

'Buy local' poses paradox for growers, buyers

By Dick Lehnert
Assistant Editor

Will the "buy local" trend grow and prosper, or will it decline and pass as just another fad?

No doubt, it has support in high places. On Sept. 15, USDA launched a new program called "Know Your Farmer, Know Your Food," and kicked it off with \$65 million in funding. That has a dual message, suggesting that people ought to know their food isn't invented in the supermarket and that they ought to make direct contact with their food source.

But today, probably only 1 percent of the country's food is bought and sold by people who care about the concept or express it by purchasing at farm markets and farmers' markets.

For Desmond O'Rourke, pondering the question about the future of "buy local," it's clear that wholesalers and retailers need to figure it out because their whole procurement system hinges on it. And it's also clear that some fruit and vegetable growers are profiting by it – although it's not clear whether growers anywhere are yet being hurt by it.

For U.S. growers, it resolves into issues of north vs. south, warm vs. cold, east vs. west and large vs. small, but it's complicated and it's still early in the game.

O'Rourke operates Belrose Inc., a one-person think tank in Pullman, Wash. Formerly an agricultural economics professor at Washington State University, he has become well-known for his economic analyses, primarily of the world apple market. But he also takes keen interest in emerging marketing

trends like organic production and buy local.

He has a new report out, titled "Low-down on Buying Local," 25 pages long and available as a pdf file free on his Web site, www.e-belrose.com. Like all his reports, it's thought-provoking.

Buying locally is not new, of course. That was the way it was before transport and trade altered attitudes about fresh vs. preserved food and local vs. exotic foods.

"The resurgence of interest in 'buying local' has been driven by concerns about the energy used and emissions generated by long-distance supply chains, antipathy to industrial agriculture, the desire to help small farmers and the opportunities some retailers saw to gain a strategic advantage over competitors," O'Rourke wrote.

His report pondered several questions.

What is local? There are many definitions. He noted that Rhode Islanders don't consider Connecticut as local, even though the distance involved is only a few miles. And sometimes, in large states, "buy local" means the whole state.

Should consumers pay more for local food, or less? Is it a matter of pumping more money into the local economy or saving from decreased transport and packaging costs?

Does it really help the environment? Are food miles a good measure, or does it make more sense for various geographic locations to produce based on their

"comparative advantage" derived from a better climate, cheaper electricity, off-local-season production, etc.?

"Energy is used and emissions generated in the entire food system from production through to final consumption and disposal of waste," he wrote.

"Studies have shown that food from distant, but more efficient, suppliers may use less energy and generate less emissions (be environmentally more benign) than local food."

Does "buy local" help small farmers? "While most participants at farmers' markets tend to be small farmers, their average profits from such participation are small," O'Rourke said.

He used government statistics, which give a much less romantic picture of farming than most "buy local" advocates see.

"Small farm households earn most of their income from off-farm work," according to O'Rourke. "Increased buying of local food will turn few of these farms into profitable operations. Without pooling their resources with other small farms, they will not be able to meet the volume and quality requirements of retail buyers."

"The primary beneficiaries of increased local buying by retailers or institutions will be large farmers or agribusinesses that qualify as local suppliers near major metropolitan areas, or large agribusinesses that can open branches in strategic locations to qualify as 'local suppliers.'"

Not much romance in that statement

"The primary beneficiaries of increased local buying by retailers or institutions will be large farmers or agribusinesses."

– Desmond O'Rourke, *Belrose Inc.*

Likewise, he's not convinced that buying local is better for local economies, even though most states in the East have programs touting that and advocating "buy local."

"Does producing locally for local consumers provide net benefits to the local economy?" he asked. "The answer is uncertain. For example, if a farmer's market simply replaces business that would have been done in other local outlets, there may be little net benefit to the local economy."

"Because of soil and climate, many localities may be inefficient producers of many food products. It may be better for them to specialize in products or services where they have a comparative advantage, even if the markets for those products or services are not local."

"Undue emphasis on buying local can obscure the great benefits societies have gained from their relationships with the outside world. Trade within the United States has allowed all states to specialize in what they do best. Global trade has been one of the great drivers of world economic growth for 60 years and has aided in the worldwide transmission of technology and innovation. It will be vital in helping feed an additional 3 billion people in the world in the next 40 years."

Despite these complex and unanswered questions, he said large buyers are likely to expand their "buy local" programs in "self defense" – if they see their competitive positions affected by them.

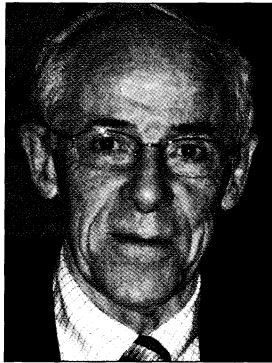
In a bit of elegant writing, he said: "Buying local has been touted as a solution to climate change, food safety concerns, the decline of the small farmer and the perceived ills of

as building trust in the food system and strengthening community life by bringing farmers and consumers together.

“It has generated an army of crusaders who see ‘buying local’ as counteracting the impersonal aspects of modern commerce and helping to bring back a kinder, gentler, more traditional society.

They have persuaded governments at various levels to fund more ‘buy local’ programs.

They have put pressure on major food retailers and major institutions, such as schools and hospitals, to buy more of their food locally. Many



Desmond O'Rourke

of these organizations have altered their procurement practices to demonstrate their commitment to buying local. This, in turn, has affected their long-distance suppliers.

“While for many, buying local is a desirable goal, for others, buying local has become a way of life. A new word to describe these pioneers has been spawned. It is ‘locavore,’ meaning a person who buys as much as possible of his or her food from local sources. In their light, nirvana will be reached on earth when all of us are locavores all the time.”

In the long term, however, O'Rourke said economic forces will probably continue to play the major role. Producers will continue to have the incentive to gain economies of scale and grow larger. They will seek to produce what they produce best. Price still counts. Quality counts.

Consumers will pay more if they

their location, they have a competitive advantage in situations where major retailers are attempting to expand their local sources. These larger farms would also be in a better position to provide the volume, quality and security of supply required by buyers for major institutions such as schools, colleges and hospitals.”

In a nutshell, buy local is a threat to farmers operating in more remote

have very little impact on small farmers, for whom farming is more like a retirement hobby than a commercial operation. And the effect is not likely to be permanent.

“The biggest single factor that is driving major retailers to buying local is the perception that there continues to be unmet demand among consumers for local produce,” O'Rourke wrote.

“Retailers will continue to expand their

that perception in any market, the more rapidly the gap will close.”

He also concluded that, even with lots of moral support, “The odds in most cases will continue to be stacked against individual, small-scale producers. Their best chance for survival will be if they can work cooperatively with other small producers to gain economies in assembling, grading, packing or delivering product.” VGN