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## **Local Food Systems and Interactions with Entrepreneurship<sup>1</sup>**

### **Editor's Introduction**

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There is growing public interest in regionally-focused food systems as localization activities are perceived to improve environmental outcomes, provide market access and sustainable financial models for small- and mid-sized farms, enhance public health, and support community-based economic development strategies (Martinez et al. 2010; O'Hara and Pirog 2013). These six case studies illustrate how food entrepreneurs using different business models are catalysts in their local food systems.

The 2012 U.S. Census of Agriculture showed that direct sales by farmers increased by 8% since 2007 (USDA 2014) because of the renewed interest and opportunities in local foods. These entrepreneurial case studies highlight the importance of locally-oriented food producers and retailers who have acted as linchpins within their communities' local food system by scaling up their direct sales to other channel members. They have benefited from the growing interest in localized food systems to grow to a viable scale, diversify their marketing channel portfolios, and leverage new connections within their communities. These case studies are salient examples of how interest in the local foods movement has increased their opportunity to sell locally—even for those who had already successfully established themselves in wholesale markets (Bauman et al. 2014). For example, *Kriemhild Dairy Farms*, located in New York, was able to expand beyond wholesale markets into producing local value-added products and selling them in local food markets.

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In short, these case studies are examples of values-based supply chains (VBSCs) that involve partnerships between producers, processors, distributors, retailers, and food service entrepreneurs who share environmental, economic, and/or social values. Communicating the benefits of VBSCs' products to customers, as well as to the VBSC partners, is instrumental to the success of those supply chains, but challenging as they attempt to secure scale-appropriate infrastructure and develop economies of scale to broaden demand (Hardesty et al. 2014).

Cooperative structures that encompass more participants as owners may have an advantage in developing more broad-based of community involvement. *Sandhills Farm to Table*, located in North Carolina, is an example of an innovative business structure. Sandhills is a multi-farm, community supported agriculture cooperative. It includes producers/farmers, consumer/customers and employees all as equal owners. It hopes to strengthen the community by directly connecting consumers and producers. The cooperative educates its stakeholder community to increase transparency along the value chain. Its unique structure allows the cooperative to engage with multiple groups within the community and foster a more balanced local food system. Successful VBSCs operate with economies of scale to broaden demand for their products while also generating fair returns to producers and other supply chain partners (Hardesty et al. 2014).

These entrepreneurs are not only catalysts for the local food movement, but also for rural development through increased job creation or growing value chains that allow a greater share of food system governance and economic activity to stay under the control of all food system stakeholders (Lev and Stephenson 2011). Indiana's *Moody Meats* is a vertically integrated business that produces its own meat, processes it and then sells the packaged meat through its own retail stores. Adam Moody is both a serial entrepreneur and a catalyst to new local food businesses, and this case study demonstrates that this firm is an important component to the central Indiana local food system.

In addition, entrepreneurs have also catalyzed linkages to other sectors, such as agritourism. One case shared in this series highlights a marked shift in the Agriculture Census data for 2012—the number of farms securing revenue from agritourism and recreational activities on their farms, and the significant growth in those revenues which increased by 24% since 2007 (U.S. Census of Agriculture 2014). *Two-Rivers Winery*, a winery and tourism destination located in western Colorado, is a linchpin to local economic development. In particular, this case study demonstrates the entrepreneur's use of social capital to build an industry alliance that will improve perceptions about the quality of growing Colorado industry.

Finally, the ability to invest in, leverage and explore social capital investments appears to be facilitated through local food systems. Although returns to social capital are not specifically measured in these case studies, there was fairly compelling evidence in several cases of a growth in informal agreements, cooperative quality enhancements, cost-effective financing models and general shared values. For example, South Carolina's *Limehouse Produce* is nurturing the restaurant community by facilitating the exchange of information and resources between channel members, and acting as a trusted intermediary. Moreover, similar to other cases shared, it has a large number of employees and is fostering economic development through job creation. Limehouse is also a key value chain link given its role in connecting producers to restaurants.

*Zia Taqueria*, a small-scale restaurant and catering business in southwestern Colorado, is a final example of an entrepreneur actively creating new backward and forward supply chain linkages that strengthen connections between food producers, processors and consumers. Zia's owners intentionally leverage community food system assets to create new business relationships and shorter supply chains between food production and processing entities. They also appear to create significant social capital through their direct and indirect investment in human capital (their own employees and those of associated businesses), capital equipment purchases made on behalf of allied local businesses, and generous donations contributed in support of broader community food system activities in southwestern Colorado.

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