**Local Food Systems as**

**Regional Economic Drivers**

**In Southern Minnesota**

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**INTRODUCTION**

From the Food Network to Lanesboro Local*,* interest in local foods is burgeoning. Nearly every publication – from small town papers, to the *New York Times*, to the *American Journal of Agricultural Economics*, are covering this re-localization of the food system.

While much of the infrastructure related to local foods has been dismantled in favor of the efficiencies of consolidation, there is renewed interest in place-based foods and local products. With this slow but increasing favoring of the local—not only in foods, but other goods and services—the local movement can have a “rising tide” effect on towns and regions alike.

Understanding why people purchase local foods is useful in strategizing how to increase the economic impact of this sector. A recent, national literature review by Martinez et al. (2010) identified the following reasons that people purchase local foods:

* they believe local food is fresher, of better quality, or has greater nutritional value
* they want to support local businesses and producers and know the source of their food
* they prefer food grown through environmentally sustainable practices (e.g. organic)
* they enjoy the shopping experience or believe they can obtain a greater variety of food
* and some believe they pay lower prices for local food

Beyond individual consumers, there has also been a push for local foods from the top levels of government, from local governments and from health care and nonprofit organizations. In 2009, the USDA launched the *Know Your Farmer, Know Your Food* (*KYF2*) effort to carry out President Obama's commitment to strengthening local and regional food systems. Within the state, Minnesota Grown celebrated its thirtieth year in promoting local foods. U.S. House Representative Colin Peterson has hosted three Home Grown Economy Conferences since 2007. And within local governments, food policy councils or commissions have been launched in Minneapolis, Saint Paul and Ramsey County, and southeast Minnesota.

Because of these factors, community leaders across the country are recognizing the potential for “local food” as a vibrant economic driver. What does this mean for southern Minnesota? With the right support, it could mean more profitable family farms, robust value-added food businesses, and increased tax bases for small towns, cities, and counties.

This report has been developed to help explain the economic aspects of local food systems and how they can create economic growth for the 20 counties that are part of the Southern Minnesota Initiative Foundation’s (SMIF) region. To explore these impacts, a review of local foods research was undertaken that included research at local, regional, and national levels.

The report is divided into the following sections: Terminology, Economics, Markets, Local Foods Infrastructure, Food Safety and Regulations, and Planning.

**Terminology**

What exactly does the term “local food” encompass? What is currently agreed upon is that there *IS* no standard definition. For some, local is a geographic distance – for example, grown within 50 miles, 100 miles. The 2008 Farm Bill describes states: “locally or regionally produced agricultural food products are defined as those coming from within 400 miles from their origin, or from within the State in which they are produced.” For others, miles may matter, but so do other factors, such as the number of links between the final consumer and the producer, transparency in the system, or retaining the connection to the place the food is grown or to the person who grew or made it.

Clancy and Ruhf (2010) suggest that “local food” connotes “direct, fresh, small volume, small-scale, small farm, niche, producer-consumer connection, limited geographic radius” and that we therefore need to look regionally if we are to arrive at a truly robust food system. In their argument, “local food” will be able to support a segment of the demand, such as farmers’ markets and independent restaurants, but supplying school systems and grocery chains requires a regional food system. They acknowledge, however, that the term “local” has much more cachet than the term “regional” and that some people use local and regional synonymously.

While supply chain is a familiar term in the business world – understanding variations in supply chains is useful when looking at local food as an economic driver. One needs to understand that there are direct-to-consumer markets and intermediated markets, which include sales to restaurants, stores, processors, or distributors. The Hudson Valley Agribusiness Development Corporation concisely explains and illustrates food supply chains in their report*: Understanding Food Systems* (2010). Appendix A provides an abridged form of their information and is a good primer for those new to food systems.

**Economic Analyses**

A number of studies have quantified the economic impact of local foods—some through straight data collection and some through economic models. A few of the findings are summarized here:

In a recent study, Low and Vogel (2011) report that nationally, 5 percent of farms make local sales, which account for approximately 2 percent of all agricultural sales in 2008. While this is a small part of the agricultural economy, it is a rapidly expanding sector. Local foods represented $4.8 billion in sales in 2008 and estimates are that the number will top $7 billon in 2011.

Ken Meter, of Crossroads Research Center, has worked with 70 communities in 30 states to estimate the potential economic impacts of shifting growing and buying practices. Meter uses available data sources to quantify the economic inputs and returns of the current agricultural model in a region and contrasts that with food purchasing data from the same region.

This research began with a 2001 study of seven counties in southeast Minnesota commissioned by the Experiment in Rural Cooperation (aka Southeast Minnesota Regional Sustainable Development Partnership). In this initial study, entitled *Finding Food in Farm Country*, Meter calculated the following:

1. The 8,436 farms in southeast Minnesota sold $866 millionof farm products in 1997.
2. However, the region's farmers spent $947 million raising these products. This is $80 million more spent than they earned by selling their products.
3. These farms spent about $400 million per year purchasing inputs and credit, mostly from distant suppliers.
4. Meanwhile, the 303,256 residents of southeast Minnesota spend $506 millionbuying food, almost all from sources outside their region.

In the report, Meter summarizes: “As much as $800 million each yearflows out of our agricultural region.” The region’s 1997 total of $122 million net farm income, averages to only $15,000 per farm each year. Additionally, this income was essentially earned through rental income, custom service work, government payments, and investment income – not income from crop cultivation and animal husbandry (Meter, 2001).

In all communities analyzed, Meter suggests that a modest shift in growing choices of farmers and purchasing choices of consumers can result in significant economic impacts on local communities.

Extensive assessments on the impacts of local foods have also been conducted in Iowa. The Leopold Center for Sustainable Agriculture at Iowa State University received a directive from their state legislature in 2010 to complete an assessment on the potential for local foods and farms to create jobs. Their report, *The Iowa Food and Farm Plan*, includes 34 recommendations that could boost this sector forward. They estimate that local food production could create hundreds of jobs and have a $62 million impact on the state.

In 2011, the Agricultural Utilization Research Institute (AURI) published a report for the Minnesota State Legislature that explored the potential for growth of the green workforce through food and agricultural industry in Minnesota. They estimate that the Minnesota food and farm sectors generate $55 billion in economic activity in Minnesota and support more than 367,700 jobs. They conclude that emerging markets such as local food distribution, organics, urban agriculture and alternative farming techniques offer opportunities for small business ownership and employment.

**Markets**

To understand how southern Minnesota can benefit economically from local foods, it is useful to understand how dollars spent on local foods are distributed. Low and Vogel (2011) determined that about one quarter of local food sales were direct-to-consumer, which includes farmers’ markets, farm stands, and community supported agriculture. The remainder of sales was through intermediated markets such as sales to retail outlets, restaurants, and distributors. They also found that smaller farms were more likely to be engaged in local sales, but the large farms accounted for the largest quantity of local sales.

The following sections summarize information on local foods markets in southern Minnesota. They include: farmers’ markets, community supported agriculture farms (CSAs), restaurant sales, campus and corporate dining services, farm to school, and grocery stores and supermarkets.

Farmers’ Markets

From 1994 to 2011, the number of farmers’ markets in the U.S. quadrupled from 1,755 to 7,175 (USDA-Agriculture Marketing Service Division, 2011). In Minnesota, there were 81 farmers markets in 2008 and by 2011 the number rose to 150.

While data on the economic impacts of farmers’ markets in Minnesota is not available, studies in other states have shown positive economic benefits to communities and farmers alike. For example, in 2009, a group of organizations in Iowa surveyed vendors and customers at farmers’ markets across the state to measure the economic impact of the industry (Otto, 2010). According to that study, Iowa farmers’ markets generated $38.2 million in sales in 2009, representing a 92 percent growth from 2004 when a similar study had been conducted. The analysis also concluded that farmers’ markets in Iowa generate 576 jobs annually when indirect business and consumer-induced impacts are factored into the equation.

An interesting development in recent years has been the ability of low-income people to buy food at farmers’ markets. The Farmers’ Market Nutrition Program that serves low-income mothers, children, and seniors recorded $500,000 in sales in 2010 at Minnesota farmers’ markets (Smetanka, 2011). As of 2011, 44 farmers markets in Minnesota could accept Electronic Benefit Transfer (EBT) for the Supplemental Nutrition Assistance Program (SNAP) including the following markets in southern Minnesota: Albert Lea, Austin, Mankato, and Rochester.

Brown and Miller (2008) summarized additional studies that calculated economic impacts of farmers’ markets and found that overwhelmingly farmers’ markets have positive economic impacts on both vendors and communities.

Community Supported Agriculture Farms

In 1986, there were two Community Supported Agriculture (CSA) farms in the U.S.; today, there are over 4,000 (O’Hara 2011). The current Minnesota Grown Directory lists over 85 CSAs in Minnesota. While CSAs originally focused on vegetable production, more recently fruit, eggs, honey, baked goods, canned goods, cut flowers, and meat have become available through some CSAs.

CSA size varies widely, from those with a dozen members to those with several hundred members. A University of Kentucky study (2009) of CSAs in eight states (in the Midwest – but not including Minnesota) found that average CSA size grew from 59 patrons in 2007 to 89 patrons in 2009. Eighty-nine percent of the CSA farmers surveyed indicated that they marketed their products through other channels in addition to their CSA.

Brown and Miller’s (2008) analysis of the limited research available on CSAs indicates that many CSA farms cover their operating costs, but not all of their labor costs. Additional information can be found at the Alternative Farming Systems Information Center within USDA which maintains a Community Supported Agriculture page on its website. This page serves as a clearinghouse for research, resources, and directories related to CSAs.

Restaurant Sales

Direct-to-consumer sales are not the only outlets where local foods have gained buy-in and market share. Since 2006, the National Restaurant Association’s annual, nationwide chef survey has put local foods in the top 10 hottest trends in the restaurant business. In their 2012 survey of 1800 chefs, the top ten list not only included local foods, but included it four times—listing locally sourced meats and seafood, locally grown produce, locally grown wine and beer, and hyper-local as separate trends.

Minnesota has many restaurants that buy from local farmers. Within Minnesota, these restaurants are most dense in the Twin Cities metro area, but southern Minnesota includes a growing number: Pedal Pusher Café in Lanesboro, Sontes in Rochester, Amboy Café in Amboy, The Rainbow Café in Pine Island, and Nosh and Rabbit’s Bakery in Lake City, to name a few.

While local foods are most evident in independent-owned restaurants, larger players in the restaurant business, such as Chipotle and Big Bowl, have also embraced local foods. Chipotle has gone so far as to partner with regional farmers to help them increase their production of certain crops in order to help Chipotle reach higher percentages of local foods in their restaurants (National Good Food Network, 2010).

The economic impact of farm-to-restaurant sales is not well documented in Minnesota. Anecdotal evidence suggests that restaurants are important markets for local farmers, but the value of those markets has not been quantified. Restaurants that promote their use of local foods appear to be thriving and receive extensive media coverage by food journalists.

Campus, Health Care, and Corporate Dining Services

College students, corporate workers, and hospital employees often rely on their campus dining rooms for meals. A 2010 survey of Minnesota State Colleges and Universities reported that 38 percent of these institutions purchase local foods (Center for Sustainable Building Research, 2010).

Bon Appétit Management, a division of Compass Group, has been a leader in local sourcing. In 2011, Bon Appétit contracted with over 1,000 local farms to supply their cafeterias and cafes across the country. They also employ 15 regional foragers who search out local foods for their operations (Bon Appétit, 2011). Within Minnesota, Bon Appétit Management provides corporate food service for Best Buy, Carlson Companies, Medtronic, and Target Corporation and manages dining services at Carleton College, St. Olaf, and Macalester. Other companies like Sodexho, Aramark, and Chartwells have been slower to make widespread commitments to sourcing local foods, but their efforts are increasing.

This interest in local foods is not only coming from food service company management. College students have begun to organize across the country with the goal of changing their dining services. The Real Food Challenge is one such campaign that has a goal of campuses nationwide procuring 20 percent “real food” by 2020. “Real food”—by their definition— is food that “truly nourishes producers, consumers, communities and the earth.”

At some universities, the impetus for local foods has been within the context of educational outcomes. In 2009-2010 school year, Winona State University launched the Sustainable Foods Project—a yearlong initiative to increase awareness and understanding around sustainable food systems. This initiative included a winter farmers’ market on campus, a film festival, harvest dinners, and a number of opportunities to engage students and staff in visits to farms. Other colleges have student run farms and nearly all colleges and universities have at least one class that incorporates discussions on local food systems.

Farm to School

Farm to School efforts across the country have flourished in recent years. The National Farm to School Network estimates that 2,305 school districts participate in Farm to School representing 9,807 schools (National Farm to School, 2011).

The Institute for Agriculture and Trade Policy (IATP) and the Minnesota School Nutrition Association surveyed school food service directors in Minnesota. Their 2011 report states that 123 districts are participating in Farm to School. Seventy percent of the respondents purchased directly from a local farmer while 78 percent reported purchasing local foods through a distributor. Some districts reported purchasing up to $25,000 in 2010. Fifty-five percent respondents indicated their intention to expand their Farm to School programs in 2011.

To estimate potential economic impacts of farm to school, a team of researchers from the University of Minnesota analyzed farm to school programs in Central Minnesota. Their study concluded that the annual economic impact in this five county region could range from $23,000 annually for a monthly local meal to $427,000 for sourcing large amounts of products easily adapted for food service. Easily adapted foods would include items like carrots, potatoes, hot dogs, and sweet corn that easily fit into the current menus (Tuck, 2010).

The IATP study reported that commonly cited barriers in starting or expanding farm to school are extra labor in preparation, price, and difficulty in finding farmers to purchase from directly.

Grocery Stores and Supermarkets

The majority of people buy the food they eat at a grocery store or supermarket near their home. Local foods are enjoying a renewed spotlight within supermarkets. *Supermarket News* identifies the “farm-to-fork journey” as number four on their list of important trends for 2012 (Lempert, 2011).

In Minnesota, natural food co-ops have been leaders in sourcing local foods and must be acknowledged for the role they have played in providing markets for many local producers for over 30 years. In southeast Minnesota, a few stores are paving the way for local foods sales including Just Food Co-op in Northfield, Lanesboro Local in Lanesboro, and Ferndale Market in Cannon Falls.

Other Minnesota-based grocery stores like Kowalski’s, Coburn’s, and Lunds & Byerly’s have a history of buying from local producers and food makers, as does the nationally-based natural foods chain, Whole Foods. In the past year or so, HyVee, SuperValu, and Walmart have all begun to expand their purchasing of local foods.

Ironically, rural grocery stores have found it hard to compete with larger chains in nearby communities. Kansas State University launched a Rural Grocery Store Initiative with the goal of ensuring retail sources of food in rural Kansas. The initiative has amassed an impressive line-up of research, resources, and best practices to help rural grocery stores succeed in procuring local foods.

**Local Foods Infrastructure**

Production

Minnesota ranks fourth in the nation for total crop cash receipts (Minnesota Department of Agriculture, 2011). While the vast majority is due to corn, soybean, and sugar beet production, there is a healthy and growing market segment for the products commonly known as “specialty crops”—which include all fruits and vegetables. The diversity of agriculture in southern Minnesota is wide and varied. Wabasha County, for example, ranks second in the state for fruit, tree nuts, and berries and 47th for soybean production, whereas Faribault County ranks third for corn and 67th for fruit, tree nuts, and berries.

Similarly, Minnesota ranks seventh for livestock cash receipts. This market segment is relatively evenly split between cattle, dairy, and poultry production with a slightly larger market in production of hogs. Martin County ranks first in hog production and Dodge County ranks first in milk production.

Like crop production statistics, livestock cash receipts represent a large amount of commodity, confinement, feedlot, or industrial-type production methods. These commodity products are more often sold into national and global markets through very large and well-known brands like Land-o-Lakes and Hormel. And, although the counties in southern Minnesota rank near the top due to these industrial-scaled agribusinesses, the region is also home to an impressive number of “local foods” businesses.

Two of the most recognized dairies producing on-farm bottled milk are in southern Minnesota: Cedar Summit and Kapper’s Big Red Barn. Numerous grass-fed livestock operations and specialty crop farms operate in the region. Businesses like Thousand Hills Cattle Company and Featherstone Fruits and Vegetables supply relatively large amounts of local foods to nearby metropolitan markets and within the region. Thousand Hills products can be purchased in both Cannon Falls, where they are located, and at Super Targets in a multi-state area. A few very large apple orchards are also located in this region, including the largest certified organic tree fruit producer in Minnesota.

Data available from the Minnesota Department of Agriculture (2011) indicates that the cash value of agricultural activity in the SMIF region is about four billion dollars. It is difficult to determine what percentage of that revenue is from “local” agricultural products and the data does not account for value added products.

What is known is that southern Minnesota is well positioned to grow in terms of local foods production due to its favorable climate, excellent soils, wealth of local expertise, and proximity to markets.

Processing

Minnesota is no stranger to food processing. In fact, three of the nation’s largest food processors are based in Minnesota: General Mills, Hormel, and Cargill. At the other end of the spectrum, Minnesota boasts some very small artisan processors who have won national awards in their sectors: Pastureland butter, Shepherd’s Way Farms cheese; and B.T. McElrath chocolates.

Meter and Rosales (2001) discuss the significant role of food processing in southeastern Minnesota. Twenty percent of the region's manufacturing income derives from food processing, and one third of all retail sales involve food. Adding value to locally-raised farm products and paying relatively higher wages than farm labor or retail sales, processing builds local wealth, but only to the extent local producers and workers earn adequate income or corporate ownership is locally held.

Understanding food processing in Minnesota is a complex endeavor. There are extensive data sets available that provide a wealth of information, yet there are gaps in the data, especially as it relates to smaller processors. What is clear across the processing industry is that the number of processors has decreased over time. Consolidation at the larger scale has put the bulk of processing into the hands of a few corporations. Because of economies of scale, these companies are able to process products at significantly lower costs than small companies. Although a few large corporations dominate processing (both in Minnesota and nationwide), small and mid-sized processors are playing an important role in local economies.

A broad array of products require processing to make them safe or marketable including meat, dairy, grains, vegetables, and specialty products like salsa, soups, and snack bars, to name a few. Beverages also make this list, including cider, juice, beer, wine, and spirits.

*Meat Processing*

In terms of meat processing, Minnesota is well positioned compared to many states. We continue to have many small and mid-sized meat processors that fit well under the local foods umbrella. An all-star in this sector is Lorenz Meats in Cannon Falls, who is nationally known for its work with local farmers and grass-fed meat products.

Minnesota has an active association of meat processors, the Minnesota Association of Meat Processors, and has excellent technical assistance in this area from the University of Minnesota’s Department of Meat Science, Agricultural Utilization Research Institute (AURI), and the Minnesota Department of Agriculture.

*Dairy*

The National Agricultural Statistic Services (NASS) conducts annual surveys in a number of sectors and provides access to its archived reports that go back, in some cases, to the 1920s. According to these reports, value-added dairy businesses have decreased dramatically in Minnesota.

Stellar examples of local dairy processing exist in Minnesota, but the number pale compared to neighboring Wisconsin. For example, Wisconsin had 126 cheese plants in 2009 compared to 11 in Minnesota. A few of the well-known business successes in southern Minnesota include Cedar Summit, Kapper’s Big Red Barn, Hope Butter, Shepherd’s Way, and Faribault Dairy. Organic Valley, headquartered across the border in LaFarge, Wisconsin, is an important player in the Minnesota value-added dairy industry as a number of their farmers are based in Minnesota.

Support for businesses interested in value-added dairy is available through AURI, the University of Minnesota, and the Sustainable Farming Association of Minnesota. Wisconsin, however, provides much more robust support through its Value-Added Dairy Initiative (VADI) led by the Grow Wisconsin Dairy Team and the Dairy Business Innovation Center.

*Fruit and Vegetable Processing*

Processed fruits and vegetables are an important segment of the local foods market. Many institutions require minimally processed foods (washed, peeled, chopped)—as they lack facilities and staffing to prepare food within their facilities. Canning and freezing are also critical in making fruits and vegetables available out of season.

In some places, established businesses are filling this role. Sno Pac, a southeast Minnesota company, processes and freezes considerable quantities of vegetables and fruit. Lakeside Foods in Plainview cans and freezes vegetables and fruit under private labels. Distributors and food service companies, such as Bix and Winona Fruit, are involved in this segment of the food chain for products that go to institutions. According to the ReferenceUSA database, Minnesota has 65 enterprises that process fruits and vegetables and annual sales for these companies range from $178,000 to nearly $500 million.

Food hubs, which are described later in this report, are one option for enabling smaller farmers to aggregate their product for processing. Currently, processing options are better suited for large amounts of product. In some communities, kitchen incubators are being developed to offer space and facilities for farmers to process their products or for new businesses to get started. Additionally, some school districts are considering regional facilities as a means to increasing their ability to do more local foods and decrease their reliance on heavily processed foods.

*Other Processing*

Salsas, breads, tortillas, soups, and cereals are examples of some of the products that can be produced from local ingredients. While Minnesota is home to some of the largest food processors in the world, there are plenty of opportunities for small and mid-sized specialty processors.

Assistance for start-up businesses in this area is limited. AURI and the University of Minnesota offer some services, but they have limited funding to help these businesses. Many small business development entities do not have expertise in the food arena. There are interesting models across the country that can provide ideas for increasing support such as the Food Innovation Center run by Oregon State University, Mission Mountain Food Enterprise Center in Ronan, Montana, and The Intervale Center in Burlington, Vermont.

Aggregation, Storage, and Distribution

A frequently cited barrier to scaling up local foods is the lack of adequate, farmer-friendly systems to aggregate, store, and distribute product from the producer to the buyer. The term “food hub” has received a lot of attention in the past few years. The current system includes corporate models and farmer-led models. These models and the food hub concept are reviewed in the following sections.

*Corporate Models*

Sysco Minnesota, J & J Produce, Bix Produce, Reinhart Foods, and Ziebell’s are just a few of the food distributors who are Minnesota-based or have a presence in Minnesota. Some of these are very large companies and others are modest in size. Corporate-driven models have played an important role in the food system infrastructure, but have at times been a two-edged sword. On the one hand, the economies of scale and efficiencies to both producers and buyers are evident. Furthermore, the successful distributors have developed savvy ordering systems, timely delivery, and excellent customer service. The weakness in this model is its potential to fall backward into a “farmer-less” food system that skews benefits to the distribution company and has little room for small-scale producers. In a 2010 study of local food distribution models, Hultberg found that corporate distribution models pay the farmers significantly less than farmer-run distribution models.

While many distributors have sourced local foods for years, they recently have become more intentional about marketing these foods as local. They also have been more willing to work with growers to develop mutually beneficial agreements.

*Cooperative Models*

Cooperatives are another segment of the distribution sector: Co-op Partners, Organic Valley, Whole Farm Co-op, GROWN Locally (Decorah), and Fifth Season (Viroqua) are a few examples of cooperatives that aggregate and distribute products. Co-op Partners is owned by the Wedge Community Co-op in the Twin Cities and is the only one on this list that does not have farmers as members of the co-op. It purchases significant quantities of local food, as well other foods, and distributes to natural food stores, grocery stores, and restaurants in Minnesota and Wisconsin.

Organic Valley is a very successful farmer-owned co-op that is based in Viroqua, Wisconsin. Organic Valley works on a model of pooling local products within a region, and processing and distributing them regionally. Whole Farm Co-op, GROWN Locally, and Fifth Season are much smaller co-ops, and the latter two are in their early stages. Whole Farm, based in Long Prairie, aggregates, markets, and distributes products from thirty farmers in Central Minnesota.

*Farmer-led Models*

A handful of models exist in Minnesota that are not co-ops, but are farmer-led. Southeast Minnesota Food Network and Hidden Stream Farm are two examples in southeast Minnesota. Both aggregate product from local farmers and distribute it within the region and to Twin Cities markets.

*Food Hubs*

The term “food hub” has become a buzzword recently in the food system arena. According to the USDA, the working definition of a food hub is: *A centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products* (Barham, 2011)*.*A key goal of a food hub is to enable smaller producers to access markets that require larger quantities than they can or want to produce alone. The USDA conducted a survey of 45 individual food hubs in January 2011. The number of farms supplying those food hubs averaged 77 and the average workforce per food hub was around 17, split between full-time, part-time and volunteer workers. In 2010 the average food hub had sales of $3.7 million (Barnham, 2011).

Entrepreneur Assistance

The pioneers of the local food movement, many who are still active, have been innovative, committed, persistent individuals. They built this sector on a strong set of values about farming, food, and community. They did not have an easy path, and were often swimming upstream without much in the way of technical assistance. While some businesses did not make it, others, like Organic Valley, Lorentz Meats, and Sno Pac are thriving.

To ensure that this sector continues to thrive, high-quality assistance must be readily available. This includes assistance with business planning, marketing, research and development, and financing.

On the farm-to-market side, farmers have offered their peers training and assistance through farmer associations such as the Minnesota Fruit and Vegetable Growers Association and the Sustainable Farming Association of Minnesota. Assistance has also come from the Minnesota Department of Agriculture, the University of Minnesota (Extension, Minnesota Institute for Sustainable Agriculture, Regional Sustainable Development Partnerships, College of Food, Agricultural and Natural Resource Sciences), technical colleges and a variety of nonprofits: Midwest Organic and Sustainable Education Service, the Land Stewardship Project and The Minnesota Project, and more recently Rural Advantage, the Institute for Agriculture and Trade Policy, Renewing the Countryside, the Minnesota Food Association, and the Rural Enterprise Center, to name a few.

In terms of value-added products, assistance has been less abundant. AURI has provided an array of assistance on specific products, but the availability of this assistance has ebbed and flowed in relation to their funding. The University of Minnesota has provided some assistance through their food science and nutrition program, their meat science program, and The Food Industry Center.

Further business assistance has been scattered. Cooperative Development Services has been a key player in providing business planning assistance to a number of food businesses, with a focus on cooperatives. A few economic development entities have provided assistance to local foods based businesses. The Winona Economic Development Authority has been very active in this area recently, and developed an excellent report on opportunities for local foods development in their county. Dodge County is studying the feasibility of a local food hub within their county.

Industry associations also play an important part in this arena. The Minnesota Association of Meat Processors is one example of a group that provides resources and connections for meat processing businesses in Minnesota.

Financial Assistance for non-commodity farms and food-based businesses is an area that requires more exploration. A study by Caroline van Schaik (2003) found that smaller, diversified farms in the region had difficulty accessing loans from banks. The Carrot Project in Massachusetts found similar issues for small farms. Some recent efforts are promising, such as Farm Service Agency providing more loans to non-commodity farmers, and other lenders offering programs for beginning and young farmers.

**Food Safety and Regulations**

Food safety has increasingly become an area of concern for consumers, businesses, farmers, and food makers. To ensure a safe food supply, the government is expanding regulations. At the same time, some companies in the private sector are requiring a variety of certifications from their suppliers. For instance, some food service companies require that their purchasers source only products from GAP (Good Agricultural Practices) certified farms. Farmers and food entrepreneurs alike have to be aware of the local, state, and federal regulations and the requirements of their customers.

There is general agreement from both businesses and regulators that regulations are developed with an eye to the large players in the food system. The fallout of this “one size fits all” approach is that small businesses have difficulty implementing new requirements in a cost effective manner.

An area where additional assistance is needed is in helping farmers and food entrepreneurs navigate and understand food safety regulations as well as helping them learn how to implement them in the most efficient and cost-effective way. While information and assistance is available through regulatory agencies, higher education, private consultants, and nonprofits, it isn’t always easy to access or understand.

**Planning and Policy**

Planning is an increasingly important factor in local food systems, and occurs at various levels: township, city, county, state, and federal. The American Planning Association, an independent non-profit educational association for certified planners, formed a Food Interest Group in 2005 to consider and address issues across local, regional, state, and national food system scales. They define community food system planning as “the collaborative planning process of developing and implementing land-use, economic development, public health, and environmental goals” (American Planning Association, 2011).

Planning efforts across the country have ballooned in recent years. The *Journal of Agriculture, Food Systems and Community Development* released a special issue in Fall 2011 entitled “Planners Coming to the Table.” This special issue of the journal examines examples across the country where planners are thinking about food systems in their work.

Within Minnesota, several regions have become involved in food system planning:

* Northeast Minnesota conducted a Northland Food and Farming Initiative that included a regional/community food system assessment.
* The City of Minneapolis launched “Homegrown Minneapolis” – a multi-year effort to look at how the city could improve the local food system – included assessing the situation and determining where changes were needed. This included food access, farmers’ markets, economic development, processing, and regulation. This effort has led to the development of the Minneapolis Food Policy Council that was launched in January 2012.
* Ramsey County and the City of Saint Paul launched the Saint Paul - Ramsey County Food and Nutrition Commission, which serves to educate the public about healthy foods, make urban farming feasible, and make food access a reality for all county residents.
* Dakota County instituted a Farmland and Natural Areas Preservation program to preserve key farmland and natural areas from development pressure.
* The Southeast Minnesota Foodshed Planning Initiative (SEFPI), a project of the U of MN Experiment in Rural Cooperation, has been collecting information and data on the food system in southeast Minnesota and recently helped launch a regional food systems working group.

**CONCLUSION**

The local foods sector has experienced significant growth in recent years and the information reviewed for this report suggests that it will continue to grow robustly. This provides opportunities for entrepreneurs within this sector and for communities who can provide the support and incentives to grow and attract businesses in this sector.

Southern Minnesota is well positioned to grow the local foods economy in the region. From a natural resources perspective, the region has rich soils, abundant water, and a decent climate for growing many products. From a knowledge perspective, the region has a breadth of farm and food industry expertise and is already productive in this sector. From a market perspective, southern Minnesota has growing cities and towns, but is also close to larger metropolitan areas that can serve as important markets.

While naturally well positioned, there are opportunities to accelerate the growth of the local foods economy in southern Minnesota. New and existing businesses need access to affordable, effective technical assistance; they need to be able to access appropriate financing; and they need assistance in understanding and implementing food safety protocols. At the same time, communities need to be amiable and supportive of this sector. They need to embrace new businesses and be open to change.

This report provides an overview of the local foods sector through the lens of papers and reports on the subject. It is the first phase of an initiative exploring local foods as an economic driver in southern Minnesota. The next phases of the work will include interviews with farm, food, and economic development professionals in the region in order to begin to develop links and resources that can foster growth in the local foods sector.

**APPENDIX A**

**Understanding Supply Chains**

Because of the complexity of food systems, it is useful to have some visuals. The Hudson Valley Agribusiness Development Corporation (HVADC) developed an excellent publication entitled: *Understanding Food Systems: Identifying business opportunities for Hudson Valley Farmers and Food Entrepreneurs*. We’ve adapted their illustration of the food chain. Figure 1. shows the flow of products and capital through the food systems.



The HVADC report is helpful in that it outlines the structure of local, regional, and global supply chains. It also diagrams the difference between direct versus intermediated sales and breaks those down into the following:

Direct Market Retail

* farmers’ markets, roadside stands, public indoor markets, CSAs, pick-your-own operations, and door-to-door

Direct to Market Wholesale

* direct-to-store-delivery, farmer-to-farmer exchange, farmer-owned processing and marketing, public (wholesale) markets; cooperative marketing; and private sales force

Intermediated Marketing

* cooperative and association marketing; manufacturing; brokers, dealers and manufacturers representatives; distributors and logistics providers; packers and shippers; food wholesalers

Figure 2.1 and Figure 2.2 depict flow in direct and intermediated markets at a regional scale.



Finally, HVADC illustrates direct and intermediated markets within the global food system.



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