ERS Report Summary

Economic Research Service May 2010 U.S. Department of Agriculture

This is a summary of an ERS report.

Find the full report at www.ers.usda.gov/publications/err97

Local Food Systems: Concepts, Impacts, and Issues

Steve Martinez, Martinez@ers.usda.gov
Michael Hand, Michelle Da Pra, Susan Pollack, Katherine Ralston, Travis Smith, Stephen Vogel, Shellye Clark, Luanne Lohr, Sarah Low, and Constance Newman

Consumer demand for food that is locally produced, marketed, and consumed is generating increased interest in local food throughout the United States. As interest grows, so do questions about what constitutes local food and what characterizes local food systems.

What Is the Issue?

This study provides a comprehensive literature-review-based overview of the current understanding of local food systems, including: alternative definitions; estimates of market size and reach; descriptions of the characteristics of local food consumers and producers; and an examination of early evidence on the economic and health impacts of such systems.

What Did the Study Find?

There is no generally accepted definition of "local" food.

Though "local" has a geographic connotation, there is no consensus on a definition in terms of the distance between production and consumption. Definitions related to geographic distance between production and sales vary by regions, companies, consumers, and local food markets. According to the definition adopted by the U.S. Congress in the 2008 Food, Conservation, and Energy Act, the total distance that a product can be transported and still be considered a "locally or regionally produced agricultural food product" is less than 400 miles from its origin, or within the State in which it is produced. Definitions based on market arrangements, including direct-to-consumer arrangements such as regional farmers' markets, or direct-to-retail/foodservice arrangements such as farm sales to schools, are well-recognized categories and are used in this report to provide statistics on the market development of local foods.

Local food markets account for a small but growing share of total U.S. agricultural sales.

- Direct-to-consumer marketing amounted to $1.2 billion in current dollar sales in 2007, according to the 2007 Census of Agriculture, compared with $551 million in 1997.
- Direct-to-consumer sales accounted for 0.4 percent of total agricultural sales in 2007, up from 0.3 percent in 1997. If nonedible products are excluded from total agricultural sales, direct-to-consumer sales accounted for 0.8 percent of agricultural sales in 2007.
- The number of farmers' markets rose to 5,274 in 2009, up from 2,756 in 1998 and 1,755 in 1994, according to USDA's Agricultural Marketing Service.
- In 2005, there were 1,144 community-supported agriculture organizations, up from 400 in 2001 and 2 in 1986, according to a study by the National Center for Appropriate Technology. In early 2010, estimates exceeded 1,400, but the number could be much larger.
- The number of farm to school programs, which use local farms as food suppliers for school meals programs and promote relationships between schools and farms, increased to 2,095 in

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

2009, up from 400 in 2004 and 2 in the 1996-97 school year, according to the National Farm to School Network. Data from the 2005 School Nutrition and Dietary Assessment Survey, sponsored by USDA's Food and Nutrition Service, showed that 14 percent of school districts participated in Farm to School programs, and 16 percent reported having guidelines for purchasing locally grown produce.

Production of locally marketed food is more likely to occur on small farms located in or near metropolitan counties. Local food markets typically involve small farmers, heterogeneous products, and short supply chains in which farmers also perform marketing functions, including storage, packaging, transportation, distribution, and advertising. According to the 2007 U.S. Census of Agriculture, most farms that sell directly to consumers are small farms with less than $50,000 in total farm sales, located in urban corridors of the Northeast and the West Coast.

In 2007, direct-to-consumer sales accounted for a larger share of sales for small farms, as defined above, than for medium-sized farms (total farm sales of $50,000 to $499,999) and large farms (total farm sales of $500,000 or more). Produce farms engaged in local marketing made 56 percent of total agricultural direct sales to consumers, while accounting for 26 percent of all farms engaged in direct-to-consumer marketing. Direct-to-consumer sales are higher for the farms engaged in other entrepreneurial activities, such as organic production, tourism, and customwork (planting, plowing, harvesting, etc. for others), than for other farms. In 2007, direct sales by all U.S. farms surpassed customwork to become the leading on-farm entrepreneurial activity in terms of farm household participation. Barriers to local food-market entry and expansion include: capacity constraints for small farms and lack of distribution systems for moving local food into mainstream markets; limited research, education, and training for marketing local food; and uncertainties related to regulations that may affect local food production, such as food safety requirements.

Consumers who value high-quality foods produced with low environmental impact are willing to pay more for locally produced food.
Several studies have explored consumer preferences for locally produced food. Motives for "buying local" include perceived quality and freshness of local food and support for the local economy. Consumers who are willing to pay higher prices for locally produced foods place importance on product quality, nutritional value, methods of raising a product and those methods' effects on the environment, and support for local farmers.

Federal, State, and local government programs increasingly support local food systems.
Many existing government programs and policies support local food initiatives, and the number of such programs is growing. Federal policies have grown over time to include the Community Food Project Grants Program, the WIC Farmers' Market Nutrition Program, Senior Farmers' Market Nutrition Program, Federal State Marketing Improvement Program, National Farmers' Market Promotion Program, Specialty Crop Block Grant Program, and the Community Facilities Program. State and local policies include those related to farm-to-institution procurement, promotion of local food markets, incentives for low-income consumers to shop at farmers' markets, and creation of State Food Policy Councils to discuss opportunities and potential impact of government intervention. (WIC is the acronym for the Special Supplemental Nutrition Program for Women, Infants, and Children).

As of early 2010, there were few studies on the impact of local food markets on economic development, health, or environmental quality.

- Empirical research has found that expanding local food systems in a community can increase employment and income in that community.
- Empirical evidence is insufficient to determine whether local food availability improves diet quality or food security.
- Life-cycle assessments—analyses of energy use at all stages of the food system including consumption and disposal—suggest that localization can but does not necessarily reduce energy use or greenhouse gas emissions.

How Was the Study Conducted?

Existing analyses of local food markets by universities, government agencies, national nonprofit organizations, and others of local food markets were synthesized to evaluate the definition of local foods and the effects of local food systems on economic development, health and nutrition, food security, and energy use and greenhouse gas emissions. The report's content relies on data collected through the 2007 Census of Agriculture, as well as other surveys by USDA's Agricultural Marketing Service, the National Farm to School Network, university extension departments, and others, to provide a comprehensive picture of types of local food markets, their characteristics, and their importance over time.