

# FEEDING THE DOWNTOWN

A Study of the Economic Effects of Farmers' Markets  
on Local Economies in Wisconsin  
(A Preliminary Report – November 2008)

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### INTRODUCTION

Since 1994, farmers' markets have increased by nearly 20 percent in metropolitan and small communities across the United States and now account for over a \$1 billion a year in gross farm sales. UW-Extension estimates nearly 200 farmers' markets are prospering throughout Wisconsin with most of the proceeds going to small-scale farmers and staying local. In a state where family-owned farms are still in the majority, these local markets provide a critical venue where farmers can directly access buyers and retain a greater share of the food dollar. Originally created to aid the family farmer these local markets have become socially and economically rewarding enterprises for consumers, farmers, local entrepreneurs, small businesses, and downtown business districts. In fact, research suggests that farmers' markets not only promote physical health through good eating based on fresh produce but inspire societal well-being by providing opportunities for social interaction within a community.

Farmers' markets function to educate the public about agriculture and food systems through the interaction of farmers and the public and provide a venue for not-for-profit organizations and local community groups to reach out to the public and inform them about community raffles, educational programs, clean-up programs, and local events. Farmers' markets also provide an entrepreneurial environment for small businesses to test commodities and build a clientele prior to investing capital in a downtown business as well as a setting for marketing a new store or established business. For example, survey data documents that on a typical farmers' market Saturday in Kenosha, 22 percent of the vendors were also local downtown business owners. Storeowners utilize the market for increasing exposure to customers, bringing in additional revenue for the day, and passing out coupons and menus for future economic return on their investment of time and money.

One economic effect of farmers' markets often extolled by community leaders and market organizers is that money spent at a farmers' market generates additional revenue and employment within a local economy. A 2003 survey conducted at the Dane County Farmers' Market in Madison, one of the largest in the nation and certainly the largest in Wisconsin, documents the market as an economic stimulus for the local business district. A survey of 500 customers noted a positive correlation between the amount of money consumers spent at the farmers' market and in downtown Madison estimating that the downtown realized an economic impact of nearly \$3.5 million annually. Yet, the effect of farmers' markets on local economies in Wisconsin outside of Madison in terms of real and indirect benefits is unknown.

These unique economic and social institutions are increasingly being viewed by local Chambers of Commerce and City Planners as essential to a prosperous community-based downtown business area. But for a farmers' market to be successful and provide the myriad of benefits discussed above an infusion of financial and organizational support is required. In order to obtain public support for such expenditures it is imperative to ask: Is the market a positive or negative economic asset to the community? ***The primary objective of the FEEDING THE DOWNTOWN Project is to address this research question through the identification and enumeration of the direct and indirect economic effects of the Waukesha Farmers' Market on the downtown business district.***

### **THE ECONOMIC MULTIPLIER**

The strategy of utilizing a farmers' market as a tool for downtown economic redevelopment has to do with the economic multiplier effect. The concept behind economic multipliers is that a new or expanding entity such as the farmers' market can have economic impacts or ripples beyond the jobs and income generated by the farmers' market itself. For example, the farmers' market may lead to the establishment of new businesses in the downtown area which necessitate additional jobs, purchase of goods and commodities and the utilization of other local merchants for advertising, signage, coffee in the morning, rent and supplies. Another multiplier effect of the market is that downtown businesses are busier on days the market is in operation and must hire additional employees and purchase additional goods usually from a local vendor.

An inverse effect of the economic multiplier is also possible; the reduction of sales in the downtown business district due to competition with vendors at the farmers' market. In addition, ancillary issues such as parking and the closure of streets to accommodate the market can adversely affect shopping conditions in the downtown. The inverse effect is diminished, however, by the fact that most vendors at the market do not sell products that are found in downtown Waukesha and the market actually brings customers into the downtown area whom perhaps would have traveled outside the community for shopping that day.

### **METHODOLOGY**

The study is conducted by tenured UW faculty members from three different disciplines. It is built upon a foundation of systematic surveying of the three principal groups involved in the market: (1) vendors (mostly, but not exclusively farmers); (2) customers; and (3) downtown businesses. (Sample survey instruments are attached.) Because the research is being conducted under the auspices of the University of Wisconsin, its methods have been reviewed by the University of Wisconsin Colleges Institutional Review Board (IRB) to ensure that participation in the study is voluntary and that all data collected by researchers is maintained in a way that protects confidentiality of the participants. These safeguards can promote disclosure of information that might not otherwise be shared.

During the 2008 market season that ran from May through October, researchers were present at the Waukesha and Kenosha markets once a month to obtain a 25% sample of the farmers' markets. This ensured that a diversity of vendors and customers were surveyed as different produce came into season. In August downtown Waukesha business owners were surveyed and interviewed. Survey data were coded and entered by a UW-Waukesha staff member into a statistical database, Minitab. Qualitative answers are still being recorded for analysis. A total of over 226 customers, 30 vendors, and 26 businesses were surveyed in Waukesha. In Kenosha, over 264 customers and 67 vendors were surveyed. The downtown business community in Kenosha has yet to be studied.

**ECONOMIC IMPACT (Preliminary results)**

One of the major challenges facing Wisconsin’s economy in the 21<sup>st</sup> century is how to restructure and strengthen local economies that have been destabilized by deindustrialization, an exodus of jobs, a downturn in real estate markets, population shifts and a failing national economy. In smaller industrial towns throughout the State the closing of a large employer or the opening of a single business can have ripple effects throughout the local economy. Many cities have already begun a process of economic transformation from a primary manufacturing or often mono-economy to a mixed economy of industry, service, transportation, banking, and information technology. Economic diversification along with support for a strong entrepreneurial presence are critical for creating a stable and sustainable economic foundation for the future. Concomitant with this economic makeover is often the revitalization of downtown business districts. One strategy incorporated into local economic development plans is to attract or develop a farmers’ market spatially located near the downtown area.

**Direct Economic Impact of Farmers’ Market on Downtown Business District**

Utilizing the same formula as the Dane County Survey a direct economic impact of the farmers’ market can be calculated for Kenosha and Waukesha.

- Direct Economic Impact of Farmers’ Market (local and non-residents) = the mean estimate for how much each customer will spend downtown \* number of people spending money in downtown.
- Number of people spending money in downtown = percentage of customers who noted they would spend money in the downtown \* customer attendance number.

**CUSTOMER SURVEYS**

	Waukesha	Kenosha
Average \$\$ Spent at Market	\$11-15	\$16-20
Does coming to this Market make it more likely that you will do things in the downtown area?	86% Yes (191 respondents)	85% Yes (263 respondents)
If yes, how much money have you or do you plan to spend today in the downtown area?	\$16-20	\$21-25

Attendance numbers were taken at 30 minute intervals during the duration of each market with the assumption that customers spend approximately that amount of time shopping. Our

attendance numbers at both markets were verified by attendance counts collected independently by market personnel.

**ATTENDANCE NUMBERS**

	Waukesha	Kenosha
Total attendance at Saturday Farmers' Market 2008	21,500	37,920
# of customers spending money in downtown	86% Yes 18,490	85% Yes 32,232

**ECONOMIC BENEFIT CALCULATION**

	Waukesha	Kenosha
# of customers spending money in downtown *	18,490	32,232
The average \$\$ spent in downtown per customer	\$18	\$23
<b>TOTAL DIRECT ECONOMIC BENEFIT OF FARMERS' MARKET ON DOWNTOWN BUSINESS DISTRICT</b>	<b>\$332,820</b>	<b>\$741,336</b>

The total direct economic benefit of the Waukesha Farmers' Market on the downtown business district is \$332,820. This is a significant number in a town like Waukesha where small businesses often have a difficult time surviving and the Chamber of Commerce is constantly marketing to attract new business. The knowledge that a customer base (even though seasonal) with direct economic impact can be counted on is a salient marketing tool. In addition, we believe this is a conservative number since the economic impact of the vendors and business owners on the local economy has not been calculated into the final number in this preliminary report.

An extremely high percentage of respondents answered YES to the question "Does coming to the Market make it more likely that you will do other things in the downtown area?" How can this

data be interpreted? A closer examination of the customer demographic data collected as part of the survey suggests some possibilities.

**CUSTOMER DEMOGRAPHIC (Who is coming to the Farmers’ Market?)**

An examination of the literature on farmers’ markets research suggests that participation at the market is not uniform but based on variables such as age, education, ethnicity, and income. The identification of specific socioeconomic variables distinctive to participation at farmers’ markets in Wisconsin is imperative to understand social patterns which inform public policy and future marketing strategy. In order for the Waukesha farmers’ market to be sustainable and economically profitable to both vendors and the downtown business area it needs to engage all residents of the community. Do the customers coming to the farmers’ market reflect the demographics of the community? And, if not, how can market organizers begin to address a policy that fosters inclusion? Data from both the Waukesha and Kenosha markets suggest a similar pattern.

**CUSTOMER PROFILE**

	Waukesha		Kenosha	
Sex	Female	81%	Female	64%
	Male	19%	Male	36%
Age	50		51	
Years of education	16 years		16 years	
Income	\$45,000-59,999		\$60-74,999	
Ethnicity	Caucasian/White	93%	Caucasian/White	91%
	Hispanic	3%	Hispanic	3%
	Native American	1%	African American	2%
	African American	< 1%	Asian	2%
	Asian	< 1%	Native American	1%
	Other	< 1%	Other	1%
Is this your first visit ever to this Market?	87% NO		88% NO	
How often do you visit the Market?	Every Saturday	43%	Every Saturday	40%
	Twice month	25%	Several times/season	26%
	Several times/season	18%	Twice month	25%
	Rarely	8%	Monthly	6%
	Monthly	6%	Rarely	3%

Customers are primarily White females around 50 years of age, who are well-educated (higher than State of Wisconsin average). The median household income for the City of Waukesha is \$48,386 so income is well within that measure for Waukesha shoppers, but the median household income for the city of Kenosha is \$43,757 which suggests a relatively high income for Kenosha shoppers.<sup>1</sup> They are familiar with the Market and are ardent supporters with over forty percent coming every Saturday and twenty-five percent coming twice a month. As noted previously, they are also frequent shoppers downtown and when asked the question: Which stores would you likely buy something from? most often named the specific stores they would patronize rather than noting just the type of commodities they would purchase.

Future analysis will illustrate a breakdown of age groups, marital status, number of children and occupation so a more thorough examination of customer demographics can be presented. We believe this data will aid in the development of future marketing plans for attracting those demographic groups which are not coming to the market. In addition, with the assistance of the City of Waukesha we will be conducting GIS studies of Zip Code data collected in order to better understand where customers are coming from and how much money is being spent per zip code.

Customer surveys also asked: What is your “favorite” and “least favorite” thing about this Farmers’ Market? This qualitative data is just beginning to be recorded and we will make it available as soon as possible.

### **Business owners’ survey**

So far, we have only surveyed business owners in Waukesha so our data is limited. We attempted to survey a 25% sample of business owners in each commodity sector in businesses that were open during the operating hours of the Farmers’ Market. We have only begun to analyze this data and can only address two questions pertinent to the interpretation of the data already presented.

Do you think the downtown in general benefits from the Farmers’ Market? YES 84% NO 16%

Do you think your business benefits from the Farmers’ Market? YES 58% NO 42%

In general, an overwhelming percentage of the business owners in Waukesha believe that the Farmers’ Market does benefit the downtown. And, over half of the business owners believe they personally are benefiting from the market. Future analysis will provide qualitative data regarding how business owners believe the market benefits the downtown (e.g., “people coming downtown will often combine errands and/or activities and stop at other businesses in addition to the Farmers Market”) as well as comments regarding their own businesses (e.g., “we have only been at this location 7 months so no track record but we feel it definitely has an impact on people knowing what is downtown”). In addition, many business owners answered the question: How could the Market be improved to help the downtown? and provided additional comments beyond the questions noted on the survey form.

## Feeding the Downtown

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Future analysis will address whether the market impacts local employment, percentage of sales and customer volume as well as whether business owners shop at the market themselves. Analysis of vendor data and the indirect economic effects of the market on the community has not yet begun.

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<sup>1</sup> U. S. Census Bureau 2006 American Community Survey