



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.



Journal of Food Distribution Research
Volume 45 Issue 3

Local Food Systems and Interactions with Entrepreneurship¹

Editor's Introduction

Dawn Thilmany McFadden^a and Maria I. Marshall^b

^a *Professor, Department of Ag and Resource Economics Colorado State University,
B325 Clark, DARE, Fort Collins, Colorado, 80523-1172 USA. Phone: 970-491-7220
Email: Dawn.Thilmany@colostate.edu*

^b *Professor, Department of Agricultural Economics Purdue University
403 West State Street, West Lafayette, Indiana 47907-2056 USA. Phone: 765-494-4268
Email: mimarsha@purdue.edu*

There is growing public interest in regionally-focused food systems as localization activities are perceived to improve environmental outcomes, provide market access and sustainable financial models for small- and mid-sized farms, enhance public health, and support community-based economic development strategies (Martinez et al. 2010; O'Hara and Pirog 2013). These six case studies illustrate how food entrepreneurs using different business models are catalysts in their local food systems.

The 2012 U.S. Census of Agriculture showed that direct sales by farmers increased by 8% since 2007 (USDA 2014) because of the renewed interest and opportunities in local foods. These entrepreneurial case studies highlight the importance of locally-oriented food producers and retailers who have acted as linchpins within their communities' local food system by scaling up their direct sales to other channel members. They have benefited from the growing interest in localized food systems to grow to a viable scale, diversify their marketing channel portfolios, and leverage new connections within their communities. These case studies are salient examples of how interest in the local foods movement has increased their opportunity to sell locally—even for those who had already successfully established themselves in wholesale markets (Bauman et al. 2014). For example, *Kriemhild Dairy Farms*, located in New York, was able to expand beyond wholesale markets into producing local value-added products and selling them in local food markets.

¹This set of papers was prepared for the National Agricultural & Rural Development Policy Center themed collection on *Local Food Systems and Interactions with Entrepreneurship* and was supported by competitive grant no. 2012-70002-19385 through the U.S. Department of Agriculture, National Institute of Food and Agriculture.

In short, these case studies are examples of values-based supply chains (VBSCs) that involve partnerships between producers, processors, distributors, retailers, and food service entrepreneurs who share environmental, economic, and/or social values. Communicating the benefits of VBSCs' products to customers, as well as to the VBSC partners, is instrumental to the success of those supply chains, but challenging as they attempt to secure scale-appropriate infrastructure and develop economies of scale to broaden demand (Hardesty et al. 2014).

Cooperative structures that encompass more participants as owners may have an advantage in developing more broad-based of community involvement. *Sandhills Farm to Table*, located in North Carolina, is an example of an innovative business structure. Sandhills is a multi-farm, community supported agriculture cooperative. It includes producers/farmers, consumer/customers and employees all as equal owners. It hopes to strengthen the community by directly connecting consumers and producers. The cooperative educates its stakeholder community to increase transparency along the value chain. Its unique structure allows the cooperative to engage with multiple groups within the community and foster a more balanced local food system. Successful VBSCs operate with economies of scale to broaden demand for their products while also generating fair returns to producers and other supply chain partners (Hardesty et al. 2014).

These entrepreneurs are not only catalysts for the local food movement, but also for rural development through increased job creation or growing value chains that allow a greater share of food system governance and economic activity to stay under the control of all food system stakeholders (Lev and Stephenson 2011). Indiana's *Moody Meats* is a vertically integrated business that produces its own meat, processes it and then sells the packaged meat through its own retail stores. Adam Moody is both a serial entrepreneur and a catalyst to new local food businesses, and this case study demonstrates that this firm is an important component to the central Indiana local food system.

In addition, entrepreneurs have also catalyzed linkages to other sectors, such as agritourism. One case shared in this series highlights a marked shift in the Agriculture Census data for 2012—the number of farms securing revenue from agritourism and recreational activities on their farms, and the significant growth in those revenues which increased by 24% since 2007 (U.S. Census of Agriculture 2014). *Two-Rivers Winery*, a winery and tourism destination located in western Colorado, is a linchpin to local economic development. In particular, this case study demonstrates the entrepreneur's use of social capital to build an industry alliance that will improve perceptions about the quality of growing Colorado industry.

Finally, the ability to invest in, leverage and explore social capital investments appears to be facilitated through local food systems. Although returns to social capital are not specifically measured in these case studies, there was fairly compelling evidence in several cases of a growth in informal agreements, cooperative quality enhancements, cost-effective financing models and general shared values. For example, South Carolina's *Limehouse Produce* is nurturing the restaurant community by facilitating the exchange of information and resources between channel members, and acting as a trusted intermediary. Moreover, similar to other cases shared, it has a large number of employees and is fostering economic development through job creation. Limehouse is also a key value chain link given its role in connecting producers to restaurants.

Zia Taqueria, a small-scale restaurant and catering business in southwestern Colorado, is a final example of an entrepreneur actively creating new backward and forward supply chain linkages that strengthen connections between food producers, processors and consumers. Zia's owners intentionally leverage community food system assets to create new business relationships and shorter supply chains between food production and processing entities. They also appear to create significant social capital through their direct and indirect investment in human capital (their own employees and those of associated businesses), capital equipment purchases made on behalf of allied local businesses, and generous donations contributed in support of broader community food system activities in southwestern Colorado.

References

- Bauman, A, B. Jablonski, B. Daniels., B. Angelo, D. Shideler, D. Thilmany and M. Taylor. 2014. An Evolving Classification Scheme of Local Food Business Models. Poster at the eXtension CLRFS 2014 Food Security Conference - Sept. 29-Oct. 1. Cleveland, Ohio.
- Hardesty, S., G. Feenstra, D. Visher, T. Lerman, D. Thilmany McFadden, A. Bauman, T. Gillpatrick, and G. Nurse-Rainbolt. 2014. Values-based Supply Chains: Supporting Regional Food and Farms. *Economic Development Quarterly*. 28(February): 17-27.
- Lev, L., and G.W. Stevenson. 2011. Acting collectively to develop midscale food value chains. *Journal of Agriculture, Food Systems, and Community Development* 1(4):119-128. <http://dx.doi.org/10.5304/jafscd.2011.014.014>.
- Martinez, S., M. S. Hand, M. Da Pra, S. Pollack, K. Ralston, T. Smith, S. Vogel, S. Clark, L. Tauer, L. Lohr, S. A. Low, and C. Newman. 2010. Local Food Systems: Concepts, Impacts, and Issues, ERR 97. U.S. Department of Agriculture, Economic Research Service, May 2010.
- O'Hara, J.K. and R. Pirog. 2013. Economic impacts of local food systems: Future research priorities. *Journal of Agriculture, Food Systems, and Community Development* 3(4): 35-42.
- U.S. Department of Agriculture. 2014. 2012 Census of Agriculture. <http://www.agcensus.usda.gov/Publications/2012/>.