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Facts on Direct-to-Consumer Food Marketing

Incorporating Data from the 2007 Census of Agriculture

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Introduction

Every 5 years, USDA's National Agricultural Statistics Service (NASS) engages in a comprehensive study of the U.S. farm economy, known as the Census of Agriculture. The Census examines various facets of farm ownership, structure, and production and marketing practices. Beginning with the 1997 Census, NASS has collected specific information from farm operators regarding their use of direct-to-consumer marketing outlets to sell food for human consumption, recognizing that many farmers are turning to direct-to-consumer sales as a way to increase their share of consumer food expenditures.

This factsheet on direct marketing developments and trends is designed to provide an overview of the growing importance of direct marketing to U.S. farmers, in general, and to specific regions and States, in particular, by extracting and summarizing data from the 2007 Census of Agriculture, and comparing these data with those from 1997 and 2002. Among the issues examined in the factsheet are absolute changes in the value of direct marketed food products, the share of total agricultural sales for direct marketed food products, and the relative importance of direct marketing at regional and State levels. Regions were grouped in the same categories used by AMS's Marketing Services Division in its Farmers Market Survey reports:

Far West: Alaska, California, Hawaii, Nevada, Oregon, and Washington

Rocky Mountain: Arizona, Colorado, Idaho, New Mexico, Montana, Utah, and Wyoming

Southwest: Arkansas, Louisiana, Oklahoma, and Texas

North Central: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin

Southeast: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee

Mid-Atlantic: Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, and West Virginia

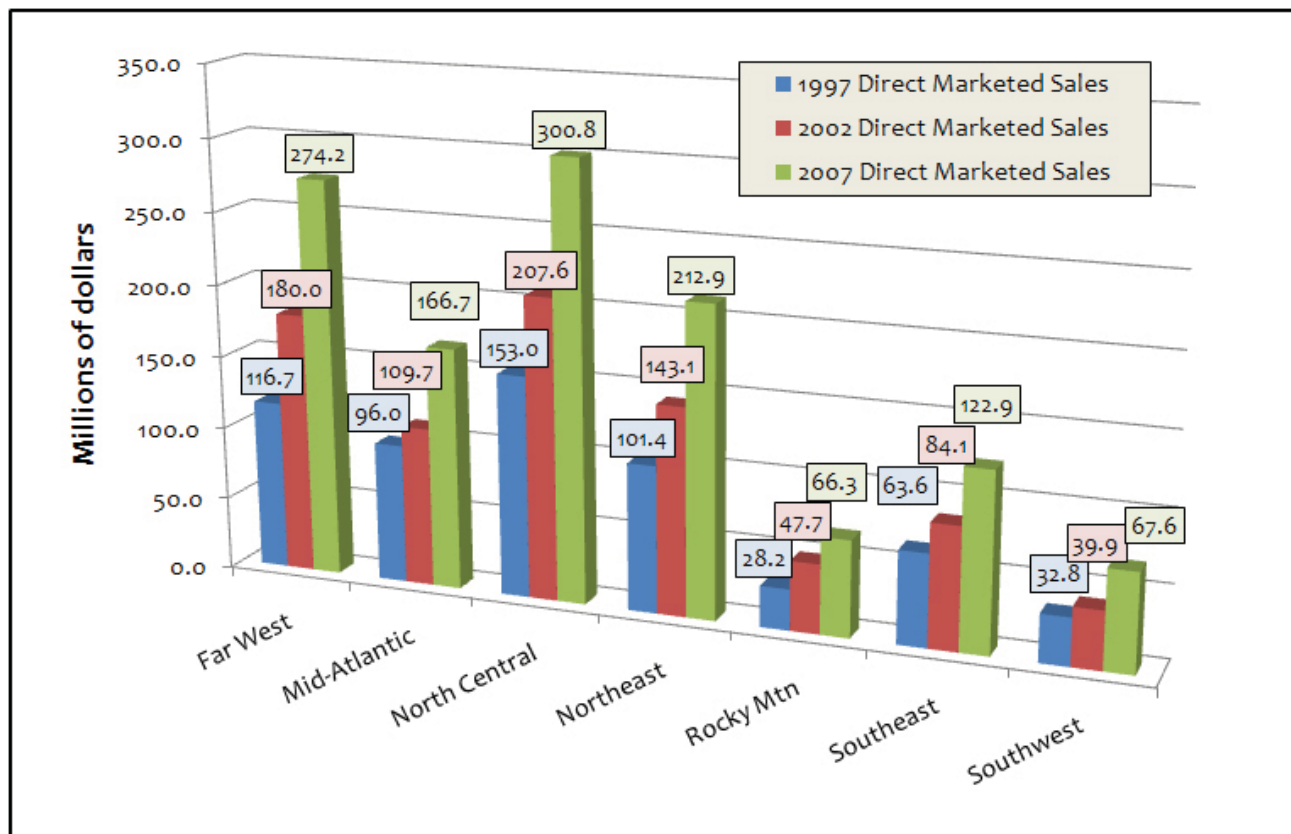
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont

Charts 1 through 6 compare direct-to-consumer sales across censuses or with total agricultural sales as recorded in the censuses. Chart 7 takes a slightly different approach to calculating direct-to-consumer sales as a share of the food system. The total agricultural sales figures are modified to reflect the exclusion of crops and agricultural practices not falling under NASS's definition of direct-to-consumer marketing.

Key Findings

- The value of direct-to-consumer food marketing in all regions increased during the last decade (Chart 1).

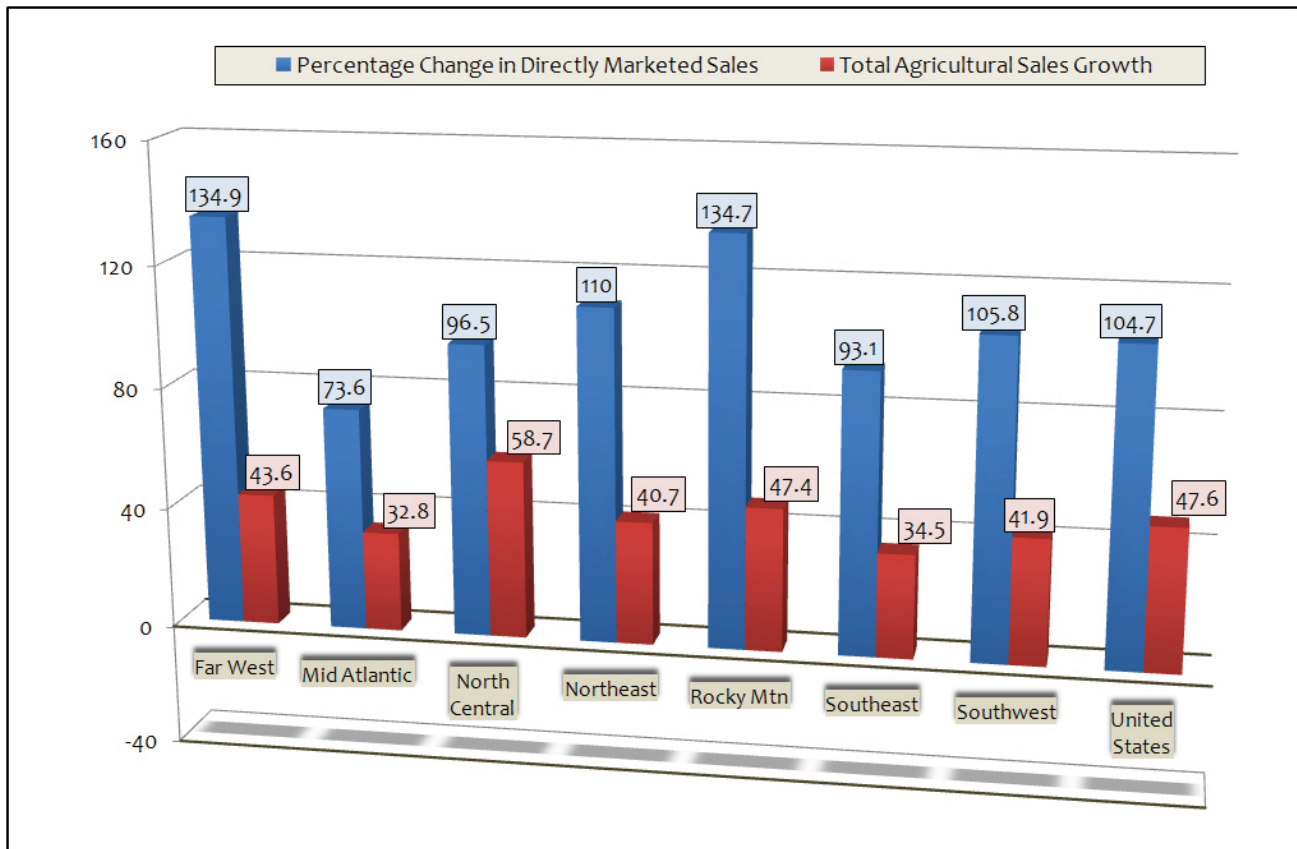
Chart 1: Value of Direct-to-Consumer Food Marketing* by Region, 1997-2007



* Direct marketing is defined as agricultural products sold directly to individuals for human consumption in the U.S. Census of Agriculture, 2007.
Source: Compiled by USDA Agricultural Marketing Service from 2007 Census of Agriculture data

- Over the past decade, the growth of direct-to-consumer food marketing across all regions far exceeded the growth of total agricultural sales. From 1997-2007 direct-to-consumer food marketing grew by 104.7 percent in the United States, while total agricultural sales increased by only 47.6 percent (Chart 2).

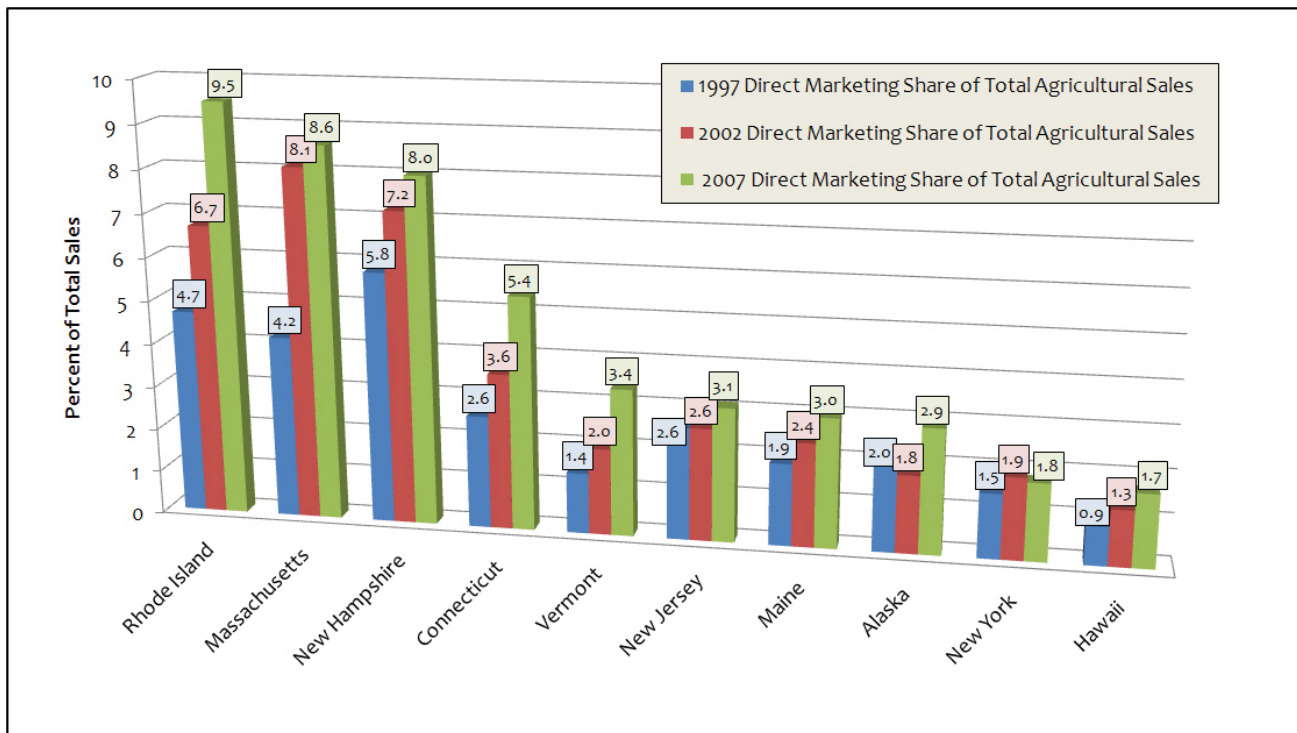
Chart 2: Growth of Direct-to-Consumer Food Marketing by Region, 1997-2007



Source: Compiled by USDA Agricultural Marketing Service from 2007 Census of Agriculture data

- The role of direct-to-consumer food marketing in the agricultural sector is most prominent in New England. All six New England States are on the list of top ten States in direct-to-consumer food marketing as a share of total agricultural sales (Chart 3).

Chart 3: Top 10 States, Direct-to-Consumer Food Marketing as Share of Total Agricultural Sales, 2007



Source: Compiled by USDA Agricultural Marketing Service from 2007 Census of Agriculture data

- Since 1997, nine States have consistently appeared as one of the top ten States in terms of overall direct marketing sales volume. However, there have been some shifts in market share among these States, with Texas, Wisconsin, and Massachusetts moving down in ranking while Washington and New York moved up from 1997-2007 (Chart 4).

Chart 4a: 2007 Direct-to-Consumer Food Marketing Sales

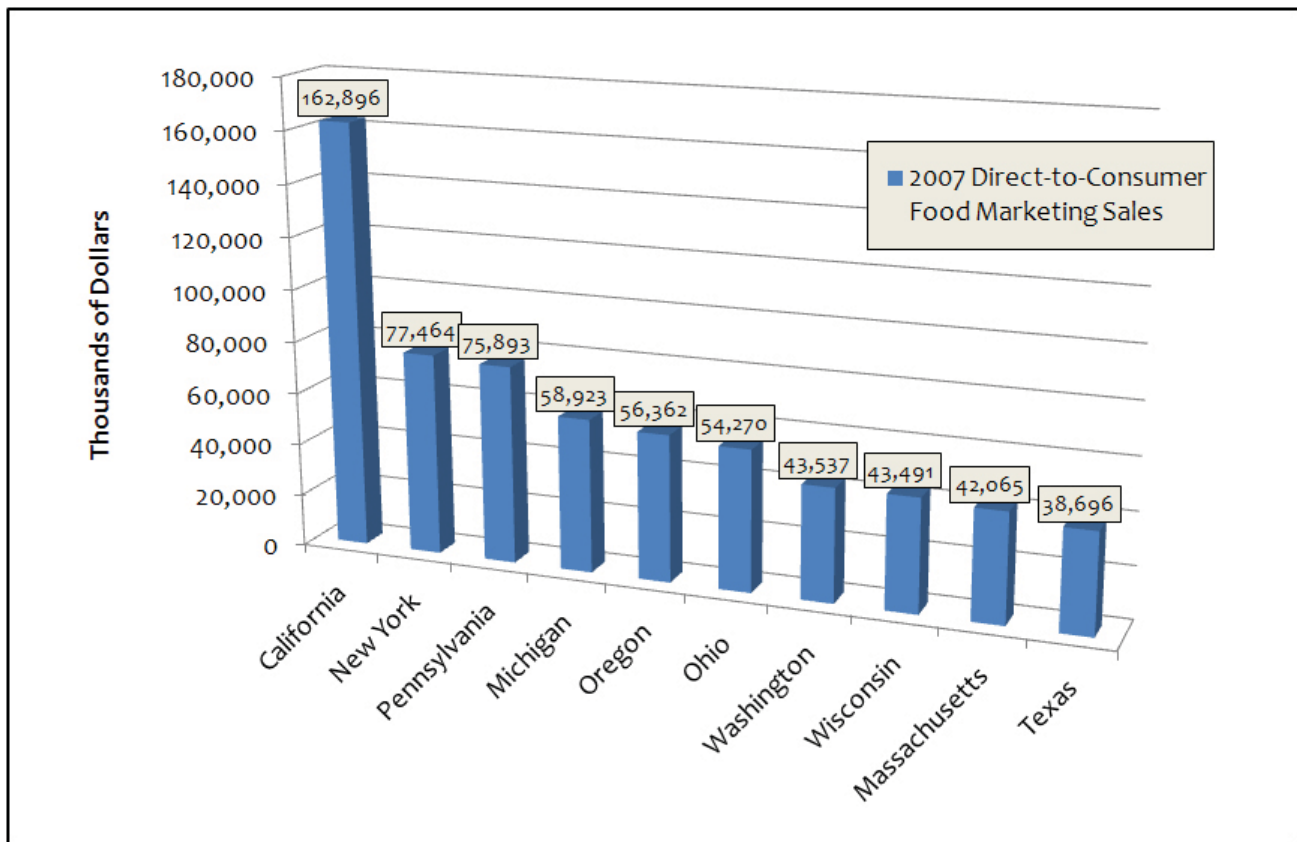


Chart 4b: 2002 Direct-to-Consumer Food Marketing Sales

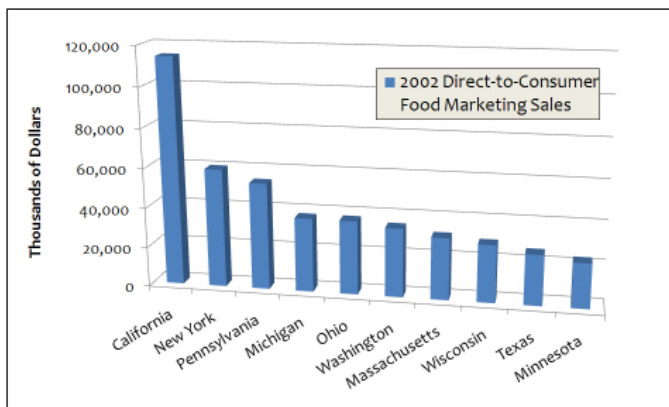
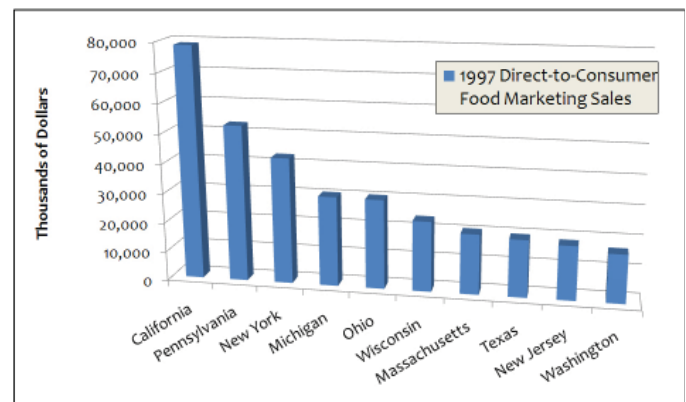


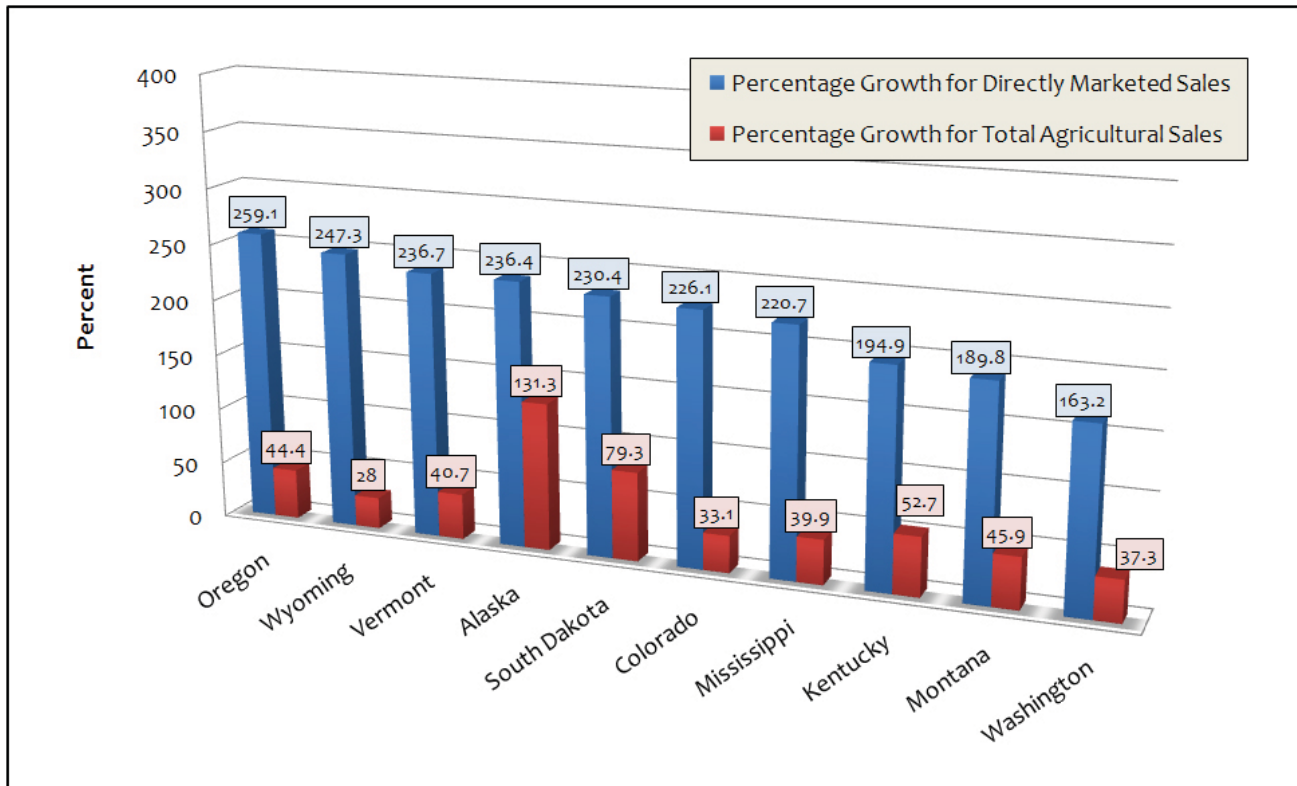
Chart 4c: 1997 Direct-to-Consumer Food Marketing Sales



Source: Compiled by USDA Agricultural Marketing Service from 2007 Census of Agriculture data

- The average rate of growth for direct marketing in the ten fastest growing States is more than four times greater than for total agricultural sales. In these States direct marketing grew by an average of 220 percent, compared to an average growth rate of only 53.2 percent for total agricultural sales (Chart 5).

Chart 5: Top 10 States, Growth of Direct-to-Consumer Food Marketing, 1997-2007¹



¹Comparison for Alaska is for the period 2002-2007

Selected States had the highest growth in direct marketing sales over the last decade

Source: Compiled by USDA Agricultural Marketing Service from 2007 Census of Agriculture data

- Farms with more than \$50,000 in direct-to-consumer sales accounted for only 2.8 percent of the total number of farms who sold directly to consumers, but they captured 58.1 percent of all direct-to-consumer farm sales. Farms with annual direct-to-consumer sales below \$5,000 captured 11.7 percent of the direct marketing sales while representing 77.4 percent of farmers engaged in direct marketing (Charts 6a and 6b).

Chart 6a: Farms Participating in Direct-to-Consumer Food Marketing, 2007

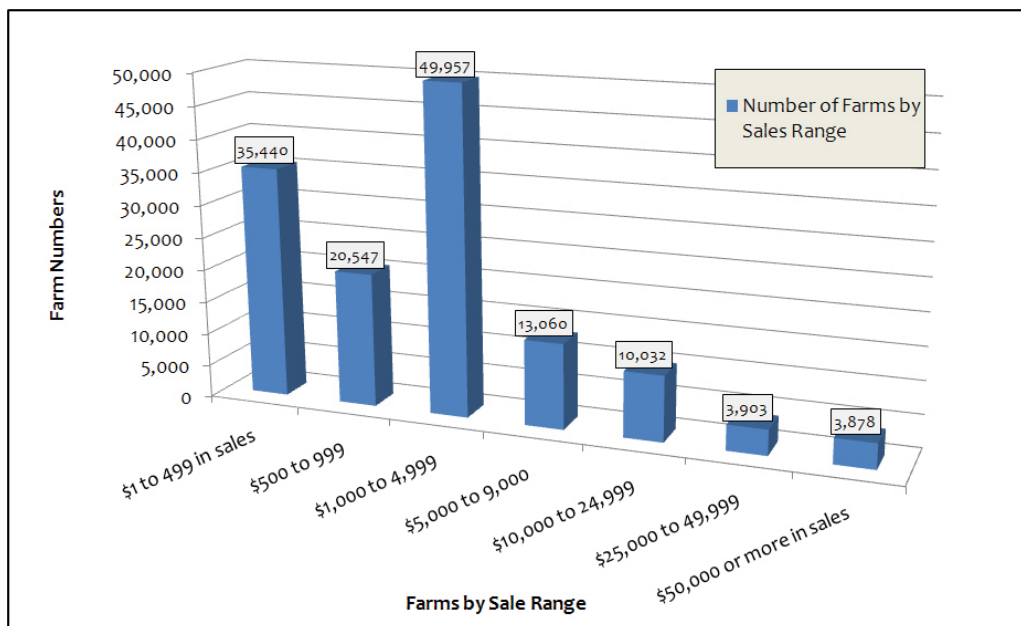
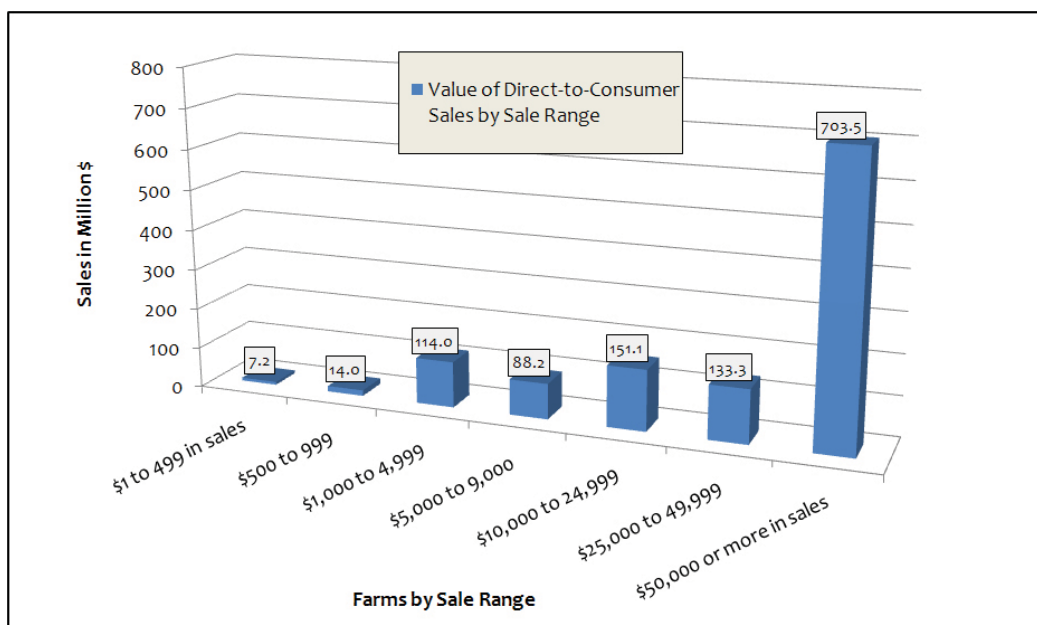


Chart 6b: Value of Direct-to-Consumer Food Marketing Sales, 2007



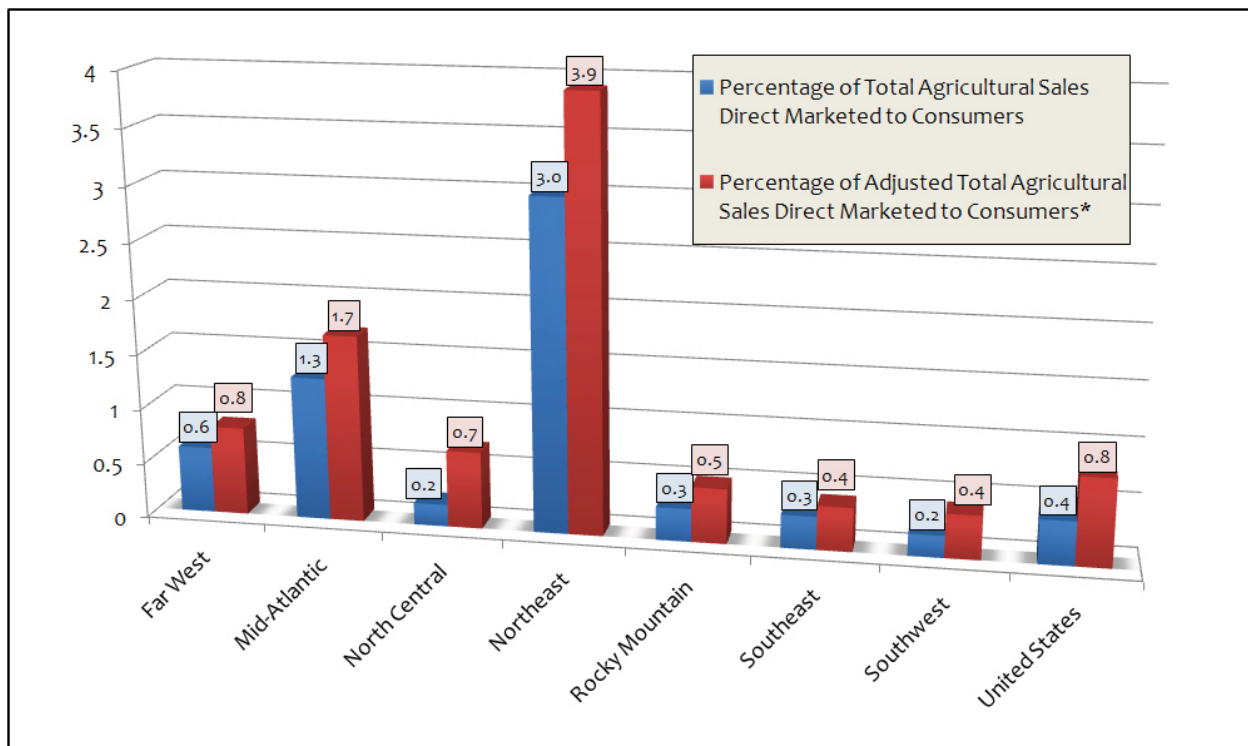
Source: Compiled by USDA Agricultural Marketing Service from 2007 Census of Agriculture data

Reassessing Direct Marketing's Share of the Food System

It is critical to understand the changing role of direct marketing within the larger food system. This can be done superficially by dividing sales of direct marketed agricultural goods by total agricultural sales, nationally, in each State, and regionally. However, this measure is inadequate for capturing the true importance of direct marketing in the food system. Unlike the total value of agricultural sales figures reported in the Census—which includes all agricultural commodities sold through all channels—the direct-to-consumer data covers only sales of edible farm products for human consumption. To compensate for this limitation, the Marketing Services Division has developed a statistic that adjusts total agricultural sales by eliminating non-food crops and those that are not normally marketed directly to consumers: oilseed and grain farming, nursery and floriculture, other crop farming, cattle feedlots, poultry hatcheries, and horse and other equine products.

- Nationally, direct-to-consumer food marketing would appear to be at least twice as significant to the food system as non-adjusted total agricultural sales data would indicate. Regionally, direct marketing is undervalued by a factor ranging from 0.3 to 3.5. The greatest underestimation (3.5) of direct-to-consumer food marketing occurs in the North Central region, where bulk commodities (such as corn, soybeans, and wheat) are dominant and make up a large share of the region's total agricultural sales (Chart 7).

Chart 7: Direct-to-Consumer Food Marketing Sales by Region as a Share of Total Agricultural Sales



* Adjusted total agricultural sales means that the following product categories have been deleted from the total figure: oilseed and grain farming, nursery and floriculture, other crop farming, cattle feedlots, poultry hatcheries, and horse and other equine products.

Source: Compiled by USDA Agricultural Marketing Service from 2007 Census of Agriculture data