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Trends in U.S. Local and Regional Food Systems: A Report to Congress

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What Is the Issue?

This is a congressionally mandated report, written at the request of the House Agriculture Committee as a part of the Fiscal Year 2014 Appropriations Bill, in January 2014. The Committee directed the Economic Research Service (ERS) to provide a report assessing the scope of and trends in local and regional food systems and to make it publicly available on the ERS website.

Local food has been the subject of Federal, State, and local government policy in recent years as consumer interest in and demand for local foods has grown. Because local foods have been linked to the full suite of USDA priorities—including enhancing the rural economy, the environment, food access and nutrition, informing consumer demand, and strengthening agricultural producers and markets—up-to-date information is critical for understanding the evolution and effects of local and regional food systems across the country.

What Did the Study Find?

Producer participation in local food systems is growing, and the value of local food sales, defined as the sale of food for human consumption through both direct-to-consumer (e.g., farmers' markets) and intermediated marketing channels (e.g., sales to institutions or regional distributors), appears to be increasing.

- In 2012, 163,675 farms (7.8 percent of U.S. farms) were marketing foods locally, defined as conducting either direct-to-consumer (DTC) or intermediated sales of food for human consumption, according to census of agriculture data. Of these farms, 70 percent used only DTC marketing channels, which include farmers' markets and community supported agriculture (CSA) arrangements. The other 30 percent used a combination of DTC and intermediated channels or only intermediated channels.
- The number of farms with DTC sales increased by 17 percent and sales increased by 32 percent between 2002 and 2007; however, between 2007 and 2012 the number of farms with DTC sales increased 5.5 percent, with no change in DTC sales. That DTC sales did not increase may be due to plateauing consumer interest or to growth in non-direct sales of local food (i.e., local food sold through intermediated marketing channels like grocery stores or institutions), the value of which is not measured by the census of agriculture.
- Agricultural Resource and Management Survey (ARMS) and census of agriculture data indicate that local food sales totaled an estimated $6.1 billion in 2012. This is only an estimate because neither data source collects complete information on the value of intermediated sales.
- Farms with gross cash farm income below $75,000 accounted for 85 percent of local food farms in 2012, according to census data. These farms are estimated to account for only 13

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percent of local food sales. Local food farms with gross cash farm income above $350,000 accounted for 5 percent of local food farms and 67 percent of sales.

- Farms selling local food through DTC marketing channels were more likely to remain in business over 2007-12 than all farms not using DTC marketing channels, according to census of agriculture data. Farms with DTC sales tended to experience smaller increases in sales than all other farms, however.
- It is difficult to draw conclusions about the local economic impact of local foods systems because the existing literature has narrow geographic and market scope, making comparing studies complicated. Data necessary to conduct economic impact analyses are costly to obtain, and researchers have yet to agree on a standard way of accounting for the opportunity costs involved when local foods are produced and purchased or on a standard set of economic modeling assumptions. Many questions surrounding the economic impact of local foods remain unanswered and could be addressed by future research (e.g., Are local food systems good for the rural economy? Might the economic benefits of expanding local food systems be unevenly distributed?)

The Food Safety Modernization Act (FSMA) calls for sweeping changes to the U.S. food safety system. Regulatory focus shifts from response (to contamination) to prevention in order to ensure that the U.S. food supply is safe. This will be the first time that the U.S. Food and Drug Administration (FDA) will have jurisdiction over onfarm activities, and FSMA will impose relative uniformity of standards across suppliers of fresh produce. Currently, food safety in produce is a hodgepodge of decisions by individuals, grower organizations, buyers, and governments that can vary by farm size, commodity, region, and country.

- Although FSMA was passed in 2011, the rulemaking process for FSMA is ongoing and will ultimately include numerous new rules (i.e., regulations) and guidance documents.
- Both the proposed Produce Safety Rule and the proposed Preventive Controls Rule may affect local food farmers; these rules build on prevailing voluntary food safety guidelines. DTC farms apply more manure than all non-DTC farms and thus could be disproportionately affected by any FSMA regulations on the application of biological soil amendments.

Understanding who buys local foods and why is valuable for targeting marketing efforts by producers, grocery stores, restaurants, and others needing information on consumer demand for local food. ERS analysis of the USDA Farm to School Census, 2011-2012, finds farm to school programs exist in more than 4 out of 10 school districts across the country.

ERS analysis of 2006 Nielsen Homescan data finds that selected produce prices at DTC outlets are generally lower, on average, than prices at retail stores in all seasons. Nonetheless, DTC food prices for some product/location combinations were higher than retail store prices.

We draw no conclusion on whether local food production has a different environmental impact but do present some information about environmental practices of farms with and without DTC sales and synthesize literature on the nexus between the environment and local/regional food systems.

Many States and localities are supporting local food system development. While this report does not inventory such activities, we highlight some programs going on at the regional level. Collaboration is a common theme. Communities appear to be leveraging both Federal and State programs, while also partnering with nonprofits, the private sector, and other government entities.

Federal policies related to local and regional food systems were greatly expanded by the Food, Conservation, and Energy Act of 2008, and are further expanded in the Agricultural Act of 2014, which strengthened support for intermediated marketing channels.

How Was the Study Conducted?

This report draws on USDA surveys, censuses, and statistical analyses as well as the available academic literature to provide the latest information on the economics of local and regional food systems. Specifically, this report uses the latest (2012) Census of Agriculture data to describe local food producer characteristics, geography, and farm business survival and growth rates. This report also uses the ERS/NASS Agricultural Resource Management Surveys from 2008 to 2011 to provide a larger sample of local food farms than previous research. The report also summarizes findings from the 2011-12 USDA Farm to School Census. We believe this report is also the first to present a nationally representative comparison of produce prices at direct and conventional retail outlets; for this analysis we use 2006 Nielsen Homescan data.