



Benefits and transaction costs of purchasing local foods in school districts



Victor Motta^{a,*}, Amit Sharma^{b,1}

^a The Pennsylvania State University, University Park Main Campus, 209 Mateer Building, State College, PA 16802, USA

^b The Pennsylvania State University, University Park Main Campus, 216 Mateer Building, State College, PA 16802, USA

ARTICLE INFO

Article history:

Received 6 August 2015

Received in revised form 7 January 2016

Accepted 25 February 2016

Keywords:

Local foods
Transaction costs
School food services
Qualitative research

ABSTRACT

Although there are several benefits associated with the consumption and increased awareness of locally grown foods in school districts, there are also costs that prevent increasing the purchase of local foods. This study examined the main benefits and transaction costs perceived by school foodservice directors in a Northeastern State when purchasing local foods. Qualitative semi-structured interviews with school districts' foodservice directors ($N = 11$) were conducted. The main criteria for participation was to target school districts who previously or currently purchased locally grown food items. The study showed that school foodservice directors categorized price, food safety and availability as the main components of transaction costs associated with the purchase of locally grown products. They also identified several benefits, such as supporting the local economy, providing better quality food, and ensuring students have access to healthier foods. Future studies could build on these findings to identify specific measures of transaction costs.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

Interest in purchasing and consuming locally grown foods has been increasing in the United States. As an indication of the increasing interest, sales of local foods through direct markets have nearly tripled in the period of 10 years (Martinez et al., 2010). Numerous studies also show the critical role of local food systems in creating alternative niche markets for local small and medium-sized farms (Loureiro, 2002), and aiding local economic development (Lyson and Tolbert, 2003). Awareness for the benefits associated with local foods has also been growing in public schools, as teachers and foodservice administrators are increasingly advocating for fresh, locally produced foods served as school meals and promoting nutritional and experiential education for students (Vallianatos et al., 2004). Foodservice directors are also increasingly getting interested in purchasing more locally grown foods as they realize the various socio-economic benefits for promoting relationship building with small farmers, and advocating for alternative agricultural practices. The USDA Farm to School Census (2015) indicates that over 5,250

school districts across the nation source foods from local farmers and food businesses.

Research has previously linked local food consumption with perceived benefits such as improved student nutritional practices and health in public schools (Bagdonis et al., 2008), local economic development through enhancing retention of local dollars (Abate, 2008), and stronger social ties and community interaction (Zepeda and Leviten-Reid, 2004). Purchasing local foods may be a means for schools to interact with their community, serve students healthier foods, and support local farms and agricultural businesses. Alongside these benefits, there are incurred costs associated with conducting economic transactions between foodservice managers and local food producers. Analyzing these costs is a critical issue since high transaction costs may deter school districts from purchasing locally grown foods.

The purpose of this study was to analyze the main benefits and transaction costs incurred by school foodservice directors in a Northeastern State when purchasing local foods. With this intent, the article sought to answer the following research question, 'What are the benefits and transaction costs that foodservice directors consider when deciding whether to purchase locally grown foods?' Transaction costs are simply the costs associated with conducting an exchange of goods and services, regarding the transaction itself as the unit of analysis (Hobbs, 1996).

This study provides meaningful contribution to the literature on several fronts. Within the context of local agriculture,

* Corresponding author.

E-mail addresses: victor.damotta@gmail.com (V. Motta), asharma@psu.edu (A. Sharma).

¹ Tel.: +1 814 865 0126; fax: +1 814 863 4257.

transaction costs can hinder the ability for school districts to incorporate greater amounts of local foods in their school meal menu offerings. Therefore, providing a better understanding of transaction costs is a necessary step to not only identifying the most important cost dimensions from a foodservice manager's perspective, but also to be able to adequately quantify these costs. Identifying the main cost dimensions in economic transactions between foodservice managers and local food producers is critical so that both parties can work together to reduce them.

This study also helps local food producers understand foodservice managers' requirements and expectations when purchasing local foods since it provides a detailed view on the entire process of purchasing local foods. Foodservice managers may also benefit from this study since it depicts the transaction costs they share in common, providing a unique framework that may be useful to foodservice managers that either currently purchase, or have interest in future purchases of locally grown food items.

2. Literature review

In this section, we review the literature of local food systems. We also discuss the decision-making process to purchase local foods in terms of transaction cost analysis in order to support our approach in the study.

2.1. Local food systems

The term 'local food' emerged in the past decade as a social movement representing small scale production, community well-being, civic agricultural practices, and socio-economic relations of proximity (Hinrichs, 2003). This social movement aims to build local food systems based on seasonality, sustainable farming practices, social, economic and environmental justice and cultural preferences. Locally based food economies can be defined as self-reliant systems in which sustainable food production, processing distribution and consumption is integrated to foster community economic, social and environmental development (Feenstra, 2002). Local food economies are a combination of integrated systems. Their main focus is mainly on both the creation of access to adequate diets for all community members and the promotion of local economic development by recirculating financial capital (Abate, 2008). This, in turn, creates direct relationships between farmers and the demand side.

2.2. Decision-making process to purchase local foods

Foodservice directors take into account various factors in the process of deciding whether to purchase locally grown products. For instance, Strohbehn and Gregoire (2001) pinpointed benefits and obstacles from developing new markets for local foods from the perspective of school foodservice directors. In addition, it may create a positive impact of creating local food networks in the community, including the creation of new markets for small and medium farms and agricultural enterprises (Hardesty, 2008), the reduction of energy consumption and transportation miles (Coley et al., 2009), and the connection between students and staff with local food production by enhancing awareness to its practices (Izumi et al., 2010b). Since school district size, number of students served, and availability of local foods are varied, schools' foodservice directors face certain obstacles such as packaging consistency, food costs, and reliability of supply. As a result, foodservice managers and local food producers and growers need to interact more often in order to understand the needs and constraints of both sides.

Gregoire and Strohbehn (2002) also used scales to determine current food purchasing practices, and detect benefits and

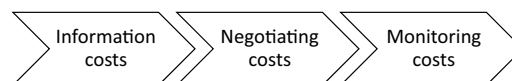


Fig. 1. Transaction costs framework.

obstacles to purchasing food items from local growers and producers. Similarly, the authors found that the main obstacles for foodservice directors to purchase locally produced food were lack of year-round availability, ability to obtain adequate food supply and consistent food quantity. Among the benefits, purchasing local foods provides good public relations to the school, and it can be a means to support the local economy. The ability to purchase in smaller quantities was also considered a benefit. Food safety for local foods, however, was perceived a benefit rather than the obstacle suggested in previous studies. In other words, school foodservice directors perceive locally grown foods to have higher food safety requirements than non-local foods.

Recent studies show similar results as foodservice directors express different motivations to purchase locally grown products, such as supporting the local economy, access to higher-quality food, and increasing students' consumption of fruits and vegetables (Izumi et al., 2006). However, developing and maintaining personal relationships with individual local food producers creates additional administrative and procurement costs, such as keeping track of storage, ordering and delivery procedures and payment methods (Izumi et al., 2010a). As foodservice directors operate under constrained budgets and timelines, these additional transaction costs may pose an impediment to the purchase of local foods. School foodservices procurement practices may favor larger distributors since they are able to minimize the additional transaction costs by offering competitive prices, financial incentives such as discounts, and the convenience of reliable delivery. This study complements the aforementioned investigations by exploring economic costs and benefits that school foodservice directors incur in the purchase of local foods from a transactional cost perspective.

2.3. Transaction cost analysis

The transaction cost analysis utilizes transaction as the unit of analysis, and proposes that minimizing the costs of conducting economic transactions is a central element to the study of economic exchange (Williamson, 1981). An economic transaction describes exchanges of commodities or services, transfer of rights, and legal activities through markets or other institutional arrangements (Rao, 2003). Williamson (1985) divides the transaction cost theoretical framework into *information costs*, *negotiation costs* and *monitoring costs* (Fig. 1). Information costs is related to the costs of finding information about potential buyers, sellers, product availability and prices. Negotiation costs involve negotiating and forming transaction terms and agreements. Monitoring costs refers to the costs incurred in checking that all parties involved commit to the previously established terms and agreements.

Although transaction costs are difficult to measure, the transaction cost approach has been a critical contributor to developing institutional economics and decision-making in organizations. Through a series of studies, a project conducted by the Leopold Center for Sustainable Agriculture also investigated the transaction costs incurred by Iowa food producers who distributed in local and regional restaurant markets (Boeckstedt and Walter, 2007). The authors identified key transaction costs that are critical for networks of small farmers and producers to evaluate their impact on profitability. Transaction costs included methods of payment, costs of food handling, packaging, transportation, inventory and administrative costs. Local food producers seem to struggle to fully identify and measure these transaction costs in their operations.

Download English Version:

<https://daneshyari.com/en/article/7419181>

Download Persian Version:

<https://daneshyari.com/article/7419181>

[Daneshyari.com](https://daneshyari.com)