



SANTA CLARA UNIVERSITY

The Secondary Market for Fresh Produce: Opportunities to Reduce Food Insecurity

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Introduction:

- In 2010, 14.5% of Americans were food insecure at some time during the year according to a USDA report on poverty and hunger (Coleman-Jensen, Nord, Andrews, Carlson, 2010)
- Not all of the fresh produce that is grown ends up in the market for which it was originally intended



Objectives:

- **Secondary market creation**
- **Factors affecting price & availability in secondary markets**
- **Opportunities for collaboration between growers & non-profits to address food insecurity**



Background: Secondary Markets in the Fresh Produce Sector

- Supply is controlled for pricing reasons and the excess becomes available as recoverable food loss
- Secondary markets, by definition, provide a non-competing outlet for excess or withheld supply from the primary market



Background: Secondary Markets in the Fresh Produce Sector

NPO's and NGO's, such as food banks, have access to food distribution networks for low-income populations

These organizations:

- **Provide a local secondary channel for primary market redirection of excess or withheld supply**
- **Do not compete with the primary market**
- **Reduce food insecurity in the areas where these relationships develop**



Factors That Enable Secondary Market Creation

- Price Elasticity
- Income Elasticity
- Shelf Life



Secondary Market Creation: Price Elasticity

- Consumer behavior responds as would be expected. For vegetables such as lettuce, the price elasticity is low compared to asparagus, where it is higher but still in the inelastic range:
- The more price inelastic a product is, the more consumers will bear a price increase because there are less substitutes



Secondary Market Creation: Income Elasticity

Luxury
Produce Items



Staple Produce
Items



Secondary Market Creation: Shelf Life





Conclusions:

- An integrated secondary market channel where product is most price-inelastic, and also has short shelf life, is most likely to benefit the grower and the secondary market channel in achieving supply-chain optimization
- For the grower, this translates to reduced price risk
- For the secondary market channel, this provides for more product at a lower cost
- The grower can better understand how much excess supply costs can be recovered if there is knowledge of secondary demand potential