

*The Economic Impact of Institutional Purchasing of Local Food  
Research Review*

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**Summary:**

Research shows that buying locally grown food helps local economies more than buying imported food. The reason is simple - dollars spent locally are more likely to remain circulating locally. Money spent on locally grown food provides income to local farms, which is used to hire farm workers, purchase inputs from local suppliers, support farming families, and pay local property taxes. All of this activity contributes to stronger local economies, especially in Maine's rural agricultural regions.

*Likely Impacts*

- Most of the studies on the economic impacts of local food purchases have focused on individual consumer sales at farmers markets. Those studies show that consumer dollars spent on local food have strong ripple effects – with one dollar of local food generating as much as \$0.78 of additional economic activity (e.g. Henneberry, Whitacre, & Agustini, 2009).
- One of the only studies of the impact of institutional purchasing is a study of the local food procurement policy at Fletcher Allen Hospital by UVM researchers. The study found that for every dollar that spent in Vermont, an additional \$0.98 was added to the economy (Becot & Conner, 2014).

*Contributing Factors*

- A Cornell study found farmers focused on supplying local markets spent 86% of their production budgets locally, compared to 54% for farms supplying more distant markets (Jablonski & Schmit, 2015).
- The study also found that farmers supplying local markets spend a higher proportion of their production budget on wages (Jablonski & Schmit, 2015).
- A 2010 report by the USDA's Economic Research Service confirms the positive impact of local food on local economic activity (Martinez, 2010),

and a 2015 report with additional data reached the same conclusion that local food activity has local economic benefits (Lowe et al., 2015).

### *General Condition of Maine's Local Food and Agricultural Sector*

- Another indicator of interest in local food in Maine is the number of farmers markets, which the Maine Federation of Farmers Markets reports has grown to 139 as of last year (Maine Federation of Farmers Markets, 2014).
- Maine consumers place a higher value on local food. A 2014 survey found nearly 80% of Mainers prefer to purchase local food – and 71% of local purchasers do so because of the positive impact on their local economy (Maine Food Strategy, 2014).
- Growing number of farms/farmers in Maine; large share of new young farmers in Maine (Ag census 2002/2007/2012).

### **Sources**

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