Case History & Analysis: False Locally Grown & Locally Sourced Claims at Restaurants

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FALSE LOCAL FOOD CLAIMS

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Introduction
As you sip on your morning coffee, you click through the articles of your local newspaper online. A restaurant review catches your eye with a photo of drool-worthy dishes. The place has one of those cutesy one-word names with an ambiance described as “sophisticated-rustic”…and a price tag to match. The writer touts the unbelievably fresh and locally sourced ingredients that make up every dish. You are so excited about the new restaurant that you immediately log onto OpenTable and book the soonest available reservation. When you arrive the atmosphere, the service and the food all live up to the hype of the article. The best part of the whole experience is the moral satisfaction of knowing that all of the locally grown and sourced ingredients support local farmers and producers.

But what if it’s all a lie? What if that food wasn’t truly locally grown and sourced? Who’s lying? The cute new restaurant? The cheery little old vegetable farmer you envisioned tending to your micro-greens? The government that regulates your food?

Issue
When Times’ Food Critic, Laura Reiley’s Farm to Fable article hit the press in April 2016 she blew the lid off of the local food trend. Reiley had spent months reviewing restaurant menus, collecting samples of fish for DNA testing, calling producers and vendors and visiting farms. Her exhaustive work unveiled that just about every restaurant fibs when it comes to locally grown and locally sourced claims – some were tiny fibs, while others were huge (Reiley, 2016). The tales that restaurants tell with their local food claims results in consumers paying additional money for the benefits of locally sourced food, when that is not what they are really getting.

First, one may ask, what does “locally grown” and “locally sourced” mean when it comes to food and what are the benefits? Well, it depends on who you ask, because there is no universal definition for “locally grown” or “locally sourced.” Consumer studies report that the average consumer thinks “local” food means either within an eighty-mile radius or from within the same state (The Harris Poll, 2015). Retailers like Walmart and Whole Foods define “local” as from within the same state, while Safeway’s definition is within an eight-hour drive. In an even further stretch of the definition the 2008 Farm Act lumped “local” and “regional” together and gave them a definition of transported from within a 400 mile radius (Tarkan, 2015; Ayala, 2013).

As for consumers’ reasons for buying local, there are a wide array of perceived benefits – many intangible. Many believe that local food purchases support the local economy and local businesses. In addition, there is the perception that local food is fresher, higher quality, healthier and safer. Consumers also feel a greater sense of security with local foods by knowing where it is coming from, and have a sense of greater trustworthiness and safety. Lastly and incredibly important to consumers is that local food leaves a smaller carbon footprint (The Harris Poll, 2015; Tarkan, 2015).

So, why are restaurants getting away with false local food claims? Don’t we have agencies to stop it? The United States Department of Agriculture (USDA), the Food & Drug Administration (FDA) and the Federal Trade Commission (FTC) work collaboratively to define and regulate...
food claims. With their shared jurisdiction over food claims, they have the same goal of regulating prohibited unfair and deceptive acts. In their memorandum of understanding the FTC assumes responsibility of regulating food advertising while the FDA and USDA take on the responsibility of regulating food-labeling (FTC, 1994). With clear responsibilities in place, it seems that one of these agencies should be cracking down on these false local food claims, but the problem is that there is no federal definition and the possibility of one is unlikely. There is concern that because of the diversity of crops and growing regions within the U.S., which makes a set distance reasonable for some states, but not others (kginter, 2011).

Food Concern
Restaurants that are falsely labeling their food as locally grown or locally sourced when they are actually using conventionally sourced foods are committing economically motivated fraud – which is posing their product as having a certain quality that it does not so consumers will pay more for it.

Food fraud has been around for centuries – from winemakers sweetening wine with lead in ancient Rome to spices substituted with pits, stones or dust in the Middle Ages to dairy farmers adding plaster or chalk to milk to improve texture and color in the nineteenth century (Walter, 2013; Schumm, 2014). Food fraud is a collective term used to encompass the deliberate and intentional substitution, addition, tampering or misrepresentation of food, food ingredient or food packaging; or false or misleading statements made about a product for economic gain (Ellefson et al, 2013).

Food fraud is an intentional act and is always economically motivated. Generally, food fraud is perpetrated by food chain insiders that have regular access to food products. Most incidents of food fraud do not result in public health harm. There is no way to know exactly how widespread food fraud is in the U.S. or globally because most incidents go undetected because a problem is not apparent. The amount of documented food fraud incidents is likely a fraction of the real number of incidents due to low detection rates (Johnson, 2014). Recent statistics of food fraud estimate that economic adulteration and counterfeiting of global food and consumer products costs the food industry $10-15 billion annually, with other statistics from the World Customs Institute and Federal Bureau of Investigation estimating a global cost of $49 billion per year to resolve food fraud incidents (Edwards, 2015).

Background
For the past decade, the trend of eating locally grown and sourced food has exploded, with almost seventy percent of consumers stating they would be more likely to choose a restaurant if it serve locally sourced food (CulinarySchools.com, 2013; National Restaurant Association, 2016). A 2016 National Restaurant Association survey found that restaurants have listened to consumers’ demands for local foods with 80% of fine dining and sixty percent of casual dining establishments offering locally sourced food products. And the trend shows no signs of slowing; over 90% of fine dining restauranteurs indicate they are planning to add local foods to their menus (National Restaurant Association, 2016). Consumers’ specific top demands for locally sourced food include meat and seafood, with local produce being next on the list (National Restaurant Association, 2015). Millennials and consumers with children place the highest importance of purchasing local food products (The Harris Poll, 2015).
Locally sourced foods are known for being more expensive, but consumers are willing to pay for it. In 2014, locally grown and sourced foods generated nearly $11 billion in sales and that number is expected to nearly double by 2019 (Tarkan, 2015). Because of its extreme popularity, a number of market studies have been done to determine how much of a premium consumers are willing to pay for a locally grown and sourced food product. In one study nearly half of consumers surveyed said they would pay up to 10% more for locally grown food and nearly one in three would pay as much as 25% more (Tarkan, 2015). In another study, nearly 30% of people surveyed were willing to pay 5 to 25% more for local food (Ortiz, 2010). And in a third study, 70% of consumers were willing to pay a premium for local foods (Goldblatt, 2013).

What makes locally grown and sourced food more expensive? A general conclusion is that local food is often more expensive because it is often grown or raised on a smaller scale and is, therefore, less efficient, but there are other impacts on the cost of local food (Dean, 2007). Politically, often local food growers are unaided by government subsidies that are given for commodity crops. Socially, local farmers are far less likely to underpay their workers like larger or foreign farms (Heffern, 2010). And geographically, states in the Midwest & East have less ideal growing conditions with less favorable soil for certain produce and shorter growing seasons resulting in a lower yield. These factors can result in local products costing nearly twice what a consumer would pay at a standard grocery store based on one writer’s shopping experiment (Hise, 2016).

There is so little regulation of locally grown and sourced food claims because there is no one regulatory agency willing to define or enforce it. This lack of oversight has resulted in the industry setting its own standards and has led many restaurants to stretching the definition of “local” (kginter, 2011). There are some instances where state or local governments will regulate local claims, but these are often weak laws or marketing programs with minimal funds to regulate the problem (kginter, 2011; Turmelle, 2015).

In addition to nearly non-existent federal regulation of local food claims there are currently no national certification programs that certify or provide a universal definition of locally sourced or locally grown. Generally, when there is a highly prized claim by consumers that is not regulated by the federal government a reputable certifying agency will step in to set up guidelines, definitions and to give reputable review and approval for a claim in exchange for a fee. Examples of certifying agencies for claims include the Non-GMO Project for non-GMO verification of food products and the Orthodox Union for Kosher certification of food products.

With locally sourced foods having a reputation of being more expensive and little regulation it is easy to see how misleading claims about the origin of a food are ripe for the picking by the restaurant industry. But, beyond the ease, marginal risk and profit involved with local food claims the source of the fraud also comes from chefs and owners who feel pressured to make local claims while still living up to consumers’ unreasonable expectation of low food prices. For restaurants to survive they have to buy low and sell high, with local food claims allowing them to hike their prices without consumers questioning them (Shafer, 2016). Many restaurants have little guilt about their local food fibs as customers leave happy and satisfied regardless of truly
knowing that their microgreens came from South America and not the farmer in the next town over (McArdle, 2016).

Interestingly, in a television interview in Palm Beach, Florida, local food growers discussed how they have learned of restaurants that are using their business or name in their menus even though that restaurant has never or is not currently buying from them. A regular practice of restaurants is that they will order from a local grower once, but then keep that grower’s name on the menu for a whole season or longer. And even though growers are not fond of this practice they don’t stop the restaurants because they fear biting the hand that feeds them, and losing the restaurant’s business altogether (LaGrone, 2016).

The U.S. is not the only country suffering from cases of fraudulent local food claims. In the United Kingdom, consumers are also being misled by local food claims – with nearly a fifth of products making the claim falsely. Mislabeled products included “Welsh lamb” from New Zealand, Somerset butter” from Scotland, ”Devon ham” from Denmark and ”West Country fish fillets” that had been caught in West Country and filleted in China (Fallon, 2011). In these cases, restaurants had the highest rate of false local food claims and manufacturers had the lowest rate. Just like the U.S., the United Kingdom does not have a legal definition for locally grown or sourced, but the food law code of practice states that local food claims should mean "sales within the supplying establishment's own county plus the greater of either the neighbouring county or counties or 30 miles/50 kilometres from the boundary of the supplying establishment's county" (Fallon, 2011). And with increasing fraudulent local food claims Canada decided to take action, a few years ago the Canadian Inspection Agency set up an interim rule for the definition of “local” while they modernize all of their food labeling regulations. The definition is: a food produced in the province or territory where it is sold or food sold across provincial boarders within 50 km of its origin (Canadian Food Inspection Agency, 2014).

Dilemma
Thanks to Laura Reily’s expose on false locally grown and sourced food claims made at restaurants, it has shined a spotlight on the economically motivated food fraud U.S. consumers are victims of. U.S. consumers need to be protected from misleading food origin claims that result from the competitive and economically motivated restaurant industry. How can the United States government better define and regulate the use of these claims?
FALSE LOCAL FOOD CLAIMS

Case Analysis: False Locally Grown & Locally Sourced Claims at Restaurants

Dilemma
Thanks to Laura Reily’s expose on false locally grown and sourced food claims made at restaurants, it has shined a spotlight on the economically motivated food fraud U.S. consumers are victims of. U.S. consumers need to be protected from misleading food origin claims that result from the competitive and economically motivated restaurant industry. How can these claims be better defined and regulated? Should the U.S. government be responsible for these claims, like all other food claims?

Methodology
The USDA, FDA and FTC work collaboratively to define and regulate food claims. With their shared jurisdiction over food claims, they have the same goal of regulating prohibited unfair and deceptive acts. In their memorandum of understanding the FTC assumes responsibility of regulating food advertising while the USDA and FDA take on the responsibility of regulating food-labeling (FTC, 1994).

With three federal agencies already responsible for food regulation and claims, consumers have an expectation that all food claims, including food origin claims, are truthful and accurate. Since the responsibility of regulating food claims already belongs to the USDA, FDA and FTC, they should also be responsible for claims about food origin. Because these agencies have been lax on creating a definition and enforcement, consumers, local producers, and advocacy groups need to pressure them to take a more active stance on eliminating fraudulent food origin claims.

Ethical Considerations
If the way that local food claims are managed today were to change there could be negative consequences. Most of these possible consequences will result in restaurants and local producers losing income and going out of business.

To start with, chefs and restaurant owners feel pressured to make local claims while still living up to consumers’ unreasonable expectation of low food prices (Shafer, 2016). By cracking down on fraudulent local food claims, many small restaurants may lose profits and go out of business because of:

• Bad press from false claims
• Having to source expensive local ingredients year round, as advertise
• Having to move away from local claims because of the high price, resulting in reduced prices because consumers were only willing to pay a premium for local ingredients

If restaurants see a crackdown on local claims they may decide to abandon the concept altogether because it is too risky for their business, which results in local producers losing business. Restaurants may fib about some of their ingredients being locally sourced, but at least they have some local ingredients and support local producers, but if restaurants are now longer willing to take the risk of making local food claims they could stop sourcing local ingredients altogether because of the expense (LaGrone, 2016).

Creating a national definition for “locally grown” and “locally sourced” food claims could decrease workers’ pay for larger producers. Currently, there are large farms that can charge a
premium for locally grown produce because that “local” claim can be made even if the produce is shipped 800 miles. If limiting these claims to food shipped within 100 miles of their origin the producer may not be able to charge the same premium to as many buyers, meaning less profit, and less money for already underpaid workers.

Lastly, if federal agencies step in to more strictly regulate local food claims it could distract them from enforcing other, more important food regulations. Enforcing food claim that simply impact consumers’ pocketbooks means they can’t focus on more important food concerns, like foodborne illnesses that affect consumers’ health and lives. Is being charged a few extra bucks on a meal more important than preventing an illness or saving a life?

Options

To resolve the issue of fraudulent “locally grown” and “locally sourced” food claims there are three options:

1. Do nothing to stop fraudulent “locally grown” and “locally sourced” food claims
2. Federal food agencies step in to regulate the use of “locally grown” and “locally sourced” claims on food products
3. Public Service Announcement (PSA) or educational initiative on “locally grown” and “locally sourced” food claims

Option 1

The first and easiest solution to managing fraudulent local food claims has to do nothing about the fraud. Restaurants will continue to tell fibs about the dishes they serve containing locally grown and sourced ingredients and consumers will continue to dish out extra money for a benefit they are not actually receiving. The definition of “locally grown” and “locally sourced” will remain vague, with the meaning changing depending on the source. The U.S. is not the only country to have little or no enforcement of food origin laws, the United Kingdom suffers from similar fraud and Canada only just recently drafted rules surrounding the use of local food claims (Fallon, 2011).

If the industry and government continues with the status quo consumers continue to overpay for a product and benefit they think they are getting, but actually are not. As stories continue to unveil fraudulent claims consumers will continue to have or even increase their mistrust with the food industry. Additionally, local producers will continue to be taken advantage of by restaurants falsely using their name

On the flip side, if the status quo with food origin claims continues restaurants continue to make local claims without raising prices or taking a hit to profits. No change means that the current relationship between producers and restaurants continues. If strict enforcement of local food claims took place it may scare restaurants off from making any local claims, which means that they would no longer pay the premium prices for locally produced food if they can’t have the benefit of calling it out. Also, federal agencies that should/would be responsible for enforcing local food claims can continue to focus their efforts on food safety concerns that are a higher priority to the health of U.S. citizens.
Option 2
A second option to solving the issue of “locally grown” and “locally sourced” food claims is to have federal agencies regulate the claim. The USDA, FDA and FTC are already collaboratively responsible for defining and regulating claims used on food products. Specifically, the FTC is responsible for regulating food advertising while the FDA and USDA are responsible for regulating food-labeling (FTC, 1994). An example of these responsibilities would be the FTC regulating advertising of sweetened foods to children and the FDA and USDA regulating the use of “Fresh” on food labels (Fresh, 1993; FTC, n.d.).

For food labeling purposes the FDA and USDA would define “locally grown” and “locally sourced” food claims by explaining distances and parameters to make the claim. The definition would also outlined how the claim could be displayed on labels. These claims would fall into the same enforcement measures used for all other food claims. Restaurants may consider their local food claims to be advertising, so these would more likely be the FTC enforcing the definitions and regulations outlined by the FDA and USDA per their memorandum.

Some states have actually taking matters into their own hands with regulating local food claims. Both California and Connecticut passed similar laws relating to false advertising (Mazurek, 2014; Turmelle, 2015). The California law has inspectors checking farmers markets throughout the state for false advertising local food. To fund the inspections, all farmers’ market vendors must pay an increased fee to participate in the market. Now vendors are required to display signage that states their name, county of production and a statement along the lines of “we grow what we sell”. The required statement qualifies as an advertisement, so, if it is falsely made or misleading it is considered a misdemeanor punishable by fines up to $2500 or imprisonment (Mazurek, 2014).

As with any regulation, there will be consequences and costs. Restaurants may have to increase prices or take a hit to their profit if they decide to use local ingredients as they advertise, which could result in some going out of business. If restaurants increase prices, the eating local trend as a whole may decline due to consumers’ unwillingness to pay even higher prices for the benefit. Some restaurants that receive citation for using false claims may go out of business due to fines or a poor reputation. If restaurants that are at least sourcing some local ingredients go out of business then the local producers lose business. Also, if restaurants are concerned with being cited for fraudulent local claims they may decide to forgo the advertisement and the pricy local ingredients altogether, also affecting the sales of local producers. Lastly, asking regulatory agencies to invest more efforts into regulating food origin claims takes their focus away from bigger food safety concerns, like outbreaks or contamination.

With federal regulation of local food claims consumers could work under the same assumptions they do with all other food claims. That the claims have been defined, are truthful and are enforced by a government agency. Regulation of local food claims will also result in restaurants cleaning up their act and being more truthful with these claims because it is not worth the risk of being caught with false claims. Lastly, consumers will no longer be victims of fraudulent local food claims that result in them unknowingly paying more for a product that is not as advertised.
Option 3
One final option for managing fraudulent local food claims would be an educational initiative or a PSA about local foods, local food claims, local food fraud and spotting fraudulent local food claims. PSAs are designed to inform and educate the public with the goal of changing public opinion and raising awareness of a problem. The strategy of a PSA is to first educate and then provoke a feeling and reaction related to the topic. PSAs can take the form of television, radio, online, direct mail, print or billboard advertisements (Suggett, 2016). An example of a PSA is one like the one the AdCouncil is currently running about reducing food waste (AdCouncil, n.d). The point of the AdCouncil’s food waste campaign is to raise U.S. consumers’ awareness of the amount of food wasted by Americans and how that impacts the environment and food insecurity in the U.S (Suggett, 2016).

An industry or consumer interest group would likely organize an initiative like this. The most effective places to post educational materials about local food and fraud would be where consumers interested in local foods would be most likely to see and read it. Examples of locations would include pamphlets and booths at farmers markets and local events/fairs that attract local food conscious consumers. Many cities have local periodicals about entertainment, events and restaurants in the area – articles and consumers affected would see ads in these sources. Also, restaurants that are true stewards of the local food movement may decide to partake in handing out and educating consumers on local food. And, of course, newspapers and maybe even magazines would be great placement for the cause; after all, it is a newspaper article that blew the lid off fraudulent local food claims to begin with. It can be reasonably deduced that consumers concerned with the origin of their food are educated, health oriented and of at least middle income. Education and health awareness has likely alerted consumers to the benefits of consuming locally sourced foods and local foods are often higher in price, so consumers with a reliable income are the ones that are more likely to act on the information and benefits of local eating. It is important to consider these factors when determining the best way to reach consumers affected by the issue.

The pros of an educational program or PSA to reduce fraudulent local food claims is that consumers will be aware of the fraud and more likely to protect themselves from it. In addition, shedding light on the issue may encourage offenders to clean up their act for fear of being caught and getting a bad reputation. This initiative would save the government from the costs of writing up regulations and enforcement of the claim and allow them to continue focusing on food issues of greater concern.

However, a campaign of this sort could have negative consequences. Similar consequences to federal regulations are restaurants raising prices, decreased interest in the trend due to cost, restaurants losing profits, and local producers losing business due to restaurants closing or no longer making local food claims. Additionally, consumers that do not see the ads will continue to overpay for benefits they are not receiving. A campaign like this may even result in consumers having greater mistrust of restaurant advertisements because they are more informed. In addition, in the end, there will still not be one unified definition of “locally grown” and “locally sourced”, leaving consumers still confused about what they are paying for.
**Recommendation**

Of the three options for protecting consumers from fraudulent local food claims I would recommend option 2 – where federal agencies regulate claims like “locally grown” and “locally sourced.” The FDA, USDA and FTC are already responsible for regulating unfair and deceptive acts related to food products, so it makes sense to include local food claims under their umbrella of responsibilities.

As outlined under the Issue section, the definition and interpretation of locally grown can vary widely throughout the food industry and consumers. The FDA and USDA are already responsible for defining claims on food products, so it is natural for them to manage food origin claims. Both agencies already have processes and expertise in place to define these type of food claims.

I also believe this is the best way to solve the dilemma because U.S. consumers operate under the assumption that there are laws and agencies that protect or prevent them from becoming victims of misleading food claims. Local food claims should be no exception to this assumption.

Regulating local food claims will encourage restaurants to be more truthful in their advertisement of local ingredients, which can be critical to the health of some consumers. A pregnant woman may be trying to avoid fish from overseas for fear of high heavy metal concentrations that can affect her developing fetus, so she chooses to consume local fish. Alternatively, a cancer patient with a compromised immune system may be trying to avoid produce from Mexico due to less sanitary farming practices and chooses to eat local produce with stricter sanitation requirements. Regulations that instruct and enforce food origin claims means that consumers are far more likely to get the local food that is advertised.

There are many negatives outlined in relation to regulating local food claims, which requires its own justification for going the regulation route. Many of the cons of regulation food origin claims are related to restaurants and local producers losing profits or going out of business due to increased costs of following the rules if local food claims were regulated. As with many claims that become regulated or highly litigated, the industry will adjust and find other ways of communicating the idea of “locally grown” without being misleading. Restaurants would likely be more diligent in updating their menus based on the seasonality of local ingredients, allowing them to still have the reputation of serving local food. Restaurants could also keep menus and advertisements truthful by having disclosures about limited availability of the local produce, which allows consumers to ask if the local variety is available.

Lastly, to address concerns of regulatory agencies being distracted from bigger issues by regulating local food claims, I envision the enforcement would be the same as all other food claims. Federal agencies will not necessarily be out hunting for misleading local food claims, but enforcement of fraudulent claims will likely happen during routine inspections or when investigating other concerns.
FALSE LOCAL FOOD CLAIMS

Conclusion

TO: 
FDA: Dr. Stephen Ostroff, Commissioner of Food and Drugs  
FTC Chairwoman Maureen Ohlhausen  
USDA: Secretary of the United States Department of Agriculture  
FROM: Jennifer Krajewski Regulatory Affairs Technologist 
DATE: March 26, 2017  
SUBJECT: Regulation and Enforcement of “Locally Grown” and “Locally Sourced” Food Claims

U.S. consumers are currently victims of economically motivated food fraud from the use of misleading “locally grown” and “locally sourced” food claims at restaurants. There has been limited definition and regulation by the USDA, FDA, and FTC on local food claims, resulting in a proliferation of their abuse.

The abuse of local food claims completely undercuts the trust of U.S. consumers. Consumers are unfairly paying more money for the social and environmental benefits they think they are getting from buying local food, when instead the extra money they are spending is going towards the profits of restaurants and the food industry. Additionally, some consumers are choosing to eat local based on health concerns, like the avoidance of pathogens or contaminants associated with foods from certain locations. Despite their best efforts to maintain their health, these consumers may be eating the very thing they are trying to avoid because of misleading food origin claims.

There are three options to manage the issue of fraudulent “locally grown” and “locally sourced” food claims:

1. Do nothing to stop fraudulent “locally grown” and “locally sourced” food claims  
2. Federal food agencies step in to regulate the use of “locally grown” and “locally sourced” claims on food products  
3. Public Service Announcement (PSA) or educational initiative on “locally grown” and “locally sourced” food claims

I recommend the second option, having federal agencies define and regulate local food claims. As you know, your agencies are already responsible for defining and regulating food claims in the U.S. Processes and expertise is already in place to define, codify and enforce these types of claims. Your regulation of these claims is crucial to protecting consumers’ pocketbooks, preserving consumers’ trust and preventing health concerns. I strongly recommend reading the attached Case History and Case Analysis regarding fraudulent food origin claims to further understand the history and context of the issue.

Consumers depend on federal agencies to protect them and their loved ones from false and misleading claims and advertisements that could affect their finances or health. Without your action, consumers will continue to be victims of economically motivated food fraud.
Resources


Johnson, R. (2014, January 10). “Food Fraud and ‘Economically Motivated Adulteration’ of
FALSE LOCAL FOOD CLAIMS


