

Research Summary

Measuring small-scale farm success: a Florida study

Project title: The persistence of Florida's small-scale organic farms

Questions arise as we look at the persistence of small organic farms in the midst of organic market growth: What are the most important market conditions that enable small-scale organic farms to persist? And what are the characteristics that explain the success or lack of success of small organic farms?

This study addressed these questions among Florida organic producers in the context of the state's unique organic production conditions. Florida is the only major producer east of the Mississippi on the national fresh produce chain.

A multi-method approach was used to collect farm success data, including semi-structured interviews with 32 of Florida's 75 certified organic producers, market chain analysis of market "players" including packers, processors, distributors and retailers, and the collection and analysis of organic market data provided by USDA's Economic Research Service and the Organic Trade Association. Study results are summarized in Table 1.

Characteristics of successful farms

Successful farms participating in this study shared several characteristics regardless of the amount of acres in production or the time farming as certified organic farmers. Each had a dominant share of their market, which was accomplished by providing quality product in a timely manner. Also important were the development of business contracts and social contracts between farmer and buyer—a relationship that develops slowly and requires a significant amount of give and take on the part of the farmer to supply needed quality product, and of the buyer to continuously pay a fair price. As

exemplified by several formerly successful farms, this type of social relationship becomes more difficult to develop and sustain as the grower puts more acreage into production; the grower and buyer often are at odds with how much one can supply and the other can demand.

Another common characteristic of successful farms was the ability to monitor and control costs, especially of off-farm inputs. As the successful farmers noted, one of the benefits of organic farming is the potential independence from considerable amounts of off-farm inputs. This is where successful farms stand out—they first rely on farm-generated inputs, and then defer to off-farm inputs. However, successful farms citing this strategy also claimed that regardless of significant cost-cutting, they were still concerned about competition and lower prices undercutting their bottom line.

Characteristics of struggling farms

A prominent characteristic of struggling farms was the inability to adequately access the organic market. Even if a farm had solid access to one market outlet for one year, the next year this same outlet could become unreliable. These farms had little market diversification; they relied on one or two major outlets to sell their product. When these outlets were unable to purchase the farmer's product, the farmer was forced to lose their crop that year, or sell it at conventional prices. Because the majority of struggling farms in this study were small scale, they

were generally unable to access a variety of market outlets such as distributors, processors, or even direct-retail outlets.

More than half of the struggling farms experienced difficulty with competition from "naturally grown" or "grown organically" product claims, which according to the farmers in this study are labels that mislead the public and make "certified organic" seem less valuable or reliable.

Overall, these farms faced stiff competition from both wholesale and direct-retail competitors, thus greatly inhibiting their entrance or continued presence in the organic market.

The final characteristic common to struggling farms was the dominant reliance on input-substitution practices and the subsequent vulnerability to fluctuations in price and availability of such inputs. The majority of these farms had been long-term conventional farmers recently entering the organic market for the price premium. Initially, the perceived 'niche' opportunity seemed to outweigh the increased costs of input-substitution production. Taken as a whole, relying on an input-substitution approach to organic farming is a major contributing factor to farmers' low success rate. ■

Table 1. Characteristics of successful and struggling farms.

CHARACTERISTIC	SUCCESSFUL FARMS	STRUGGLING FARMS
Business strategy	Relies on 'social contract'	Has no 'social contract'
Off-farm inputs	Minimizes inputs	Uses inputs regularly
Access to market	Diversifies sales outlets	One or two outlets
Years farming organic vs. conventional	More time organic	More time conventional
Type of crop	'High end edibles'	Mono crops (i.e. citrus)
Size of farm (acres)	< 5 acres or >100 acres	10 to 100 acres
Principle market strategy	Direct-retail	Wholesale

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