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# The University of Georgia

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**Center for Agribusiness and Economic Development**

**College of Agricultural and Environmental Sciences**

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## **Hancock County Fresh Produce Market**

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## Market Analysis

The Sparta/Hancock Produce Growers Cooperative is currently investigating the possibility of establishing a fresh produce market in downtown Sparta. The retail establishment will provide fresh produce to area residents as well as travelers driving through Sparta on Highway 15. This analysis will evaluate the opportunity for the proposed market.

### Target Market

For this analysis the target market for the Sparta/Hancock Produce Growers Cooperative will focus on the residents of Hancock County. A second, but lesser market will be the people traveling through Hancock County on Highway 15.

Research from a number of sources into farm markets report similar findings in that the vast majority of fresh produce farm markets rely heavily on local residents. Specifically, previous research has found that most of the customers, nearly 70 percent, are going to reside within 10 miles of the market. An additional 19 percent will reside within 20 miles of the market. These are not roadside stand operations but fresh produce markets.

The “Out of Towner” market is a viable market but it generally is not sufficient to support a fresh produce market, thus, this market segment will not be evaluated at the current time. In addition, the proposed market in Sparta may suffer as it is located down town and many travelers have grown accustomed to taking a short-cut that by-passes the downtown district.

### Market Potential

As a result of previous research, this analysis will focus on the local market to sustain the business. Using Easidemographic software, it is possible to obtain estimates of consumer purchases for a product category and geographic area. This software estimates that Hancock County residents spend an average of \$209 per person on fruits and vegetables annually. The census reports there are 9,977 residents in Hancock County. Multiplying these two statistics provides a total market potential estimate for fruit and vegetable consumption in Hancock County. However, according to previous research, it is important to adjust the population estimate to account for the fact that the majority of the business will be attributed to folks residing within 10 and 15 miles of the market.

<b>Table 1. Total Market Potential Estimate for Fruits and Vegetables</b>			
<b>Area</b>	<b>Population Estimate</b>	<b>Fruit and Vegetable Expenditures (annual)</b>	<b>Total Market Potential Estimate</b>
Hancock County	9,968	\$209	\$2,080,400
10 Mile radius from Sparta	7,491	\$209	\$1,563,431
15 Mile radius from Sparta	12,650	\$209	\$2,640,154

These statistics represent expenditures on all fruits and vegetables. To gain a better understanding of the market potential, it is important to adjust these expenditures to remove purchases of processed foods. According to the Economic Research Service, approximately half of all fruit and vegetable expenditures are for fresh produce. In addition, expenditures are evenly divided between fresh vegetables and fresh fruit.

These statistics are used to adjust the total estimated market potential shown in Table 1. Table 2 shows the estimates for fresh produce expenditures by residents within the county and those residing within 10 and 15 miles of Sparta. Expenditures on fresh produce are approximately one-half of total fruit and vegetable expenditures. This adjustment is important as the proposed market will offer fresh produce only.

<b>Table 2. Adjusted Market Potential - Estimate for fresh Fruit and Vegetable Expenditures</b>			
<b>Area</b>	<b>Population Estimate</b>	<b>Fresh Produce Expenditures (annual)</b>	<b>Fresh Produce Market Potential Estimate</b>
Hancock County	9,968	\$105	\$1,046,640
10 Mile radius from Sparta	7,491	\$105	\$786,555
15 Mile radius from Sparta	12,650	\$105	\$1,328,250

The adjustment found in Table 3 separate fresh produce expenditures by fruits and vegetables. Vegetable expenditures account for roughly 48 percent of fresh produce expenditures. Again, this information is important as the cooperative is primarily producing vegetable products at the current time. However, it does highlight the need to produce a variety of products in order to take advantage of the market.

<b>Table 3. Fresh Fruit and Vegetable Expenditures Segmentation</b>				
<b>Area</b>	<b>Population Estimate</b>	<b>Fresh Produce Expenditures (annual)</b>	<b>Fresh Vegetable Market Potential Estimate</b>	<b>Fresh Fruit Market Potential Estimate</b>
Hancock County	9,968	\$105	\$502,387	\$544,253
10 Mile radius from Sparta	7,491	\$105	\$377,546	\$409,009
15 Mile radius from Sparta	12,650	\$105	\$637,560	\$690,690

### **Market Share Estimate**

According to telephone book listings, there appears to be four retail markets in the Sparta area that are considered grocery store businesses. There are a number of convenience stores in the area as well but they are not likely to sell fresh produce. The identified markets are as follows:

- Sandy's Iga
- B & B Pak N Sak
- Richardson Community Grocery
- Holiday Shores Kountry Store

The Sparta/Hancock Produce Growers Cooperative will capture a portion of the area fruit and vegetable sales but since it is limited in both the variety, growing season and quantity of produce it can produce, its market share will be smaller than compared to competing markets. Remember, the cooperative is limited to 49 percent of its business with non-cooperative members meaning that only 49 percent of their total sales can be from non-cooperative member products.

For this analysis it will be assumed that the cooperative can capture 15 percent of the total sales of fresh fruits and vegetables in the three defined areas, Hancock County and 10 and 15 miles from Sparta.

### **Estimated Retail Sales**

The potential retail sales for a specific retail operation can be estimated by using a standard formula:

$$ES = P \times EXP \times (ADI/MDI) \times MS$$

where;

ES= Estimated Sales

P= Trade Area population

EXP= Average expenditures for retail outlet category

ADI = Area Estimated Average Household Disposable Income

MDI = Georgia Average Household Disposable Income

MS= Estimated Market Share

Using Census data and information from Easidemographics, The Center for Agribusiness and Economic Development was able to determine the number of individuals residing within Hancock County and 10 and 15 miles from Sparta. Population estimates for these areas can be found in Tables 1-3.

Disposable household income is calculated by subtracting total household taxes from total household income. Georgia's medium household income was \$42,000 in 2000. Assuming this income is taxed at 28 percent, their disposable household income is estimated to be roughly \$30,240 annually. Hancock County's medium household income was \$22,003 in 2000. Assuming this income is taxed at 28 percent, their disposable household income is estimated to be roughly \$15,842 annually.

Using the data described above, the trade area sales formula can be used to estimate sales. It is important to remember that the estimated sales figure is based on a number of assumptions and calculations, and should only be used as an approximation.

<b>Table 4. Estimated Retail Sales for Fresh Produce Market in Sparta</b>					
<b>Area</b>	<b>Population Estimate</b>	<b>Fresh Produce Expenditures (annual)</b>	<b>Market Share</b>	<b>Disposable Income Ratio Local/state</b>	<b>Estimated Sales</b>
Hancock County	9,968	\$105	15%	0.52	\$81,638
10 Mile radius from Sparta	7,491	\$105	15%	0.52	\$61,351
15 Mile radius from Sparta	12,650	\$105	15%	0.52	\$103,604

Table 4 shows that the market could potentially generate revenues ranging from \$61,351 to \$103,604 annually from the sale of fresh produce depending on the ability to draw consumers from areas outside Hancock County. However, the cooperative may be constrained in the quantity of fruits and vegetables it can produce for sale in the local market. It is also important to remember that these revenue estimates do not include any costs associated with producing and marketing these products.

# The Center for Agribusiness and Economic Development



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To provide feasibility and other short term studies for current or potential Georgia agribusiness firms and/or emerging food and fiber industries.

To provide agricultural, natural resource, and demographic data for private and public decision makers.

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