via roadside stands and community supported agriculture (CSA) is also on the rise. As of 2006, a National Center for Appropriate Technology publication reported 1,080 CSAs in the USDA database. (http://attra.ncat.org/attra-pub/csa.html#trends).



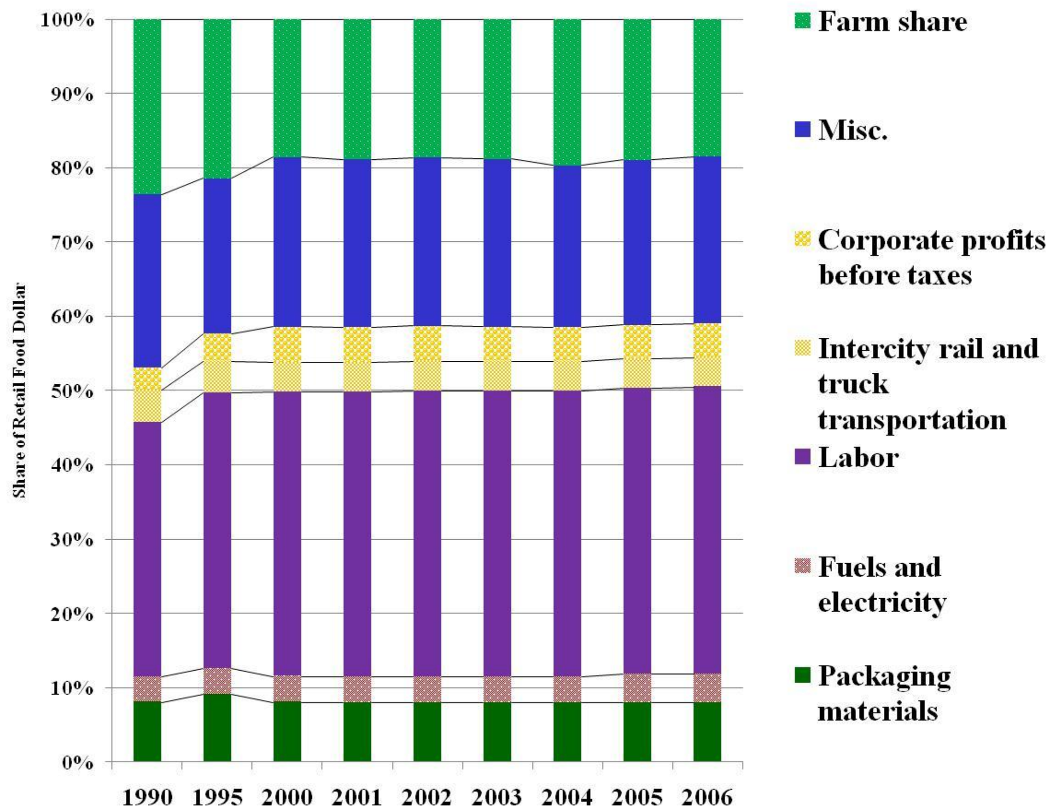
Source: United States Department of Agriculture-Agricultural Marketing Services, 2010

As the analysis of Northern Colorado consumers shows, there is a a growing use of farmers markets and other direct markets in this region, and that may signal an opportunity for producers who are seeking to balance traditional commodity marketing strategies with direct marketing that allows them to capture any values consumers may place on local foods and their local economy.

Based on estimates of expenditures made by shoppers at different direct marketing outlets, CSU estimated the share of fresh produce dollars spent directly with producers in the Northern Colorado region.



This estimate illustrates that part of our local food system may be a “closed loop” with local producers sourcing to their neighbors and nearby urban customers (which reduces economic leakages outside the Northern Colorado region), but there are still limitations with respect to products that cannot be grown in the region, the seasonal nature of Colorado production, and the efficiencies that may come from larger scale production in other regions.



Over the past couple of years, the share of food dollars that go to the farm has stabilized, but there was concern about the declining share going to farms in the past. For local food systems to be to profitable for producers and beneficial to consumers (and communities), the local markets must find a way to lessen producers' marketing costs (through lower transportation or packaging), use farm labor more fully, or secure premiums from buyers. There is evidence producers can do all of these, and there are projects emerging in the region to facilitate such activities. For communities, it is also important if more of the food dollar is kept in the region, so helping keep profits on local farms/markets (rather than national stores and industries) and labor payments in the hands of our region's households may be beneficial to development.

Direct Marketing by Producers

Data on direct marketing from the 2007 Ag Census shows some interesting trends in the US and Colorado. For the US, the value of agricultural products directly sold by producers increased from $812,204,000 to $1,211,270,000 between 1997 and 2002, an increase of 49% compared to a less than 4% increase in total revenues sold through all channels. Sales growth is still over 30% even controlling for inflation between 2002 and 2007. The number of U.S. farms engaged in direct marketing also increased from 116,733 to 136,817 and the average direct sales per farm increased from $6,958 to $8,853 (or $7,614 in 2002 dollars).

Colorado has seen a dramatic increase in farms that are marketing directly to consumers (where the consumer may be a client such as a restaurant or other institutional buyer). Between 2002 and 2007, 434 farms began direct marketing (2,777 up from 2,343) so that 7.5% of all farms now do some direct marketing (compared to 6.2% for the U.S. as a whole).

This increase in activity resulted in revenue from direct sales increasing from $17,406,000 in 2002 to $22,584,000 in 2007 (which is equivalent to 19,422,000 in 2002 dollars). Average sales per farm increased from $7,429 to $8,133. These revenues include channels outside of farmers markets (roadside stands, CSAs and pick-your-own) but still illustrate the significant shift in marketing strategies by Colorado producers.

For the Northern Colorado region, the direct sales figures for 2007 were:

- Boulder - $715,000
- Larimer - $838,000
- Weld - $2,203,000

And other significant Colorado counties, who commonly sell in our region include:

- Delta - $1,529,000
- Morgan - $1,509,000

Wholesale and Institutional Buyers

As discussed in the Northern Colorado region handout on Types of Farms, there are those producers seeking to direct market, but there are others who are maintaining high volumes of sales, but adding value to create a greater profit margin for their farms and ranches (sometimes called a value food chain) through sales to coops, specialty food retailers, chefs and institutions. This is important because, as shown in the table below, the majority of food dollars are spent by regional consumers away from home.

Food Away From Home	Colorado	Boulder	Larimer	Weld
	722 Food services and drinking places			
Number of businesses	10,513	742	675	348
Sales, shipments, receipts, or revenue ($1, 000)	$ 8,045,050	$ 557,764	$ 474,597	$ 204,066
Share Full Service	48%	53%	47%	43%
Share Limited Service	40%	38%	44%	52%
Special Food Services	7%	5%	5%	0%
Annual payroll ($1,000)	$ 2,484,791	$ 181,208	$ 149,518	$ 61,087

The chefs who help make buying decisions for the away from home business activity summarized above, likely spend 35-40% of their retail sales on food inputs, which together with payrolls to employees, represents a significant driver to the economy.

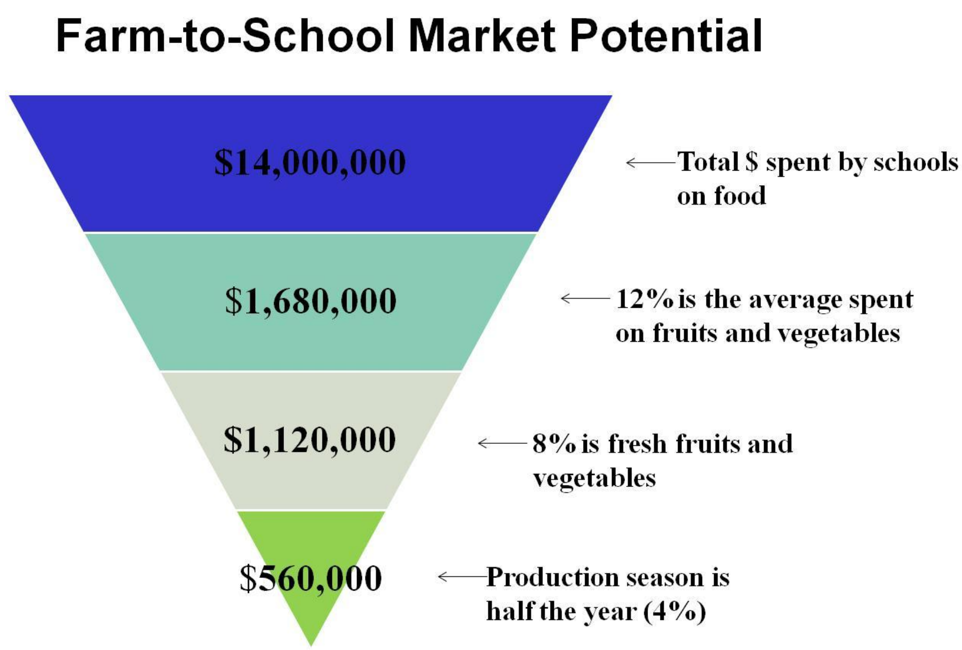
For producers, these markets are also important because chefs are often part of the food education and grow public awareness about local farms, products and seasonal offerings. The figures above represent the market potential to be tapped by producers, so that even a small share of those food dollars going to local food system enterprises might make a significant impact on producers and the local economy.

Farm to School is another area of growing interest in the region. The Senate's recent passage of the Healthy, Hunger-Free Kids Act of 2010 to reduce childhood hunger, promote health through improved nutritional quality, reduce childhood obesity and improve program efficiency may be an important policy development.

The Healthy, Hunger-Free Kids Act of 2010 is intended to:

- Expand afterschool meals for at-risk children
- Connect more eligible low-income children with school meals
- Help schools improve the nutritional quality of school meals
- Allow establishment of science-based national nutritional standards for all food sold in schools
- Strengthen local school wellness policies
- Help schools protect their food service budgets
- Improve accuracy of school meal eligibility certifications
- Improve food safety requirements for school meals programs

Many believe that local sourcing, networking between producers and school lunch program staff, and integration of collaborative producer marketing and distribution efforts are an important element to address the above issues. In the graphic below, we estimate the potential fresh produce sales that could happen in our region, based on expenditure data from the 4 largest school districts and our assumptions about produce availability.



Some regional farm to school projects are moving toward that sales goal but, as discussed before, it is challenging to show that local distribution can compete with lower-cost national or regional food distribution industries by minimizing transportation and packaging costs. Furthermore, there are greater labor costs for school kitchen staff when they incorporate more raw, fresh foods in school meal programs.

Resources for Marketing Colorado Food Products

Colorado Market Maker is a new online database and market mapping tool for producers and food buyers to connect. It is a partnership between Colorado Department of Agriculture and Colorado State University, as part of a 18 state network of similar agriculture and University partners in the US.

Colorado Market Maker has over 200,000 visits each month, and 536 ag producers included in Colorado's listings. The poster shows some examples of the searches that can be made to find markets and processors. This site is a free and easy method to have an online presence for food producers, comprehensive directory of the Colorado food system for consumers and an interesting way to research and explore the food enterprises in our region.

For those who may want to help producers create a user account, simply go to the National Market Maker website at http://national.marketmaker.uiuc.edu and click on Colorado. Once there, click on "Log In" then "Request Account Access". Complete the form and submit. The producer contact will receive an email with your user account information.

References

Colorado Department of Agriculture-Markets Division. Farm Fresh Directory.

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