

Resource for Evaluating the Economic Impact of Local Food System Initiatives

Abstract

Local food system stakeholders are confronted with challenges when attempting to ascertain the economic impacts of food system investments. The U.S. Department of Agriculture Agricultural Marketing Service commissioned a team of economists to develop a resource to provide support to stakeholders interested in understanding the economic impacts of local food system efforts. In this article, we explain the process of developing *The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments and Choices* (a resource known as the Toolkit), and we describe the Toolkit contents, with the goal of encouraging Extension educators, community development professionals, and other stakeholders to conduct more rigorous evaluations of local food system initiatives.

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Introduction

U.S. policymakers, Extension educators, nonprofit organizations, and private foundations are promoting local food system initiatives as a strategy for regional economic development (Colasanti, Wright, & Reau, 2009; Sharp, Clark, Davis, Smith, & McCutcheon, 2011). To assist these efforts, the U.S. Department of Agriculture (USDA) Agricultural Marketing Service (AMS) commissioned a team of regional and agricultural economists to develop a resource that provides a guide to best practices for conducting assessments of the economic impacts of local food systems. *The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments and Choices* (known as the Toolkit) is a free resource and is intended to assist communities with appropriately framing and conducting more standardized and rigorous evaluations of food system efforts while accounting for the unique aspects, opportunities, and challenges of local conditions (McFadden et al., 2016).

In this article, we describe the Toolkit development process and the Toolkit's contents, with the goal of encouraging Extension educators, community development professionals, and other stakeholders to conduct more rigorous evaluations of food system efforts.

Background

Local food sales were estimated at \$6.1 billion in 2012 (Low et al., 2015). However, estimating the regional economic implications of local food activity remains a challenge for a number of reasons, including

- the lack of available secondary data for more rigorous analysis (Timmons, Wang, & Lass, 2008) and
- the dominance of case studies in the gray literature, which have limited generalizability and may lack transparent methodologies (Angelo, Jablonski, & Thilmany, 2016).

In an effort to promote more standardized, transparent, and accessible economic evaluation, Michigan State University's Center for Regional Food Systems and the Union of Concerned Scientists cohosted a meeting of economists with expertise in local food systems on January 31 and February 1, 2013 (O'Hara & Pirog, 2013). The meeting participants agreed that a more standardized approach was needed to understand the economic impacts of local food system initiatives. They called for the establishment of a learning community that could provide ongoing technical assistance to future authors (or commissioners) of local food economic impact studies.

Toolkit Development

The mission of USDA AMS involves creating marketing opportunities for U.S. producers and providing the agricultural industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country. Accordingly, in 2014, USDA AMS commissioned the development of a resource for assessing the economic impacts of local food initiatives and selected a team of regional economists and researchers from Colorado State University, Cornell University, Crossroads Resource Center, Iowa State University, the University of Tennessee, the University of Vermont, and the University of Wisconsin–Madison to be its developers. The effort was led and coordinated by Dawn Thilmany McFadden of Colorado State University.

The Toolkit team first met in June 2014 to discuss the principles that constituted best practices in this realm. In addition to agreeing on a standardized methodological approach grounded in regional economics methods, the team determined that the Toolkit needed to explicitly account for the specificity, complexity, and rapidly changing nature of local food system initiatives. Accordingly, the team felt it needed to address key practices of success for all community-based engagement. For example, the team agreed that it was integral to include guidance on actively engaging a representative team of stakeholders working within a local food system as an advisory team for any assessment.

The Toolkit consists of seven modules, the first four of which are appropriate for any members of an evaluation team and provide support in framing the assessment and the last three of which require team members (or consultants) with more advanced economics training.

The first set of modules provides guidance on

- framing an assessment process,
- compiling and using secondary data,
- determining when and how to collect primary data, and
- conducting preliminary economic impact analysis.

The second set of modules provides directions for more complex analysis on

- conducting impact assessments through the use of input-output analysis methods;
- specifying the *opportunity cost* and *countervailing effects* of local food initiatives, which entails subtracting the economic impacts of displaced nonlocal food expenditures from the gross local food economic impacts; and
- modifying IMPLAN (economic impact assessment software) to account for differential supply chain relationships of local food system businesses.

Looking Ahead

Though having a formal resource and agreed on best practices is an important and useful step, perhaps of equal importance is ensuring the establishment of a true community of practice to support the integration of these methods in future Extension and community food systems programming. To this end, USDA AMS provided the Toolkit team with a second round of funding, focused on outreach and the provision of technical assistance, with an emphasis on the "train the trainer" model employed successfully with many other outreach topics. The Toolkit team established a website (www.localfoodeconomics.com) in April 2015 in conjunction with the eXtension Community, Local, and Regional Food Systems eCommunity of Practice. Through this forum, anyone can ask questions about the Toolkit or, more broadly, about how to frame and evaluate food system initiatives. Finally, there is an option for stakeholders to request personalized trainings for a region.

Though the outreach and technical assistance portions of the Toolkit are just getting under way, preliminary evidence on website use demonstrates latent demand for the availability of this type of material. As of February 1, 2016, the website had 16,783 unique page views and 119 electronic mailing list subscribers from across the country (many of whom are affiliated with Extension).

The next phase for this project is to focus on outreach and technical assistance. The objective is to target communities that request help in understanding how the Toolkit can be used to address food system goals with underserved farming populations (in ethnic-minority and small-farm regions) and in communities with relatively high proportions of low-income constituents. (For a complete list of trainings, visit the Toolkit website: www.localfoodeconomics.com.) To strengthen the Toolkit's content and training value, the Toolkit team will develop case studies that demonstrate how assessments can be used. These case studies may, in turn, improve our understanding of the impacts of local food policy efforts.

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