

Behind the Scenes: The Economics of Food Banks

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Emily Chang (EC): Welcome back to the “Behind the Scenes” Podcast with your host, Emily Chang!

Alankrita Biswas (AB): And Alankrita Biswas! Did you know that food banks do more than fight hunger in our community? They fuel local economies, support businesses, and surprisingly manage to keep up with the current trend of rising costs and growing demand. In this episode, we’re going to be talking about the economics of food banks and exploring the complexity under their surface.

EC: And we’re bringing back a fan favorite: Local Voices! For our new audience, our team connects with our community through in-person interviews with local institutions. In this episode, we’re honored to be featuring our interview with Arin Kutey, the manager of the food industry partnerships at the Regional Food Bank, a partner of Feeding America - the biggest food bank network in the United States! Our special guest, Catherine, will share exclusive insights from our interviews.

Catherine Seol (CS): Hey guys! I’m so excited to be a part of the podcast and to share the behind-the-scenes of food banks!

AB: That’s just like our name, “Behind the scenes”!

CS: Before we start, let’s locate what a food bank is. Most people confuse food banks with food pantries, but food banks don’t distribute food directly to neighbors in need. They are warehouses that inspect, sort, and repackage food from the suppliers and distribute them to local institutions such as food pantries that give out food (A. Kutey, personal communication, February 21, 2025).

AB: Thank you! Now, let’s go Behind the Scenes, starting with the basics—where do food banks even get their food?

CS: Well, food banks don't just rely on one source; they have multiple suppliers. Arin pointed out three major food sources: food donations, food purchases, and government food assistance from the U.S. Department of Agriculture (USDA) (Kutney, 2025).

EC: Great insights! Retailers have contributed greatly to food banks. For example, Walmart alone has provided over 7.5 billion pounds of food since 2006 (Walmart, n.d.).

AB: Also, let's not forget about agricultural producers. Food banks purchase fresh produce and proteins from farmers (Morello, 2021). It's a win-win because it ensures a more nutritious food supply and prevents waste.

CS: True! Arin talked about how food banks are making an increased effort to provide a variety of food to choose from (Kutney, 2025). Let's be honest, nobody wants a food bank stocked entirely with canned green beans!

EC: Exactly. But food banks can't just rely on businesses alone. That's where donors come in. Some donate money, which helps food banks purchase what they need most, whether that's perishable items, extra storage, or operational costs. Feeding America provided 5.3 billion meals in 2023 through a network of over 200 food banks and 60,000 partner agencies (Feeding America, 2024).

AB: That's amazing! Even with all this impact, though, I've heard that food insecurity has been increasing in the past few years. According to Feeding America's Food Bank Survey in 2023, two-thirds of the food banks assessed by Feeding America said there was an increase in demand for food assistance (Feeding America, 2023). Why do you think this is happening?

EC: That's a great question! Food insecurity has been rising since before COVID-19, and the demand for food banks in 2024 was significantly higher than pre-pandemic levels (Byrne et

al., 2022). It seems that stagnant wages, rising costs, and more families living on the financial edge are making it difficult for households to meet their food needs.

AB: It's upsetting that there are so many challenges people face when trying to feed their families! Say, do you know anything about how the need for food assistance differs in certain situations?

EC: As a matter of fact, I do. Colder seasons create increased demand (Rubin, 2024). Families often experience extra expenses, like heating bills, no school meals during winter break, and holiday gatherings. The holiday season can be a hard time for food banks to provide enough food for people in need.

AB: Wow, the communities are certainly facing many difficulties. What are some challenges for the food banks?

EC: Most people see food banks simply as donation and distribution centers, but this whole process is complicated and challenging. From logistical and operational aspects, they need different departments for things like food sourcing, food distribution, and more to ensure a smooth operation in the food bank.

CS: Another obstacle that food banks face is that food donations could decrease if businesses are reducing internal food waste, which means they would have less food to give away. Additionally, government funds could be affected by market conditions and budget decisions (Kutey, 2025).

AB: Speaking of challenges, were food banks affected by COVID and the ensuing inflation?

CS: Definitely! Arin talked about how the need for food skyrocketed when COVID-19 started. The Regional Food Bank stayed open through COVID-19, continuing to provide food

when their neighbors needed it the most. They kept up their efforts and focused on innovations to meet the spike in demand, including changing to drive-thru distributions. The food bank has an impactful buying power - they can convert every dollar spent to four meals. This allows them to minimize the impact of inflation (Kutey, 2025).

EC: That certainly helped the situation. Most food banks were doing well during COVID-19. 81.4% of them supplied their customers, and COVID-19 increased the amount of food distribution from food banks by 44% (Byrne et al., 2022). Meanwhile, COVID-19 increased awareness of the importance of food banks, so donations increased. Government assistance, such as the Emergency Food Assistance Program (TEFAP), made the situation less challenging (Babineaux-Fontenot, 2024).

AB: But I heard that after COVID-19, inflation has disrupted the food banks' food purchasing programs.

EC: Yes. In 2023, food banks had to pay around 30% more for food purchases. According to Feeding America, the price of the food was \$0.59/lb a year ago, and now it's gone up to \$0.77/lb (Engelhard, 2023)!

AB: Not only that, people have been finding it harder and harder to afford enough food due to inflation. I saw that grocery costs have been steadily rising, and prices are set to increase by 2.2% in 2025, so this means that people need more assistance from food pantries (Boyo, 2025).

EC: Because of these challenges, food banks need to ensure how much demand they will get. Therefore, some food banks have adopted forecasting models to predict demand and to become more confident in how much food to obtain and distribute.

AB: That sounds great! Was this effective in allowing food banks to meet demands?

CS: It was! Food banks sought various creative solutions to obtain more supplies and donations. Instead of purchasing packaged food, food banks work directly with producers to source fresh produce that may have defects and would otherwise become waste. Food banks can also expand relationships with donors to receive more donations. Arin mentioned that visits with food donors are one way to nourish these relationships (Kutey, 2025).

EC: Also, food banks rely on different sources, such as donations, aid from the USDA, and purchasing the food themselves. Thankfully, in 2024, the USDA announced that they are investing one billion dollars towards hunger relief in local communities, helping food banks immensely all over the U.S. (Feeding America, 2024).

AB: Speaking of help, I'm wondering what motivates food donations. Other than charitable purposes, the food donors are essentially giving away their so-called "profits". Perhaps they also benefit from donating food?

EC: You're on the right track! Let's flip perspectives, focusing on the food donors—Whether you are an individual, a grocery store, a restaurant, or a supermarket.

AB: Great. I imagine I'm the CEO of this fancy supermarket in Albany.

EC: Now, you have a competitor: the OPP supermarket that does not donate food because they never listen to our podcast. Their food is approaching its first threshold, which is the week before the expiration date, while some customers are becoming reluctant to purchase. In response, the goods will be discounted, but once they reach the second threshold, even closer to expiration, they will need to discard the food (Allon, 2022). Guess what: they end up paying more.

AB: That sounds inefficient!

EC: Yeah. They will be charged a “tipping fee” for discarding products, as most companies have contracts with a waste management company. For example, it will be 102 dollars per ton in Albany, New York (City of Albany Rapp Road Waste Management Facility, 2025).

AB: But I’m the one who donates food!

EC: Exactly! So you donate surplus food to the Regional Food Bank without needing to discard any products, saving the waste management fee while boosting your supermarket’s social impact as a powerful marketing strategy. Moreover, partnering with food banks helps optimize your supermarket’s supply chain efficiency by managing inventory better and reducing overstock risks, not only driving cost savings but also enhancing operational sustainability (So What Else, 2024).

AB: That’s compelling, but I’m not quite convinced about the economic benefits.

EC: Valid. Here’s an economic study on how the team compares the profits of the stores that donate food and the ones that don’t in a simulation: The findings show that the donating stores ended up having a roughly 3% increase in their equilibrium price. Moreover, not just in price, but also quantity—They see around a 50% increase in volumes than the stores that don't donate (Lowrey et al., 2020).

AB: Huge difference! I am amazed!

EC: With their complex calculations on the quantity of potatoes sold in the simulation, the cost of discarding unsold potatoes was about 21% higher compared to donating, which included the waste management fee and federal tax deductions (Lowrey et al., 2020).

AB: Wait, what? Do we get to enjoy federal tax deductions for donating food?

EC: Of course! According to the USDA, a standard charitable deduction is based on the fair market value (FMV) of the donated food, which means the price the food would normally be sold for (Castro, 2016). The deduction is the cost basis, which would be the FMV minus any profit they would make if they sold the food (Hoxha, 2024).

CS: Also, Arin says farmers who donate food may receive tax credits up to \$5,000, which is 25% of the fair market value of the donated food (Kutey, 2025).

AB: Wow, there are so many benefits of being a food donor!

EC: Exactly! And it's not just businesses that benefit, food banks play an important role in boosting local economic activities. Food banks nationwide actually contribute as much as \$28 billion in economic value every year. Fun fact: That's more than the total sales of all U.S. farmers' markets combined (Dean, 2022).

AB: Haha. Are they trading canned tomatoes on the stock market now?

EC: That's funny! It's one of the most overlooked economic forces out there, and just how much they impact locals. For example, in Skagit County, Washington, food bank distributions contribute between \$1.3 million and \$3 million annually to the local economy (Gallagher, n.d.).

AB: So, giving out food generates money? That doesn't sound reasonable at all.

EC: Not directly, but food banks play a crucial role in relieving food insecurity, and the cool part is...[drum roll please] the domino effect of economics!

CS: Hold on! Before you dive into the details, let me provide some exclusive background context. Arin highlighted that, unlike other necessities that people can cut from, food expenditure is essential and constitutes a major part of households' budgets, especially for

low-income families. Also, a part of the food bank's mission is to provide nutritious food, which gradually promotes better health (Kutey, 2025).

EC: Right. Therefore, this allows families to spend their limited income on other critical expenses like housing and transportation. For further impact, this not only improves individual well-being holistically but also stimulates local economic activity, contributing revenue to the regional supply chain (University of Dallas, 2021).

CS: We learned from the Regional Food Bank that about 70% of their supply comes from donations and government assistance, while the other 30% is purchased from local farmers, small businesses, and organizations (Kutey, 2025). Purchasing food ensures a steady demand for agricultural producers, enhancing market efficiency and injecting capital into local economies.

EC: Food insecurity adds approximately \$53 billion annually to healthcare costs in the US. By mitigating food insecurity, food banks play a crucial role in reducing these expenses (Story, 2025).

AB: Food banks do indeed play an important role in the community and economy! Moving forward, what are some innovative strategies that food banks can use to aid in operation?

EC: I think technology applications could be used to reduce sorting errors and accelerate distribution. Hear me out: Instead of manually checking expiration dates, volunteers could just use barcode scanners or AI-powered image recognition to get expiration information.

AB: That sounds very time-efficient! I also thought of how food banks can provide meal packages to play a role in connecting the community and providing more variety of food options for families with diverse needs and tastes.

EC: Right! How about providing special festival food packages featuring different cuisines for our community? This will not only foster social engagements but also enrich the holiday spirit, making celebrations more inclusive and meaningful for everyone.

CS: That sounds amazing, and it's just like what the Regional Food Bank did in their Thanksgiving Distribution last year! They were able to provide a total of 150,000 meals to more than 30,000 people (Kutey, 2025).

EC: That's great! To gather enough volunteers to work for the holiday food supply, the food banks can also collaborate with local schools, giving the students a chance to enjoy their time baking and cooking while serving thousands of families in need during the holiday season.

AB: Those innovative ideas sound both meaningful and achievable. I'm looking forward to seeing an impactful future for food banks, but it's time to wrap up today's episode! We hope this podcast has given you more insight into the "Behind the Scenes" of food banks. Here's a quick recap: Food banks are economic powerhouses that not only fight food insecurity but also stimulate local economies and provide businesses with financial benefits. Although there may be uncertainties in securing donations and meeting community needs, food banks tackle these challenges with innovative solutions.

EC: And if you want to support your local food bank, consider donating or volunteering! Special thanks to Arin for providing us with exclusive information in Local Voices. And to our audience, thank you for tuning in to this week's episode of "Behind the Scenes"! Until next time, peace out!

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