

Herefordshire Economic Evaluation

Opportunities to grow our local food economy

TEEconomy :

Establishing the Potential of a Transition Enterprise Economy

Detailed report : Food Sector

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REconomy Project

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Background

This report into the Food and Drink Economy of Herefordshire forms part of a larger piece of work in the county under the working title “TEEconomy - Establishing The Potential Of A Transition Enterprise Economy In Herefordshire”. Further reports into the county’s Energy Economy and its Housing Retrofit Economy are also available.

The TEEconomy work in Herefordshire is itself part of a wider ‘economic evaluation’ project being undertaken in Totnes, Devon (South Hams District Council) and in Brixton, London, thus covering a rural county, a market town and an inner-city area. The intention is to use the work done in these three areas to develop models for application and further work nationwide.

The work in Hereford is commissioned by the Transition Network with funding from the Tudor Trust among others. It takes place under the auspices of the nationwide REconomy project which supports Transition Initiatives across the UK, including the Herefordshire in Transition Alliance (HiTA) which brings together Transition groups in Herefordshire.

The principal outcome is intended to be :

Better informed strategic economic planning and decision-making that will help build the resilience of the local economy, and so the local community, in the face of economic uncertainty, rising energy prices and climate change.

What this report addresses

The report draws together information from diverse sources not previously compiled and analyses this. It sets out the results of initial research into the potential for strengthening the local economy by localising production and purchasing of Food and Drink in the county. In so doing, it provides an assessment capable of underpinning ‘better informed strategic economic planning and decision-making’ in Herefordshire.

The following questions are addressed :

How to define the Herefordshire Food and Drink sector?

Size and characteristics? – numbers employed, numbers of businesses, strengths and weaknesses of the sector

Present economic value of the sector?

Present total spend on Food and Drink?

How much of this is spent in locally-owned businesses?

How much of this is spent on local produce?

What is the scope for localising more of this spend?

What would be the potential value to the local economy?

Each of these questions carries challenges and this report does not pretend to have satisfied any question fully. There are gaps in the information publicly available, much of the information required is commercially-sensitive and therefore hidden from view, and it has been beyond the

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resources of the project to engage in primary research or to acquire commercial-quality data. Therefore at this stage some answers can only be partial or to some extent conjectural, requiring in-depth or primary research.

That said, this report does produce helpful information in a number of respects, establishing parameters which can inform present considerations and decision-making. It is also a useful outcome to know what we do not yet know, so as to guide further work.

How to define the Herefordshire Food and Drink sector?

It is important to be clear about what we are aiming to include, or exclude. This report broadly follows the 'core and holistic' definition of the 'Food and Drink Sector Supply Chain' offered by the Food and Drink Key Sector Report 2009 for the Scottish Government ¹.

Sector	Sub-sectors
Agriculture	<ul style="list-style-type: none">• Livestock• Crops• Horticulture
Fisheries	<ul style="list-style-type: none">• Fish catching• Aquaculture
Food and drink manufacturing	<ul style="list-style-type: none">• Meat processing• Fish processing• Dairy• Fruit and vegetable processing• Oils and fats• Animal feed• Starches• Other food products• Drinks
Food and drink wholesaling	<ul style="list-style-type: none">• Wholesale of food, beverages and tobacco (excluding wholesale of tobacco products)
Food and drink retailing	<ul style="list-style-type: none">• Retail sale in non-specialised stores (excluding wholesale of tobacco products)• Retail sale of food, beverages and tobacco in specialised stores (excluding retail sale of tobacco products)
Non residential catering	<ul style="list-style-type: none">• Restaurants• Bars• Canteens and catering

This provides a helpful definition and a recognised standard basis for enquiry. There are a few relevant points to be noted:

The definition includes alcoholic beverages, so we are able to consider the potential for local brewing and distilling.

¹ SCOT 2009

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However it implicitly excludes 'specialised stores', whereas the focus of this report on local sourcing and supply requires that we aim to include these.

It includes 'Non Residential catering' but excludes residential catering such as hotels. As the tourist sector and the residential care sector are both substantial and offer scope for further development in food and drink, residential catering should also be assessed.

The definition does not fully represent the approximately 120 4-figure Standard Industrial Classification (SIC 2007) codes which could potentially be used to define the sector..

Size and Characteristics of this sector

Establishing the nature and scale of present Food and Drink sector activities in the county is a first step towards assessing its future potential. Although fine-grained and commercial data has not been available, with co-operation from a number of public bodies including the Office for National Statistics (ONS) and especially the Research Unit of Herefordshire Council, it has been possible to generate approximations of the size of the sector in terms of employment, number of businesses and contribution to Gross Value Added (GVA) ².

Numbers Employed and Businesses : Approaches to making an assessment

There are several possible sources and approaches.

If we define the Food and Drink sector by means of a selection of sixty-one 4-figure SIC 2007 codes, the Annual Business Inquiry (ABI) Workplace Analysis 2008 identifies 956 'data units' (that is, businesses including branches) in Herefordshire, employing 12,900 people ³. However this figure excludes agriculture, which is calculated in the Census of Agriculture (see below) in ways that are not directly comparable.

The Business Register and Employment Survey (BRES) 2010 - which has now superseded the ABI – uses eighteen categories of employment of which only five are clearly relevant to Food and Drink. These five give a total employment of 30,700 (including 9,600 part-time), however the category 'Agriculture, Forestry and Fishing' does not include 'farm data'. Applying known proportions to these figures (29.2% for production and 40% for distribution, transport; accommodation and food) identifies 3,600 employees and proprietors in Food Production with a further 8,300 in Food Distribution (including transport, accommodation and food) making 11,900 total excluding agriculture ⁴.

This is close to the ABI 2008 figure above of 12,900, both excluding agriculture.

Alternatively, the Inter-Departmental Business Register (IDBR) offers the following five 'core' 2-figure SIC codes able to partly define the food and drink sector :

² ONS – 1

³ ABI 2008

⁴ BRES-1

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01 Crop and animal production; hunting and related service activities
03 Fishing and aquaculture
10 Manufacture of food products
11 Manufacture of beverages
56 Food and beverage service activities

Based on this 'core' dataset, which does include agriculture, there are 2,820 'local units' in Food and Drink related activities in the county, employing 13,109 people. However, it will readily be seen that this set excludes important elements of food and drink, which are covered in other sectors (and in the ABI dataset above) - such as wholesale trade, retail trade and transport. It has not at this stage been possible to establish a means for calculating the additional figures ⁵.

The ONS are responsible for both datasets and comment on their use as follows :

IDBR is the best source for counts of enterprises and local units. For employment estimates at the detailed industry level, or a local authority breakdown, the ABI (1) is the best source. The ABI (2) provides the best estimates of turnover split by local authority or industry." ⁶

Therefore while the IDBR, ABI and BRES datasets each have a role in establishing the size of the local Food and Drink sector, the above figures only take us so far and none is able to help us fully on numbers employed

Nationally, the Department for Environment Food and Rural Affairs (DEFRA) state that in 2011 the agri-food sector employed 3.6 million people comprising 14% of total employment, a slight increase over the previous year (DEFRA - 1). However there are difficulties with honing this figure down to regional or local level, as the West Midlands Food Partnership Cluster Plan (2007) explains :

It is difficult to estimate numbers employed [in food and drink] in the region. The sector is vertically integrated, with farms, manufacturing, wholesaling linking through to retail, restaurants and associated services, and functions and boundaries between the supply chain blurred as a farmer can also be a processor and a retailer. The region is nationally important in many sectors, brewing (18% of national total), food machinery (11%), red meat sector (19%), dairy, confectionary and bakery, and horticulture. This diversity of production will be of significance as the 'Low Carbon' issue gains influence in the sector. ⁷

The Census of Agriculture and Horticulture 2010 (EU Farm Structure Survey data) identifies 9,377 people as 'Farm Labour' and 2,649 working farms ⁸ However the following should be noted ⁹:

- These figures only include those working on 'commercial' size units and deliberately exclude smaller units : thresholds are set at for example more than 5 hectares 'utilised agricultural area', or more than 50 pigs or more than 1,000 head of poultry.
- Of these 3,233 or fully 35% were casual workers on farms –defined as people who work less than 20 weeks/year. These may include family, youth trainees and Seasonal Agricultural Workers from the UK or abroad.
- A further 2,707 or 29% were classed as part time : farmers, partners, directors, spouses, managers and regular workers.
- Only 3,436 or 37% were full time : farmers, partners, directors, spouses, managers and regular workers.

⁵ IDBR – 1

⁶ ONS - 2

⁷ WMFDCP - 1

⁸ DEFRA – 2

⁹ DEFRA – 3

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Figures extracted by Herefordshire Council Research Team from the ABI 2008 suggest there were about 6,300 people engaged in agriculture¹⁰. The Herefordshire Local Economic Assessment 2010 considers that there were “over 11,300” in agriculture in 2009 but also cites ‘alternative figures’ of 7,300 excluding self-employed¹¹.

The Annual Population Survey (APS) provides a further measure, based on interviews with 155,000 households nationally, 1,356 in Herefordshire. This estimates that of 86,000 employed people in Herefordshire (aged 16-64) in 2010 4,800 were engaged in ‘agriculture and fishing’. However the confidence level in this figure is low, giving a range between 3,400 and 6,200¹². A search of the APS database on the Nomis site produced an alternative figure for 2012 of 5,100 with a confidence interval of 2,000 therefore a range of 3,100 up to 7,100¹³.

In addition, neither ABI nor BRES capture self-employed figures whereas we know that there is an exceptionally high rate of self-employed in Herefordshire : over 20% in recent years compared to 12-13% regionally and nationally, totalling 16,800. Furthermore a disproportionate percentage of these are in agriculture : the APS cites 58% of all those engaged in ‘agriculture and fishing’ are self-employed, or 2,800 out of 4,800. Note however the low confidence in this former figure so that the figure could be between 1,700 up to 3,900. To these figures we would need to add the appropriate extracts from other food and drink related sectors - manufacturing, distribution, hotels and restaurants, and transport – which together total 5,300 self-employed. There is no clear way at present to establish such extracts however¹⁴.

Using figures from NOMIS, ONS and elsewhere, the STEAM Report 2010 into Herefordshire tourism identifies 2,766 full-time-equivalent jobs in food and drink, directly supported by tourist expenditures. It appears reasonable to assume these jobs are counted in the foregoing databases¹⁵.

Conclusion: Numbers employed in Food and Drink sector

Using the information sources above, the following approaches may require further work to resolve any possible issues around comparability, but will help to establish initial parameters:

- If we add the Census of Agriculture ‘Farm Labour’ figure of 9,377 to the ABI 2008 Workplace Analysis figure of 12,900 this generates a Food and Drink Employment total of about 22,300.
- If we add the Census of Agriculture ‘Farm Labour’ figure of 9,377 to the BRES 2010 based figure of 11,900 this generates a Food and Drink Employment total of about 21,300.
- We should bear in mind that the Census of Agriculture figure 9,377 includes some 6,000 part time (less than 39 hours/week) and casual (less than 20 weeks/year) workers and is therefore probably a maximum. The Annual Population Survey 2012 figure is some 2,000 to 6,000 less. There are at least 3,436 full time employed on ‘commercial’ holdings alone so this provides a minimum figure. If a figure were available for ‘full-time-equivalents’ to add to this minimum the total would fall in the middle ground, perhaps around the 6,300 ABI 2008 figure.

¹⁰ HFDS – 2

¹¹ LEA – 2

¹² HFDS – 1

¹³ NOMIS – 1

¹⁴ HFDS – 1

¹⁵ STEAM – 1

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- None of the above includes self-employed engaged in food and drink, which the APS estimates at 2,800 in 'agriculture and fishing' alone, to which a proportion of the 5,300 self-employed in other sectors would have to be added. We do not presently have a means to calculate this figure.
- If we apply the national percentage of 14% employed in food and drink to the high-end total Herefordshire employment figure of 86,000 provided by APS, this would mean a total of 12,000.

Summary : Numbers Employed in Food and Drink

If we accept there are at least 12,000 working in food and drink excluding agriculture, and add to this the minimum figures of 3,500 full-time agricultural and 2,800 self-employed agricultural, this rounds to an overall minimum of **18,500**.

If we accept there are 13,000 working in food and drink excluding agriculture and based on the above speculate that a) there could also be some 1,500 full-time-equivalent jobs from amongst the 6,000 part-time and casual jobs in agriculture identified above, together with b) a further 1,200 self-employed in food and drink from amongst the 5,300 self-employed in related sectors, this would produce figures of 5,000 (3,500 plus 1,500) full-time-equivalent in agriculture plus 4,000 (2,800 plus 1,200) self-employed, amounting to **22,000**.

If we accept there are 13,000 working in food and drink excluding agriculture, and add to this the full Census of Agriculture figure of some 9,300, plus the figure of some 4,000 self-employed, this rounds to about **26,500**.

If we note further that due to the 'commercial' nature of the Census of Agriculture data it is likely there will be additional numbers working on food and drink at sub-commercial scale. We can reasonably conclude that **altogether some 18,500 to 27,000 people are regularly working in this sector**.

If we use a high-end total workforce figure of 86,000 this means that **food and drink related activities represent at the least some 21% – 31% of the county's workforce**.¹⁶

¹⁶ HFDS – 3

Conclusion : Numbers of businesses in the Food and Drink sector

- If we add the 956 ABI Workplace Analysis data units to the 2,649 commercial-size farms identified in the Census of Agriculture, there could be at least some 3,600 Food and Drink related businesses in the county¹⁷.
- The Inter-Departmental Business Register (IDBR) is said by the ONS to be “the best source for counts of enterprises and local units”. Using its 2009 database across 5 ‘core’ 2-digit SIC codes (see above) directly related to Food and Drink, we derive an Enterprise Count of 2,665 (Local Unit Count 2,820).
- As previously noted however, the codes used to derive this figure exclude wholesale trade, retail trade and land transport which necessarily include other food and drink activities. If these are included in entirety, the number rises to 3,970 (Local Unit Count 4,505). The true figure for businesses in Food and Drink will therefore probably lie between the two¹⁸.

Summary : Numbers of Businesses in Food and Drink

Further research will be required to establish the precise numbers of businesses in sectors outside the five ‘core’ ones identified above and how many sub-commercial scale farm enterprises there may be.

We can provisionally estimate however that there are between **2,600 to 3,600 businesses operating in the food and drink sector in Herefordshire, including agriculture.**

What is the present economic value of this sector?

Using publicly-available data, there is one possible approach to answering this question which relies on figures for Gross Value Added.

Gross Value Added

Gross Value Added (GVA) is a measure of productivity of the economy which measures the sum of incomes generated by the process of production of goods and services. Gross Domestic Product (GDP) is equal to GVA at market prices (that is, plus taxes and minus subsidies). GVA is used as a headline indicator for tracking the performance of the local economy in Herefordshire, with caveats¹⁹.

As with other essential forms of energy, food and drink is strategically important to the economy and is also increasingly costly. Nationally, the agri-food sector contributed £87bn or 7% to the country’s GVA in 2010. Spend on food shopping increased 26% between 2006 and 2010, with food

¹⁷ ABI 2008 – 2

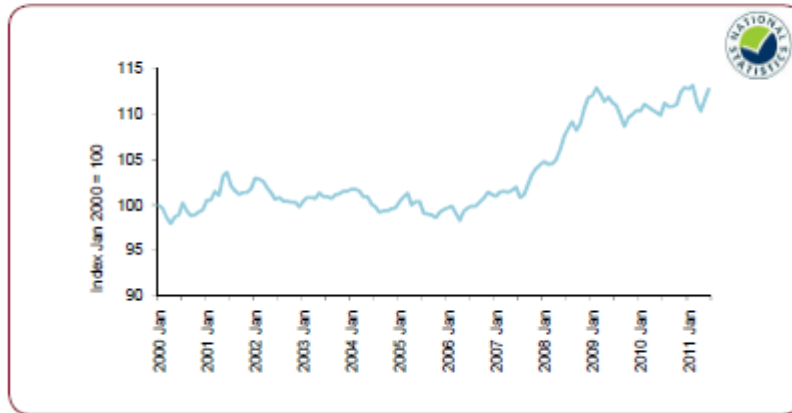
¹⁸ IDBR – 1

¹⁹ HFDS – 5

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prices rising 12% in real terms during 2007-8, and it appears that rising prices are accepted by consumers²⁰.

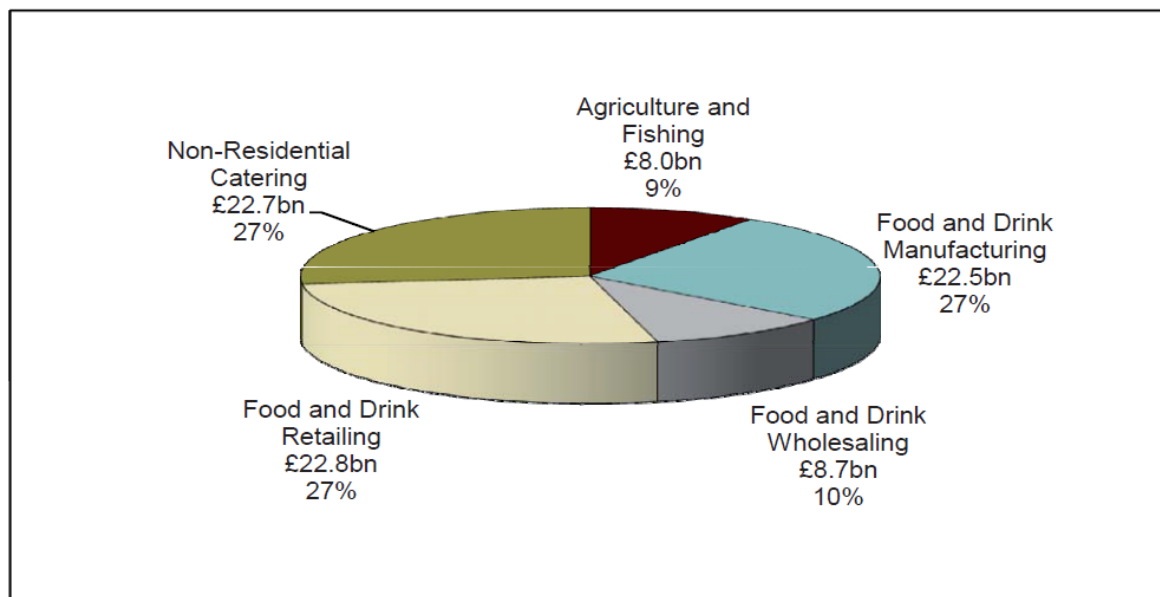
2.2: UK trend in food prices in real terms, January 1998 to June 2011¹



Source: Consumer Price Indices (ONS)

The scale of the food sector is enormous. Nationally, in 2008 the agri-food sector contributed £85 billion or 7.1% of national market sector GVA. It also accounted for £179 billion of consumers' expenditure²¹.

1.2: Gross value added of the UK agri-food sector, 2008



Source: Annual Business Inquiry (ONS) & Agriculture in the United Kingdom (Defra)

185,000 people are employed in primary production which provides 60% of national food supply. The food supply chain overall employs 3.5 million people, turns over £412 billion annually and is the fifth-largest contributor to national GVA²².

²⁰ DEFRA – 4

²¹ DEFRA – 5

²² CPRE – 1

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Locally, the Herefordshire Local Economic Assessment records that in 2007 the agriculture, forestry and fishing sector accounted for 7% (£196 million) of total GVA for Herefordshire but by 2009 this had increased substantially to 9% (£239 million). Taken all together, sectors with significant food and drink related activities (highlighted in the chart below) account for 55% or £1.5 billion ²³.

HEREFORDSHIRE : GVA		2009	% of total
		£million	2009
Agriculture, forestry and fishing		238	8.7%
Production		518	18.9%
Construction		220	8.0%
Distribution; transport; accommodation and food		543	19.8%
Information and communication		78	2.8%
Financial and insurance activities		89	3.2%
Real estate activities		176	6.4%
Business service activities		209	7.6%
Public administration; education; health		559	20.4%
Other services and household activities		111	4.1%
	Total	2740	100.0%

We can use figures for Herefordshire's GVA together with local employment data to give an approximation for the value of the local food and drink economy.

Herefordshire Council Research Team has provided figures for the proportion of food and drink employment in each of the sectors listed in BRES 2010. On the assumption that employment and productivity are related, by applying these proportions to the known GVA (2009) for each sector in Herefordshire we can generate the table below ²⁴:

HEREFORDSHIRE : GVA ATTRIBUTABLE TO FOOD AND DRINK	Total GVA £m 2009	Food & Drink employment%	Food & Drink GVA £m
Agriculture, forestry and fishing	238	100%	238
Production	518	29.2%	151
Distribution; transport; accommodation & food	543	40.0%	217
Business service activities	209	0.5%	1
		Total :	£607m

Summary : Present Economic Value to Herefordshire of the Food and Drink sector

With the information presently available we can estimate that the GVA for the food and drink economy in Herefordshire is in the region of **£607m per annum** and that it contributes **22% to the total GVA** for the county of £2,740m.

²³ HFDS – 6

²⁴ HFDS – 4

What outlets for food and drink can be identified in Herefordshire?

Herefordshire Council's Assessment on Retail and Leisure Need by Drivers Jonas Deloitte (hereafter DJD) lists 50 retail outlets including farm shops, village stores and supermarkets all selling 'convenience goods' – a category which includes food and drink along with tobacco and non-durable goods.

This list does not include all the retail outlets for food and drink in the county, the number of which it is not possible to identify with the data available. The DJD report aims to assess future need and therefore although discussing retail and leisure provision does not quantify existing outlets such as restaurants, except in terms of projected spend : for the year 2007 this was £175 million in restaurants, bars and pubs across a 'mix of independent and national operators' in all the 6 zones studied in Herefordshire²⁵. A related report on Town Centre Health Checks assesses the representation of 'convenience stores' in each centre against national averages (some are higher, some lower) but again does not quantify²⁶.

A recent report by Council for the Preservation of Rural England (CPRE) "From Field to Fork: The Value of England's Local Food Webs" states that nationally 'local, village and corner shops' make up 54% of all food stores²⁷.

Of the 50 outlets identified in Table 8 of the DJD report, 29 belong to national supermarket brands. Making calculations based upon this table, just 10 of these account for 80% of all 'convenience goods' expenditure in the county, with 6 in Hereford city accounting for 55%²⁸.

National Supermarkets in Herefordshire	
	No. of Outlets
Tesco (inc Metro & Express)	4
Morrisons	3
Sainsburys	1
Somerfield	3
Asda	1
Co-op	7
Marks & Spencer	1
Aldi	2
Lidl	1
Iceland	1
Farmfoods	1
Londis	2
Nisa	1
Spar	1

In 2007 the 50 outlets altogether comprised some 38,000 square metres, with over 50% of this in or near Hereford city²⁹. Google maps the location of 'Herefordshire supermarkets' as below, showing the degree of concentration on Hereford city. In a rural county which is sparsely populated, this

²⁵ DJD – 1

²⁶ DJD – 4

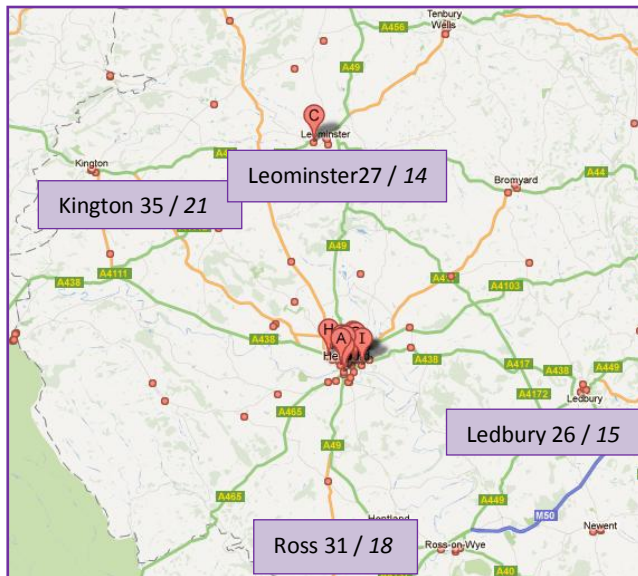
²⁷ CPRE – 1

²⁸ DJD – 1

²⁹ DJD - 1

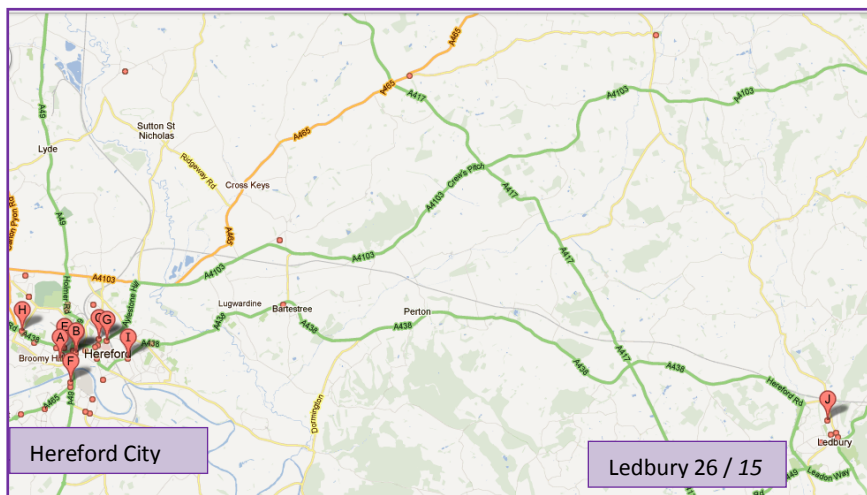
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feature significantly affects the opportunities for consumer spending on food and drink. To give a sense of scale along with the inferences for food purchasing, journey time and distance is given between Hereford city and the principal market towns.



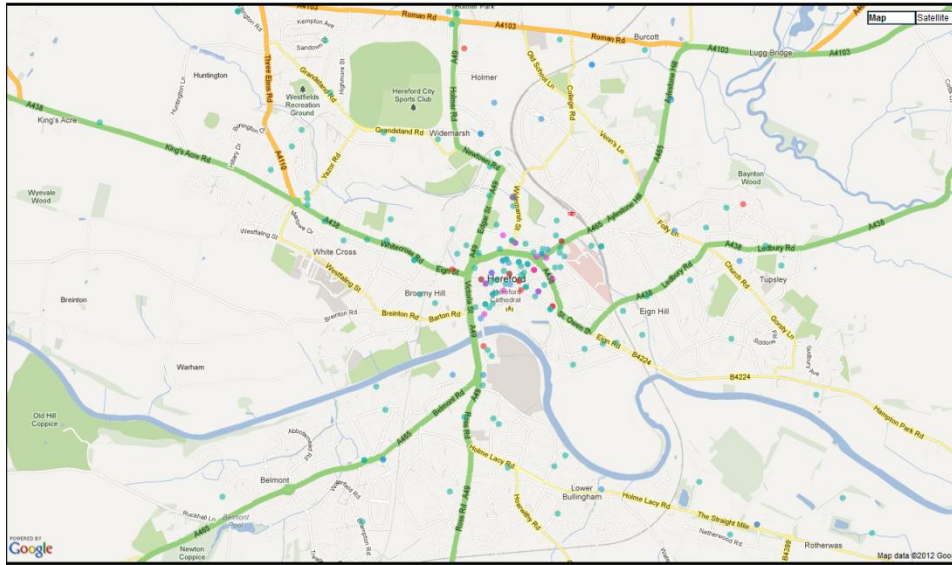
Above : Distance and time between Hereford City and the county's market towns (Minutes / Miles)

Below : The Hereford / Ledbury axis shows scarcity of village shops within the 15 miles separating the two [note: Google shows most but not all food outlets]:



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Other forms of spatial mapping of outlets are also available – such as that provided by Geofutures below - but without quantitative datasets³⁰.



Summary : Outlets for Food and Drink

With the information presently available it is not possible to quantify the number of stores retailing food and drink in the county other than supermarkets, of which there were in all 29 in 2007.

Six supermarkets in Hereford City account for 55% of spend on convenience goods in the county.

Information about the number of wholesale or catering outlets is not forthcoming, however **spend in restaurants, bars and pubs was estimated at £175 million** in 2007.

What is the total spend on food and drink in Herefordshire?

Several possible avenues can be explored as follows.

Retail Turnover of 'Convenience Goods'

DJD gives figures for turnover of 'convenience goods' in Herefordshire by retail outlet. This calculates the total "in-zone" turnover as £287m in 2007, with a further £18m being spent outside the zone, which closely approximates the Herefordshire boundary but has been "adjusted to reflect more accurately existing retailing patterns"³¹.

³⁰ GEO – 1

³¹ DJD – 3

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However the category 'convenience goods' comprises food, alcoholic drink, tobacco, newspapers and magazines, and non-durable household goods. To make use of this data it is necessary therefore to strip out the extraneous items and this has been done using information on supermarket sales provided by the Competition Commission. Across five major supermarkets, food and drink (including alcohol) accounts for an average 73% of sales value of convenience goods (+/- 2%)³².

This proportion when applied to the DJD data (Table 8, p40) suggests that the 'in-zone' retail stores turnover related to food and drink in 2007 was £211m. It is worth noting that a further £13m of turnover on food and drink was created outside the zone. DJD estimated that there would be a 2.4% increase to 2011, making £215m and £13m.

These figures are estimates of turnover rather than direct expenditure. They represent baseline domestic food expenditure covering retail 'convenience' stores only and do not include expenditure in cafes, restaurants, canteens, vending machines, farmers' markets, special events, farm shops, specialist food shops, hotels, and so forth. Nor do they cover wholesale food sales or food procured by hospitals, nursing homes, educational establishments and so forth.

Note : DJD updated its previous research in a report released in March 2013³³. It has not been possible to incorporate here any of that updated information.

Regional Household Expenditure

The Office for National Statistics (ONS) table A35 "Detailed household expenditure by UK countries and regions, 2008-2010" gives detailed expenditures, but only by region not by county.

Combining the three categories 'food and non-alcoholic drinks', 'alcoholic drinks' and 'catering services' for the West Midlands region gives a figure of £86.20 per household per week, 20% of overall weekly household expenditure. While this figure is 4% lower than the UK average, in view of the low-wage nature of the county's economy it could perhaps be thought to overestimate Herefordshire spending³⁴.

The DJD report also produced evidence showing Herefordshire spending in restaurants, bars and pubs to be below the national average³⁵.

However there is evidence to the contrary : the ONS Table A36 'Household expenditure by urban/rural areas 2008-2010' indicates that in rural areas spending on food is 10% higher, along with higher spending on alcohol and restaurants. The West Midlands comprises the major conurbation of Birmingham city and its satellites, along with Herefordshire which is very rural. In due course weighting the ONS figure above to reflect this disparity might be advisable, but further information would be required to do so accurately³⁶.

³² CC – 1

³³ DJD - 2

³⁴ ONS – 3

³⁵ DJD – 5

³⁶ ONS – 3

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The 2011 Census revealed there are 79,800 households in Herefordshire so using the above figure for West Midlands produces a county-wide annual household spend of £358m across the three categories.

The 'catering services' category accounts for £123m spend per annum in the county.

If we exclude the "catering services" category, the spend on food and drink drops to £234m, which is not dramatically out-of-line with the DJD 'convenience goods' calculation above of £215m. An alternative approach taken below leads us to almost exactly this same figure.

Tourist Expenditure

The 2010 STEAM Report on tourism in Herefordshire includes concise figures for expenditure by tourists on 'food and drink'. In 2010, 5 million tourists spent a total £123m on food and drink. Exactly half of this (£61m) was spent by 'day visitors' with a further third (£41m) spent by those staying in non-serviced accommodation and 7% (£8m) by those staying with friends and relatives. Only 10.5% (£13m) was associated with 'serviced accommodation', which lies outside the definition of the sector adopted for this report³⁷.

Therefore, subtracting the figure for serviced accommodation, in 2010 a total of £110m direct spend from tourism lay within the definition of Food and Drink sector economic activity.

This figure is presumably additional to the ONS household expenditure figures as day visitors are those "whose stay is three hours or more for a non-routine purpose originating outside the local area"³⁸.

It is not at this time clear whether the DJD figures exclude expenditure by tourists as the on-street interviews were subject only to 'judgement'³⁹.

Leisure Expenditure

As noted above, the 2010 DJD report in assessing the capacity for "Restaurants, Cafes and Public Houses" attributed £175m per annum expenditure to these in 2007 and anticipated £172m per annum in 2011. These figures necessarily overlap with other statistical bases above. For example, the £49m gap between this figure and the ONS 'catering services' figure of £123m could perhaps correlate in some way to the £61m spend by day visitors.

Wholesale Expenditure

There are wholesale operations in the county covering local agricultural produce, manufactured produce, and imported produce. No figures have yet been obtained to quantify this value. Clearly, steps would have to be taken to ensure that no double-counting of data entries took place.

³⁷ STEAM – 2

³⁸ STEAM – 3.

³⁹ see DJD p6 3.12

Conclusion : Total Spend on food and drink in Herefordshire

Firstly, referring to figures from both DJD and ONS above, on both counts domestic expenditure on food and drink *excluding catering services* probably lies in the region £215 - £234m per annum.

Secondly, Herefordshire's spend *including catering services* could be in line with ONS figures for the West Midlands or higher, taking into account rural-urban weighting, and could exceed the proportion of the £358m quoted.

Thirdly, if we add to this ONS figure the £110m tourism spend on food and drink identified in the STEAM report, total retail expenditure on food and drink in Herefordshire approaches £470m per annum.

Fourthly, if the DJD estimate on leisure spend were to be verified and not found to have been counted elsewhere, the last figure could yet be an underestimate with the true figure at about £500m, or half a billion pounds.

Finally, the four points above do not take account of non-consumer forms of food and drink purchasing and supply in the county : through wholesale or corporate procurement for consumption within the county, and also for export nationally or internationally. These too fall within the sectoral description for food and drink adopted above. It would be premature to hazard a figure for such expenditures but reasonable to conclude that taking these into account (while ensuring no double-counting) must significantly increase the total.

Summary : Total Spend on Food and Drink in Herefordshire

There is good evidence to indicate that the annual **consumer** spend on Food and Drink in Herefordshire by consumers is about **£470 million** and possibly more.

This figure does not include expenditure through the local **wholesale** markets which have not been assessed in this report.

It is reasonable to estimate that **overall expenditure on Food and Drink exceeds £500 million annually.**

Of the expenditure identified, how much is spent into local supply chains?

We should briefly consider the national and international context so as to take a measure of how great is the need to strengthen resilience and food security at the local level.

In 2010 the UK supplied just 49% of its own food requirements with Netherlands, Spain, France, Eire and Germany together supplying a further 21%. In that year £34bn of food was imported with a trade gap of £18bn, twice what it had been in 1995. Latest figures state the trade gap grew by 9% in

Opportunities to grow our local food economy

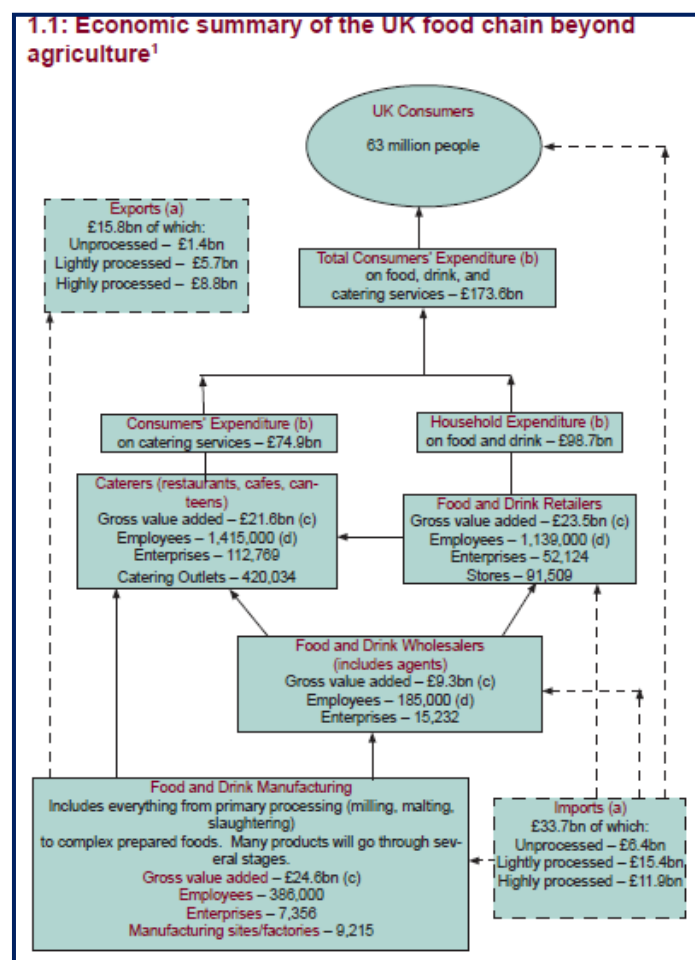
2011 and is now £22bn⁴⁰. The Food Production-Supply ratio – which measures self-sufficiency – was 60% for all food in 2010 and 74% for foods indigenous to the UK, down from 75% and 85% in 1989⁴¹.

What is 'Local'?

'Local' supply chains are not always independent, unconnected with national or international ones, and may often be 'multistage'. For the purposes considered here their principal characteristic is that they should be short : that is that the primary producer who underpins the supply should be as near as possible to the end-user of the food product. This does not mean such chains are simple however. Reframing supply chains as 'food webs', the recent report by the CPRE "From Field to Fork: The Value of England's Local Food Webs" points out⁴²:

"The relationships between networks of smaller food retailers and the local food supply chain back to primary producers are dispersed and numerous, making collecting data complex. It is easy for their presence to be overlooked. As a result, the scale, importance and wider benefits of local food webs are not widely recognised in policy."

Whether viewed at national or local level, the food and drink supply chain is complex. The two diagrams below illustrate at national level the sorts of understanding and information that are also required at local level if we are to fully understand local supply chains.



Source : DEFRA Food Statistics Pocketbook 2011⁴³

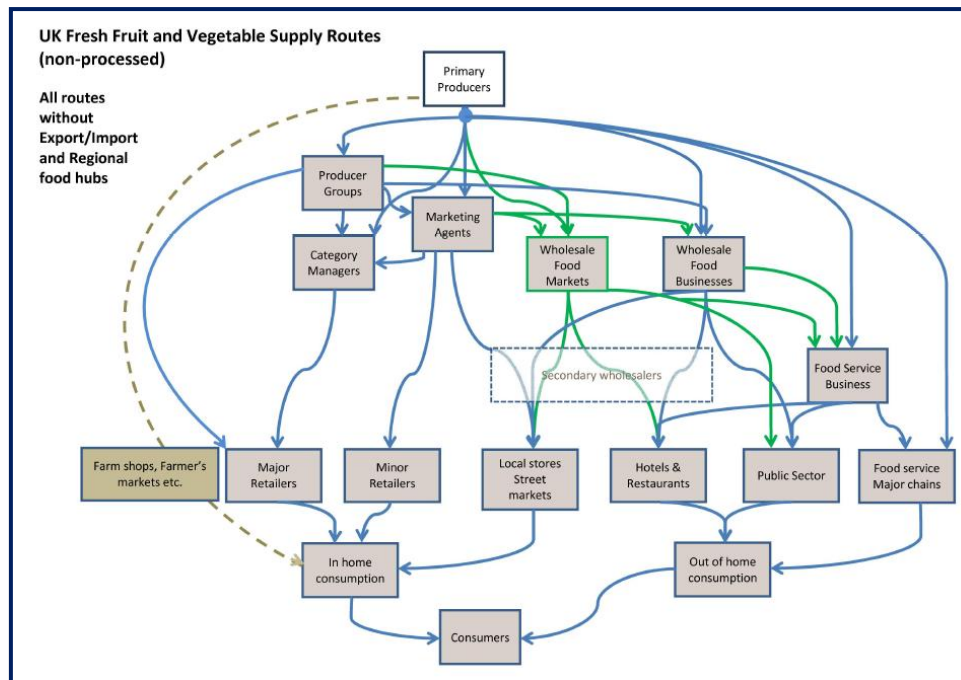
⁴⁰ FDF – 1.

⁴¹ DEFRA – 7

⁴² CPRE – 2

⁴³ DEFRA – 6

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Source : *Getting to the Heart of Horticulture, EFFP*⁴⁴

Although this report uses the Herefordshire county boundary as its study area, 'local' clearly refers to complex issues including senses of distance and community which do not respect geopolitical lines. There are for example potatoes which are grown in Herefordshire and sold locally, but which have in the meanwhile travelled up to 200 miles for packing and centralised distribution. This does not entirely disqualify them from being 'local', but the economic (and environmental) benefits of this would be weaker than if all processing was local.

Organic food would be another such case, with potentially lower fossil-fuel inputs and higher wellbeing outputs. There are also international brands of drink (Bulmer's Strongbow, Weston's, Chase Vodka) and national brands of poultry (Sun Valley) or crisps (Tyrrell's) which although made in Herefordshire may not have strong local chains for supply and distribution, and may no longer be perceived as 'local'.

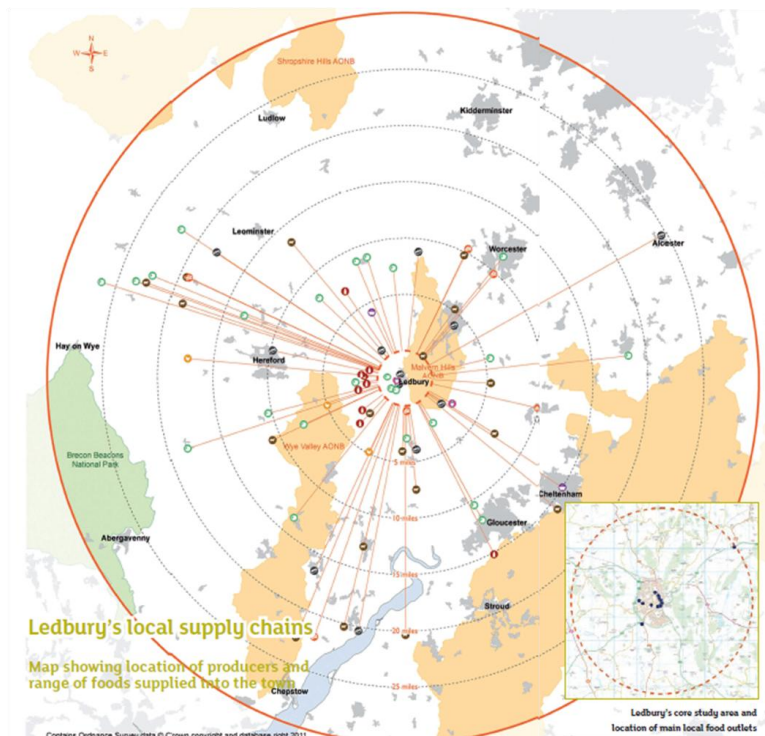
Shoppers and supermarkets alike sometimes interpret 'local' as meaning regional. However the CPRE's Ledbury report detailed below maintains that 42% of shoppers understood 'local' to mean Herefordshire, with a further 28% who understood it as 'within 30 miles'. Information from CPRE suggests that while different supermarkets adopt a confusion of different definitions, ASDA at least also uses a 30-mile radius. Reference may usefully be made to the following definitions adopted by the CPRE :

⁴⁴ HORT – 1

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The project defined:

- **a local food web** as the network of links between people who buy, sell, produce and supply food in an area. The people, businesses, towns, villages and countryside in the web depend on each other
- **local food** as raw food, or lightly processed food (such as cheese, sausages, pies and baked goods) and its main ingredients, grown or produced within 30 miles of where it was bought. For all locations, outlets were in a core study area of a 2.5-mile radius circle centred on a town or city. Producers based within a 30-mile supply zone beyond this were counted as local ⁴⁵.



Above : Local supply chains, extending up to 30 miles around Ledbury, Herefordshire ⁴⁶

Encouragingly, research in 2010 showed that 30% of shoppers nationally said they specifically purchased local food, double the percentage in 2006, and their motivations for doing so – which had also doubled from 2006 – were not just quality but to support local producers, retailers and jobs. 31% said they would like more local produce to be available, compared to 12% in 2005 ⁴⁷.

Assessing the Outlets available for 'Local Spend'

Where money is spent on food and drink is therefore important, because of the relationship to local supply chains. Unfortunately there are few sources of information able to identify the locations and other details (such as turnover) of spend into local supply-chains, which of their nature are circumstantial, specific to Herefordshire and cannot satisfactorily be identified through generic, national or regional data. As this information is commercially-sensitive it is also difficult to obtain.

⁴⁵ CPRE – 3

⁴⁶ CPRE - 4

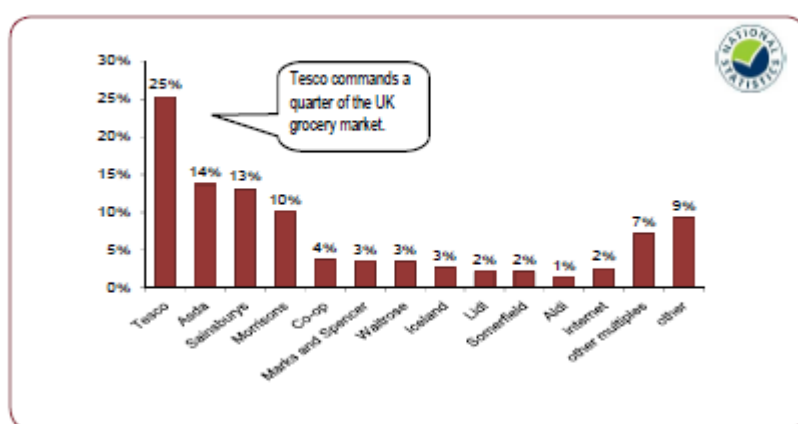
⁴⁷ IGD – 1

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However local supply chains do connect in different ways to most types of local outlets whether these be independent stores or national brands, so we can attempt to assess the household expenditure likely to pass into local supply chains through locating expenditure in a) the major supermarkets, b) smaller supermarkets and c) independent stores.

According to the DJD report, in 2007 there were 14 national supermarket brands in Herefordshire accounting for £202m (96%) of the total £211m turnover on food and drink in the 50 'convenience stores' included in the study. Just 5 brands – Morrisons, Tesco, Sainsbury, Somerfield and ASDA – accounted for 83% of the total turnover with a further 9 smaller supermarkets – Marks & Spencer, Co-op, Lidl, Aldi, Iceland, Farmfoods, Londis, Nisa and Spar – accounting for 13%. Some of these latter are franchises with set purchasing guidelines.

1.6: UK grocery market shares 2009



Source: Living Costs and Food Survey (LCFS) 2009, (Defra/ONS)

DEFRA Food Statistics Pocketbook 2011 ⁴⁸

DJD estimated that there would be a 2.4% increase in market share on the 2007 figures to 2011, i.e. excluding inflation, supermarkets would then account for £206m of total £215m 'convenience stores' turnover. To improve comparability we will use this estimate in the following.

By contrast to DJD, however, ONS figures (tables A2 2010 and 2008) indicate that only 71% of national household *spend* on food and drink (including alcohol) is in "large chain supermarkets" (no definition of these is given). To integrate turnover data with expenditure data could be problematic, and the following therefore must for the present be to some degree conjectural ⁴⁹.

If we apply this percentage to the DJD estimates for the top 5 supermarket chains in Hereford (as above) food and drink turnover in 2011, so that the £180m attributable to these represents 71%, there would be a further 29% or £74m of turnover in non-supermarket outlets and the county's total 'convenience stores' turnover on food and drink would be £254m. If we were to further conjecture that of this 29%, the same 13% identified above as non-major supermarket expenditure might channel through smaller supermarkets this gives a figure of £33m, with 16% or £41m through 'independent stores'. This extrapolation is summarised as follows :

⁴⁸ DEFRA – 8

⁴⁹ ONS – 4

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HOUSEHOLD EXPENDITURE ON FOOD & DRINK (inc alcohol) IN CONVENIENCE STORES							
	Larger Supermarkets		Smaller Supermarkets		Independent Stores		TOTAL £m
DJD Herefords 2011 (estimate) turnover of convenience stores	83%	£180m	13%	£27m	4%	£8m	215
ONS West Midlands Household expenditure 2008-10	71%	£166m	13%	£30m	16%	£38m	234
	71%	£180m	13%	£33m	16%	£41m	254

Note : percentages in italics are conjectural

On this basis therefore we approximate that up to about £180m per annum of food and drink expenditure passes through larger supermarkets, with about £30m through smaller supermarkets, and the remaining £8m to £38m through independent stores.

Obviously further research and corroboration will be required to determine whether the conjectural elements are usefully accurate but for now they pass as a 'reasonable estimate'. These figures do not include the spend on food and drink in 'catering' (restaurants, bars, pubs, fast-food), whether through leisure or tourism.

These figures supply only an indicative approximation of *where* household money is spent on food and drink, rather than on *what* : whether it is spent on local produce or into local supply chains. Supermarkets can and do stock local produce and independent stores may or may not. The next step is therefore to find whether a means exists to relate local-source and local-spend.

Summary : Household retail expenditure on Food and Drink

The **top five major supermarkets** in Herefordshire account for between 71% to 83% of consumer expenditure on non-catering food and drink, or **up to around £180 million** annually.

Provisionally, indications suggest that up to around **£30 million** annually is spent in the nine **smaller supermarkets**, including franchises.

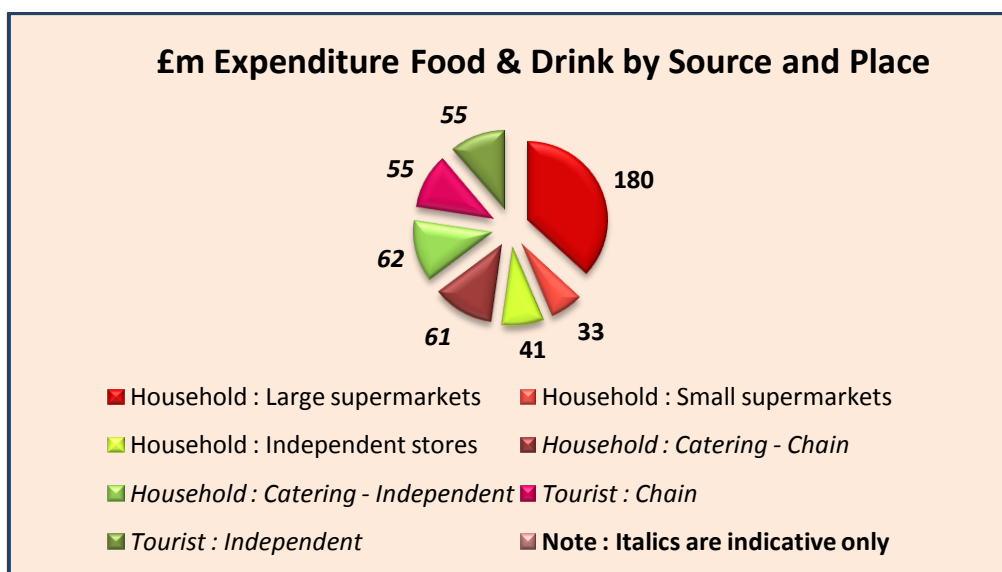
Provisionally, indications suggest that **between £8 million and £38 million annually is spent in independent stores**.

Various estimates for total annual household spend on Food and Drink (excluding catering) lie **between £215m - £254m** so it seems reasonable to adopt the mid-point of **£237m** which lies very close to the ONS figure calculated above of £234m.

We have not been able to consider where the £110m of spend by tourists takes place as the STEAM report does not include this and no sources for this breakdown have yet been discovered. Nor do we yet have information as to where household spend on catering (as opposed to 'brought-home' food and drink) takes place. The chart below therefore includes purely notional divisions for these categories, between independent outlets and national chain outlets, in the expectation that further

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information will in due course be obtained. Wholesale expenditure has not at this stage been included.



What do we know about purchasing of 'local produce' in Herefordshire?

It would be wrong to assume that because Herefordshire is a rural and agricultural county food-buying will necessarily reflect a predisposition to local source and that the outlets will reflect this in their stock. It is a low-wage economy with patchy transport infrastructure and a low population density, so the purchase of 'cheap' quick-cook food in 'one-stop' supermarkets which are central, have free parking and are seen as time-efficient is likely to be an attractive option for many, and sometimes perceived as the only viable option.

Supermarkets generally stock very small proportions of local food and drink: the CPRE report states typically "0% to 4% at most" and gives figures for ASDA which suggest that nationally only about 1% of their food and drink turnover is locally sourced. Nationally, 77% of all main shopping trips are to major supermarkets due to convenience, proximity or location, and price. This could therefore result in lower-than average rates of local sourcing in Herefordshire rather than higher. However 20% of shoppers say they do sometimes use smaller independent stores due to quality, or because they stock specific items and local produce⁵⁰.

Using this information, if we were to use a generous average of 3% for the proportion of large-supermarket turnover attributable to sales of locally-sourced food and apply this to the DJD-derived figure of £180m for large-supermarket annual turnover, then some £5m could be spent annually on locally-sourced food in larger supermarkets.

Quantitative information on local spend in smaller supermarkets and independent stores is not easily calculable in the absence of commercial data. The local CPRE research finds that:

⁵⁰ CPRE – 5

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Sales of local produce [by independent retailers] accounted for more than 25% of turnover for over two-thirds of outlets (148 out of 218) with a third of outlets selling very high levels of local food (75% or more by value). The breakdown for the amount of local food sold (by turnover) was: 0-25% – 32% of outlets; 26-50% – 15%; 51-75% – 22%; 76-100% – 31%.⁵¹

It is not clear what the word ‘amount’ means here or quite how to use this information, but if we were to take the figure of 25% of turnover and apply this to the approximations above for turnover / expenditure in independent stores (i.e. £8m to £38m) this would mean purchases of locally-sourced food through the local supply chain of between £2m to £12m annually. This lower figure for the county is not believable however, as the CPRE report on Ledbury estimates that between £1.5m and £2.7m is spent annually in that one location, and it may be that rates over 25% of turnover could apply⁵².

Less information still is available for the smaller supermarkets. If we conjecture that their sales of local food might lie about mid-way between the large supermarkets and the independent retailers at say 15% of turnover, and apply this to the approximations above for smaller supermarkets (i.e. £27m to £33m) this would mean purchases of locally-sourced food of £4m to £5m annually.

Summary : Retail Sales of locally sourced Food and Drink (excluding catering)

Sales of locally-sourced produce in Herefordshire’s **major supermarkets** lie in the range 0% to 4% of turnover and could amount to some **£5 million** annually.

Sales of locally-sourced produce in the county’s **smaller supermarkets** could be about **£5 million** annually.

Sales of locally-sourced produce in **independent stores** are hard to quantify for lack of turnover data but it seems possible these could exceed **£12 million** annually.

Of further help is the 2012 CPRE report “From Field to Fork : Ledbury”. Ledbury is a principal market town within Herefordshire, near the eastern border with Worcestershire. The ‘Local Supply Chains’ diagram on a preceding page shows a 30-mile radius (5-mile increments) and the location of local producers supplying into the town – many of whom are not situated in Herefordshire but in Worcestershire or Gloucestershire.

Based on work from June 2009 to February 2010, this report uniquely includes primary research in the county, comprising interviews of producers, retailers and shoppers. A key finding from across 75 respondent shoppers was of an average £71.67 per week spent on food shopping of which 34% or £24.42 was spent on ‘local food’. 94% of shoppers said they bought at least some local food and while 92% did their main shopping in supermarkets, 66% of extra shopping was in independent stores or markets⁵³.

We should compare the figure of £71.67 with the ONS figure of £86.20 per household per week on food and drink including catering, which is some 17% higher. If we extrapolate the former across the

⁵¹ CPRE – 5

⁵² CPRE – 6

⁵³ CPRE – 6

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county's 79,800 households this would mean an annual county-wide spend of £297m, mid-way between the ONS-derived figures for the county of £358m including catering or £234m shopping alone. Commenting on the data aggregated from 780 shoppers at 12 different locations nationally including Ledbury, the CPRE research team notes that self-selection and other factors could have skewed the data ⁵⁴:

The questions on weekly spend also did not distinguish between eating out and grocery spend. Figures could therefore in theory also be capturing spending in food service outlets. Nevertheless our breakdowns do indicate a broad age and income spread among shoppers interviewed within and across locations, though there were a disproportionately high number of individuals with higher-level qualifications.

This could explain why the Ledbury figure sits half-way between the ONS figures. It is also unclear whether shoppers were directed to include or exclude amounts spent on alcohol. Nationally, the work concluded that shoppers spent £22 on local food, or 31% of a weekly food spend of £71 ⁵⁵.

This work nevertheless gives us a preliminary indication of a possible figure for the Herefordshire spend on locally-sourced food and drink. Applying both the national aggregate (31%) and the Ledbury percentage (34%) to the £234m ONS figure for food and drink shopping, we arrive at a range of £72m to £80m per annum for the county's household spend on locally-sourced food and drink (not including catering). The corollary is that some £150m each year is spent by households on imported food and drink.

Bearing in mind that, as quoted above, the research "did not distinguish between eating out and grocery spend", we could tentatively go so far as to apply these percentages also to the ONS figure of £358m including catering, producing a range of £111m to £122m per annum for the county's household spend on locally-sourced food and drink including catering. The corollary here is that including both take-home and eat-out, some £230m each year is spent by county residents on imported food and drink.

We have currently no information on the expenditure patterns of tourists related to local food. We might expect that many tourists would prefer to patronise distinctive local outlets, and that these potentially could provide a higher proportion of local food and drink than national brand outlets. If therefore we were to apply the same percentages to the figure of £468m including both catering and tourism spend, this would produce a range of £145m to £160m.

There is another possible approach.

The CPRE Ledbury report cites a turnover of between £1.5m to £2.7m in local food outlets (excluding market stalls and supermarkets) as attributable to sales of local food. 25 outlets were identified as selling local food including supermarkets, market stalls, farm shops, butchers, bakeries, cafés, grocers, pub and a box scheme.

It is not presently clear however what exactly is included or excluded in these figures, nor has any method been identified to reliably extrapolate from Ledbury to county level. The best we can do is to note that Ledbury comprises about 6% of the county's population and also about 6% of its employment. If we were to use this percentage to extrapolate to county level, we could conjecture

⁵⁴ CPRE – 7

⁵⁵ CPRE – 8

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that if Ledbury was typical, something like £25m to £45m per annum of turnover could be attributable to sales of locally-sourced food.

It must be emphasised that only through corroborative primary research which does not yet appear to have been undertaken, can the accuracy or otherwise of the above calculations be validated.

Summary : Purchasing of locally-sourced Food and Drink vs. Imports into Herefordshire

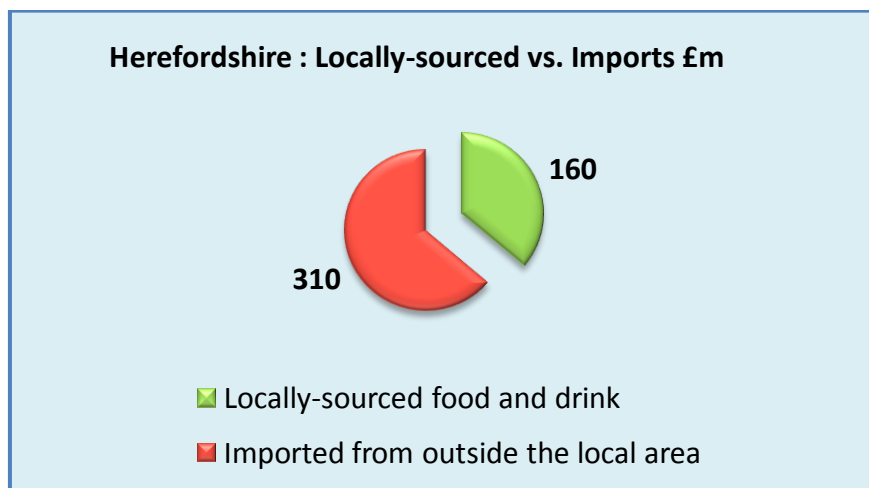
An extremely wide range of figures is available from the calculations above, between a **low end of £25 million** and a **high end of £160 million** spent annually on locally-sourced food and drink.

Of this amount, it is possible that (non-catering) sales of locally-sourced food and drink in **large supermarkets comprise only about £5 million, in smaller supermarkets £5 million, and in independent stores £12 million.**

Applying the CPRE finding that 34% of food is sourced locally to the £237m spent by households suggests **£156m annually is spent by households on food and drink imported into the county.**

Of the £470 million or more spent annually on food and drink overall (i.e. including both catering and tourist spend), using this same 34% for local produce implies that around **£310 million annually could be spent on food and drink imported into the county.**

Further research is needed, both primary and secondary.



What is the value to the local economy of present purchasing patterns?

Every year, some £470m is spent in Herefordshire on food and drink, by residents and tourists, in supermarkets, independent stores, markets, farm shops, cafes, pubs and restaurants.

Of this, only some £25m to £160m is spent on locally-sourced food and drink. The wide spread of these figures tells us that more research is needed. Of this, it appears possible that as little as £12m could be spent on local food in local independent businesses, thereby fully supporting local supply chains through combined local-source and local-spend.

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At least £310m therefore is spent on what might be termed 'imported' food and drink, and over half of this (£175m) is spent through national chain supermarkets, conferring few if any benefits on local supply chains or local food webs.

The New Economics Foundation (nef) has published work into the 'local multiplier effect' which indicates that if £10 is spent into the local food supply chain (e.g. vegetable shop or box scheme), it circulates in the local area adding value so that after several exchanges its worth to the local economy is £25, where the same amount spent in a supermarket after similar exchanges was worth only £14⁵⁶. This is due to the different modes of connection between the shop / supermarket and the local economy and therefore requires that we assess not just how much money is being spent but where in order to assess its true economic value.

It is beyond the scope of this report to rehearse or validate the work done by nef and elsewhere, however the 80/20 rule proposed 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 spend from the former to the latter, to have a disproportionately large effect on the local economy.

Using the 'local multiplier' approach and the 80/20 rule proposed by New Economics Foundation, we may surmise that of the above £175m, some 80% or £140m is immediately lost to the local economy and does not in any significant way support local supply chains.

Outside the supermarkets, £125m or more is spent on purchases of 'imports' – partly through independently-owned shops, cafes, pubs and restaurants, and partly through national or international chains. As noted previously, we presently lack the data needed to establish the proportions between these categories, which would enable us to determine how much of this spend despite being on 'imports' nevertheless supports local businesses and employment and hence local supply chains. However if half of the £125m was spent on 'imports' and through large chains, that would once more negate the benefits of local-source and local-spend, and would mean some further £50m (80% of £62.5m) lost to the local economy.

Even if it does not support local-sourcing directly, local-spend into independent businesses circulates in the local economy, adding value and - to some extent - supporting local supply chains.

It would be foolish to suggest that all food and drink requirements of the county could or should be sourced locally. However, for a county so rich in agriculture and horticulture to apparently channel so little of its food production potential into local outlets and local supply-chains represents a sizeable 'missed-opportunity' to strengthen the local economy.

⁵⁶ NEF – 1

What is the potential for more local food to be produced, and what value might it have?

It is said that, with the exceptions of olives and citrus fruit, there is nothing that can be grown anywhere in Europe that cannot be grown in Herefordshire. The simple diversity of what can be produced locally suggests that a wide range of foods presently imported to the county could be sourced locally.

Recent examples of changing patterns of production and supply include the successful development of local asparagus (under plastic), of high-end vegetable crisps, and vodka, complementing well-established production of fruit (apples, strawberries, blackcurrants, cider apples), grains, root crops, meat and dairy.

It is indicative of the current situation, however, that according to recent research locally-sourced produce accounts for no more than 10% of sales at two large regional wholesale markets (Birmingham and Wolverhampton) ⁵⁷.

A powerful recent report from the Herefordshire Food Partnership “From Field to Table : A Sustainable Food and Drink Strategy for Herefordshire” (2011) outlines as one of its six themes “The dynamism and sustainability of the local economy” and details related aims, objectives and indicators. These are worth quoting here as together they comprise a comprehensive set of steps towards growing the local food and drink economy ⁵⁸:

Aims

- To develop a sustainable, profitable and competitive local food economy.
- To support local food production and create more opportunities for residents and visitors to access responsibly produced local food.
- To improve the contribution of the local food sector to economic prosperity in the County.

Objectives

- To support and promote the development of opportunities for purchasing and consuming locally produced food.
- To raise the profile of local Herefordshire food to visitors across the County.
- To recognise the contribution of the local food system to economic prosperity and build upon it.
- To support and promote local producers and food businesses across the County.
- To introduce procurement policies within public institutions, such as schools and hospitals, which encourage and incentivise the use of local food.
- To support the development of localised short food supply chains.
- To promote and develop schemes and initiatives which encourage local restaurants and tourism providers to use a high proportion of locally sourced produce.
- To ensure that Herefordshire has sufficient food processing facilities in order to add value at source.
- To encourage retailers to stock and promote more lines of locally sourced products.
- To enable local producers to supply vulnerable groups with fresh prepared quality food.

⁵⁷ HORT – 2

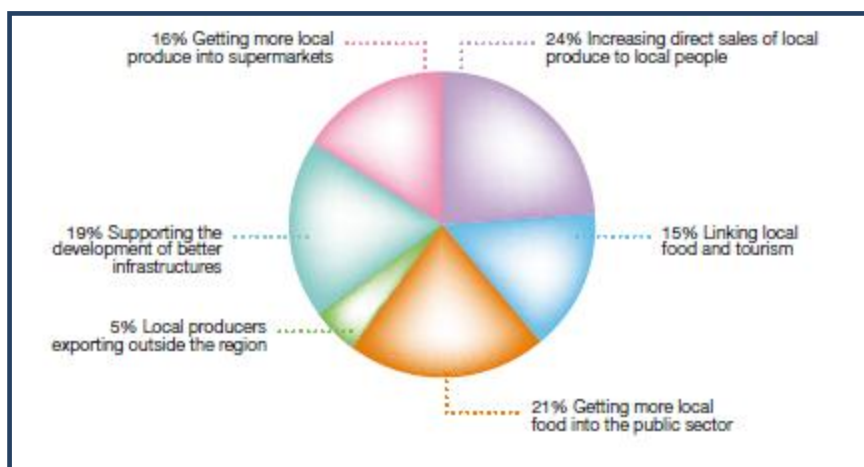
⁵⁸ HFP – 1

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Indicators

- Number of: farmers markets; producer markets; community food schemes; outlets stocking local food.
- Number of visitors coming for the County's food offer.
- Number of: food related jobs in the County; increase in the added value of the food sector.
- Number of local food promotion initiatives.
- Number of: schools signed up Food for Life scheme; evidence of procurement policies being written into contracts; public procurement training events; schools adopting food policies.
- Number of local producers with access to local and regional supply chains.
- Number of: outlets signed up for Flavours of Herefordshire Awards; Herefordshire Food Links directory; Savour the Flavour scheme.
- Specific gaps in infrastructure requirements identified and met (e.g. food business incubator units, packing plants).
- Number of: "meet the buyer" events; evidence of local supply chain development; local lines stocked by retailers.
- Number of local producers and food businesses tendering for contracts (e.g. in care homes).

The report also undertook a county-wide consultation including the question "What are the priorities for developing the 'Local Food Economy' in the County?" eliciting these responses ⁵⁹:



It did not however address the economic underpinnings. How much difference would it make in economic terms to 'get more local produce into supermarkets', 'increase direct sales of local produce to local people', 'link local food and tourism', or 'get more local food into the public sector'? It is hoped that this report will provide a basis for further work aimed at quantifying the answers to such questions.

In the meantime, what would be realistic objectives which could significantly change the present food-and-drink dynamic towards a re-localised economy with strong local supply-chains? And what benefits might accrue?

The CPRE report makes the following recommendations :

⁵⁹ HFP – 1

Opportunities to grow our local food economy

- **Government** should re-examine competition policy to support retail diversity and the ability of new local food entrepreneurs to enter the market; develop national planning policy guidance to provide stronger support for a sustainable food system; improve the ability of the planning system to ensure the vitality of town centres, as Mary Portas recommended in her recent high street review; and provide strong leadership on sustainable food procurement.
- **Local authorities and other public bodies** should form partnerships to develop food strategies and action plans; local planning authorities should update their local plans and include policies to support local food webs.
- **Businesses** should work together to promote awareness, access, affordability and availability of local food.
- **Supermarket chains** should set themselves demanding targets for stocking and selling local food in ways which reinforce consumer awareness and trust.
- **Community groups** should develop and engage in initiatives to shape their local food networks – case studies in the report and CPRE's local food web mapping toolkit offer a range of ideas on this.
- **And every one of us** can support local food through our shopping choices, asking questions about where food comes from, and how it is produced. Many shoppers interviewed were able to source around 30% of their food from within 30 miles: we recommend people try a 30:30 diet for a month and find out more about their local food.

Exploring the potential

Taking a cue from the above, let us suppose.....

- A. It was possible to persuade 30% of Herefordshire households to increase their present sourcing of local food by 30%?
- B. It was possible to persuade every supermarket to double its present rate of local sourcing?
- C. It was possible to ensure that 50% of tourist food-and-drink consumption was on local-source and in independent outlets?

Re A :

Applying the 31% proportion suggested by the CPRE to the £358m (ONS) spent by Herefordshire households, as explored above, about £110m may presently be spent on local food including catering. If 30% of the county's households (24,000) increased their present local spend of £33m by 30% this would create an additional £10m of local spend. The 'local multiplier' value of this would depend on whether these purchases took place in independent stores or national chains but could be enhanced by around 50% towards £15m.

Re B :

The larger supermarkets receive some £180m of household spend of which we estimated above 3% or some £5m might represent expenditure on local-source food. Doubling this proportion to 6% would create an additional £5m. Smaller supermarkets account for some £30m of which we estimated 15% or some £4.5m was currently local. Doubling this proportion to 30% would add a further £4.5m making altogether an additional £9.5m. The 'local multiplier' value of this would depend on the exact policies of the supermarkets towards suppliers and employees : if unchanged from present the impact on the local economy could be less than the face value.

Opportunities to grow our local food economy

Re C :

The STEAM report establishes that £110m was spent on food and drink in 2010 but there is presently no information establishing the local proportion of that spend, either in terms of whether it is spent in independent outlets or on locally-sourced food. Tourists tend to seek out local specialities so it may be that this proportion could already exceed the 31% attributed to residents for local-sourced food. Research would firstly be necessary to establish present patterns of expenditure. However if a target was set to increase the present rate by 15% regardless, this would generate over £16m. Again, depending how this was effected the 'local multiplier' could potentially enhance this by around 50% towards £25m.

Added together the face-value of these figures represents £36m, only 8% of total present expenditure in the Herefordshire food economy but an increase of at least 22% on present local spend (taking this at £160m).

However we need to distinguish between B and the other two proposals, in that spending in supermarkets albeit on local-source food will not have the same scale of effects as spending into an independent outlet closely-connected to the local supply chain. A and C offer this possibility, where B probably does not – unless supermarkets were to dramatically change their *modus operandi*. Furthermore, encouraging supermarkets to increase their share of local-source could have unwanted effects on the supply-chain, creating distortion and disadvantage to independent outlets. This negative potential raises the question whether efforts aimed at supermarkets would be the best investment.

Leaving these concerns to one side, in order to evaluate the difference that such a switch is likely to make to the local economy, reference can usefully be made to a) the 'attributes and benefits' sections in the CPRE national report and b) to the 'local multiplier' effect proposed by nef.^{60 61}

Attributes and Benefits : The value to the local economy of 'localising' spend into local supply chains is summarised as :

- i) supporting the turnover of local business;
- ii) supporting local jobs;
- iii) supporting supply-chain jobs and businesses;
- iv) supporting consumer choice.

Providing local food supply to local retail outlets enhances their offer and their viability. They are particularly important as sources for employment, creating a job for every £46k turnover, which is three times the return on investment of supermarkets⁶².

If we apply this job-creation/turnover ratio to the £36m (face value) generated above, 780 local jobs would be created in the food sector – an increase of about 4% on present numbers. The report makes the point that further jobs are also created in the chain of supply and services, and that an aspect of this is the proliferation of SME's which are vital to local economic health.

⁶⁰ CPRE – 10

⁶¹ NEF – 1

⁶² CPRE – 10

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Local Multiplier : The CPRE report also discusses application of the nef ‘multiplier’ as ‘money trails’, stating that local food webs can support up to £2.7bn of turnover nationally and that because local food outlets are so good at keeping money circulating locally this sum can actually be valued at 2.5 times that, or £6.75bn. Other examples (school meals procurement) demonstrate a local multiplier of over 3. Nef has published work from Northumberland showing that a pound spent in a local supplier became worth £1.76 whereas conversely the value of money spent outside the local economy was worth only 36p in the £^{63 64}.

Further work needs to be done to establish an accurate multiplier figure for the shifts in Herefordshire spending proposed above. However using the Northumberland example this could develop along the following lines : if presently the £36m that could be spent locally is actually spent on food and drink in outlets and on products or services which are effectively disconnected from the local economy, we might find its present value to the local economy is only 36p/£ or some £10m.

We might then find that when spent into the local economy in the most effective way so as to fully support local supply chains its value is 175p/£ or some £63m. The effect of the switch would thus be a gain in value to the local economy of over £50m representing a 31% increase over the present £160m, the maximum estimated spend into the local economy.

There are of course many collateral benefits to the local population beyond those detailed above, particularly in the many potential benefits to personal and social wellbeing. The value of proselytising local source and local spend is not to be assessed solely in jobs or economic terms. Fortunately this is coming to be recognised quite widely :

“We need a more sophisticated understanding of what a good deal for consumers is, looking beyond price-based considerations to include community well-being and long-term sustainability.”
Mary Portas⁶⁵

This report hopes to have performed some useful functions towards helping to establish a ‘more sophisticated understanding’, not least through identifying what is already known or not known, and indicating the many areas in which follow-on work and further research would be worthwhile.

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With sincere thanks to all those who contributed in any way to creating this report – your advice, input and feedback were greatly valued.

⁶³ CPRE – 10

⁶⁴ NEF – 2

⁶⁵ PORT – 1