

News Article

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The Farmer's Share and Local Foods

When you sit down to eat, have you really thought about where your food comes from? Don't say the grocery store – I mean where was it grown or produced. From meat products, to vegetables, to fruits, to poultry and eggs, to milk and dairy products, it all starts with a farmer. But, what is the farmer's share of that food dollar you spend?

Before I proceed, I must first acknowledge the annual article around Thanksgiving time from The National Farmer's Union, who offer their unique perspective on this subject. I'll use the same USDA data source for some of my article, plus recent data compiled by Purdue Extension's Local Food Program, to hopefully offer a few new insights.

According to the U.S. Department of Agriculture Economic Research Service (ERS), only 14.6 cents of every food dollar consumers spend goes to the farmer (2017 data, the most recent available).

Of course, one would expect that the folks in the middle also get paid for their work. Think about everything that is needed to get that final food product to the point of purchase: trucking, processing plants, packing plants, retail stores, and other establishments, including all the support people along the way.

Another way to divide that same food dollar is by which industry adds value to the product. ERS explains, "For establishments contributing to the U.S. food supply, value added for an establishment equals the proceeds from the sale of outputs minus the outlays for commodities purchased from other establishments."

In this scenario, farm production is only counted as receiving 7.8 cents of that same dollar. "For the calendar year 2017, farm production value added was 7.8 cents of each food dollar expenditure, implying that 6.8 cents from farm commodity sales (from the 14.6-cent farm share) was used to purchase products from the other industry groups," said the ERS report. "The 2017 industry group value-added food dollar also indicates that about 49.3 cents [nearly half] of the food dollar value covers the services from food retailers (12.6 cents) and foodservice establishments (36.7 cents)."

As you can imagine, the farmer's share varies by agricultural product and mode of sale. Farmers who sell commodity products basically get what the market gives them. Some small farmers have endeavored to sell directly to the consumer, cutting out most of the "middle-men." For small scale operators, who don't have economies of scale, niche markets and direct-to-consumer options may be the only way they can turn a profit.

Increasingly, consumers are supporting “local foods” options, where it may cost more per unit, but purchasers feel better about supporting their neighborhood producers.

According to Purdue Extension’s Local Foods Program website, each year Indiana consumers spend more than \$18 billion buying food.

The website also states that we spend nearly twice as much money per household on snacks than fruits and vegetables and fall well below the recommended intake of fruits and vegetables. Remember when your mother said, time and time again, “Eat your vegetables!” She was right to be insistent.

In regards to local food farming & sales in Indiana, the program website also states:

- \$26 million is paid directly to farmers from customers
- 4,664 (8%) farms sell to consumers and local retail outlets
- 86% of farms selling direct to consumer or retail are less than 180 acres in size
- 151% increase in farm to customer sales since 1997

For more information, go to <https://www.ers.usda.gov/data-products/food-dollar-series/documentation.aspx#marketing>. Additionally, see Economic Research Service (ERS), U.S. Department of Agriculture (USDA), Food Dollar Series, <https://www.ers.usda.gov/data-products/food-dollar-series/> (March 2019). Find Purdue Extension’s Local Foods Program at: <https://www.purdue.edu/dffs/localfood/>.