



FOCUS: FOOD

Fresher, Safer, Close to Home - Food and Fuel Issues Drive Consumers' - Push to Locally Grown Foods

Consumers in the United States have come to expect availability of inexpensive, safe and reliable sources of food. They have also come to expect ready availability of a variety of foods at a relatively low cost regardless of season. As a result, year round affordable availability of such products as fresh strawberries, tomatoes and grapes, sourced from locations around the world, is quite common across the United States. Until recently, R&D and commercial efforts by the public and private sectors have been quite effective in meeting these expectations.

Recently however, increasing energy prices, especially prices for petroleum-derived energy, have challenged consumer expectations concerning food and the systems supporting food production. Increases in energy prices have influenced every segment of the food industry from crop production and harvest to processing and storage and from packaging and transportation to delivery and marketing of food products. Concerns regarding various aspects of the sustainability of the current food supply systems, from a growing carbon footprint to water use efficiency and food safety have also begun to influence consumer views.

Energy price increases in particular have given rise to wider consideration of alternative sources of energy. Sparked by a desire for energy independence, not to be confused with demand and the ability to deliver inexpensive energy, alternative energy sources have been viewed fairly positively. As an example, energy independence or increased energy security is frequently cited as a justification for production of ethanol from corn and biodiesel from soybeans.



Context Associate,
Dr. Thomas Klevorn

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Production of transportation fuels from food crops like corn and soybeans is not however, always viewed favorably. A popular current view is that use of corn for ethanol production has increased demand for corn resulting in significant commodity corn price increases. As a result, prices for food products derived from or including corn (e.g., meat, milk and eggs, cereals) have increased substantially. Similar views hold for sugarcane, wheat, canola and soybeans, all of which have been used for biofuel production at various locations with differing intensities around the world. With the potential impact of such food price increases greater on lower income populations, especially in developing economies and countries,

this point of view has developed the potential to quite significantly influence global food policy.

This so-called “food versus fuel” debate has highlighted growing public awareness concerning the interaction of food and energy prices and their ability to influence food and energy prices. The debate is also increasingly informing national, regional and local policies on the topics of food and energy production and use.

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In addition to energy prices, the location of food production is being scrutinized more carefully. Recent trends suggest that consumers, especially in more developed economies and the United States in particular, are beginning to prefer food produced nearer their place of residence. Several key factors appear to be driving demand for food produced locally.

The first is a consumer held belief that locally produced food, whether sourced from plant or animal, is fresher, tastes better and is more nutritious than food produced and transported from more distant locations. A second important factor is that food produced locally, especially compared to food produced outside national boundaries, is felt to be safer, more carefully inspected and less likely to be mishandled or adulterated. A third important factor in local food production is the view that less energy is required for local food production. This point of view holds that less energy intensive processing, storage, transportation and marketing activities are required for locally produced foodstuffs, especially fresh products. Recent energy-driven increases in transportation costs have had a significant influence in this regard. The fourth and final important factor is continuing and growing consumer demand for availability of locally produced foods, particularly fresh fruits and vegetables, on a year round basis.

In short, support for increased local food production is growing because it is beginning to be seen as a way to address two important needs. One is a need for year round access and availability of safe, nutritious and healthy fresh foods. The other is an urgent need to increase energy use efficiency in food production, potentially realizing significant additional environmental benefits in the process as well.

From a business perspective, evaluating and fully understanding these needs is critical to developing viable and sustainable paths forward in addressing this emerging market opportunity. Following this up with development and execution of solution-based action plans is an essential element of participating in the development of this opportunity.

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The Context Network provides business management and strategy consulting services to the world's leading agriculture, biotechnology and food companies and government agencies and institutions. Major areas of expertise include strategy, merger and acquisition support, valuation of new technologies, formation of alliances, and market research. The West Des Moines-based firm is composed of a core of professional consultants that is complemented by a network of more than 100 industry and subject-area experts.