



# The Northeast Sustainable Agriculture Working Group

P.O. BOX 608, BELCHERTOWN, MASSACHUSETTS 01007 • PHONE 413/323-4531 • FAX 413/323-9594 • NESAWG@smallfarm.org

## *The Failure of the Food System in Distributing Food to Communities*

Duane Perry

Farmers' Market Trust, Philadelphia, PA

### Analysis of the Problem

The food system is not distributing food to every community, leaving tens of thousands of people in the Northeast without adequate access to food. Inner-city Philadelphia reflects the characteristics of a community in which access to nutritious, affordable food is difficult for many people. For example, there are very few supermarkets in inner-city Philadelphia. Philadelphia has a strong tradition of public and private food markets, but its inner-city neighborhoods are poorly served by supermarkets and major food markets. According to a survey of twenty-one metropolitan areas, Philadelphia ranks as the second worst metropolitan area in the nation in terms of access to food markets in low-income communities.<sup>1</sup>

The government has traditionally played a major role in the distribution of food in the Northeast and elsewhere. The role of publicly funded wholesale and retail markets in expanding the availability of, and access to, food in population centers dates back several hundred years to when public markets were the main source of food in cities. The first public market in Philadelphia was documented in 1693. As recently as 1909, a dramatic vaulted

space was designed by Rafael Guastavino under the Queensboro Bridge as a public market in New York.

The development of private markets and the rise of the supermarket industry supplanted the need for retail public markets. Today, although wholesale food markets continue to be developed and operated under public auspices, retail food markets are rarely operated by the public sector.

Nine of every ten dollars spent on food in this country are spent in supermarkets and grocery stores. Corner convenience stores which exist in urban low income areas do not provide adequate access to affordable and nutritious foods. Often, fresh fruits and vegetables are only accessible by traveling significant distances to markets outside the immediate community. This is an option that many people do not have and others cannot afford, given that more than 20 percent of the City's population is below the poverty level. Low-income people spend a large portion of their limited food budget on transportation, and may, as a result of a lack of access to affordable fresh foods, suffer from diet related health problems and diseases at a significantly higher rate than the population as a whole.

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<sup>1</sup> Zy Weinberg and Mark S. Epstein, No Place to Shop: The Lack of Supermarkets in Low-income Neighborhoods (University of Connecticut, 1995) p. 19.

Residents living in poor urban neighborhoods often pay more for the same fresh products than residents of nearby more affluent neighborhoods. This, in part, results in low-income people paying a larger share of their disposal income for food. Fresh food products often cost more in poor urban neighborhoods for a number of reasons including:<sup>2</sup>

Lack of competition - There are generally fewer grocery stores located in poor inner-city neighborhoods than in similar size suburban areas. The existing grocery stores are generally less accessible to poor inner-city residents because of poor mobility caused by lack of transportation. Less than 50 percent of inner-city residents own cars.

High land acquisition and construction costs - Land in inner-city communities is frequently divided into parcels which are small, making it difficult to accommodate the chain supermarkets and food markets which are sized to provide an adequate selection of goods and operate at a profit. Construction costs in inner-city areas are generally higher than costs for comparable services in the suburbs.

High crime rates - Crime rates in inner-city areas are higher than in suburban areas. Higher security costs, to prevent vandalism and shoplifting, are passed on to the customer.

Small stores - Fewer full-size super markets in poor inner-city areas result in less variety and a smaller selection of fresh fruit and vegetables available for customers to choose from. Smaller independent stores cannot afford to maintain a large selection of fresh fruits and vegetables.

High operating costs - Smaller independent grocery stores are unable to take advantage of large

quantity purchase discounts, brand selection is limited, and taxes and labor costs are generally higher in urban areas.

This situation fails to generate either a sustainable or secure food system, since it does not meet the food needs of a large portion of the population. This is not sustainable over the long-term, since people will continue to fall victim to malnutrition and the negative health consequences of an inadequate diet. The system is far from secure, since it is failing to distribute food to a huge proportion of people, despite the fact that food is abundantly available.

### The Need for Equitable Distribution

Our food system should guarantee access to affordable, fresh and nutritious food to everyone regardless of their income and where they live. We have tried to achieve this by ensuring that farms produce abundant quantities of food. However, we have failed to distribute this food to the people who need it most. This “distributional” problem has not been widely addressed by food security advocates. Instead, it has been assumed that adequate worldwide production levels will provide for all, when the opposite appears to be true. As our production system becomes more productive, fewer food resources flow to those most in need.

The economics of the mass food production system do not account for the externalities imposed on those unable to afford its products. So as the “super” food stores extend their impact in the Northeast and throughout the world, the costs that affect the producers that cannot sell to them or the consumers that cannot buy from them are not factored in. Who cares if small farmers cannot sell to the “giants” and poor consumers cannot travel to suburban centers where the megastores are found? The average consumer is better off.

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<sup>2</sup> City of New York, Department of Consumer Affairs, The poor pay more for less, April 1991.

But are they? In recent news from the United Kingdom, the impact of out-of-town superstores was shown to be cutting into the market share of other food retailers by up to 50 percent. This is causing an adverse impact on towns, jobs and the general environment. In addition, some asserted that the “edge-of-centre” food stores were charging exorbitant prices for food, contributing to egregious profit levels for the food giants; an issue that merits research here.

Such claims are familiar to Northeast consumers who have fought off the intrusion of Walmart’s in their towns. They follow from the idea that “bigger is better” and economies of scale can be applied to most any industry, including food production and distribution.

It is unrealistic to assume that everyone will raise their food on 30' x 50' plots in their backyards. It is also naive to presume that a mass distribution system can meet the needs of an increasingly disparate population.

The food distribution system has become driven by a few large players, for the benefit of well-off consumers. In order to meet the needs of everyone, government needs to ensure that smaller players have the ability to compete on equal terms.

### Strategies to Ensure a Sustainable Food System

Government must aggressively step into the fray to advocate for the rights of the small producer, distributor and consumer. Small-scale distributors need to be assured of equal entry to markets.

This means that small farmers need to have the ability to access wholesale and retail markets. Since public subsidies are provided to large producers, equivalent subsidies must be guaranteed to smaller

ones. Careful economic analysis must be performed by the government to ensure that small players are given the same benefits that large players enjoy.

In addition, small wholesalers need to be given the opportunity to access the markets they previously ignored because they were not able to compete. The playing field must be leveled and small wholesalers should benefit from the same tax and subsidy benefits that large producers realize. Economic parity should be the goal.

Small retailers must be given the same economic support that large retailers get. Small retailers cannot afford to lobby policy-makers and document economic benefits. Public subsidies need to be available for small retailers to help them establish stores and create jobs.

In addition, producers, distributors and retailers must be supported to permit them to reach people who have been ignored by the mass production, distribution and retailing systems. Previously ignored subsets of the population must be accessed and economic externalities evened out. If it costs more to establish and operate a store in underserved areas, then the public sector must absorb those costs.

The good news is that developers may be beginning to pay attention to underserved areas. As one Philadelphia developer points out, “suburban area are well-served so (retailers) are looking at other areas”.<sup>3</sup>

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<sup>3</sup> Jane von Bergen, “Retailers see more room to expand in the region, *Philadelphia Inquirer*, September 10, 1998, p.C1.