

The Feeders Meet the Eaters - Direct Marketing in Ontario's Organic Sector

There is a transparency revolution in our food system. Eaters want to know and connect with the faces behind their food and farmers are turning to a variety of direct-marketing strategies in response. Direct marketing offers several benefits – especially for smaller scaled growers who produce a wide diversity of products. By eliminating the ‘middle’ in the value chain, more of the consumer dollar ends up on the producer’s farm.

In this report, we take a closer look at direct marketing and connecting feeders and eaters in Ontario’s organic sector. We focus on 3 common direct marketing strategies: Community Supported Agriculture (CSA), Farmers’ Markets and on-farm markets.

How Big is Direct Marketing in Ontario's Organic Sector?¹

Estimating the direct to consumer organic market is challenging because it is not clear what to count. If we look only at operators who voluntarily certify for intra-provincial sales (between 4 - 27% of operators do so, depending on market channel), the certified organic direct to consumer market in Ontario is estimated at \$53.1 M. However, if we assume that “self-declared organic” operators are indeed following organic principles and standards and hence their sales contribute to the size of the market, the estimate increases substantially to \$192.3 M.



“Self-declared” organic
192.3 M



Certified Organic
53.1 M



- CSAs
- Farmers Markets
- On Farm Markets

Community Supported Agriculture

First introduced in the 1980s, Community Supported Agriculture (CSA) is a way of re-connecting feeders and eaters and de-commoditizing food. For this research we defined a CSA as an initiative where a community of people (usually referred to as “members” or “shareholders”) shares the risks and benefits of production with the farmer and makes some form of minimum purchase commitment. We did not include initiatives (typically called “food box programs”) where the eater chooses the contents of the box, pays on a per-box basis and obtains the box through a distributor/retailer.

CSAs are Growing

In 2011, the Organic Council of Ontario (OCO) conducted 91 interviews with operators drawn from a compiled list of 144 CSAs, or a response rate of 63%.

- All CSAs interviewed were “self-declared organic”ⁱⁱ, 28% were third party certified and 3% were in transition.
- Except for 2 (beef CSAs) most CSAs primarily distribute produce they grow themselves. 32% supplement their production (most typically – eggs, flours, bread, meats, asparagus, berries and sweet corn).
- Whereas other organic production is concentrated in the Western region of the provinceⁱⁱⁱ CSAs are distributed remarkably evenly across the Western (24%), Eastern (36%), and Central (31%) areas of the province. Fewer CSAs are operating in Northern (9%) Ontario.
- The direct connection with a farmer – a defining feature of the CSA model - attracts consumers. Visitors to on-farm markets, for example consider the CSA to be a more important trend than organic (53% versus 30%) (see page 6).

CSAs are Diverse!

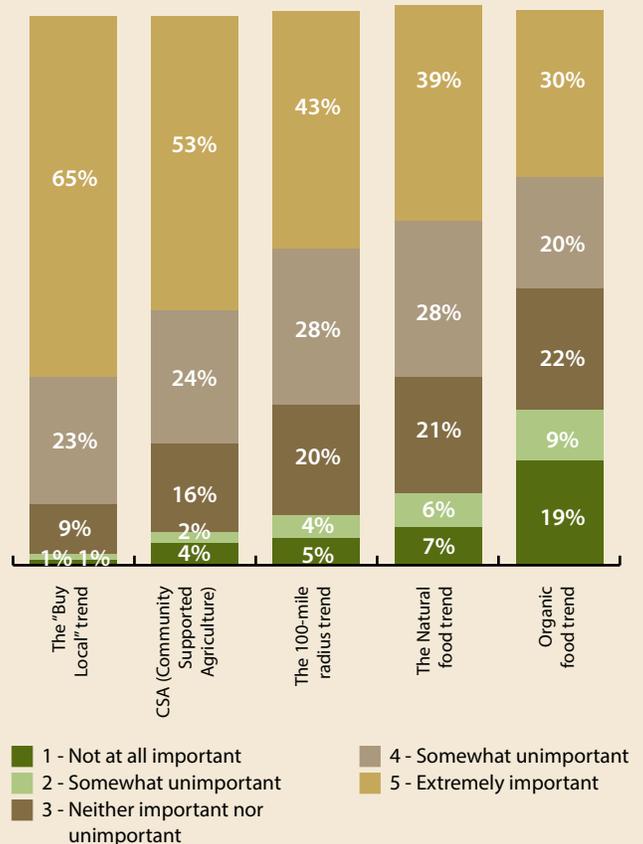
It is impossible to describe a “typical” CSA. Indeed farmers told us that the strength of the model is its flexibility and the ways it can be adapted to the operator’s circumstances.

Diverse Sizes and Structures

- CSAs operate between 12 and 52 weeks a year – the average is 22 weeks.
- The average CSA is 5 acres but 59% of CSAs produce on less than 3 acres.
- CSAs offer anywhere between 3 - 335 shares, with an average of 41 full and 57 partial shares. But a few large CSAs pull

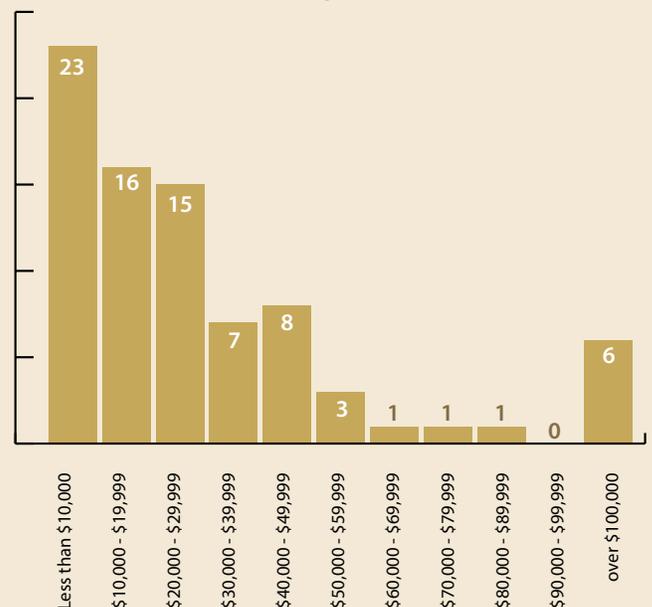
Agricultural Movement Importance

How important are each of the following to you? On a scale of 1 to 5 where 1 is “Not at all important” and 5 is “Extremely important”



Estimated Annual CSA Sales

Number of CSAs (81 responses)





these averages upward - 58% of CSAs sell fewer than 30 full shares.

- On average a CSA farm produces 19 shares per acre, but again the range (4 - 60 shares per acre) is quite significant.
- CSA operators use varied approaches to pricing. The cost of a full share ranges between \$110 - \$1,260 per year. Controlling for the variation in number of weeks – the average cost of a full share is \$29 per week.
- The average CSA sells \$36,289 annually - but again, a few very large CSAs draw this average upward - 85% of CSAs sell under \$50,000 per year.
- The CSA operation provides anywhere from 10% to 100% of household income for the operator. It seems that a minimum of about 100 shares is necessary for the operator to draw their total household income from the CSA.
- Most CSA farms (90%) sell through multiple channels:
 - 79% of CSA operators also sell at farmers markets, 37% sell at on-farm markets, 22% sell to restaurants, 14% sell a distributor, 11% sell to on-line stores or buying clubs and 10% sell to retail stores

Diverse Growers

Other CSA research has suggested that most operators are in younger age groups. However, this research finds all ages well represented.

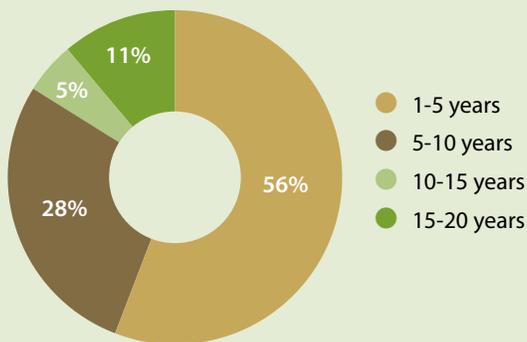
- The average length of time operating a CSA is just over 5 years - but 56% of operators have less than 5 years experience.
- CSA farmers are more highly educated than the general farming sector - 82% have undergraduate or college degrees and 12% have completed post-graduate degrees.
- While some operators are new to farming and starting out with the CSA approach, others seem to be turning to CSAs from other types of farming and/or as second careers.

CSAs are an Important Organic Market

- CSAs in the current sample offer shares worth \$2.9 M per year.
- If we extrapolate those sales to the 144 CSAs we know about - the Ontario CSA market (conservatively) can be estimated at \$5.2 M per year.
- But we are likely missing a number of CSAs in our inventory. If we assume 200 CSAs in the province, then the CSA market in Ontario is valued at an estimated \$7.3 M annually and offers shares to over 8,000 families.
- The certified organic CSA market can be estimated at 28% of that, or 2.0 M per year.
- We also know that market is growing - 66% of CSAs have increased the number of shares offered since 2010, and only 7% report decreasing shares.

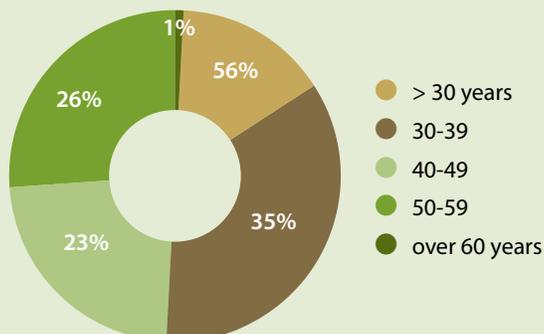
Years of CSA Experience

Percentage of Operators



Age Distribution

Percentage of Operators

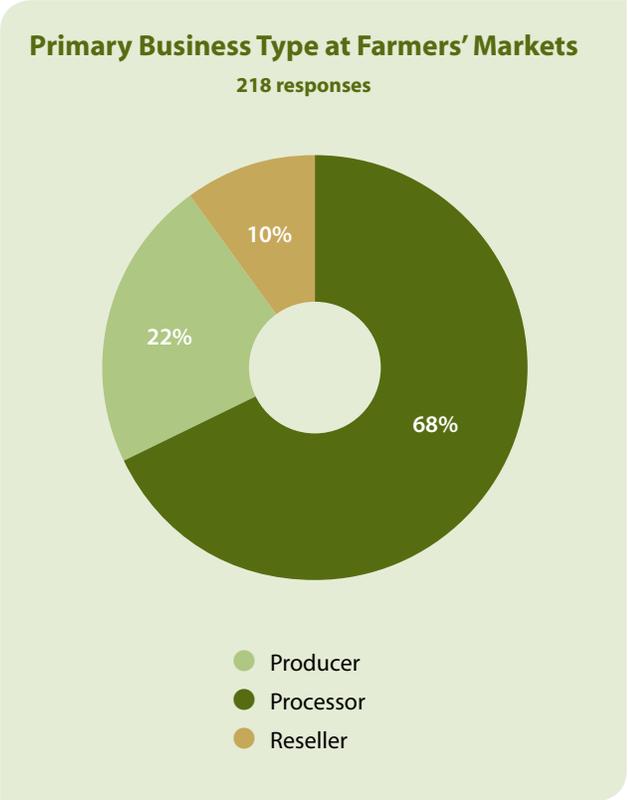
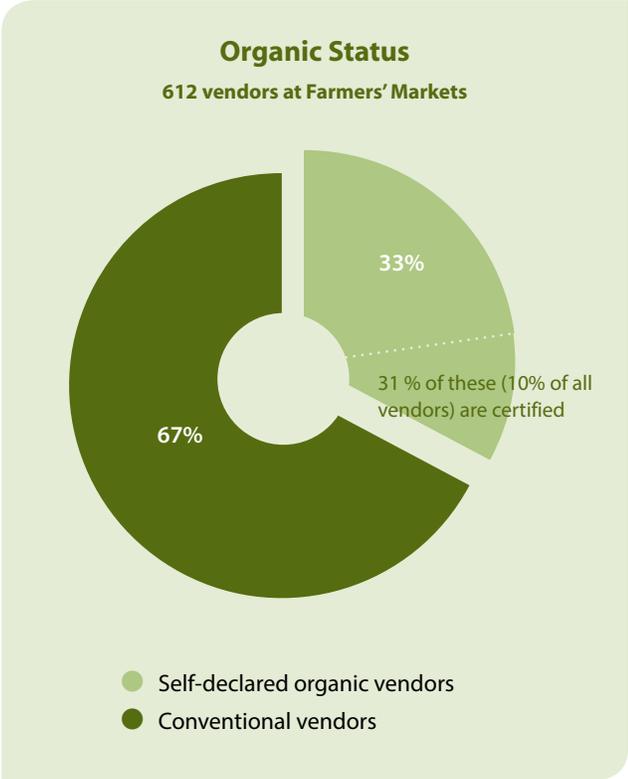


Organic Sales at Ontario's Farmers' Markets

As demand for locally grown fruits and vegetables has increased, so too has the number of farmers markets. Selling at farmers' markets requires minimal capital and offers an established customer base, making it affordable and effective for direct-marketing producers.

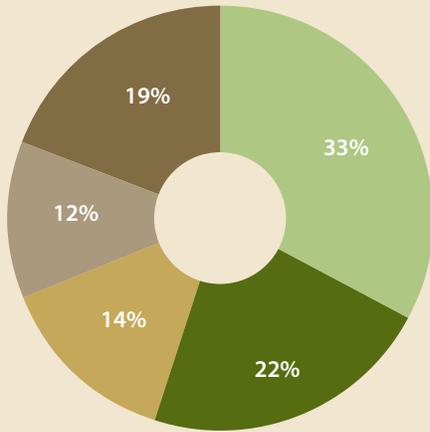
In 2011 Farmers Markets Ontario and OCO partnered to conduct an audit of organic vendors at Ontario's farmers markets.

- We received responses from 612 vendors from 52 farmers markets (32% of 166 markets).
- 33% (205) of these vendors report selling organic products. But of these, only 31% (62 vendors) are certified. This represents 10% of all market vendors.
- Most respondents (68%) are producers selling their own goods, 10% are selling products grown by others and 22% are processors selling value added products.
- 34% (210 vendors) are using promotional banners such as: "chemical free" (33%), "naturally raised" (22%), "grass fed" (14%), "free range" (12%) and other claims (19%).
- While fruits and vegetables account for over half (58%) of organic products sold at markets, 10% of vendors sell organic meats, 8% sell organic processed products and 3% sell eggs.



Other Banners Used

210 vendors



- Chemical free
- Naturally raised
- Grass fed
- Free range
- Other

How big is the farmers' market channel for organic products?

- Organic vendors at farmers markets are typically smaller scaled operations - 51% report sales of under \$15,000 per year.
- In 2008 Farmers Markets Ontario benchmarked farmers' market sales between \$427 M to \$641 M. Working with the lower end of this range and applying 33% as "self declared organic" sales and 10% certified organic sales (from our vander audit), we estimate annual sales at farmers markets to be between \$42.7 M (certified organic) and \$140.9 M (self declared organic).

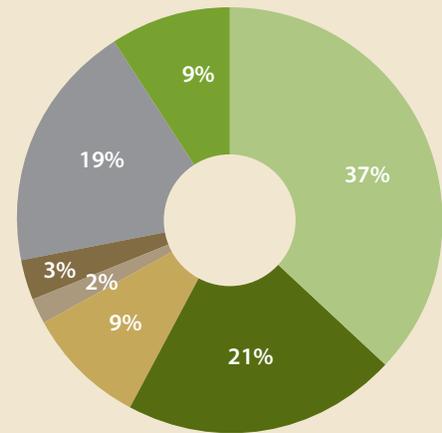
Annual Self-Declared Organic Sales at Ontario Farmers' Markets

(93 Vendors)



Organic Product Mix at Farmers' Markets

Based on responses of 205 vendors



- Vegetables
- Fruit
- Meat
- Milk
- Eggs
- Fish - 0%
- Processed products
- Other

On-Farm Markets

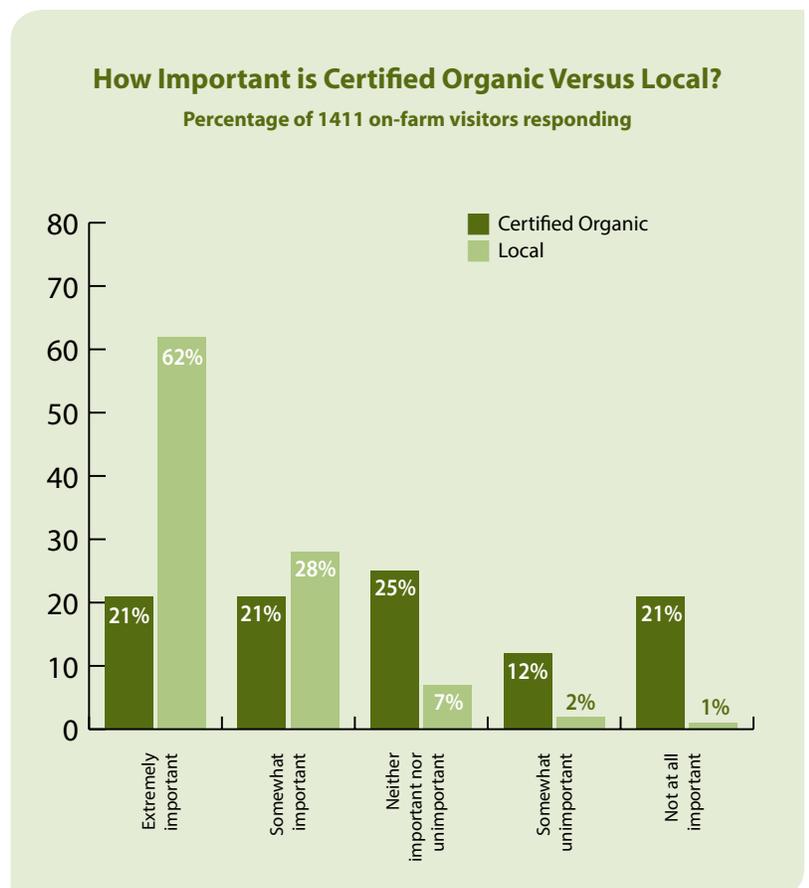
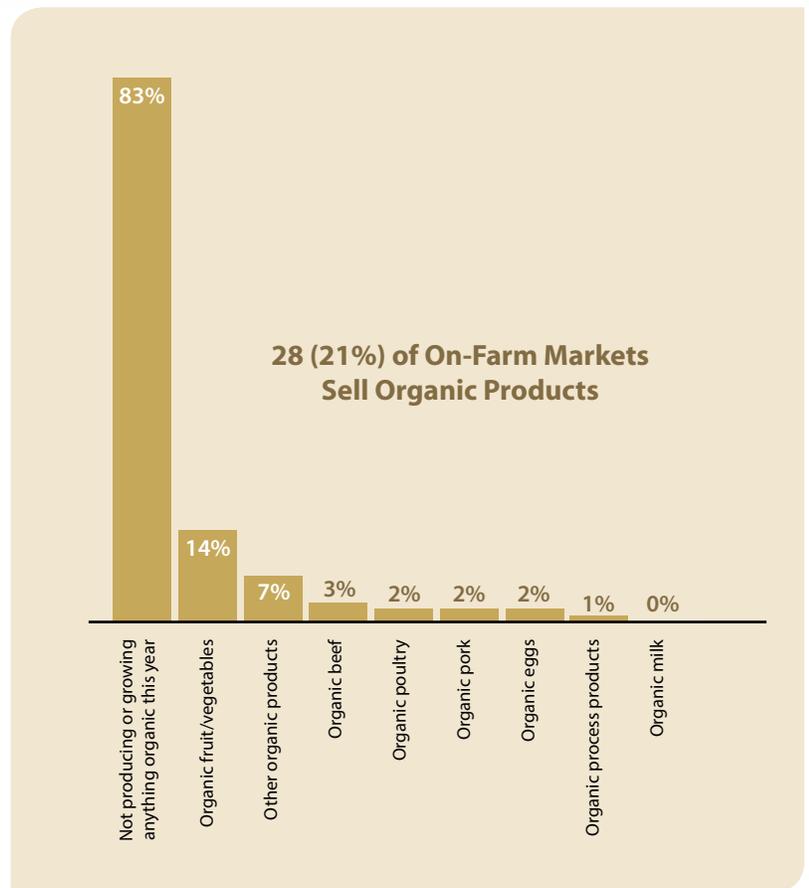
Human Resources: Finding the Right Workers

Probably the oldest method of selling farm products, on-farm markets bring people to the farm to purchase goods in small retail outlets, pick their own produce, and explore a host of agri-tourism activities. In 2011, OCO contracted the Ontario Farm Fresh Marketing Association (OFFMA) to conduct a survey of their members and consumers visiting on-farm markets. Results are based on interviews with 135 farm market operators and interviews with 1411 visitors at these markets.

- 28% of on-farm markets interviewed were selling organic products, 8.9% (12 on-farm markets) were self-declared organic farms. Only 5 farms were certified organic or in the final year of transition (34% of self declared farms, or 4% of all on-farm markets).
- Other marketing banners appear to be much more common than organic certification. 47% of on-farm marketers use banners such as “natural,” “free range” etc.
- As with other direct marketing channels, fruits and vegetables dominate the product mix at on-farm markets – among on-farm markets selling organic products, 71% sell fruits and vegetables. Secondary organic products are offered include processed goods, eggs and meats.
- Despite the small numbers of organic on-farm markets, there are some signs that this may be an emerging retail channel. 13% of those selling organic products at on-farm markets did so for the first time in 2011, and 36% say their organic sales have increased.

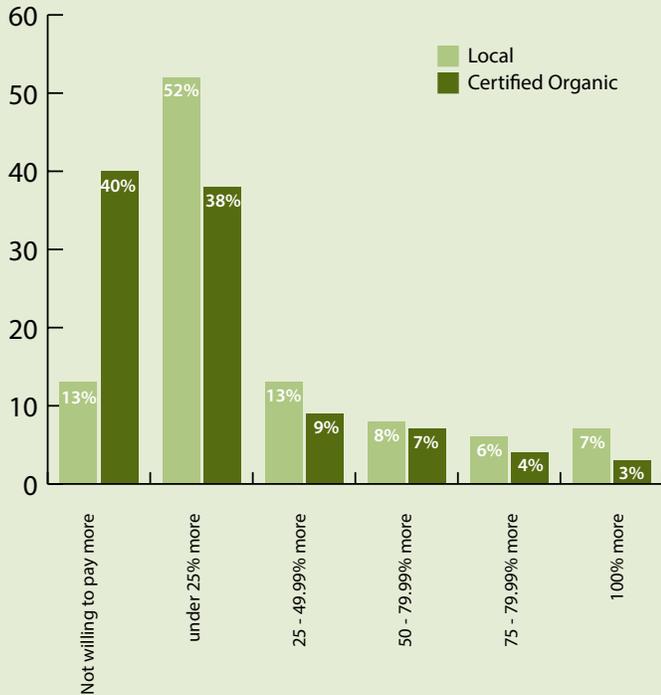
Size of the on-farm organic market?

- OFFMA estimates sales from 750 on-farm markets in Ontario at \$210 M^{iv}.
- Assuming 21% are selling organic products, we can estimate the Ontario on-farm self-declared organic market to be \$44.1 M annually.
- Assuming only 4% of on-farm markets are certified organic (as this survey suggests), on-farm sales of certified organic products is estimated at \$8.4 M annually.



Percentage of on-farm market visitors willing to pay more for local versus certified organic goods

1411 respondents

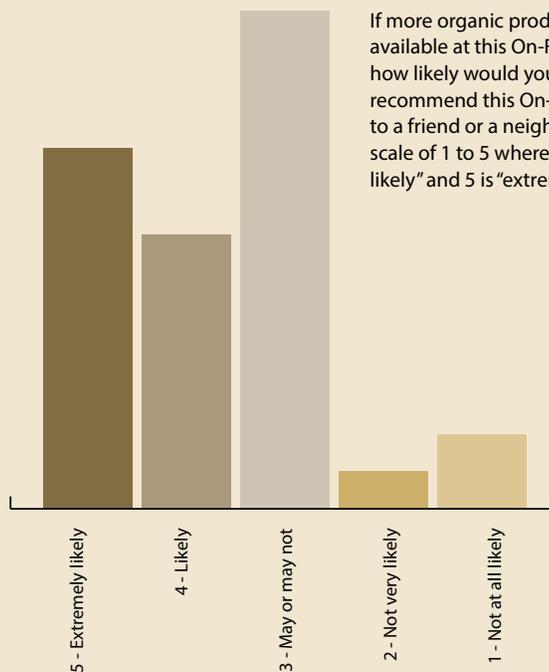


Meeting the Eaters

- Consumers seem to be looking for organic products at on-farm markets. 42% of consumers visiting these markets say that certified organic products is somewhat or extremely important to them – again, suggesting an emerging opportunity for organic growers.
- However “buying local” appears to be more important than organic for on-farm market visitors - 52% are willing to spend up to 25% more for locally grown/produced products while only 38% are willing to pay the same premium for certified organic products. And, 40% of visitors at on-farm markets are not prepared to pay any premium for organic at all.
- Despite this – 32% (452 respondents) of these visitors say that they are buying more organic products this year and only 8% (113 respondents) say they are buying less.
- Over half of farm visitors say that it is somewhat or extremely important that organic products be available.
- Organic products at on-farm markets seem to influence loyalty – over half (51%) of visitors say they would recommend the market to a friend if more organic products were available.

Organic Influence on Loyalty

If more organic products were available at this On-Farm market, how likely would you be to recommend this On-Farm market to a friend or a neighbour, on a scale of 1 to 5 where 1 is “not at all likely” and 5 is “extremely likely”?



Take Away Messages

Certified organic producers are over-represented in direct to consumer markets, demonstrating the value they place on local connections with eaters and building trust around food. While certified organic producers make up fewer than 2% of all Ontario farms, they make up 27% of CSAs, 10% of farmers market vendors and 4% of on-farm markets in the province.

We estimate the direct-to-consumer organic market in Ontario to be upwards of \$192.3 M. That's 17% of the Ontario organic retail market! But, without provincial regulation of organic claims, it is difficult to know what to "count" as organic in these markets.

Direct to consumer organic markets are dominated by smaller scaled diverse farms. These farmers emphasized to us that certification under the Canadian Organic Regulation is expensive and tedious for small scaled operations where production is so varied.

Making it easier for small scaled producers to certify by removing administrative and financial barriers would create a consistent approach to consumers and offer protection against misleading claims in these markets.



About OCO

The Organic Council of Ontario (OCO) is a non profit association representing all members throughout the value chain including producers, processors, marketers, distributors, suppliers, certifiers, retailers, restaurants **and now co-farmers** to provide leadership and support the continued growth of Ontario's organic sector.

Join today and Count Yourself In!

www.organiccouncil.ca

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- i. Our estimates are consistent with those made by Anne Macey in 2007, although we use different data and assumptions (see Retail Sales of Certified Organic Food Products in Canada in 2006 at: [http://www.cog.ca/uploads/RetailSalesOrganic_Canada2006\[1\].pdf](http://www.cog.ca/uploads/RetailSalesOrganic_Canada2006[1].pdf)). Macey estimated CSA and food box sales in Ontario to be 3.2 M. Our estimate does not include food box programs. Second, she estimated organic sales at farmers markets at \$25 M, based on 5% of \$500 M. Our research updates that and estimates 10% of Ontario farmers market vendors are certified organic.
- ii. Producers claim they are growing food according to organic principles outlined in Canada's Organic Standard, but are not necessarily third party certified.
- iii. See the report Organic Production in Ontario at www.organiccouncil.ca
- iv. Ontario Farm Fresh Marketing Association (2009): On-Farm Marketing in Ontario - <http://ontariofarmfresh.com/about-us/research/on-farm-marketing-in-ontario-2009/>



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