“Ten Minute University” on Jersey Fresh Produce Food System Economics

Remember comedian Father Guido Sarducci’s “Five Minute University”? He could teach you in five minutes everything the average college student remembers five years later. For a course in Economics, the lesson was simple: Supply and Demand. However, for a lesson on the economics of fresh produce in New Jersey, we’re going to add an additional five minutes. It is less straightforward than it ought to be.

First, let’s look at Supply. New Jersey is considered a “food deficit state” wherein it cannot produce enough food to support its population, requiring the import of food. Rutgers’ Jack Rabin has calculated New Jersey farmers produce about $114 of agricultural output per State resident, while nearby Pennsylvania produces $467 per resident and Delaware produces $1,245 per resident. $114 won’t feed you very long. (Mental note: that should mean that New Jersey products should fetch a higher price if they are highly desirable but in smaller supply, right?)

Demand: New Jersey is the most densely populated state with farms in close proximity to major metropolitan areas. An enlightened portion of the public and high end chefs seek out local product for a variety of reasons: farm freshness, ripeness, and flavor, reducing carbon footprint, traceability for food safety concerns, supporting agriculture in the state, a connection with the farmers’ who produced it, etc. There is a supporting infrastructure in place to enable this system – Jersey Fresh promotional campaign, 131 local community farm markets, and web support helping consumers find desired agricultural products. (Mental note: the trend of buying local in our densely populated state means there is a huge demand, right?)

This supply and demand marketplace looks rational and balanced – so why do we need an extra five minutes if the economics of New Jersey agriculture is so simple? Well, pull up a chair and bring your mental notes along as we look at some behind the scenes realities of the markets for New Jersey produce.

Yes, there is a huge demand in the direct markets for Jersey Fresh produce. Direct marketing is a win-win situation for the grower and consumer. New Jersey consumers benefit from buying right from the grower and establishing a relationship with local farmers. Farmers selling direct to the public avoid costs that otherwise go to brokers. But here is where the smooth sailing starts entering choppy waters. Despite what we see as a surging buy-local movement, the reality is direct marketing is a small component of overall produce sales in New Jersey. According to USDA statistics, only 3.1% of New Jersey farm produce sales are direct marketed consumable foods (however perhaps due to under reporting, a figure of approximately 6% may be more realistic). That means approximately 94% of New Jersey’s produce sales are WHOLESALE.

Who are the wholesale buyers? These include supermarket chains, small food stores, independent and chain restaurants, corporate food suppliers and food services (supplying schools, hospitals, etc.). Fortunately for New Jersey, the New Jersey Department of Agriculture’s Jersey Fresh program has provided New Jersey supermarkets with a promotional mechanism to market Jersey produce – and New Jersey supermarkets actively use this program. Let’s face it – farm markets are

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great for those of us that have them in our community – but where do most consumers buy their produce? Supermarkets. Again – a win-win situation.

But what about the rest of the wholesale buyers that want to buy food product year round and sell it or serve it to consumers with year round consistency? These buyers often prefer product from a reliable year round source – and when they buy from the wholesale brokers, that product most likely comes from California or Florida as well as other agricultural states or imported products. Now the seas get choppier – in the wholesale market, Jersey Fresh produce is a little fish in a big sea. Little fish may get overlooked by buyers or may not get top dollar for their product. Little fish have to compete with the large fish (grower cooperatives in large states) that have more marketing tools at their disposal.

According to Rabin, “New Jersey growers depend solely on “fill-in spot market” prices in the hopes periodic shortages yield good prices. When markets are seasonally saturated, the industry no longer moves sufficient local produce at any price, let alone a reliable return. Much of New Jersey’s produce growing is no longer viewed as an industry; just hard-working farms losing access to the largest volume and most reliable produce distribution sales outlets.”

Peter Furey, Executive Director of New Jersey Farm Bureau, sums it up in a nutshell, “After recognizing all the risks that farmers face in production, the marketing risks that New Jersey farmers face actually overshadow the production risks”.

As we near the end of our ten minutes, we can ask are there any easy answers? The easiest answer is that New Jersey consumers need to keep doing what they are doing – demanding Jersey Fresh produce and voting with their dollars. Can we take it one step further – from our kitchens to our boardrooms or to our school cafeterias? When institutional policies are in place and the demand for a product goes up in the wholesale market, New Jersey products have better footing.

The wholesale markets operate upon the supply and demand principle. Buyers create the demand, but the sellers must also reliably meet the supply. New Jersey growers can benefit from independent and cooperative marketing strategies to improve their selling power.