

VERMONT FOOD SYSTEM PLAN MARKET BRIEF



MARKET:
Major
Metropolitan
Markets

What's At Stake?

Vermont currently has 6,800 farms and 1.2 million acres in agricultural production, with a farm-gate value of roughly \$781 million dollars¹, and in 2017, Vermont's food manufacturers generated \$3 billion in economic value.² These food and beverage businesses are essential to the cultural and economic fabric of our rural economy. Given the limited population of Vermont, many agricultural business owners rely on populations outside of Vermont to make purchases and sustain their business. Without the support of regional consumer markets, the growth and earning potential of Vermont farms and food businesses will be limited and this important sector will see stagnation or begin to shrink in size.

Current Conditions

Within a six-hour drive, or 330 mile radius from Montpelier, Vermont, there are 49 metropolitan areas, with a population of 49.4 million people³, and 17,818 U.S. grocery stores^{4,5}. These metropolitan markets are and will continue to be integral to the success of Vermont food and beverage companies and the growth of the rural economy.

When Vermont products are sold in the regional market, they compete directly with other international, national, regional, and local products, and often do not obtain the same premium price that they receive in Vermont. While Vermont's reputation, or the Vermont brand, has some clout in metro areas such as Boston and Albany, there is lesser affinity in New York City, Syracuse, Hartford, Philadelphia, and others, forcing businesses interested in those markets to invest more heavily in marketing and branding, look more closely at their cost of production, and build relationships.

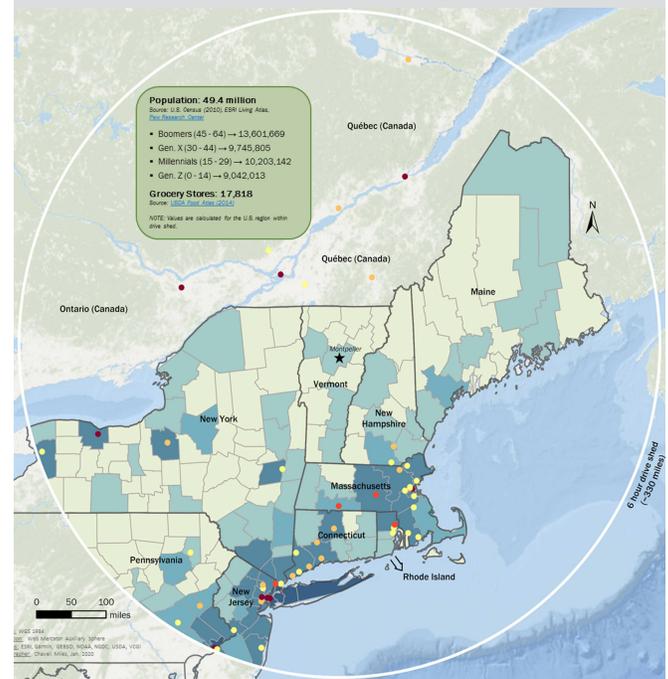
Staying front-of-mind with retailers and distributors requires a great deal of effort and investment, and requires certain volume, consistency in product quality, successful branding, and ability to offer promotions. Many small businesses have limited administrative capacity, lack of funds for marketing initiatives, limited time to travel and build relationships, and lack of expertise in sales, distribution, and logistics.

While wholesaling is one of the primary ways to reach metro areas within the region it poses unique challenges for small businesses. Distributors selling in large metro areas have an expansive pool of local, regional, national, and international products competing to meet the customer demand (see [Grocers](#), [Distribution](#), [Marketing](#) briefs).

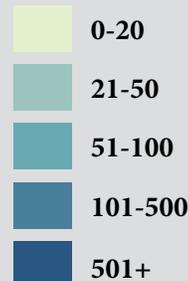
Finally, despite the many Vermont resources available for assistance navigating these complex relationships, producers have limited capacity to step away from the business and invest in learning about opportunities or seeking resources such as grant funding or technical assistance. Food brokers and distributors who serve as intermediaries in gaining access to and servicing metro markets are increasingly important to producers.

Major Metropolitan Markets within a Six-Hour Drive of Montpelier

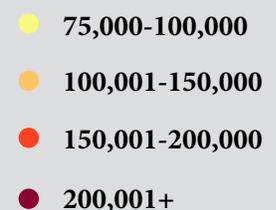
For the full-sized map, see end notes.



Number of Grocery Stores per County



Metro Areas by Population Size



Bottlenecks & Gaps

- Some Vermont producers do not have sufficient product volume to warrant the cost of freight delivery.
- Building relationships is integral to getting and keeping products on the shelf and takes time, resources, understanding of logistics, and a specific skill set—all of which can be challenging to a new or small business owner.
- Customers in major metro areas expect excellent customer service, a strong internet presence, and consistency in product quality and volume. A small business may not have capacity to meet these expectations.
- Wholesaling requires a sophisticated business model, as businesses must look at the margins as a whole rather than at each transaction. In addition, they must be looking very closely at labor and other expenses to eliminate any waste and maximize revenue.
- Businesses have limited administrative capacity to navigate paperwork, connect to technical assistance, and take advantage of grants and other funding opportunities.

Opportunities

- Small-scale and regional distributors can provide support services such as consumer feedback, coaching on getting to market, and a level of flexibility that larger distributors cannot. It's important to work with a distributor that matches the scale of the business.
- Cooperative relationships for marketing and distribution can maximize financial resources and increase the volume necessary for freight.
- Consumers are purchasing food in many creative ways. There is opportunity to explore alternative methods of distribution to regional consumers such as direct-to-consumer models and/or convenience items (e.g., pre-cubed butternut squash, sliced carrots, or ready-to-eat meals).
- The COVID-19 pandemic demonstrated that a strong online presence and communication/marketing strategy can enable businesses to be resilient in difficult circumstances.

Recommendations

- The Vermont Agency of Agriculture, Food and Markets (VAAFAM) should provide small grants to businesses for in-store demos. Grants can be added as an activity in the Trade Show Assistance Grant program, which allows up to \$5,000 per grant.
- Provide marketing funds to VAAFAM and Vermont Department of Tourism and Marketing to collaborate on a Vermont marketing promotion in a prominent public space within a priority metro area, in order to create a customer affinity for Vermont products and tourism. Cost: \$100,000 per year.
- Conduct a market study to identify the perceived barriers and/or why the cost of production is perceived to be higher in Vermont than other New England states. Cost: \$40,000.
- Provide administrative support to multiple Vermont producer associations, through services such as collaborative marketing technical assistance, and membership admin/development/outreach/engagement shared across entities. Funding to be shared in part by the producer associations as well as a carve-out from VAAFAM. Cost: 1 FTE at \$100,000 per year.
- VAAFAM, in partnership with Vermont producer associations, should build partnerships with Departments of Agriculture and other regional producer associations across New England and New York, to consider cooperative marketing efforts for specific product categories and to broaden the reach of marketing efforts.
- Develop an intensive, structured, competitive, technical assistance and mentorship program to further increase the business acumen of successful Vermont food and beverage businesses. Include topics such as cost of production, processing, growing, marketing, consumer trends, etc. An existing Vermont technical assistance provider could adopt such a program, with additional funding from the Working Lands Enterprise Initiative or other state funding source. Estimated cost: \$25,000 for up to 15 businesses per year.

Farm to Plate is Vermont's food system plan being implemented statewide to increase economic development and jobs in the farm and food sector and improve access to healthy local food for all Vermonters.

The Vermont Agency of Agriculture, Food & Markets (VAAFAM) facilitates, supports, and encourages the growth and viability of agriculture in Vermont while protecting the working landscape, human health, animal health, plant health, consumers, and the environment.

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For end notes and data sources, and to read other food system briefs, visit vtfarmtoplate.com/plan