

Do Local Food Purchases Help Local Economies?

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Abstract. Local food systems are often considered as drivers of rural development, through various multiplier effects. However, empirical evidence related to the magnitude, what is more, the pure presence of multiplier effects is surprisingly low. Among the four types of multipliers (output, income, employment and value added multipliers), scientific consensus appear to emerge more with respect to income and employment multipliers, thus they are in the focus of our study. Hence, our question is the following: do local food purchases have employment and income multiplier effects? The Hungarian case is considered.

Due to the lack of data, persistence of farmers' markets (FMs) is used as a proxy for local food purchases. The number of FMs increased sharply in 2013, following a change in legislation. However, many of the newly opened FMs later closed, moved away, etc. Thus, those regions were labelled as entities with increased interest in local food systems, and consequently, increased local food purchases, where FMs were present both in 2013 and 2018. Our aim was to compare regions that differed only in the presence of FMs. Therefore, the impact of the presence of FMs on various variables concerning income and employment multipliers was studied by difference-in-differences approach, combined with Propensity Score Matching. Control variables include employment rate, aging index, the number of people in the region who fulfilled secondary education, rural development payments, net migration rate, and others; they all refer to 2018. Data are considered at the LAU1 level (there are 174 small regions in Hungary composed of 3164 administratively independent settlements).

Irrespective of the applied models, no evidence was found for an income multiplier. As for employment multiplier, our results revealed no or even negative impact, depending on how employment was actually defined. Although selling at FMs might contribute to the living of the unemployed, caution is suggested when one argues in favour of the positive economic impact of local food purchases.

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