Demand for Locally-Grown Foods: An Opportunity to Grow Chaffee County's Economy through Local Markets

Background

In February 2011, LiveWell Chaffee County (LWCC) received a grant from the Colorado Health Foundation to conduct a food assessment to better understand access to healthy foods for food insecure populations in Chaffee County. While not the direct focus of this assessment, the results revealed a strong interest in eating locally and clear potential for growing the local economy through the food system.

Demand for Local Foods: Unmet Potential for Chaffee County's Economy

The assessment clearly demonstrates that Chaffee County residents are concerned about the vitality and resiliency of their local community, economy, and neighbors – *and are particularly interested in supporting their local economy by purchasing regionally produced items*.

Assessment findings reveal a large unmet consumer demand for foods produced both within Chaffee County and Colorado. The assessment identified the following demand:

- The vast majority of households, who don't already purchase directly from farmers for most of the food needs, would like to.
- Nearly twice as many respondents report wanting to eat more locally than actually report doing so. This represents a 92% difference of actual over desired shopping habits.
- 39% of respondents indicated that they would eat more local foods if there were more farmers' markets, produce stands, or options at grocery stores.
- Most survey respondents value "locally grown" produce over "organically grown" produce
- 64% defined "local" as Colorado grown/made and another 24% defined it as Chaffee County grown/made.

This unmet demand reveals significant economic "leakage" in the county – meaning that more dollars could be spent on food within the county, rather than outside of it, if more opportunities were present for purchasing local foods.

Growing Local Food Systems: Real Opportunities for Economic Vitality

Several studies have calculated that small shifts in consumer purchasing towards more locally-produced items will provide large economic benefits. For example, one study in Iowa found that if investments were made in the local food system to meet existing consumer demand, they would result in an additional $2.42 million in on-farm sales, $5.2 million in local retail value, $928,373 in additional labor incomes and sixteen full-time jobs. Similar investments in Chaffee County could yield significant returns, given the existing widespread consumer demand that is going unmet.

Learn More: Opportunities for Supporting Local Food Production

Potential strategies and market opportunities are detailed in LWCC's complete food assessment report, as well as the attached full report, "Exploring Chaffee County's Demand for Local Foods". Please contact Lisa Malde, the LWCC Director, at 530-2569 or lmalde@chaffeecounty.org to discuss these opportunities more.

Full Report: Exploring Chaffee County's Demand for Local Foods

Introduction

Much attention has been paid – from journalists, media, and popular authors - to the growing interest in eating locally, shopping at farmers' markets, and knowing where food comes from. Research from the USDA demonstrates that this is more than a simple trend and is documenting significant recent changes in consumer behavior and local food production. The USDA's Agricultural Marketing Services has recorded massive growth in direct-to-consumer marketplaces such as farmers' markets, community supported agriculture (CSAs), and farm-to-school programs. Specifically, the USDA has recording the following growth:

- 120% increase is direct-to-consumer sales from 1997-2007
- 33% increase in share of total agricultural sales (including non-edible products) by direct-to-consumer sales from 1997-2007
- 91% increase in the number of farmers' markets from 1998-2009
- 190% increase in the number of CSAs from 2001-2005
- 423% increase in the number of farm-to-school programs from 2004-2009

Since food products are traditionally thought to be "inelastic" products (meaning a large decrease in price will only generate a small increase in sales), the recorded growth in direct-to-consumer markets indicates that consumer demand for local foods has largely gone unmet. This unmet consumer demand signifies a economic loss for regions not engaging in direct-to-consumer agriculture markets and suggests that efforts to build and strengthen local food markets will result in significant economic development. The specific potential economic impacts are outlined later in this factsheet.

About Consumer Demand for Local Foods

Studies show that increasing support for direct-to-consumer producers is often due to consumers who state that they value building and supporting local, sustainable, resilient communities and economies. Some argue that local food economies have a smaller environmental and carbon footprint. Although the environmental impacts of a re-localized diet are hotly contested, most researchers agree that the economic impacts of a re-localized diet are a net positive benefit to that local economy and the community.

Recent studies at Colorado State University disentangled the demand for organic and local produce in order to determine the relative value the consumers have for locally grown produce. This study found that organic and local attributes are not jointly demanded. This means that the consumer that values organic produce is different from the consumer that values local produce. More so, those interested more in eating locally are willing to pay significantly more for a locally grown product and their preference for locally produced products is considered a significant and deeply held value (Costanigro and Thilmany-McFadden, 2011). This is largely contributed to a desire to support the local economy, to support a neighbor's business, and to feel connected to the community.

Typically, changes in the marketplace must be consumer driven. In regions with underdeveloped direct-to-consumer markets, small investments in infrastructure and programming that support bringing local produce to market may return significant gains. In regions with moderately developed direct-to-consumer markets, it is better to invest in consumer education and marketing campaigns in order to generate additional demand. Since local food advocates are relatively not price sensitive, efforts to subsidize the food prices should be directed towards consumers that perhaps value local economic development and supporting a resilient community but have limited financial means.

Defining Local Food Systems

A food system is made up of every process and person that is involved in feeding a community: from farmers growing and harvesting crops to consumers eating and disposing of food, and the packaging, transporting, marketing, and selling in between. It also includes the natural resources, labor, and research that drive its progress. Social, political, and economic issues play important roles in the development and sustainability of food systems.

The community itself regularly defines the geographic range of a local food system, i.e. the consumer is the final judge of what is considered a local product or not. Some standards exist (e.g., within 400 miles according to the USDA, within 100 miles according to the New Oxford American Dictionary, within the state, etc.). However, a functional working definition largely depends on the context of the conversation. For example, a state marketing program such as Colorado Proud will define local food as produced within the state. If one is concerned about the amount of food a region can produce given natural resource constraints, local food is often defined by the boundaries of the watershed.

Economic Contributions

Although the environmental impacts of local food systems are debatable, re-localized food systems are an economic and social benefit to their communities. Past studies on local-preference purchasing by Civic Economics and Iowa State University have estimated the effects of a shift in market share from corporate chains to direct markets. For example, a study in Kent County, MI estimated that a 10% shift in market share could create 1600 local jobs and adds $137.3 million to the total county output (Civic Economics, 2008). Iowa State University carefully estimates shifting enough traditional agricultural crop acreage to fruit and vegetable production in order to meet expected local demand. This theoretical shift causes $2.42 million in farm-gate sales, $5.2 million in retail value, $928,373 in additional labor incomes and sixteen more jobs. These are considered conservative estimates (Swenson, 2010).

It is argued that these numbers are possible because of economic multiplier effects and the prevention of income leakage. Some studies report economic multipliers of two to four by local businesses when compared to similar chain stores (Shuman, Barron, & Wasserman, 2009). That is, a dollar spent at a local business will be spent two to four more times before leaving the local economy. In contrast, at least some share of a dollar spent at a chain is likely to leave the local economy immediately in the form of outside purchases, business services, and factor payments to outside corporate governance and shareholders. These scenarios are representative of traditional brick and mortar marketplaces (a local bookstore versus a corporate bookstore), where it is likely that the business owner has financed the business with a corporate bank and leases the building. In the case of agriculture, where input costs represent a smaller degree of total business expenses, it is likely that a dollar spent will spend several more times in the local economy.

Chaffee County Food Assessment, Healthy Food Access, and Demand for Local Foods

LiveWell Chaffee County (LWCC) received a grant from the Colorado Health Foundation in February 2011 to complete the first phase of a food assessment focusing on understanding access to healthy foods for food insecure populations in Chaffee County. The community food assessment allowed LWCC to better understand and document which economic, physical, social and/or nutritional barriers play the biggest role in preventing access to healthy foods for low-income populations throughout the county. Primary findings of this food assessment are as follows:

- Despite the rural nature of Chaffee County, physical access to food outlets is not considered a widespread challenge
- Financial access (including issues of limited household income, high relative cost of living, and expense of food items) is a primary barrier to healthy eating for residents
- A secondary challenge to healthier eating is a lack of fresh, quality foods at local grocery outlets
- There is general disinterest by Chaffee County residents to eat better for the sake of eating better
- There is strong interest in supporting the local economy and purchasing regionally produced items
- There is a widespread desire to be more self-sufficient and resilient, both on an individual and community level

This interest in local food systems and the local economy offers a means to co-market or co-coordinate healthy food access initiatives, including increasing participation in federal food assistance programs (which brings more money into the local economy and provides qualifying families with additional financial resources) and food education courses. The assessment findings further demonstrate existing market opportunities for local and regional producers and potential economic development strategies for local stakeholders. In fact, the assessment identified the following interests in local foods and gaps in consumer demand:

- When asked to prioritize "price," "local," and "organic," the majority of respondents prioritized price (62%), but the remaining respondents were divided between local and organic (19% each) as their primary priority. However, when asked to rank their second priority, the majority of respondents (47%) choose locally produced as a second priority over organic.
- There is a 92% difference between the number of households that source their produce ***primarily*** direct from the producer and those that **want** to, and a 21% difference between consumers that source any produce direct from the producer and those that want to

- Similarly, there is 140% difference between the number of households that depend on their gardens as a ***primary*** source of produce, and those that **want** to, and 46% difference between households that depend on their gardens and those that want to
- 39% of respondents indicated that they would eat more local foods if there were more farmers' markets, produce stands, or options at grocery stores

Overall, the results of this community food assessment indicate that a fair amount of the population is interested in choosing more healthy foods from local sources more often. The lack of local, seasonal outlets and fresh produce in grocery stores may prevent some from eating a diet they desire. The interest is buying local or seasonal products from seasonal outlets and the interest in "growing their own" contrasts with other communities studied in Colorado, which report a desire to acquire more fruits and vegetables from current sources (e.g., the grocery store where they already shop). This suggests that consumer campaigns to "support your local economy" would be more appealing than campaigns simply focused on eating better.

Strategies and Recommendations for Supporting the Local Food System and Enhancing Community Food Production

The following strategies were identified as ways to support the local food system, to encourage local purchasing, and to enhance community food production, based on the total food assessment results and national best practices. Additional information about consumer demographics and characteristics are available by request.

1. Develop support for physical and social networks for community, communal, and backyard gardens.
    a. Further assess which residents are interested in community, communal, or backyard gardening and potential locations.
    b. Work with the cities of Salida and Buena Vista to develop "kits" or other incentives and resources such as tool sharing and seed programs to support backyard gardening.
    c. Work with the cities of Salida and Buena Vista to inventory all available public and private lands and water sources for food production.
    d. Establish gardening cooperatives and/or neighborhood networks to support the sharing of gardening skills, tools, recipes, and food.
    e. Assess the now-defunct backyard CSA program, what worked and what did not, and what could be replicable (http://ccfa.coop/local-food/producers/salida-backyard-csa).
2. Develop, implement and support "urban" agriculture policies across the county.
    a. Assess the outcomes and impact of urban agriculture policy review already conducted in Salida and Poncha Springs.
    b. Conduct an analysis of municipal policies and regulations that support or impede local land use for food production, processing, and retail in Buena Vista.
    c. Work with the cities to identify new regulations that could incentivize more food production and retail.
    d. Provide comprehensive training and education on food safety, liability, and insurance that local food producers, processors, and retailers will need to be aware of.

3. Develop marketing tools to raise awareness of Chaffee-grown produce and Chaffee food industries.
    a. Support the expansion of Central Colorado Foodshed Alliance's "eat local" campaign.
    b. Create marketing materials featuring "local food heroes".
    c. Promote use of Colorado Proud labels on products and in retail outlets.
    d. Secure a regular food column in local newspapers/newsletters promoting seasonal products and recipes.
4. Support the on-going development of a county-wide local food system coalition.
    a. Establish a diverse advisory group of local residents, producers, community organizations, and government staff that meets regularly to oversee the implementation of assessment recommendations and other efforts.
    b. Develop a mission, vision, goals, and priorities for investing in the local food system.
    c. Develop a long-term food systems plan based on this assessment and future assessments of Chaffee County production, processing, and distribution capacity.
5. Co-market and promote products that are both locally and organically grown
    a. Investigate the possibility of a low-cost Chaffee County organic certification standard and labeling program.

Appendices

Profiles of Consumers Interested in Local Foods

Survey respondents were asked to prioritize three factors when making household purchases: price, organically produced, and locally produced. The survey data was sorted based on the prioritization of "locally grown" and separated into four populations: high, medium, low, and no priority. These four populations are described below. This information can be used to inform strategies targeted for each group.

Table 1: Survey-Based Prioritization of Price, Organically Grown, and Locally Grown

Options	#1-High	#2-Medium	#3-Low	No	Total
Price	251	61	88	4	400
Organically Grown	75	119	171	39	365
Locally Grown	78	187	103	36	368
Total	404	367	362	79	

Table 2: Popular Definitions of "Local" Food

	High Priority		Medium Priority		Low Priority		No Priority**	
Options	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Grown/made in Chaffee County	19	24.4%	50	26.7%	22	21.4%	5	13.2%
Grown/made in Colorado	52	66.7%	118	63.1%	69	67.0%	21	56.3%
Grown/made in the United States	4	5.1%	7	3.7%	2	1.9%	6	15.8%
Not Applicable	0	0.0%	3	1.6%	5	4.9%	4	10.5%
Other	3	3.8%	9	4.8%	5	4.9%	2	5.3%
Total	78		187		103		38	

**= this population is statistically significant different than the other three populations based on a two-tailed, unpaired, Student-T's test and a 95% confidence interval.

High Priority Local Consumers

Chaffee County consumers that prioritize local products over organic products or price, are not price sensitive, do not use or want to use grocery stores or wholesale stores as their primary sources of grocery items, and tend to have higher average incomes and higher levels of educational attainment than their counterparts. They are more likely to shop at natural food grocery stores, consume adequate amounts of fruits and vegetables, and report less challenge in doing so.

Medium and Low Priority Consumers

Chaffee County consumers that prioritize price or organic production practices over local products are nearly statistically identical. These consumers are "average" in nearly every way in the ways they responded to survey questions.

No Priority Consumers

With most the survey, this group became too dispersed to draw any conclusions. The one exception, however, is that a larger percentage of respondents in this group defined "local" as being within the United States.

In General

There are no geographic differences amongst these populations. For example, there is not a higher concentration of "high priority" consumers in any particular city and there is no significant difference in the distances they travel to get their fruits and vegetables. Freshness and quality are of equal importance when making household decisions across all four populations. This implies that campaigns targeted to medium- and low-priority consumers will appeal to a large swath of the general population.