Growing the Local Food Economy in Scotland

A report based on a survey of local food businesses in Scotland undertaken in 2014 by Nourish Scotland with support from Scotland's Rural College (SRUC)


PHANTASSIE

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Summary

This report is based on a survey of local food businesses in Scotland undertaken in 2014 by Nourish Scotland with support from SRUC. It also draws on the conclusions of a seminar with stakeholders held at Queen Margaret University in November 2014 to develop a set of concrete proposals to broaden and deepen the local food economy in Scotland in the years ahead.

We surveyed 700 local food businesses, including primary producers, processors, retailers, wholesalers and caterers. 180 businesses responded.

Acknowledgements

Thanks are due to all the respondents who took the time to respond to yet another survey!

We hope that the follow-up to this report will bring benefits to many of the participating businesses.

Nourish also acknowledges the extensive support and co-operation from Scotland's Rural College (SRUC) who provided access to the initial database and undertook the primary data analysis.

Any shortcomings in the interpretation and presentation of the results are however the responsibility of Nourish Scotland.

Key findings

Economic contribution
The 180 respondents had a combined turnover of around £53m and employed around 1600 people.

Wider benefits
In addition to job creation, respondents identified many wider benefits provided by their businesses, including: improving public understanding of food; improving access to local/healthy food; education for children; training apprentices; community regeneration; reducing greenhouse gas emissions; enhancing biodiversity.

Complexity
While the largest group of respondents were primary producers, almost half of the businesses operated in more than one stage of the supply chain – e.g. producing and processing, or producing and retailing, and some had 3 or 4 different enterprises. On average businesses had 3 different 'routes to market', e.g. box schemes, farmers' markets, public procurement, supplying restaurants etc.

Opportunity
Over 60% of businesses expect an increase in turnover in the next three years, and anticipate growing demand for local food.

Constraints
The main constraints identified to growing the market include: finance; staff availability and skills; management capacity; transport; processing capacity, and marketing. Lack of market knowledge within the supply chain was a key theme – with potential b2b buyers not able to find suppliers, and vice versa.

Solutions
Over 60% of businesses were interested in co-operating to grow the local food sector. Three-quarters of businesses wanted government to do more to support the sector, particularly through generic marketing support, through facilitating co-operation and through providing grants and loans.

Conclusion and Recommendations

Local food is a growing strand within the Scottish food economy, though it is still a small part (1-2%) of the overall food spend.

There are real opportunities for change and growth, whether this is using renewable energy to extend the growing season under glass, supporting urban and peri-urban agriculture or developing new right-size processing facilities such as abattoirs, mills, dairies and butcheries.

However, as this report makes clear, we can do more with what we already have. Better knowledge exchange and stronger co-operation and collaboration in the local food market could grow demand and stimulate new supply.

Equally important is the requirement for, sustained government backing for the sector. Many of the businesses involved – whether producers, processors, independent retailers or caterers – are small, with limited management and financial capacity for collaboration and sector development.

Nourish Scotland calls for a five-year programme of support for and investment in the local food sector, based on a partnership statement setting out the economic, social and environmental benefits of local food.

The current European funding round provides an opportunity to invest at scale, creating thousands of good jobs, promoting health and well-being, enhancing Scottish food culture and reputation, and making our food system more resilient and sustainable.

1

Introduction

1. Introduction

Over the last half-century there has been a transformation in the way food is produced, processed and supplied in the UK.

An increasingly globalised industry has led to the wider sourcing, importing and exporting of more exotic foodstuffs, with a relatively small number of large companies offering a year-round supply of uniform produce. Many consumers now shop weekly by car at supermarkets, as opposed to previous frequent food shopping, on foot, at small local shops.[1]

This has resulted in a major decline in local, independent food outlets and has weakened the local food economy. There has been a loss of employment opportunities, skills and social bonds, together with a long-term decline in the farm gate value of produce which has threatened the viability of many farming businesses.

The increased industrialisation and commodification of food production has also impacted significantly on Scottish food culture. Many people in Scotland are disconnected from their food and unaware of how and where the food they eat – and its ingredients – are produced. The dominance of highly processed food in our diet contributes to our poor nutrition and the increased prevalence of diet-related illnesses.

We need concerted action to reverse these trends and rebuild a dynamic local food economy in Scotland. At the 2014 Nourish conference, Olivier de Schutter, former UN special rapporteur on the Right to Food, suggested three priority directions to be taken for building a sustainable food economy:

- We need to address the interdependence between the lifestyles of people in the Global North and the reforms needed in the Global South. Current ways of consuming and importing food in the north make reform in the south very difficult. An example is our overconsumption of meat which depends on large imports of animal feed. The luxury tastes of richer populations are in competition with the basic needs of poorer populations.
- We need to rebuild local food systems, reconnecting local farmers to local consumers, and rural areas to cities. We've done a lot over the past 60 years to improve global supply chains – but not local ones. We need to encourage small farmers and improve access to local markets, which at the same time will allow consumers to have access to healthier, fresher and less processed foods.
- We need to democratise our food systems. We need greater accountability and transparency in decision-making on food and agriculture, to stop these decisions being captured by the big corporate players. An example of this is the establishment of local food policy councils in many municipalities in North America and, more recently, in many cities in the UK and Europe, including Glasgow and Edinburgh.

1 Department for Environment Food and Rural Affairs (2005a). The Validity of Food Miles as an Indicator of Sustainable Development. Didcot: AEA Technology Environment. Available at: http://statistics.defra.gov.uk/esg/reports/foodmiles/default.asp

A note on terminology

'Local food' is not only or – even mainly – about geography, though we have explored in this survey the extent to which local food businesses sell and source within their local area. The term local food carries other meanings too. It's about social proximity and trust between the producer and the consumer (or 'co-producer' or citizen). Local food is a relationship, not simply a commodity, and the way local food is bought and sold preserves the meaning and story of the food. Local food is typically unprocessed or minimally processed, with no hidden ingredients, and is produced on a human, not industrial, scale.

Nourish has now started to use the term 'short food chains' rather than 'local food'. The European Innovation Partnership focus group on short food chains will be publishing a report shortly on the benefits and potential of short food chains in Europe, and we expect this will provide some useful insights for developing the sector.

Local food – it's important

2. Local food – it is important

The crosscutting benefits of local food are increasingly recognised by policy makers. In 2004, the Scottish Consumer Council stated[2] that "there is clearly scope for developing the sector because of the wide-ranging and long-term benefits it can bring.

These may include fresher and better quality food for consumers, less pollution, more money circulating in local economies, increased employment, opportunities to develop new skills, as well as the potential to add value and open up new markets."
Following an inquiry into the food supply chain in 2006, the Scottish Parliament Environment and Rural Development Committee concluded that, "the increased development of local food economies offers huge potential and must be supported as vigorously as possible."[3]

As summed up by Grieve and Slee (2003)[4] the local food sector can:

1. Contribute to local and wider economic development, especially through farm diversification and micro-business development
2. Contribute to the enhanced health of the population through access to more nutritious food or the health benefits of gardening or gathering food
3. Contribute to social and cultural capital building in a range of situations from inner city to remote rural area
4. Contribute to sustainable development, biodiversity and landscape values

In the UK, The Campaign to Protect Rural England (CPRE) carried out extensive research into how local food benefits local communities. Local food webs were mapped in 19 English locations building a picture of their character, benefits, the challenges they face and the impact that these networks have on people, their livelihoods and the character of their town and local countryside.[5] The report considered the scale and economic importance of local food webs in terms of jobs supported, turnover of outlets and supply chain businesses, and also their social and environmental importance.

CPRE found that, wherever they exist, local food webs are vital for maintaining a strong local economy:

- Smaller independent local food outlets create a job for every £46k turnover, which is three times the return on investment of supermarkets. This means local outlets support three times the jobs of national supermarket chains.
- Research on the effects on employment following the opening of 93 edge-of-town supermarkets showed that over a four-year period, there had been a net loss of 276 jobs in a 10-mile radius of each of the supermarkets, equivalent to a national total loss of over 25,000 jobs.6
- Producers involved in the local food economy employed on average 3.4 full-time workers compared to the regional average of 2.3 per farm.

The research also found that areas with strong local food webs have better access to fresh food and retain a distinctive local character in their towns and villages. Local food webs also connect communities with the countryside through farmers' markets and education schemes – both of which help consumers find out more about their food's short journey from 'field to fork'. By reducing 'food miles' local food webs tackle a major source of carbon emissions, while the smaller farmers who supply local food often take greater care of the landscape.

For Nourish and others concerned about food system sustainability, localising the food system is about regenerating community and restoring the land, based on the recognition of our interdependence with our natural and social environment. It is a commitment to social co-operation, local economic development, farming based on

2 Scottish Consumer Council. (2004) *Feeding the Interest*. http://www.communityfoodandhealth.org.uk/wp-content/uploads/2006/10/feedinginterest-4620.pdf
3 Report on an Inquiry into the Food Supply Chain, Environment and Rural Development Committee, 2006: http://archive.scottish.parliament.uk/business/committees/environment/reports-06/rar06-08.htm
4 Grieve J. Slee B. (2003), Review of the local food sector in Scotland.
5 http://www.cpre.org.uk/resources/farming-and-food/local-foods/item/2897-from-field-to-fork

6 Porter, S. Raistrick, P. (1998), The Impact of Out-of Centre Food Superstores on Local Retail Employment. National Retail Planning Forum. http://www.nrpf.org.uk/PDF/Occasional2.pdf

ecological principles, and close geographical and social relations between producers and consumers.

At a seminar in November 2014, organised by Nourish to discuss the survey findings, participants identified the following benefits of local food systems:

- Improved environmental performance on farms through e.g. conversion to organics or other more environmentally friendly farming systems;
- Waste reduction through the operation of short supply chains
- Improved physical and mental health through e.g. eating more unprocessed food, reconnecting with countryside, food growing
- Community empowerment through collective action in growing, selling, processing and purchasing
- Employment: more jobs in farming, processing, retailing and distribution in rural and urban areas
- Skills development
- Stronger economy through
  - many new micro businesses and SMEs
  - the multiplier effect whereby spending via local food businesses keeps more money circulating in the local economy (non-food related business opportunities)
  - retention of a higher margin by local food businesses through cutting out middlemen
  - attracting tourism
- Greater food security through building a resilient food system
- Stronger cultural identity through more prominent food culture and regional marketing

The economic impact of local spending

The New Economics Foundation (NEF) did extensive research into the effect of local spending on the local economy.

Increasing local spending leads to what economists call a "multiplier effect", that is, an increase in income from additional rounds of spending.[7] Most money spent with local businesses typically gets re-spent in the local economy, not just on wages and local suppliers, but also on services like accountants, marketing, printing, insurance, distribution, cleaning and so on. However, large chains tend to only re-spend locally on wages, as they generally have central contracts with national suppliers and service providers that can meet their needs at the required scale.[8]

NEF showed that spending £10 in a local food outlet is actually worth £25 to the local economy, as it gets re-spent locally several times (a local multiplier of 2.5).

By comparison, every £10 spent in a supermarket leads to only £2.40 being spent in the local area. Locally produced food bought from a local retailer is worth almost 10 times as much to the local economy as the same food from a long distant producer, purchased in a supermarket.

The 80/20 rule proposed by NEF and others has been widely accepted: this maintains that 80% of the spend into a national chain will immediately leave the local economy, whereas only 20% of the spend into an independent business will go the same way, leaving 80% to circulate in the local economy, adding value at each point of exchange. Therefore it is feasible for a relatively small transfer of spending from the former to the latter, to have a disproportionately large effect on the local economy.

NEF's research into 'money trails'[9] gives many examples of how spending on local food keeps money circulating in the local economy measured by the 'local multiplier' figure:

- Income from organic box schemes generates about twice as much for the local economy as supermarkets.
- Cusgarne Organics, a farm with both local staff and local suppliers, generated £2 for the local economy for every £1

7 Sonntag, V. (2008), Why local linkages matter. Published by Sustainable Seattle. http://www.usask.ca/agriculture/plantsci/hort2020/local _ linkages.pdf

8 http://www.transitiontowntotnes.org/wp-content/uploads/2012/10/TD-Economic-Blueprint-Food-detail-section-final-version1.pdf

9 NEF (2002), The Money Trail: Measuring your impact on the local economy using LM3, New Economics Foundation and The Countryside Agency, London, p.viii

spent or a local multiplier of 2.

- In Plymouth, £384,000 or around half the school meals budget was spent locally 'on seasonal, local produce,' generating around £1.2 million of value per year, a local multiplier of £3.04 per £1 spent.10
- In Nottingham local food spending for school meals (currently £1.65 million per year) generates over £5 million in value, or £3.11 in social, economic and environmental value for every £1 spent.
- In Scotland the original work on public food procurement in East Ayrshire showed a social return on investment of almost 6:1; and more recent research through the Food for Life programme run by the Soil Association has also shown considerable public benefits.

The Scottish context

Over the last years organisations and politicians in Scotland have increasingly demanded support for local food.[11]

In its 2004 report 'Feeding the Interest', the Scottish Consumer Council said, "A Scottish Executive commitment to integrate economic, social, health and environmental policies for food could assist the local food sector. Agencies related to agriculture, enterprise, communities, environment and transport need to work together to best effect. Current mainstream agricultural policy supports food exports but could provide more support to local marketing. Incentives and subsidies are mainly directed at conventional food production (especially at farm level) but could be more focused on the local food economy."

In 2009 the Scottish Government published a first National Food and Drink policy, 'Recipe for Success'[12]. Although it was a positive step in the right direction, the main focus remained on growing export markets and pushing towards business efficiency in large-scale commodity production or towards value-adding for premium products.

> "The Scottish Government recognises in the document that promoting local food "enriches our lives, promotes local economic growth and helps reconnect us with our food.""

In June 2014, the Scottish Government launched a new proposal, 'Becoming a Good Food Nation'[13] for further developing the nation's food policy. It recognises the links between food and health, education, environment and tourism objectives, as well as those for rural development. There is now a much stronger emphasis on producing food for Scottish people, balancing out the previously dominant focus on producing food for export.

The Scottish Government recognises in the document that promoting local food "enriches our lives, promotes local economic growth and helps reconnect us with our food." "Strengthening the local food economy and shortening supply chains" is mentioned as one of the steps that need to be taken to guarantee continued economic growth..

Grieve and Slee[14] found in 2003 that there is real opportunity for growth in the local food sector but that there is need for facilitation and animation. The Scottish Agricultural Organisation Society (SAOS)[15] says innovative and practical solutions for marketing, distribution and increasing production are required. To achieve this more collaboration and co-operation are essential.

10 NEF (2011), The Benefits of Procuring School Meals through the Food for Life Partnership. http://www.neweconomics.org/publications/entry/the-benefits-of-procuring-school-meals-through-the-food-for-life-partnershi

11 SPICe briefing (2007), Local food and food policy. http://www.scottish.parliament.uk/Research%20briefings%20and%20fact%20sheets/SB07-46.pdf

12 Scottish Government (2009) Recipe for Success. http://www.scotland.gov.uk/Resource/Doc/277346/0083283.pdf

13 Scottish Governemtn (2014) Becoming a Good Food Nation. http://www.scotland.gov.uk/Resource/0045/00453219.pdf

14 Grieve J. Slee B. (2003), Review of the local food sector in Scotland.

15 http://www.saos.coop/local-food/

Despite the increasing policy emphasis on local food, detailed evidence about it in Scotland remains scarce. The first study by Grieve and Slee (2003)[16] mapped patterns of the local food sector activity and assessed its impact on local communities, their economies, health and the environment. But this study did not present any detailed evidence on the extent of local food activity. The second study, submitted to the Scottish government by its authors in 2007, has not been placed in the public domain. A third, by Reid (2007) is a literature review.[17] The fourth study from 2010 (Watts, Leat and Revoredo-Giha)[18] presents empirical evidence on the geographic location of local food businesses. Building on this study the aforementioned authors produced a paper[19] exploring the marketing channels used by local food enterprises.

These studies do not describe the characteristics of local food businesses in Scotland, nor do they give an estimate of the size of the local food sector in economic terms.

Despite the high profile of local food in the media, there is a gap between the rhetoric and the reality of the market. It is estimated that the size of the local food sector is 1 to 2% of food sales in Scotland. However, this is a best guess by industry experts and there is little or no hard data available on the actual size of the local food sector.

This survey was designed to update information on the size of the sector and to gain insights on how to narrow the gap between rhetoric and reality.

16 Grieve J. Slee B. (2003), Review of the local food sector in Scotland.
17 Watts, D., Leat, P., Revoredo-Giha, C., (2012) 'An analysis of marketing channels of local food in Scotland', Sviluppo locale, pp. 26.
18 Watts, D., Leat, P., Revoredo-Giha, C., (2010) 'Local Food Activity in Scotland: Empirical Evidence and Research Agneda', Regional Studies.
19 Watts, D., Leat, P., Revoredo-Giha, C., (2012) 'An analysis of marketing channels of local food in Scotland', Sviluppo locale, pp. 25 – 44.

Methodology

3. Survey methodology

In Spring 2014 Nourish, with support from Scotland's Rural College (SRUC), carried out a survey among local food businesses with a twofold aim:

1. To establish the size and characteristics of the sector to serve as a baseline against which progress and change can be measured.
2. To get a more comprehensive overview of barriers businesses are experiencing and identify measures to address these barriers in order to help the local food economy to grow.

The data for this survey was collected through a questionnaire. 700 questionnaires were sent per mail to commercial local food businesses all across Scotland with a view to generating a balanced spread of respondents in terms of geography as well as business category. The business categories were: farmers, processors, retailers, community shops, wholesalers, cafes and restaurants.

Our database was an updated version of the SRUC database for local food businesses. The original database[20] sought to provide a robust estimation of the geographical distribution of the local food sector.. For this research, we updated the 2010 database with more recent lists and directories. We also did internet research and consulted Nourish's local food community about the existence of local food businesses. Responses to the survey were collected in paper format, by phone interviews or online via Survey Monkey. Out of the sample of 700 businesses we reached out to, we received 181 useful returns (a 25% response rate).

It's difficult to say how representative this sample is of local food businesses in Scotland. As many of our respondents are already involved in the local food economy, it is possible that they have a stronger knowledge of and interest in these issues, than other producers who may be more focused on volume led businesses or exports..

Defining local food

In the questionnaire we had to define what we mean by 'local'. In general, a local food system is one in which foods are produced, processed and retailed within a defined geographical area. However, in practice it is difficult to place a distance or area specification on a product to define it as local.

In the UK, there is no legal or agreed definition of 'local', but in practice it's often defined as a radius of 10 – 60 miles from the point of purchase. According to Kneafsey *et al.* (2013)[21] the local is always experienced and understood in relation to larger geographical scales, such as the regional, national or global. The question of where the local area ends and another scale begins is subjective, depending on context (density of populations, accessibility and rural or urban character for example) and purpose. An important issue of debate includes the production inputs because it is rare for those all to be of 'local' origin (e.g. seeds, fertilisers).

We recognised that, depending on the business and context, 'local' can mean either the immediate local area or region or it can mean Scotland. For the purpose of the survey we distinguished between local meaning 'from within 30 miles' and local meaning 'from Scotland'. A 30 miles radius might be large in a densely populated area but rather restrictive in a sparsely populated area. Given the considerable reliance on food imports from England and outwith the UK, producing and selling more food within Scotland from Scottish ingredients can also be seen as localisation. For example, a small-scale vegetable grower might wish to sell their produce as locally as possible and thus see a 30 miles radius as 'local'. For a wholesaler 'local' is more likely to mean 'from Scotland'.

Whilst for the purpose of the survey we used the term 'local food' and specified it in geographical terms, there are alternative concepts used such as 'short food chains' or 'short supply chains'. Short food chains are concerned with the structure of the supply chains and the nature of relationships between actors in the supply chain. The main characteristics of short supply chains are: a reduced number of links between producer and consumer (e.g. in France this is defined as maximum one intermediary); the product reaches the consumer 'embedded' with information so that the consumer can make value judgments and; it does not exclude products sold at a distance (e.g. direct sales via internet).[22] [].

20 Watts, D., Leat, P., Revoredo-Giha, C., (2010) 'Local Food Activity in Scotland: Empirical Evidence and Research Agneda', Regional Studies.

21 Kneafsey *et al.* (2013). Short food supply chains and local food systems in the EU. A state of play of their socio-economic characteristics. Joint Research Centre.

22 Kneafsey M. *et al.* (2013), 'Short Food Supply Chains and Local Food Systems in the EU. A State of Play of their Socio-Economic Characteristics.', Joint Research Centre scientific and policy report, European Commission. http://agrilife.jrc.ec.europa.eu/documents/SFSChainFinaleditedreport _ 001.pdf

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Survey results

4. Description of survey results

Figure 1: Regional disaggregation of respondents

Figure 2: Business categories

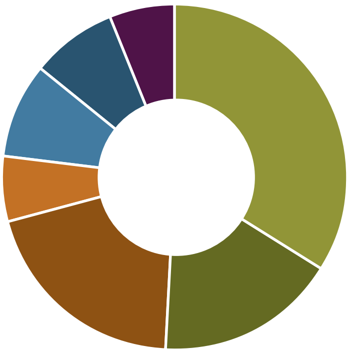
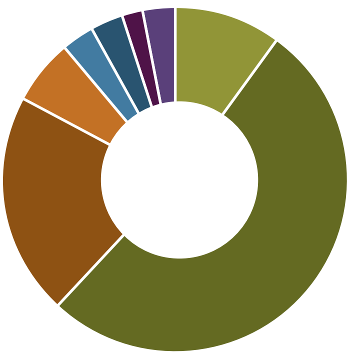


Figure 3: Business activity in more detail



The majority of our 181 responses came from businesses located in remote rural areas (40%) and accessible rural areas (36%). 15% or respondents are located in urban areas and 9% in towns.

Business categories

The largest group of respondents in the local food sector survey were producers (34%) followed by retailers (20%) and processors (17%).

However, it seems to be a characteristic of the local food sector that a local food business often covers more than one stage of the supply chain (e.g. production and processing) This applies to half of all businesses that responded to the survey. Some businesses even cover the whole supply chain within one enterprise.

52% of respondents are single stage businesses whilst nearly a quarter of respondents (21%) are working throughout the whole supply chain. The remaining respondents (17%) are involved in several stages of the supply chain.

Employment

While some businesses were operating without any paid staff, the largest business surveyed employed 60 full-time and 30 part-time staff. Cumulatively, the businesses surveyed employed 874 full time, 518 part-time and 242 casual staff.

One unusual feature of the local food sector is the number of unpaid volunteers involved in some enterprises – around 550 people in the businesses which responded to our survey. Some businesses have a specific focus on providing useful work for volunteers, or on helping people with recovery from illness or trauma.

The average number of people working full-time, part-time, casual and unpaid in various business types is shown in table 1.

Apart from community shops, it is producers who rely strongly on unpaid workers. Part-time employment is most common with restaurants and caterers as well as retailers.

Table 1: Number and type of employment in single stage local food businesses

	Full-Time	Part-Time	Casual	Unpaid
Producer	3.2	2.1	0.4	4.5
Processor	5.3	1.3	1.6	0.7
Retailer	8.8	4.5	0.1	0.5
Community Shop	1.5	1.5	0.5	6.3
Wholesaler	6.0	3.0	0.0	0.0
Producer – Retailer	3.3	1.9	1.3	1.9
Restaurant/Cafe/Caterer	10.3	6.6	3.2	0.4

Table 2: Estimated annual turnover for previous 12 month (2013 – 2014)

Categories	Number of businesses	£
< £10,000	27	135,000
£10,001 – £20,000	9	135,000
£20,001 – £30,000	7	175,000
£30,001 – £50,000	18	720,000
£50,001 – £100,000	11	825,000
£100,001 – £200,000	28	4,200,000
£200,001 – £500,000	16	5,600,000
£500,001 – £1 million	23	17,250,000
> £1 million	19	19,000,000
Did not answer (estimate)	23	5,000,000
Estimated TOTAL (rounded)		£53m

Table 3: Expected turnover increase in three years time.

Processors					Producers				
% turnover increase	From sales within 30 miles		From sales within Scotland		% turnover increase	From sales within 30 miles		From sales within Scotland	
	Cases	%	Cases	%		Cases	%	Cases	%
1-5%	4	8.2	5	10.2	**1-5%**	6	9.4	1	1.6
6-10%	9	18.4	2	4.1	**6-10%**	11	17.2	7	10.9
11-15%	2	4.1	4	8.2	**11-15%**	4	6.3	1	1.6
16-25%	5	10.2	4	8.2	**16-25%**	12	18.7	8	12.5
>25%	6	12.2	6	12.2	**>25%**	9	14.1	13	20.3
Not sure	4	8.2	4	8.2	**Not sure**	10	15.6	7	10.9
Not expecting growth	3	6.1	2	4.1	**Not expecting growth**	5	7.8	7	10.9

Annual turnover

It is estimated that the annual turnover of the 181 respondents during their previous 12-month period was £53m.[23].

Businesses' expectations about local food sales

The majority of producers (63%) and processors (74%) expect a turnover increase in 3 years time.

Producers: 41% of the businesses expect a turnover increase from sales within 30 miles. Thirty per cent of businesses expect a turnover increase from sales within Scotland. In terms of produce, 53% of producers would like to be selling 81%-100% of their produce within 30 miles within the next 3 years. The products businesses most want to sell more of within 30 miles are: vegetables (17%), eggs (16%), soft fruit (15%), potatoes (15%), sheep meat (13%), beef (12%) and pig meat (11%).

23 This value was reached buy using the median value of the <£10,000 to >£1,000,000 categories and then an overall average for the 23 respondents who did not provide an answer

Processors: 53% of businesses expect a turnover increase from sales within 30 miles. 42% expect a turnover increase from sales within Scotland.

Retailers: Currently 3% of retailers source 81%-100% of their produce from within 30 miles. 55% said they would like to increase their stock of food coming from a 30 miles radius in three years time (especially vegetables (26%), meat (23%), soft fruits (21%), tree fruits (17%), dairy (14%); and 51% would like to increase their stock of food coming from Scotland (especially tree fruits (14%), vegetables (13%), meat (13%), soft fruits (12%), dried goods (12%), cereals (10%)).

Within the next three years, 17% of businesses are aiming to increase their local food provision to 81%-100% of food stock coming from within 30 miles.

Figure 4: Reasons for producing / selling local food

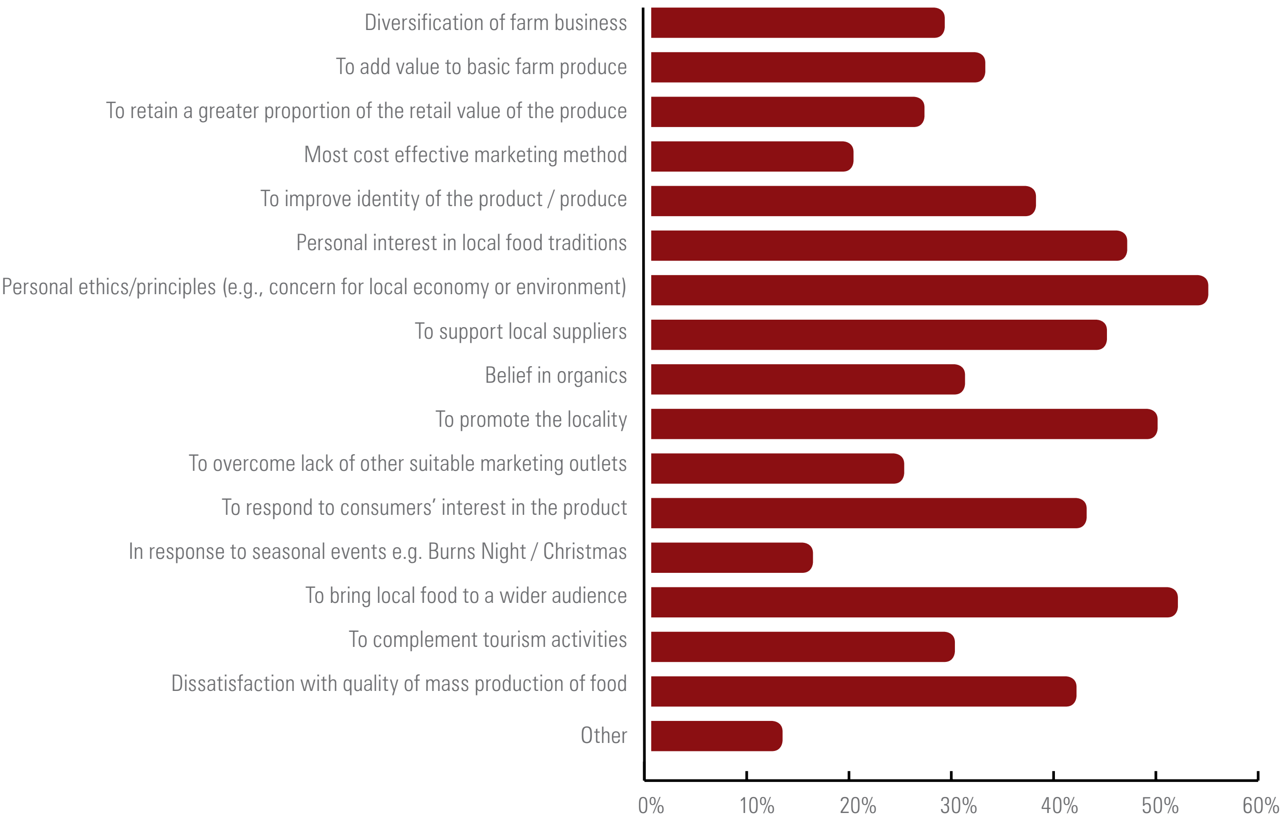
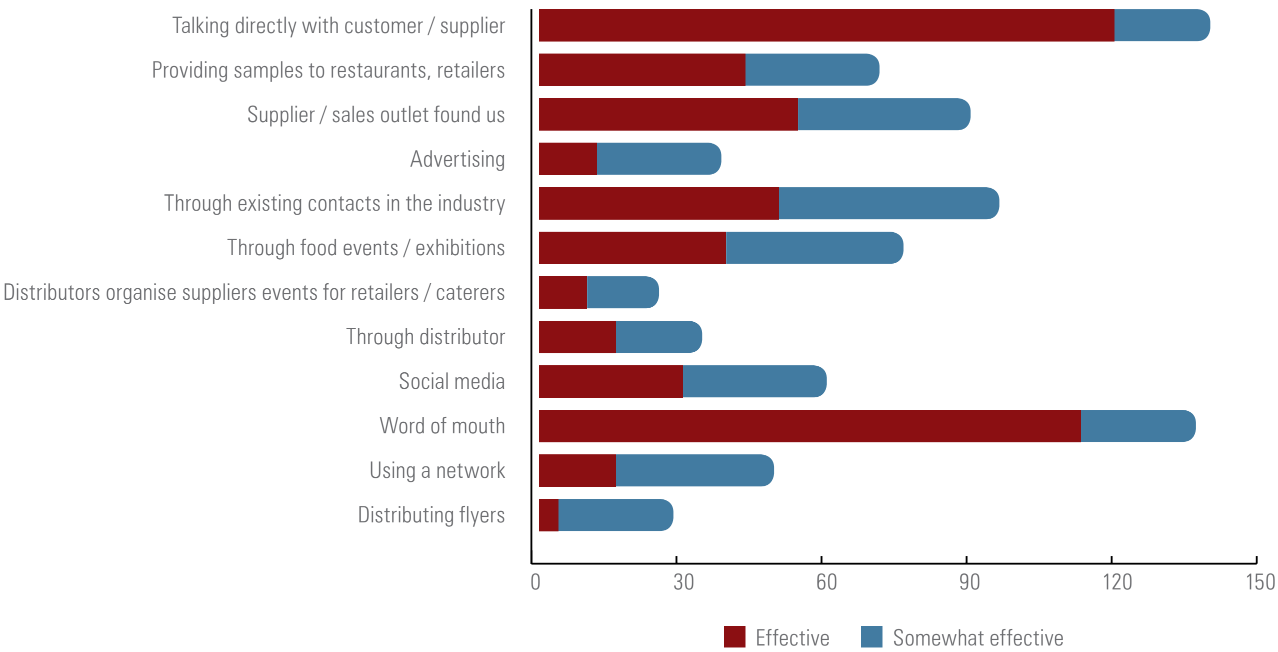


Figure 5: Additional activities / benefits provided

Figure 6: Effective ways to find customers / suppliers / outlets



Reasons for producing/selling local food

To get a better understanding on what the term local food means to businesses we asked them for their motivation for producing/selling local food. The most popular reasons given by respondents were personal ethics / principles (55%); to bring local food to a wider audience (52%); to promote the locality (50%); personal interest in local food traditions (47%) and to support local suppliers (45%).

Respondents believed that their businesses make significant social and environmental contributions to their community such as creating additional jobs; being a venue for skills training and education; providing increased access to healthy food; using production methods that reduce carbon emissions and foster biodiversity.

Effective ways to market produce

The data gathered during this survey indicates quite strongly that face-to-face communication is the most effective way to develop networks and gain customers. Of the 181 respondents, 66% found that speaking directly with customers (e.g. at farmers markets) and suppliers was a very effective way of communicating with them and 62% described word of mouth as very effective too. 27% find using existing contacts in the industry effective for finding customers and suppliers. 16% found social media effective and many said that its importance is increasing.

Marketing outlets

Local food businesses use a wide range of marketing outlets to reach their customers.

Producers: In total, 83 producers are using 244 marketing outlets, an average of 3 outlets per enterprise. The most important outlets for producers are: direct from the farm (gate sales and farm shops) (49%); independent retailers (37%); restaurants and catering (36%); farmers markets (31%); wholesalers (27%) and box schemes (22%).

Processors: Processors also use an average of 3 outlets (responses showed a total of 43 processors using 137 marketing outlets). The majority of processors sell their produce via independent retailers (70%); restaurants/ catering (45%); wholesalers (43%); farm gate sales (33%); and farmers markets (26%).

Table 4: This table shows which outlets the 83 producers use and what the proportion of their sales turnover is for each of these channels.

	Whether used		
	Cases	%	Ave% of sales
Direct from Farm	49	48.5	36.7
Independent Retailer	37	36.6	35.4
Box Schemes	22	21.8	38.3
Wholesalers	27	26.7	39.7
Food Processors	9	8.9	24.8
Your Own Stall at (Farmers') Market	31	30.7	28.7
Restaurant/Catering	36	35.6	25.2
Public Procurement	10	9.9	8.3
Large Retail Chains	15	14.9	41.5
Other	8	7.9	20.0
Total routes to market	244		

Table 5: This table shows which outlets the 43 processors use and what the proportion of their sales turnover is for each of these channels.

	Whether used		
	Cases	%	Ave% of sales
Large Retail Chains	8	16.3	29.38
Independent Retailer	34	69.4	41.44
Box Schemes	5	10.2	21.00
Wholesalers	21	42.9	44.62
Food Processors	5	10.2	19.20
Your Own Stall at (Farmers') Market	13	26.5	36.77
Internet sales	8	16.3	20.75
Farmgate sales	16	32.7	35.56
Restaurant / Catering	22	44.9	15.91
Public Procurement	1	2.0	5.00
Other	4	8.2	57.50
Total routes to market	117		

Public interest in local food

The majority of respondents (61%) believed that consumers' interest in local food is increasing. 21% thought there had been no change in interest over the last few years and 5% thought interest had decreased.

It is important to be aware that people interpret 'local' in various ways. Respondents said that many people wrongly conflate the term 'local' with positive social and/or environmental outcomes whilst others fail to appreciate the difference between terms such as 'local' and 'organic', or local food and food with provenance.

Some respondents felt that supermarkets were partially responsible for confusion between the terms 'local' and also 'seasonal' because they mislead customers in the way they use these terms in promoting products.

The result of this confusion is that whilst interest for shopping locally has increased, some businesses believe that interest in local and/or organic food itself has not. However, other respondents thought that interest in locally produced and/or organic food is increasing, but that there is a lack of availability. This issue was highlighted in a study in 2012[24]. One respondent said they had carried out a survey on attitudes of customers to local food and 85% said they wanted to buy more local food, but found it difficult to source it.

24 Skills and Training Demand Study for the "Local Food: National Skills" project, report August 2012, prepared by Nourish Scotland, LANTRA and Elmwood College. http://www.nourishscotland.org/wp-content/uploads/2013/11/Training-demand-study-full-report-FINAL.pdf

> "Supermarkets and restaurants have muddied the waters by claiming to sell 'local', 'seasonal' food, whereas this is true in very few cases. (...) a restaurant claims to use 'local seasonal' food with the words 'wherever possible' added, they are free to carry on buying in from international wholesalers while misleading the public. We even once saw a packet of organic salads from a supermarket (Sainsbury's) described as 'seasonal' in the depths of winter (...) and in the small print it said 'we follow the seasons around the world'. It's not surprising people are confused about what's in season, and happily accept aubergines and courgettes in January."

Barriers to growing the local food sector

The barriers within the local food sector are many and varied, according to the survey respondents.

Scale and geography both present a challenge to a viable local food sector. Most respondents are based in rural areas with smallish populations. Many rural areas have low wages compared to the cities.

Access to urban markets is typically through the multiple retailers rather than through short transparent food chains which link producers and citizens.

All business categories – and producers in particular – saw the limited size of the current market as a major barrier to growth.

The lack of skills and the actual size of the potential workforce is a common issue among all business categories surveyed. This is particularly the case in relation to recruiting management positions. Many businesses also face financial constraints (e.g. access to business loans).

> "We would like to sell our beef, lamb and oats locally but we cannot afford the processing and marketing. Tesco is the only organic meat buyer in the Highlands so we sell to them and I don't suppose it is sold here."

For many processing and catering businesses the availability of local (raw) products is one of the major barriers. This is especially the case for local meaning within 30 miles. The lack of local produce, where local means from Scotland (and especially Scottish organic produce), is the major barrier for wholesalers.

There is a lack of information exchange, co-ordination and facilitation in the local food supply chain. There are many cases where produce is available but the producers don't know about potential outlets (e.g. retailers or restaurants) and the other way round where retailers and restaurants don't know who in their locality might be producing what they would like to source.

Producers: Barriers to increasing production, sales output

The lack of co-ordination and cooperation creates other, often mentioned, barriers. One is the viability of transport due to high haulage costs for individual businesses. Another one is around the required volumes of supply (e.g. minimum purchase order too large or volume of supply insufficient or lack of reliability and frequency of supply) and having to deal with (or needing to find) many different suppliers. The adequacy of right scale processing facilities was also an issue for many respondents.

"There could be a concerted effort to look at how to get local food to local people in the most viable way for all."

"Good to have support and networks from government but producers have to take part and make it work."

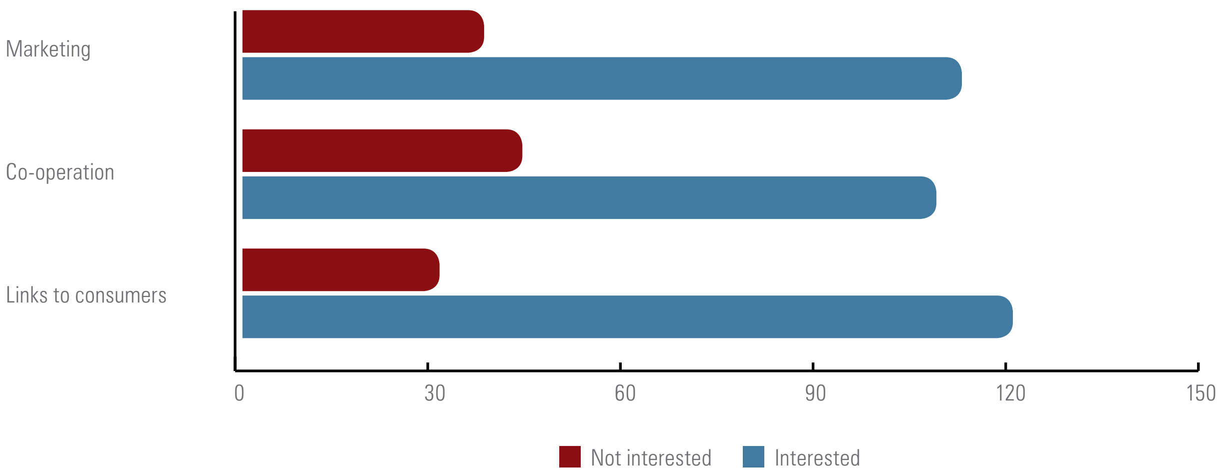
Removing barriers to growing the local food economy

Businesses were asked how they thought barriers to growing the local food economy in Scotland could be overcome. What interventions are needed from governments (local, Scottish, UK) andhow can the local food sector provide its own solutions?

One clear message from the survey was that many businesses want to co-operate. The majority of businesses said that they were interested in working together in groups. 62% were interested in participating in a marketing group, 60% in a co-operation group and 67% in a group linking producers and consumers.
At the same time, a consistent theme was the need for joined-up, long-term government support for the sector.

Respondents wanted to see a coherent and long-term partnership between government and businesses in order for the sector to flourish and achieve its potential.

Figure 7: Interest in co-operation and joint marketing



Local food sector solutions

105 businesses answered the question on opportunities for finding solutions to barriers within the local food sector. 70 businesses (67%) thought that within the local food sector more could be done to overcome barriers. 35 businesses (33%) thought there was nothing more the sector could do to address barriers to developing the local food economy.

Setting up networks along the local food supply chain

Of the 70 businesses, who believed that solutions could be developed within the sector, 40% believe that the Scottish food sector would flourish if support networks were developed between various supply chain players. Instead of competing against one another, cooperation would enable the sharing of knowledge and resources, allowing small food businesses to compete more effectively against supermarkets.

"A local food group could be a centre for self-help. A facilitator is needed who brings people together, organises co-operation, networking, training etc."

"[We need] better information and networks about what producers/ growers etc. are in the local area."

"It's also paramount that businesses are prepared to work hard and support each other."

"More organised co-operation and sharing of successful practices, ideas and avoidance of pitfalls. Conferences have limited potential in this regard as not enough opportunity to be heard, share and plan. Smaller more informal events would be better."

Joint marketing

27% of respondents felt that businesses in the local food sector should work together to promote the local and organic brands within their regions and create awareness of alternatives to supermarkets in order to attract more regular customers.

16% felt that marketing should be used as a tool to enable consumers to make more informed buying choices. Both the public and businesses should be better informed about the impact their choices have on their community and the environment.

"[We need] innovative marketing ideas to better educate people about the negatives of big supermarkets. People often don't think through the consequences of their shopping habits in terms of the decline in local economy, local shops and the poverty and accompanying lack of morale. Somehow they need to learn that their actions, individually and cumulatively, have an impact on the place that they live!."

"Raise awareness of the importance of buying local to keep money in a community."

"Local community benefits from local produce and local businesses benefit from local involvement – keep the chain alive. Promoting knowledge about the product = increased interest."

New routes to market

26% of respondents felt that the local food sector should collaborate with other organisations and other businesses within their region as well as with local authorities to build food hubs or farmers markets.

" We need to make ourselves more accessible. We need to engage with the local authorities and government to try to establish schemes to help us increase our volume of customers on a more regular basis so that buying local becomes the norm for consumers as opposed to a monthly treat, i.e. at the farmers' market. "

" "We need to find / start (our) own markets. (Currently we are) not on an even playing field with the supermarkets, which the industry needs to change. "

Logistics

A small group of respondents (6%) felt the local food sector should collaborate to make logistics more effective and reduce high transportation costs. Several ideas were suggested such as creating a transportation co-op, and finding more effective ways to transport delicate food products such as glass jam jars. Sharing ideas and resources across the local food sector could ease the overall cost for individual businesses.

" [Our] region is quite large, so need to work together on transport options i.e. all go in one van. This will also require an improvement in communication. "

" The (mainstream) food industry, including its distribution network, is very efficient so food that travels long distances is very cheap, making it difficult to compete. "

Government intervention

118 businesses responded to this question and 78% felt that the government could be doing more to address barriers in growing the local food economy whilst the remaining 22% felt there was nothing the government could be doing to address these barriers.

Financial support

Of those looking for government intervention, 32% felt the government needed to provide more, and more effective financial support in the form of grants or subsidies. Financial support was said to be needed e.g. for new businesses, businesses looking to expand or diversify and for businesses looking to provide further training for employees. Small businesses often do not qualify for business loans and respondents felt that the Government should intervene so that small business could more easily access bank loans.

" Expansion is difficult because grant applications take months to process, although these grants are necessary for most small start-ups they come long after the initial demand occurs, which means that sometimes customers are lost. "

" Organic production should have more research & development, very little money spent here when you compare with money invested into big agriculture business. "

" Need to provide some (grants) to businesses that aren't looking to expand into new products / businesses that aren't start-ups. No help provided to establish small/mid-sized productions. "

There are many funding opportunities, for example from Europe, that could give support to local food businesses if the strategic coordination was in place to enable this to happen.

An example is the Operational Programme for the implementation of the European Regional Development Fund (ERDF)

Operational Programme for the implementation of the European Regional Development Fund (ERDF)

In April 2014, the Government of the Brussels-Capital Region approved this new programme for the 2014-2020 programming period. The sustainable food sector is one of the 5 priority sectors specifically identified to be funded and developed.

The programme stresses: "Developing agriculture and sustainable food in Brussels would create tens of thousands of jobs, according to a study by the faculties St. Louis and Greenloop. An axis of the Employment-Environment Alliance is dedicated to linking projects related to the implementation of urban and peri-urban agriculture, organization of short circuits […] The objective is to promote the development of this sector, considering the different stages of chain – from experimentation, training, production, sale and catering. In this context, catering projects that contribute to the development of the industry can also be seen as helping to strengthen this sector – noting also that the catering industry is a historically important area in the capital and generates a lot of jobs requiring little qualification."

More than 160 projects responded in July to the 1st call for projects and now await selection by early 2015, of which many are related to food – production, transformation and retail, centres of excellence, support to SME creation and development and to foster links between stakeholders and towards universities.

Marketing public benefit of local food

Many respondents were members of accreditation and labelling schemes and gave us feedback on their value in marketing their produce:

22% of respondents thought that Government should support marketing campaigns for sustainable local and organic food because of its positive societal and environmental outcomes and public benefits.

"Local authorities (must) continue their efforts in supporting local food through: training, promoting events, supporting market through publicity. We need a Scottish Government campaign on what REAL local food, or SUSTAINABLE food is."

"Public has a poor perception of organic, believe it to be very expensive and without any more substantial health benefits. Need to help make it more affordable and acceptable through advertising method."

Respondents acknowledged the value of current and previous initiatives.

"We have benefited as a new small producer from the Flavour Fortnight events organised by local Savour the Flavour . Due to lack of funding this group ceased to operate and it's a huge loss for local food industry."

"Taste Ayrshire is working to try and bring all parts of the food supply chain together."

Helpfulness of schemes in marketing produce

	Degree of helpfulness				Total
	Very helpful	Helpful	Less helpful	Not applicable	
Scotch Beef	3	6	4	15	28
Scotch Lamb	2	5	3	16	26
Red Tractor	1	3	3	17	24
SOPA	3	2	6	17	28
EU Organic certification	0	0	7	17	24
Soil Association	7	6	7	17	37
Demeter	2	1	1	17	21
LEAF	1	3	2	17	23
Freedom Food	0	1	4	17	22

Regulations

A further 22% felt that government should be working on making regulations / accreditations more accessible to Scottish food businesses by easing burdensome requirements. These can be difficult or arduous for small businesses to comply with and may prevent new business development. Moreover, respondent's felt that standards should be tailored for Scottish businesses because, as one business put it: one size does not fit all. There was also a call for a more coherent approach across a range of regulatory bodies and a call for local producers to have a more level playing field in relation to imported produce.

"Restrict imports of produce not produced to identical or better standards of animal welfare, environmental respect and social welfare, fair employment as apply to British producers."

"More joined up thinking between departments. Some development, food standards, building control and planning demands are too onerous for the industry, and departments conflict with each other in terms of what their legislative requirements are."

Education and training

11% of respondents felt that government should be implementing education programmes to promote a better understanding of food supply chains, the origin of our food and what healthy food is. Besides education in schools there should also be education and training opportunities for businesses including on new production methods and techniques and modern marketing techniques.

Logistical assistance

10% of respondents felt that the government could support the local food sector with logistical and distribution assistance especially with transport and haulage costs, but also with improved roadways. This would help especially businesses in remote areas.

Infrastructure

A small proportion of respondents (9%) felt local authorities should be doing more to provide adequate spaces for food businesses. They indicated that local authorities should be working to support local food and drink businesses. This could come in the form of support for farmers' markets, opening up spaces in city centres for businesses or promoting links between members of the supply chain within their area, such as farmers and restaurants.

Respondents cited the high cost of farmers' market pitches (compared for example to other European countries).

"We need reduced fees for stall on farmers markets. We need covered markets in each town in Scotland. Markets need to run more regular and not only twice a month."

"Accessibility is an issue, how do people get access to local food? Do people want to shop in town centres where they can't get parking, or can small artisan local suppliers afford to take on city centre rent and rates? There could be a concerted effort to look at how to get local food to local people in the most viable way for all. Currently, it seems that the best way is farmers markets – but that needs to grow to create sustainable volume."

"Local council funding in Aberdeen / Aberdeenshire has been refused for local food marketing initiatives because it does not bring in revenue from outside the region. The fact that local food keeps local money within the local region instead of being lost outside the region by having to pay to buy in food from elsewhere does not seem to register. This needs to be changed!"

"Edinburgh should have a local food market. With free space available for locally grown produce. Support for building storage facilities (subsidising Scottish grown produce), and employing facilitators that know where produce is available, and links (between) producers and restaurants."

6

Conclusions and recommendations

5. Conclusions and Recommendations

The local food sector is already creating thousands of jobs and businesses across Scotland, and has significant potential for growth.

Growing the sector would not only benefit the wider economy but would also deliver a wide range of public goods such as promoting more sustainable production practices, protecting the natural environment, enhancing our tourism offer and maintaining viable local economies in remote and fragile areas, and regenerating community, food culture and skills.

This report describes a number of barriers such as a lack of coordination and cooperation in the production, marketing and distribution of local food. There is a need to invest in skills and leadership development in the sector and to ensure that the necessary infrastructure is in place to allow for the production, processing and sale of local food on an appropriate scale.

There is also considerable lack of public awareness of the socio-economic and ecological importance of local food. Consequently, despite broad public support for local food, much of the rhetoric does not translate into actual buying decisions.

A long-term partnership between the government and the local food sector is essential for sustainable growth and development of local food in Scotland. The sector would benefit from a sustained and consistent effort to grow the market, stimulating demand for local food and facilitating the creation of short food chains, which encourage direct buying within the local area and create a multiplier effect.

Policies and expenditure of public money in the food sector need to be about facilitation of co-operation, networking, co-ordination, fostering social innovation, know-how & skills, self-reliance and creativity. Public money needs to be directed to those who deliver benefits for the public.

Scotland has a long had a successful track record in high-end, niche, export driven food and drink production.

The time has come to turn our attention to how Scotland can feed its own people. We need to rethink how the production, processing and retailing of local food can make us more resilient, protecting our environment and lifting our people out of poverty. The local food sector has a huge part to play in making Scotland a fairer and wealthier, smarter, healthier and greener nation.

Next steps

In November 2014 Nourish held a seminar at Queen Margaret University to share the initial findings of the survey and to discuss emerging conclusions and recommendations.

Participants included local food businesses, academics, and representatives from North Glasgow housing association, Glasgow's Poverty Leadership Panel, Scottish Government, Glasgow city council, NHS Community Food and Health, Scottish Agricultural College, Lanarkshire Community Food and Health, Scottish Organic Forum, Social Enterprise Network, Scottish Agricultural Organisations Society.

Key concerns in growing the local food economy were discussed as well as the public benefits created by local food economies. In particular, the seminar explored the scope for linking primary producers with community food organisations to tackle issues of access and affordability. Many participants expressed the wish to remain involved in developing steps forward to build short supply chains.

Nourish now seeks to establish an **Operational Group** to strengthen short food chains, as part of the 2014 – 2020 European Rural Development Programme. In the Scottish Rural Development Programme operational groups are

funded through the Knowledge Transfer and Innovation Fund (KTIF). KTIF is aimed at farmers, foresters, crofters, land managers, non-governmental organisations (NGOs), and other parties interested in taking forward projects to help drive knowledge transfer and innovation.

The Operational Group should build on the current Scottish Government '*Think Local'* and Community Food Fund work post 2016. It should also link to the Scottish Government's RESAS research programme 2016-2021, which includes a work stream on local food.

The Operational Group should focus on 'broadening and deepening the market for local food', based on a shared understanding of the economic, social and environmental benefits of local food. We propose further discussion with stakeholders to agree the objectives and outcomes in detail: but based on the findings of this survey, the key aims should be:

1. Co-operative marketing and sales of the local food sector's produce, particularly to visitor accommodation and attractions and to public procurement bodies. This marketing and sales campaign would highlight the wider benefits of local food, and would have wider sectoral benefits by improving knowledge of product availability and prompting more effective and efficient delivery systems.
2. Face to face and online training for buyers in tourism businesses, catering businesses and in public procurement, increasing awareness of local food's seasonality, availability and sustainability
3. Strengthening the mutually beneficial relationship between producers and consumers, for example through new models of financial risk-sharing and better education and engagement of consumers.

In addition to these measures for boosting demand for local food, the Operational Group would look at ways to build the supply side – for example, supporting new entrants into production and processing.

Strengthening short food chains is a key aspect of achieving the goals of 'Becoming a Good Food Nation'. For short food chains to deliver their potential economic, social and environmental contribution requires a sustained and ambitious partnership between government (both local and national) and the local food sector.

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Nourish Scotland is reconnecting producers, growers, retailers, communities and all who care for local, sustainable food. We are working for a stronger food culture to make healthy, local, seasonal, and organic food available to everyone, everywhere in Scotland.

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