

JUNE 2020

FROM 'SCRAMBLING' TO
'DEVASTATED'

THE IMPACT OF COVID-19
ON FARMS IN NORTH AND
SOUTH CAROLINA



CAROLINA FARM
STEWARDSHIP
ASSOCIATION

Pictured: Cindy Econopouly of Eco Farm in Chapel Hill, NC
selling at the Carrboro Farmers Market

Executive Summary

The COVID-19 emergency has caused massive economic dislocations for food and agricultural producers in the United States, and small and medium-sized farms selling in local food markets are no exception. The Carolina Farm Stewardship Association (CFSA) conducted a survey of local farms in the Carolinas to quantify those impacts. The survey was conducted through the CFSA website between April 10 and May 5, 2020, as the region's spring growing season was getting fully underway and stay-at-home orders were in place for nonessential workers in both North and South Carolina. The results show that small (less than \$25,000 in annual income) and medium-sized (\$25,000 to \$250,000 in annual income) farms selling in local food markets are suffering greatly:

- 76% of respondents saw a decline in their weekly sales due to COVID-19 and the social distancing restrictions meant to contain the spread of the disease. That includes 83% of small farms, and 73% of medium-sized farms.
- 34% of farms suffered sales decreases of greater than \$1,000 per week, including 41% of medium-sized farms.
- Restaurants and agritourism are two of the top five sales channels for local farms; 87% of survey respondents that had restaurant customers reported drops in restaurant sales, and 79% of farms with agritourism activities reported decreased agritourism income.
- Farmers markets are the second most important marketing channel for local farms. Since COVID-19 began, 68% of operations with farmers market sales experienced decreases in those sales due markets were closed, delayed, revamped with fewer vendors, etc.
- Some farms have successfully shifted some of their business to other direct-to-consumer (DTC) channels such as online orders/preorders, Community Supported Agriculture (CSA) subscriptions, and home delivery services. These operations also report increased labor and technology expenses have been necessary to make the change.
- Many farms, including a majority of small farms reporting data, have still seen their sales through these other DTC outlets decrease since COVID-19.

These farms are diversified, with 65% raising multiple broad categories of crops including vegetables, fruit, meat and poultry, flowers, and eggs, and so do not tend to benefit from economies of scale in their production practices. The greater share of retail prices earned by small and mid-scale farms for local food and agricultural products are therefore essential for the economic viability of these operations.

The agriculture-focused COVID-19 relief funding from the federal government is geared toward high-volume, low-cost production of commodities and so does not serve local food producers.

Large numbers of these small and mid-scale local farms will go out of business if any next round of COVID-19 relief for agriculture does not include targeted support for the local food sector, including:

- grants to cover these operations' lost revenues,
- grants for marketing and technology improvements,
- grants to farmers markets to hire sufficient staff to implement social distancing practices, and
- investments in independent small meat processing facilities.



About CFSA

The Carolina Farm Stewardship Association (CFSA) is a farmer-driven, membership-based 501(c)(3) non-profit organization that helps people in the Carolinas grow and eat local, organic food by advocating for fair farm and food policies, building systems that family farms need to thrive, and educating communities about local, organic agriculture. Founded in 1979, we are the oldest and largest sustainable agriculture organization in the Southeast. For over three decades, we have successfully united farmers, consumers and businesses to build a just, healthy food and farming future.

Our key program areas include:

- Farm Technical Assistance Services and Trainings for Organic Production, Marketing, and Food Safety
- Policy & Advocacy
- The Lomax Research & Education Farm
- Educational Conferences including the Sustainable Agriculture Conference and the Organic Commodities & Livestock Conference
- The Piedmont Farm Tour



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The Carolina Farm Stewardship Association thanks the 133 farmers who took time to answer our survey questions. We also appreciate the assistance of Kathryn Boys, Ph.D., Assistant Professor in the Department of Agricultural and Resource Economics at NC State University in reviewing survey questions.



1. Introduction

The COVID-19 pandemic and the variety of social distancing and sanitation measures implemented to combat it have upended food supply chains across the U.S. since the federal government officially declared the disease to be a national emergency on March 13, 2020.

Prior to the pandemic, U.S. consumers spent more than 50% of their annual food budgets on foods prepared outside the homeⁱ. The widespread closure of restaurants, workplace cafeterias, schools and colleges, and other food service venues slashed that market to the bone, causing havoc for the food supply chains that are organized to package and distribute food for preparation in those settings. COVID-19 outbreaks at food processing plants, including meat processors and produce packing facilities, have caused those facilities to reduce output. And consumer grocery shopping behaviors have been reshaped by fear of the disease and the economic recession it has caused, with panic buying of staple goods, increased purchases of organic foodsⁱⁱ, and reduced purchases of specialty foods.

There has been extensive news coverage of the impacts of these disruptions on farming, highlighting instances of dairies dumping milk, Concentrated Animal Feeding Operations (CAFOs) culling their livestock herds, and produce farms plowing under crops. These images, coming while unemployment skyrockets along with demand for emergency food relief, illuminate the challenges the pandemic has created for many farmers whose production systems are oriented toward the national food service supply chain.

Farms and ranches serving local and regional food markets have also been impacted by COVID-19 and social distancing measures, with small and beginning farms particularly affected. Both small and beginning farms benefit from the greater share of retail prices farms are able to earn in local markets than in mass-scale commodity markets. Beginning farmers are much more likely than established farmers to sell into local food marketsⁱⁱⁱ, and 85% percent of farms and ranches that have local food sales are small^{iv}. In addition to the closures of restaurants and schools that buy from local producers, and prohibitions of events on farms such as school tours and on-farm festivals, local authorities in many communities have closed or restricted farmers markets, and some customers have been wary of visiting them.

To understand how these developments have affected farms serving local food markets in North and South Carolina, CFSA surveyed its farmer stakeholders. The survey was conducted through our website between April 10 and May 5, 2020. We received 133 individual responses, and we are grateful for those farmers for taking their time to provide their information.



2. The USDA Coronavirus Food Assistance Program and Other Federal COVID-19 Relief Efforts

Recognizing the potential harm to agriculture from the pandemic, Congress included \$9.5 billion in relief funds for farms as part of the CARES Act, with instructions for the U.S. Department of Agriculture (USDA) to provide “support for agricultural producers impacted by coronavirus, including producers of specialty crops, producers that supply local food systems, including farmers markets, restaurants, and schools, and livestock producers.” On May 21, the USDA published the [rules](#) for farmers to apply for those relief funds under the Coronavirus Food Assistance Program (CFAP) and began taking applications May 26.

Under CFAP, farms are eligible for payments if they grew certain crops or raised certain livestock for which, according to USDA data, commodity prices were at least 5% lower during the week of April 6-10, 2020 than they were during the week of January 13-17, 2020. Only crops produced/held and livestock inventory held during period January 15 to April 15 are eligible for compensation.

Payments are calculated based on the amount of the reduction in commodity prices for any eligible crop or type of livestock and the amount of those products that a farm sold, raised, or had on hand as of April 15. Farmers do not have to show evidence of actual financial loss, only that they shipped the eligible commodities during the period from January to April, or that they left crops unharvested or held on to livestock during that period because they could not sell them. The USDA’s apparent assumption is that farms raising eligible products sell them at wholesale commodity prices. This supposition inherently limits the amount that farms selling in local food markets can recover through CFAP to far below their actual losses, since farmers typically receive significantly greater share of retail prices in local food markets for their products than they would in commodity markets.^v

The highest CFAP payments are made on crops that were actually sold. For specialty crops, the CFAP payment rate for each pound of eligible specialty crops that a farm sold from January to April is 80% of the USDA’s calculation of the drop in the wholesale per pound price for that item. The payments for eligible specialty crops range from 1 cent per pound for storage onions to 84 cents per pound for strawberries. For eligible produce crops that could not be sold, farmers’ recovery is limited to 5.875% of the decline in the wholesale commodity price of those specialty crops. This rate is calculated per pound of unsold or unharvested crop (which the USDA extrapolates from a farm’s estimate of the acreage planted to those crops), and the price per pound for eligible crops ranges from 1 cent per pound for celery to 28 cents per pound for raspberries. These rates apply whether the produce was grown organically or not.

For eligible livestock, farms are paid a flat rate per animal sold, plus a flat rate for each animal still in the farm’s inventory as of April 15. The payment rates range from \$7 per head for unsold lambs to \$214 per head for finished slaughter cattle that were sold. The scheme for eligible non-specialty crops such as feed corn, other grains, and cotton is more complex but essentially pays farmers a flat rate per unit of crop inventory—which ranges from 32 cents per bushel of oats to as much as \$1 per bushel of canola. Dairy producers can receive \$6.18 for every hundred pounds of milk produced on their farm between



January 15 and April 15. In each of these categories, CFAP offers no premium reflecting the higher market prices for organically grown alternates, nor does it recognize any market premium for local or pasture-raised livestock.

Not all crops or livestock are eligible for payments. Specialty crops that small farms commonly grow in the late winter and early spring for local markets in the Carolinas that are not covered include collards, kale, other leafy greens, turnips, flowers, and nursery stock. Poultry, including eggs, are not eligible for CFAP. Revenues from farm-dependent businesses, such as agritourism activities, are not covered at all.

Thus **CFAP is most valuable for farms that raise large volumes of the eligible commodities and that were able to move significant amounts of those products.** Diversified farms, pastured livestock farms, and small farms selling in local markets, which typically have higher variable costs per unit of production than high-volume commodity farms^{vi}, and capture a greater share of the retail prices of their products rather than pricing to wholesale commodity markets^{vii}, are not well-positioned to benefit from the program. **Farms selling in local food markets that were unable to sell products because their market outlets were closed down due social distancing measures can only claim the lowest level of CFAP compensation available, especially in the case of specialty crops.**

The CARES Act also addressed two Small Business Administration (SBA) programs to provide relief funding opportunities for farms, the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL). The PPP allows eligible small businesses, including farms, to receive an emergency loan equal to 2.5 times their average monthly payroll costs over the previous year, plus an additional 25% of the payroll amount to cover non-payroll costs. Although the payment is made as a loan, any loan proceeds that a business uses to cover payroll costs, mortgage interest, rent, and utilities during the eight-week period after the loan is made can be forgivable if the business returns to its pre-pandemic staffing level by June 30, 2020.

Under EIDL, eligible operations—including farms—that, due to COVID-19, are unable to meet their financial obligations, unable to pay ordinary and necessary operating expenses, or have suffered a reduction in working capital may apply for an emergency of up to \$2 million. Upon submitting an application, a business may request an emergency advance of up to \$10,000, which does not have to be repaid, even if the loan application is denied or the business chooses not to accept the loan once approved. However, SBA policy limits the amount of any advance to \$1,000 per employee of the business as of January 31, 2020. Most farms only became eligible to apply for EIDLs on May 4.



3. Characteristics of Respondents

CFSA invited approximately 2,300 farmers in North and South Carolina to complete a survey on the impacts of COVID-19 on their operations and promoted the survey through social media and other digital means. With 133 responses, the survey had a response rate of approximately 5.6%. The demographic and production information provided by respondents suggests that farms selling in local food markets in North and South Carolina are more racially diverse than the general farming population. And while the large majority of farms earned less than \$250,000 in annual revenue, they were much more likely to earn more than \$25,000 per year from agriculture than the typical farm in the Carolinas. (See Charts 1 and 2.)

Respondents were invited to identify their state, gender, race, and size of their farm by annual revenues.

- 71% were from North Carolina and 29% from South Carolina.
- Of those who reported gender, 50.5% were women and 49.5% were men. According to the 2017 USDA Census of Agriculture, women are operators at 49% of farms in North and South Carolina combined.
- 12% identified as African American. Just 4.8% of farms in the Carolinas included Black operators in the 2017 Census of Agriculture.
- 5.6% identified as Hispanic or Latinx, compared to just 1.4% of total North and South Carolina farms overall having Hispanic/Latinx operators in 2017.
- 4% identified as Native American or Native Alaskan, and only 1.5% of the total number of farms in the Carolinas had operators in this category in 2017.
- 41.3% of respondents reported annual farm revenues of less than \$25,000, and 48.8% had revenues between \$25,000 and \$250,000. In 2017, for North and South Carolina agriculture as a whole, 77.6% of farms had annual revenues under \$25,000, and only 11.7% had revenues between \$25,000 and \$250,000.



Chart 1: Race & Ethnicity of Survey Respondents

- African American/Black
- Hispanic or Latinx
- Native American or Native Alaskan
- Other
- White

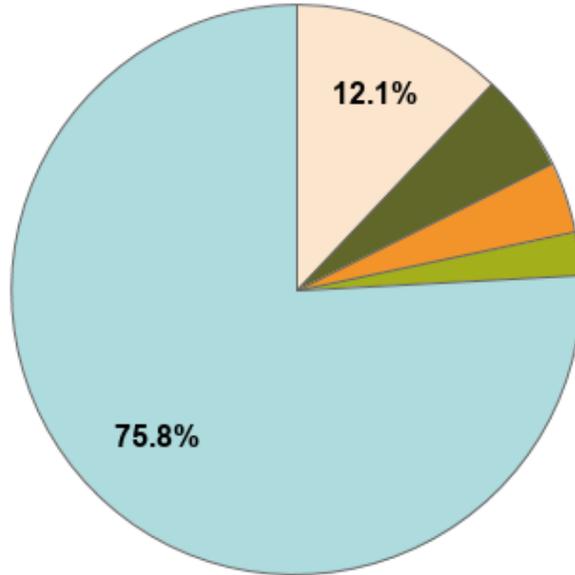
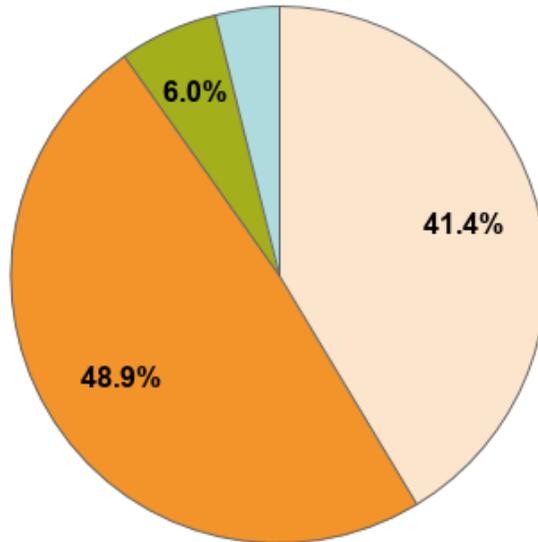


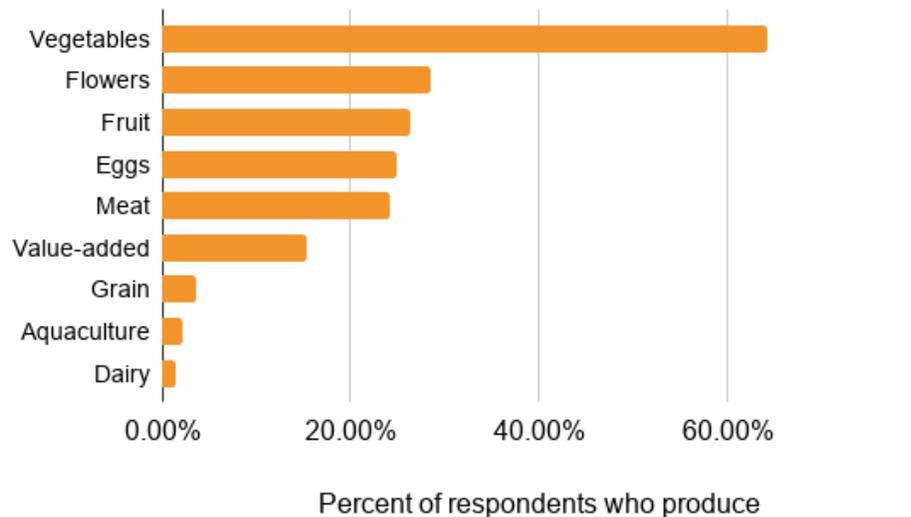
Chart 2: Economic Class of Farms by Annual Revenue

- Less than \$25,000
- \$25,000 to \$250,000
- Over \$250,000
- Did not answer



The survey asked about the types of crops respondents sell, and 65% reported raising or producing more than one class of agricultural product. Vegetables were by far the most common type crop, with 64% of farms reporting some production. Flowers, fruit, eggs, and meat were each produced on more than 20% of responding farms.

Chart 3: Farm Products



Farms were asked to rate multiple types of marketing channels as “very important”, “somewhat important”, or “not important” to their operations. Respondents reported a variety of direct-to-consumer (DTC) channels as being at least somewhat important. Farmers markets are important for 73% of farms, Community Supported Agriculture (CSAs) subscriptions are important for 51%, and ‘Other DTC’ sales, such as farm stands and online sales, are important for 80%. The ‘other DTC’ category was especially significant for **small farms (those with annual sales less than \$25,000 per year)**, with 89% rating it as important, compared to 75% of **medium-sized farms (those with sales between \$25,000 and \$250,000/year)**. Larger operations in the sample relied more on CSA sales, with 55% of medium-sized farms rating CSAs important, compared to 47% of small farms.

Intermediated local food sales are also important to many farms in this sample. The USDA Economic Research Service defines ‘intermediated’ local food supply chains as those where a local product reaches consumers through one or more intermediaries^{viii}. These intermediated local supply chains emphasize connections between the food producer and food consumer and can include farm sales to restaurants, grocery stores, wholesale distributors, institutions such as schools, food hubs, and local food processors.

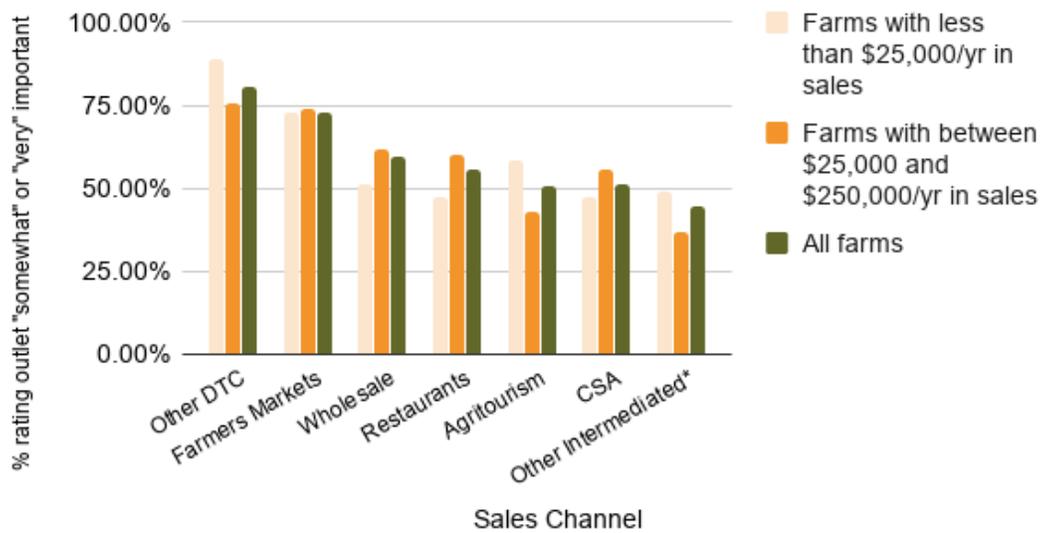
Restaurants are the fourth most common channel, with 56% of farms rating them important. Restaurants are more significant for larger farms, with 60% of medium-sized farms rating them as important, compared to 47% of small farms. Wholesale markets are also important for a significant majority (59%) of respondents. Wholesale distribution is more common at medium-sized farms (60%)



than small (51%). Sales through ‘other intermediated’ local food channels—food hubs, food processors, and direct-to-institution—are important for 44% of farms, with small farms relying on them more (49%) than medium-sized (37%).

Agritourism activities are becoming increasingly common at farms serving local and regional markets, and include ‘pick-your-own’ produce, on-farm lodging opportunities (e.g., bed-and-breakfasts, camping, Airbnb), on-farm events such as weddings and festivals, and on-farm dining. Agritourism is an important source of revenue for 50% of the farms in our survey, including 58% of small farms, and 43% of medium-sized farms.

Chart 4: Importance of Alternative Sales Channels by Economic Class of Farms



4. Economic Impact of COVID-19

The climate in most parts of the Carolinas gives farms selling in local food markets the opportunity to generate sales year-round, but production of produce, flowers, and eggs typically begins to expand in mid-March. Among small and medium-sized produce farms in this region, season extension practices, such as hoop houses and high tunnels that allow farms to grow produce in passively heated environments with protection from frost, have become widespread.

These conditions meant that in 2020, the prime period for local farms marketing their crops began exactly as restrictions on gatherings and social distancing requirements came into force in North and South Carolina. Both states prohibited indoor dine-in food service on March 17 and restricted (South Carolina) or banned (North Carolina) outdoor dining as well. Both states were under stay-at-home orders, including closures of nonessential businesses, by March 31. And in both states, some farmers markets remained open as 'essential businesses', some delayed their spring opening, and some closed or did not open at all. Our survey occurred while both states were under stay-at-home orders.

The impacts of the pandemic were immediate for most survey respondents selling in the Carolinas' local food markets: **76% estimated that they lost sales due to COVID-19.** Among all farms, 42% saw sales decrease up to \$999 per week and 34% had sales decrease by \$1,000 or more per week. (See Chart 5.)

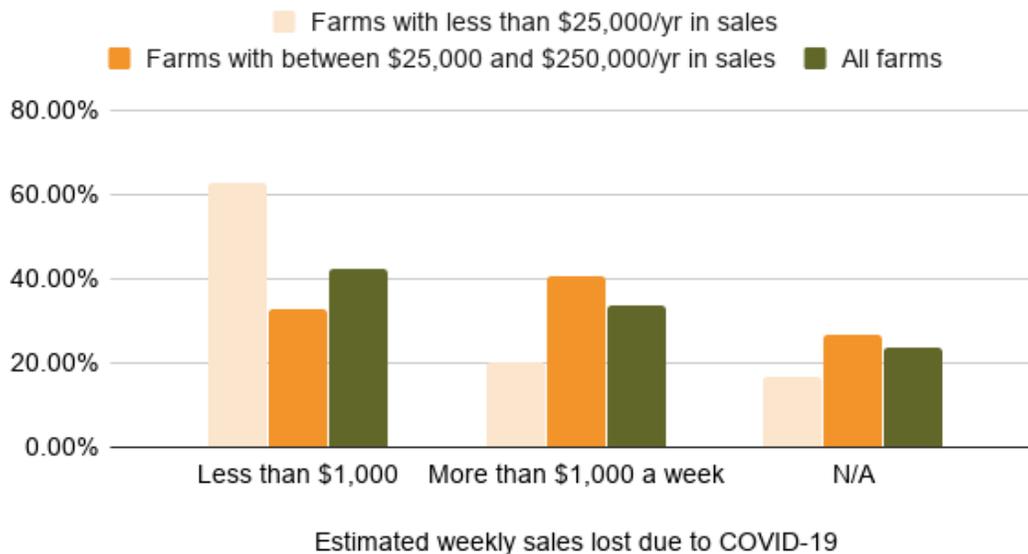
As might be expected, small farms were more likely to see a decrease in weekly sales of less than \$1,000 (63%), but 20% suffered weekly declines of \$1,000 or more. Given that the weekly revenues at these operations average out to be less than \$500 per week over the course of a year, these COVID-19-related sales reductions were dramatic for small farms. For 83% of small farms to experience a decline in sales suggests the pandemic will push many farms in this class to the brink of financial ruin.

Among medium-sized farms, 73% reported declines in weekly sales, with 32% experiencing reductions of up to \$999 per week and 41% losing more than \$1,000 per week. Sustained losses at this level can quickly add up to 20% or more of projected annual revenues for farms of this size--threatening their viability.

The following subsections examine the effects of COVID-19 on specific market channels that were important to survey respondents.



Chart 5: Weekly Sales Loss by Economic Class of Farm



In Farmers' Own Words: What if COVID-19 Continues?

Respondents were asked to predict the potential impacts on their farms if the COVID-19 crisis and social distancing measures remained in place through the spring and summer. The following quotes capture the anxiety felt by many local farms.

"We may be out of business if it continues in to August."

"Devastating impact. We might have to close down."

"We're anticipating losing \$35,000 this year from [canceled] events, farmers market closing, and restaurant sales."

"Scrambling for markets (all preorders/pre-sales) since our [farmers] market is closed."

"We will earn more money than last year provided we and our staff do not get sick. If they do, we have no fungibility, and the farm will collapse."

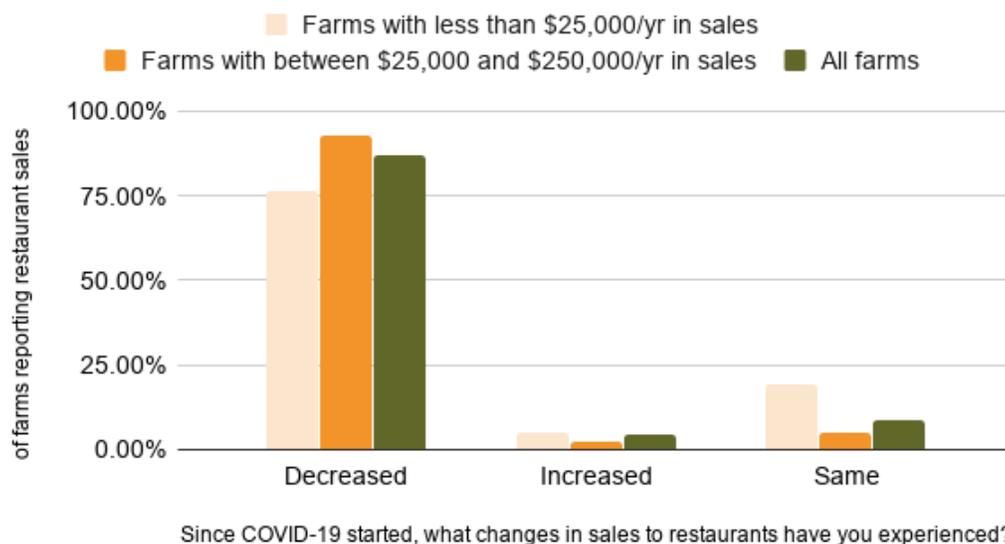


a. Impacts on Restaurant Sales

With in-restaurant dining prohibited during the survey period across the Carolinas, it comes as no surprise that the sales to restaurants declined more significantly than any other market channel. Among farms that reported the status of their restaurant sales, 87% indicated a decrease. Medium-sized farms were especially hard hit, with 93% reporting decreased sales. The impact on small farms that reported restaurant sales was also significant—76% of these farms saw a decrease—although not as many small farms had restaurant customers to begin with (see Chart 4).

Among farms that reported restaurant sales as important to their businesses, and that saw decreases in their restaurant sales, 79% percent experienced a decrease in overall farm revenues due to COVID-19. This includes 34% that were losing more than \$1,000 per week.

Chart 6: Restaurant Sales Changes by Economic Class of Farms



As of the publication of this report, statewide prohibitions on in-restaurant dining in North and South Carolina have been lifted, with authorities generally capping occupancy in dining rooms to 50% of capacity or less. Some restaurants have opened under these social distancing conditions but not all. Given the potential for restrictions on restaurants to be re-imposed if COVID-19 infection rates spike at any point before a vaccine is widely available, there is ample cause for concern that small farms will not see sales through this market channel return to pre-pandemic levels for some time. As one survey respondent put it, “I am worried about my restaurant customers’ ability to recover when the restrictions are lifted.”



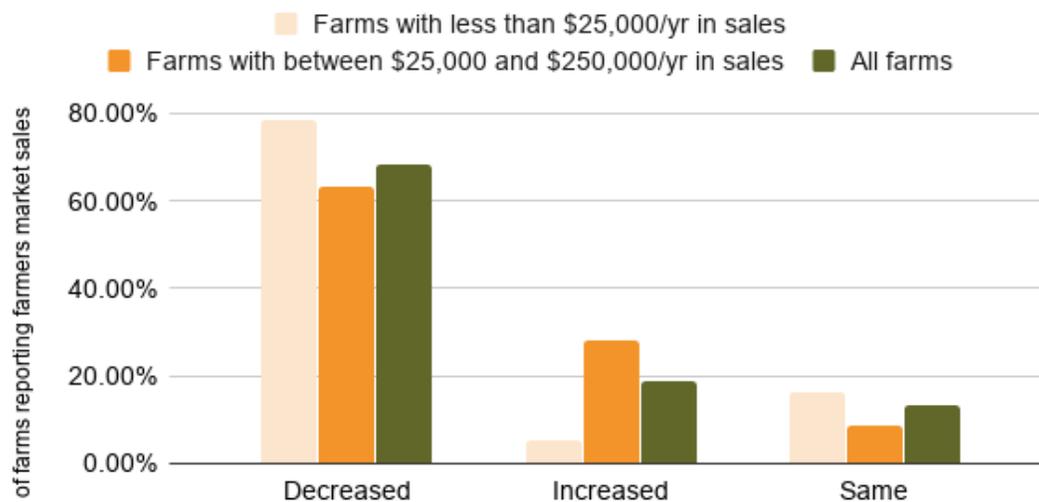
b. Impacts on Farmers Market Sales

Farmers markets are a consistently important market channel for all farms selling in local food markets, regardless of farms' volumes of sales. While farmers markets are open year-round in some of the major urban areas of the Carolinas, in other areas, markets would have been opening for the season in March or April. Many of these markets delayed their opening dates during the period of stay-at-home orders and some were canceled entirely for 2020. Even some year-round markets suspended operations for several weeks, such as the major Saturday market in downtown Durham, NC.

Practically all farmers markets that have been open at any point after the national emergency was declared on March 13 have instituted a variety of social distancing measures. Responses have included limiting the number of customers allowed to enter the market at one time, strict 6-foot separation between customers, increasing space between vendor stalls (and in the process reducing the number of stalls available to farmers or reducing customer parking), mandating customers order in advance for contactless curbside pickup, requiring everyone (vendors, staff, and customers) to wear masks, requiring vendors to wear gloves and provide hand sanitizer, prohibiting customers from touching items on display, as well as other strategies.

These disruptions in farmers market operations negatively impacted more survey respondents than the changes in any other market channels. Among farms that reported the status of their farmers market sales since COVID-19 erupted in the U.S., 68% saw decreased sales. And even though farms in our sample are equally likely to rely on farmers market sales regardless of their size, small farms suffered worse in this category: 78% of those with farmers market sales suffered decreases in that channel.

Chart 7: Farmers Market Sales Changes by Economic Class of Farms



Since COVID-19 started, what changes in farmers market sales have you experienced?



Interestingly, a substantial portion of medium-sized farms —28%—actually saw an increase in their farmers market sales. Narrative reports from some respondents of increased customers at markets reinforce this data and may reflect a consumer response to perceived shortages in grocery stores, at least in communities where farmers markets remained open. This customer response may also reflect some consumers' higher confidence in shopping at outdoor venues where air flow is unrestricted and the risk of virus transmission is therefore lower.

Narrative comments also noted the increased labor required to prepare for socially distanced farmers markets, especially the time to package orders placed in advance for contactless/minimal contact delivery at market. As one farmer put it, "as long as our farmers markets are able to stay open, the main impact is the increased demand from customers wanting to do online shopping or preordering for markets." Another farmer commented that "expenses for disposable gloves, increased packaging materials, and fees for online and credit card sales have been significant." It may be that the larger farms in our sample had greater capacity to make the investments required to take advantage of increased customer counts in the markets that experienced fewer disruptions.

CFSA and several partner organizations have been convening regular 'peer-support' video conferences since mid-March for farmers market managers in the Carolinas. One issue that managers reported consistently through this forum is the increased labor required to enforce social distancing measures at the markets, which local authorities require for the markets to remain open. These operations frequently have one part-time staff person or are run entirely by volunteers. In such circumstances, maintaining the level of additional staffing needed may result in increased market administration costs in order to ensure markets continue. The availability of funding to support the new labor needs could become vital to the sustained viability of farmers markets as a channel for local food sales now that markets in the Carolinas are opening widely. For example, the town of Carrboro is paying for city employees to assist the regular Carrboro Farmers Market staff in enforcing social distancing.

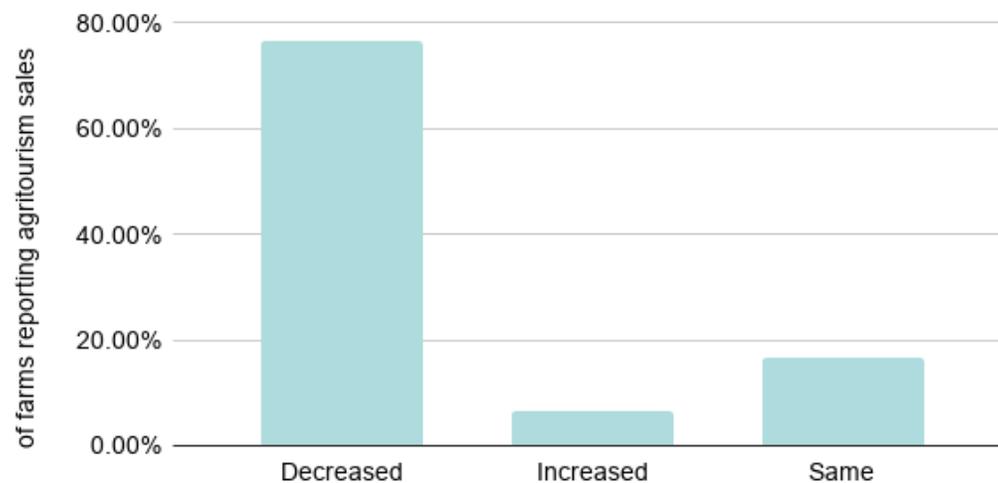


c. Impacts on Agritourism

Another important revenue stream for small farms that has been predictably reduced by stay-at-home orders and fear of contagion is agritourism. Schools were among the first public institutions to begin closing in both states to reduce COVID-19 transmission. In addition to crashing the food service market for half-pints of milk, this meant school group visits to farms were cancelled. On-farm weddings and events, weekend stays at farm-based B & Bs, and other recreational activities were prohibited. As a result, agritourism sales experienced the deepest decline of any market channel for farms in our survey after restaurants: 77% of farms reporting the status of their agritourism sales saw decreases.

USDA's CFAP payment structure does not provide any compensation for lost agritourism revenue.

Chart 8: Agritourism Sales Changes, All Farms



Since COVID-19 started, what changes in agritourism sales have you experienced?

These declines were uniform across income classes. And the value of those lost sales appears to correlate significantly with sharp decreases in overall weekly revenues for respondents to the survey that rely on agritourism. Among the 38 farms that rated agritourism as a 'very important' market channel, and that reported decreased agritourism revenue, 82% had total farm revenue decreases of greater than \$1,000 per week.

There is anecdotal information that pick-your-own fruit operations were the exception to the overall decline in agritourism across the Carolinas during the period of stay-at-home orders^{ix}. Allowing U-Pick customers with social distancing and sanitation measures in place generally seemed to be viewed as akin to the 'essential' occupation of working agricultural fields by health authorities. Moreover, demand for U-Pick strawberries, the fruit crop that was coming widely into production soon after the imposition of stay-at-home orders, proved to be high.



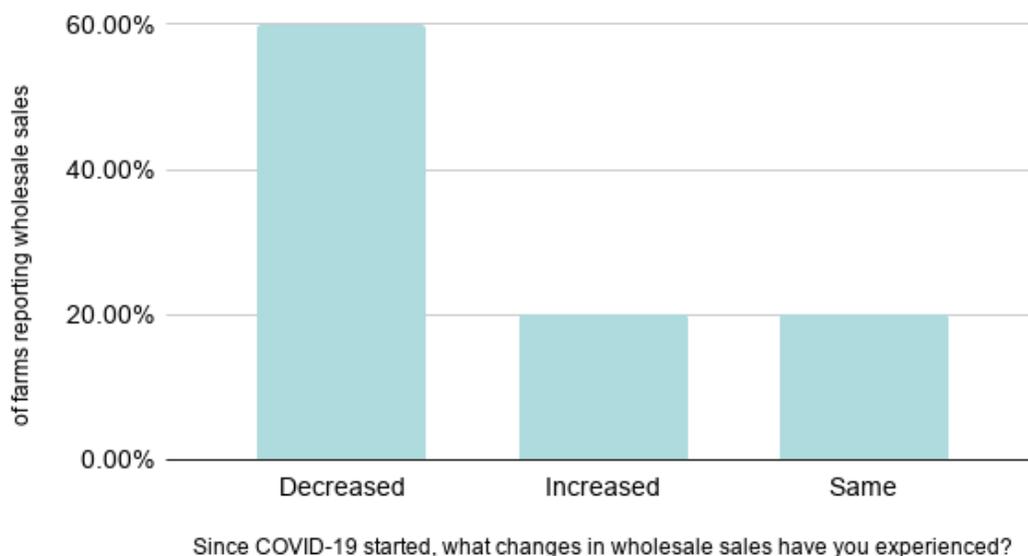
Overall, however, the prospects for a return to ‘normal’ agritourism sales for local farms appear to be as volatile as those for restaurants. Local farms in the Carolinas have embraced agritourism as a diversification strategy in recent years, with encouragement from departments of agriculture and farm support agencies. COVID-19 has upended that strategy. Given the potential for stay-at-home orders to be re-imposed if infection rates spike again at any point before a vaccine is widely available, there is ample cause for concern that small farms will not see sales through this market channel return to pre-pandemic levels for some time. As one farmer put it, “strong move to agritourism being cut off; we had added agritourism to our farm revenue projections for 2020 with 58 planned events lined up prior to the shut down.”

d. Impacts on Wholesale Sales

Sales in local wholesale markets, including to distributors and directly to grocery retailers, is the third most common market channel for respondents to our survey. However, although 59% of survey respondents indicated wholesale sales were important for their business, only 52% actually reported the status of their wholesale sales with respect to COVID-19. This gap may be related to the seasonality of products that these farms supply into wholesale channels: the primary production season for many of the specialty crops that are often grown in larger volumes in the Carolinas runs from late spring to autumn, outside the window of time during which our survey took place.

For those farms that did report the status of their wholesale sales, 60 saw decreased sales, with 20% reporting increases and 20% reporting no change. These changes were consistent across economic classes of farms.

Chart 9: Wholesale Sales Changes, All Farms



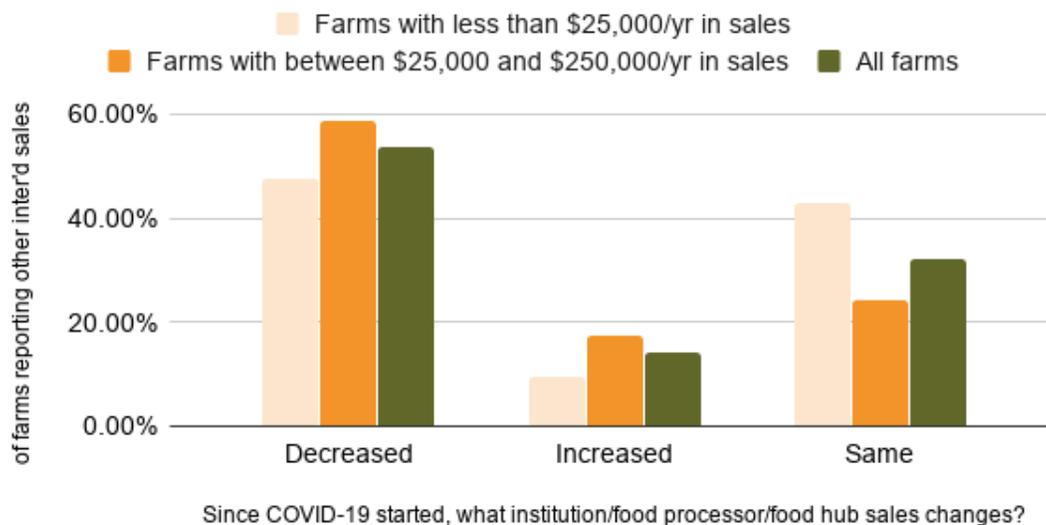
In general, grocery store produce sales have increased during the pandemic^x. With the continuation of that trend, there may be more opportunities for local farms to supply seasonal produce to local wholesalers and retail outlets from the late spring through autumn.

e. Impact on Other Intermediated Local Food Sales

The USDA Economic Research Service has defined ‘intermediated’ local food supply chains as those where a local product reaches consumers through one or more intermediaries^{xi}. Such intermediated sales are examples of local supply chains that emphasize connections between the food producer and food consumer. Sales to restaurants and grocery stores are generally counted as ‘intermediated’ chains. In addition, our survey asked about three other available intermediated local food supply chains: sales to institutions, sales to food hubs, and sales to food processors. Although these are the least used channels among farms that responded to the survey, they were still important for 44% of operations.

Survey respondents’ sales in these three channels combined generally saw decreases. However, many farms actually saw stable demand across some of these market channels. Overall, 53% of farms that reported the status of their sales through any of the ‘other intermediated’ channels saw decreases in at least some of them; medium-sized farms were hit harder—59% had decreases. Sales across at least some of these channels stayed the same for 32% of respondents, including 43% of small farms.

Chart 10: Other Intermediated Sales Changes by Economic Class of Farms

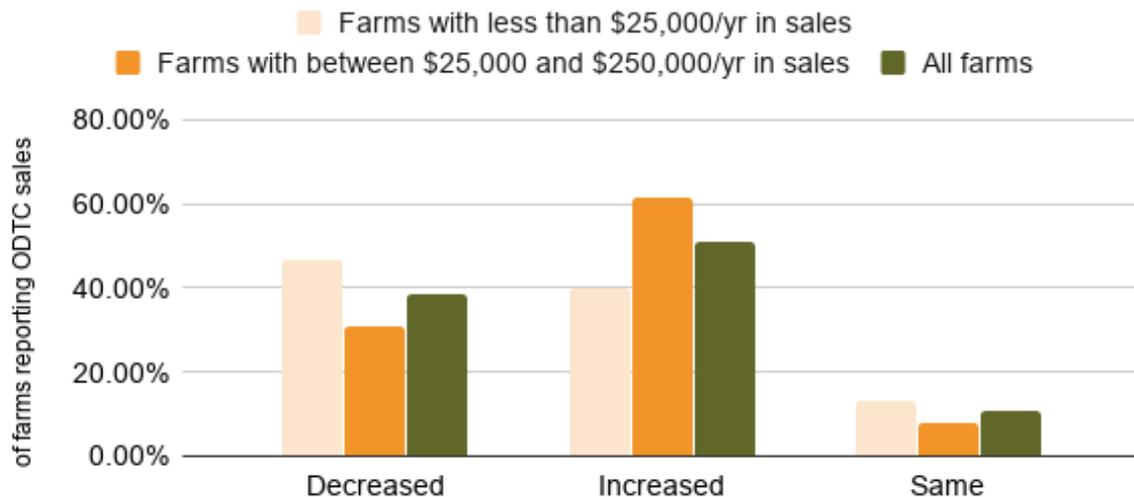


f. Impacts on Other Direct-to-Consumer Sales

'Other' direct-to-consumer (DTC) sales include any marketing channel where the consumer purchases from the farm directly, besides at farmers markets or through a CSA. This can include online sales, home deliveries, farm stands, selling livestock by the half or whole animal, and similar techniques and venues. Marketing through this broad array of activities is important for more farms in our sample than any other channel; success requires strong marketing, and in many cases, significant labor in preparing, packaging, and distributing orders.

'Other DTC' was one of only two markets where a majority of survey respondents enjoyed increased or stable sales (CSA, below, was the other): 51% of farms reporting the status of their other DTC sales saw increases, and 11% said sales stayed the same. Nevertheless, 38% had decreases, and small farms were most likely to suffer those declines. Of the small farms reporting on their 'other DTC' sales, 46% saw decreases, and only 40% had increases. In contrast, 62% of medium-sized farms that reported on this channel had increased sales, twice as many as had decreases.

Chart 11: Other Direct-to-Consumer Sales Changes by Economic Class of Farms



Since COVID-19 started, what changes in other DTC sales channels have you exp'd?

Many respondents noted that pivoting to these alternative channels, especially through online marketing, was essential to their farm's ability to withstand losses experienced in other markets, especially restaurants and farmers markets. As one farm stated, "we are in the midst of a pivot from sales of 90% to restaurant to other direct-to-consumer and CSA markets. If we are successful, we will be able to stay in business."



In Farmers' Own Words: Challenges with Prepaid & Online Orders

Farmer comments illustrate the difficulties in making the pivot to online and other DTC marketing. Similar to the trend of taking prepaid orders for pickup at the farmers market, these farms often reported increased labor investment was needed to manage and package online orders and deliveries, as well as upgrades in online marketing capabilities and transportation costs related to home deliveries.

"With farmers markets closing, we have shifted into home delivery. We have thankfully been able to move most of our produce, but have higher overhead costs."

"More special orders. More computer time to manage the individual customer."

"Increased labor to move the same volume of produce."

"Greater demand for vegetables and switching to online ordering has required a large increase in work hours. The increased safety protocols are also time consuming and expensive. We were tempted at first to really try to meet as much of the increased demand as possible."

"While I believe we can be successful at this (assuming demand continues and the economy does not completely collapse), it may be challenging to shift back into farmers markets once we change our business model and invest in alternative infrastructure."

"Higher demand for product which will lead to higher sales. However, we're strained to keep up with work load as is (especially admin with a new online store). Labor demand is only going to increase."

The variation in farms' success in this channel suggests that further investigation might be needed into the particular varieties of 'other DTC' market channels. The comparatively better performance of medium-sized farms in this channel may be an indicator that these operations have greater ability to invest in additional labor and improved marketing. With the strength of consumer shifts to cooking at home and sourcing fresh foods from reliable sources due to COVID-19, it is probable that targeted relief programs that support local farms to make labor and marketing investments would empower more farms to take advantage of a significant opportunity in online sales that has emerged from the pandemic.

Another factor that may be impacting the ability of livestock farms to increase their sales via 'other DTC' means is lack of finished product to sell, due to backlogs at independent meat processors (see subsection h below). Even if these farms are able to enhance their DTC marketing and systems, if they cannot process their animals, they can't take advantage of increased consumer interest in secure



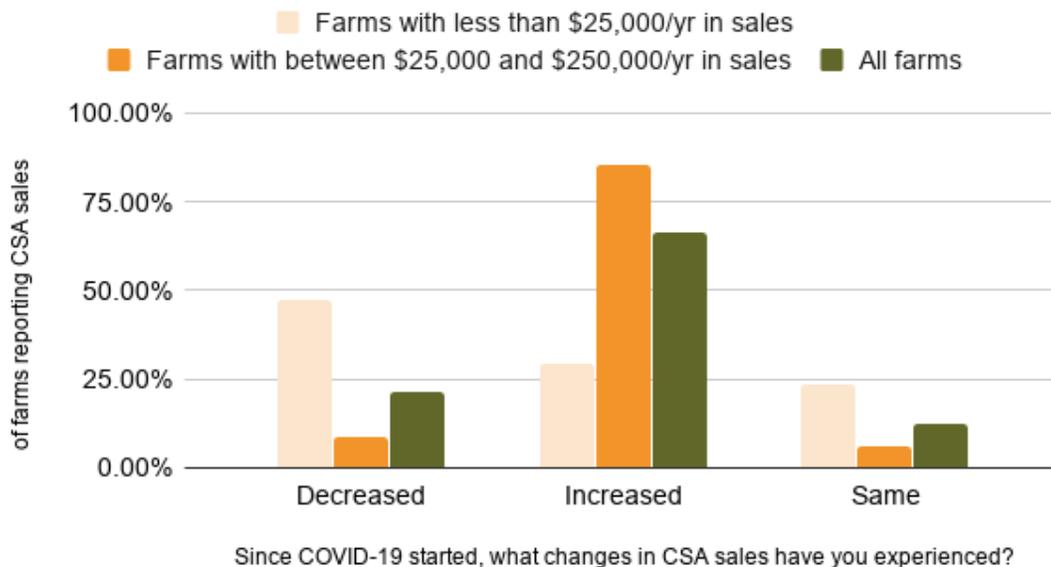
sources of local meat. As one farm comment predicted, there would be “[i]ncreased direct-to-consumer sales as long as animal processors stay open.”

The survey asked farmers to identify the types of marketing assistance that would be most helpful to them, and the overwhelming majority of responses related to challenges reaching and serving DTC markets (including farmers markets and CSAs): 44.5% sought help with marketing and promotion to reach new customers; 32.8% with setting up online sales platforms; and 31.4% with systems to handle customer orders and manage distribution.

g. Impacts on CSA Sales

Over the last five years, many farmers and farm support providers working in local foods have noted a steady decline in consumer participation in CSAs^{xii}. The COVID-19 pandemic has dramatically reversed that trend. While just 51% of survey respondents indicated CSA is an important marketing channel for their farm, 66% of those that did reported CSA sales increased. Medium-sized farms have been best-able to take advantage of restored consumer demand for CSAs, with 85% of those farms reporting increases in their CSA sales. Small farms have not had the same success, with 47% of operations reporting decreases in their CSA sales.

Chart 12: CSA Sales Changes by Economic Class of Farms



The security of a prepaid weekly delivery of fresh food has clear appeal to consumers in an environment of uncertainty about food supplies and increased home cooking, while also offering increased financial security for producers. As one farmer put it, “CSA business is booming, doubling last year’s membership already. We’re adding employees.” Similar to farmers market preorders and online sales, there are



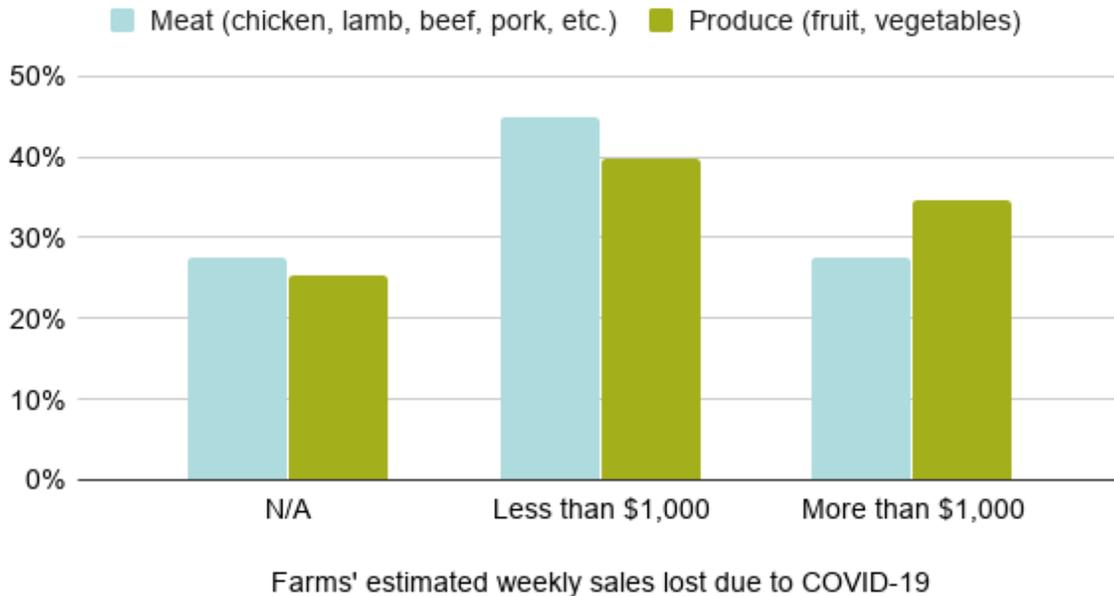
marketing costs associated with CSA that some farms, especially smaller farms, may need assistance with in order to benefit from this change in consumer preferences. One respondent noted that a five-fold increase in CSA orders had increased both sales and stress on their business.

h. Impacts on Specific Classes of Crops

Because CFAP provides payments based on the crops a farm produces, it is instructive to examine how COVID-19 has impacted local farms based on their product mix. CFAP only makes relief payments for specific eligible crops, such as broccoli, malting barley, and yearling lambs. Our survey did not ask farms to detail the specific produce crops or livestock types they raise but simply whether they raised vegetables, fruit, or livestock.

Across the two broad categories of produce and meat, 45% of farms that raise livestock estimated their weekly sales lost due to COVID-19 to be up to \$999, and 28% reported losing more than \$1,000 per week. Meanwhile, 40% of farms growing produce lost up to \$999/week, and 35% lost more than \$1,000/week. Note the two groups are not mutually exclusive. But similar to the trend across most market channels and across all farms regardless of crops, around three-quarters of local farms with meat and three-quarters of local farms with produce reported decreased weekly sales due to the pandemic.

Chart 13: Weekly Sales Losses by Product (Meat, Produce)



Like some CAFOs and conventional cow/calf operations, some smaller-scale livestock producers serving local markets reported culling animals due to the loss of sales, and in some cases sacrificed not just



marketable inventory but breeding stock that are key pieces of their farms' capital. "Sending second wave of breeding stock to slaughter in August," noted one livestock producer.

Meanwhile, other narrative responses to the survey indicated that meat shortages in the mainstream supply chain were leading to increased demand for locally-raised livestock products. But even for farms seeing increased DTC sales of meat, the lack of capacity at independent livestock processing facilities that work with local farms is creating bottlenecks that keep those farms from meeting the increased demand. There appears to be a significant increase in new customers at these facilities from farms that had been selling in mainstream markets, as many pastured livestock operations report that processors are now booked months in advance. "Meat sales [will] decline due to lack of processing appointments availability," predicted one respondent.

Two crops that are commonly produced among our survey sample are flowers and eggs. Neither of these products is eligible for CFAP payments. Of the 29 farms that raise flowers, 77% reported weekly sales declines on their farms overall, including 37% who lost more than \$1,000/week. Flower growers are particularly impacted by the ban on large gatherings such as weddings, which are a prominent driver of flower sales. One flower grower's situation illustrates the multiple ways these producers are suffering: "flowers for 14 weddings cancelled. No retail sales and very little wholesale sales. Certainly wipes out all possibility for profit. 2020 will be a catastrophic loss, financially."

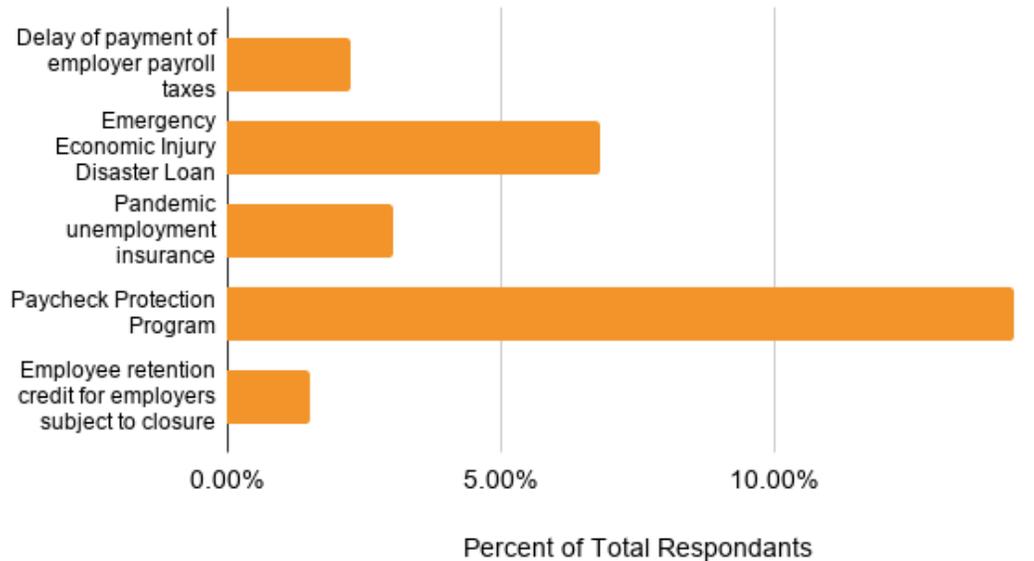
Of the 32 producers that raise eggs in our sample, 81% reported decreased weekly sales overall, including 28% that suffered weekly farm revenue losses of greater than \$1,000.



5. Farm Participation in Other Federal Relief Programs

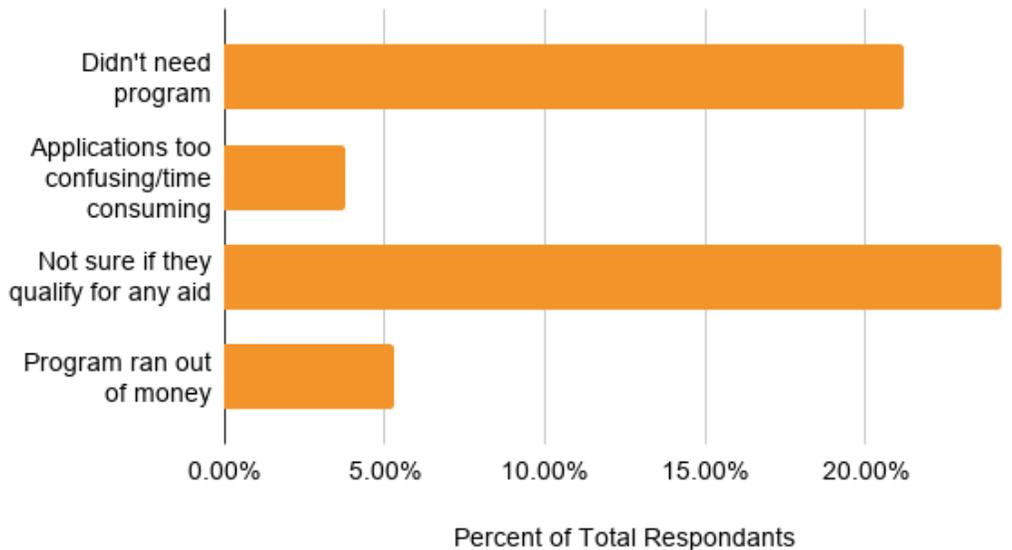
At the time when this survey was conducted, prior to the announcement of CFAP, farms were eligible to receive other forms of federal COVID-19 relief, such as deferment of employer payroll taxes, expanded pandemic unemployment insurance, tax credits for employee retention, PPP, and (briefly) EIDL. Very few respondents applied for any of these programs as of the dates the survey occurred. Of those that did, PPP was most popular.

Chart 14: Which Assistance Programs Did You Apply For?



Note that most farms were not eligible to apply for Economic Injury Disaster Loans until May 4, so very few survey respondents had the opportunity to apply before our survey closed on May 5. Just over half of survey respondents answered the question ‘if you didn’t apply for any programs, why not?’ The most common reason was confusion about whether they would qualify for aid. And 21% responded that they did not need the assistance. (See Chart 15.)

Chart 15: If You Didn't Apply for Any Programs, Why Not?



6. Conclusion

The national and global emergency around COVID-19 has taken a devastating toll in lives lost and people severely sickened, and these human health effects look set to continue for months or more. As state and local governments have worked to combat the threat, public health authorities have identified that the most important means for limiting the spread of the disease is maintaining social distancing. The repercussions of the steps necessary to enforce social distancing have been massively disruptive for the entire U.S. economy, agriculture included.

The small and medium-sized farms serving markets for local food in the Carolinas have been severely affected. Three quarters of the farms responding to our survey reported decreased weekly sales, including 83% of small farms. And in a third of these operations, the sales decreased to more than \$1,000 per week—a potentially catastrophic level of impact for any small or mid-scale family farm. Having made planting and production decisions months ago in anticipation of normal circumstances and sales opportunities, these farms have limited time and capacity to adjust to this completely unanticipated situation. Many farmers in our sample plainly stated that their operations would be forced out of business if overall market conditions don't improve by the end of the summer.

Stay-at-home requirements have almost wiped out two of the top drivers of sales for these operations, restaurants and agritourism, and the prospects for the return of either are clouded by the probability of renewed spikes in COVID-19 cases. Sales through farmers markets and intermediated local food channels like grocery stores, food hubs, and food processors have also declined significantly. In the only areas where large numbers of farms are experiencing increased sales, CSAs and other DTC avenues,



farms' ability to succeed depends on new investments in marketing, technology, labor, and delivery—new costs that are hard to shoulder during the production season. There is evidence that consumers are taking lessons from the pandemic in terms of appreciating the food security that comes from local food systems. But even with the advantages of shorter supply chains in local food that are less affected by disruptions in the national and global food chains, lack of investment in infrastructure like small-scale meat processing firms handicaps small and medium-sized farms' ability to take advantage of this increased consumer awareness.

So far, federal relief efforts available to farmers have not addressed the needs of local farms. These businesses have had a difficult time even determining if they qualify for Small Business Administration programs created or expanded under the CARES Act, including the Payroll Protection Program and Economic Injury Disaster Loans. And direct farm relief payments under CFAP are structured to meet the needs of high-volume operations that sell in national and global commodity markets, where the prices paid are far below the rates that farmers receive in local food supply chains. Commodity producers orient their business models and cost structure based on selling high volumes at a relatively low price. Small and mid-scale local farms have oriented their production systems to capturing a larger share of the consumer dollar and their costs per unit of production are generally higher. CFAP's payments of pennies per pound will not help these farms stay afloat.

The experiences of these local farms suggest relief alternatives that would make a difference in shoring up local food systems in the face of the COVID-19 crisis.

- a. **Revenue replacement grants:** USDA crop insurance programs include Whole Farm Revenue Protection (WFRP), which allows a farm to buy insurance based on prior years' income across all of its crops and operations. If the farmer suffers a significant drop in revenue due to crop failure or loss of markets, they can make a claim under their WFRP policy to make up a healthy portion of that lost income. As USDA Risk Management Agency states, WFRP "is tailored for... farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets." COVID-19 relief for these farms could do the same thing, giving local farms an opportunity to apply for a grant to make up some of the income lost due to the pandemic. This would also avoid the arbitrary discrimination in the selection of products eligible for reimbursement, such as CFAP's exclusion of flowers, poultry, eggs, and agritourism.
- b. **Marketing grants:** Some farms have clearly been able to successfully pivot from restaurants and traditional farmers markets to other direct-to-consumer distribution, and those that have report significant increases in labor and technology expenses. Leveraging market demand by providing grants to direct-market farms to help cover the increased costs would strengthen these operations for the long run by making them more resilient and better able to connect with consumers.
- c. **Farmers market staffing grants:** Very few farmers markets are able to hire the additional staff necessary to enforce social distancing rules at farmers markets. In the event of a new surge in



COVID-19 cases that lead to stricter social distancing enforcement by local authorities, farmers markets may face increased scrutiny and potentially risk closures. Providing grants for markets to hire more staff while the national emergency continues will help avoid those risks and maintain the viability of farmers markets for local farms and consumers.

- d. **Investments in small-scale livestock processing capacity:** Access to quality, affordable processing was already an issue for pasture-based livestock producers serving the local food sector prior to COVID-19, with few facilities available for independent producers across the Carolinas. The crisis has deepened the problem; these farms are competing for appointments at processors with conventional producers scrambling to somehow get market-ready animals processed for sale. To foster more competition among processors and increase farmers' opportunities for sales, the public sector needs to incent more plants to open through financial support such as grants and low-interest loans, and through scaling regulatory inspections and burdens to match the relatively low volume of animals these businesses handle.

The local food sector has shown resilience in rising to the challenges of COVID-19, and many consumers have quickly come to see the food security benefits that a robust local food system can provide. Relief and support programs for farmers that build on those strengths and allow local food systems to continue to grow will not only keep small and mid-scale farms in the Carolinas economically viable in the short term, but will support farmland preservation, rural economic growth, and food distribution alternatives that are more adaptable to crises like COVID-19.

Appendix

CFSA COVID-19 Farmer Survey

At CFSA we are increasing our efforts to support farmers through the drastically changing landscape caused by the COVID-19 pandemic. The more we know about the sustainable local food community's needs, the better our ability to help address those needs. That's why we are asking you to complete this confidential survey and help us understand the economic and production impacts of the pandemic. We know your time is more precious than ever at this challenging moment. Thank you for taking the time out of your schedule to contribute to this effort.

1. Farm Name (optional)
2. State | Select one |
North Carolina; South Carolina; Other
3. What are your primary farm products/activities? | Please check all that apply |
Dairy; Meat (chicken, lamb, beef, pork, etc.); Eggs; Vegetables; Grain; Flowers; Value-added products; Fruit; Aquaculture; Agritourism (U-Pick, school visits, events, farm stays, etc.); Other



4. What is the size of your farm business by sales? (optional) | Please know that while answering this question is optional, it's very helpful for CFSA's work advocating for small farms during this emergency. And as a reminder, this is an anonymous survey unless you choose to share identifying information |
Less than \$25,000; From \$25,000 to \$50,000; From \$50,000 to \$100,000; From \$100,000 to \$250,000; Greater than \$250,000
5. Rank the importance of the following outlets to the success of your operation | From Very Important, Somewhat Important, and Not Important |
Farmers Markets; CSA; Other Direct-to-Consumer; Restaurants; Wholesale; Institutional; Food Processor; Agritourism; Food Hubs
6. Since COVID-19 started, what changes in sales have you experienced? | Increased, Decreased, Same, N/A, for each channel |
Farmers Markets; CSA; Other Direct-to-Consumer; Restaurants; Wholesale; Institutional; Food Processor; Agritourism; Food Hubs
7. Please estimate your amount of lost sales per week due to COVID-19 for your farm. |
Less than \$1,000; \$1,000 - \$2,500; \$2,000 - \$5,000; \$5,000 to \$7,500; \$7,500 - \$10,000
8. What is your estimated gain/loss of employee work hours for each of March, April, and May? |
↑ 25+; ↑ 1-25; None; ↓ 1-25; ↓ 25-50; ↓ 50-75; ↓ 75-100; ↓ 100+
9. Prior to COVID-19, approximately what percent is your labor expense (payroll) of your total business expenses? (optional) |
Less than 10%; 10-25%; 25-50%; Greater than 50%
10. Prior to COVID-19, what's the average wage rate you paid for hired labor? (optional) | EX:
\$___/hr | ___
11. Since the start of COVID-19, approximately what percent is your labor expense (payroll) of your total business expenses? (optional) |
Less than 10%; 10-25%; 25-50%; Greater than 50%
12. Since COVID-19, what's the average wage rate you pay for hired labor? (optional) | Example:
\$___/hr
13. Overall, what impact will this situation have on your farm by May 31? (optional) | Please answer assuming the known social distancing measures remain in place.
14. Overall, what impact will this situation have on your farm by August 31? (optional) | Please answer assuming the known social distancing measures remain in place.



15. How do you prefer to receive farm/business-related information during COVID-19? | Please check all that apply |
Webinars; 1-on-1 tele/video conference meetings (like Zoom); Short instructional videos;
Factsheets or printed guides; Emails; Other:
16. In response to COVID-19, what type of MARKETING assistance do you need? Please check all that apply. |
N/A; Identifying and setting up an online platform; Setting up ordering and distribution systems;
Marketing, promotion, and how to reach new customers; Sourcing supplies (bags, boxes, twist ties, etc.); Identifying and contacting new wholesale markets; Other:
17. In response to COVID-19, what type of HIGH TUNNEL assistance do you need? | Please check all that apply. |
N/A; Production planning for farmers market sales; Production planning for CSAs; Production planning for intermediate and wholesale markets; Production planning for an online-based sales platform; Other:
18. In response to COVID-19, what type of FOOD SAFETY assistance do you need? | Please check all that apply. |
N/A; How to safely clean, sanitize, & disinfect food contact & high contact surfaces on your farm; How to assure consumers that their food supply is secure; Employee/employer issues, e.g., paid sick leave or monitoring temperatures; Social distancing on the farm; How to quickly transition to GAP for access to new markets; Other:
19. Have you taken advantage of any farm or small business relief programs since the outbreak?
| Yes; No
20. If yes, which program(s)? (optional) | Please check all that apply. |
Paycheck Protection Program (PPP); Emergency Economic Injury Disaster Loan; Pandemic unemployment insurance; Employee retention credit for employers subject to closure due to COVID-19; Delay of payment of employer payroll taxes; Other:
21. If not, please explain why? (optional)
22. What aren't we asking about that you want CFSA to know? (optional) | Share anything that you'd like. Maybe this is what you want help with? What are your other challenges? What changes are you making (or planning to make) to adapt to the pandemic? Anything is welcome.
23. Individual Ethnicity (optional) | Please check all that apply. | African American/Black; Asian; Hispanic or Latinx; Native American or Native Alaskan; White; Other
24. Gender (optional) | Female; Male; Non-Binary



25. Are you comfortable with CFSA following up with you if we have questions? | Yes, please; No, thank you

26. If so, please leave your name and email address or phone number below.

ⁱ Michelle J. Saksena, Abigail M. Okrent, Tobenna D. Anekwe, Clare Cho, Christopher Dicken, Anne Effland, Howard Elitzak, Joanne Guthrie, Karen S. Hamrick, Jeffrey Hyman, Young Jo, Biing-Hwan Lin, Lisa Mancino, Patrick W. McLaughlin, Ilya Rakhovsky, Katherine Ralston, Travis A. Smith, Hayden Stewart, Jessica Todd, and Charlotte Tuttle. *America's Eating Habits: Food Away From Home*, EIB-196, Michelle Saksena, Abigail M. Okrent, and Karen S. Hamrick, eds. U.S. Department of Agriculture, Economic Research Service, September 2018.

ⁱⁱ Organic Produce Network, "Organic produce sales up 18% in April; volume soars over 20%", May 14, 2020, <https://organicgrower.info/news/organic-produce-sales-up-18-in-april-volume-soars-over-20/>.

ⁱⁱⁱ U.S. Department of Agriculture, National Agriculture Statistics Service, 2018. Highlights: Beginning Farmers – Characteristics of Farmers by Years on Current Farm
https://www.nass.usda.gov/Publications/Highlights/2014/Beginning_Farmers/index.php.

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^{vi} Ibid.

^{vii} Matteson, G. and A.R. Hunt. 2012. *The Emergence of Retail Agriculture: Its Outlook, Capital Needs, and Role in Supporting Young, Beginning, and Small Farmers*, Report to the Farm Credit Council prepared by Local Food Strategies LLC, Farm Credit Council, Washington, DC.

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^{ix} "Greensboro Strawberry Farm Experiences Huge Demand Despite Coronavirus"
<https://spectrumlocalnews.com/nc/charlotte/news/2020/04/15/greensboro-strawberry-farm-experiences-huge-demand-despite-coronavirus>.

^x United Fresh Produce Association, *Fresh Facts on Retail Q1 2020*.

^{xi} Low.

^{xii} Huntley, Simon, CSA: We Have a Problem, Harvie Farm, July 11, 2018, <https://www.harvie.farm/blog/csa-we-have-a-problem/>.

