

The Future of Wholesale Fruit and Vegetable Production in Vermont

Vern Grubinger, Vegetable and Berry Specialist, University of Vermont Extension

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The future of wholesale fruit and vegetable production in Vermont is at risk. Unless the challenges farmers face are addressed in a comprehensive manner – through changes in policies and with creative marketing – the state’s internal supply of fresh produce will decline.

Key challenges facing growers of wholesale produce are 1) rising input and labor costs but flat prices, 2) increased burden of regulatory compliance, 3) erratic weather with increased risk of drought and flooding, 4) new crop pests, and 5) intergenerational transfer of farms.

There are many fruit and vegetable farms in Vermont, but just a few grow most of our fresh produce. The 2022 Census of Agriculture reported that 752 Vermont farms sell \$41 million of vegetables annually, but just 17 farms sell over \$1 million of product, and 22 farms sell between \$500,000 and \$1 million. Of the 649 Vermont farms selling \$26 million of fruit, just 10 farms sell over \$1 million of product, and 9 farms sell between \$500,000 and \$1 million.

It is primarily the few farms with relatively large sales, acreages, and production volumes that can sell to wholesale markets that put fresh produce on supermarket shelves, through distributors and sometimes direct delivery. Many of these farms also have retail markets and/or they sell to local stores, and they supply the retail markets of other local farms.

Direct to consumer and direct to local store markets are very different from sales to distributors and supermarket chains. The former involves much smaller volumes of food, at higher prices, based on “brand identification” and personal relationships with buyers and customers. Farmers can set their own prices at CSAs, farm stands, farmers’ markets, on-line markets and to some extent, with local stores and restaurants.

Farmers that fill trucks with produce for wholesale buyers are at the mercy of larger market forces where prices are set by regional and national supply and demand, so competition goes far beyond our state borders where many farms are much bigger, have greater production efficiency, and longer growing seasons.

The wholesale produce prices our farmers receive go up and down but according to growers, prices have been relatively flat for many years. In contrast, wholesale production costs have risen dramatically in recent years. For example, a cardboard produce box costs about \$4, double the cost of a few years ago. Seed costs, which are significant for large farms, have risen similarly, as has the cost of a new tractor—and large farms need multiple tractors.

Wholesale farms rely heavily on the H2-A temporary workers. The federal government sets those wages which have increased each year. In 2025 the regional rate is \$19/hour, plus the cost of housing and transportation to and from Vermont. For farms with a dozen workers or more, a one-dollar hourly increase amounts to tens of thousands of dollars in added cost. These farms also create many jobs for local employees.

The regulatory burden on wholesale farms has also increased in recent years, in time and money. Compliance with food safety, pesticide, surface water use, water quality, and worker housing regulations, both state and federal, are all well intended but are not coordinated, requiring duplicative reporting, and sometimes attention to issues that make little sense e.g. respirator fit tests and worker training for organic farms that do not spray toxic materials.

In addition, the licensing requirements on a diversified wholesale farm that also engages in local retail sales of other farm products, as many of these farms do, can be intense: milk license, meat license, nursery license, retail scale fee, etc. All these regulations are well intended but they are applied to farms in isolation from one another, and they create a drain on a farm's management.

Added to these challenges is increasingly erratic weather, especially the increased risk of floods and droughts which have large negative impacts on the predictability and profitability of fruit and vegetable farming. Most wholesale farms have fields near rivers and streams because they are flat, fertile, easily irrigated, and cannot be developed. They are a good place to grow crops, but the financial risk of flood losses is borne mostly by farmers.

Climate change may also contribute to the arrival and spread of new insects, diseases and weeds that attack horticultural crops. For example, in the last decade or so we have seen the arrival of leek moth, spotted wing drosophila, and Swede midge. A variety of root diseases are problematic in wet soils. These pests can lead to crop losses and increased management costs.

Vermont's wholesale growers are aging, with quite a few near or at retirement age. While some farms have the next generation in place, some do not. The younger generation is questioning the rationale for wholesale production, given the issues above. Why not downsize, focus more on retail, depend less on fields in the flood plain, hire fewer migrant workers, and reduce exposure to uncertain wholesale prices?

How can we come to a shared understanding of this issue, and work together towards solutions?

Proposed actions:

- Interview wholesale producers and buyers to gain understanding of challenges, needs, and opportunities.
- Collect and interpret policies and programs from other states that address this issue.
- Brainstorm policy, marketing, research projects; identify priorities.
- Issue white paper with specific recommendations including costs and benefits.