



Local and Regional Food Systems in Economic Development: Modest Opportunities

Stephen Vogel*

(svogel@ers.usda.gov)

Resource and Rural Economics Division

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United States Department of Agriculture, Economic Research Service

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The questions:

- Economic development – where does ‘local’ fit in?
- View from the farm gate – does ‘local’ matter?
- What are underlying factors shaping local and regional food systems?
- Farm-community linkages – can they become pivots in economic development?



The process of economic development, as distinct from mere economic growth, entails dynamic change not only in production patterns and technology but also in social, political and economic institutions . . .

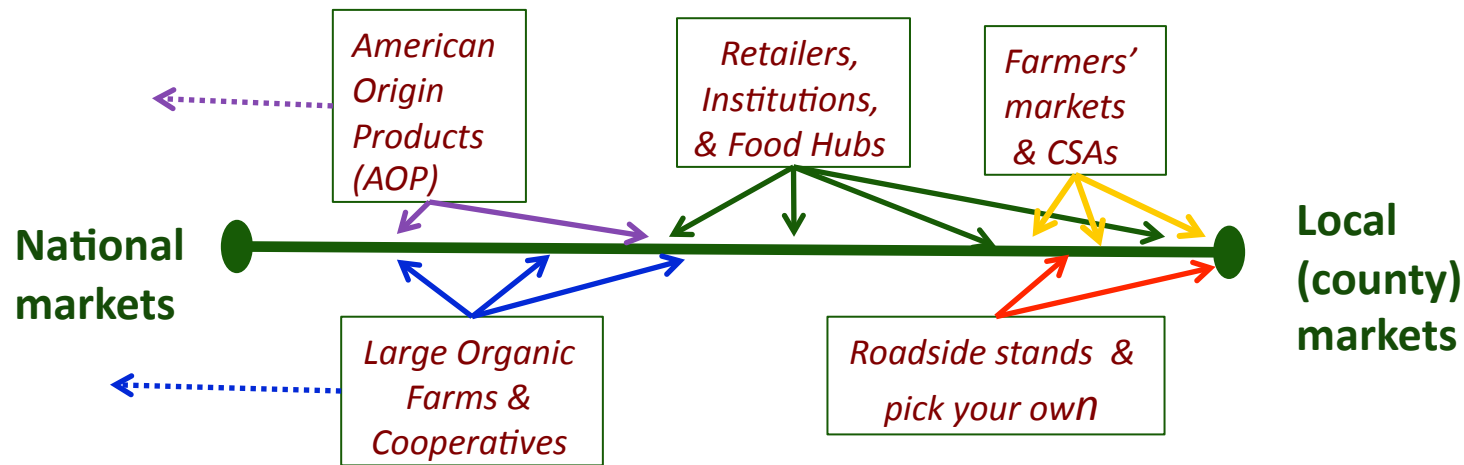
– Irma Adelman



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View from the Farm Gate: Does 'Local' Matter?

- **Retail Agriculture** – Farmers' response to consumer demand through innovative marketing channels.



- **Local & regional food systems** – specific geographic subsets of retail agriculture.
- **Shared Values** among producers and consumers define market transactions.



U.S. Retail Agriculture: How large is it?

Matteson and Hunt (2012) approach:

- 2008: \$7.6 Billion = \$4.8 Billion in Local Foods + \$2.8 Billion in organic sales
- Later: \$7.85 Billion = \$4.0 Billion in Local Foods (2008-11 ave) + \$3.5 Billion organic sales (2011) + \$355 Million Farm to school sales (2012)

Sources: survey based estimates by USDA

- Larger than the 2008 value of production of cotton and rice combined.
- National data collection systems not equipped to measure true scope.



Underlying Factors Propelling Food Systems Agriculture (FSA)

1) Information Communications Technology (ICT)

Internet 1.0 (1990s):

- Facilitates the growth in the consumer demand for farm products based on non-price characteristics.
- Improves efficiencies of existing scale economies in the agri-food system.

Internet 2.0 (2000s):

- Weakens 20th century economies of scale in the food supply chain.
 - National Market Maker
 - Organic Valley Dairy Cooperative
- Facilitates the diffusion of tacit knowledge among stakeholders.
 - Local Harvest



Underlying Forces . . .

2) Social Entrepreneurship and Shared Value Creation.

- *Social entrepreneurship* ventures:
 - Non-profit or for-profit enterprises.
 - Learning and innovation built into growth strategies.
 - *DC Central Kitchen*
- *Shared-value creation* (Porter and Kramer, 2011)
 - Companies create new sources of economic value by addressing societal needs.
 - Redefining value chain productivity leads to local cluster development.
 - Walmart's commitment to local sourcing of 10% of fresh food.



Underlying forces . . .

3) Public sector initiatives - Response to stakeholders' 'voice'

Federal level:

- 2008 Farm Bill - watershed legislation.
- USDA projects \$337 million, 2009-2012.
- Food hub project buy-in – 76% of federal funds are from Depts. of Commerce, Transportation, Treasury, Health & Human Services, and Housing & Urban Development in 2011-2012.

State level:

- Illinois Food, Farms, and Jobs Act of 2007 (goal) – 20% of fresh food sales to be supplied by the state's farmers.
- Louisiana Buy Local Purchase Incentive Program (2011) – 4% cash rebate to restaurants on purchases of locally produced food.



Farm-Community Linkages – Development Pivots?

Farm-community linkages:

- *Direct linkages* – Food systems farmers expenses on inputs
 - Food systems farmers spend on average \$176,000 more on inputs per \$1 million in gross farm sales than non-participating farmers (ARMS, 2008-2011) .
- *Indirect linkages* – farm households consumption expenditures
 - Food systems farm households spend on average \$213,000 more per \$1 million in gross farm sales than non-participating farmers (ARMS, 2008-2011) .
- *Dynamic linkages* – infrastructure investments in market channels can widen food systems clusters.



Conclusion

- Food system agriculture is transforming a segment of US 'farm-to-fork'.
- Dynamic factors continue to push its innovation envelop.
- Food systems farmers generate larger local linkages than non-participating farmers.
- Q: Can food systems agriculture be a source of economic growth?
A: It's too early to tell, but pieces are being put in place.

