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REFEREED PAPER

THE ORIGINS, OPERATION AND FUTURE OF FARMERS' MARKETS IN SCOTLAND

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There have been a number of changes in UK food marketing recently, one of which has been the growth in the number of "farmers' markets" (FMs). While the sector has grown rapidly, it faces a range of challenges, including: retaining critical mass; maintaining the FM brand; managing costs; improving co-ordination. Despite these challenges, it is argued that FMs can continue to benefit farming, while providing a range of wider social benefits.

Keywords Farmers' markets, food marketing, rural development, Scotland

Background

There have been a number of changes in UK food marketing recently, one of which has been the growth in the number of "farmers' markets" (FMs). The Scottish Association of Farmers' Markets defines a FM as:

> *"a market in which farmers, growers and producers from throughout Scotland sell their produce direct to the public. All foods/products sold should have been grown, reared, caught, brewed, pickled, baked, smoked, or made/prepared by the producer."*
> *(http://www.scottishfarmersmarkets.co.uk/, accessed 9/7/07).*

This is subtly - but significantly - different from the definition used by FARMA in England and Wales:

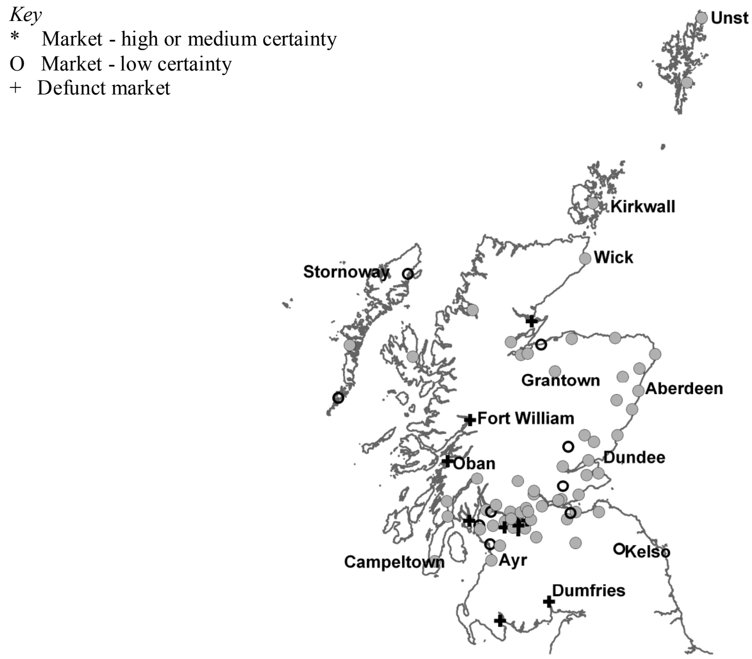
> *"A farmers' market is a market in which farmers, growers or producers from a defined local area are present in person to sell their own produce, direct to the public. All products sold should have been grown, reared, caught, brewed, pickled, baked, smoked or processed by the stallholder." http://www.farmersmarkets.net , accessed 9/7/07).*

The growth of FMs was welcomed in the *Forward Strategy for Scottish Agriculture* (Scottish Executive 2001, p14), which noted:

> *"The 24 regular farmers' markets in Scotland have been an example of where farmers can listen to consumers' needs and gain valuable experience in direct marketing. They also help Scottish consumers understand the reality of today's farming industry – rebuilding links between local producers and consumers which have been lost"*

The first farmers' market in Scotland was set up in 1999. Prior to this, 147 markets had been established in England and Wales between 1997 and 1999. The number of markets has grown rapidly, and by July 2006 there were approximately 65 operating throughout Scotland (see Figure 1). These range in location from Shetland in the North to Campbeltown in the South, and from Barra in the west to Peterhead in the East.

Figure1. Farmers' markets operating in Scotland in 2006. The symbols indicate the level of confidence that the market is currently operating.



The size and frequency of these markets varies from regular markets such as Wick or Edinburgh, which occur every week or fortnight, to occasional markets such as those held in Pollok Country Park in Glasgow, which happen a couple of times each year. A database of FMs is maintained by the Scottish Association of Farmers' Markets website *http://www.scottishfarmersmarkets.net*.

To date, there have been few studies of the supply-side of FMs in Scotland. In order to better understand FMs, it was decided to investigate them from the perspective of market managers and stallholders.

Methodology

This paper is based primarily upon the findings of two questionnaire surveys: a survey of market managers carried out in July 2005 and a survey of stallholders carried out in May 2006. The survey findings were interpreted in light of informal contact with FM stakeholders and observation of the sector over 3 years. Copies of the questionnaires used can be found in the Appendices.

The Market Managers' Questionnaire

A short 15-item questionnaire was designed, in order to collect data on the management of farmers' markets, (i.e. their age, size, location, frequency, producers attending, management structure and policies) and managers' perceptions of their market's strengths and weaknesses. It consisted of a series of closed and open-ended questions divided into three sections: "Market origin"; "Market operation and management"; "The way ahead for farmers' markets". After being reviewed by SAC staff and approved by Scottish Executive Environment and Rural Affairs Department (SEERAD) survey control, the questionnaire was sent out (by e-mail and/or by post) to all market managers. Identifying the markets currently operating and a market manager was complicated by lack of up to date information. Various sources were used to identify markets, such as: published literature (e.g. The List (2004), Paul (2004)); websites (notably the websites of the Scottish Association of Farmers' Markets, Aberdeenshire Council and The Foody); and direct contact with local authorities and the enterprise network. Overall 28 out the 63 questionnaires sent out were completed and returned, representing a response rate of 44%. Completed questionnaires were returned from a wide geographical spread of markets representing a variety of area types, i.e. urban, accessible rural, remote (mainland) rural and island. However, relatively few responses were received from markets in the north and northwest.

The Stallholders' Questionnaire

A short 16-item questionnaire was designed, in order to collect data on stallholders' patterns of participation and their perceptions of, and attitudes towards, key issues. It consisted of a series of closed and open-ended questions divided into two sections: "Information about your attendance at farmers' markets"; "Your views on farmers' markets". After being reviewed by SAC staff and approved by SEERAD survey control, the questionnaire was sent to 267 stallholders. It has been estimated that there are between 300 and

Table 1. Stallholders per 1000 holdings in the stallholders' survey

	Initial database	*Total sample*	*Respondents*
North West	0.20	2.51	0.49
North East	0.35	3.94	1.16
South West	6.02	6.02	1.36
South East	11.49	11.49	2.14

500 producers selling at farmers' markets in Scotland (Watson 2004a). The sample therefore represents between 53% and 89% of the stallholders attending Scottish farmers' markets. 67 completed questionnaires were returned, equivalent to a response rate of 25%. Most questionnaires were posted (189) or e-mailed (31) direct to stallholders, however 32 were distributed by market managers and 15 were handed out by researchers at Inverness FM. This hybrid approach to distributing the questionnaires was the result of attempts to make the sample more representative. The initial (postal) database contained a small proportion of stallholders in the North West and North East (see Table 1). In order to achieve a more even geographical coverage, the e-mail addresses of stallholders in the North East were obtained via an internet search, and questionnaires were distributed at selected markets

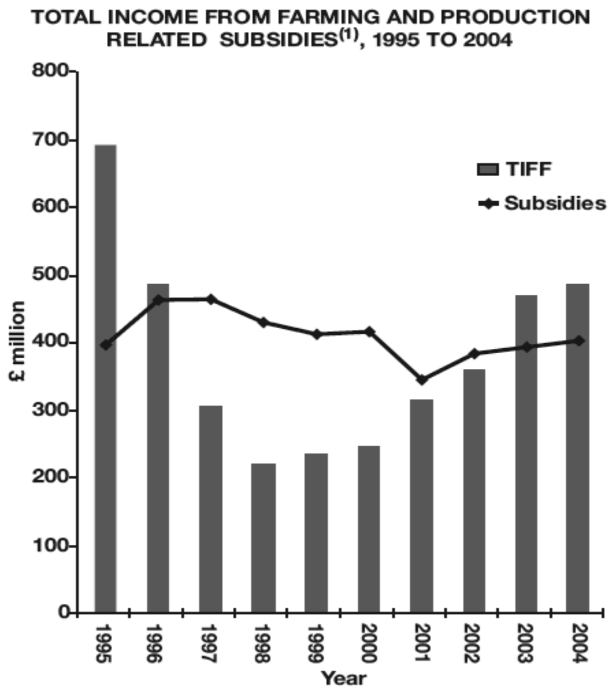
(Shetland, Orkney, Inverness and Ullapool) in the North West and North East.

Results

Market Origins – who and why

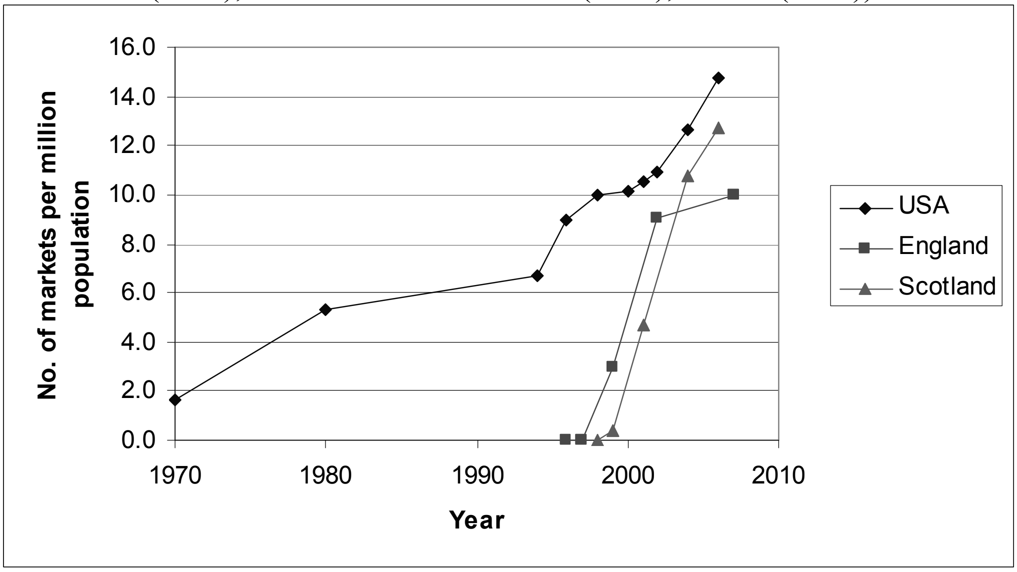
It has been argued that the growth in FMs in the UK has been driven by 3 main forces: (a) Local Agenda 21; (b) changes to the agricultural support system; (c) consumer demand (Latacz-Lohmann and Laughton 2000). While different markets have been set up for different reasons, a range of factors (BSE; low commodity prices; a strong £) led to a dramatic drop in farm incomes in Scotland in the late 1990s (see Figure 2). This crisis in farm incomes combined with dissatisfaction with other routes to market to create the feeling, according to one farmers' market founder, that "We had nothing to lose" (Mitchell 2004).

Figure 2. Total income from farming in Scotland (Source: SEERAD



The growth in the number of FMs in Scotland, England and the USA is shown in Figure 3. The number of markets has grown rapidly in Scotland and England since the mid-late 90s. Despite having a much longer history, the number of FMs in the USA has shown a similarly marked increase during this period. While the number of markets in the USA and Scotland still appear to be increasing rapidly, Figure 3 suggests that the number of markets is levelling out in England. In fact the curve for England bears a superficial resemblance to the S-curve shape that new products theoretically follow as initial slow market growth during early adoption is followed by rapid growth during mass application and finally a gradual slowing in growth is followed by stagnation

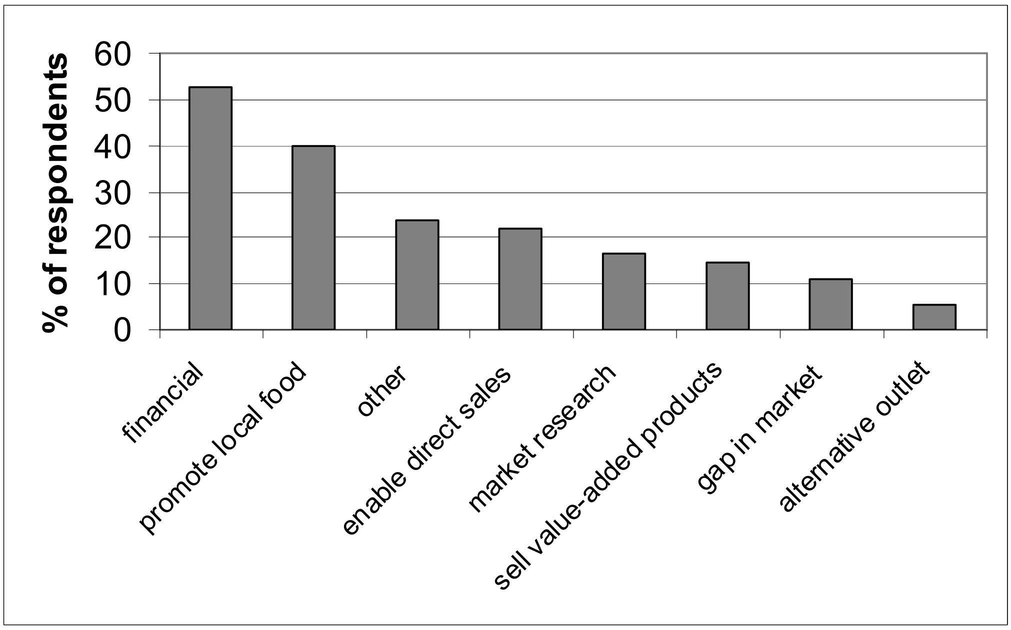
Figure 3. Growth in the number of Farmers' Markets in Scotland, England and the USA (Based on data cited in the following sources: Festing (1998); Latacz-Lohmann and Laughton (2000); Scottish Executive (2001); Brown (2002); National Farmers' Union (2003); USDA (2007))



as the market becomes saturated. It should be noted that the number of markets does not necessarily reflect the size of the sector. Scotland has a lot of small rural markets, while England is highly urbanised and is likely to have bigger markets. Judging changes in the size of the sector in terms of market numbers can be misleading. For example, in 2005 Edinburgh FM went from being fortnightly to weekly. This represented a significant increase in the size of the FM sector in Scotland, yet is not reflected in the graph. It may be that we reach a phase where the overall number of markets is stable, but the overall size of the sector continues to expand through increasing product ranges, stall numbers, opening hours, stall turnover etc.

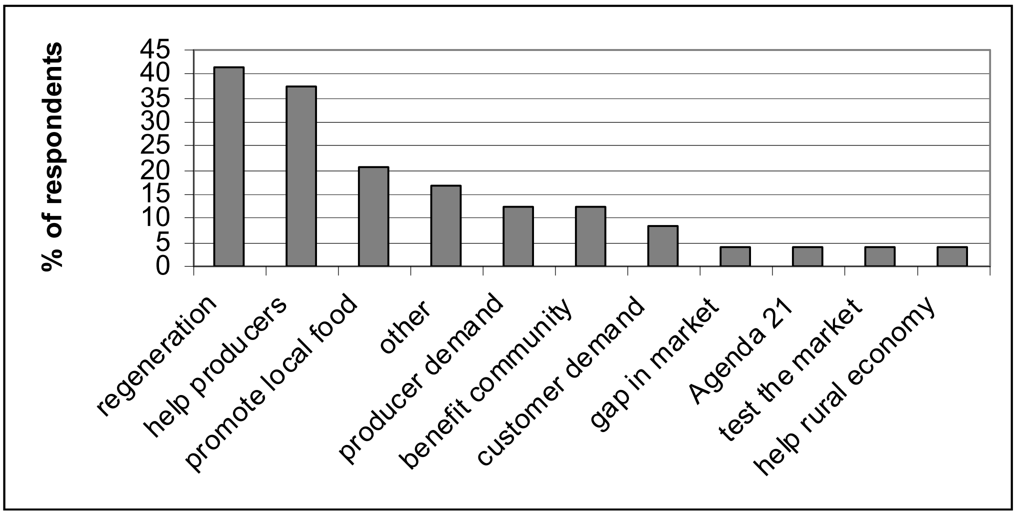
In order to explore stallholders' motivations for participating in FMs, they were asked the question "What were the main reasons you decided to start selling at farmers' markets?" – their responses are shown in Figure 4. Perhaps unsurprisingly, financial reasons were the most common motivation for starting selling at farmers' markets. However, many respondents also mentioned a desire to promote local food. These results are similar to those of Latacz-Lohmann and Laughton (2000), who found that a desire to support local farmers' markers and a need to increase sales were the two most common reasons for initial attendance at FMs in Somerset. It should be noted that FMs are not a practical or attractive route to market for all farmers. Latacz-Lohmann and Laughton (2000) cited the main reasons for farmers' not attending FMs as being: unsuitable produce (lack of added value); not being equipped to sell at FMs (e.g. lack of know-how); volume of sales at FMs too small; lack of time. However, Verhaegen and Van Huylenbroeck (2001, p453) have argued that "co-operation between farmers can overcome the problems that inhibit farmers from developing a direct selling activity".

Figure 4. Stallholders' reasons for starting selling at farmers' markets



The responses to the market managers' survey showed that markets have

Figure 5. Reasons for establishing a farmers' market cited by market managers



been set up for a wide variety of reasons (see Figure 5). Interestingly, the most commonly cited reason was "to promote the area/regenerate the town centre". This may reflect the fact that local authorities were involved in the setting up of 35% of markets. The results demonstrate the wider social role that farmers' markets can play beyond simple market exchange. They have, or at least are perceived to have, the ability to promote and regenerate areas, benefit the local community and the rural economy, and even help meet Agenda 21 objectives. However, Festing (1998, p39) has noted that while claims of FM-induced regeneration are common "statistical evidence to support these claims is limited". Nevertheless, a recent report on behalf of the London Development Agency concluded that:

> *"street markets and farmers' markets can play very significant roles in tackling food poverty, promoting stronger communities and increasing the impacts of regeneration across London" (Taylor et al 2005, p54).*

This more complex, multifunctional role means that it can be difficult to balance the competing demands that different stakeholders place on farmers' markets. For example, the managers of Edinburgh Farmers' Market (Edinburgh City Centre Management Company) attempted to move the market to a nearby site in the Grassmarket in 2004 as they believed that this would help to develop the Grassmarket area. However, the move was resisted by many stallholders who considered the new site inferior (e.g. in terms of access and parking) to their existing location.

On the demand side, farmers' markets have successfully responded to consumer demand for a shopping experience that provides, amongst other things:

- Particular product attributes, e.g. freshness, quality, localness, traceability;
- An opportunity to meet producers;
- An opportunity to support rural areas;

Research by the Scottish Food Advisory Council (2002) revealed that while 72% of farmers' market shoppers bought there because of the quality of the products, the second most common reason, cited by 31% of shoppers, was to "support local farmers". Clearly farmers' markets are about more than simply obtaining certain types of product.

The nature of farmers' markets in Scotland

According to the markets managers' survey, the typical FM in Scotland has 17 stalls, occurs once a month, more often than not on a Saturday, and lasts for about 4 or 5 hours. The products sold are predominantly local foods though there are exceptions to this; craft products such as candles and food from >100 miles away are sold at some markets. On average a stallholder will have turnover of about £500 during a market. However, when discussing the average or typical FM, it is important not to lose sight of the amount of variation between markets and stalls; diversity is one of the defining characteristics of the sector. For a start, the size of FMs can be anything from 120 "stallhours" (for a market with 10 stallholders, open for four hours three times a year) to >8000 "stallhours" (for a market with 40 stallholders, open 40 times a year for 5 hours). In other words, the largest FM is likely to have a turnover 50-100 times that of the smallest.

There are also some important differences between types of stalls. Average turnover per stall per market ranges from £200 (e.g. small cheese stalls) to £2000 (soft fruit in summer) (Wilkinson 2004). The turnover for the same stall at the same market can also vary considerably depending on factors such as the weather and time of year. The stallholders' survey indicated that most (69%) stalls have average turnovers per market of between £200-800. The survey also found that the importance of the income from FMs varies a great deal between stallholders: it can represent from <5% to >80% of the total farm business turnover. For 40% of the stallholders, FM sales represent <10% of total turnover, while for 15% it represents >70% of total turnover. This is a potential source of tensions as a business that receives <10% of turnover from FMs is likely to view them differently to one that receives >70%.

Table 2. The % of FM's selling a given product

Product	*%*	*Product*	*%*
Beef	100	Organic products	75
Vegetables	96	Fruit	75
Home baking	96	Honey	72
Preserves	92	Craft products	72
Plants & flowers	92	Confectionery	64
Eggs	92	Soft drinks	56
Lamb & mutton	88	Chicken	52
Game & venison	88	Ready-made meals (non-vegetarian)	42
Cheese	88	Ostrich	42
Pork and bacon	84	Ready made meals (vegetarian)	38
Fish & seafood	84	Alcoholic drinks	38

The % of markets selling given products are shown in Table 2. All markets sell beef, reflecting the importance of beef sales to the success of FMs. Other foods like vegetables, bakery products, eggs and cheese are also sold by most markets. One exception is chicken, which is only sold by half the markets, and was the product most commonly considered to be in short supply by market managers (61% of managers thought their market was lacking certain products). This may be due to the structure of the poultry industry in Scotland, in which there are few small scale producers. Finally, it is perhaps surprising that ready-made meals are available at fewer than half the markets, given the increasing popularity of processed foods amongst consumers, and the opportunity to add value that ready-made meals represent.

Around ten FMs have ceased operating permanently; for example, markets

Table 3. Factors required for a successful farmers' market (% is the number of respondents citing the factor)

Market managers	*%*	*Stallholders*	*%*
Location/layout/parking	65	Site	52
Produce variety	61	Stall mix	51
Commitment (public and stallholders)	39	Produce quality	40
Consistency	30	Marketing	32
Produce quality	30	Management	21
Marketing	22	Demand	14
Buzz	17	Teamwork/commitment	13
Increasing/returning customers	13	Support	13
Public - vendor interaction	13	Stallholders' skill	11
High standards	13	Appearance	10
Committed quality producers	13	Buzz	10
Institutional support	13	Consistency	6
Management/leadership	13	Frequency	6
Informed friendly stallholders	13	Weather	5
Reputation and profile	9	Critical mass	3
Customer service	9	Low rent	3
Attractive stalls	9	Timing	2
Keeping the market interesting	9		
Demand	4		
Complements other local activities	4		
Financially viable for stallholders	4		
Focus on local regional produce	4		

in East Kilbride, Rutherglen and Hamilton ceased trading in 2002 after a spiral of decreasing customers and stallholders led to them becoming unviable. Inadequate sites led to the demise of East Kilbride (Civic Centre) and Rutherglen, however Hamilton (New Town Square) is thought to have failed despite having an ideal site. Successful markets require a mixture of attributes. Table 3 lists the success factors identified by stallholders and market managers. While there is a wide range of potentially important attributes, certain factors such as location, produce mix, produce quality and commitment were cited frequently by both managers and stallholders.

Market Management

Good management was commonly cited (by 21% of stallholders) as an important requirement for a successful market. As one respondent put it:

> *"Good management of a market is paramount whether it be run by stallholders themselves or by somebody employed by them. They need to be*

able to sort out any disagreements, be fair to all and maintain any rules…the quickest way to bring a market down is disquiet amongst stallholders"

Table 4. Actual management and stallholders' preferred forms of management

Type of market management	*Actual management (from managers qn)*	*Stallholders' preferred form of management*
	% of markets	% of stallholders
Managed by volunteer(s)	29	24
Managed by a commercial operator	18	10
Managed by a govt body/ agency*	14	20
Managed by a producers' coop	46	74
Other	7	0

* e.g. local authority, city centre management company, local enterprise company

The majority of stallholders (74%) cited management by a producers' cooperative as their preferred form of management. This is also the most common type of management at present (see Table 4). Watson (2004b) has argued that markets managed by producer cooperatives tend to be the strongest as they encourage business development and avoid some of the disadvantages of other forms of management, e.g.: risk of burnout (management by volunteers); lack of producer control (management by a commercial operator); conflicting agendas (management by a Government body).

Size of the Sector

There is a degree of uncertainty regarding the size of the farmers' markets sector in the UK. A survey carried out in 2002 by the National Farmers' Union (2003) estimated the annual turnover of the 450 FMs in England and Wales to be approximately £166m, having increased from £65m in 2000. Farma research has estimated that the annual turnover for the whole UK was £120 million in 2003 (Derbyshire 2004). The annual turnover in Scotland was estimated to be £20 million in 2004 (Scott, quoted in Buglass 2004). Unfortunately, few studies set out the methodology employed and assumptions used, making it impossible to check the estimates. There also appears to be a lack of robust data on FMs in the USA, where Brown (2002, p168) has noted that "the weaknesses of much of the quantitative literature on farmers' markets cannot be ignored". In light of the uncertainty regarding turnover, one of the main aims of the surveys was to provide an empirically-sound estimate of the sector size.

Managers and stallholders were asked to estimate the daily turnover of their market or stall. This data was used to calculate the total annual turnover for all responding markets and the average turnover per stallholder per hour (£90.03 – £99.50). In order to calculate the turnover of non-responding markets, the annual number of stallholder hours for each market was estimated using reported data on market frequency of occurrence, duration and number of stalls (based on The List (2004); Paul (2004); The Scottish Association of Farmers' Markets website http://www.scottishfarmersmarkets.co.uk/). The averages from the survey were used where no reported data was available. The

Table 5. Estimated turnover of the farmers' markets sector in Scotland.

	Turnover(£)
Total annual turnover for respondents (22 markets)*	2,404,000
Total annual turnover for non-respondents (40 markets)	4,227,000
Total annual turnover for all markets	6,630,000 – 7,077,000
Mean annual turnover per market	109,000 – 116,000

**note that 62, rather than 65, were known to operating at the time of the survey*

annual number of stallholder hours was then multiplied by the average turnover per stallholder per hour (see Table 5).

Table 6 compares the turnover of FMs with other key sectors. Clearly, FMs account for a small share of food retail sales. However FMs are also a

Table 6. Comparison of the turnover in selected food retail sectors

Sector	*Turnover (£m)*	*Source*
Scottish farmers' markets	6.6 – 7.1	This study
UK farmers' markets	120	Derbyshire 2004
UK farm shops	1500	Derbyshire 2004
UK food and non-alcoholic drink expenditure in large supermarket chains	43,200	National Statistics 2004, p130

rapidly growing sector and the small market share could be seen as an opportunity. Most people don't shop at FMs, and most food is bought somewhere other than FMs, which suggests that there are many potential customers and considerable scope for growth. Evidence indicates that while up to 1 in 3 people in the UK may have shopped at a FM at some point during the previous 12 months (Farma research reported in Derbyshire 2004) only 7% of the Main Grocery Shoppers in Scotland used a farm shop or FM in a typical month (Market Research UK Ltd 2003).

Table 7. Examples of the potential benefits of FMs reported in recent sources

Source	*Benefits to producers*	*Benefits to consumers*	*Benefits to the wider community and environment*
Delow, E and Couzens, C. (2003)	1. Encouragement of skills transfer. 2. Increasing social contact. 3. Greater co-operation between businesses.	1. Improved access to nutritious food. 2. Increasing social contact.	1. Employment opportunities. 2. Support for local services. 3. Retention of money in local economy. 4. Supporting local retailers. 5. Increased understanding of food, environment and health. 6. Increased community involvement. 7. Encouraging more environmentally-friendly production systems. 8. Reduction in food miles. 9. Enhancing the viability of traditional farming systems. 10. Conservation.
Whitty (2001)	1. Obtain full retail price. 2. Reduce packaging and transport costs. 3. Product feedback.	1. Product info. 2. Demonstrate support for local producers.	1. Revitalised urban centres. 2. Employment opportunities. 3. Increased local trade. 4. Encourage diversification.
Govindasamy *et al* (1998)	1. Higher prices, lower overheads. 2. Increase customer base. 3. Customer contact		
Abel *et al* (1999)	1. Additional income. 2. Establish links between consumers and producers.	1. Obtain fresh produce.	1. Aid community development.
SAC (2000) p10	1. Improved market access. 2. Increased profit margins 3. Product feedback	1. Fresh produce. 2. Increased knowledge. 3. QA and traceability. 4. Health benefits	1. Less packaging. 2. Less transportation.
Scott (2004)	1. "Helped to develop an entrepreneurial spirit in rural areas".		1. "Helped to develop an entrepreneurial spirit in rural areas".
Martin, N (2004)	1. Cheap marketing. 2. Product feedback. 3. Networking. 4. Social event.		1. Trade increases in certain retailers when the FM is on.

Benefits

It has been argued that FMs can provide a range of benefits to producers, consumers and the wider community and environment. Table 7 gives examples of some of the benefits that have been attributed to FMs in recent studies and comments.

The stallholders' survey asked respondents to list what they considered to be the main benefits they received through their attendance at FMs (see Figure 6). By far the three most common benefits were:

- Advertising/promotion

Figure 6. Main benefits to stallholders of attending FMs.

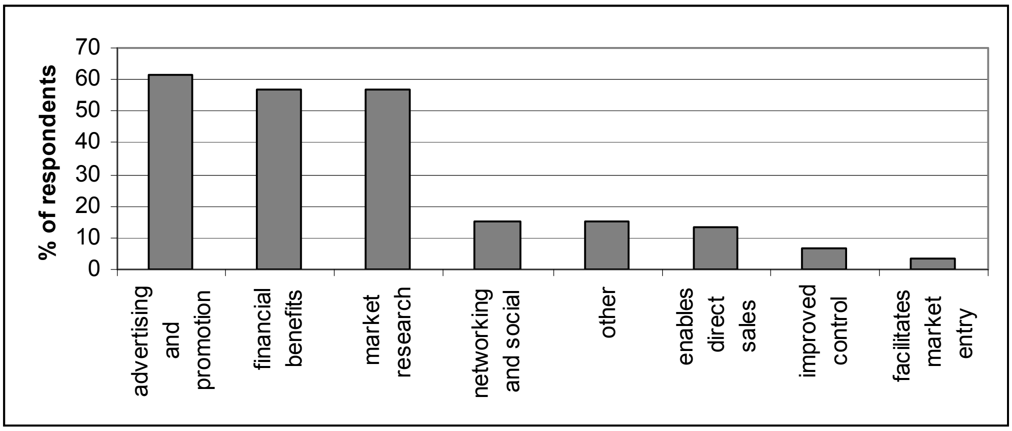


Table 8. The route to market that FM sales would take in the absence of FMs (% of respondents citing as the alternative to FM)

Alternative route to market	*%*
Stallholder-owned retail outlet (e.g. farm shop, deli, butchers)	56
Independent retailer	45
Wholesaler	33
Foodservice company (including restaurants, catering suppliers)	31
Home delivery (e.g. internet sales, mail order, box schemes)	30
Supermarket	13
Food processor	8
Producer marketing group	5
Private sale to another farmer	5
Nowhere – sales would not happen	5
Other	3
Livestock mart	3
Events (e.g. fairs and shows)	3
Pick your own	2

- Market research/product feedback
- Financial benefits, e.g. greater margins, lower overheads, increased sales.

A minority of respondents also cited the opportunity for networking and social contact as one of the main benefits. These results are broadly consistent with the findings reported in Table 7. Various other benefits were cited, such as:

- Personal satisfaction
- Control of the entire (food production and marketing) process
- Resisting supermarkets
- Brings the next generation into the business

It should be noted that the actual benefits of FMs (to producers, consumers or society in general) depend on what they are displacing, i.e. the net cost/benefit of £1 spent at a FM instead of a supermarket is likely to be different from the net cost/benefit of £1 spent at a FM instead of a family bakers. This is because different routes to market have different costs and benefits. For example, *relative* to family bakers, supermarket bakeries have the advantage that they are more convenient in terms of their longer opening hours but have the disadvantage (in terms of sustaining the local economy) that they will have a smaller multiplier. The point is that the costs and benefits of any route to market need to be measured *relative* to what they are *displacing*, rather than in absolute terms.

In order to get some idea of what FMs are displacing, stallholders were asked who they would sell their produce if they weren't attending FMs. The

Table 9. Percentage of respondents citing threats to the success of FMs

Managers		*Stallholders*	
Threat	*%*	*Threat*	*%*
Lack of stallholders	35	Bureaucracy/legislation	26
Competition from other markets	30	Poor product/stallholder integrity	24
Increasing costs	22	Competition	20
Volunteer fatigue	17	Consumer fatigue	16
Lack of customers	17	Brand dilution	16
Site related problems	17	Bad publicity	16
Other	13	Other	16
Economic downturn	13	Lack of stallholders/product variety	14
Bureaucracy/legislation	9	Costs	12
Poor PR of farming	9	Poor management	10
Local shops hostility	9	Oversupply of markets	10
Parking	4	Lack of Government support	6
Food scare	4	Poor marketing	6
		Complacency	6
		Financial viability	6
		Stallholder fatigue	4
		Economic downturn	2
		Loss of producer control	2
		Lack of innovation/freshness	2

results (see Table 8) raise some interesting questions about displacement and the net benefits of FMs. For example, what is the additional benefit (e.g. in terms of increasing access to fresh produce) that FMs provide relative to stallholder-owned retail, which they most commonly displace? Perhaps it could be argued that FMs reach a wider range of consumers, such those without access to cars, than farm shops. However, such assumptions lack an empirical basis and merely highlight the need for further study of the effects of displacement.

Threats

When asked if they felt that there were any threats to the success of *their* markets (managers) or farmers' markets *in general* (stallholders) the results were virtually identical; 88% of managers and 89% of stallholders said yes. However, the perceived threats were quite different (see Table 9). Bureaucracy/legislation was the most commonly cited threat by stallholders. This may reflect the ongoing debate regarding the influence that regulation, and EU-derived legislation in particular, has on the performance of Scottish agriculture. Concern has recently been expressed that the cumulative burden of (EU) legislation in Scotland is "wearing farmers down more than low prices" (Maxwell 2006). However, the extent to which the perceived regulatory burden is reflected in the actual burden is open to question (MacLeod and Bevan 2007). Managers also cited bureaucracy/legislation as a threat, but to a lesser extent. Poor product/stallholder integrity (e.g. misuse of terms such as "organic" and inappropriate trading practices) were cited by one in four stallholders. This does not necessarily mean that products lacking integrity are commonplace, rather that product and stallholder integrity were key to the FM brand, and people are therefore sensitive about preserving them.

Competition was ranked highly in both surveys; however market managers were concerned specifically about competition from other FMs, rather than just competition in general. Concern about competition is understandable, and probably healthy, given the competitive character of the food retailing sector. Guthrie *et al* (2006) reported that the level of competition from other markets was a critical determinant of the success of FMs in New Zealand; trade has decreased at Havelock North Farmers' Market, which has come under pressure after the establishment of new farmers' and craft markets.

Lack of stallholders was the threat most commonly cited by market managers. The rapid expansion of the sector means that the demand for stallholders has outstripped supply in some cases. FMs are one of a range of routes to market, and will be more suitable for some producers than others. Even for those producers who fit the bill, FMs are rarely an easy option. For many they offer a modest profit in return for a day's work. For those involved in the organization of the market, the commitment extends beyond market day. Volunteer fatigue was seen as a threat by several market managers, reflecting the importance of the work undertaken by volunteers to the success of some FMs. This unpaid work represents an avoided cost to the FM. Verhaegen and Van Huylenbroeck (2001, p454) have argued that FMs need to have contingency plans so that they can remain viable without volunteer support; those that fail to do this expose themselves to:

> *"difficulties or even failure of initiatives. A good historic example would be the many Farmer' Markets which started up in the 1980's but disappeared after the pioneers started to withdraw from participation".*

Interestingly, an economic downturn was not seen as a threat by many managers or stallholders. This implies that they were either relaxed about the effect that a recession would have on demand (i.e. that demand for FM's was income inelastic), or did not think a recession likely. It could be argued that the fact that a food scare was not seen as a threat illustrates why survey results need to be interpreted carefully. Surveys are only snapshots of a particular moment, and can produce quite different results at different times. For example, if these surveys were repeated in the aftermath of an *E.coli* incident or avian flu outbreak it is unlikely that food scare would be mentioned by so few people.

Discussion: Emerging challenges for farmers' markets

The survey results, combined with observation of the sector and informal contact with FM stakeholders, have highlighted emerging challenges for FMs in Scotland. These are discussed below.

1. Retaining critical mass

Lack of stallholders was frequently cited by market managers and stallholders as a threat to success. If a critical mass of stalls and product types is not achieved, a spiral of dwindling footfall leading to reduced stall turnover and declining stall numbers can be set in motion. The results of the managers' survey revealed that several markets are at, or near, the minimum number of stalls required to remain viable. Most have room for extra stalls, however expansion needs to be handled carefully in order to avoid adverse impacts on the overall stall mix or the turnover per stall. The importance of this issue is highlighted by the fact that having a balanced variety of produce was one of the most commonly cited factors required for a successful market by both market managers (65%) and stallholders (40%).

2. Maintaining the brand

Maintaining the integrity of the F M brand presents problems as there is no copyright on the term "farmers' market". This means that anyone can set up a market and call it a "farmers' market" without any accreditation (unless they are a member of SAFM) beyond meeting statutory requirements such as health and safety standards. The brand is also under some pressure in light of the adoption of regional/local branding by supermarkets and food companies. For example, Heinz recently brought out a range of "Farmers' Market" branded soups "intended to capitalise on consumers' move towards more adventurous and authentic products" (Hickman 2007). Such initiatives underline the challenge FMs face in differentiating themselves. In light of this, shopping at a farmers' market needs to be about more than the purchase of local food, and part of the challenge is keeping the farmers' market shopping experience interesting. As Festing (1998 p49) concluded after studying FMs in the USA:

> *"Perhaps the most important message, is that establishing a farmers' market is not simply a matter of putting a few farmers in a town centre. US farmers' markets work because they are seen by consumers as something special"*

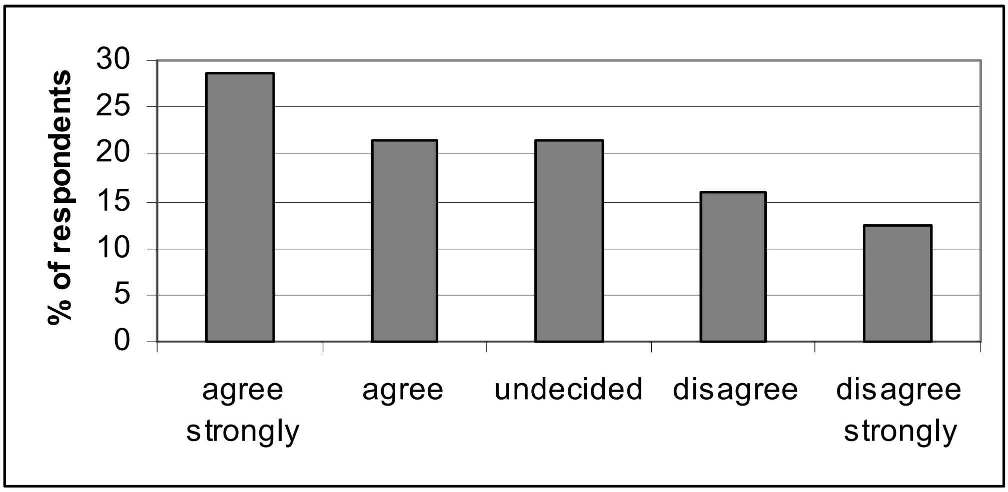
3. Costs

The cost of producing food in Scotland is likely to rise significantly in the coming years as the prices of key inputs such as fuel and feed rise in response to changing market conditions. Further cost increases may come from more stringent regulation (for example in terms of pollution control and animal welfare). The effects of these increases are difficult to predict and will depend on the extent to which producers are affected by increasing costs, and their ability to pass the costs on. It is possible that FM customers are less price-sensitive, and will therefore provide greater scope for absorbing cost increases than other routes to market. Nevertheless, increasing costs were seen as a threat by both managers and stallholders (see Table 9). One area of concern is the increasing cost of meat processing, which is a potential problem as meat sales are seen as crucial to the success of farmers' markets. As Jim Fairlie, the founder of Perth Farmers' Market noted "We (Perth farmers' market) tried to hold meat-free markets during foot and mouth disease, but they were shambolic, rubbish" (Fairlie 2005).

4. Co-ordination and key decisions

The independence and diversity of farmers' markets are important strengths, however, they can also make a co-ordinated approach to the promotion of the sector difficult. The diversity of the markets is reflected in the attitudes of stallholders to some form of accreditation for farmers' markets. When asked if they thought that FMs should be accredited by a body such as Farma or SAFM, half of the stallholders were undecided or opposed (see Figure 7). To date, FMs have grown in a largely bottom-up, *ad hoc* fashion, however, there is evidence

Figure 7. Stallholders' responses to the statement: "Farmers' markets should be accredited by an organisation such as SAFM or Farma"



that key decisions regarding the development strategy for farmers' markets in Scotland may need to be made in the short to medium term.

Example - produce type and provenance

There is currently a debate amongst farmers' market stakeholders regarding the types of produce that should be eligible for sale. Some have argued that, in order to retain the integrity of the farmers' market brand, the items for sale should be limited to food products produced locally and/or by the vendor. Others have argued that providing a certain amount of non-food and non-local items enables farmers' markets to innovate and meet emerging customer demands, which they see as essential to the survival and growth of farmers' markets. Figures 8 and 9 show that while most stallholders disagree

Figure 8. Stallholders' responses to the statement: "Farmers' markets should only sell products sourced locally (i.e. within 50 miles)"

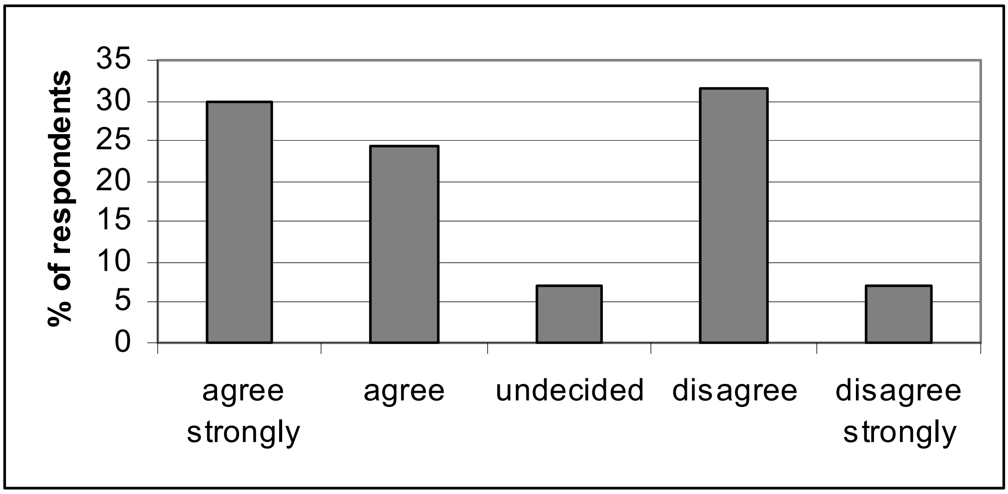
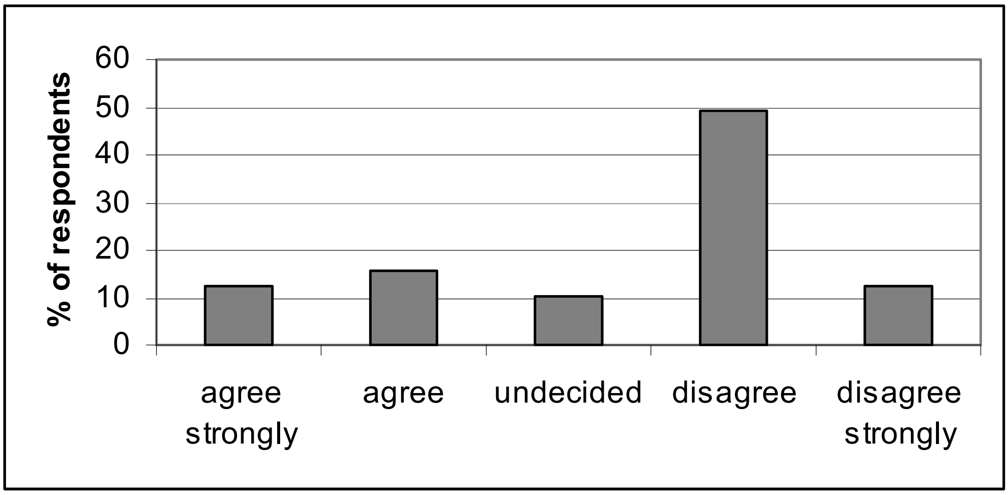


Figure 9. Stallholders' responses to the statement: "Farmers' markets should only sell food and drink products"



that farmers' markets should be restricted to selling food and drink, they are clearly divided in terms of attitudes towards product provenance. Part of the divergence in views may be because of the different needs of farmers' markets in different areas. For example, while most stallholders may agree that it would be desirable to only sell products of certain types from within a certain radius, this may not be practical in some rural areas. As one respondent put it:

> *"In big cities with a varied hinterland it is easy to have strict rules on e.g. mileage, no crafts. In more rural areas rules have to be flexible in order to have a quota of stalls."*

Similar arguments have recently been reported in FMs in England, where concern has been expressed that expansion of the sector may jeopardise its local ethos (Morris 2007). Debates such as these are important in light of the internal and external challenges faced by FMs. They need to be able to respond to potential external threats such as the increasing use of regional branding by supermarkets. They also need to reach consensus on the best ways of meeting internal challenges such as the lack of certain product types or the costs borne by volunteers involved in the organisation of markets.

Conclusions

The FMs sector has grown steadily to an estimated annual turnover of £6.6 – 7.1m since the first market was established in Scotland in 1999. Although small compared to other food retail sectors, farmers' markets appear to have been successful in "putting the spring back in the step of Scottish farming" (Scott 2004) by providing a much needed good news story after a difficult period for farming in the late 1990's. Various benefits have been attributed to FMs, for example they have been seen as a way of reinvigorating town centres and reconnecting urban and rural areas. However, few studies account for the benefits that are lost when FMs displace consumption. In order to get an accurate assessment of the net benefits of FMs, further research is required to establish the displacement effects of FMs.

The farmers' markets sector is complex and markets display considerable variation, e.g. in terms of their origins, size, turnover, location, product range, management, strengths and weaknesses, and perceived threats. A degree of caution should therefore be exercised when drawing general conclusions about "farmers' markets". Despite this, it is argued that the sector as a whole faces a series of challenges:

- retaining critical mass;
- maintaining the "farmers' markets" brand;
- managing costs;
- improving co-ordination.

There is evidence that key decisions regarding the development strategy for FMs in Scotland may need to be made in the short to medium term. Developing a strategy requires considerable coordination of effort; however the heterogeneity of farmers' markets - arguably one of their main strengths –

can make co-ordination a challenge. Coordination is important as many markets are in competition for customers and stallholders. Some form of annual audit of FMs could help planning by, for example, identifying areas where the lack of stallholders means that a new market, or expansion of an existing market, could threaten the viability of other markets. Understanding your market - in terms of consumers, networks and competitors - is recognized as one of the keys of successful marketing (Lamb and Taylor 2007) and is important if FMs are to survive and prosper in the competitive food retail marketplace.

FMs need to find ways of maintaining the difference between themselves and other routes to market. This task is complicated by the lack of copyright on the term "Farmers' Market", which means that competitors can use the term in their marketing despite having no connection with FMs. Some form of FM accreditation scheme may help protect the brand, however support for this appears to be mixed at present.

It is difficult to give any concise suggestions as to how FMs deal with the issue of increasing costs as the effect of a fuel price rise or new regulation will affect different stallholders in different ways, depending on their product, type of enterprise, location, competitors etc. One initiative that may be of help would be for producers to have access to guideline information regarding the costs and benefits of the routes to market open to them. While the choice of route to market may not be based solely on financial criteria, a sound grasp of the likely returns should be an integral part of the decision.

Finally, the development of FMs in other countries may provide some useful ideas for overcoming the challenges facing FMs in Scotland. For example, in the USA, where FMs have existed since the 1970s, evening markets have been initiated in order to fit in with people's lifestyles. In New Zealand, Hastings Farmers Market has responded to increased competition by encouraging stallholders to specialize and focus on unusual products (Guthrie et al 2006). Such experience represents an opportunity to replicate the successes and avoid the pitfalls that others have faced.

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APPENDIX 1: QUESTIONS ASKED IN FARMERS' MARKETS ORGANISERS' SURVEY

Part 1: Market Origins

1. What is the official name of the market?
2. In which year was the market established
3. Who established the market?
   (please give the name of the individual and/or organisation)
4. What do you think were the main reasons for setting up the market?

Part 2: Market Operation and Management

5. Where does the market take place? (please give the town name and specific locality, *e.g. Edinburgh, above Castle Terrace car park)*

6. Timing

6a. Does the market operate all year round?
6b. How often does the market occur? (please tick a box)
6c. On which day(s), and at what times does the market take place?

7. Stalls

7a. On average, how many stalls are there at the market?
7b. What is the largest and smallest number of stalls you have had at the market during the last 12 months?
7c. What would you estimate to be the maximum number of stalls you could accommodate at the market (on the present site)?
7d. What would you consider to be the minimum number of stalls the market needs to remain viable?

8. Products

8a. Please tick all the products that are sold at this market
8b. Is there a shortage of suppliers for particular types of produce at the market?

9. What would you estimate to be the average turnover of the market in one day?

10. Which of the following categories best describes the way in which the market is managed?

    Managed privately by local volunteer(s)
    Managed by a commercial operator
    Managed by a government body or agency
        Local Authority
        Local Enterprise Company
        City Centre Management Co.
        Other
    Managed by a co-operative formed by the producers/stallholders
    Other (please describe)

Part 3: The Way Ahead for Farmers' Markets

11. What do you consider to be the main strengths of your market?

12. What do you consider to be the main weaknesses of your market?

13. Do you feel there are any threats to the success of your market?

14. How would you define a "successful farmers' market"?

15. What do you consider to be the most important features required for a successful market?

APPENDIX 2: QUESTIONS ASKED IN FARMERS' MARKETS STALLHOLDERS' SURVEY[2]

Information about your attendance at farmers' markets

1. In which year did your business start selling at farmers markets?
2. What were the main reasons you decided to start selling at farmers' markets?
   In which region is your business based?

4a. How often does your business attend farmers' markets?
4b. Which farmers' market(s) do you regularly sell at ?

5. Which products do you sell at farmers' markets?

6. What would you estimate your average turnover from a typical day at a farmers' market to be?

7. Approximately what percentage of your total turnover do sales at farmers' markets represent?

8. Approximately how far is your round trip to and from the farmers' market, and how long does the journey take?

9. If you were not attending farmers' markets, to whom would you sell the produce you presently sell at farmers' markets?

   a supermarket
   an independent retailer
   a foodservice company (including catering)
   a food processor or manufacturer
   a wholesaler
   a producer marketing group
   private sale to another farmer
   a farm shop
   via home delivery (e.g. internet sales, box schemes)
   via a pick your own scheme
   Other (please specify)

Your views on farmers' markets

10. Which category or categories best describes your preferred form of market management?

    Managed privately by local volunteer(s)
    Managed by a commercial operator
    Managed by a government body or agency
    (e.g. a Local Authority or Town Centre Management Company)
    Managed by a co-operative formed by the producers/stallholders
    Other (please describe)
    Don't know

11. What do you consider to be the main benefits you receive through your attendance at farmers' markets?

12. What do you consider to be the main strengths of farmers' markets for stallholders?

13. What do you consider to be the main weaknesses of farmers' markets for stallholders?

14. Do you feel there are any threats to the success of farmers' markets?

15. What do you consider to be the most important features required for successful farmers' market?

16. Please indicate the extent to which you agree or disagree with following statements by circling the appropriate response.

	Agree strongly	*Agree*	*Undecided*	*Disagree*	*Disagree strongly*
Farmer's markets should only sell products sourced locally (i.e. within 50 miles)	*1*	*2*	*3*	*4*	*5*
Farmers' markets should only sell food and drink products	*1*	*2*	*3*	*4*	*5*
Farmers' markets should be accredited by an industry body (such as Farma or SAFM)	*1*	*2*	*3*	*4*	*5*
Stalls should be staffed by people directly in production	*1*	*2*	*3*	*4*	*5*

Other comments –please use the space below to add any additional comments.