The Economic Impact of Austin's Food Sector

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March 28, 2013

Overview

- Prepared in response to Resolution 20120802-072, which directs the City Manager to conduct an economic impact analysis of urban agriculture and the local food system.
  - Agriculture
  - Food processing/Manufacturing
  - Food distribution
  - Retail food at home/Eating & drinking places
- Focuses on activities that either bring new money to Austin ("primary") or allow us to not have to buy products from elsewhere (import substitution).
- Research included: literature review, stakeholder input, review of best practices, field visits, and data analysis.
- Report:
  - sets context for the role that local food plays in the economy,
  - develops an economic impact assessment of Austin food sector
  - provides overall findings and
  - offers recommendations to increase jobs/revenue within local food sector

Economic Impact Inputs

- 2007 Census of Agriculture estimates for Austin MSA were projected to 2012 by the national growth rate for Agriculture, with Census ratios then used to derive estimates of payroll/income and employment as a function of gross sales.
- 2011 Austin MSA Quarterly Census of Employment and Wages (QCEW) detailed employment and wage data for NAICS codes that comprise Food Manufacturing was crossed against 2007 Economic Census ratios to derive gross sales estimates.
- Total Distribution was calculated using the same sources and approach as Food Manufacturing. Dean Runyon and Associates, as part of contract with State of Texas, provides annual Austin MSA estimates of Visitor Spending for both Food at Home (Grocery Stores) and Eating & Drinking Places (Restaurants, Bars, etc.). Those figures collectively were approximately $1.3 billion during 2011; equivalent to about 15 percent of the total. This ratio was applied to the Total Distribution figure.

Economic Impact Inputs

2011 Total Austin MSA Food Sector Activity

2011 Totals	Sales ($Millions)	Payroll ($Millions)	Employment
Agriculture	$350.1	$88.4	5,972
Food Manufacturing	$454.4	$58.9	1,927
Food Distribution	$1,228.2	$111.2	2,179
Groceries	$5,072.2	$419.9	16,658
Eating & Drinking	$3,509.6	$1,170.9	69,875
Total	$10,614.5	$1,849.2	96,611

2011 Primary (Non-Resident) Austin MSA Food Sector Activity

Inputs to Impact Model	Sales ($Millions)	Payroll ($Millions)	Employment
Agriculture	$350.1	$88.4	5,972
Food Manufacturing	$454.4	$58.9	1,927
Food Distribution	$182.9	$16.6	324
Visitor Groceries	$239.0	$19.8	785
Visitor Eating & Drinking	$1,039.0	$346.6	20,686
Total	$2,265.4	$530.3	29,694

Economic Impact Results

- In 2011, the food sector (including the multiplier effects) in the Austin MSA accounted for:
  - $4.10B in annual output (1.86 multiplier);
  - $2.2B in value-added and $1B in worker earnings;
  - $63+M in City tax revenues; and
  - 43,550 permanent jobs (1.46 multiplier)
- The highest contribution to economy is visitor spending on retail food (both groceries and restaurants/bars) with two-thirds of the jobs and about 60% of the economic activity.
- Agriculture was responsible for just over 21% of the total jobs with manufacturing & distribution accounting for the remaining 12%.

2011 ($Millions)	Output	Value-Added	Earnings	Jobs	City Tax Rev.
Agriculture	$596.4	$264.8	$200.1	9,384	$5.18
Food Mfg.	$737.9	$288.3	$133.7	4,519	$3.46
Food Distribution	$331.4	$215.4	$29.2	781	$0.76
Groceries	$449.1	$287.0	$34.1	1,187	$2.80
Eating /Drinking	$1,988.1	$1,121.4	$623.2	27,680	$51.21
Total Annual	**$4,102.9**	**$2,176.9**	**$1,020.3**	**43,550**	**$63.41**

Finding #1:

The role of food in the local economy is intertwined across sectors and industries.

- If the food sector of the economy is seen as a pyramid, then local agriculture represents the peak, while food consumption by visitors provides the broad base.
- The economic impact figures document this finding, as the dollar value of locally-grown food sold directly to consumers (approximately $1.3 million in 2007, according to the Census) is literally a thousand times smaller than tourist food spending (close to $1.3 billion that same year).
- A substantial part of the appeal for visitors is a sense that the food and drink they consume is grown, processed, or provided by a local source. This is a crucial point, and reinforces the need to see the local food sector holistically.

Finding #2

"Local food" is a powerful brand that means different things to different people at different points along the food chain.

- Responses to "What do you think of when you hear the expression 'Austin food'?" ranged from:
  - "locally-produced using sustainable growing practices" – agriculture focus;
  - "[insert the name of locally-owned, iconic restaurant here]" - local small business orientation;
  - "the trailer that serves eggrolls with corn tortilla wrappers" - Keeping It Weird;
  - "Mexican and BBQ!" for the old school set.
- The point is that the phrase "Austin food" is a big tent that touches every part of the community, with the common denominator that it is valuable and important across the spectrum.

Finding #3

Austin's burgeoning food scene is garnering external attention, reinforcing the overall tourism value proposition.

- Traditional media coverage of Austin food is at an all-time high.
- I&O Communications finds that the majority of the social media discussion on the Austin food scene now takes place outside Austin, and that interest spikes in and around major Austin tourist events and/or mention of Austin food in other media.
- Their research documents that the food sector is an important element of the overall tourism asset package and that social media and more traditional channels actually serve to reinforce each other for these purposes.
- Even more evidence of the role of food in tourism is the listing of food events recently by the *Statesman* that are explicitly part of SXSW.®

Finding #4

Strong demand creates substantial room for growth and economic development in the local food sector.

- The appeal of Austin food to visitors is evident in the economic impact figures and the media attention (both social and traditional) that has surged in recent years.
- Conversations with chefs, retailers, and institutional buyers all reinforce the notion that consumer desire for local products, per the value of the "Austin food" brand in its many forms, is very strong.
- Further expanding demand and growing supply will yield much greater overall economic activity in this space, with the additional benefit of hopefully causing prices to drop, creating net gains for all.

Finding #5

Locally-produced food has larger multiplier effects than food "imported" from outside the region that is consumed in Austin.

- Local production and processing/manufacturing means that more money stays in the region than would otherwise be the case, yielding a larger overall local economic impact (roughly two to one).
- Import substitution means you produce locally what currently is being provided from external sources.
- Retain comparative advantage means you produce what community does relatively well versus competitors.
- Translation of all of the above:

> - Expansion of cost-competitive agriculture, as well as increased food-related processing and production, is a logical economic development target.

Finding #6

In spite of Austin's bounty, issues related to hunger and food access remain.

- The *2011 Central Texas Foodshed Assessment* by the SFC provides substantial documentation of the interaction between hunger and food access.
  - For example, Capital Area Food Bank delivered 17.6 million pounds of food/groceries thru 300 partner agencies in 2011-12. Of their clients, <25% employed, 78% have income below 130% of federal poverty level, 80% food insecure, and 26% receive SNAP benefits.
- Programs to explicitly address these issues are beyond the scope and expertise of this project, but economic development efforts that lead to wider availability of fresh food at lower costs inevitably will have positive community effects beyond the economic gains that accrue to producers, processors, and consumers.

Recommendation #1

Conduct detailed feasibility analyses related to creating a permanent food market(s) and/or food hub(s).

- Permanent Market Example: Pike Place Market in Seattle hosts 90-120 farmers and artisans in a central urban public market. As well as being home to permanent restaurants and shops (including the original Starbucks and Sur La Table), the Market collectively accounts for over $100 million in sales annually. Approximately 60 percent of the 10 million annual patrons are tourists.
- Food Hub Example: 21 Acres and the Puget Sound Food Network serve as the connection between farmers, small scale processors, and local consumers. Restaurants, institutional buyers, and other food retailers all expressed interest in some type of centralized local food market.

Recommendation #2

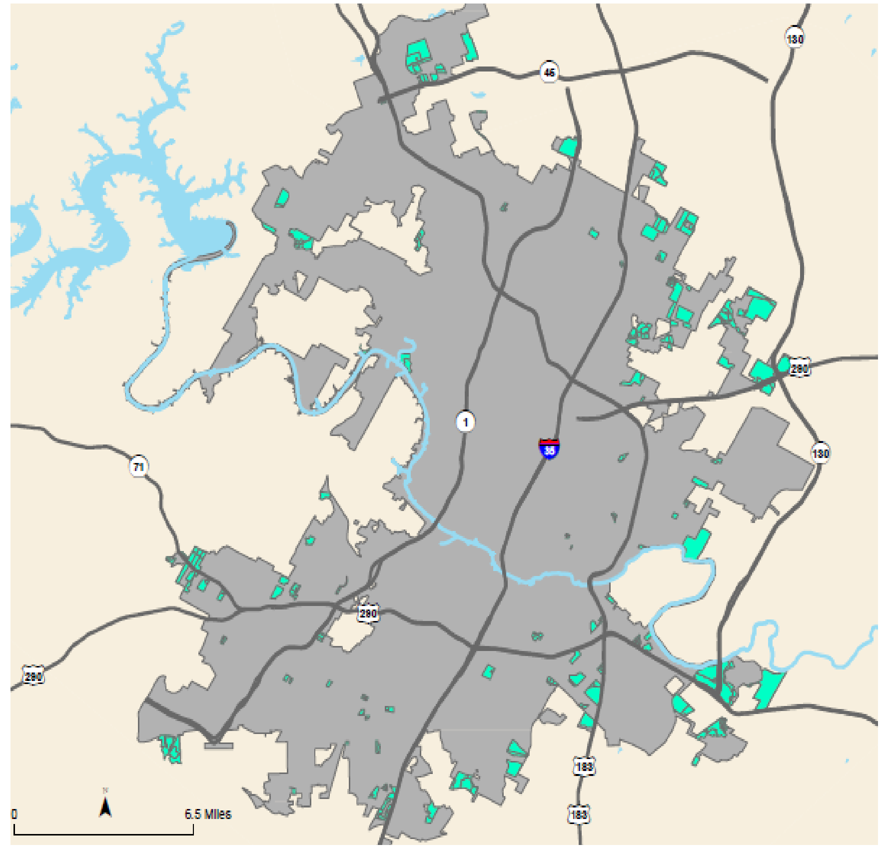
Identify infrastructure, facilities, and programs that could further support local food manufacturing/processing.

- Food processing traditionally is largely about economies of scale, wide-spread distribution, and a focus on cost-competitiveness.
- Additional resources related to business development and processing capacity to support small-batch value-added products are needed.
  - Oregon State Food Innovation Center in Portland provides help with product development, nutrition analysis and sourcing of ingredients, packaging, food safety, marketing and distribution.
  - Contract processing facilities are an area of opportunity as well.
  - Further growth of small business support and networks, including financing, (much like Austin's technology sector) would enhance food sector economic development.

Recommendation #3

Work to make public lands available for urban agriculture.

- Per map, about 4% of Austin's land mass has ag exemption.
- Average size is 15 acres; below 10 acres there are challenges with securing exemption (legislation pending to address).
- City has begun the process of examining if and how to allow use of vacant lands for urban agriculture – opportunity to provide leadership to other jurisdictions.



535 parcels within the City of Austin, marked in green, totaling about 8,000 acres, are ag exempt.

Recommendation #4

Investigate resources to provide economic development support to local farmers.

- Zoning and regulation - Portland is an example of a regulatory environment that is responsive to urban agriculture and farm stands.
- Focused technical assistance around business planning, securing financing, etc. could be provided through the City's Small Business Development office.
- Other economic development resources:
  - USDA micro-lending program provides up to $35k at competitive interest rates – repayment term varies.
  - Texas A&M Ag Extension Strong Starts program on urban farming served 35 participants from 11 Central TX counties last year – "most participants own five acres or less."

Recommendation #5

Explore ways to use mobile vendors to mitigate access issues in certain parts of the community.

- Range of ideas on how to address food insecurity have been explored and/or implemented, i.e.;
  - incentivizing grocery stores, expanding community gardens and farmer's markets, SNAP multiplier programs, subsidized public transportation, etc.
- Mobile vendors are another idea that could be successful.
  - In Portland, My Street Grocery is a community mobile grocer that sees itself as "a traveling farmers market or a mini grocery story on wheels."
  - New York City's Green Cart initiative - 1,000 new permits for street vendors who can sell only raw fruits and vegetables in areas of the city designated in need.

Recommendation #6

Explicitly incorporate the role of local food in external marketing and community education efforts.

- Evolve the Austin brand to include a more expansive view of entertainment, creativity, and lifestyle.
  - more research needed on exact forum and content of message(s)
- Education and outreach
  - greater consumption of local food will have positive implications for both the community's economic and physical well-being
- City can provide leadership, not only through its own efforts, but in partnership with other institutions and stakeholders.
- Ultimate measure of these recommendations and other City actions is not just implementation but awareness, which puts further emphasis on outreach efforts

CONCLUSION

- The food sector in Austin touches every element of the community and is a source of economic growth and development.
- Moreover, food is an area where Austin expresses itself.
  - This has implications for our external brand, but it also is important to local quality of life, and by extension the economy.
- Like creative sector, the sum of the food sector is greater than the parts, and the parts are interconnected.
  - Ties could be stronger; if local farmers and food artisans are able to produce and sell more to Austin consumers, restaurants, and institutional buyers, each will benefit to the gain of the overall community.
  - Identify the key actors, investments, policies, programs, and regulatory changes that can create ongoing progress toward this goal.