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ECONOMY LEAGUE OF GREATER PHILADELPHIA +
PHILADELPHIA DEPARTMENT OF PUBLIC HEALTH
DIVISION OF CHRONIC DISEASE AND INJURY PREVENTION

Good Eats

The Greater Philadelphia Food Economy,
and Good Food's Potential to Drive Growth,
Improve Health, and Expand Opportunity

Food fuels more than just our bodies. In Greater Philadelphia, food-based businesses fuel commercial activity and create jobs for thousands of individuals. Businesses and people that participate along the food supply chain comprise an economy unto themselves, a “food economy” that spans small businesses to multinational corporations, corner stores to global shippers.

But not all food-related activity is created equal. Activity that revolves around good food—food that is health-promoting, sustainably-produced, locally-oriented, and the product of workplaces that pay well and treat their workers fairly—can deliver far-reaching economic and health benefits. In Greater Philadelphia, good food can and should be part of the solution to complex social challenges including differential access to healthy food, high levels of poverty, and food-associated chronic disease.

Good food is an area of opportunity for Greater Philadelphia generally, and in particular for its anchor institutions. Thirty-four colleges, universities, and hospitals located in Philadelphia spend \$5.3 billion annually in goods and services, nearly half of which is spent outside the city. With initiatives underway to help anchors implement local purchasing practices and commit to food and nutrition standards, the anchors and the good food economy are uniquely complementary in their shared values.

With these factors in mind, the Philadelphia Department of Public Health's Division of Chronic Disease and Injury

Prevention, also known as Get Healthy Philly, engaged the Economy League of Greater Philadelphia to conduct a broad analysis of the Greater Philadelphia food economy. This analysis investigates regionally-based healthy and good food opportunities and examines the potential for good food production to meet the needs of regional anchor institutions, expanding upon the unique subject-matter expertise within Get Healthy Philly and the Economy League. Get Healthy Philly's *Good Food, Healthy Hospitals (GFHH)* initiative, an innovative program to improve health through changes to hospital food procurement, as well as its work with City departments to improve healthfulness of the food they purchase, serve, and sell, has brought good food to individuals across the region. Similarly, the Economy League's efforts to expand regional anchor procurement through its *Philadelphia Anchors for Growth and Equity (PAGE)* initiative has helped keep regional dollars circulating in the regional economy. This research partnership realizes the organizations' shared priorities of fostering good food-related commerce and capitalizing on its potential to improve health, drive growth, and expand opportunity in the region.

WHAT IS GOOD FOOD?

Drawn from research done by Get Healthy Philly and the Philadelphia Food Policy Advisory Council (FPAC),¹ this report defines good food as:

1. **Health-promoting:** good food is nutritionally dense and nourishing and does not contribute to chronic disease.
2. **Locally-oriented:** good food comes from a radius of 250 miles from Philadelphia, encompassing the Greater Philadelphia Metropolitan Statistical Area (MSA). Locally-oriented food also includes good food produced by Philadelphia-area businesses.
3. **Sustainably-produced:** good food is produced using sustainable practices that minimize environmental impact and reduce waste.
4. **Fair:** good food is the product of workplaces that pay family-sustaining wages, provide career pathways, and have healthy workplace environments. This report defines family-sustaining wages using the Massachusetts Institute of Technology's Living Wage Calculator's assessment of regional living wage for two adults and two children. This comes to an hourly wage of \$16.35 and an annual wage of \$34,008 in the Philadelphia metro area.

Greater Philadelphia's food economy supports 331,000 jobs across 25,000 firms in the 11 counties that constitute Philadelphia's Metropolitan Statistical Area (MSA).^{2,3} Philadelphia itself is home to 79,000 food-related jobs across 6,500 firms, accounting for nearly 25% of all food-related jobs and firms in the region—a share that is on par with the city's share of all regional jobs (24%).⁴

CITY OF PHILADELPHIA FOOD ECONOMY JOBS & FIRMS



THE **79,000** FOOD-RELATED JOBS IN PHILADELPHIA ACCOUNT FOR **12%** OF ALL JOBS IN THE CITY.



6,500 FOOD-RELATED BUSINESSES CALL PHILADELPHIA HOME, REPRESENTING **18%** OF ALL FIRMS IN THE CITY.

2007–2017 saw steady growth in the region, with food-related employment growing at an average of 2.4% per year. This decade yielded 16,750 net new food-related jobs, compared to a total net gain of 36,200 jobs in Philadelphia during this period. Between 2016 and 2017, food-related job growth accelerated to an annual average of 4.2%, 75% higher than overall annual job growth of 2.4%.

Overall, the food economy generates \$66.3 million in annual wage tax revenue for the City—roughly 4% of total wage tax receipts. Approximately half of this revenue comes from the hospitality and retail sectors.⁵ Distribution and processing also generate a significant amount of wage tax revenues—the result of higher average wages in these sectors. The waste and recovery sector represents only 1% of the wage tax revenue generated by food-related businesses. Between 2012 and 2016, wage tax revenue from food-related businesses increased by an annual average of 3.7%, closely following overall revenue growth.

The growth in the number of food-related jobs and firms in the region over the past decade, and the increase in the food economy's share of the overall regional economy during this period, underscores the food economy's importance to Greater Philadelphia.

Explore the full analysis of each food economy sector at economyleague.org/foodeconomy.

¹ The Philadelphia Food Policy Advisory Council connects Philadelphians and their local government to create a more just food system, and its members advise elected leaders on issues related to food policy. Learn more at <https://phillyfpac.org>

² Philadelphia's MSA includes Bucks County, PA; Burlington County, NJ; Camden County, NJ; Cecil County, MD; Chester County, PA; Delaware County, NJ; Gloucester County, NJ; Montgomery County, PA; New Castle County, DE; Philadelphia County, PA; and Salem County, NJ.

³ Bureau of Labor Statistics, Quarterly Census of Employment & Wages (2018), Statistics for the Philadelphia Metropolitan Statistical Area (MSA)

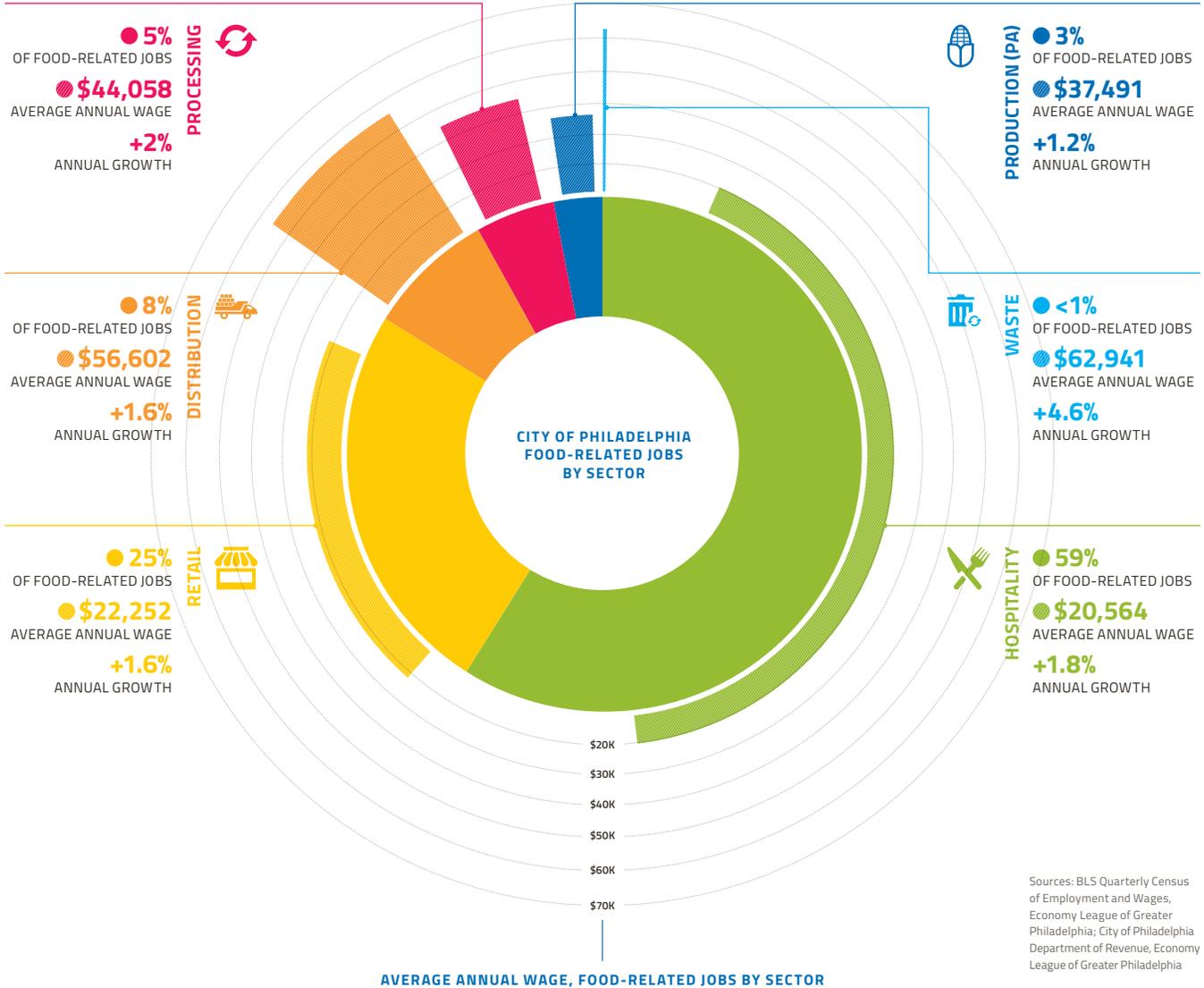
⁴ Bureau of Labor Statistics, Quarterly Census Data (2018)

⁵ Philadelphia Department of Revenue (2017)

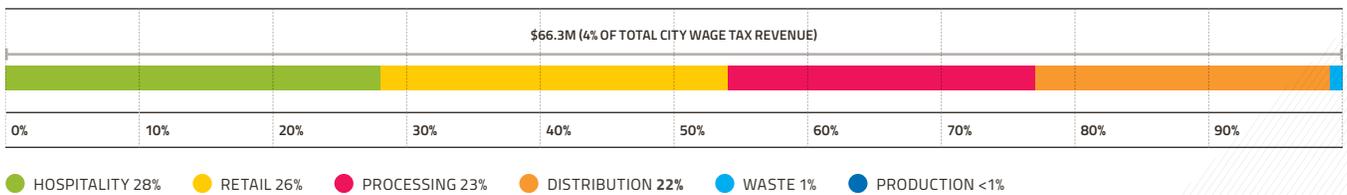
JOBS, GROWTH & WAGES

Retail and hospitality in the Greater Philadelphia region make up the majority of food-related jobs and are among the fastest-growing food economy sectors.

However, the retail and hospitality sectors in the Greater Philadelphia region also pay the lowest wages. The below graphic visualizes the relationship between food-related jobs, and their wages. The inner circle is a pie chart of all food-related jobs broken down by sector. The surrounding pieces visualize the average annual wages for each of those sectors.



WAGE TAX REVENUE, PHILADELPHIA FOOD ECONOMY, 2016



KEY FINDINGS ABOUT GREATER PHILADELPHIA'S FOOD ECONOMY

Data analysis, interviews with individuals at food-based firms, focus groups with Philadelphia's anchor institutions, and surveys of local food-related firms yield eight key findings about Greater Philadelphia's food economy today.

FINDING #1

THE MAJORITY OF FOOD-RELATED BUSINESSES ARE SMALL, AND THESE ENTERPRISES SUPPORT MOST OF THE JOBS IN THE FOOD ECONOMY

Ninety-five percent of Philadelphia food-related businesses have fewer than 50 employees. These small businesses experience challenges not faced by their larger counterparts such as less time for business planning or business administration, and a more limited set of resources.

COMPOSITION OF FOOD-RELATED FIRM SIZE (BY NUMBER OF EMPLOYEES)

1-19	20-49	50-99	100-249	250+
86.4%	8.5%	3.5%	1.3%	0.3%

Source: Reference USA, Economy League of Greater Philadelphia

FINDING #2

LOW-WAGE, LOW-SKILL JOBS DOMINATE FOOD-RELATED EMPLOYMENT IN THE CITY AND REGION

Hospitality and retail, the two largest employers in the Greater Philadelphia food economy, also have the lowest wages. Low wages may be part of the reason that employees do not stay at a single job long, causing "churn," or constant hiring due to vacancies. Despite this dynamic, opportunities still exist for living wage work.

FINDING #3

TYPICAL FOOD-RELATED BUSINESSES OPERATE ON TIGHT MARGINS AND RELY PRIMARILY ON PERSONAL CAPITAL FOR FINANCING

Food-related businesses operate on tight margins, have minimal capacity to absorb losses, and are challenged by both fluctuation in prices and competition. These challenges make it hard to turn a profit, making food-related firms vulnerable to macro and micro-economic shifts. Survey findings suggest that only a small percentage of food-related businesses in the region receive credit from traditional banks, instead utilizing personal savings or personal loans.

FINDING #4

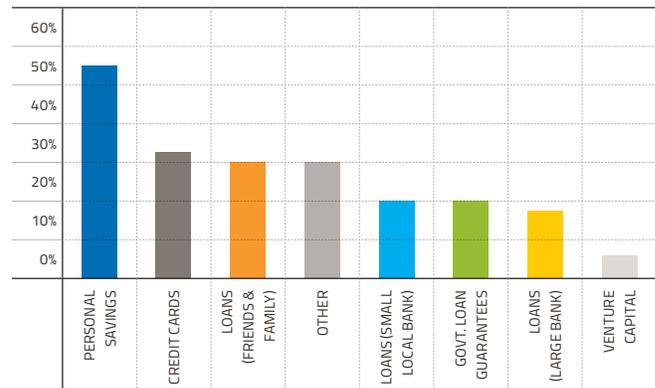
CONSUMER TRENDS POINT TOWARD HEALTHY, LOCAL, DIVERSE, AND SUSTAINABLE FOOD PREFERENCES

Survey respondents echo industry trends that show that new generations of consumers prioritize socially and environmentally responsible, healthy, local, and customizable foods—in short, good food.⁶ These shifts in preferences have helped usher good food to the plates and pantries of residents across the region.

THE BUSINESS PERSPECTIVE, BIRCHRUN HILLS FARM

"As the next generation of consumers is coming on, they're different: they have a social attachment to how they eat, whether in their food business or their household. Economically, there's a correlation there: how much money do they have to spend?"

WHAT FINANCING SOURCES DO YOU TYPICALLY RELY ON? (SELECT ALL THAT APPLY)



Source: Economy League of Greater Philadelphia Food Economy Assessment Survey

*Firms that rely on "other" sources of capital draw mainly from grants or applied funding. These are important for firms like nonprofits that rely on other sources of funding to generate revenue and support operations.

FINDING #5

ANCHOR INSTITUTIONS COULD BE SIGNIFICANT DRIVERS OF GOOD FOOD ECONOMIC DEVELOPMENT

Anchors buy food, contract companies to run their food service operations, lease real estate to food-related businesses, purchase catering, host farmers markets, and directly or indirectly employ hundreds or thousands of people in food-related occupations. Quantitative and qualitative data show that patients, students, staff, and visitors increasingly see anchors' food choices as an expression of their values. Using a good food lens in business decision-making can therefore boost the food economy and anchors' public profiles.

FINDING #6

E-COMMERCE AND THE PLATFORM ECONOMY ARE CHANGING THE FOOD ECONOMY

E-commerce and the platform economy have redefined the food economy in just a few years. From grocery delivery to making reservations online, e-commerce makes the buying and selling of food-related products and services more convenient for consumers. These changes are spurring food businesses to adapt. But the entrance of retail monoliths like Amazon into food e-commerce has smaller businesses competing against companies that can take advantage of economies of scale and put downward pressure on prices while simultaneously impacting the food-related hiring and contracting landscape. So while e-commerce is a boon to consumers, it may lay vulnerable both entry-level employees and small business growth.

THE BUSINESS PERSPECTIVE, FOUR SEASONS

"I think for us it's just about the retail landscape, and we sell to retailers... If everyone is going to buy from Amazon, where does that leave us?"

FINDING #7

NUTRITION ASSISTANCE PROGRAMS SUPPORT BOTH RETAILERS AND CUSTOMERS

In 2017, the federal Supplemental Nutrition Assistance Program (SNAP) generated \$1.3 billion in economic activity in Philadelphia County alone, with every \$1.00 of SNAP benefits spent resulting in an economic impact of roughly \$1.70.⁷ Large retailers operating in Philadelphia's low-income communities estimate that 20%–50% of store revenue is driven by SNAP and other supplemental nutrition programs; for small retailers, benefits redemption can be 50% or more of total sales. Nutrition benefits are an important economic driver to area food retailers, but declining enrollment and threats to the programs themselves may make food retailers and consumers vulnerable.

ECONOMIC IMPACT OF SNAP



\$1.3 Billion in economic activity in Philadelphia County



Every **\$1.00** of SNAP benefits spent resulted in an **economic impact of roughly \$1.70**

FINDING #8

THE CITY IS AN ACTOR IN THE FOOD ECONOMY

Over 1,000 new food establishments open each year in Philadelphia, and all of them have questions about licenses, permitting, and zoning. The City offers several services to assist in launching a food business, continues to pilot new ways of communicating with business owners, and provides resources to support immigrant business owners. The City is also the collector of food-related business taxes such as sales tax, business income and receipts tax (BIRT), wage taxes, the Philadelphia Beverage Tax, liquor tax, liquor licenses, dumpster fees, and cigarette licenses. Survey results show that businesses across all sectors consider taxes a primary concern; however, they appear to play little role in whether firms locate in Philadelphia.

7 "Coalition Against Hunger", accessed October 22, 2018, <http://www.hungercoalition.org/blog/be-change>

OPPORTUNITIES TO GROW THE GOOD FOOD ECONOMY

Through an investigation of the sectors and jobs that make up the food economy, survey responses from area food businesses, and interviews with local experts, we identify the following opportunities to improve health for individuals and the health of the food economy.

GOOD FOOD POLICY OPPORTUNITIES:

- **Explore a good food purchasing policy for the City of Philadelphia.** The City can lead by example in purchasing nutritious food that is sustainably raised on regional farms, purchased from local businesses, and supports fair labor practices across the supply chain.
- **Expand institutional food purchasing policies that prioritize nutritious, locally-produced foods.** Anchor institutions purchase and serve an enormous volume of food. For small production and processing firms, winning a portion of an anchor's business can translate to an important and constant stream of revenue.
- **Support statewide efforts to raise the minimum wage to \$15 per hour.** Food-based retail and hospitality, the two largest food-related employment sectors in Greater Philadelphia, also have the lowest wages, averaging \$10–11 per hour. Raising the minimum wage for food economy workers in retail and hospitality will improve livelihoods and get more money circulating in the regional economy.

GOOD FOOD BUSINESS OPPORTUNITIES:

- **Centralize local produce processing and meal preparation.** A centralized processing and meal preparation facility could process regionally-grown fruits and vegetables into frozen and shelf-stable products to be used year-round by all types of food businesses, produce pre-plated meals that make use of those same good food ingredients, provide local jobs in processing, food production, and distribution, and could help Philadelphia anchors meet their commitments to good food procurement.
- **Design last-mile distribution with smaller minimum orders.** More efficient distribution of goods from their final distribution site to the customer can lower labor costs and promote sustainability through more efficient use of fuel and resources.

- **Lease anchor-owned retail spaces to local good food businesses.** When anchors adopt policies that include a preference for local operators when searching for food-related tenants, they stimulate and support regional small business activity, and expand access to good food in the region.
- **Recover and collect more organics.** Exploring opportunities for organics collection and recovery can provide good jobs and improve the overall environmental impact of the food economy.

GOOD FOOD PRODUCT OPPORTUNITIES:

- **Meet demand for plant-based and multi-cultural food.** Consumer demand is trending toward health-promoting and environment-conscious products and businesses, and foods from many cultures. Meeting this demand can expand access to culturally-appropriate and nutritionally dense foods.
- **Formulate healthier versions of popular foods.** Consumer demand for healthier foods means that reformulating existing products to make them healthier can translate into sales.
- **Develop the supply chain for more local ingredients.** Businesses large and small can support the regional food economy and drive demand by purchasing a segment of their raw goods from other regional firms.

GOOD FOOD PARTNERSHIP OPPORTUNITIES:

- **Expand City programs that support good food businesses.** Expanding existing policy and program development efforts can improve the business environment for all food businesses.
- **Bridge the education gap for non-traditional financing.** More programming and funding tailored to the needs of good food businesses can boost financing acumen and connectivity to other resources for food-related businesses.

Local Spotlights

PHILLY BREAD AND THE GOOD FOOD ECONOMY



Philly Bread founder Pete Merzbacher. Photo courtesy of Philly Bread.

Businesses in Greater Philadelphia are already bringing good food to the mouths, tables, and pantries of area residents while supporting the regional economy. Working in food service and urban agriculture, Pete Merzbacher noticed new trends in food processing: he watched the beer and coffee industries localize and specialize and became convinced that bread would be the next industry to undergo such a transformation. Driven by a passion for food and a penchant for baking, Merzbacher started his business, Philly Bread, in 2013 with his signature local take on the English muffin: the Philly Muffin. Built around creative financing, inclusive hiring practices, regional procurement, regional sales, and large-scale contracts, the way Philly Bread does business is an approach worth replicating.

To learn more about Philly Bread and the good food economy, visit economyleague.org/foodeconomy.

PHILADELPHIA WHOLESALE PRODUCE MARKET



Located between the Philadelphia International Airport and the Port of Philadelphia, the Philadelphia Wholesale Produce Market is one of the largest wholesale centers for fresh fruits and vegetables in the Mid-Atlantic region. The largest fully-enclosed refrigerated wholesale produce terminal in the world, it houses more than 20 vendors that supply local, domestic, and international products to distributors, grocery stores, mom-and-pops, and restaurant chains across the region and beyond. Market vendors surveyed for this report say the strategic location between New York City and Washington, D.C., and agglomeration of like businesses are powerful benefits to the Market, while many worry that climate change could change the way they do business in the future.

PHILABUNDANCE COMMUNITY KITCHEN



Trainees at Philabundance Community Kitchen. Photo courtesy of Philabundance.

Philabundance, a nonprofit hunger relief organization serving the Philadelphia region and beyond, has expanded from its food redistribution model to efforts to reduce food waste, utilize excess regional farm capacity, and train food service employees. Philabundance Community Kitchen (PCK) is a workforce development program that invites formerly incarcerated or chronically underemployed people into 14 weeks of culinary training to prepare them for jobs in food service. It started PCKatering, a catering operation in which catering orders are prepared by students; catering proceeds go to supporting the training program and the food bank. In May 2019, Philabundance broke ground on a new facility for PCK in North Philadelphia that will train twice as many students each year with the potential to produce up to 5 million meals annually for catering, homeless shelters, and more, adding capacity to produce pre-plated meals within City limits.

What is Good Food?

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- 1) Health-promoting
- 2) Locally-oriented
- 3) Sustainably-produced
- 4) Fair

Window of Opportunity: Alternative Financing Programs

These Philadelphia-based organizations can support food-related businesses through grants, financing, and more:

- **FINANTA's Affinity Group Lending:** network of connected individuals pool money to micro-lend to members, with loans from \$1,200 to up to \$25,000; more than 60% of FINANTA's clients are food-related businesses
- **Kiva City Philadelphia:** business owners apply to get crowd-funded zero-interest loans
- **Neighborhood Progress Fund:** loans from \$5,000 to \$1.5 million for businesses opening in North Central Philadelphia
- **Philadelphia Commerce Department InStore Forgivable Loan Program:** forgivable loans up to \$50,000 for food-based businesses in eligible corridors
- **Philadelphia Commerce Department Storefront Improvement Program:** reimburses up to 50% of the cost of eligible building improvements
- **PIDC Working Capital and Equipment Loans:** flexible term loan to finance working capital, equipment, or leasehold improvements
- **Reinvestment Fund:** has several financing options across an array of sectors and business development stages
- **The Enterprise Center:** microlending and traditional small business loans

It is clear that food-related choices—at both personal and commercial levels—can have far-reaching effects on the health of residents and our local economy.

There are many opportunities to support a healthy food economy that values sustainability, fairness, and local impact, and the demand for the businesses that comprise that economy has never been stronger. Though poverty, inequality, and chronic disease are high in our region, our location, diversity, strong anchor institution demand, and support for entrepreneurs lift up the region, including its most vulnerable residents. A good food economy is better for all of us, and it is within our grasp.

GOOD FOOD POLICY OPPORTUNITIES:

- Explore a good food purchasing policy for the City of Philadelphia.
- Expand institutional food purchasing policies that prioritize nutritious, locally-produced foods.
- Support statewide efforts to raise the minimum wage to \$15 per hour.

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- Design last-mile distribution with smaller minimum orders.
- Lease anchor-owned retail spaces to local good food businesses.
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- Formulate healthier versions of popular foods.
- Develop the supply chain for more local ingredients.

GOOD FOOD PARTNERSHIP OPPORTUNITIES:

- Expand City programs that support good food businesses.
- Bridge the education gap for non-traditional financing.

For a full list of steering committee members and project team members, please visit economyleague.org/foodeconomy.

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