

Central Texas Local Food Price Study 2017
Series I – Commonly Grown Vegetables
TexasLocalFood.org/price-study

Executive Summary

This report presents the findings of a fall 2017 project study of the prices required by buyers and sellers to increase consumption of Texas grown crops by Texas schools, hospitals, corporate cafeterias, and other institutions. Getting more fresh, healthy, locally grown vegetables into these institutions has the potential to improve the physical health of Texans and the economic health of farms and rural communities.

Development of robust, sustainable wholesale markets for locally grown vegetables requires prices that both provide profits to local farmers and fall within the budgets of wholesale buyers. The research team identified 12 vegetables that are commonly grown by Central Texas farms which seemed to have wholesale potential based on the team’s existing knowledge of regional markets. Both farms and wholesale buyers were asked to provide the upper and lower prices they receive seasonally for each of those vegetables at several volumes ranging from 1-10 pounds to more than 4,000 pounds.

Fifteen farmers and six buyers provided usable responses. With small sample sizes, caution should be used in interpreting and generalizing results. However, several clear themes emerge from the data. Farm respondents did not report seasonal variation in pricing, but buyers did report paying different prices in different seasons. Nor were there differences in pricing reported by certified organic and uncertified farms. Farms that were not certified reported using sustainable practices. Farm prices generally decreased and became less variable at high volumes.

Median upper and lower prices were compared for farmers and wholesale buyers. Three vegetables were identified as having high potential for institutional purchase: broccoli, summer squash, and cucumbers (see “Vegetable Summary” table). Five additional vegetables had medium potential: okra, bell peppers, eggplant, cabbage, and sweet potatoes. Three vegetables had low to no potential for the wholesale market: carrots, tomatoes, and red potatoes.

Results of this study provide general guidelines in considering which Central Texas vegetables might warrant further research regarding wholesale market potential. Study findings may help farms and buyers compare their individual prices to the range of prices reported here, particularly the range of prices over which farms and buyers might find a mutually acceptable price. These results may also inform discussions of strategies to bridge differences in real and perceived gaps between local farm and wholesale buyer prices.

HYPOTHESES	FINDINGS
Significant unmet wholesale demand exists for a variety of local sustainable agricultural food products in Central Texas.	Several buyers indicated an interest in purchasing more local vegetables. About half said they would be willing to pay slightly more for locally (grown) sourced foods if they had a reliable source. On the other hand, the median high price paid by buyers

	<p>was often lower than the median low price farmers reported receiving. Buyers' and farmers' ranges of median prices for okra, eggplant, and broccoli indicated strong potential for wholesale purchases of these vegetables. However, fewer buyers purchased okra and eggplant, limiting overall demand.</p>
<p>Existing Texas sustainable farmers' perception of wholesale demand (both price and volume) underestimates actual demand for those products.</p>	<p>Many farms at smaller acreages expressed a willingness to expand. These farms were currently not filling orders at institutional volumes, and smaller orders were filled at higher prices. Farms not currently selling at higher volumes reported higher prices at lower volumes as compared to farms with high-volume sales (particularly sales above 100 pounds). It is possible that these farmers could benefit from education about pricing differentials.</p>
<p>Existing Texas sustainable farmers' perception of the profitability of supplying wholesale demand is likely lower than reality.</p>	<p>Some advisors to the research team also noted that farmers may not understand that unsold produce in consumer markets reduces the effective price received while wholesale contracts may provide a more certain market.</p>
<p>Existing and potential wholesale buyers of food products for human consumption perceive excessive expense related to purchasing from local farms and ranches (price, logistics, ordering, billing, payment).</p>	<p>Wholesale buyers do, in fact, express concern about pricing. Schools in particular are price-sensitive due to requirements that cost be a foremost consideration in purchasing decisions. However, many buyers, including school buyers, were willing to pay more for vegetables processed into more convenient forms, such as diced bell peppers, carrot sticks, and broccoli florets to save labor costs. As previously noted, about half said they would be willing to pay slightly more for locally sourced (grown) foods if they had a reliable source. Some buyers also had logistics concerns that favored suppliers who could deliver all needed products in order to reduce the number of deliveries.</p>

Vegetable Summary¹

Vegetable	Buyer Median Upper Price (B)	Farm Median Lower Price (F)	Difference (B - F)	Comments	
				<p>Green – High potential for institutional purchase. Close price match for both farms and buyers. Demand appears sufficient to warrant further consideration.</p> <p>Orange – Medium potential for institutional purchase. Price match for farms & buyers has some challenge or limitation.</p> <p>Red – Low to no potential for institutional purchase.</p>	
Summer Squash	\$ 1.16	\$ 1.20	- \$ 0.04	Higher volumes above 50 lbs are required for price match; highest demand in spring when local availability highest.	Green
Okra	\$ 2.95	\$ 2.50	+ \$ 0.45	Price match is very good for farms; disadvantage is that demand is very low. No schools surveyed bought okra. May be worth further research.	Orange
Cucumbers	\$ 1.21	\$ 1.43	- \$ 0.22	Popular institutional vegetable. Higher volumes above 101 lbs required for price match. Demand is year-round, local supply strongest in spring.	Green
Carrots	\$ 1.08	\$ 1.61	- \$ 0.53	Very popular institutional vegetable but farmers will struggle to meet buyer price. Demand high for processed carrots.	Red
Bell Peppers	\$ 1.34	\$ 1.50	- \$ 0.16	Highest buyer price in winter when few grown locally.	Orange
Tomatoes	\$ 1.39	\$ 1.90	- \$ 0.51	Buyer prices consistently lower than farmer prices; strong price pressure from imports.	Red
Eggplant	\$ 2.40	\$ 1.75	+ \$ 0.65	Not currently popular among institutional buyers.	Orange
Lettuce (1 lb bag)				Insufficient data on washed lettuce.	
Cabbage	\$ 0.88	\$ 1.13	- \$ 0.25	Warrants further investigation; often bought by head not pound so data inconclusive.	Orange
Broccoli	\$ 2.14	\$ 1.65	+ \$ 0.49	Highest buyer price in winter; farmers grow full heads; schools want florets, which are labor intensive.	Green
Potatoes (red)	\$ 0.60	\$ 1.52	- \$ 0.91	Limited data; few farmers are growing; price pressure from imports is strong.	Red
Sweet Potatoes				Demand appears high, farm data inconclusive.	Orange

¹ Prices are per pound. Price varies with quantity; larger orders bring lower prices.