

Special Report 1073

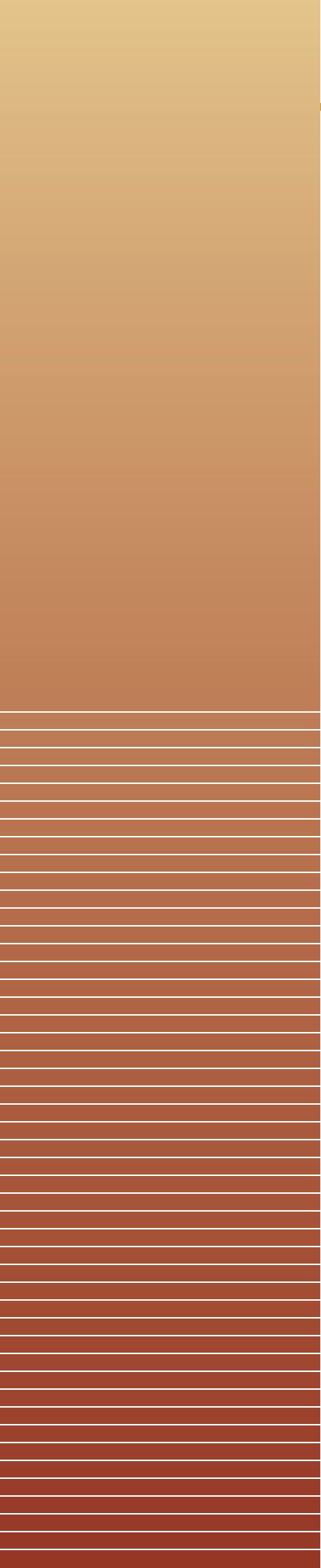
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When Things Don't Work:

Some Insights into Why Farmers' Markets Close





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When Things Don't Work **Some Insights into Why Farmers' Markets Close**

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SOME INSIGHTS INTO WHY FARMERS' MARKETS CLOSE

The rapid pace of growth in the number of farmers' markets in Oregon and nationally obscures the little known fact that a disturbing number of them fail. From 1993 to 2005, a period for which there are reliable inventories, the number of farmers' markets in Oregon increased significantly, from 18 to 68. Nationally, farmers' markets have increased at a similar pace, numbering over 3,700 as of 2004, an addition of 2,000 markets in 10 years. These are both net changes. A closer examination of individual Oregon farmers' markets reveals that during that period many markets closed. As is developed below, this is a cause for concern.

The topic of market failure is rarely addressed in the literature. This report represents a starting point. It describes the dynamics of farmers' market startups, closures, and manager turnover. It focuses on two important resources—administrative revenue and labor—used by farmers' markets. Data for a sample of markets that failed are examined, along with factors associated with market failure. Finally, recommendations to enhance market success are offered.

Farmers' markets link small farmers with consumers in a unique community gathering and serve a key role in local food systems. A useful term for describing this newly emerging form of local or community food system is "civic agriculture" (Lyson 2004). Civic agriculture describes a system made up of economic and personal relationships within a community. The concept emphasizes community economic development balanced against the social and environmental objectives of a community. Regarding farmers' markets, Lyson points out:

As social institutions and social organizations, farmers' markets can be important components of civic agriculture. They embody what is unique and special about local communities and help to differentiate one community from another (2004:93).

As important components of local or community food systems, farmers' markets are valuable outlets for small farmers. For instance, a California study (Kambara and Shelley 2002) found smaller farms were more dependent on farm direct marketing, and farmers' markets were the predominant channel used, with 80 percent of the participants selling through them and 54 percent using them exclusively. In addition, the researchers observed, "a large percentage of small direct marketers believed that they really had no choice but to market directly to consumers if they wanted their farm to survive" (Kambara and Shelley 2002:18).

Farmers' markets serve pivotal roles for small farmers and local food systems. The success of each is closely tied to the other. Knowledge of market failure and how it occurs is an important step in improving the viability of farmers'



markets and therefore, maintaining and expanding a marketing channel for small farmers, and enhancing community food systems.

Methods

The data presented here were collected between 2002 and 2005. Both quantitative and qualitative research methods were used, including a survey questionnaire administered by telephone, interviews, focus groups, and a project advisory committee consisting of market managers.

To obtain information from a full season of operation from individual farmers' markets, the survey questionnaire focused on the 53 farmers' markets operating in Oregon during 2002 that had operated during the 2001 season. The questionnaire explored market fee structures, sources of revenue, market site amenities, typical products, and common management structures. Fifty of the 53 eligible farmers' markets participated in the survey. This 94 percent response rate strengthens the validity of a research study drawn from a numerically small population.

Following a preliminary analysis of the quantitative and qualitative data, six focus groups of farmers' market managers were organized and conducted on a regional basis during 2004. A total of 29 managers participated, representing 33 farmers' markets. The focus groups provided a two-way exchange of information between researchers and practitioners and added vital data to the project. A final step involved using the project advisory committee to review and critique the research findings during late 2004.

Directories of Oregon farmers' markets for 1998 through 2005 were used as an important secondary data source. The directories are published by the Oregon Farmers' Market Association (OFMA) and the Oregon Department of Agriculture (ODA) and have been produced annually since 1998. The OFMA/ODA directories list the markets operating for each year of the publication, their location, contact information, and other information. These directories were used to identify the year markets began operating and ceased operating and to track manager turnover.

Quantitative data from the survey questionnaire were organized and analyzed using Statistical Package for the Social Sciences (SPSS) version 11.5. Statistical analysis was conducted with consultative support from the Survey Research Center at Oregon State University.

Market Dynamics

Economists associated with the USDA periodically inventory and analyze farmers' markets in the United States. Several such reports have been published during the period of growth of U.S. farmers' markets from the 1990s to the present (Johnson and Bragg 1994; Burns and Johnson 1996; Johnson et al. 1996; Payne 2002). These reports documented a significant expansion in the number of farmers' markets nationwide. Although they largely focused on the growth of farmers' market numbers, the authors also recognized that there were other processes taking place. Burns and Johnson (1996:12) noted, "Not

all farmers' markets are successful and only anecdotal information exists on why some have failed." Later, Payne (2002:9) pointed out, "While farmers' markets have shown that they are beneficial to farmers, customers, and local communities, many areas of study remain. One of the most important areas that merits further study is why markets fail."

Market Failure

Here, a more complete discussion of farmers' markets numbers is provided, using data from the aforementioned OFMA/ODA farmers' market directories for Oregon enhanced by data from the 2002 manager survey and other sources. Table 1 presents the number of farmers' markets in Oregon based on the directories for the years 1998 to 2005. It shows a relatively steady increase in the number of markets from 38 in 1998 to 68 in 2005.

Table 1. Growth in number of farmers' markets 1998 to 2005

Year	1998	1999	2000	2001	2002	2003	2004	2005	Gain
Number of farmers' markets	38	43	46	58	61	62	61	68	30

Table 2 shows the number of new markets that opened each year and the number of markets from the previous year that did not reopen. These markets closed permanently sometime during or after their final market season. As an example, between the end of the 1998 season and the beginning of the 1999 season, 11 new markets opened and 6 markets that had previously operated did not reopen. During the entire period from 1998 to 2005, 62 new markets opened and 32 did not reopen. This is a more complex picture than that presented in Table 1.

Table 2. Number of markets by year that opened or did not reopen

Markets	1998	1999	2000	2001	2002	2003	2004	2005	Total
New markets	–	11	5	16	9	6	4	11	62
Markets not reopening*	–	6	2	4	6	5	5	4	32
Total number of markets	38	43	46	58	61	62	61	68	

*Exact date of closure is unknown (during a season, after a season, or just prior to the next season).

Focusing on the 32 markets that closed between 1998 and 2005, the overwhelming majority had short life spans (Table 3). Of the 32 markets that closed, 15 markets (nearly 47 percent) did so following their first season. Thirty of the 32 markets (94 percent) closed after operating 4 or fewer years.

During the entire period from 1998 to 2005, 62 new markets opened and 32 did not reopen.

Table 3. Life span of markets that closed 1998 to 2005

Number of years operating*	Number of markets	Percent of markets that closed
1 years	15	46.8
2 years	5	15.6
3 years	4	12.5
4 years	6	18.8
More than 4 years**	2	6.2
Total	32	100

* For six markets, the exact number of years of operation was unknown. They are listed here as operating the number of years known. Four are recorded as 1 year, one is recorded as 3 years, and one is recorded as 4 years.

** These markets operated 11 and 22 years.

The high failure rate for markets, especially younger ones, is startling. The two older markets that closed after 11 and 22 years respectively demonstrate that this is not just an issue with new markets.

Market Manager Turnover

Although not initially an area of focus in the 2002 manager survey, the high rate of manager turnover emerged as an issue during follow-up phases of the research as another key area of interest. Attempts to contact managers to participate in focus groups and follow-up phone calls and e-mail regarding research details revealed changes in management for many markets and prompted further examination.

The OFMA/ODA farmers' market directories list the name of a person to contact for information for each market. For this analysis, a change in name of the contact person for a market was recorded as a change of manager (we acknowledge this might not always be the case).

The number of farmers' markets operating under a new manager is listed in Table 4 by year for the period between 1999 and 2005. Again, these figures represent the number of existing markets that began a season with a change in manager from the previous season and do not include new managers of new markets. For each year, a significant number of existing markets, ranging from 11 to 19, changed managers. The total for the eight seasons is a disturbing 101 manager changes for a weighted annual average 30 percent turnover rate for existing markets.

Table 4. Number of existing markets operating under a new manager

Existing markets	1999	2000	2001	2002	2003	2004	2005	Totals
New manager	14	11	13	17	15	19	12	101 manager changes
Returning manager	18	30	29	35	41	38	45	—
Percent manager turnover*	44%	27%	31%	33%	27%	33%	21%	Average 30%

*Rounded to whole numbers.

Manager turnover is not necessarily negative. A change may improve a market or reflect a better opportunity for a manager. But, clearly, the very high rate of turnover documented here cannot be all positive. Even under the best of conditions, a change in manager produces some stress for a market organization.

How Market Resources Influence Success and Failure

The sections that follow examine the revenue generated by farmers' markets and the labor resources they use. Markets vary greatly for both of these resources. Local supplies of customers and products play a role in what revenue may be generated by a farmers' market. Market revenues can be used to pay for personnel to manage market operations. If these tasks are carried out effectively, they sustain the market by continuing the cycle of attracting sufficient customers and farmers.

Farmers' Market Size Categories

An important part of this analysis relies on comparing farmers' markets by size (number of vendors). The 2002 farmers' market survey documented that markets ranged in size from 5 to 90 vendors. Four categories for market size were developed for analyzing the relationship of market scale to revenue, labor, and market failure. Table 5 presents the size categories Micro, Small, Medium, and Large, along with the number of vendors associated with each category, the number of markets in each category, and percent of markets in each size category. The categories include all types of vendors participating in the market (farmers and craft vendors) because all vendors have an impact on market management. These size categories are intended to be guidelines, and the boundaries between categories should be seen as transitions rather than as hard divisions.



For most Oregon farmers' markets, "self supporting" means living within the confines of what is an inadequate budget for operating a farmers' market.

Table 5. Size categories of farmers' markets*

Category	Number of markets	Percent of markets
Micro (5–8 vendors)	8	16
Small (9–30 vendors)	20	40
Medium (31–55 vendors)	12	24
Large (56–90 vendors)	10	20
Total	50	100

* See Oregon Small Farms Technical Report 24 for the methods used to create these categories.

Revenue Resources

The ability to generate revenue in most instances shapes what type and how sophisticated the management organization of a farmers' market will be. Nearly all markets surveyed (92 percent) collect stall fees from vendors. These fees are the primary source of revenue for markets. Other sources of revenue for some markets include annual membership fees, promotional items, fundraising events, sponsorships, donations, and grants.

Have and Have Nots

When USDA researchers inventoried farmers' markets during the mid-1990s, 84 percent of markets indicated that their operations were "self-sustaining" (not defined) (Burns and Johnson 1996). A later USDA study indicated that a similar number (81 percent) were "self supporting," which is defined as "market income sufficient to pay for all costs associated with operating the market" (Payne 2002:4). Neither "self-sustaining" nor "self supporting" captures the wide disparity in administrative revenue generated by farmers' markets. For most Oregon farmers' markets, "self supporting" means living within the confines of what is an inadequate budget for operating a farmers' market.

For the 50 farmers' markets that participated in the 2002 survey, the sum of all sources of revenue received by market administrators (stall fees, sponsorships, etc.) totaled nearly \$1 million for the 2001 season.¹ For clarity, this sum is administrative revenue, the financial resources collected and used for operating for the market. It is not vendors' sales, which are substantially higher and not addressed here. This \$1 million figure is unevenly distributed among markets, with most markets operating on very low revenue amounts.

¹ The total based on manager survey responses is \$991,969. Some markets estimated their gross revenue, so this figure should also be considered to be an estimate.

Examining administrative revenue generated by the 50 markets on an individual basis offers a clear picture of the uneven distribution of administrative revenue. The annual administrative revenue for individual markets ranged from \$0 to \$111,000 (Table 6). Six markets (12 percent) generated \$1,000 or less. In contrast, seven markets (14 percent) generated from \$50,000 to more than \$100,000 each and, as a group, accounted for nearly half (\$482,641) of the revenue generated by all 50 farmers' markets. This latter group consists of 7 of the 10 markets in the Large market size category.

Table 6. Administrative revenue for individual markets

Administrative revenue	Number of markets	Percent of markets
\$0–999	6	12
\$1,000–4,999	12	24
\$5,000–9,999	9	18
\$10,000–19,999	8	16
\$20,000–49,999	8	16
\$50,000–99,999	6	12
\$100,000 or more	1	2
Total	50	100

In addition to an uneven distribution of administrative revenue among farmers' markets, Large size farmers' markets generate higher administrative revenue. One reason why larger markets generate more revenue than smaller markets is simply because they have more vendors paying stall fees than small markets. However, larger markets also charge higher stall fees². To illustrate this, Table 7 shows that 80 percent of markets in the Large market size category and 75 percent of markets in the Medium market size category charge \$13 to \$35 per stall. Conversely, 88 percent of markets in the Micro market size category and 65 percent of markets in the Small market size category charge \$0 to \$12 per stall. Because of their size, smaller markets are afflicted with two challenges to generating market administrative revenue: fewer vendors from whom to collect fees and lower stall fees.

**Six markets
accounted for nearly
half of the revenue
generated by all 50
farmers' markets.**

² Significant: $r(50) = 0.502, p < 0.01$

Table 7. Larger markets charge higher stall fees

Market size category	Category of fees*				Total**
	\$0–8	\$9–12	\$13–20	\$21–35	
Micro (5–8)	50% (4)	38% (3)	13% (1)	0% (0)	100% (8)
Small (9–30)	35% (7)	30% (6)	25% (5)	10% (2)	100% (20)
Medium (31–55)	8% (1)	17% (2)	42% (5)	33% (4)	100% (12)
Large (56–90)	0% (0)	20% (2)	50% (5)	30% (3)	100%(10)
Total markets	12	13	16	9	50

* Fee categories are arranged to approximate quartiles.

** Percentages are rounded to nearest whole number.

It is important to remember that many farmers’ market organizers do not always wish to maximize market administration revenue. Most markets value the service they provide to customers, the income provided to the vendors, the improved nutrition and food security, and the enhanced sense of community. Nevertheless, except in rare instances, market viability is tied to their revenue stream. The level of administrative revenue influences the ability of the market to access important resources. The major enhancement that can be provided by adequate administrative revenue is paid labor to handle overall market operations.

Management and Labor Resources

All farmers’ markets must handle both simple and highly complex tasks in order to operate during the market season and to maintain their management operations during the off-season. All Oregon farmers’ markets have someone who functions in the role of coordinator or manager. Whether a manager is paid, as well as the level of pay, are linked to how much administrative revenue a market generates.

Table 8 shows categories of administrative revenue for farmers’ markets with corresponding salary ranges for managers. It illustrates two points. The first is whether a manager receives compensation. It is clear from this data that volunteer managers are associated with markets that generate lower revenues. Second, the manager’s salary is also associated with the administrative revenue a market generates. Markets with higher or lower administrative revenue compensate managers at higher or lower levels.

Table 8. Administrative revenue and salary of managers (2002)*

Market administrative revenue	Salary range of managers	Number of managers*
Less than \$5,000	\$650–\$2,600 + 11 volunteer managers	14
\$5,000–\$9,999	\$1,000–\$7,800 + 3 volunteer managers	5
\$10,000–\$19,999	\$2,700–\$12,000	5
\$20,000–\$49,999	\$10,000–\$20,000	3
\$50,000–\$74,999	\$9,000–\$28,000	4
\$75,000 or more	\$23,000–\$35,000	3

* These figures are for farmers’ market organizations and include organizations that manage multiple markets. There are a total of 40 individuals managing 50 farmer’s markets. Six managers are compensated by government or civic entities and are not included here.

A national study of farmers’ markets provides some comparison to the link between revenue and use of volunteer or paid managers. Using total market sales (total revenue to vendors from sales), Payne (2002) observed a connection between the level of market sales and whether markets had a paid manager. Of markets with \$10,000 or less in total sales, only 11 percent had paid managers. Of markets with more than \$500,000 in total sales, 75 percent had paid managers.

The term “paid manager” is relative. The range of manager salaries in 2002 was \$650 to \$35,000. Four managers made less than \$1,500, placing them close to volunteer status. Four managers making \$20,000 to \$35,000 approach what might be considered a living wage. To some degree, the compensation reflects the number of hours a manager works, as smaller, less management-intensive markets tend to require less effort. There are exceptions to this. Of concern to this analysis are situations in which a high level of effort is required to manage a market but the market administrative revenue is insufficient for adequate salary.

In sum, the amount of market administrative revenue and the labor resources it can provide are closely tied to the size of farmers’ markets. Smaller markets may experience a circular condition: these markets have a relatively small number of vendors and, as a result, the amount of administrative revenue from stall fees is relatively low. The amount of revenue available affects whether the market can pay a manager and how much can be paid. This, in turn, affects how much time and effort can be expended managing the market, which includes recruiting vendors and customers. This situation is explored further in the next section.

The term “paid manager” is relative.

All nine of the markets that closed were in the Micro or Small size categories.

A Few Insights into Markets that Fail

Presented in this section is what can be gleaned from a small sample of farmers' markets that have closed. The data are from three sources: the 2002 survey of farmers' market managers, the OFMA/ODA farmers' market directories for 1998 to 2005, and interviews with managers of closed markets and other farmers' market managers. Nine markets that were operating at the time of the survey of market managers (2002) closed sometime after the survey was conducted and prior to 2005³. The 2002 survey of market managers includes data on seven of these nine farmers' markets (two markets did not participate in the survey). The OFMA/ODA farmers' market directories provide limited but important information on all nine of the closed markets. Again, this is a small sample of markets, but the analysis sheds some light on the phenomenon of market closures. In fact, this may be the only data extant on failed markets. Work is still needed in this area.

The Market Dynamics section above analyzed market failure and manager turnover on an aggregate basis. Here the focus is specifically on the nine markets that closed after the 2002 survey. Presented here is some background on the nine markets as a group followed by five factors associated with their failure and comments on the process of failure.

Eight of the nine markets that closed were community-based markets operated as grass-roots organizations. The ninth market was sponsored by a business that provided space for vendors but did not collect fees and provided only a basic level of management. Two of the community-based markets were associated with market organizations that managed more than one market. In these instances the markets closed but the market organizations continued operating and managing other markets. One market was in a highly urban setting. Four were in rural settings. In addition to their setting, at least four markets were in communities with sufficient population to support a market in general and perhaps even a market of moderate size. All of the markets were located in the western part of Oregon within reasonable distances of product supply (farmers). Again, seven of the markets participated in the 2002 manager survey. The two not included in the survey did not respond when the survey was conducted but information from the OFMA/ODA directories and interviews with managers provided some additional background on these markets.

Five Factors Associated with Farmers' Markets that Fail

Factor 1: Small Size

All nine of the markets that closed were in the Micro or Small size categories. This is based on 2002 survey data for the seven markets and information from interviews with market managers for the two markets that did not participate in the survey. Five markets fall into the Micro size category and 4 markets fall into the Small size category.

Survey data indicate the number of vendors for total market size (including

³ To clarify, Table 2 shows a total of 10 markets closing during 2003 and 2004. One of these markets opened in 2002 and was not eligible to participate in the survey. Therefore, nine markets are included here.

craft vendors) ranged from 5 to 20. The number of farmer vendors (source of food products) was 4 to 13. Because the survey was conducted during 2002 (based on vendor numbers from the 2001 season) and the markets closed sometime between that year and 2005, the actual number of vendors participating during the final season of the market is not known. There is some indication from information presented below that one aspect of a market's decline is a loss of vendors, so these markets may have been even smaller just prior to closing.

Factor 2: Need for Farm Products

An item in the 2002 manager survey asked the managers whether their markets would be improved by offering more of any of nine product categories commonly sold at farmers' markets. Table 9 lists the nine product categories with the percent of closed and operating farmers' markets answering YES. These affirmative responses indicate a shortage of products or a lack of diversity in the markets' offerings. All of the markets that subsequently closed indicated a need for more fruits and vegetables, products considered basic to farmers' markets. More than half of these markets indicated that the addition of eight of the nine product categories would improve the market. In all instances, the markets that closed expressed a higher percentage of need for products than the markets that did not close. This situation is directly connected to the small size (number of vendors) of the markets noted in Factor 1 above.

Table 9. Percent of markets (closed and operating) responding that more of designated products would improve market

Market would be improved by offering more:	Percent of closed markets (n=7)	Percent of operating markets (n=43)
Fruit	100	56
Vegetables	100	54
Fish	100	72
Meat	100	67
Value-added products	100	61
Cheese	86	81
Bakery products	86	54
Cut flowers	57	35
Nursery products	43	26

Factor 3: Administrative Revenue "Have-Nots"

Based on data from the 2002 manager survey, the markets that closed were definitely among the administrative revenue "have-nots," as discussed in the Revenue Resources section above. Five of the seven markets that participated in the survey collected less than \$3,400 per year in administrative revenue. The

The markets that closed expressed a higher percentage of need for products than the markets that did not close.

range in administrative revenue without temporary grants was \$0 to \$8,000. With grants included, one market's total administrative revenue was \$20,000. This situation was temporary, and the market was forced to close when the grant ran out and the market was not sustainable based on vendor fees alone.

Factor 4: Manager was Volunteer or Paid a Low Salary

As noted in the discussion regarding market revenue and labor resources, for the majority of markets there is a direct connection between the amount of money the market collects as administrative revenue and the amount spent on labor to support the market. Given the situation described as Factor 3, it follows that the markets that closed are often those that depended on volunteer managers or that paid managers a low salary.



Four of the seven managers were volunteers or were paid low wages. Of these four managers, two were volunteers and two were paid between \$1,040 and \$2,000 per year. One manager was associated with a market organization that managed three markets and was paid \$20,000. One manager was compensated by the private business that sponsored the market. One manager was paid \$12,000 per year through grant funds. Again, this market was not self-sustaining when grant funds were no longer available.

Factor 5: High Manager Turnover

As indicated in the Market Dynamics section, there is a high turnover rate among market managers (ranging annually from 21 to 46 percent with an average of 31 percent). Even higher rates of manager turnover are associated with markets that close. Table 10 indicates the number of markets with new or returning managers between 2001 and 2005. All 9 markets were operating in 2001 and all had closed by 2005. The percent manager turnover for each year ranges from 11 to 80 percent for a weighted annual average of 46 percent, overall considerably higher rates than the rate for all markets. The 9 markets experienced 12 manager changes during the 5-year period. In fact, five of the nine markets changed managers the majority of the years they operated. Significantly, seven of the nine markets began their final season with a new manager. More on this issue below.

Table 10. Manager turnover among failed markets 2000-2005

Existing markets	2001	2002	2003	2004	2005	Totals
New manager	1	5	4	2	--	12
Returning manager	8	4	1	1	--	14
Total markets	9	9	5	3	0	
Percent manager turnover*	11%	55%	80%	67%	--	Average 46%

*Rounded to whole numbers.

Although some smaller farmers' markets are able to reach stability, these five factors are all connected in some way to the circular condition of customer and vendor supply that many smaller farmers' markets experience. These markets are small and do not attract sufficient customers to attract many vendors. A resulting shortage of products contributes to the continuing shortage of customers. The market can only generate a small amount of administrative revenue from the small number of vendors and so can use only a volunteer manager or a low-paid manager. The use of a volunteer or low-paid manager is likely a factor in the high turnover of managers. Without consistent management that is compensated for working hours beyond those required to manage the market site on market day, the market cannot pursue opportunities to attract more customers and vendors.

Additional Concerns Related to Market Failure

Analysis of aggregate data from the 2002 survey of market managers revealed two additional areas of concern that shed some light on market failure. These concerns include the lack of market management experience of managers associated with newer markets, and a potential threshold for number of hours worked by volunteer managers.

Years of Manager Experience and Age of Market

The 2002 survey of market managers indicated that the number of years of experience of market managers ranged from 1 to 20 years. Thirty-seven percent of market managers had only 1 year of experience, and nearly half (47 percent) had 2 or fewer years of experience. Similarly, a New Jersey study found that 58 percent of managers in that state had less than 2 years experience (Govindasamy et al. 1998). While this reflects the growth in numbers of markets in recent years, it is also a cause for trepidation. Although a farmers' market could suffer under an experienced but ineffective manager, a study by Oberholtzer and Grow (2003:24) expressed concern with the correlation between experience levels of the market managers and years of operation for the market: "Thus, in many cases, younger markets—those that could benefit a great deal from market manager experience—lack this amenity for farmers."

There is also a high correlation between manager experience and age of markets for Oregon. Newer markets have less experienced managers, and older markets have more experienced managers⁴. Fifteen of the 16 markets that were 3 or fewer years old were managed by managers with 3 or fewer years of experience (Table 11). The ten managers who had 6 or more years of experience managed markets that had been operating 6 or more years. Seven of the 10 managers with 6 or more years of experience were associated with markets that had been operating more than 10 years.

⁴ Significant: $r(50) = 0.387, p < 0.01$

Seven of the nine markets began their final season with a new manager.

Table 11. Years of manager experience and age of market*

Manager years of experience	Age of market (years)				Total
	1–3	4–5	6–10	More than 10	
1–3	15	2	2	5	24
4–5	1	4	5	4	14
6–10	0	0	3	6	9
More than 10	0	0	0	1	1
Total	16	6	10	16	48

* The totals here are for markets, not individual managers. Duplicates are included. There were two “no responses” to one of the questions.

Because of manager turnover between the 2002 manager survey and the closing of individual markets, it is not possible to generate the number of years of market management experience for each manager of the markets that closed. As noted in Factor 5, however, seven of the nine markets began their final season with a new manager.

Effort Thresholds for Volunteer Managers

The 2002 survey of farmers’ market managers showed 14 markets (28 percent) use volunteer managers, and 36 markets (72 percent) employ paid managers. There is a clear relationship between the size of markets and the status of the manager. Volunteer managers are associated with smaller markets, and paid managers are associated with larger markets⁵. Table 12 shows the size categories of markets managed by volunteer or paid managers. It is significant that there are no Medium or Large size markets managed by volunteers.

Table 12. Manager compensation and market size

Managed by volunteer or paid manager	Micro (5–8)	Small (9–30)	Medium (31–55)	Large (56–90)	Total
Volunteer	5 (55%)	9 (47%)	0 (0%)	0 (0%)	14
Paid	3 (45%)	11 (53%)	12 (100%)	10 (100%)	36
Total	8 (100%)	20 (100%)	12 (100%)	10 (100%)	50

One implication of this is that volunteers reach a limit in the level of effort they are able or willing to provide. This issue was examined by analyzing the effort in terms of number of hours worked for the volunteer managers. The number of hours worked is available for 13 of the 14 volunteer managers who participated in the 2002 survey. These volunteer managers average about 7 (6.8) hours

⁵ Significant: $t(48) = 4.917, p < 0.0001$

per week during the market season, ranging from 1 to 15 hours per week (Table 13). Ten of the volunteer managers (77 percent) work 10 or fewer hours per week during the season. Off-season effort for volunteer managers averages about 3 hours per week (3.2), ranging from 0 to 8 hours per week. Nine managers (69 percent) work 3 or fewer hours per week during the off-season.

Table 13. Hours worked by volunteer managers during and off-season

Administrative revenue	Minimum/Maximum	Mean	n
Hours worked during season	1–15*	6.8*	12
Hours worked during off-season	0–8	3.2	13
Number of vendors	5–29	14	14

* One outlier of 30 hours has been dropped from this analysis because, although acting as a volunteer manager, the manager and the market were associated with a grant-supported community development organization. The figure offered as to the number of hours worked reflected the number of hours worked to give a more realistic representation of the number of hours worked and the mean.

The volunteers managed markets that ranged in size from 5 to 29 vendors (farmers and crafts) with an average size of 14 vendors. Although five volunteer managers (36 percent) managed markets of 20 vendors or more, nine volunteer managers (64 percent) managed markets of 16 or fewer vendors. All of these markets fall into the Micro and Small categories.

There is not extensive data documenting what happens as a market grows beyond what a volunteer can manage relative to the market size and number of hours worked so it is unclear whether they become overwhelmed or the quality of work declines. These data simply illustrate current practices. Based on these observations, a recommendation for market organizers is to have a plan in place for the transition from a volunteer to a paid manager position as market size approaches the mid-teens in numbers of vendors and the manager's workload exceeds 7 hours per week during the market season.

The Challenge of Managing Supply and Demand

Small markets must manage a complex relationship between supply (vendors) and demand (consumers). This relationship is different for farmers' markets than for most retail outlets. A viable farmers' market must have enough farmer vendors to attract customers and it must have enough customers to be attractive to farmer vendors. If the market is out of balance it may enter a downward spiral. Burns and Johnson (1996:12) describe this situation:

Farmers' markets, unlike retail stores, operate both on the supply side, with the farmers, and on the demand side, with the consumers. However, the overall retail marketing dynamic is operative. Consumers wish to have certain preconceptions met when selecting a retail site. If they are not met, the consumers will stop coming. Farmers will go to markets where they are guaranteed selling space and have exposure to enough customers to allow

“What causes a market to either make the jump out of ‘limbo’ or to finally shut down?”

them to sell the majority of their product in an allotted time. When farmer... and customer expectations are not met, both farmers and customers will look for alternative markets.

All market managers are concerned with managing vendor and customer expectations to maintain a healthy balance. But many smaller markets seem to be particularly challenged by a general shortage of farm vendors, especially “anchor vendors,” the farmers who can provide adequate quantities of a diverse array of products for an entire season. Part of the ability to attract customers and vendors rests with the labor resources the market has. For smaller markets, these resources are minimal. As one market manager inquired:

Do markets need to reach a sort of tipping point at which the market is doing well enough to support management that then can work to further stabilize the market? And, if so why do some markets reach that point and go onto success while others never reach that point? Also, why do some markets seem to linger in a ‘limbo’ state for a few years—not growing very much but managing to survive? What causes a market to either make the jump out of ‘limbo’ or to finally just shut down?

Researchers have remarked on the issue of balancing customer and vendor numbers. Burns and Johnson (1996:14) note, “managers measure the success of their markets by their ability to attract and retain farmer and customer participation.” Oberholtzer and Grow (2003) observed that markets with fewer vendors also had fewer customers. Hughes and Mattson (1992:8) summarized the relationship between customers, vendors, and labor resources for one market: “More customers result in more vendors, who generate more market fees to pay a coordinator, advertising, and other expenses,” and they concluded “this allowed greater input of energy by the coordinator into the market in dealing with vendor issues and market promotion.” One Oregon farmers’ market manager described the challenge of getting the correct proportions of farmers and customers as “magic.”

As markets increase in size, they draw both vendors and customers from a larger geographic area—success breeds more success. Burns and Johnson (1996:16) observed, “it appears that as the size of the market increases, the market becomes more attractive to farmers from a wider geographic area and the retail (customer) trading area also increases.” This has implications for smaller markets. As larger markets draw farmers from a larger area, this process may also draw farmers away from markets they perceive as less profitable. These are often smaller markets. As one market manager recounted:

I heard from several customers that the prices were high, while I heard from several former vendors that customers weren’t willing to spend money at the market. This perception on the part of vendors—that there was little money to be made at the market—combined with the reality of the large number of other markets in the Portland area...made it difficult to attract vendors.

Characterizing Markets in Decline

To better understand the process of market decline, here are some brief descriptions based on interviews and focus group sessions that reveal some of the issues associated with the decline and closing of a farmers' market. In the first, a market manager describes the final season of a western Oregon farmers' market. The market manager participated in the 2002 survey and, at that time, listed the size of the market as 20 vendors.

The market was located downtown and took place on [a weekday] evening. There were parking problems and tensions with nearby businesses. It was an evening market so it required picking and selling in the heat of the day. Then there was no profit for vendors. Where I would make \$120 on Saturday I would only make \$30 to \$40 [at this market]. The market dropped down to three to four vendors then just stopped.

This account identifies some of the problems that can contribute to eventual closure—lack of parking for customers, tension with local businesses, and choice of market day and time. These problems reduced customer numbers, which reduced vendor sales, which in turn reduced vendor numbers. In addition, the closing of a Medium or Large size market seems to be rare, but we could assume that the number of vendors participating will drop off until the market becomes a smaller size just prior to its failure. This situation is illustrated here with the market dropping from 20 vendors to just 3 or 4 prior to closing permanently. It had been a Small size market that became a Micro size market.

This market manager describes a lack of community support as a cause in the eventual closing of a market:

Early in my involvement with the market, I held a meeting for community members. My goal was to find some volunteers who would help out in various aspects of the market. Despite advertising the meeting only 1 potential volunteer showed up. This proved to be symptomatic of the community's lack of direct support for the market. Although many people professed to appreciating having a local farmers' market, hardly anyone except the existing board members were willing to lend any time or support to the market.

Internal issues within a market may have an impact on its relationship with the community. For instance, during focus group discussions one manager commented that issues within the market affect its mood:

When there is stress between the manager and the board, all the manager's energy goes there. It defines the tone. The customers will know if the governance of the market is distressed.

Lastly, a market manager recounted the inertia among market organizers that contributed to the market closing permanently:

In the end, I grew frustrated with the lack of support and I could see that the market's problems were not going to be solvable without some fairly substantial changes which the board was unwilling to make.

Summary, Areas of Risk, and Recommendations

Farmers' markets are growing rapidly. Yet this research indicates that in Oregon high numbers of markets fail even while the overall number of markets is expanding. The life span of markets that fail is brief, with nearly 50 percent closing after only one season. Conversely, older markets are susceptible to failure too. The turnover rate for all market managers is high, with 101 manager changes between 1998 and 2005.

A key issue for farmers' markets is obtaining resources. Market administrative revenue is unevenly distributed among markets. Seven large size markets receive nearly half the total administrative revenue for all markets. "Have-not" markets may struggle to hire labor to perform functions that help grow and sustain markets. Whether labor is paid or volunteer is linked to the administrative revenue that markets generate. Larger markets not only take in more administrative revenue based on their size (number of vendors), but they also charge higher stall fees than smaller markets.

Because they are at the nexus of supply (farmers) and demand (customers), all markets are challenged to attain and sustain a balance. Smaller markets often experience a circular condition in which they cannot attract sufficient customers because they do not have sufficient vendors, but cannot attract sufficient vendors because they do not have sufficient customers. From the data available, five interconnected factors were identified that characterize markets that fail: small size, high need for products, low administrative revenue, volunteer or low-paid manager, and high manager turnover. The analysis revealed two additional concerns related to market failure: a correlation between new markets and inexperienced managers, and potential effort thresholds for volunteer managers.

The factors presented here are interconnected and prevalent for the markets that failed. Some of these factors such as small size and low administrative revenue also exist among some markets that continue to operate. The accounts from managers of markets that failed suggest there may be combinations of issues unique to each of the markets that ultimately triggered their downward spiral.

Areas of Risk

The connection between administrative revenue and the ability to hire personnel is a theme throughout this report. What follows is a summary of areas of risk broadly associated with characteristics of markets and market managers. Market organizers should be concerned about these areas of risk, particularly if they are present in combinations.

Small Markets, Markets Becoming Smaller, and New Markets

Smaller markets are more at risk of failure than larger markets. Since they have fewer vendors, smaller markets are vulnerable to descending quickly into a crisis by a drop in vendor numbers and, therefore, suffering the repercussions



of a lack of products, fewer customers, and less administrative revenue. In addition to having fewer fee-paying vendors, the markets also charge lower stall fees than larger markets. Markets that fail may have been small to begin with or may have been larger but have become smaller through a period of decline. Therefore, any market that is progressively declining in size should be of concern. These markets will also be collecting less money from vendors and will have a difficult time maintaining management staff. As a separate but related issue, new markets face a higher probability of failure. This is particularly true in their first year and up to their fourth year. However, even older markets are not entirely safe from failure. Remember, 2 of the 32 markets that failed were older markets.

Over-worked Managers, Under-compensated Managers, Inexperienced Managers

Manager turnover on an annual basis is high among markets in general (30 percent) and higher among markets that fail (46 percent). Some areas of concern associated with farmers' market managers include whether and how much managers are paid, thresholds for volunteer manager effort and size of market, and inexperienced managers. Most managers of markets that failed were volunteers or were paid a low salary. These types of managers are more commonly associated with smaller markets. In fact, there are no volunteer managers associated with Medium or Large size markets. This likely indicates a limit to the capacity for volunteers to manage markets over a specific size. There is also a correlation between new markets and inexperienced managers, a risky combination.

Recommendations

Presented here are some broad recommendations for market managers, boards, and organizers. The recommendations are supported by the research findings and can be implemented at the local community or individual market level. It is important to keep in mind that permanent sustainable solutions are influenced by state and federal policy. Because these policies change, continual monitoring is an important management tool for farmers' markets.

Recommendation 1: Plan New Markets Carefully to Ensure Success

Market organizers should spend considerable time deciding whether and how to open a new market. Better planning and promotion before a new market is opened may help with some of the issues that arise during the first year of operation. An important part of the planning process is setting a goal for market size in general or a goal by year, so that cash flow can match the scale of the market and appropriate management tools can be provided. Planning for size is the first step in creating a viable organization that will endure challenges and conflicts that occur with growth.

Market size will be influenced by community population density, population subculture (interest in purchasing local food and the experience of an open air market), and other factors influencing the scale of a market from the demand side. Local farm settlement pattern (number and type of small farms), agro-ecozone (soils, climate, etc.), and other factors influence the size and season

Market organizers should spend considerable time deciding whether and how to open a new market.

of the market from the supply side. Organizers should carefully assess whether there is sufficient population to support a market and whether there are sufficient farmers and/or market gardeners to support a market.

Training programs for new managers and boards of directors may reduce the number of markets that close after a brief life and reduce manager turnover in operating markets. In some instances, volunteer labor can substitute for paid labor, resulting in lower operating expense for the market. There are limitations to volunteer labor. As noted previously, a good recommendation for organizers is to have a plan in place for the transition from a volunteer to a paid manager position as market size approaches the mid-teens in numbers of vendors and as growth requires the manager to work more than 7 hours per week during the market season.

Recommendation 2: Some Markets Should Pursue Community Financial Support

Some markets will always have difficulty generating sufficient administrative revenue to support a paid manager and other important market functions. Some markets may be viable only through financial or labor resources provided through other civic or government entities. There are precedents for this in Oregon. The Oregon market manager survey data indicated that in 2002 six markets were connected with government and non-government organizations. These organizations support their farmers' markets by providing a salaried staff member for management and other amenities. Farmers' markets are an important part of a local economy and enhance the quality of community life. There is justification for government and economic development sector support.

Faith, environmental, and health organizations are other potential community sponsors. For instance, the Ecumenical Ministries of Oregon have demonstrated their interest in community food security through production of local food guides and a recent grant-funded effort to link church members with local food production through community-supported agriculture and farmers' market coupons. Many environmental organizations point to locally produced food as good for the environment but likely are not directly involved in the financial support of individual farmers' markets. The current operation of a farmers' market by health care provider Kaiser Permanente in the Portland area offers a model for private sector support that holds some potential for providing start-up resources for markets in some communities. Seeking this type of support may be the only option for a stable market in some communities with insufficient population and funding to support a manager and other basic organizational structures.

Access to financial and other resources is a national policy-related issue with significant impacts on farmers' markets, particularly small markets. Small markets are expected to be self-sustaining, while other publicly delivered services do not have a similar expectation. Public funds support services that enhance the global trade of food products, but a similar level of support is not made available to support local agricultural markets. This is a political decision.

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