

Farmers Markets in Armenia: Lessons Learnt

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Problem Statement

Over the past three decades the globalization in agri-food sector has been accompanied by a dramatic restructuring, liberalization and privatization of markets often with serious adverse consequences for small farmers in developing and transition countries. Consequently, governments and the international donor community have markedly shifted their development policies from traditional technology transfer approaches towards more market-driven approaches of linking farmers to markets.

The global emergence and development of supermarkets and their leading role in supply chains raised concerns among consumers regarding the freshness and quality of the products. By procuring bulk volumes of products, supermarkets are able to assure economies of scale and offer the customers low prices, additionally providing them with high quality services. However, with the development of supermarkets another gap was created in the value chain of fresh fruits and vegetables: supermarkets were unable to provide the customers with freshness of the products. As a solution to this, an old concept of market regained its significance and importance.

The concept of the farmers market is simple: create a place where the producers are able to sell their produce directly to those consumers who value the freshness, the origin, information about the production methods, etc. From ancient times wherever farmers could produce more than they could consume, markets were held to trade surplus goods. Eventually, being one of the oldest market models, these markets started to regain popularity and acceptance among certain segment of populations. Producer owned markets or Farmer Markets started to offer alternative benefits to consumers, which were neglected by other markets.

A number of fruit and vegetable markets operate in Armenia. As about 34% of the population of the country lives in the capital city Yerevan, it's obvious that the most of the important markets by type, size, and volumes are located in the capital. In order to achieve efficiency, some of these markets transform to a wholesale market at nights. The biggest and most important of them, having critical role in directing the market behavior, in fact, throughout Armenia is "Malatia" market located in Yerevan. "Malatia" market, being operated by mainly middlemen, supplies the vast majority of Yerevan's markets with fresh fruits and vegetables. Traders, retailers and wholesalers also buy certain agricultural products from Malatia market and sell in other regions of Armenia.

The recent study conducted by ICARE estimated that in Yerevan about 62% of fresh fruits and vegetables are sold in the open air/covered markets, 17% in kiosks and retail outlets and another 14% in supermarkets. Other 5% is estimated to be the share of small shops, farmers patrolling in front of buildings, etc.¹ As supermarket business is booming in Yerevan their share in the total fresh fruit and vegetable sales will increase accordingly.

¹ Rapid Assessment of Farm Food Retailing Patterns and Structures in Armenia, ICARE 2011.

Farmers were not actually engaged in the retail trade of fruits and vegetables until the recent initiative by the Ministry of Agriculture to establish Farmers Markets in Yerevan. Various surveys and studies indicate that farmers compose about 5% of total sellers in wholesale markets and not more than 10% in retail markets². Farmers usually put their produce outside of the market usually gathering together with the same villagers; however they pay the same price for location. The outside sale is conducted up to 8 AM, as the municipality prohibits the outside trade after 8 AM. After that they have to sell the remaining part of the products to the middlemen with low price, in order not to take back.

The reasons why farmers do not directly participate in the retail markets are diverse. Small scale farmers (in Armenia the majority of farmers are small scale having on average 1.1 ha of arable land) usually are not motivated to reach the markets in Yerevan because of the small production quantity and low prices charged by the middlemen. In addition, many farmers face difficulties in accessing markets due to poor inter-community roads and transportation. Limited information on market prices leaves the farmers with no choice but to sell their produce to middlemen at much lower prices than the actual market value. Extreme weather conditions and lack of storage facilities are also making it harder to store and market highly perishable small quantity crops. As a result, farmers are unable to get their products to market, gain sufficient income and improve their livelihoods. These farmers are selling their produce to the wholesalers, usually at the farm gate. Wholesaler middlemen (sometimes even one of the farmers with entrepreneurial skills) collect the agricultural produce from nearby neighbourhood and transport to Yerevan. Most often the price is defined after the wholesaler reaches the Yerevan markets, and informs the producer the market prices. This reflects the outcomes of long-term partnership between the two actors.

Because of the illiterate price calculation mechanisms and the absence of information, farmers are not able to set optimal prices. Sometimes, after they bring their produce to the market, they notice that the market price is much lower and having no other choice they sell it at lower price in bulk to the wholesaler middlemen in Malatia or other markets. Domestic market intelligence is carried out by Regional Agriculture Support Centers (ASC) coordinated by the Republic (National) Agriculture Support Center processing and diffusing all information gathered by ASCs. In spite of these efforts, it cannot be stated that a real market information service has been created in the country enabling all agents involved -including farmers- to have adequate access to market price data.

The retail markets are privately owned which, chasing after maximal profit, neglect the retailing small scale farmers. For example, it is more profitable and manageable to have one long-term vendor than dozens of short-term renters. Thus, as a result, the best spots in these markets are taken by specialized vendors, which have nothing to do with farming. Of course, high urban unemployment and insufficient social security is also a key contributor to this situation.

International practices show, that Farmers Market, however, is a good place to test the new value added products. Farmers Market offers a good alternative mainly to a specific segment of the farmers in Armenia. These are the small scale farmers. These people are engaged in a variety of labour intensive small scale operation, which neither generates enough products for sustainable

² ICARE, ACDI VOCA, MCA-Armenia.

farming nor leaves out time for leaving their farms for a prolonged period. Thus the Farmers Market can offer an alternative trading place to these non regular retailers. To survive, these farmers either need to have a significant side income or stress on product differentiation (including production of value added products).

The paper analyzes the recent initiative of the Ministry of Agriculture to establish Farmers Markets in Yerevan and reveals the potential of further development and improvement of such markets in Yerevan and other cities in Armenia.

Objective and Methodology

The objective of the paper is to discuss the lessons learnt from the project aimed at establishing Farmers Market in Armenia by the Ministry of Agriculture and propose mechanisms needed for the effective development of Farmers Market. The paper also is aimed at testing the customer satisfaction and attitudes of Farmers Market through a survey. The purpose of the survey was to reveal the basic reasons and motivations guiding customers to make or not to make a purchase from this market.

The paper describes major trends and developments of the farmers markets in general. Literature review was conducted to reveal the important factors leading people to buy fresh products in Farmers Markets. Customer satisfaction survey as well as expert interviews were conducted during the research. A total of 60 people participated in the survey who made a purchase in the Farmers Market. The goal of the survey was to reveal the customers' expectations from the market, assess the factors that contribute to their satisfaction, reveal the gaps and find out how the market satisfied their needs.

Different types of fresh fruits and vegetable markets were discussed and compared with Farmers Markets. Mechanisms needed for the effective development of Farmers Market are proposed in the paper.

Background Information

Global trends and developments of Farmers Markets

Farmers Markets are probably the oldest and most common type of direct marketing. Because they are able to bring food producers and consumers close together, they can be considered a paradigmatic example of an alternative food network.³ Today, Farmers Markets are critical to the survival of many small family farms and the preservation of farmland around the country. Selling directly to consumers allows farmers to become more profitable by obtaining retail rather than wholesale prices and developing a loyal customer base.

The creation and recent evolution of this new and alternative supply chains, the so-called Alternative Food Networks (AFN), have contributed to a new model of rural development where farmers can often get a higher value than that obtained dealing with the modern retail distribution

³ Goodman D. (2004) Rural Europe Redux? Reflections on Alternative Agro-Food Networks and Paradigm Change.

system. That movement, born in 1970s, seeks production methods not dominated by the industrial agri-food system: methods that will ensure the survival of different forms of agriculture responsive to consumer demand. In some literature Farmers Markets are called Short Food Supply Chains in a sense that the concept creates direct linkages between farmers and consumers shortening the supply chain.

The re-localization process, from the point of view of farmers can be considered as a strategy for repositioning in the market in order to counteract the globalization of food systems; for consumers instead is the answer to their needs for quality, safety and authenticity; for public policies it can be viewed as a solution to the growing need for sustainability or as an opportunity in the bundle of strategies of territorial marketing and rural development⁴.

According to USDA, a Farmers Market is a common area where several farmers gather on a recurring basis to sell a variety of fresh fruits, vegetables, and other farm products. This definition can be considered a common basis, valid for many countries, but no single formula for a FM exists. Markets will differ depending on the context in which they occur and the consumer segment to which they are addressed. However, many international cases have been assessed recently and some common elements have been underlined:

- Goods are transported only short distances.
- Ways exist for consumers to verify the quality and origin of food products.
- Activities involving food traditions are included in the markets.
- For the most part, markets are weekly events.
- The clientele is highly loyal.
- Groups organize cooking lessons and nutritional awareness sessions in the markets or through them⁵.

In recent years, partly due to EU regulation on rural development that fosters new commercial outlets for local and typical products, new regulations have been adopted which are more and more oriented towards the facilitation of direct marketing by farmers. Recent regulations gave a strong incentive to the development of this phenomenon in European countries. The basic points of the regulations were the following:

- Municipalities can establish or authorize the agricultural markets that meet the standards specified in the regulations;
- Direct sales of agricultural products may be established in public areas, in premises open to the public as well as on private property;
- Only farmers operating within the region or in areas defined by local institutions can participate in these forms of distribution—selling products from their own farm or from a company of partner farmers, or from their food processing activities—in compliance with sanitary regulations;
- Within these markets, cultural, educational, and demonstration projects related to food and traditional crafts can be undertaken, provided they refer to the same rural area, although farmers can sell their production in tandem with farmers from other areas when there are synergies and authorizations to do so.

⁴ Renting H., Marsden T., Banks J. (2003) Understanding alternative food network.

⁵ Martinez S., Hand M., Da Pra M., et al. (2010) Local Food Systems.

The current international literature shows that the most important factor leading people to buy fresh products in Farmers Markets is the quality. The main motivation leading people to approach this type of sale is not the price, as might be thought given the expansion of the phenomenon in a time of economic crisis, but rather the quality. Consumers usually cite “better food quality”, “locally produced foods”, “higher social interaction” and “learning directly about the vendors and their food production practices”, as the principal motivations in buying in Farmers Markets. Moreover, consumers who are willing to pay higher prices for locally produced foods place importance on product quality, nutritional value, methods of growing a product and those methods’ effects on the environment, and support for local farmers⁶. As clearly stated by Marsden, “a key characteristic of short supply chains is their capacity to re-socialize or re-spatialize food, thereby allowing the consumer to make value judgments about the relative desirability of foods on the basis of their own knowledge, experience, or perceived imagery”.⁷

Farmers Markets provide profitable market outlets for farmers. They also contribute to local community economies. Money spent in farmers markets goes directly to the farmers and can be re-circulated to support other local jobs and businesses. Farmers Markets encourage additional economic activity. For example, peripheral businesses may locate near farmers markets to take advantage of the crowds and existing nearby businesses may experience increased sales on market day. Markets can draw new shoppers into downtown business districts. Markets can also serve as business incubators by providing a testing ground for new, value-added agricultural products and novel crops. While most markets tend to be utilized by people from nearby neighbourhoods, they can also attract visitors from surrounding areas and even serve as a hub of culture and tourism for a larger region.⁸

Customer Preferences

As already mentioned above, the international literature shows that the most important factor leading people to buy fresh products in Farmers Markets is the quality and not the price, as it might seem at the first glance.

The customer satisfaction reflects the perception of quality, freshness, variety, convenience, services, affecting customer’s choice depending on mental attitudes (attention, excitement...), and the personal relation with the shopping staff. The marketing psychology suggests four dimensions of Customer Preferences:

- the satisfaction related to physical intrinsic attributes;
- satisfaction related to extrinsic intangible attributes as the image, quality of the relations with sellers;
- satisfaction related to services and quality;
- Satisfaction related to price/convenience⁹.

⁶ Rocci B. Cavicci A., Consumers attitudes towards Farmers’ Markets in Tuscany, Italy, 2010

⁷ Marsden T., Banks J., Bristow G. (2000) Food Supply Chain Approaches.

⁸ Washington State Farmers Market Manual. WSDA Publication number: AGR PUB 200-189.

⁹ Lee Lambert, 2000. Dellaert et al, 1998. John and Howards, 1998. Churcill et al, 1982. Cronin, 1992.

Hence the customer satisfaction is evaluated as a multidimensional construct connected with different groups of items combined in four factors, used to elaborate the profile of the consumer's attitude versus the shopping point.

Effective positioning and targeting the right segment of customer will lead to the success of the market. Customers are often misled when visiting Farmers Markets as a place with lower prices. When positioned clearly, the customer satisfaction will be attributed to such factors as freshness, quality, new variety, social interaction etc.

Management Mechanisms of Farmers Markets in General

False start of the market can create a loss of involvement from potential collaborators and, most importantly, a loss of participating farmers. It is vital that a market's opening day is a true community happening, with an abundance of customers, vendors and beautiful fresh produce.

Starting a farmers market involves developing a vision and mission, organizing a core steering committee, and conducting a feasibility analysis. If the steering committee decides to move ahead, the next steps involve engaging key community partners and support, planning an organizational structure, and building a dynamic board of directors. The board ultimately secures a market manager and guides the market through opening day and ongoing operations.¹⁰

Substantial preparatory activities are needed prior to starting a farmers market. Some of the important activities are: first of all review relevant literature and manuals on farmers market, then visit the existing markets for observations, talk to market managers, talk to the vendors to find out about their preferences, understand the mechanisms of other markets operating nearby, what are the characters of the market neighbourhood, etc.

The most important homework is to create a unique vision for the farmers market. It's vital to understand the potential benefits of a farmers market for the community and frame it in the vision and communicate with other stakeholders.

The next step is to hold an exploratory meeting where the vision of the new farmers market can be shared with potential partners, stakeholders, and community supporters. The goal of this meeting is to assess interest levels, invite participation and ideas, and, ultimately, identify a core group of committed partners who can carry the project forward as a steering committee.

A broad, representative group of stakeholders and interested parties should be identified and invited to attend the meeting. Examples of key people to invite would include nutrition and agricultural educators from the regional extension office, local farmers, leaders of farmers' groups, representatives of community non-profits and foundations, city and regional officials, urban planners, religious leaders, local business leaders and associations, high school or university agricultural specialists, chefs, health-oriented food businesses and cooperatives, social service agencies, food banks and pantries, gardening and service organizations, and consumer advocates.¹¹

The core group that emerges from the exploratory meeting may need to be augmented by recruiting additional key players. An ideal steering committee should have representation from regional extension, local farmer leaders, local civic and business leaders, key non-profits and

¹⁰ Washington State Farmers Market Manual. WSDA Publication number: AGR PUB 200-189.

¹¹ Desmond Jolly, 2005. Starting a New Farmers Market, The Farmers Market Management Series, Vol. 1. UoC.

community groups, community food programs, and consumers. Having members with a balance of organizational, fundraising, communication, and marketing skills is also critical.¹²

The initial planning tasks for the steering committee include:

- **Market Analysis** - Assess the need and potential support for a market within the community. Assess the extent and nature of consumer demand for locally grown products. Evaluate the potential scale of market that could be supported.
- **Site Analysis** - Assess potential sites for the market.
- **Financial Analysis** - Assess potential revenue and costs to determine the market's probability of reaching financial self-sufficiency or profitability. Assess the profit potential for market vendors.
- **Vendor Analysis** - Assess the availability of enough farmers and other vendors to assure sufficient product volume and variety.

Depending on the scope and scale of the market and the extent of the volunteer base, the above tasks may be accomplished by steering committee members or by separate subcommittees chaired by steering committee members.

Summarizing the literature review it can be concluded that a farmers market should not be started unless it has a reasonable chance of success.

Research suggests that once people begin shopping at farmers markets, there is a high level of repeat patronage. Market organizers sometimes underestimate the challenge of recruiting the right mix of farmers to a new market. Being able to amass a sufficient quantity and mix of farm products is the basis of market viability. Planners must be able to locate a critical mass of growers.

Much of the market's success depends on having a respected and capable grower express and maintain a commitment to the market vision. Such a vendor can serve as an anchor for the market by providing a diverse and consistent array of quality farm products throughout the length of the season. The mix of vendors is extremely important in building a successful market. Most critical is the capacity to generate a critical mass of both vendors and shoppers, neither of which can exist without the other.¹³

Agricultural Sector of Armenia

After the collapse of the Soviet Union in 1991 and privatization of land and main means of production, the Armenian rural population was provided with small-size land plots. Rural population of Armenia represents 36% of the total population (3.3 mln). The breakup of the collective agriculture resulted in about 340,000 small scale farms, with the lack of machinery and equipment, irrigation and skills to conduct effective farming practices. However, other studies indicate that the actual number of functioning farms is much lower-around 200,000¹⁴. Of this

¹² Washington State Farmers Market Manual. WSDA Publication number: AGR PUB 200-189.

¹³ Ostrom, Marcia and Raymond Jussaume (2002). Food Consumption Attitudes and Behaviors, Results of a 2002 Consumer Survey.

¹⁴ Various estimates and studies done by ACDI VOCA, World Bank etc.

200,000, approximately 100,000 are subsistence farmers. As a result of privatization, each farmer received on average 1.4 ha of land and faced problems of transformation from one political and economic system into another. Agriculture is the main income source for rural inhabitants. Different studies indicate that large farms with more than 10 hectares currently represent only 6% of all farms.

Of the 29,800 km² of the country's total area, 2,120 ths. ha is agricultural land. Most land ranges from 1,000 to 2,500 m above sea level, with 90% of the total area having an altitude of more than 1,000 m above sea level. Of those 2,120 ths. hectares suitable for agriculture, 449.1 ths. ha (or 21%) is arable land, about 32.6 ths. ha (1.5%) is perennial plantations, 12.7 ths. ha (0.6%) is grassland and 1,117 ths. ha (52.6%) are pastures. Only 155 ths. hectares of agricultural land is actually irrigated.

About 35,000 ha are out of use because of primary and secondary salinization and 15,000 ha because of water-logging (underground water at 1-2 m depth in some valleys). In total about 150,000 ha of agricultural land across the country is out of use for a variety of reasons¹⁵. The structure of agricultural sector in 2011 was as follows: crop production: 55%, livestock production: 45%, relatively 49.4% and 50.6% in 1990¹⁶. The contribution of peasant farms/household plots in the Gross Agricultural Output over past years remains prevailing (about 97%) compared with commercial organizations; and no major change and/or dynamics is registered.

The share of agriculture in Armenia's GDP has been around 20 percent since 2005. In 2011 it comprised about 17%. The employment in agriculture represents around 44% percent of the labor force¹⁷. The small, fragmented land sizes do not allow farmers to efficiently organize the agricultural production. Fixed costs of machinery and means of production are high, business and management skills among the farmers are low, relationships with the processors are not strong and farmers lack the necessary bargaining power.

The volume of agricultural produce in 2011 was twice as larger than the same indicator in 2010. In particular, gross fruit production in 2011 was 234.6 thousand tonnes, which exceeds about 1.8 times the respective indicator of the previous year. 16.2 thousand tonnes of fruits and vegetables were exported, which exceeds the indicator of the previous year by 30 percent¹⁸. According to the data of the RA National Statistic Service (NSS), the gross agricultural output in 2011 exceeded the previous year's indicator by 15.3 percent, including the growth of crop production that made 28.7 percent.

In the past, fruit growing was considered to be the most profitable sector in Armenia. After independence, various factors have caused a decrease in the area covered by fruit orchards, the yield has dropped and the volumes of fruit processing have declined. In 1984, there were

¹⁵ FRED A, Survey and Analysis of raw material base for processed fruits, Final report, Yerevan, 2010.

¹⁶ RA National Statistical Service, 2011.

¹⁷ Although according to another study conducted by NSS in 2006 entitled 2001-2006 labour force in Armenia actually 24% of labor force or about 240000 people are employed in agriculture.

¹⁸ Agrolratu newspaper, December 27, 2011

54,000 ha of fruit orchards in the country (34,000 ha of which productive), while in 1999 the number was 22,500 ha (of which 21,600 ha productive). Currently there are about 35,000 ha (of which 30,000 ha productive) areas under cultivation.

Availability of land areas in different soil and climatic zones makes it possible to grow apricot, peach, prune, cherry, apple, pear, quince, walnut, peanut, fig, and pomegranate. About 70% of the country's fruit orchards are located on 400-to 1,000 meters, 4%-5% - 1,500-2,000 meters and 2.5% - over 2,000 meters above sea level.

The main part of the produced crop is sold in the market, while processing companies (about 35 companies) were able to purchase 51,000 tonnes of vegetables and 14,100 tonnes of fruits in 2011, worth of 4.7 billion AMD. The stone fruits that are of priority significance for the processors (apricot, peach), are purchased from the same areas, Ararat and Armavir marzes (more than 70%). Pome fruits (e.g. apple) are purchased (more than 60% of the total) mostly from Kotayq and Aragatsotn marzes. Subtropical fruits (e.g. fig) is purchased from Syunik (Meghri area) and Tavush (Noyemberyan area) marzes.

The role of the processing industry is very important in the development of agriculture and in marketing of agricultural products. Currently, only 10-15 percent of the existing capacity is used in the sector. The volume of usage varies from company to company and is between 3%-5% and 50%.

The local processors purchase the raw product both from the local farms/producers and collection centers/consolidation points. Most of the raw product is purchased during the harvest since this is the time when it is possible to purchase large volumes at low prices. Raw product is purchased from nearly all regions of the country. Transportation from nearby areas is performed by the farms themselves, while transportation from remote regions is performed by the trucks provided by processors. Some processing companies (as a rule, the large ones) prefer to work with so called "agents" who perform acceptance/consolidation works. Normally, these works are performed by individuals who have business relationships with fruit growers, from whom they collect and transport in small quantities (5-6 tonnes) to the processing enterprise. Volumes, quality requirements and prices are arranged upon ahead of time.

Simultaneously with the development of the fruit market, including processing and export, the most critical roles are played by issues related to fruit collection, consolidation, sorting, preservation of completeness, cold storage systems, etc. Fresh fruit processors, exporters and supermarkets suffer from the current status of the above infrastructures.

Fresh fruits and vegetables actually appear in markets through middlemen. In practice, middlemen can be divided into two groups: resellers who buy the product directly from producers and transport it on their own and traders who are located in the markets and purchase the products taken by farmers and sell it in the wholesale markets. Stores, kiosks and other trade points mainly purchase from the wholesale markets.

Farmers Market on Kasyan Street

Since August 2011, due to the initiative of Ministry of Agriculture (MoA) a weekend farmers market was established in Kasyan Street in Yerevan. In the same area (around 50m) two other alternative markets serve the needs of the customers: the Mergelyan market and Fresh supermarket (soon STAR Supermarket Chain due to a merger). The concept was to establish a market for creating direct links between producers and consumers. The vendors of the market ought to be the producers themselves, certified by Agricultural Support Centers, which must issue verification bulletin to the market management if needed. The mission of the market according to the MoA was to eliminate the number of middlemen, who capture the highest margins, and create incentives for producers to arrange the marketing activities themselves. According to the Minister, the primary goal of the market was to exclude the middlemen from the market, rebuild the respectful cooperation and mutual trust among producers and consumer, constituting to civil trade practices¹⁹.

The first opening day of the market was promoted heavily by TV, radio, newspapers, SMS, etc. On the opening day, due to heavy promotion, the customer flow was more than expected. The farmers themselves being cautious to each initiative of the ministry brought small quantities of their produce. High demand and low supply caused the market to be almost empty at around 12:00 AM. As a solution to this issue, the ministry decided to operate the market both on Saturdays and Sundays.

Market Infrastructure and Management

The market is equipped with about 60 Pepsi Cola umbrellas/tents, provided by Pepsi Cola Bottler Armenia (plant of Jermuk International Company). Under each umbrella there is a place for 4 sellers, who share the tables and have individual scales, provided by the market management. The market capacity allows about 200 farmers to sell their produce. However, there were weekends when the number of farmers reached to 300. Each farmer is given a registration form where the variety and quantity of products brought to market must be registered. The “entrance” bulletin is given by the ASCs. The producer, upon showing the bulletin to the market employees, receives a scale, apron, hat and gets a place under the tent, where he can sell his/her products. Farmers arrive usually by sedan type car, carrying on average 300kg fruits/vegetables per car and start the registration from 6:00-7:00 AM. The market is open for customers at 9:00 AM. The variety of the products is relatively wide, alongside with fruits and vegetables customers can also find honey, fish, cheese, wine, etc. Non-traditional species such as kohlrabi, broccoli are also available.

On several tents the name of the region or the cooperative was indicated to guide the customers. However, it is worth to mention that on most of the tents or umbrellas there were no signs indicating the origin of the products.

The market has a manager, who is responsible for most of the tasks, including the registration process, maintenance and monitoring activities of the market. According to the manager, the assembly of the market is costly and time consuming. About 8 people start assembling the tents

¹⁹ Agrolratu newspaper, September 6th issue, 2011

from early Friday to be able to complete the set up of the needed tents for the next day. They have 5 carts but need at least 40 and have 130 scales but need at least 200. Sometimes, when the participants are more, they have no choice but to allow the producer to use his/her own scale.

The team supervised by the manager includes:

1. Eight student volunteers (mostly female) who conduct the registration of the farmers.
2. Two technicians (together with 5 daily hired labourers) responsible for getting the tents from the warehouse and assembling/disassembling them in the market area.
3. Three people are responsible for the scale management.

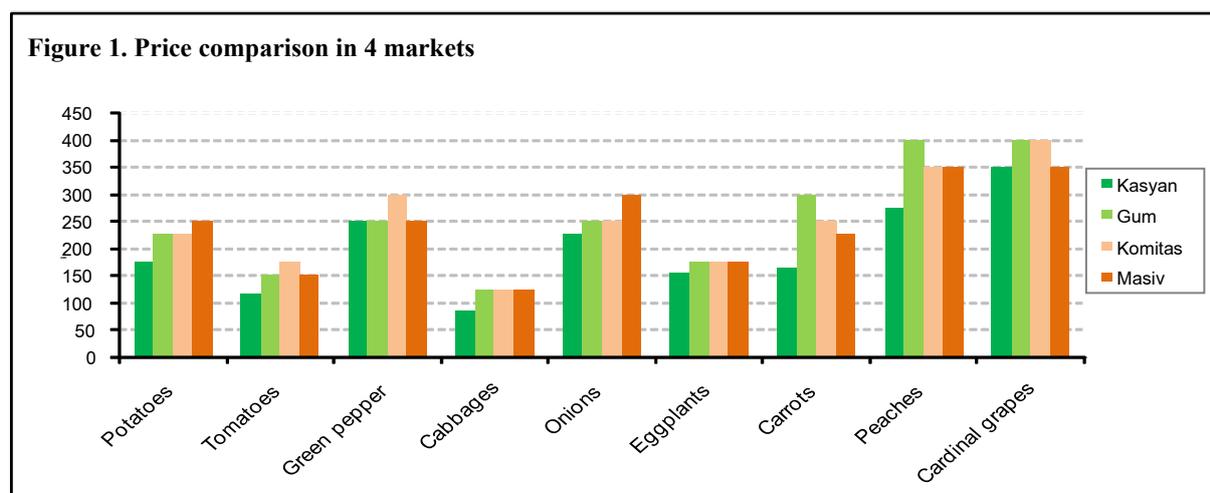
In addition, there are:

1. Two hired cleaning ladies who clean the tables and the market area on a daily basis. Note: the final cleaning (at the closure of the market) of the area is done by the city municipality.
2. Five daily hired people to help set up the tents.
3. They also rent three large «ZIL» trucks to take all the tents and the equipment from the MoA warehouse to the market and back.

There are about 12 people from the MoA (including three deputy ministers) who monitor/control the daily operations of the market. The manager was not aware if there are clear functions for the MoA people and how these functions are assigned to them. Regional ASC heads (8 people on average) are also present during the market operation to certify that the trader is a farmer and to guide the traders from their respective marzes.

On average the market product turnover over the two days amounts 120-150 tonnes. Usually the entire produce of the farmers is sold, and there is no need for carrying back the leftover.

Four market prices of the selected products were recorded in the discussed four markets in September. It can be noticed that on average the prices of other three markets are from 21-27% higher than Farmers Market prices. Taking the Farmers Market prices as base, it was observed that on average Masiv market's prices were higher by 21%, Komitas market's prices by 25% and Gum market prices by 27% (See Figure 1).



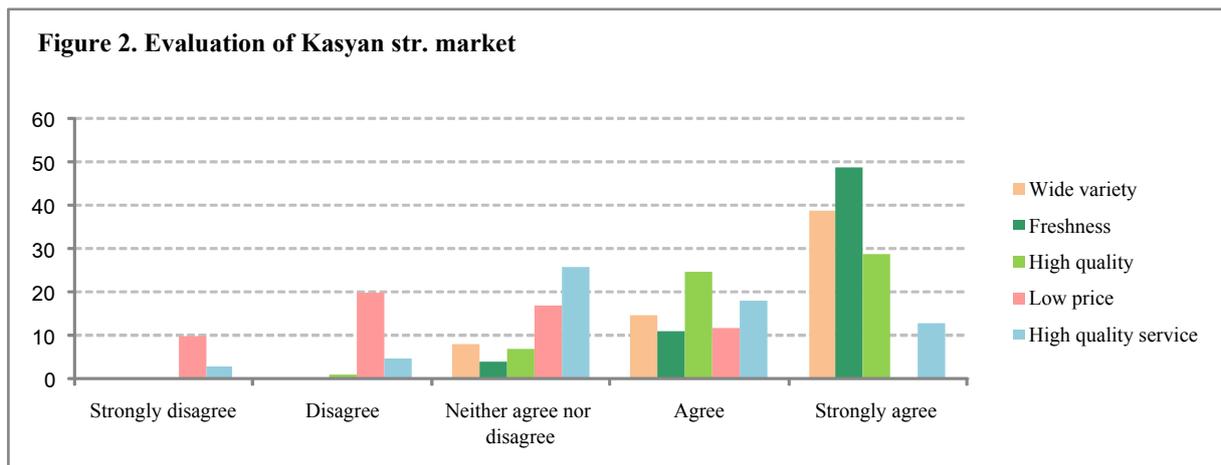
Source: Own observations.

The customers complained that the Kasyan market's prices were high; maybe because of the misleading marketing campaign by the MoA. The marketing campaign "buy directly from the producer" has a misleading affect on the customers. They expect the prices to be too low, if they are buying from producers themselves. If the marketing campaign directed customers' attention on quality, freshness, wide variety etc., the perceptions that the prices are high would be overcome. The customers would rather come to find quality and fresh produce, and mostly the quality/price ratio would be compared.

Customer Satisfaction Analysis of Farmers Market

To evaluate customer satisfaction and perceptions of Kasyan str. farmers market, a survey of customers was conducted who made a purchase from the market. The purpose of the survey was to figure out the basic reasons and motivations guiding customers to make or not to make a purchase from this market.

Most of the customers strongly agree that the products are fresh, have wide variety and high quality (See Figure 2).



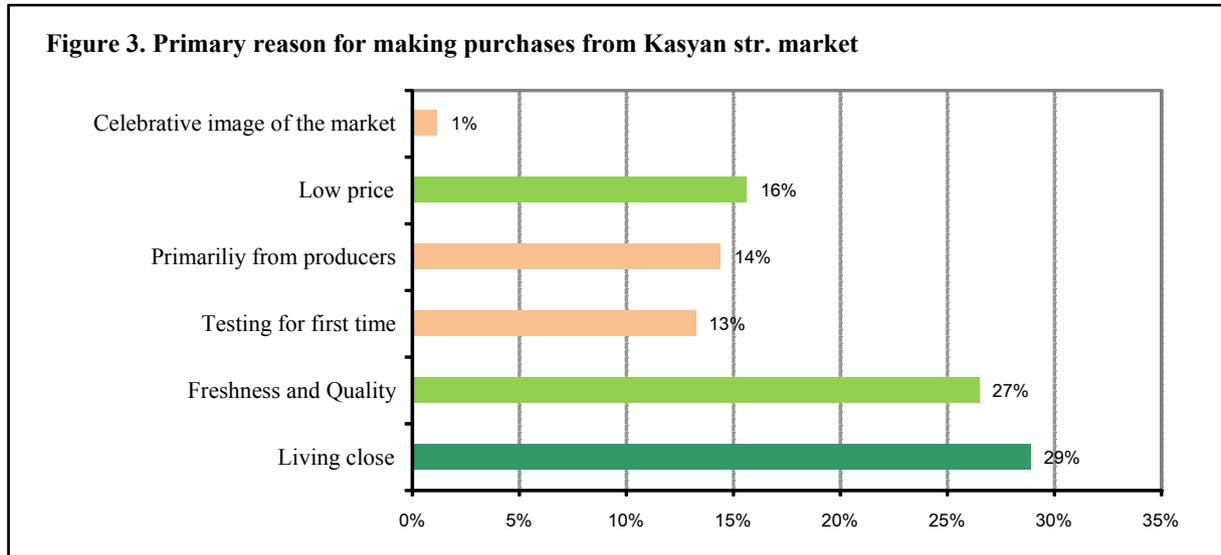
Source: Customer satisfaction survey, ICARE.

The main reason for 29% of customers visiting the Farmer Market was because they were living close. For about 27% of the respondents the primary reason was the freshness and quality of the produce. Respondents have rather negative attitudes evaluating the criteria of low prices.

Hence, most of them believe that the prices are not low. Although in general there was a disagreement with the fact that prices were low, however, another 16% of customers attended to the market primarily for perceived low prices (See Figure 3).

To the question "what changes would you like to see in this market", 39% of the respondents indicated that they would like to see larger market area, more convenient rows to move around. Although being in a geographically right place, the Kasyan str. market is mostly overcrowded. It

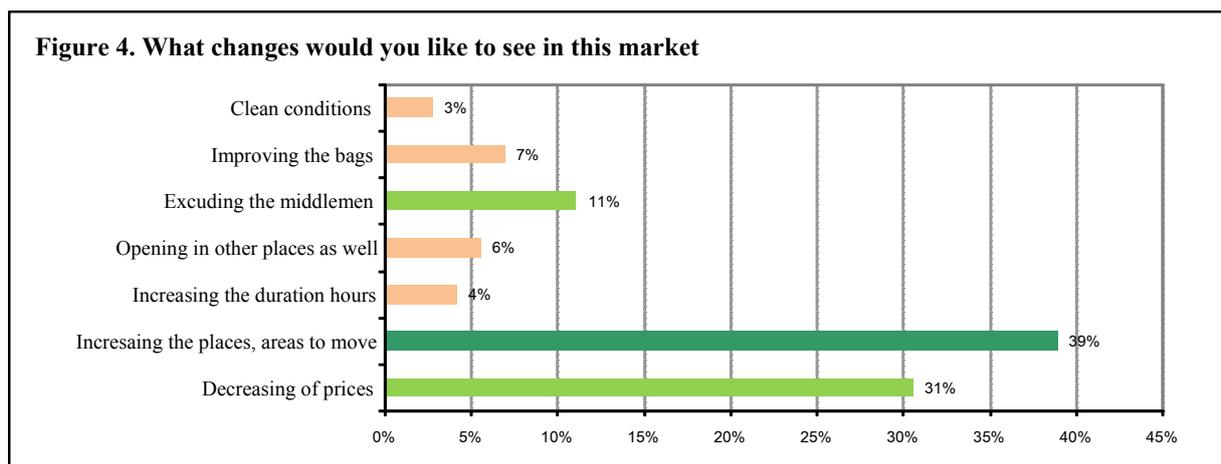
is very hard to move through the market and sometimes products are not visible behind the people.



Source: Customer satisfaction survey, ICARE.

About 31% indicated lowering of prices and 11% were sure that there were also middlemen present in the market. Some of the respondents indicated that they personally know some middlemen from other markets (see Figure 4).

Seven percent of the respondents indicated the poor quality bags and recommended to improve the bag quality. Other suggestions were to open markets in other areas as well, increase the operating hours, maintain clean conditions, etc.



Source: Customer satisfaction survey, ICARE.

Several customers were sure that they saw middlemen, who were from the nearby markets. Even if the volunteers did their job accurately and excluded the penetration of non-producers, steps

should be undertaken by the market management to assure customers that there are only farmers in the market. The perception (even wrong) that there are middlemen present in the market has a misleading effect on the customers. In addition, customers highly underlined the needs for receiving information about production processes.

After all, the desire of the customer to come again was tested. About 79% of the respondents expressed commitment to come again next time, 15% are definite not to come and 6% were hesitating. Although at the first glance 79% is reflecting the desire of the most of customers to come again, 15% segment who will not come and 6% who are still not sure should be taken into consideration. The management of the market should be very attentive to mitigate the consequences of mistakes and enhance the customer satisfaction.

Conclusions and Recommendations

It can be concluded that the idea of the Ministry of Agriculture to establish a Farmers Market is welcomed by almost all stakeholders. The number of farmers willing to participate in the weekend market grew up quickly and, alongside with farmers, the number of consumers grew as well, constituting higher product turnover.

The Ministry of Agriculture seems to be very serious about the project and spends heavy resources, particularly human resources to eliminate the problems and achieve sustainability. The project allows farmers to sell their produce directly to consumers, establish relations with them, acquire loyal customers, introduce new varieties and generate more income, by eliminating the middlemen. Customers, particularly the ones from the community are provided with an opportunity to have access to first of all fresh and quality produce at reasonable price, receive information about the growing process, interact primarily with producers and be part of the social event, helping the farmers and constituting to higher returns for them.

With all the positive effects, several pitfalls and gaps of this market were underlined, and based on the global trends and developments of Farmers Markets, appropriate recommendations were made. The recommendations are targeted to three dimensions: infrastructure, management and marketing.

Infrastructure

A right geographical location of the market is chosen, because the living standards of the local people are considered to be higher, and there are two main markets of fresh fruits and vegetables, excluding the kiosks and small shops, which don't fulfill the needs of the customers. One of them is Mergelyan Str. market, which is mainly dominated by middlemen. Prices are higher than the city average and quality is not that high. "Fresh" supermarket is targeting middle segment, sometimes offering discounts on fruits and vegetables, but the quality is again not high, and products are not fresh in spite of the brand name (soon it will be STAR chain due to merger).

However, being a geographically suitable place for organizing a market, the market is in very active part of the street and creates difficulties for street drive. The market has parking problems, which creates additional difficulties. First the management of the market forced the producers to

park in nearby street and bring the products by carts. This didn't work because the management had only 5 carts, and that process was time consuming. Then, the management allowed the producers to park their cars near the market, almost linked to the market and to load the produce directly in the selling area. This method caused crowding and some farmers started to sell directly from their cars, damaging the market atmosphere. The management can overcome this issue through obtaining additional carts, and organizing the parking process in nearby street.

Additional one or two employees will be needed to control the parking process. The market goal is not to attract as many farmers as possible, because through involving too many farmers the marginal utility to each will decline.

Currently, the crowd doesn't allow a customer to smoothly walk through the corridors of the market. Increasing the walking corridor and removing one or two tents in the middle, would allow a customer to move smoothly and cross the market from center. Currently the customer has to reach to the end of a row to turn to the other row. A horizontal corridor will create a crossroad and eliminate the crowd.

The assembling and reassembling of tables and tents takes too much time and resources, including financial. Simple-designed tables are needed, which would be quickly assembled and dissembled saving time and money of the management.

Management

The market has a manager, but his status is not defined yet, whether he will be contracted by MoA or he will be considered as a MoA employee. Along with the manager, the ministry is using its human resources (other staff). This is not regulated and coordinated. Clear work distinction and tasks are not defined towards this project. A lot of MoA employees are present in the market, however, the absence of coordination and supervision is lowering their effectiveness. Eight student volunteers do the registration of the farmers, 2 technicians who (together with 5 daily hired laborers) are responsible for getting the tents from the warehouse and assembling/disassembling them in the market area, 3 people responsible for the scale management. Clear compensation mechanisms and clear task management are needed.

Each time almost all the ASC heads are present in the market, assuring that newcomers actually are producers and the produce belongs to them.

Taking into account the international experience, it is recommended that the market has a board of directors. The board being composed of stakeholders would define the strategy of the market and define the target goals. The board members might represent unions, support centers, farmer associations, research organizations, etc. Each member's contribution from their field will have significance importance for the market.

The management should undertake steps to define the desired amount of members, whom the market can afford, because more members are hampering the effectiveness of the market operations. It is much better to have a market composed of 150 members/vendors, who will have all the needed varieties. Putting a quote on the maximum amount to be present in the market will

contribute to extended hours of operation, more space for customers, and effective visibility of products and enhance the overall image of the market.

The overall long term sustainability of the market will highly depend on the effectiveness of cooperatives to present their members' produce to the market. Currently the capacity of the farmers to transport their products is limited to about 300 kg, per personal car. The long term sustainability of the market will depend on creating incentives for cooperative participation to the market. Cooperatives can hire a van to transport their produce, hereby decreasing per unit transportation costs.

There were complaints from consumers regarding the quality of bags. Management of the market can order bags in bulk and sell them at unit cost to farmers. Besides assuring the right quality, it will also have promotional effect to the customers. The bags must for sure be environmentally friendly bags.

Very few tents had signs indicating the region of the produce. The management should conduct preplanning of regional placement of farmers. It should be planned which product variety should come after which to assure the convenience and visual appearance of the store. Having Pepsi Cola or other umbrellas market is losing its authenticity so the manager should take this aspect into consideration.

Managers should consistently pay attention to the following areas to ensure the effective market performance: Staff and book keeping, rules and governance, budget, market layout, parking, safety issues, vendor sales and vendor mix, market mission and goals.

Peer evaluation may also be a very helpful tool for understanding the market performance. In addition, market managers can perform rapid market assessments, which usually include tracking customer foot traffic, collecting shopper feedback, debriefing involving participants and peers. Market counts are done usually by counting the number of customers in 10 minutes of each hour. The data then can be generalized to estimate the total customers for each hour and the whole day. Collecting shoppers' feedback can be done easily, by erecting a chart with appropriate categories and the customer has to put a dot in the category that best matches his response.

The goal of debriefing is to get detailed feedback from people who have diverse market experiences and perspectives. Debriefing also helps to deepen the participatory problem solving process and facilitates the cooperative support between stakeholders. The report about rapid market assessment as well as other relevant data should be presented to the board of the market, which should discuss the compliance of the market to defined strategy and decide the upcoming tactics.

Marketing

After examining the marketing activities of MoA, as well as measuring the customers' perception and attitudes, it can be stated that the MoA is conducting misleading marketing and promotional activities, which underline the low price and assistance to agricultural producers. Research shows that price is not the significant factor contributing to the success of the Farmers Market. As long as farmers carry small amounts of products, the price won't be too low. The market observations indicated that overall the average prices in the market were low or at least

not higher from other markets, however, when customers are attracted there to get low prices, they are becoming unsatisfied seeing that the difference is not much. The management of the market should promote price only in the context of quality. For example the apples in Farmers Market and in supermarket might have the same price, but the freshness and quality of the one in Farmers Market will be higher.

The market should have clear promotional messages of freshness and high quality products. Customers sometimes are confused with the message of “buy directly from the producer”, because they think that it will contribute to the lower price, rather than to higher quality. Hence, the quality, information about production process, new varieties, freshness and public celebration issues should be underlined in the marketing of this type of markets.

Farmers Market should be a place, where new varieties and cooking lessons should be introduced. A separate tent should be given to that farmer, who will bring new varieties, and give customers information about cooking. This will contribute to innovative practices among farmers and growing interest among customers, who will consider the market as a public and social event. Clearly differentiating the market from other markets will contribute to the sustainability and high impact.

Analyzing the current practices of Kasyan str. farmers market’s marketing activities as well as international practices and activities, the following recommendations can also be made to be carried out by the management of the market, which will significantly enhance the effectiveness of the market.

- ***Market data collection***

Collecting market data and tracking market information allows managers to understand business trends and cycles and more accurately predict how the market will perform. The market data should include information regarding total market sales, sales in different vendor categories, customer foot traffic counts, and external special events, both local and regional market prices. For example if strawberry season results in a dramatic increase of foot traffic in the season, a manager might be inspired to develop a special event or a marketing campaign. Tracking attendance over time also helps to measure and evaluate the impacts of various promotional strategies.

- ***Vendor data collection***

The vendor data should be collected each day of market operation. This information will allow the managers to track the performance of vendors in order to maximize overall market performance. It also allows to estimate the most successful and unsuccessful vendors, evaluate the reasons for successes and failures. With this information managers need to evaluate the market demand and recommend the vendors to bring particular varieties. When assessing the vendor data, the following information needs to be gathered: individual vendor sales, vendor specialization and categories, information about the variety of the produce, contact information, amount of produce brought and sold.

- ***Customer data collection***

Learning as much about the customers' spending and preferences as possible will allow the management to effectively target the marketing activities. The customer satisfaction index can be built according to the performed survey, which can serve as a benchmark to be conducted on a regular basis.

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