

# LOCAL FOOD SOLUTIONS

VOLUME 15



Possibility grows here.

## ACCESS: THE PRICE OF LOCAL FOOD

### ***Barrier***

Assumptions around price can make institutions and businesses cautious about buying more local food.

Many institutional food buyers assume that local food is generally more expensive. The reality is often the opposite.

### ***Local Can Be Cost-Effective***

Frozen Ontario produce from a large scale supplier is available at a relatively low price, while from a smaller niche food packer may charge slightly more. The price difference has nothing to do with where the food was grown and everything to do with the size and difference in operations between the two types of companies.

**The larger suppliers buy so much produce that they can contract farmers to grow produce for them, while the smaller supplier will likely be purchasing product from the open market and have to take into account fluctuating costs in determining their prices.**

A number of BPS institutions have undertaken their own price comparisons. St. Michael's Hospital, in Toronto, compared the prices of 13 different food items from local and non-local sources. They found that a majority of local items were less expensive than non-local options, while a few others cost either same or more. Similarly, the City of Toronto compared the cost of tomatoes from multiple suppliers and found that all but one supplied local tomatoes for less than non-local.



## ***Local Can be a Differentiator***

There are a variety of factors that help determine price. Providence is just one of many variables that come into play when pricing food. A few others include: seasonality, food category (e.g. beef demands a higher price than pork), food variety (e.g. heirloom tomatoes demand higher price than traditional tomato varieties such as Beefsteak), how the food is being produced and marketed (i.e. "free from" products can demand higher price), supply versus demand, policies and regulations (e.g. supply management), scale of production, and more.

The bottom line is that as with most things, you can find local food that is cheaper, cost neutral, or more expensive

than other options. It depends on what you're actually looking to buy. The price of local food does not have to be a major barrier to supporting local food.

It is also important to remember that value has some weight in decision making, so communicating the value of a product can be as important as price. All of the attributes of the product that differentiate it, such as shape, size, colour, consistency, food safety, reliability, ease of use, taste, quality, and portion size can lead to a higher price.

## ***Price Implications Can Be Over-Estimated***

Although a case size may be more costly, it doesn't necessarily mean the product will increase food costs at the same ratio. Though perhaps counterintuitive, a significant case cost can actually have a limited effect on overall budgets when the context of the full meal is accounted for. For instance, if the average carton of eggs (15x12) is around \$36 the cost of two eggs is \$0.40. A case of free run eggs can run upwards of \$60, with the cost of two eggs at \$0.66, a difference of \$0.26 per egg.

If evaluating the increase based on case costs, the price increases by 67%. However, eggs are typically served in the context of a meal with additional items such as bacon, toast, etc., at a total sell price of perhaps \$6.99 for breakfast. At the plate-level, the increase in price brings the egg to 9.4% of the price charged for the meal, up from 5.7% in the baseline scenario. So, while there is a big difference in case cost, the portion cost on a menu is more manageable to the buyer.

## ***Progress Being Made***

- Subway Restaurants and their supplier, Burnac Produce switched to buying from local growers for some of their tomatoes, cucumbers, peppers, and onions while in season. The transition was possible at no additional cost, and was used as a promotional opportunity for Subway. One participating grower tripled his production in order to meet the anticipated volumes of Subway.
- To counter the increase in food costs from switching to local, organic products, a chef at the University of Toronto created a campaign to challenge students to reduce their plate waste. At the year's end, he was successfully buying local, organic food that was more expensive while still lowering overall cost by reducing food waste.