

BY DAVE GUTKNECHT

# Local Food: Keeping It Real



Food co-ops have been essential to the ongoing revival of cleaner food and local food economies. Across the continent, they are often in the forefront

of campaigns to know where food comes from and how it was produced. However, their well-intended projects may not always lead to sustainable results.

Over time, food co-ops have learned much about business...or they have gone out of business. A key set of lessons resulted from attempts to operate distributors. As the natural/organic food sector grew, grocery distributors one by one were merged with or sold to other businesses. Food co-op warehouses operated for 10–30 years before giving way to distributors whose greater economies of scale made them better suppliers of goods and services to retailers.

Produce distributors have fared slightly better. The rebuilding of local/regional food economies inevitably encounters distribution logistics, and there are continuing attempts to form niche operations, often with the aid of grants and nonprofit funding. Yet balancing costs and pricing remain fundamental.

Local producers have to wrestle with questions of scale and options for direct sales at top dollar vs. selling more volume at a lower margin to a retailer or distributor. For the retailer as well as the producer, there may be good will but there also must be good negotiating. Distributors likewise must generate a margin that will enable them to stay in business.

Reports here reflect these issues. La Montañita Co-op's regional distribution center expects to break even when it reaches \$5 million in annual sales, and its FUND helps growers scale up. Roanoke Co-op, with careful planning, projects that its new urban farm will break even after three years. Wedge Co-op, having operated Gardens of Eagan for five years, relocated it to a larger farm but will need many more years to earn back that investment. Neighboring Food Co-ops has needed grants and seeks greater scale for its regional frozen-foods line.

We can anticipate that new models of land ownership, including investments by consumer cooperatives, will be part of a better

food economy. But we cannot assume that such operations will readily show a profit in a competitive market. (In another case, subsequent to this magazine's 2009 report, a food co-op lost tens of thousands of dollars on an orchard it had bought before finally giving it up.)

The numbers behind the public stories illustrate some of the challenges of changing the food economy. One could say that achieving necessary scale in support of production and distribution is simply basic—except that sometimes the passion to promote local farm and food enterprise can override recognition of the math. (“Production costs HOW much per pound?”) Behind local food there are difficult financial constraints, and much-loved producers often remain dependent on non-food-related jobs and/or are going further into debt.

Co-ops, to their credit, have gone beyond most retailers' practices in helping promote local producers. Nevertheless, it's still the case that local products often cannot underprice imports, and continuing education is needed to convey the added benefits of local food. There are real limits to customers' tolerance of higher prices for cleaner, fresher, local foods—and that, along with other factors, makes it challenging to compete with goods imported from larger producers in other regions. (Overall, in the price of food consumed at home transportation is a fairly minor part; similarly, factors other than distance are greater determinants of whether the carbon footprint of local food is actually smaller.)

A positive aspect of new approaches to the deeply rooted problems of agriculture is that more people are learning about the real costs of food production, including local and organic: most farming is heavily dependent on the fossil fuel infrastructure, requires a huge amount of labor often not decently compensated, and is subject to a global production and distribution system that drives out small and local farmers.

Since no one knows comprehensively how to replace the present food system and all its awful resource degradation and worker/animal abuse with a cleaner and more humane one, we can applaud all attempts to plant the seeds of a more just economy. Co-ops are contributing great things toward that. But since we only have limited resources, we need to carefully scrutinize all such ventures if we want them to prove sustainable. ■

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