



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 -

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Subcommittee on Agriculture
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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

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 3x from 1992 - 2007**
 - **\$404 million to \$1.2 billion**
 - **Grew twice as fast as total agricultural sales** (105% vs. 48%)

USDA-ERS report on Direct and Intermediated Local Food Sales

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

- In 2008, local food sales estimated to be **\$4.8 billion**
 - 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 May 2014 – data will break out local food sales to intermediaries, CSAs, and other direct to consumer outlets ***for the first time***. (Only preliminary national farm and operator level statistics were released on February 20th).



What Do We Know About Demand?

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

USDA 2007 Census of Agriculture:

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

- 3x as fast in Far West, Rocky Mountain regions as national average
- 4x as fast in the 10 states where growth was steepest



What Do We Know About Demand?

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

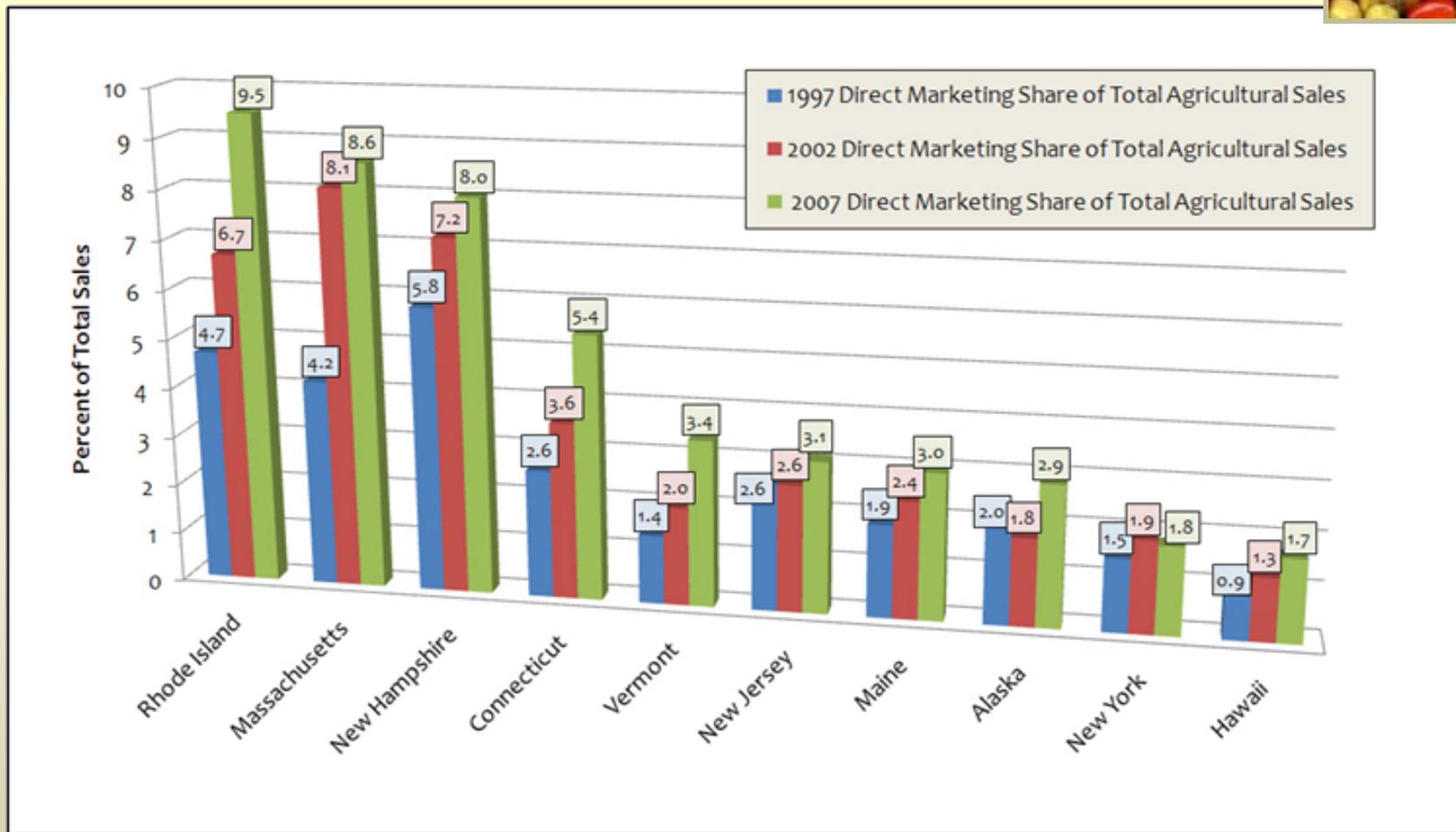
- **Potential Reasons: *differences in production mix, population density, geographic proximity to farms***

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

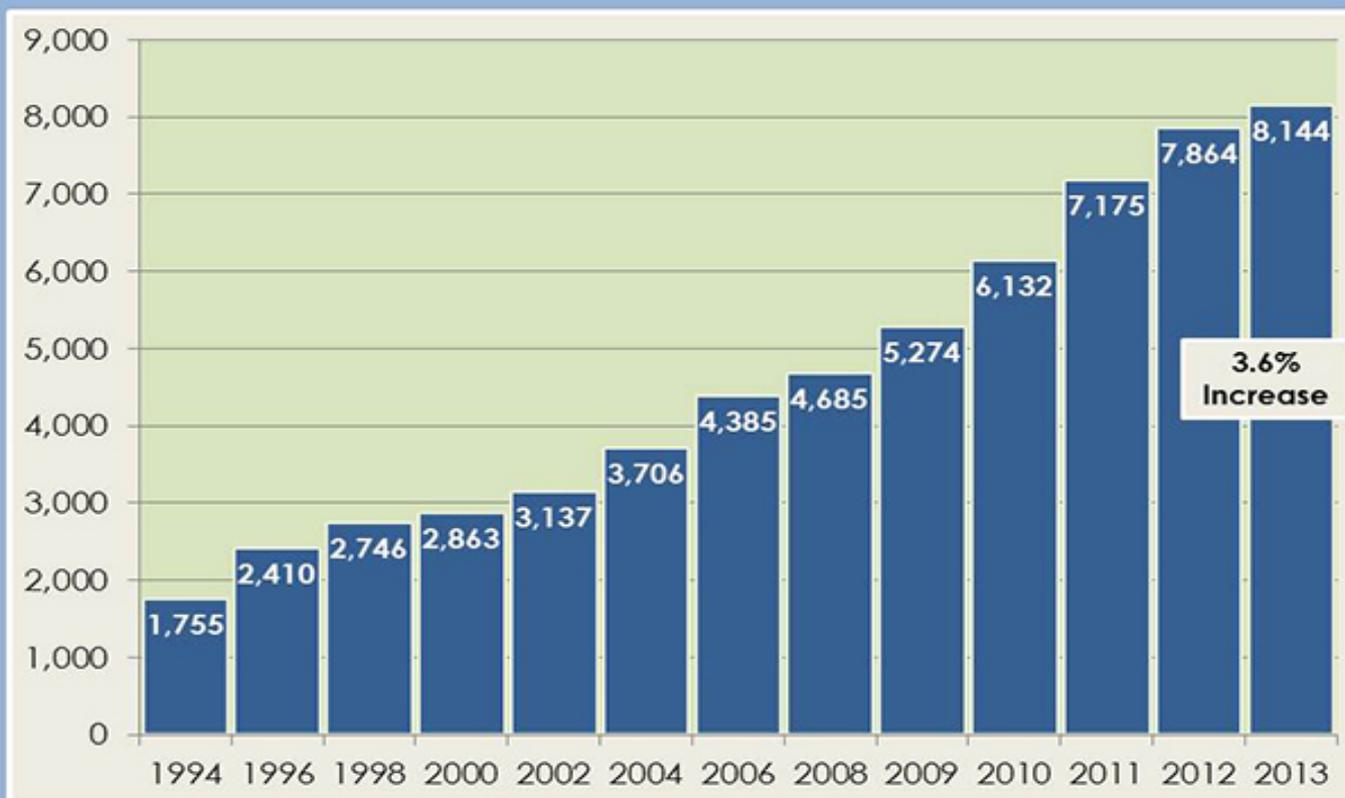
Traditional Core Consumers/Early Adopters

- **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 (subscription agriculture)**
 - 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 indicated there were likely more than 6,000 operating nationwide at that time
 - 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*

Shoppers perceive that local food purchasing gives them 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

- **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 2014 Restaurant Industry Forecast

(December 2013):

Hudson Riehle, senior vice president of the National Restaurant Association's research and knowledge group

Today's consumers are more interested than ever in what they eat and where their food comes from, and that is reflected in our menu trends research

True trends – as opposed to temporary fads – show the evolution of the wider shifts of our modern society over time, and focus on:

- the provenance of various food and beverage items
- unique aspects of how they are prepared and presented
- the dietary profiles of those meals



What Do We Know About Demand?

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

Top 10 Menu Trends for 2014

- 1. Locally sourced meats and seafood**
- 2. Locally grown produce**
- 3. Environmental sustainability**
4. Healthful kids' meals
5. Gluten-free cuisine
- 6. Hyper-local sources (e.g., restaurant gardens)**
7. Children’s nutrition
8. Non-wheat noodles/pasta
- 9. Sustainable seafood**
- 10. Farm/estate branded items**



What Do We Know About Demand?

National Grocery Association 2014 Consumer Panel

- **Availability of locally grown produce and other local packaged foods are major influences on grocery shopping decisions**
 - **In 2014, 87.2% of consumers regard this as “very/somewhat important”**, up from 79% in 2009, and nearly equal to the 2012 peak of 87.8%. Only 3.3% said “not at all important”
 - Hispanics, 50-64 year olds and members of single person households were the most dominant segments in the “very important” category
 - **“More locally grown foods” is the second most desired improvement among surveyed grocery shoppers at 32.1%**, just under “Price/cost savings”
 - **Eating local foods is a regular habit for nearly three-fourths of the nation;** only 27.0% consume them once a month or less.
- **Caveat: Convenience also becoming more important to consumers**
 - Very important 53.0% in 2014, up from 35.7% in 2012



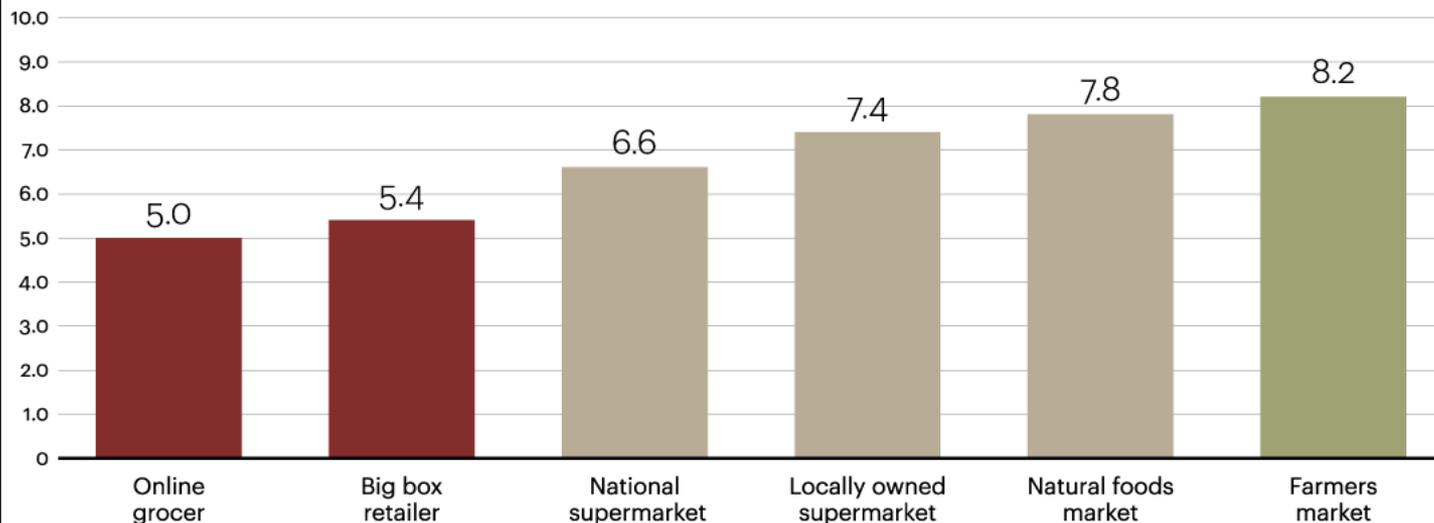
What Do We Know About Demand?

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?

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

- **More than 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 (roughly 18%) was generated by farms that participated exclusively in direct to consumer sales (e.g., farmers markets, roadside stands, on-farm markets, CSAs).**



What Do We Know About Demand?

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

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 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



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 of Local/Regional Food Hubs:

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

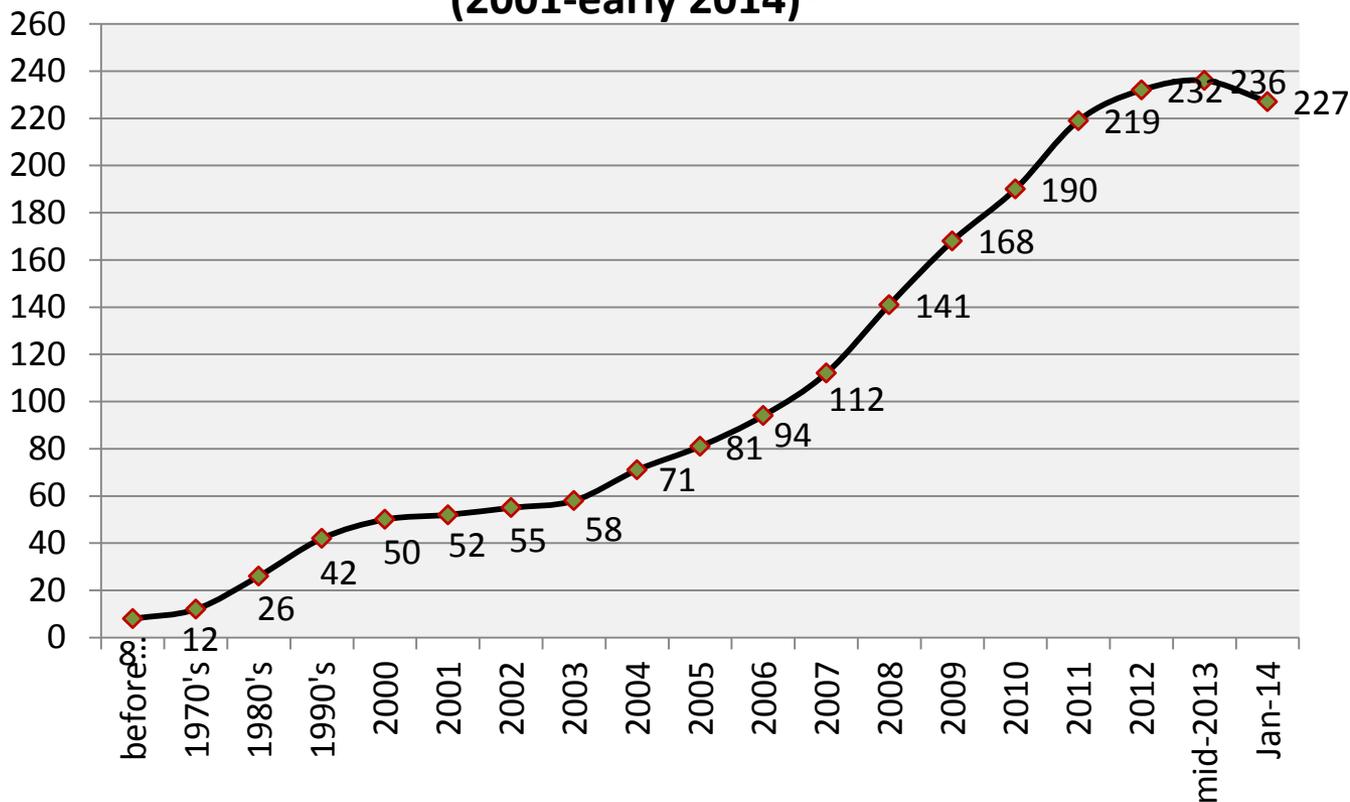


Producer Services	Operational Services	Community Services
<ul style="list-style-type: none"> ✓ Actively linking producers to markets ✓ On-farm pick up ✓ Production and post-harvest handling training ✓ Business management services and guidance ✓ Value-added product development ✓ Food safety and GAP training ✓ Liability insurance 	<ul style="list-style-type: none"> ✓ Aggregation ✓ Distribution ✓ Brokering ✓ Branding and market development ✓ Packaging and repacking ✓ Light processing (trimming, cutting, freezing) ✓ Product Storage 	<ul style="list-style-type: none"> ✓ “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-early 2014)***



*Approximately three-quarters of U.S. food hubs have **started in the past decade***

*Based on a working list of food hubs identified by the NGFN Food Hub Collaboration (January 2014)



Current Profile of Regional Food Hubs

Michigan State/Wallace Center at Winrock International (September 2013)

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, generated approximately \$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."***

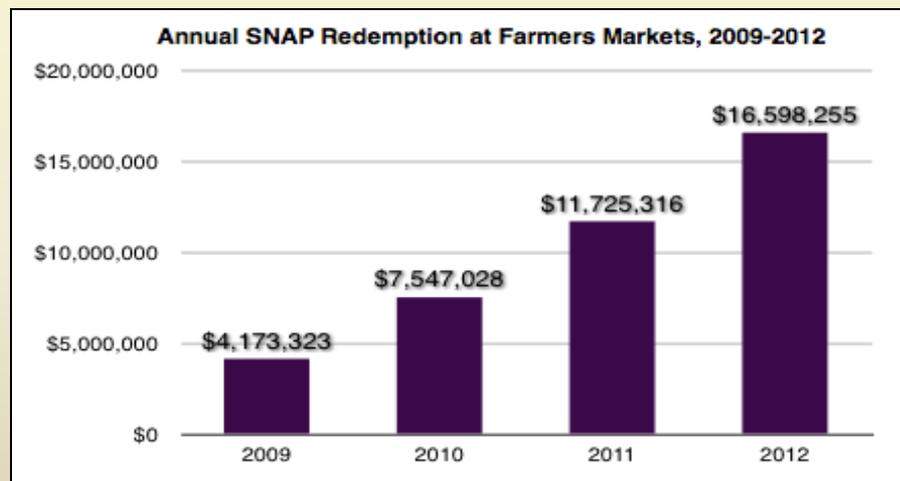


Potential Drivers of Future Demand

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 (FNS) + 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
- **NEW** – In September 2013, FNS and the National Association of Farmers Market Nutrition Programs ([NAFMNP](#)) launch MarketLink™ program to increase pace of market certifications.





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

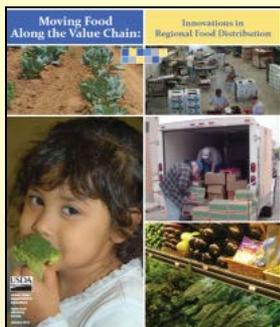
- **Growing number of farmers markets operating at hospitals and health care facilities**
 - **115 reported in 2013 USDA National Farmers Market Directory**
 - Kaiser Permanente lead in early years
 - **Recent campaign to introduce them at Veteran’s Health Administration facilities**

Military bases

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

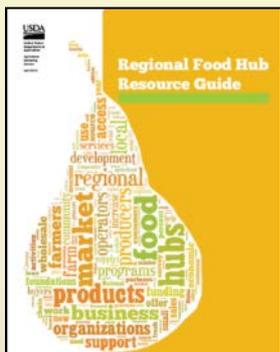


Agricultural Marketing Service and Rural Development Food Hub and Distribution Resources



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

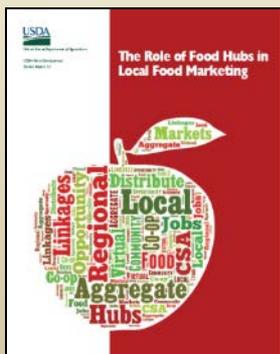
By Adam Diamond & James Barham – USDA Agricultural Marketing Service



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, and a working directory of U.S. food hubs may be found at www.ams.usda.gov/FoodHubs



“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

