






Local Demand, Barriers and Opportunities for a Regional Food System

A Preliminary Literature Review

Research Questions:

-  What is the demand for a regional food system in Southeastern Michigan?
-  What are the barriers to establishing an intentional food system in the region?
-  What are the key opportunities for agriculture-based economic development in the region?

Initial Findings

Both national and local studies show that there is a present and growing demand among diverse stakeholders for the development of stronger regional food systems generally and in southeastern Michigan in particular. Despite the myriad barriers that are consistently identified in the literature, outlooks are generally positive and suggest that support is ripening to the point where it has the potential to overcome some of the formidable challenges.

Support

Advocates and supporters of regional food systems represent a wide and growing variety of interests and perspectives. This convergence of interest and research bodes well for the development of regional food systems in the coming years.

Economic development: In Michigan, like many areas of the country, economic development is a foremost concern among policy makers, local industry and entrepreneurs, community advocacy and development organizations. With an increase in unemployment in the last few years marked by the continuous decline of the auto manufacturing industry, the Michigan economy is suffering across many sectors. According to a 2002 Census Bureau County Business Report, while the state is experiencing significant growth in the professional, research and technology sector, all food and agriculture-related sectors experienced significant job attrition between 2000 and 2003.



Despite this loss of employment, the agri-food business

is one of the key sectors of the Michigan economy. Combining the farm sector, food processing and manufacturing, wholesaling and retailing and an emerging bio-energy sector, it accounts for over \$60 billion in direct and indirect economic activity in the state and employs about one million people (Peterson, et al., 2006). Agriculture and food processing alone account for about \$15 billion annually in direct contributions to the state economy (MLULC, 2003). At the same time, however, a 2005 policy analysis report found that 57% of farmers are losing money.



There is interest in identifying and supporting development of innovative new agri-food businesses in Michigan, particularly small-scale enterprise. (Peterson, et al., 2006). In a recent study, the MSU Product Center projected significant economic stimulation of two potential models of investment in the agri-food sector.

Likely informed by these and other policy reports, the Michigan government is beginning to take action. Last month, as part of the State's economic plan, Governor Jennifer Granholm instituted a "Buy Michigan First" policy that requires state institutions to give priority to local produce and products. The law marks an important departure from the "lowest bidder" system that dominates most government contracting processes nationally and represents the state's efforts to stimulate and support a squandering local economy. Michigan follows a few other states, which have recently implemented similar programs, such as Colorado. Farmers



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note that more local contracts mean savings on freight fees to out-of-state markets and processors (Connors, 2006). Another State initiative created a \$10 million fund to support the development of new farm-based enterprises (Schneider, 2006).



Environmental/Land Use: In order to ensure the long-term viability of the agri-food sector in Michigan and preserve the rural character that Michiganders value highly,

there is strong interest in implementing creative land use policies that will help farmers keep land in agricultural use. According to a study by the American Farmland Trust, thousands of acres of Michigan's most valuable farmland, particularly in the southern half of the state, is threatened by encroaching urban and suburban development (AFT, 2002). As the state loses about 30,000 acres of farmland each year, Michigan's unique agricultural diversity is threatened as well (Adelaja, 2005). A 2003 report by the Michigan Land Use Leadership Council predicted that, based on current trends, the state will lose 25% of orchard land and almost two million acres of farmland in the next 40 years. To hedge this trend, voters in a few counties have passed local tax increases to support farm preservation (Schneider, 2006).

These trends parallel national priorities. Americans generally want to support smaller-scale family farms and consistently support farm subsidies and smart growth strategies, which they see as furthering this goal (AFT, 2003; Bostrom, 2005). Although price often trumps other priorities and commitment to local foods are not consistent among most people, studies have shown that the public prioritizes local food and that most people have acted to buy locally produced food.

Personal and Community Health: Most Americans see the connection between physical health and food. Along with environmental concerns, the health connection seems to drive the growing interest in purchasing organic and local foods (Halweil, 2005). In his review of the food system, Brian Halweil found that Americans generally want to know the origins of their food and local food is becoming more important to consumers. Direct marketing sales increased 37% be-

tween 1997 and 2002. Local food councils are emerging across the country. Visits to local food websites have grown along with membership in organizations like Slow Food, USA. Another W.F. Kellogg Foundation-funded report found strong support among the American public for food labeling and product quality information.

Barriers

Despite the increasing support for the development of regional food systems in Michigan and across the country, research consistently identifies a litany of barriers that must be strategically and creatively addressed to be successful.

Limited understanding of the Food System: With a shrinking percentage of the American public involved in agriculture, most Americans are quite remote from the production side of the food system. Generally, people in the United States think very little about where their food comes from, especially as food has been easily available for most Americans (Aubrun, 2005). While there is a limited public knowledge of farming, most Americans are generally satisfied with the various actors in the food system (Bostrom, 2005).



Consumer trends: More and more meals are being prepared outside of the home. While both discount superstores and natural food markets occupy growing market shares, the majority of food is still purchased at major grocery stores. One key challenge to buying local is increasing visibility of local products in grocery stores. While over 200 Michigan grocery stores carry Michigan produce (i.e. Kroger, Farmer Jack and K-mart), according to the Michigan Department of Agriculture's Select Michigan Campaign, many consumers are not aware of what is local and generally do not read labels (Halweil, 2005).

Marketing: Many smaller-scale farmers and producers have limited resources to devote to marketing and advertising their products. In a recent study of the potential for a Apple and Cherry-Apple Hard Cider



Local Demand, Barriers and Opportunities for a Regional Food System A Preliminary Literature Review

market in Michigan, one of the primary concerns were marketing constraints and cost (Mainville & Peterson, 2005).

Scale: Many institutional buyers like grocery stores, school, hospitals and restaurants, as well as distributors cite inconsistent and/or insufficient supply as a key inhibitor to purchasing local foods.

Access to technical innovations: One potential reason for the high percentage of farmers who are losing money is a lack of connection to new, innovative techniques and technologies that can save or generate more money (Adeleja, 2005).

Urban growth pressures: Agriculture industries, as well as mining and forestry, are unable to compete with the value of the land for residential development (MLULC, 2005). Land values in Washtenaw, Monroe, Wayne, Jackson and Lenawee counties are among the highest in the state, largely due to their proximity to urban areas. With land values high and revenue from farming low, farmers are increasingly persuaded to sell off all or part of their land to developers.

Lack of political will: The Michigan Senate has twice declined to take up legislation passed by the Michigan House that would decrease taxes for farmer (Schneider, 2006). While Adelaja's report proposed innovative "equity insurance" and "equity mortgage" programs among other structural policy changes to support farmland preservation in Michigan, there is little political chance of these programs coming to fruition.

Opportunities

An understanding of the barriers helps inform prioritization of the many opportunities that exist in the creation of intentional local food systems. Some opportunities and recommendations include:

Energy crops and bio-energy production: With a growing interest and investment in alternative forms of energy nationally, Michigan is well-situated to become a leader in the business. There is one bio-energy plant in Michigan that produces about 45 million gallons of ethanol per year and has an estimated economic impact of \$75 million dollars.



Four similar facilities are currently being built (Halweil, 2005; Peterson, 2006; MLULC, 2003).

Viable Value-added agriculture: Michigan's Land, Michigan's Future lists several potential areas to be developed including on-farm technical assistance, education and technology, expanding direct marketing and agricultural tourism (MLULC, 2003). While each small venture may have only marginal impact on the larger economy, Peterson, et al. envision hundreds of new small-scale businesses and show their concerted significant impact.



Local Processing Ventures: Some discontinuities between producers and distributors can be filled by local processing enterprises such as kitchen incubators and grain processing plants (MLULC, 2005; Halweil, 2005).

Distribution: Institutions and restaurants rely almost entirely on distributors to meet their prepared and raw food needs. New distributors dedicated to regional produce and value-added products would help connect local producers with these crucial markets.

Conclusions

This initial look at the research shows that there is growing support across the country for connecting consumers with more local foods and agriculture-based products. This demand is anchored in economic development efforts working in concert with environmental and farm and agricultural land preservation interests. Although the challenges to developing intentional regional food systems are significant, opportunities abound to develop small-scale businesses that meet unmet consumer demands and bolster local and regional economies. The data in Michigan, and southeastern Michigan, in particular reflect these national trends. "The support infrastructure that future-focused agriculture will need is very different from what was needed in the past. The agricultural transformation will require new partnerships, new business practices, new markets, new technologies, new forms of entrepreneurship, and new funding mechanisms to make



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it all happen” (Adeleja 2001, 17) While opportunities clearly exist, strong networks of political and market support must be established to ensure long-term economic impact and regional food system viability.

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The Local Food Masters’ Project Team consists of five University of Michigan graduate students from the School of Natural Resources and Environment and the Taubman College of Architecture and Urban Planning.

Our objective is to work with FSEP throughout the 2006 calendar year to provide research support and tools to begin to realize the organization’s preliminary goals.

Primary outcomes will include: 1) a review of local food system research focused tightly on issues and components of local food systems germane to the Southeast Michigan region; (2) a profile of the community food system within the five-county area; (3) an in-depth analysis of the viability of an intentional local food system in the region with recommendations for increasing access to and promoting efficient, effective distribution of local foods; and (4) an organizational assessment of FSEP during its first year in existence. In support of FSEP’s mission, outputs will inform future efforts to develop food system networks and collaborative multi-stakeholder partnerships, and to promote entrepreneurial opportunities within a five-county region of Southeast Michigan.

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For More Information:

To submit additional resources or to provide feedback, please contact the University of Michigan Local Food Masters’ Project Team at foodsys@umich.edu.