

Local foods offer tangible economic benefits in some regions

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Despite their typically small size and sparse distribution, farms that sell their products locally may boost economic growth in their communities in some regions of the U.S., according to a team of economists.

"There has been a lot of hope, but little evidence, that local food systems can be an engine of [economic growth](#) in communities," said Stephan Goetz, professor of agricultural and regional economics in Penn State's College of Agricultural Sciences and director of the Northeast Regional Center for Rural Development. "Our findings show that, at least in certain regions of the country, community-focused agriculture has had a measurable effect on economic growth."

The team's findings, which appear in the February 2014 issue of *Economic Development Quarterly*, shed new light on the role that local food [sales](#) play in economies, and may help inform policymakers about supporting community-focused agriculture programs. The researchers defined community-focused agriculture as farm enterprises that sell products directly to consumers or that generate farm income from agritourism activities or both. Agritourism offers harvest festivals, pick-your-own activities and other recreational opportunities to attract visitors to farms. According to the 2007 U.S. Census of Agriculture—the most recently available data at the time of this study—only 6.2 percent of all farms engage in direct sales, and even fewer engage in agritourism activities. Goetz and his colleagues measured the impact of community-focused agriculture on local economic growth by examining its impact on agricultural sales overall.

"Rather than look at the direct effect of community-focused agriculture on economic growth, we looked at the effect of these operations on total agricultural sales, and then at how total agricultural sales affected economic growth," said Goetz. The study is the first to measure the impacts of local food sales, and agricultural sales more broadly, in this way.

Using county-level data from the 2002 and 2007 U.S. Census of Agriculture, the team analyzed the link between direct farm sales—sales made directly from farmer to consumer—and total farm sales. When they examined the data on a national basis, they found a positive but not statistically significant relationship between the two.

Goetz said that a different picture emerged when they looked at the data by region, as defined by the U.S. Bureau of Economic Analysis. In some regions, direct sales seemed to complement total farm sales. For example, in New England, a \$1 increase from the 2002 level of direct farm sales was associated with a \$5 increase in total farm sales. That same \$1 increase was associated with a \$9 increase in overall farm sales in the Mid-Atlantic states of Delaware, Maryland, New Jersey, New York and Pennsylvania. Yet, in other regions, local food sales appear to compete with total farm sales. In Southeastern U.S. counties, for example, direct sales were associated with a reduction in total farm sales. Next, to measure the impact of all agricultural sales on economic growth, the researchers used a statistical model to analyze how changes in farm sales per capita influenced changes in real personal income per capita—an indicator of economic growth. Again, the team performed this analysis using county-level data from 2002 to 2007.

"We found that for every \$1 increase in agricultural sales, personal income rose by 22 cents over the course of five years," said Goetz.

"Considering the relatively small size of just the farming sector within the national economy, with less than 2 percent of the workforce engaged

in farming, it's impressive that these sales actually move income growth in this way."

Goetz said that by establishing that direct sales have a positive effect on total agricultural sales, which in turn have an effect on income growth, this study demonstrates that direct sales do indeed expand local economies at least in the Northeast U.S. He added that these results came as a bit of a surprise.

"When we set out to measure the economic impact of [local food](#) sales, we frankly didn't expect to find one," said Goetz. He explained that economists are generally skeptical that local sales can have impacts because such sales tend to recirculate money within a community rather than inject new money. "Injection of new money—money from outside of the community—is what many economic development practitioners think of as the fuel for economic growth. But to me, these findings provide quite robust evidence that even direct sales do have an effect on growth, in the Northeast U.S."

Provided by Pennsylvania State University

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