



Union of
Concerned
Scientists

EXECUTIVE
SUMMARY

Market Forces

Creating Jobs through Public Investment in Local and Regional Food Systems



When strolling through a local farmers market you may well be struck by the many ways in which the food offered for sale differs from typical mass-produced and -marketed food products. For starters, healthful produce items dominate the farmers market, and they are typically fresher and more flavorful than supermarket produce. Moreover, the presence of the farmers puts a face on who grew the food and reflects where and how it was grown.

Less apparent to the casual shopper, however, are the important economic benefits that farmers markets—and the local and regional food systems

behind them—can provide to rural and urban communities alike. In this report, the Union of Concerned Scientists (UCS) explores the recent remarkable growth of farmers markets and other manifestations of local and regional food systems, describes key features of these systems, evaluates their economic and other impacts on the communities in which they operate, and offers surprising data on their potential to create jobs in those communities. Finally, the report addresses some challenges that local and regional food systems must meet if they are to grow further, and it recommends public policies that could help promote and expand these systems in the future.

Conservative estimates by the U.S. Department of Agriculture (USDA) suggest that more than 136,000 farms are currently selling food products directly to consumers.



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The Rise of Local and Regional Food Systems

Markets for locally and regionally produced food are now ubiquitous across the United States. Most of them emerged over the last several decades through the tireless efforts of entrepreneurs, community organizers, farmers, and food and farm policy advocates. In particular, farmers markets and community-supported agriculture systems (CSAs)—in which consumers buy shares of local farm harvests in advance and then routinely reap the benefits in the form of fresh food—have expanded rapidly and are now established as family-shopping venues in many cities and towns. Schools, restaurants, supermarkets, and other mainstream institutions are also buying food from local farmers. As a result, innovative farmers are able to develop and expand businesses that generate income in rural communities.

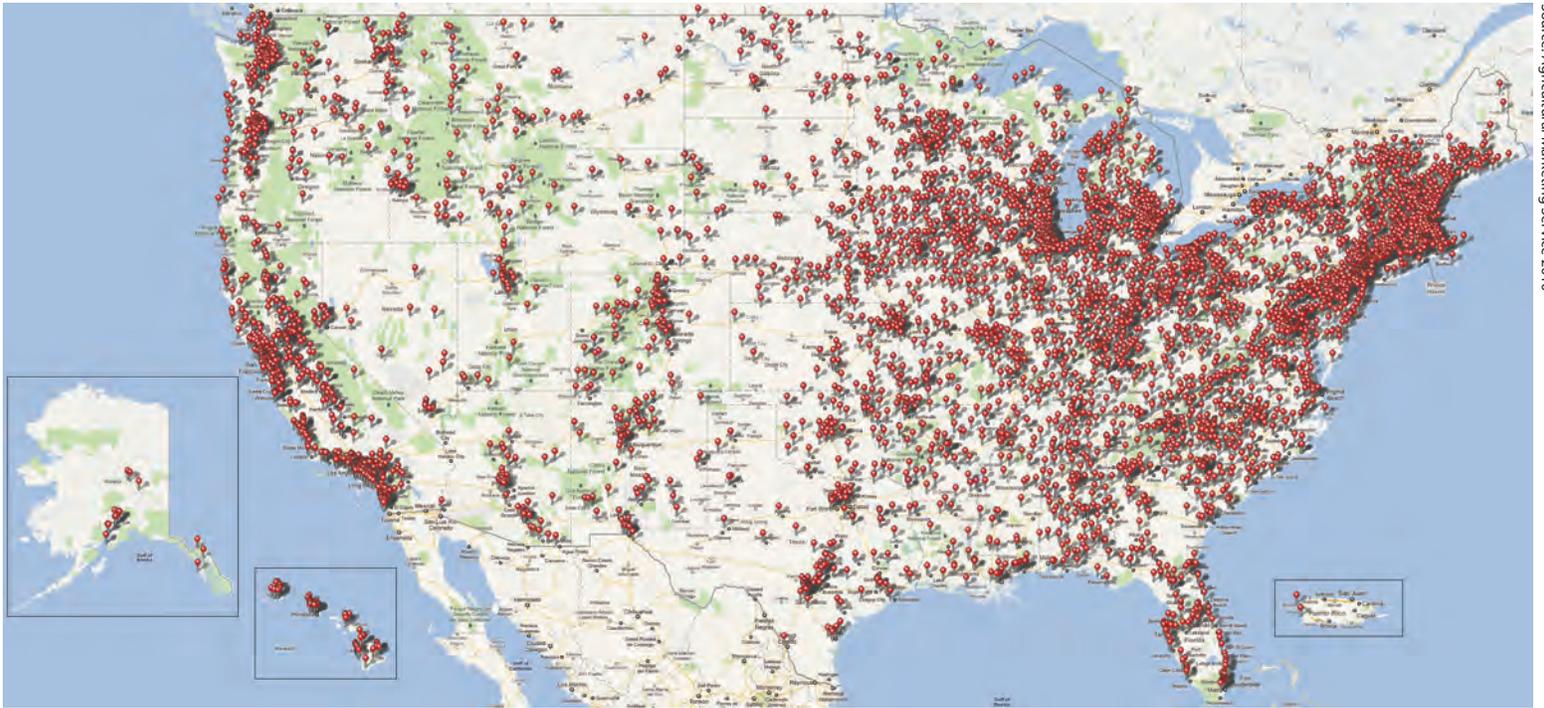
Most of these markets were independently conceived as grassroots initiatives, and as such each of them contributes uniquely to its community. These achievements have been particularly remarkable in that they have been mostly self-sufficient—realized

without the governmental subsidies that the increasingly consolidated mainstream food system receives.

This report shows that local and regional food systems could expand further, with the potential for creating tens of thousands of jobs in rural communities—many of which are struggling economically—and in urban communities as well. For example, the U.S. Department of Agriculture (USDA), in its “MyPlate” dietary guidelines, recommends that Americans eat significantly more fruits and vegetables; in many regions, local farmers could grow a substantial portion of this additional produce in peak growing season. Regional food systems could also increase market access for regional meat and dairy

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U.S. Farmers Market Locations, 2010



Source: Agricultural Marketing Service 2010

This map shows the distribution of thousands of farmers markets across the country, in all 50 states and the District of Columbia.

producers, thereby helping to foster competition in markets that have experienced significant consolidation in recent decades. Overall, the expansion of local and regional food systems could complement the nation's existing mechanisms for food production, distribution, and consumption. Greater investment in local and regional food systems would thus be an essential step for agriculture policies that seek to support such economic activity.

Among the report's major findings are:

1. Local and regional food systems are an expanding part of our food system.

Local and regional food-product markets have grown rapidly in recent years and have become entrenched. The number of farmers markets in the United States increased from just 340 in 1970 to more than 7,000 today, and there are now more than 4,000 CSAs. The USDA reports that the sales of agricultural products through direct consumer marketing channels reached \$1.2 billion in 2007.

The demand for local food has been driven by consumers who wish to support local farms and

other businesses, to purchase healthful food that is fresh and tends to be sustainably produced, to interact with farmers, and to learn more about the food they grow and that consumers eat. The enthusiasm for local and regional foods has also arisen, at least in part, as a backlash against the deficiencies of our consolidated food production, processing, and distribution system.

Sales of agricultural products through direct consumer marketing channels reached \$1.2 billion in 2007.

Local and regional food-product sales often occur through direct marketing channels. For example, a farmer could sell food products either directly to a consumer, such as at a farmers market, at a roadside stand, or through a CSA; or directly to a retail institution, such as a restaurant, grocery store, or school. Farmers who sell their food through direct marketing channels tend to operate smaller farms with a variety of products, such as fruits and vegetables; engage in entrepreneurial activities; and follow environmentally



sustainable production practices. These farmers can often earn greater profits by selling their products through local food systems than by selling them to a wholesaler in the consolidated food system. In addition, the opportunity to interact with consumers provides these farmers with firsthand information on the demand for their products.

2. The economic, environmental, and health impacts of local and regional food systems depend on how consumers' purchasing decisions are altered.

There are a multitude of reasons for seeking local and regional alternatives to the current consolidated U.S. food system. For one thing, that system accounts for 16 percent of the country's energy use and is a significant contributor to climate change. For another, the overconsumption of unhealthful processed foods contributes to Americans' increased rates of weight gain and obesity, which have considerable health consequences and large associated societal costs.

Fresh fruits and vegetables are particularly well suited to distribution through direct marketing

because they are mostly unprocessed. Communities could see health benefits if patrons of local-food markets consequently ate more of these healthful but underconsumed items. There could also be environmental benefits from reduced energy usage if diets shifted to eating unprocessed food as a substitute for heavily processed foods.

While more research is needed to demonstrate how consumers' shopping behavior may be altered as a result of buying foods produced nearby, available evidence suggests that local and regional food systems could help promote the consumption of these products.

3. Local and regional food systems can have positive effects on regional economies.

The expansion of local and regional food systems supports employment, incomes, and output in rural communities. Direct marketing channels, such as farmers markets, stimulate rural economies because a greater percentage of the sales revenue is retained locally. Further, farmers may purchase equipment and raw materials from local suppliers. Such



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transactions increase labor and consequently household incomes, which result in additional spending. An important finding from the literature is that under various scenarios, further expansion of local and regional food systems has the potential to create tens of thousands of additional jobs.

One approach to increasing local and regional food-product sales is to support the development of direct marketing channels. Such support is invaluable because establishing a local-food market, such as a farmers market, can be a daunting exercise—many farmers markets are community-based and -initiated, rely on volunteer labor, have little access to capital, and are nonprofit institutions. Even a small amount of support could help a farmers market become stabilized through, say, the hiring of a market manager, the installation of an electronic benefit transfer machine, and outreach efforts. For example, modest public funding for 100 to 500 otherwise-unsuccessful farmers markets a year could create as many as 13,500 jobs over a five-year period.

Local and regional food systems could also lead to job growth through other marketing channels—

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for example, when greater consumption of fresh fruits and vegetables draws on produce supplied locally or regionally. Studies have suggested that this phenomenon could lead to thousands more jobs in the Midwest alone, even if land allocated to fruits and vegetables displaced some production of corn and soybeans. Such positive economic results could also occur in other regions or for other food-product sectors, such as meat and dairy.

4. Local and regional food systems have scalability challenges, some of which can be addressed through public policy.

While local and regional food systems have become more prominent, several challenges remain that could hinder further development. There are geographic and seasonal limitations—owing to climate



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variation and soil attributes—on the extent to which local and regional food systems can be established. There also must be an appropriate balance of urban populations and rural land to ensure that there is both an adequate demand and sufficient supply. Such balance is particularly important for meat and dairy products, which may require scale for production.

Moreover, while direct consumer marketing has been a common method to date for selling locally produced food, it too can have scale limitations. Local institutions, processing infrastructure, or regulations may be inadequate—e.g., lacking sufficient capacity—for allowing local and regional food systems to prosper. Thus the cultivation of additional institutional arrangements, which has occurred with schools but could also apply to mainstream supermarkets and other sectors, is important. Specifically, innovations such as “food hubs”—locations at which farmers can drop off locally produced food and distributors and consumers can pick it up—are promising options.

An additional challenge is that existing USDA programs may be inadequate for providing the same

type of support and assistance to local-food-system farmers that they provide to larger-scale commodity crop farmers. More scale-appropriate mechanisms for providing whole-farm revenue insurance and credit, for example, would help small farmers who produce food for local and regional consumption.

Some of these challenges (among the aforementioned and elsewhere) could be addressed through forward-thinking policies and sound investments related to farms, food, and local development. We now identify such public policy solutions.

Recommendations

While the number and influence of local and regional food systems have grown substantially, many issues must be resolved if they are to continue increasing in scale and become more integrated into the existing food system. Further, future efforts to expand local and regional food systems should aim to complement and reinforce—not substitute for—already established local-food-market institutions, such as farmers markets or CSAs.



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Specifically, the Union of Concerned Scientists recommends that:

Congress and the USDA, in coordination with other relevant agencies, should increase funding for programs that support local and regional food systems.

Three types of programs, if funded at increased levels, could foster the continued growth of local and regional food systems: (1) rural development programs that provide funds for investing in infrastructure to support local and regional food systems; (2) programs that offer assistance to farmers market managers, schools, and other local-food-system administrators; and (3) nutrition programs that provide financial assistance to low-income consumers who wish to purchase healthful food at local-food markets.

Moreover, among the multiple federal agencies that administer the various programs that support and promote local food systems, continued and improved coordination is critically important. By organizing programs within one title in the federal

farm bill, Congress could effectively bring together these seemingly disparate programs while also raising the profile of local and regional food systems.

The USDA, together with academic and other policy institutes, should raise the level of research on the impacts of local and regional food systems, particularly regarding their expansion.

Funding more research for local and regional food systems is essential for effective future agricultural policy, and obtaining more precise data on marketing channels for local and regional food sales is especially important. Other research priorities include the study of how the installation of farmers markets and other local-food outlets influences consumers' shopping habits relative to their behavior in the absence of such markets, and the effects on low-income people of nutrition programs that facilitate patronage of farmers markets.

In addition, research on the feasibility of establishing local and regional food systems on a greater scale in specified areas would help identify where some of the most significant economic impacts



could be realized. Such research would feature comparisons of the potential regional supply (based, for example, on soil characteristics, land availability, and climate conditions) with the potential demand (based on population, consumer preferences, and income). This line of research could also illuminate the land-use implications of local food systems geared to increase production of fruits, vegetables, or other food products.

Congress and the USDA should restructure the safety net and ensure credit accessibility for local-food-system farmers.

Many attributes of existing agricultural programs are not well suited to supporting farms and other producers that market their food within localized systems. For example, insurance focused on single crops, as is typical, is not convenient for farmers growing a succession of vegetables throughout the growing season. Thus the development of whole-farm revenue insurance, as an alternative to crop insurance for specified commodities, would be beneficial. In addition, ensuring that farmers selling through local food systems have access to affordable credit, either from Farm Credit System banks or from state financing authorities, could allow these farmers to develop and expand their businesses. Lastly, cost-share programs that provide assistance to organic farmers in obtaining

certification could also help them sell food products in local and regional markets.

Local governments and community organizations should foster local capacity to help implement local and regional food-system plans.

The establishment of local and regional food systems requires a good deal of local effort and coordination. When funding is available, there must be evidence that local capacity is sufficient to absorb it and that local food initiatives have reasonable prospects for success. In addition, assistance should be provided to prospective applicants for developing business plans, conducting outreach, and seeking funding opportunities.

Farmers market administrators should support the realization of farmers market certification standards.

The development of certification standards by farmers market administrators could help ensure the integrity of direct-to-consumer marketing systems. Standards provide confidence to consumers that vendors are involved in the production of the food they sell and are undertaking environmentally sustainable production practices.

The full report is available online (in PDF format) at www.ucsusa.org/marketforces.



Union of Concerned Scientists

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