

Executive Summary

Lane County Local Food Market Analysis



**Prepared By:
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EXECUTIVE SUMMARY

This report presents a market analysis of the local food system in Lane County with the core objective of identifying the opportunities to expand local markets for locally produced food. In short, we are seeking approaches to “re-localize” the food system. While we identified many challenges to achieving this objective, significant opportunities exist. To capitalize on the opportunities, we propose a set of implementation strategies that the private sector, local governments, and nonprofits should consider to achieve the goal of increasing local production and consumption of food products.

This project was sponsored by the U.S. Economic Development Administration (as part of the EDA’s University Center program), the City of Eugene, Lane County, and the Eugene Water and Electric Board. It aims to promote economic development by analyzing the market for local food and identifying barriers and opportunities for growth. The study specifically focuses on potential to capture local demand from institutions and chain grocers—organizations that have enough purchasing power to create significant markets. This project investigates the potential for expanding the local food economy in the short-term: the next one to five years. For the purpose of this study, local food is defined as that grown and consumed within Lane County.

Food as an Economic Development Strategy

While local food has many benefits, the primary objective of this study was to identify economic development opportunities created by local food production and consumption. Expanded local food production potentially provides new jobs and keeps money in the local economy. When money is spent on goods produced elsewhere, much of this money “leaks out” of the local economy.

Research shows significant economic benefits to re-localizing production. For example, an Iowa study concluded that if Iowans were to purchase seven servings of fruits and vegetables locally for just three months of the year, the direct and indirect economic benefits would amount to the creation of almost 6,000 jobs.¹ This calculates to approximately one job per 500 residents, the equivalent of almost 700 jobs for Lane County. Additionally, a 2010 analysis of increasing local fruit and vegetable production in the upper Midwest identified a jobs multiplier of between 1.67 to 1.95, meaning that for every on-farm job directly created through increased production of local fruits and vegetables, up to 95 percent of another job is indirectly created elsewhere in the economy.

We acknowledge that food re-localization has the potential for many additional local benefits. Proponents of local food argue that a local food system produces many benefits including environmental sustainability, food security, and economic development. In this study CPW focused on economic development, but we acknowledge that other factors are also important.

Overview of the Local Agricultural Economy

Agriculture is a key part of Lane County's heritage. The industry, however, has undergone tremendous changes in recent decades. This section provides a brief overview of the agricultural economy and key trends.

- **Agriculture is an important component of the Lane County local economy.** Between 2002 and 2008, agricultural sales (including farm and forestry, nursery and livestock) increased 31 percent, from \$106 million in 2002 to \$140 million in 2008.ⁱⁱ In 2009, however, the combination of the national economic downturn, the saturated grass seed market and the collapse in the housing market brought sales down 18 percent in Lane County in 2009 to \$115 million in sales.
- **The food industry accounted for over six percent of the jobs in Lane County in 2009.** Local food production supported 8,460 jobs in 2009 in industries including production, distribution and transportation centers, food processing, storage facilities and grocery stores. These jobs had an average pay of \$32,427 and pay range from \$21,416 to \$40,074.ⁱⁱⁱ These jobs require varying skill sets and exist in both urban and rural settings.
- **The Willamette Valley is home to nearly 1,500 grass seed farms and is considered the "grass seed capital of the world."**^{iv} Grass seed was introduced to the valley as a crop in the 1920s, and replaced many of the food crops that were traditionally grown in the valley. However, the recession severely impacted the grass seed market. Declining prices in the grass seed market have led some local farmers to look to alternative crops, particularly wheat.^v Wheat prices have skyrocketed in recent years. Between 2007 and 2009, wheat sales jumped 87 percent in Lane County.
- **In 2009, food crops accounted for 54 percent of Lane County's agricultural sales, which brought over \$36 million into the local economy.**^{vi} Livestock and dairy products accounted for the sector's largest sales in Lane County. Miscellaneous vegetables came in second at 15 percent of sales in 2007. Nuts, namely hazelnuts, were third in sales in 2007 at 12 percent of total.

Food Processing, Storage and Distribution in Lane County

Lane County is home to 55 food manufacturing businesses that employed 1,498 people in 2009.^{vii} Historically many facilities existed that canned agricultural products grown in the region, but today most of those canneries are gone. Today's processors have typically entered niche markets and thrived, however most of these processors do not always source local ingredients though many have expressed a willingness to do so. Significant food storage capacity existed during the first part of the 20th century as well, but CPW's research concluded that current storage capacity for food crops in Lane County is low.^{viii} Most storage occurs on a short-term basis within the structure of food processors or distributors. In 2009, there were 41 Lane County businesses in food distribution that employed 793 people.^{ix} The county is home to local companies of varying scales, and also hosts national and regional retail chains. Distributors local to Lane

County tend to be more responsive and agile when it comes to incorporating local products, due to the scale of their operations and their proximity to farms.

Local Demand for Food

In 2009, Lane County residents spent an estimated \$1.17 billion on food (\$808 million spent on food at home and \$363 million spent on food away from home).^{x,xi} Fruits and vegetables accounted for about nine percent of food spending at home. In 2009 this amounted to \$294 per capita, or over \$103 million annually for Lane County. Based on projections from the USDA Economic Research Service, CPW projects that fruit and vegetable spending in Lane County will increase to approximately \$328 per capita by 2020, or about \$115 million annually for Lane County.^{xii} Some of the \$12 million increase in fruit and vegetable spending could be spent with Lane County producers.

Research suggests significant demand for locally produced food exists in the U.S., though these studies rarely examine the demographics of local food purchasers.

- 52 percent of Americans want their food to be produced within their own state.^{xiii}
- A study of consumers in Albany and Corvallis found that 87 percent of the respondents believed that the “purchase of local foods to support local farms was very important or somewhat important” and 89 percent believed purchase of local foods was important to support the local economy.^{xiv} Nearly 50 percent of consumers were willing to pay more for local products.^{xv}
- A recent study conducted by the University of Minnesota concluded that the supply of local food may be a larger barrier than demand of local food or price.^{xvi}

Local Food in Lane County Grocery Stores

A study conducted of produce managers from 15 major conventional grocery stores (Safeway, Fred Meyer, and Albertsons stores) found that there is high consumer demand for local produce. Produce managers reported that sales increase when local items arrive on the shelves, and customers frequently request more local products. However, the amount of local produce actually sold has been decreasing.

Local produce accounts for roughly 3 percent of total sales at Albertsons and Fred Meyer stores. The study estimated that chain supermarkets in Lane County generate between \$24M and \$39M in produce sales each year. This means that currently \$9.45 million worth of local produce retails at all chain supermarkets in Eugene and Springfield, using company definitions of local.

Institutional Demand for Local Food in Lane County

A key focus of this study was on the demand generated by Lane County institutions. Interviews with institutional buyers in schools, hospitals and prisons revealed that price, quality and quantity of local food, contractual restrictions and

ease of purchasing were all influential in the amount of local food purchased. Table 1 summarizes our evaluation of institutional demand.

Table 1. Summary of Institutional Demand

Type of Institution	Description	Key Issues	Evaluation
School Districts	Schools typically get funding through the USDA commodity food program and have limited discretionary funds	Budget limitations, USDA rules for use of federal funds, contracting with multiple vendors	CPW estimates that school districts in Lane County spend up to \$22.7 million on food annually. ¹ Potential exists to increase the local portion of this figure.
Colleges and Universities	Students are leading demand for local food. UO serves 9000 meals daily and has an annual food purchasing budget of \$6.5 million.	Barriers include price, limited supply, the inconvenience of multiple orders and deliveries and price	Considerable potential exists in this sector if price points can be brought down.
Hospitals	Hospitals typically contract with food service providers—including some local providers	Barriers include price and convenience	Contracts and distribution systems developed for school systems could be used by hospital food buyers and service providers.
Correctional Facilities	Budgets are limited, but facilities tend to have discretion in how they are spent. Two major facilities in Junction City may come online in the next five years	Due to safety and security concerns, the number of vendors is limited	If particular items were available at the right price and met purchasing requirements, correctional facilities have the independence to increase their local food purchases.

Gaps in the Supply of Local Food

One way to understand the food system in Lane County is to examine the gap between the amount of a food grown in Lane County and the demand for food from Lane County residents. CPW performed this analysis on five crops that represent different characteristics of local supply and demand for food. Table 2 estimates the current locally produced supply of each crop and compares it with the projected demand for consumption in Lane County.

The data in Table 2 indicate that opportunity exists to meet more local demand for the five crops listed through local production. However, CPW’s supply chain analysis suggests that, in the absence of any significant change in the cost structure along the supply chain (i.e., big increases in fuel prices, etc.) focused efforts may be necessary to recapture that demand.

¹ \$2.485 per meal * 180 days* 50,744 students. This calculation assumes that 100 percent of students eat school lunch.

Table 2. Local Production and Demand for Selected Crops in Lane County (2007)

Crop	Production (lb)	Demand (lb)	Variance (lb) (Production-Demand)
Wheat	9,180,000	48,015,989	-38,835,989
Tomatoes	5,850,000	30,944,410	-25,094,410
Salad Greens	313,600	5,945,499	-5,631,899
Apples	5,304,000	17,349,731	-12,045,731
Winter Squash	450,000	1,836,673	-1,386,673

Source: "Commodity Data Sheets." *Oregon Agricultural Information Network*. Oregon State University, 2010. Web. 1 June, 2010. (supply of wheat, tomatoes and apples, sales per pound); "2007 Census of Agriculture: Oregon State and County Data." *2007 Census of Agriculture*. U.S. Department of Agriculture, Dec. 2009. Web. 1 June 2010. (supply of winter squash and pumpkins and salad greens, sales per pound); "Food Availability (Per Capita) Data System – 2007 data." Economic Research Service. U.S. Department of Agriculture, 16 Feb. 2010. Web. 1 June 2010. (demand for all crops) ^{xvii,xviii}

Supply Chain Gaps

This study identified a number of gaps in the local food supply chain. The implementation strategies are intended to help to eliminate these gaps.

GAP I. LACK OF LINKAGES BETWEEN GROWERS AND LOCAL MARKETS

CPW research concluded that a disconnect exists between farmers and buyers. Local buyers are often unaware of the local food available and how to access it. Moreover, institutional buyers have limited resources to devote to food purchasing. Farmers do not know how to work with buyers to market the food they produce. Improved communication and relationships between producers and buyers is required to expand the local food market.

GAP II. LIMITED PROCESSING AND STORAGE CAPACITY

In the past fifty years, many processing and canning facilities in Lane County closed down. Some facilities still exist in Lane County, however few of them source locally grown ingredients. Farms smaller than 50 acres, which accounted for 82 percent of the farms in Lane County in 2007, generally do not have the volume or revenue stream to support on-site processing facilities. ^{xix} Improved processing and storage facilities are needed to allow local food products to be available year round, meet the needs of large institutional buyers, and increase value-added food products in the local economy.

GAP III. PERCEPTION OF RISK

Agriculture and food production carry inherent risks. Farmers often bear all of the risk on the production end. One critical element to build and sustain a strong local food economy is to foster a system in which farmers, processors, distributors, and others share the risks and returns associated with food production.

GAP IV. INSTITUTIONAL AND GROCERY STORE REQUIREMENTS

Institutions and large grocery store chains often have particular insurance and certification requirements. These standards and certifications can represent an

economic burden for small- and medium-scale producers because of the high costs of complying with insurance, certification and inspection requirements.

Implementation Strategies

CPW recommends the following implementation strategies to help producers and large institutions work together more effectively.

Table II. Proposed Implementation Strategies

Gap	Strategy	Initiator (client)	Actor	Funding Opportunities	Cost	Timeframe
Gap I: Linkages Between Growers & Local Markets	Create a Local Food Coordinator Position	County	County and City	USDA Grants, County	\$60,000-\$75,000	1-2 years
	Create an Institutional Clearinghouse	County	Local Food Coordinator	Americorps position, county or city funds, invoicing fees	As needed	1-3 years
	Optimize Food Distributor Logistics and Capacity	County	Local Food Coordinator	USDA Grants	As needed	Ongoing
	Help Distributors Market Local Food	County	Local Food Coordinator	N/A	As needed	2-3 years
	Develop Institutional Contracts that Require Local Sourcing	City	Schools and other institutions	Law school externship	No cost	1-2 years
Gap II: Limited Processing & Storage Capacity	Develop Tomato, Ben, and Squash Co-Pack Facilities	County	Processors	County, USDA grants	As needed	2-3 years
	Develop Controlled Atmosphere Storage Capacity	County	Processors	County, USDA grants	\$500,000	2-3 years
	Increase Wheat Milling and Storage Operations	County	Producers, processors, distributors	County, USDA grants	As needed	1-2 years
	Research On-Farm Processing needs of Mid-Sized Farms	County	County, university	County, USDA grants	As needed	1-2 years
Gap III: Methods to Mitigate Risk	Encourage Processor- and Distributor- Supported Agriculture	County	Producers, processors, distributors	USDA loans banks, revolving loan fund	No cost	1-2 years
	Develop "Proof of Concept" through the EWEB Demonstration Farm	EWEB	EWEB	EWEB	\$250,000	3-5 years
Gap IV: Institutional & Grocery Store Requirements	Support Food Safety Certification	EWEB	Producers, processors, distributors	EWEB, NRCS grants, county	As needed	1-2 years
	Create a "How to do Business with Lane County Grocery Stores" Manual	City	City, County, University, or other	Americorps position, USDA grants, university internships	As needed	1-2 years

Conclusions

Through research about the Lane County food system, CPW reached the following conclusions:

- The annual market for food in Lane County is \$1.17 billion. While we were unable to determine how much of this market is produced locally, our research suggests it is quite small (probably less than 5 percent). Dollars flowing out of local markets are typically characterized as “market leakage.” For Lane County, every percentage point of the food market that can be produced locally is \$11.7 million dollars. Exploring ways to expand these local markets is a sound economic development strategy.
- Food and agricultural systems are not identified as a “targeted industry” in the Joint Elected Officials economic development strategy. The conclusions presented in this report suggest it should be.
- Many barriers exist to re-localizing the food system in Lane County. These include processing, storage, and distribution capacity, regulations, and other factors.
- Given the range of barriers, we concluded that the local food system is not ready for significant large private investment. Someone needs to coordinate the development of a strategy for the local food system. This person must have a broader perspective than a single business or non-profit. The development of this strategy needs to occur before significant outside investment occurs.
- The local institutional market is not large enough to change the food system alone. Institutional buyers must work in coordination with local food distributors to gain access to the local food they need. Food distributors and grocery stores are key to changing the local food system.
- Small investments are less risky and more sensible than big. Small investments allow modest incremental investments in strategic areas. This report identifies some key opportunities for those modest, incremental investments.
- These investments are best achieved through public-private partnerships. These partnerships help to establish the market, and then they allow the market to take over.

Endnotes

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- ^{xvii} Salad Greens Estimate of pounds per acre is derived from: LeStrange, Michelle, et al. "Spinach Production in California." *Vegetable Research and Information Center*. UC Davis, 1996. Web. 1 June 2010.
- ^{xviii} Winter squash estimate of pounds per acre (150 bushels/acre estimate) is derived from: Nagel, David. "Commercial Production of Acorn Squash in Mississippi." *Mississippi University Extension Service*. Mississippi State University, 13 May 2010. Web. 1 June 2010.
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