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United States Department of Agriculture

Why Local Food Matters:

The rising importance of locally-grown food in the U.S. food system

- A national perspective -

Debra Tropp

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USDA Agricultural Marketing Service

4th Annual Virginia Women's Conference
October 26, 2013



Presentation Overview

What do we know about US local food demand?

- Overview of national statistics
- Importance of local food demand to food system—national vs. regional
- Changing buyer and consumer preferences
- Growth of local food marketing outlets
 - Farmers markets
 - CSAs
 - Food hubs
- Is there room for future growth in local food demand?
 - If so, what will it look like?



Importance of Local Food Sales

Still represents a very small share of national food supply:

- Between 1978-2007, farms that engaged in direct-to-consumer food sales represented
 - 5.5 percent of all farms, on average
 - 0.3 percent of total farm sales

Latest U.S. Census of Agriculture statistics (2007):

Year	Total Agricultural Sales (\$000)	Direct-to-Consumer Sales of Ag. Products for Human Consumption	Ratio of Direct-to-Consumer Sales to Total Agricultural Sales (%)
2007	297,220,491	1,211,270	0.4



What Do We Know About Demand?

But recent growth has been very rapid:

USDA 2007 Census of Agriculture:

- Direct to consumer food sales (defined narrowly as D2C sales of “edible farm products for human consumption) **increased threefold from 1992 - 2007**
 - **\$404 million to \$1.2 billion**
 - **Grew twice as fast** as total agricultural sales in U.S. (105% vs. 48%)

USDA-ERS report on Direct and Intermediated Local Food Sales

(Vogel and Low, 2011) based on 2008 Agricultural Resource Management Survey

- **Local food sales were estimated to be \$4.8 billion in 2008**
 - **Included intermediated sales of local food to retailers, restaurants, institutions, food service distributors + direct to consumer sales**

New 2012 Census of Agricultural statistics on local food to be released in February 2014 – will delineate between local food sales to intermediaries, CSAs, and other direct to consumer outlets



What Do We Know About Demand?

National statistics *don't tell the whole story*: also need to look at *regional variations*

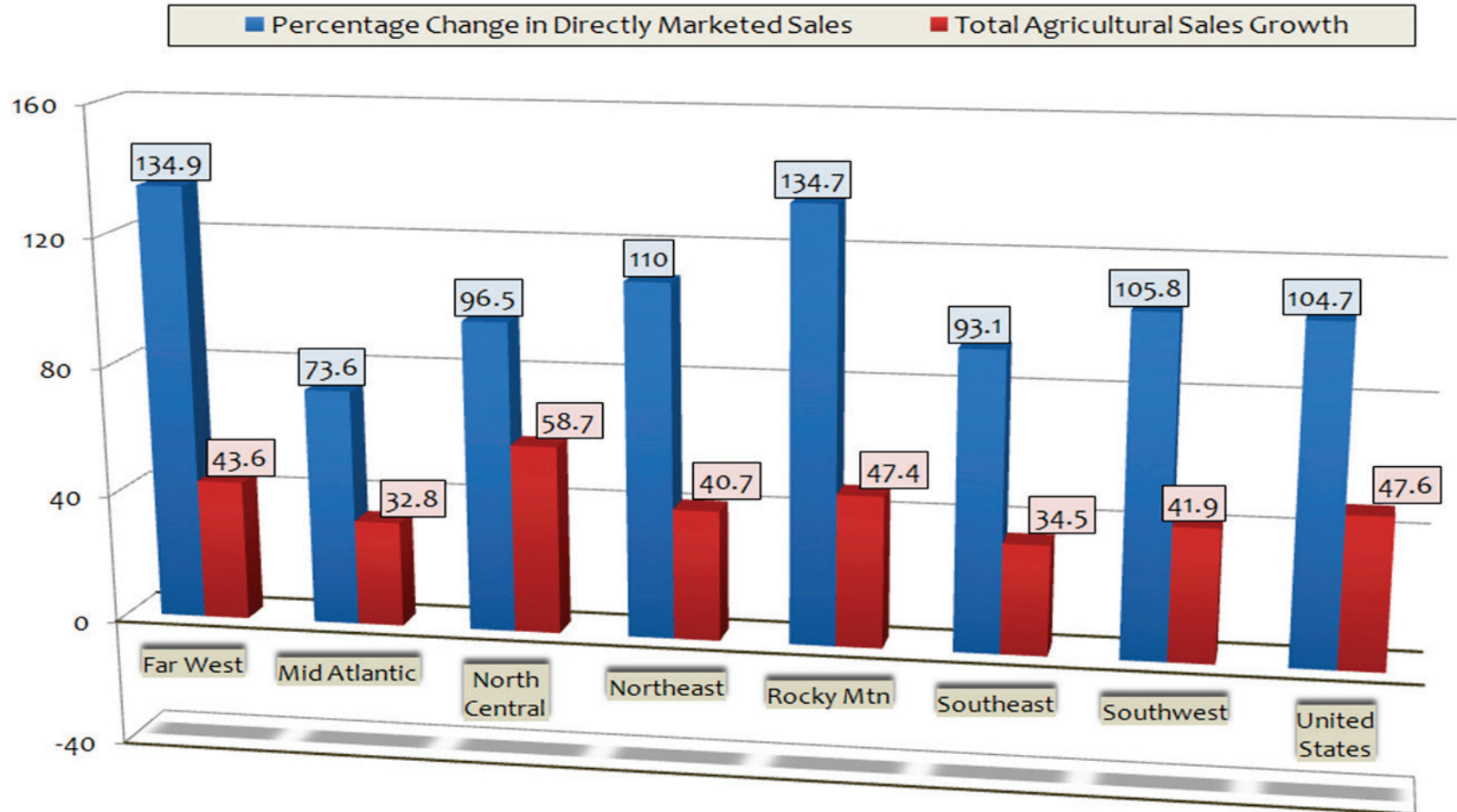
USDA 2007 Census of Agriculture:

Between 1992-2007, direct to consumer sales of edible food products for human consumption grew:

- Three times as fast in Far West, Rocky Mountain regions as national average
- Four times as fast in the 10 states where growth was steepest (220% vs. 53%)



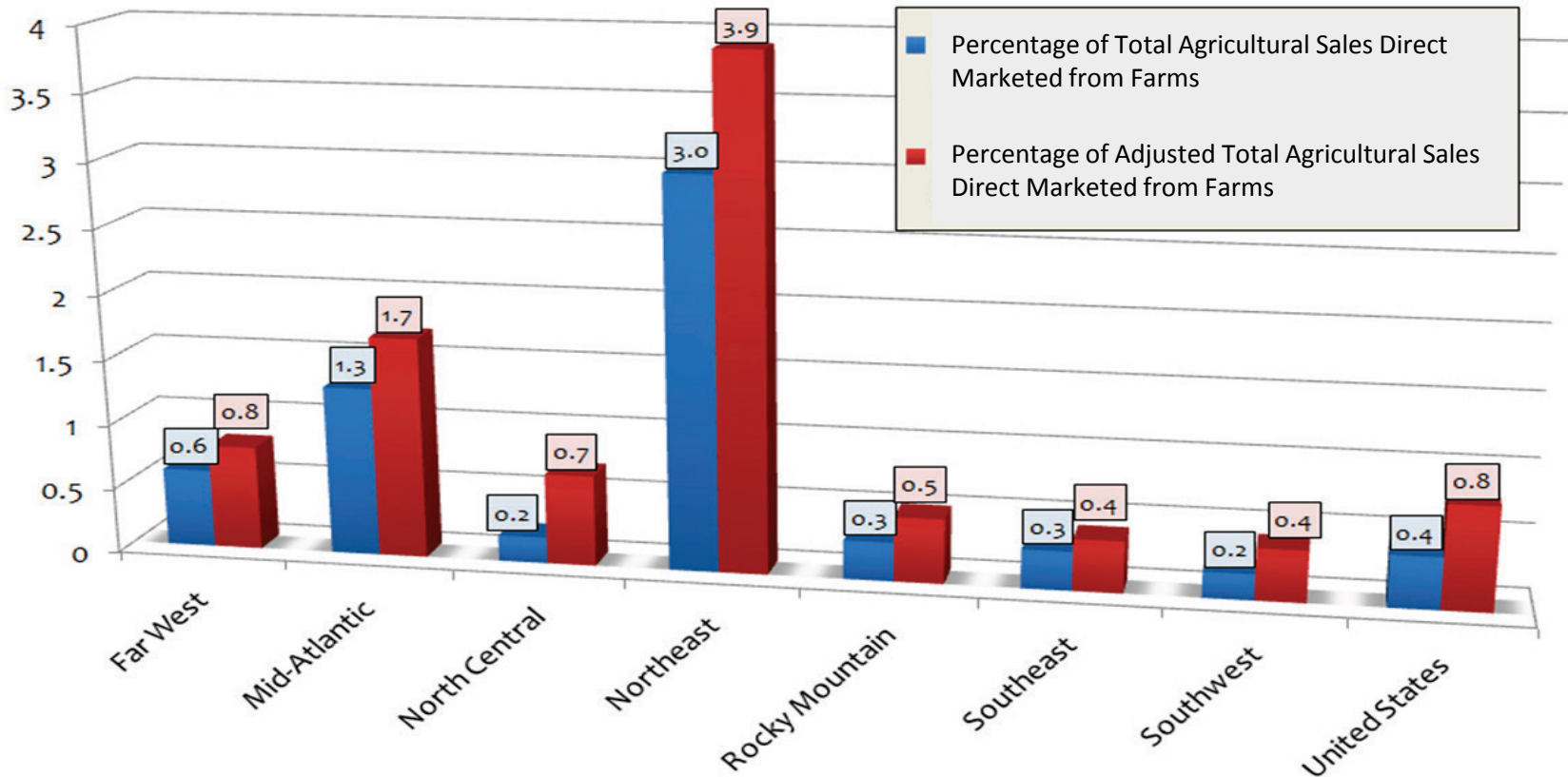
What Do We Know About Demand?



Data from *Direct-to-Consumer Food Marketing: Incorporating Data from the 2007 Census of Agriculture*, USDA Agricultural Marketing Service, 2009



What Do We Know About Demand?



Data from *Direct-to-Consumer Food Marketing: Incorporating Data from the 2007 Census of Agriculture*, USDA Agricultural Marketing Service, 2009. Adjusted figures eliminate commodity codes that are generally not traded through direct to consumer marketing channels.



What Do We Know About Demand?

Contribution of local food sales to overall food economy varies substantially by region

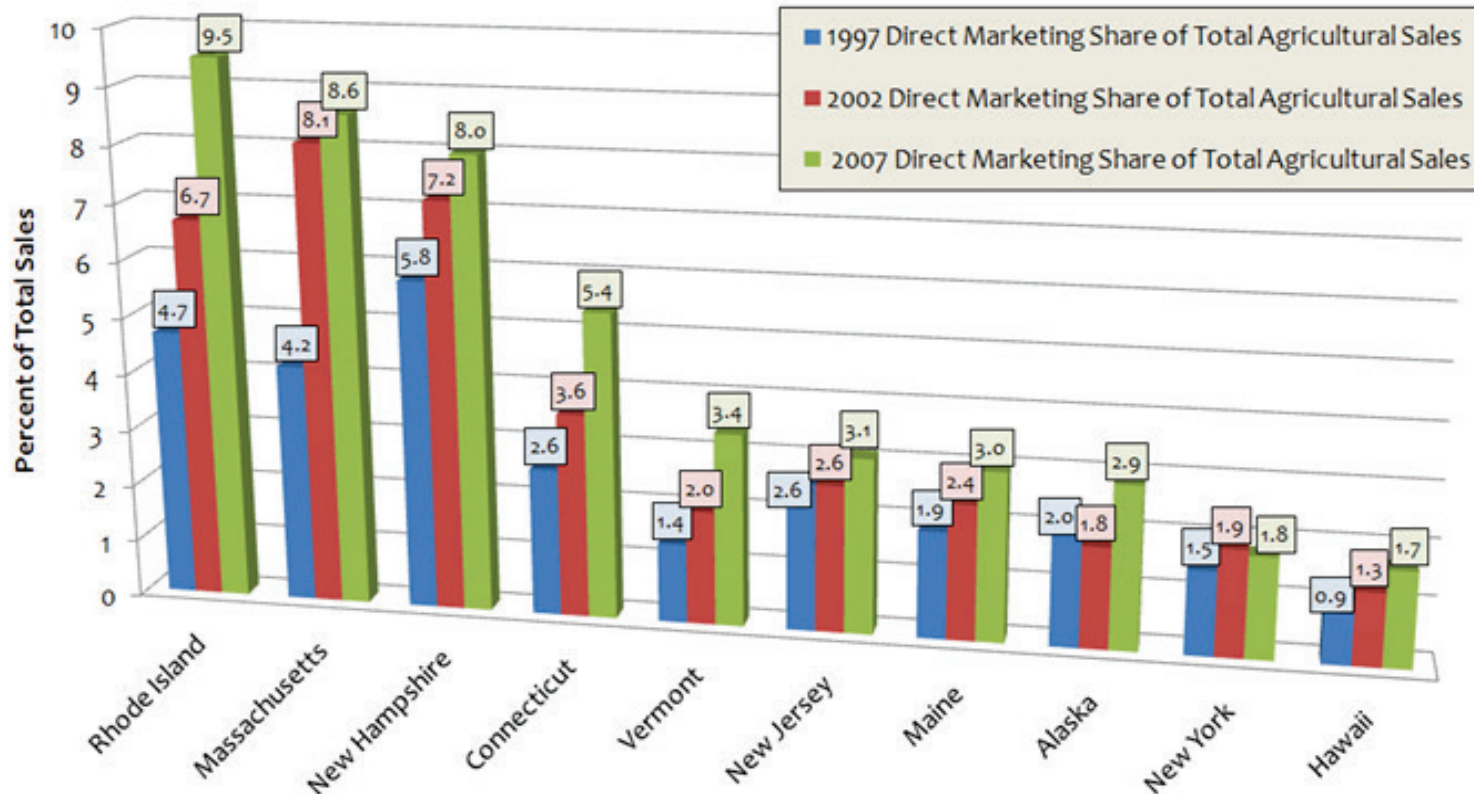
- **Factors: *differences in production mix, geographic proximity to farms, population density***

Low and Vogel, USDA-Economic Research Service, 2011

- **Vegetable, fruit, and nut farms dominate local food sales.**
- **Direct-to-consumer sales dominate where climate and topography favor**
 - **fruit and vegetable production**
 - **proximity to farmers markets and neighboring local food farms**
 - **access to transportation information networks.**
- **Value of local food sold is highest in metropolitan areas and is geographically concentrated in the Northeast and on the West Coast.**



What Do We Know About Demand?



Data from *Direct-to-Consumer Food Marketing: Incorporating Data from the 2007 Census of Agriculture*, USDA Agricultural Marketing Service, 2009



What Do We Know About Local Food Demand?

Tremendous growth in local and regional food outlets

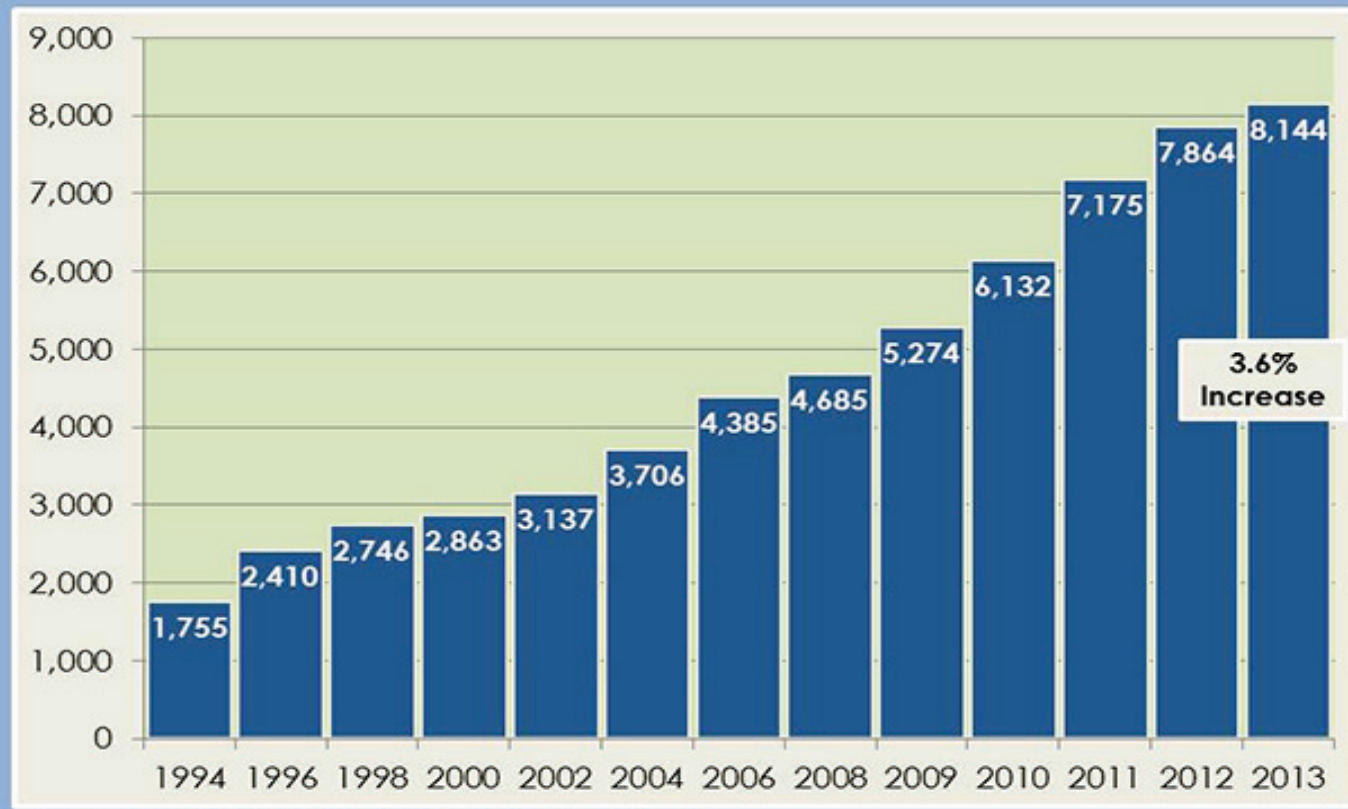
Traditional Core Consumers/Early Adopters

- **Farmers market patrons:**
 - Markets voluntarily listed in USDA National Farmers Market Directory are up more than 4x from 1994 (1,755) to 2013 (8,144)
- **CSA subscribers**
 - CSAs first established in U.S. in mid-1980s with 2 operations
 - Director of Local Harvest (on-line portal) reported **more than 4,500 active CSAs in their listings as of January 2012** – and likely more than 6,000 nationwide
 - In the 2007 Census of Agriculture, **12,549 farms** reported they had marketed products through CSAs or some form of subscription agriculture arrangement.



U.S. Farmers Market Growth, 1994-2013

National Count of Farmers Market Directory Listings



Source: USDA-AMS-Marketing Services Division

Farmers Market information is voluntary and self-reported to USDA-AMS-Marketing Services Division



What Do We Know About Demand?

Demand Drivers Among Consumers

It's not just about the environment. . . *also social, health and economic concerns*

Local food purchasing often provides shoppers with the opportunity to:

- **Obtain food items with superior quality characteristics**--freshness, flavor, ripeness, enhanced shelf life
- Learn about farming practices used (often directly from growers) which **engenders trust in the integrity and quality of the food they purchase** amidst a backdrop of food safety concerns
- Support **agriculture and small business development in their local communities**
- **Preserve local farmland/open space by supporting economically productive use of land**



What Do We Know About Demand?

Demand Drivers Among Consumers

Opportunity to:

- Have **access to unusual/heirloom varieties**
 - may have unique flavor profiles
 - can be difficult to find
 - may not be able to withstand long-distance shipping
 - helps promote genetic diversity

- *Possibly* **reduce fossil fuel usage and greenhouse gas emissions** by choosing local foods over conventionally-sourced crops
 - subject of debate
 - questions about relative efficiency of transport per unit of product shipped
 - questions about contributions of transport to overall carbon footprint (compared to production methods)



What Do We Know About Demand?

Demand Drivers Among Consumers

A.T. Kearney, “Buying Into the Local Food Movement”, February 2013

Grocery shoppers largely embrace the increase in local food options because they believe:

- it helps local economies (66 percent)
- delivers a broader and better assortment of products (60 percent)
- provides healthier alternatives (45 percent)
- improves the carbon footprint (19 percent)
- increases natural or organic production (19 percent)



What Do We Know About Demand?

National Restaurant Association's 2013 Restaurant Industry Forecast (December 2012):

- **Seven out of 10 consumers surveyed said they are more likely to visit a restaurant offering locally produced items**
- **Six out of 10 said inclusion of local foods on the menu is a key attribute when selecting a restaurant**

Coincides with growing interest among consumers in **eating healthfully, supporting environmental sustainability:**

- **More than 7 out of 10 consumers also say they are trying to eat healthier at restaurants now than they did two years ago.**



What Do We Know About Demand?

National Restaurant Association “What’s Hot” Chef Survey –

Top 10 Menu Trends for 2013

1. Locally sourced meats and seafood
2. Locally grown produce
3. Healthful kids' meals
4. Environmental sustainability as a culinary theme
5. Children's nutrition as a culinary theme
6. New cuts of meat (e.g. Denver steak, pork flat iron, teres major)
7. **Hyper-local sourcing (e.g. restaurant gardens)**
8. Gluten-free cuisine
9. **Sustainable seafood**
10. Whole grain items in kids' meals



What Do We Know About Demand?

National Grocery Association 2012 Consumer Panel

- **Availability of locally grown produce and other local packaged foods are major influences on grocery shopping decisions**
 - In 2012, 87.8% of consumers regard this as “very/somewhat important”, up steadily from 79% in 2009.
 - Most of that response (45.9%) is in the “very” column, up steadily from 41% in 2010
 - “More locally grown foods” is the second most desired improvement among surveyed grocery shoppers at 36.6%, just under “Price/cost savings”
- **Geographic proximity to stores becoming less influential**
 - Very important to 35.7% in 2012, down from 41.0% in 2010



What Do We Know About Demand?

Consumers Willing to Shop Around for Quality Perishables

Channel	Primary Food Source	Primary Source of Fresh Produce	Secondary Source of Fresh Produce
Supermarkets	76%	56% ↓	29%
Warehouse clubs/supercenters	19%	10% ↓	23%
Health food stores	2%	2%	8%
Farmers markets	1%	25% ↑	12%
Other direct from producer	1%	5% ↑	3%
Specialty store	1%	1%	3%
No preference	–	–	22%

Colorado State University Survey of U.S. Adults (2006), based on national consumer panel data



What Do We Know About Demand?

A.T. Kearney, “Buying Into the Local Food Movement”, January 2013

Shoppers will switch stores for a better local food selection

- 65 percent say their supermarket offers at least some kind of locally sourced food
- Almost 30 percent of grocery shoppers say they consider purchasing food elsewhere if their preferred store does not carry local foods.
- Respondents say their main source for local food is still the local farmers market and farm stores.
- Only 5 percent indicate they shop for local foods at big-box retailers, and 15 percent at national supermarkets



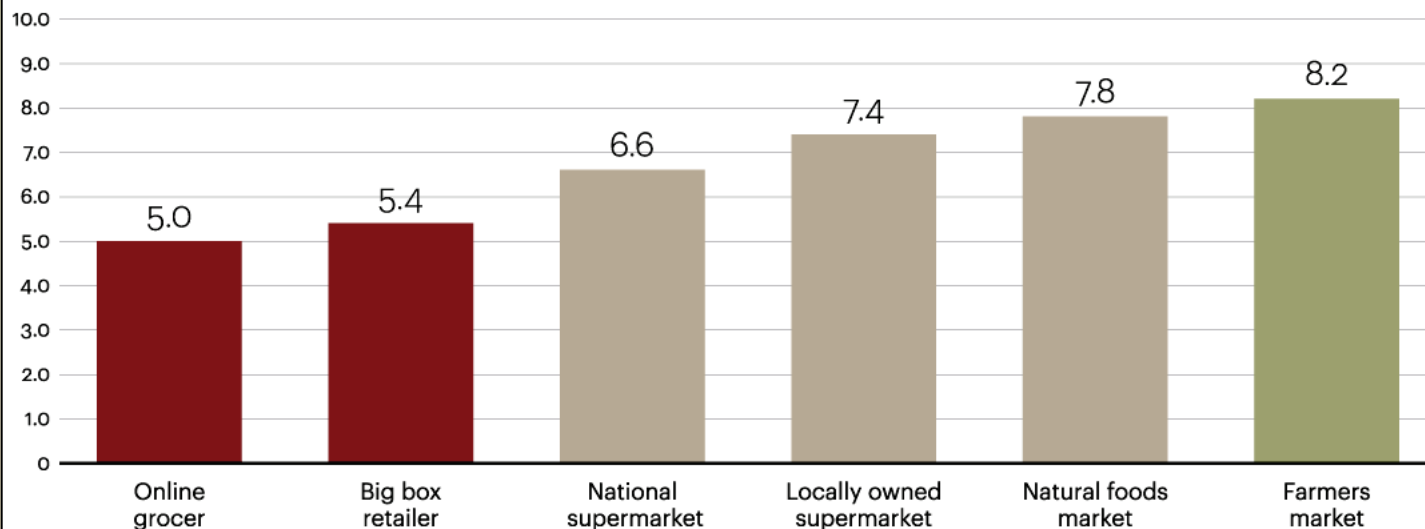
What Do We Know About Demand?

Figure 1

Online, big-box, and national chains rank lowest in food trustworthiness

How much do you trust each format to deliver local food?

(1 to 10, with 10 as most trustworthy)



Source: A.T. Kearney analysis



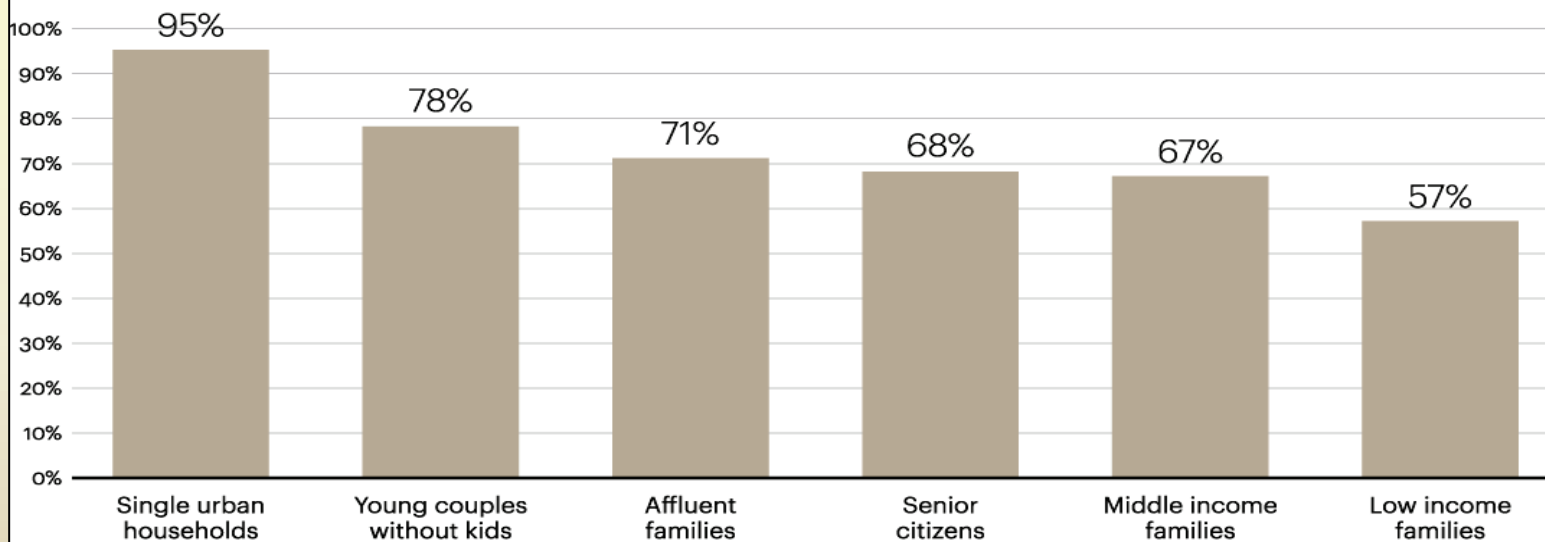
What Do We Know About Demand?

Figure 3

Shoppers across all segments are willing to pay more for local

Are you willing to pay more for local food?

(% of respondents responding yes)



Source: A.T. Kearney analysis



What Do We Know About Demand?

Despite consumer confidence in farmers markets and farm stands, source of local food demand is shifting toward commercial channels

Low and Vogel, USDA-Economic Research Service, 2011

- Over half of local food sales – \$2.7 billion – were from farms selling exclusively through intermediated marketing channels such as grocers, restaurants, and regional distributors.
- Farms using both direct-to-consumer and intermediated marketing channels accounted for a quarter of local food sales (\$1.2 billion).
- Only \$877 million in sales was generated by farms that participated exclusively in direct to consumer sales (farmers markets, roadside stands, on-farm markets, CSAs).



What Do We Know About Demand?

One reason for shift: slowdown in farmers market growth

- Starting to see decline in pace of FM growth (Nat'l FM Directory)
- Disparity in FM profitability between urban/less urban markets

Average Monthly Sales of Surveyed Farmers Markets (2009)

Rural-urban continuum codes (1=most urban)	All markets	Below \$2,500	\$2,500 to \$6,999	\$7,000 to \$22,999	\$23,000 or more
1	32.9%	31.3%	14.6%	36.8%	62.5%
2	19.4%	14.9%	26.8%	21.1%	16.7%
3	9.4%	10.4%	12.2%	7.9%	4.2%
4	6.5%	3.0%	7.3%	7.9%	12.5%
5	4.7%	6.0%	4.9%	5.3%	0.0%
6	10.6%	10.4%	14.6%	10.5%	4.2%
7	8.8%	11.9%	12.2%	5.3%	0.0%
8	4.1%	6.0%	4.9%	2.6%	0.0%
9	3.5%	6.0%	2.4%	2.6%	0.0%

Preliminary results from USDA/AMS 2010 National Farmers Market Managers Survey



What Do We Know About Demand?

Many direct to consumer outlets are highly labor-intensive, not very profitable for farmers

Low and Vogel, USDA-Economic Research Service, 2011

- Small farms (those with less than \$50,000 in gross annual sales) were more likely to rely exclusively on direct-to-consumer marketing channels, such as farmers' markets and roadside stands. They **averaged \$7,800 in local food sales per farm in 2008**
- **High price per unit/relatively small volume of sales**
- **Many farmers looking to stabilize cash flow and scale up their production by combining direct to consumer sales with sales to foodservice, institutions and retail food markets (sacrificing maximum unit price for greater sales volume)**



What Do We Know About Demand?

Disparities in profitability are **leading farmers markets to become more concentrated in urban, metropolitan areas:**

USDA/AMS 2010 National Farmers Market Managers Survey Data

- **In 2009, almost two-thirds of surveyed markets (65.7 percent) were located in urban counties, a 10.4 percent increase over the number of markets located in urban counties in 2005**
- **Particularly large growth in the percentage of Southern farmers markets located in urban areas.**
 - Southwest region: 72.0 percent of reporting FMs in urban counties in 2009, compared to 51.9 percent in 2005
 - Southeast region: 68.0 percent of reporting markets located in urban counties in 2009, compared to 52.5 percent of markets in 2005



What Do We Know About Demand?

Major national and regional food retailers and food service distributors are trying to fill the gap by appealing to customers' desire for quality, freshness, nutrition, authenticity.

- **Wal-Mart plans to increase its share of local produce to 9 percent by 2015, purchased more than \$430 million in locally grown produce in 2012** (self-defined as originating from in-state), and recently launched a new “locally grown” label for in-store promotion.
- **Supervalu, owner of the Jewel-Osco, Albertsons, and Lucky supermarkets in the United States, estimates that it buys between 25 and 40 percent of its produce locally**
- **Michigan-based big box store Meijer's has more than 75 locally grown fruits and vegetables in its pipeline and currently reinvests more than \$50 million into local economies. Locally sourced produce accounts for nearly 30 percent of all the fruits and vegetables sold by the 189-store retailer during peak growing season.** In 2012, the company announced plans to expand its local produce initiative and work with more than 65 local farmers throughout Michigan, Ohio, Indiana, Illinois and Kentucky.



What Do We Know About Demand?

- **In 2009 Weis Markets introduced its “Local and Proud of It” campaign to promote its commitment to the sale of locally grown produce. For Weis Markets, local produce accounts for 20 percent of its produce sales.** The Pennsylvania-based grocery stocks locally grown sweet corn, green beans, peaches, apples, lettuce, watermelons, cabbage, blueberries, cucumbers, cantaloupes, tomatoes, potatoes, squash and pumpkins.
- **Sysco’s local sourcing initiative, launched in 2009,** was further expanded in 2012, and currently operates local food programs in 29 Sysco Breadline and Fresh Point locations.
- **Whole Foods Market, an early market leader in local sourcing, takes its commitment to local producers beyond the transactional**
 - Maintains a roster of “local food foragers” in its regional offices to identify new sources of local supply
 - Since 2007, it’s funded nearly \$8 million in 139 low-interest loans through its Local Producer Loan Program to 121 local producers
 - In FY 2012, the firm disbursed 29 low-interest loans totaling \$1.6 million, with an average loan amount and interest rate of \$50,010 and 5.4%



What Do We Know About Supply?

Not always so easy for local farmers to access larger-volume marketing channels

- Individual farm operators often lack individual capacity to meet buyer requirements for **product volume, quality, consistency, variety, or extended availability.**
- **Farmers continue to be challenged by the lack of distribution, processing and marketing infrastructure** that would give them wider market access to larger volume customers



What are Commercial Buyers Looking For?

Traceback mechanisms and recordkeeping

- Many commercial, institutional and retail buyers are not just looking to procure food products that are locally/regional grown, but can be ***traced back to the originating farm*** in the event of a foodborne illness outbreak.
- Smaller and mid-scale farmers often lack capacity to establish adequate recordkeeping or product monitoring systems

Food safety

- Commercial and institutional customers are increasingly demanding ***third-party certifications*** of production/handling processes, a marketing requirement that many smaller farmers have not had to address in the past
- **Food Safety Modernization Act** is waiting in the wings. . .which may result in new requirements and expectations

Market preparation

- Smaller and mid-scale producers may not find it economically feasible to pack/label/sort product in accordance with commercial buyer standards on their own



Why Regional Food Hubs?

USDA believes *regional food hubs can play an important role* in supporting/retaining these “ag-of-the middle” farmers and encouraging smaller farmers to scale up their operations.



Regional Food Hub Definitions

Working Definition

A business or organization that:

- ***actively manages***
- ***the aggregation, distribution, and marketing***
- ***of source-identified food products***
- ***primarily from local and regional producers***
- ***to strengthen their ability to satisfy wholesale, retail, and institutional demand.***



Regional Food Hubs

Defining Characteristics

- ✓ Carries out or coordinates the aggregation, distribution, and marketing of primarily locally/regionally produced foods **from *multiple producers to multiple markets***.
- ✓ ***Considers producers as valued business partners instead of interchangeable suppliers***
- ✓ ***Committed to buying from small to mid-sized producers whenever possible.***
- ✓ ***Uses product differentiation strategies*** (e.g. identity preservation, group branding, sustainable production practices, etc.) **to ensure that producers maximize returns from their products.**
- ✓ ***Works closely with producers*** to ensure they can meet buyer requirements by either **providing direct technical assistance** or finding partners that can provide this technical assistance.
- ✓ ***Aims to be financially viable while also having positive economic, social, and/or environmental impacts within their communities***



Regional Food Hubs



Producer Services

- ✓ Actively linking producers to markets
- ✓ On-farm pick up
- ✓ Production and post-harvest handling training
- ✓ Business management services and guidance
- ✓ Value-added product development
- ✓ Food safety and GAP training
- ✓ Liability insurance

Operational Services

- ✓ Aggregation
- ✓ Distribution
- ✓ Brokering
- ✓ Branding and market development
- ✓ Packaging and repacking
- ✓ Light processing (trimming, cutting, freezing)
- ✓ Product Storage

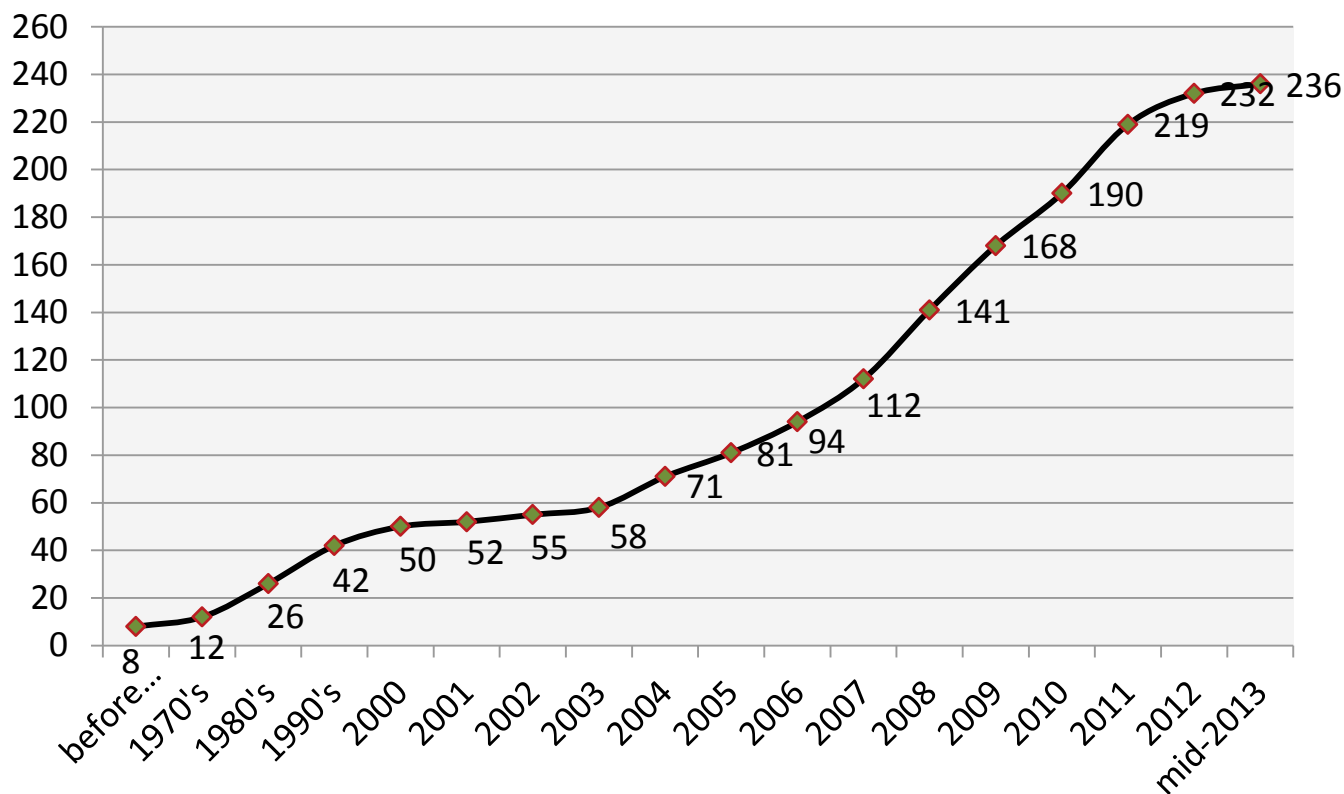
Community Services

- ✓ “Buy Local” campaigns
- ✓ Distributing to “food deserts”
- ✓ Food bank donations
- ✓ Health screenings, cooking demonstrations
- ✓ SNAP redemptions
- ✓ Educational programs
- ✓ Youth and community employment opportunities



Regional Food Hubs

Growth in the Number of Food Hubs (2001-2013)*



At least 120 food hubs have started in the past five years (2008-2012), as well as at least 64 in the past three years (2010-2012)

**Based on a working list of food hubs identified by the NGFN Food Hub Collaboration (June 2013)*



Current Profile of Regional Food Hubs

Newly published findings (September 2013) from a national hub food survey conducted by Michigan State University's Center for Regional Food Systems & the Wallace Center at Winrock International

2012 Revenue (N=104)

- **Average \$3,284,632**
- **Median \$450,000**
- **Range \$1,500 to \$75 million**
- Revenue was ***significantly correlated with years in operation***, with older hubs tending to have larger total revenue than younger hubs.

More than half (51%) reported no dependence on external funding



Example of Food Hub/Retail Partnership

In August, Milwaukee-based Roundy's Inc., a large regional supermarket chain and the market leader in metropolitan Milwaukee, formed a partnership with the Madison-based Wisconsin Food Hub Cooperative, owned by 11 producers and the Wisconsin Farmers Union. The cooperative, based in Madison, will supply a variety of produce to all 120 of Roundy's stores in Wisconsin operating under the Pick 'n Save, Copps and Metro Market banners.

"We've been dealing with local farms here for over 20 years," said James Hyland, vice president of investor relations for Milwaukee-based Roundy's. ***"This gives us a chance to extend our reach and buy from even more small farmers in Wisconsin through the Food Hub Cooperative."***

Roundy's operates 161 retail grocery stores and 100 pharmacies under the Pick 'n Save, Rainbow, Copps, Metro Market and Mariano's retail banners in Wisconsin, Minnesota and Illinois. It has nearly \$4 billion in sales and more than 20,000 employees.



Example of Food Hub/Retail Partnership

The Wisconsin Food Hub Cooperative, only a year-old, expects to generate \$3 million in produce revenues in 2013.

"It's a very important partnership for us," said Tara Turner, board president of the Wisconsin Food Hub Cooperative and a third generation produce grower and wholesaler. ***"Having a partner like that allows us to move large quantities of produce that we otherwise wouldn't be able to move."***

It allows us to bring local produce to the community that otherwise might be sourced from California, Georgia, maybe as close as Indiana, but otherwise it has to be purchased across the country and trucked all the way to Wisconsin,"

Turner added. ***"This way, we are literally picking corn at 3:30 in the morning, bagging it up, cooling it, putting it on a truck and it's out on the shelf that day."***

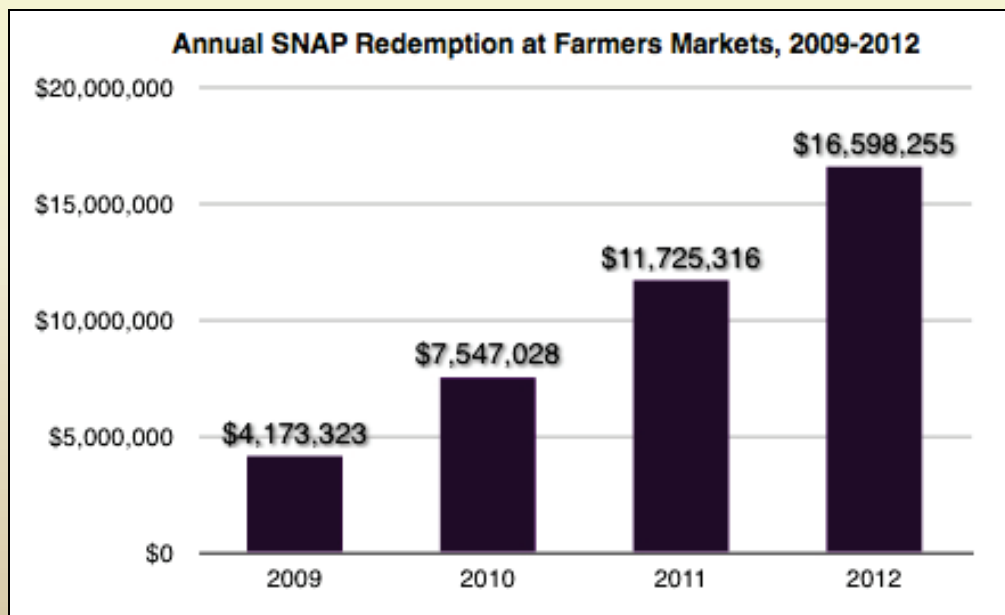


Potential Drivers of Future Demand

Likely to hinge on **greater accessibility**

- Nutrition Assistance Programs

- **Significant increases in SNAP participation by farmers markets and farm stands, up from around 900 sites in 2009 to more than 3,200 in 2012**, resulting from a combination of pro-active outreach by USDA Food and Nutrition Service + AMS/FNS grants for EBT installation + rise of NGO-sponsored subsidy programs
- Preliminary research suggests that **patronage continues after subsidies run out** (Fair Food Network)
- **Recent expansion of mobile farm markets** to serve people without transportation access





Potential Drivers of Future Demand

Schools

- **Growth in farm to school programs.** From a handful of programs in the late 1990s, farm to school programs now exist in more than 10,000 schools in all 50 states. This trend has been bolstered by:
 - 2008 Farm Bill clauses and subsequent interpretation by USDA/FNS that provided greater flexibility in taking geographic preference into account in the bid process
 - Creation of formal USDA farm to school grant program in 2012
 - Creation of State funding programs (e.g., Oregon in July, 2013)

Hospitals

- **Growing number of farmers markets operating at hospitals and health care facilities**
 - **115 reported in 2013 USDA National Farmers Market Directory**
 - Kaiser Permanente lead in early years
 - Recent campaign to introduce them at Veteran's Health Administration facilities

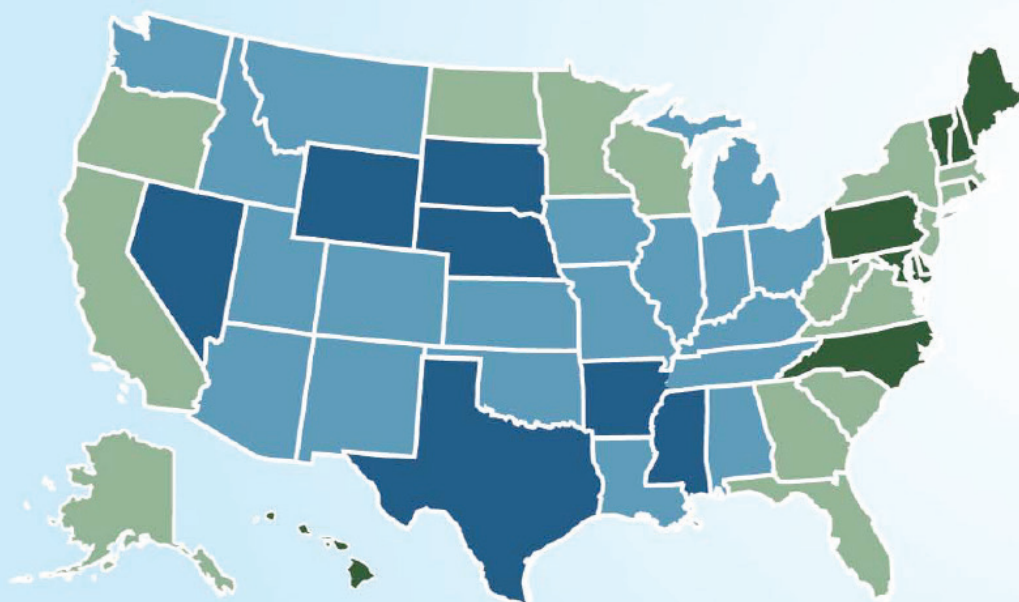
Military bases

- **New DoD "healthy base initiative" aims to expand farmers markets on base, local food in commissaries**



Potential Drivers of Future Demand

HEALTHY HABITS TAKE ROOT



THE FARM to SCHOOL CENSUS

USDA estimates that as of the 2012-2013 school year, **3,812 districts** operating approximately **38,629 schools** with **21,008,254 students** in attendance are **buying local products** and teaching children where their food comes from.

HUNGRY FOR MORE?

www.fns.usda.gov/farmtoschool/census/



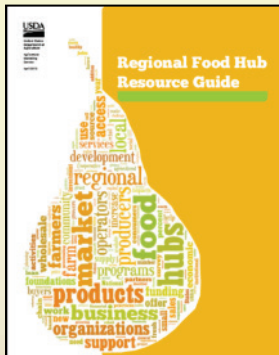


Food Hub and Distribution Resources



Moving Food Along the Value Chain: Innovations in Regional Food Distribution

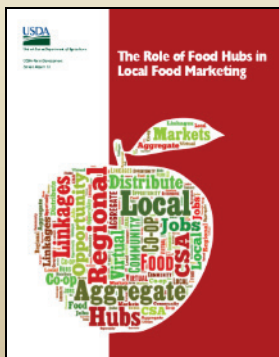
By Adam Diamond & James Barham – USDA Agricultural Marketing Service



Regional Food Hub Resource Guide

Food hub impacts on regional food systems, and the resources available to support their growth and development

By USDA Agricultural Marketing Service and the Wallace Center at Winrock International



The Role of Food Hubs in Local Food Marketing

By James Matson, Martha Sullins, and Chris Cook – funded by USDA Rural Development

Electronic copies of these publications can be downloaded for free at

www.ams.usda.gov/FoodHubs



United States Department of Agriculture



USDA's "Know Your Farmer, Know Your Food" Initiative

- **Website:** One-stop shop for financial and technical assistance resources from USDA to grow your local food enterprise
www.usda.gov/knowyourfarmer
- **The Compass:** How USDA resources are put to work in your community
www.usda.gov/kyfcompass
- **The Compass Map:** See what's funded in your community and learn how others are using USDA programs

