LOCAL FOOD SYSTEMS IN ECONOMIC DEVELOPMENT: LITERATURE REVIEW

A review of the literature regarding the role local food systems serve in economic development practice in the United States (2016)

Prepared by Taylor R. Smith, University of North Carolina at Chapel Hill
Masters in City & Regional Planning Candidate
NC Growing Together Summer Apprenticeship Program (2016)

For more information, please contact Emily Edmonds, Extension and Outreach Program Manager, NC Growing Together, at emily_edmonds@ncsu.edu, or visit www.ncgrowingtogether.org.

INTRODUCTION

Public health and environmental sustainability advocates have supported the growth and development of local food systems for years now. Foundational to the widespread support found within these fields is the understanding that local food systems support positive health outcomes and replenish and protect environmental resources in a way that offers a sustainable alternative to large-scale agricultural practices. Complementary to the public health and environmental benefits of local food systems found in academic literature is often a nod to the idea that local food systems also contribute to the economic health of communities. This paper reviews the existing literature on local food systems as approached within the field of economic development. By way of the literature review process, this paper identifies prevailing themes within academic rhetoric regarding the opportunity presented by local food to economic developers. Finally, this work identifies areas in which further research ought to be pursued in order to more fully develop means by which economic developers and local food advocates alike might better leverage the potential for local food systems to grow and sustain economic and social well-being.

DEVELOPING A MULTIPLIER

Central to the argument that investment in a local food system will generate economic dividends for the local economy is the idea that food dollars spent locally will experience a multiplier effect as the local farmers, in turn, purchase intermediate inputs, labor, and capital from within the localized economy (O'Hara, 2013). Though this theory is fundamental to the ongoing conversation among economic developers and local food advocates, available findings are difficult to generalize across a diverse set of communities and economies. Studies that find positive economic impacts of local food systems planning and improvement are place-specific and operate on the basis of layered assumptions within a very specific input-output model or REMI analysis (Ahearn, Brown, Goetz, & Liang, 2014; Conner, 2008; O'Hara, 2013). As O'Hara asserted in a previous review of the types of studies conducted on economic impacts of local food systems, the existing body of work offers insight though requires further development of data collection tools, expanded geographies, and quantification of local food systems economic indicators that extend beyond simplistic measurement of jobs (O'Hara, 2013).

United States Department of Agriculture | National Institute of Food and Agriculture

This material is based upon work that is supported by the National Institute of Food and Agriculture, United States Department of Agriculture, under award no. 2013-68004-20363. Any opinions, findings, recommendations, or conclusions expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture.

APPROPRIATE SCALE

When approaching any topic within community and economic development, it is first important to identify an appropriate scale at which a policy or program will be implemented; understanding local food systems is no different. The literature reviewed emphasized the importance of identifying an appropriate scale within which a local food system can thrive. Working food systems and the relationships that establish the initial network and, subsequently, grow the system in time are a vital component of a working food system. Effective food systems planning requires an understanding of the existing dynamics of the food system. As was made apparent through a number of studies (Donald, 2008; Mamen, 2004; Meter, 2008; Rosenfeld, 2010), the existing food system and the policy framework which perpetuates it, is polarized in nature. On the one hand, food systems planning exists on a small scale whereby community gardens, CSAs, and farmers markets operate with the goal of fostering self-reliance. In stark contrast to this small scale food system approach is the large scale farming in which market power is held by a few major agribusiness players. Farm subsidies, regional and international trade policies, and transportation laws have supported the propagation of gross inefficiencies in how food moves on an international scale (Mamen, 2004).

Of relevance to the economic developer is the idea that farm subsidies, similar to the way that the spending of taxpayer money is often regulated solely on the basis of price, were intended to protect and preserve domestic interests. The subsidies were established to favor the domestic market with price guarantees for American farmers. Despite the fact that such subsidies were intended to protect American jobs, the farms receiving the largest benefit from such subsidies are often the same ones dominating the commodity food market (Mamen, 2004). The studies here reviewed emphasize the importance of considering appropriateness of scale in regulating and managing a food system. Available findings call for a restructuring of food systems and relevant policy work, particularly at a regional level (Feenstra, 1997). Thinking of food systems regionally, rather than nationally, would allow for increased urban-rural linkages that are both efficient and effective as a result of increased awareness of the production capacity and consumer demand.

When food systems are scaled as largely as is the predominant case nationwide, producers and consumers become disconnected from each other to the detriment of both sides' economic and social well-being (Dougherty et.al, 2013). Purchasing and distribution networks that support a wider base of farmers in the local realm also require the smaller, regional scale because it is in these smaller networks that relationships of mutual support and shared responsibility for investing in a community's economy and health can be appropriately maintained (Perry, 2011). These localized networks can help to reverse the paradigm in which most communities currently import much of their food supply despite having the capacity to be more interdependent within their own producer-consumer markets (Meter, 2008).

In considering appropriate scale, one study (Donald, 2008) identified the firm itself, rather than a policy council or government program, as being critical to innovative problem-solving within the local food system. Planners and economic developers have historically considered the firm to be a "black box" (Donald, 2008) which operates in response to the market in a rather particular way and

requires government intervention to address market failures or firm shortcomings. Donald warns planners and economic developers to consider the firm, instead, as an innovative problem-solver. The focus of this firm-centric work again points to the importance of scaling appropriately; Donald's work emphasizes that the small and medium-size firm has greater flexibility and more agile responsiveness to market changes than larger firms, which may find changing market demands to be more cumbersome.

Similarly, the North Carolina case study produced by Colloredo-Mansfield et al. remarks on the unique positioning that corporate grocery retailers have as community anchors. Retail grocers are valuable community connectors in the way that they provide space for informal personal encounters with a diverse set of community members while also acting as community investors by way of educational and local sponsorship programs (Colloredo-Mansfield et al., 2014). Both the work of Donald and Colloredo-Mansfield et al. speak to the importance of accessing the potential of small to mid-size farm operations for promoting local food and supporting economic sustainability.

DEVELOPING A SHARED LANGUAGE

As acknowledged in the introduction to this review, conversations surrounding local food systems are cross-disciplinary in nature. That local food is of interest and concern for academics and practitioners within fields as varying as public health (BALLE and Kaiser Permanente, 2016), environmental preservation (Mamen, 2004), hunger and poverty relief (Mamen, 2004), and economic development highlights the importance of developing a means of communication through which all players can more fully understand the benefits and challenges brought about by local food systems. The existing state in which local food systems exist makes it difficult to simply define what is 'local' and even what is 'food-related' economic activity. As evidenced by the food cluster work in Vermont (Rosenfeld, 2010), evaluating an existing food system must first overcome the challenge of a classification system that does not fully capture food system work. Such integral parts of the local food system as value-added production, agritourism, food in arts and culture, and agricultural operations supporting apparel, design, and energy all required creative accommodation when the researchers were developing industry profiles. The existing NAICS codes were not well-suited for capturing the economic activity of the unique food system.

The lack of adequate NAICS classification codes is just one piece of the puzzle that remains unresolved for the economic development field to better incorporate local food economies into development work. Additionally, there is not a well-refined multiplier that captures the effect of workforce training or incentive granting for the local food sector. It is important to understand the metrics and strategies which economic developers use to direct their work in order to clarify what the local food sector has to offer in the way of capital creation, be that financial, human, or social (Bowen, 2015).

REDEFINING THE BOTTOM LINE

Again and again, work that supports healthy communities and healthy economies brings to the forefront a reconsideration of what it means for firm-based or community-wide job creation to be a successful business venture. In his work as Director of Foodservice for Kentucky State Parks,

Robert Perry encountered the institutionalized challenges of state-supported statutes and regulations that required purchasing decisions to be motivated by price alone (Perry, 2011). Such regulatory constraints, though often well-meaning as they seek to capitalize on the taxpayer dollar by which the State Parks are funded, maintain the paradox in which small-sized, local food producers are unable to compete with large-scale agricultural firms that can underbid local firms due to the advantages the larger firms enjoy as a result of economies of scale. Exemplified within the case of Kentucky State Parks and echoed in the agricultural economy of California, farm subsidies, transportation and energy policy, tax code and many other government-instituted policies have instilled patterns of natural resource depletion, growing obesity rates, loss of rural jobs, and increasing dependence on large-scale farming systems and chemicals (Mamen, 2004). Thus, policy work and program support must reconsider the effects of existing legislative frameworks as so many of them have proven to be disconnected from, and in fact detrimental to, local food systems. Such research is essential to redressing issues of environmental, social, and economic concern that are highly interconnected to each other by way of the local food system. That local food work is often challenged by the reality of price being the singular measure of business efficiency requires policymakers and business owners alike to develop measurements by which individual and community health, environmental sustainability, and social well-being might also merit investment from both government programs and the business community.

CONCLUSION

With continued growth in local food markets and burgeoning support for the development of robust local food economies, it is important to clarify the economic benefits of local food systems. The existing body of research focused on the role local food systems play in economic development is promising in that early findings do report positive economic impacts. Of additional benefit to economic development work are the valuable partners in the fields of public health and environmental studies who are leading efforts that support local food system work. Critical to advancing local food systems as a valuable asset to economic development strategies is the task of testing assumptions of how existing food systems operate and thrive. This work requires that development practitioners understand the scale at which a local food system can sustain itself while also generating induced demand for local goods that complement the food system.

As research helps refine the collective understanding of how local food systems work, this increased awareness, including the challenges and opportunities presented to and through local food economies, will allow for economic development practitioners to approach this unique sector more intelligently. Thus, future research out to direct efforts towards quantifying the attributes of a local food economy beyond jobs and assessing the needs expressed throughout the supply chain. In this way, economic developers will be able to use the appropriate tools, be that workforce training, financing mechanisms, or institutionalized policy support for producers and consumers acting in the local food system.

REFERENCES

Ahearn, M., Brown, J., Goetz, S., & Liang, K. (2014). Linkages between community focused agriculture, farm sales, and regional growth. *Economic Development Quarterly.*

BALLE and Kaiser Permanente. (2016). The Future of Health is Local: A Field Guide for Health Sector Leadership. Retreived from https://bealocalist.org/sites/default/files/ Future-of-Health-is-Local-2016/flipviewerxpress.html.

Bowen, B. (2015). Growing a Healthy Economy with Local Foods: 6 Steps to Success Toolkit. NC Cooperative Extension. Retrieved from https://communitydevelopment. ces.ncsu.edu /economic-development.

Colloredo-Mansfield, R., et al. (2014). Communities, Supermarkets, and Local Food: Mapping Connections and Obstacles in Food Systems Work in North Carolina. *Human Organization*, *73*(3).

Conner, D. (2008). The Food System as an Economic Driver: Strategies and Applications for Michigan. *Journal of Hunger and Environmental Nutrition*, 3(4), 371-383.

Donald, B. (2008). Food Systems Planning and Sustainable Cities and Regions: The Role of the Firm in Sustainable Food Capitalism. *Regional Studies*, *42*(9), 1251-1262. http://dx.doi.org/10.1080/00343400802360469.

Dougherty, M. L., Brown, L. E., & Green, G. P. (2013). The Social Architecture of Local Food Tourism: Challenges and Opportunities for Community Economic Development. *Journal of Rural Social Sciences* 28(2), 1-27.

Feenstra, G. (1997). Local Food Systems and Sustainable Communities. *American Journal of Alternative Agriculture* 12(1), 28-36.

Hodgson, K. (2012). Planning for food access and community-based food system." *US: American Planning Association.*

Hughes, D.W., Boys, K.A. (2015). What We Know and Don't Know About the Economic Development Benefits of Local Food Systems. *Choices: The magazine of food, farm, and resource issues.* Agricultural & Applied Economics Association.

Jenkins, C., Schepker, A., & Rhodes-Conway, S. (2014). Local Food and Economic Development: A guide for Local Governments. *Center on Wisconsin Strategy, University of Wisconsin-Madison.* Center on Wisconsin Strategy, University of Wisconsin-Madison.

Mamen, K. (2004). Ripe for Change: Rethinking California's Food Economy. International Society for Ecology and Culture.

Martinez, S. et al. (2010). Local Food Systems: Concepts, Impacts, and Issues. *Economic Research Report.* U.S. Department of Agriculture. Economic Research Service.

Meter, K. (2008). Local Food as Economic Development. *Crossroads Resource Center.* Community Food Security Coalition. http://www.crcworks.org/lfced.pdf.

O'Hara, J.K., & Pirog, R. (2013). Economic impacts of local food systems: Future research priorities. *Journal of Agriculture, Food Systems, and Community Development,* 3(4), 35-42.

Perry, R. (2011). Agricultural Development Is Economic Development: Kentucky State Parks Local Food Purchasing Case Study. *Journal of Agriculture, Food Systems, and Community Development*, 3-13. http://dx.doi.org/10.5304/jafscd.2011.014.010.

Rosenfeld, S. (2010). Sustainable Food Systems Cluster, Vermont Style. *European Planning Studies,* 18:11, 1897-1908.