SOUTH EAST STRATEGY FOR REGIONAL AND LOCAL FOOD

REPORT FOR
THE SOUTH EAST FOOD GROUP PARTNERSHIP LIMITED

BY

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AND

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EXECUTIVE SUMMARY

Introduction

1. This Strategy was commissioned by the South East Food Group Partnership (SEFGP) with funding from the South East England Development Agency (SEEDA), to follow up Priority Tasks 13 and 14 (local food) in the regional delivery plan for sustainable farming and food, *'Farming and Food: Our Healthy Future'*.

2. It has been prepared by local consultants Roger Seed Professional Services and Westley Consulting Limited. They have interviewed face to face and by phone a large number of regional stakeholders, have reviewed the literature on regional and local food, have held three focus groups with food producers, and have worked up this Strategy in discussion with a Steering Group convened by SEFGP. The Partnership will now consult key stakeholders about the main recommendations contained in the Action Plan.

3. The purpose of the Strategy is to review the regional and local food sector in the region, its strengths, weaknesses, opportunities and threats, its development and training needs, the grant and other support measures made available by government, and the support system of local food groups. On this foundation the Strategy sets out an Action Plan which will provide coherence, direction and leadership to the work being done in the South East region on support for regional and local food.

4. Full copies of the Strategy are available from SEFGP. Its component parts are:

Executive Summary
Action Plan
Stakeholder Consultation Document

Annex A: Overview of the sector
Annex B: Stakeholder views
Annex C: SWOT analyses of producers & the region, and of the support structure
Annex D: Support mechanisms (grants etc)
Annex E: Training and development needs
Annex F: Business development network (local food groups)
Annex G: Consultee List
Annex H: Summary of SEFGP Activities

Findings

5. Research for this Strategy considered two overlapping sectors:

- *regional food*: food that is produced within, and marketed as coming from the SE region, whether it is sold here or elsewhere. It is perceived to have a distinctive quality because of the area in or the method by which it is produced. Hand-made speciality chocolates would be an example.
- *local food*: food that is produced, traded and sold within the SE region, or a smaller more local area. It has no particular quality connotations. This would include fresh produce sold in a farmers market.

6. Estimates suggest that there are around 750 regional food businesses in the South East with an average turnover of £755,000, and total turnover of around £550 million. It appears that a small number of producers (around 2%) account for a significant amount of turnover (nearly 20%). The regional food sector is estimated to be responsible for around 6,000 FTE jobs.

7. The local food sector contains many micro-businesses, including diversifying farmers, and it is very difficult to ascertain market size. However the consultants concluded that there are probably around 1,000 local food businesses in the region, responsible for around 2,000 jobs with average turnover circa £125,000.

8. Regional strengths include some high quality businesses and products, a handful of well-recognised geographical areas within the region, and proximity to a large, generally affluent population. Weaknesses include the lack of any clear regional identity, poor cross-regional communications, rising utility costs and many businesses struggling to grow. Opportunities exist in the retail, foodservice, tourism, export and public sectors. Threats include the narrow socio-economic profile of consumers interested in regional and local food (mainly older and more affluent), generally higher business costs, regulatory costs and constraints, and a shortage of skilled and unskilled labour.

9. Training and development needs fall into three main areas: generic business skills (especially marketing, business planning, health & safety, finance and funding, and use of IT); vocational quality skills (eg food safety and hygiene, HACCP); and vocational production skills (eg cheesemaking, butchery). The majority of training is currently regulatory focused, whereas for businesses to grow, the training strategy needs to embrace wider management skills (eg marketing and business planning), as well as personal development skills (eg. negotiation and communication skills).

10. If training needs are to be successfully addressed, a more strategic approach made relevant to smaller businesses should be adopted in the future. Businesses need help to understand the benefits of training, and to analyse their real development needs. There is a widespread feeling that training is organised according to a top-down agenda, rather than built around producers' individual needs. Bottom-up analysis is needed, with more one-to-one advice alongside. There should be more focus on business management and competitiveness issues. The Sector Skills Councils Lantra (land-based), Improve (food and drink) and Smart (retail) need to be involved.

11. Businesses reported that growth – the move to Stage 2 – is a particularly difficult phase, more challenging than the initial start-up. Barriers to growth include a lack of confidence and market knowledge, lack of time and skills to manage growth, red tape (eg over planning), difficulty of accessing grants and funding, and labour shortages.

12. The main grant measures are those in the England Rural Development Programme, particularly the Rural Enterprise Scheme, Processing & Marketing Grant and Vocational Training Scheme. Although useful to some extent, businesses feel rightly that these are directed more towards agriculture than food. Defra has launched a review of rural funding streams, with a view to simplifying the present range of measures. The region could take advantage of this opportunity to urge that any successor schemes should be made more relevant to the needs of regional and local food producers.

13. The business support network consists principally of five county-based groups in Kent, Hampshire, Sussex, Surrey and the federation covering Buckinghamshire, Berkshire and Oxfordshire, plus the South East Food Group Partnership, which provides support and back-up to the local groups. These are all very small bodies, each with around one full-time equivalent member of staff. By contrast, in most other English regions, a regional body plays a more prominent role and has larger resources. The current network is providing producers with a range

of services that are predominantly focused on consumer awareness and trade development, which are generally carried out well by the network at a tactical level, and well received by producers. But at the strategic level, services appear patchy and lack synergy, largely reflect the funding stream constraints, and strategic opportunities to develop the network and its' profile have been missed. In particular, the consultants have identified the following strategic gaps in the development effort across the region as a whole:

a) Lack of the leadership and direction needed to get the whole network pulling together

b) Absence of an evidence-based approach to assessing business development needs at the sectoral and individual business level.

c) Insufficient market intelligence to help producers understand and adapt to rapidly changing customer needs and wants

d) Failure to encourage private sector revenue generation, especially to fund activities that are in demand but presently excluded by state aid rules

e) Poor linkage to third party organisations and instruments which can help support the sector

f) Too little emphasis on services to help business growth and competitiveness

g) Absence of a 'knowledge hub' to provide producers with a seamless interface to information and contacts across all relevant business areas

14. Government support is provided through the grant schemes already mentioned, through local authority and SEEDA finance for the local food groups, and through SEEDA and Defra support (delivered via FFB) for SEFGP. Government commitment at national, regional and local levels is the main strength of the system. Its main weaknesses are a patchy provision of support, based more on funding streams than on producers' needs; duplication of effort and lack of synergy; a distrust by some counties of the regional approach; and a lack of strategic management and leadership to help the network reduce it's dependency on public funds. Opportunities include Defra's Rural Strategy 2004, which is encouraging a new look at rural delivery, and the possibility that groups might specialise in issues of greatest interest, and supply services to one another on a repayment basis. Threats include diversion of Government resources to more lagging regions, and state aid restrictions.

15. The local food groups were set up at a time when the Government was keen to encourage local activity, particularly following Foot and Mouth Disease. SEEDA's policy is now to reduce its level of support, to encourage groups to seek a higher proportion of private-sector funding. The local groups have yet to get to grips with the implications of this change of approach.

16. Quality of life is moving up the political agenda in the South East region, and there is a growing recognition that business growth has to take more account of environmental and community considerations.

Principles of the New Strategy

17. The Strategy will deal with both regional food and local food. This reflects the views of stakeholders, and the market demand for both types of food.

18. The business development network, consisting of local food groups plus the South East Food Group Partnership, will remain the core of future support, but it is proposed that other business and support organisations should be brought in as appropriate.

19. In particular, services should go wider than the present focus on marketing, training and promotion, to include other issues of competitiveness and sustainability, and organisations in these wider fields should be involved. In thus widening the scope, it is not suggested that the network should get involved in, say, benchmarking or environmental initiatives. The thrust of the Strategy is to bring regional and local food producers into contact with other organisations' activities, when they can derive benefits from them.

20. The business development network needs to be made more commercial. Although set up in a period when the Government was keen to offer support, especially in the wake of Foot and Mouth Disease, there is now a need to develop more clearly paid-for services and to raise a much higher proportion of total costs from private sector income.

21. It is proposed that the network should develop services at two levels:

- Level 1, the entry level, to which the largest possible number of businesses would be recruited. In return for a modest standard fee, which might be of the order of £200 per annum with an introductory rate of around £100 for the first year, a broad package of market intelligence and information about support services would be provided, together with contact details for support organisations. This would not include significant 'hand-holding' advice to individual producers.

- The premium Level 2 would consist of pay-as-you-go advice at individual or collective level, solving producers' particular problems and challenges. Level 2 services would be charged at a fully commercial or partially subsidised rate.

- A new aspect of Level 2 would be the recruitment of business development advisers, senior people with food industry management experience, possibly recently retired, who could provide advice and if necessary mentoring of a practical how-to-go-about-it nature.

22. The Action Plan sorts individual actions into high, medium and low priorities.

23. There are strong reasons for retaining the present two-tier support system delivered by local food groups and the South East Food Group Partnership. Producers and consumers identify with counties, whereas the SE region has no strong identity of its own. This argues for retaining the local food groups. But some services can be delivered more efficiently at regional level, and indeed normally are in other regions. Although it might be more efficient in purely business terms to organise support solely at regional level, stakeholders are generally in favour of retaining the present structure, and this is what is proposed, subject to some reform and strengthening.

24. The Strategy will not succeed without leadership and direction. This needs to come from the top, either from SEEDA or from SEFGP. Whilst SEEDA should be the ultimate point of authority, it is proposed that SEFGP should take the strategic lead, appointing a Chairman with strong leadership and management skills Funding and reporting structures need to reinforce this approach, with funding distributed through SEFGP, and the local food groups being accountable to SEFGP for delivery.

Key Objectives and specific actions

25. To give direction to future work, the Action Plan sets out a clear framework to link the overall aim, objectives, activities and priorities. The Strategy is built round one Overall and five Key Objectives:

Overall Objective	Key Objectives
'To raise progressively the value and benefits of regional and local food from the South East region'	1. Raise producers' awareness of the market, and help them develop products and services to meet it.
	2. Continuously improve producers' management and organisation.
	3. Position SE food within reach of consumers.
	4. Stimulate consumer interest in SE regional and local food.
	5. Provide a business development network that meets the needs of stakeholders.

26. The key objectives themselves relate to Defra's objectives in its strategy for regional food, and each has a number of strategic aims and specific actions under it.

27. Producers recognise that they need better market awareness. As a first step, a systematic programme of market research should be instituted at regional level, with the results disseminated to producers. Customer service, innovation and food quality should be enhanced. The network should involve other organisations including technology transfer centres and the IGD Food Chain Centre.

28. Improving management and organisation is essential because businesses of all sizes face downward price pressures which require a response in terms of reduced costs, improved efficiency and new product development. Development is inhibited by lack of an effective means of establishing producers' business needs. A new approach is required involving more bottom-up, one-to-one analysis and advice. Business development advisers with industry experience will provide this support and mentoring to producers. Advice should be provided for growth, collaboration and increased efficiency. Producers should be encouraged to link up with activities that will improve their competitiveness (via Business Link, Small Business Service etc) and environmental sustainability (Carbon Trust, Envirowise etc), and thus enable them to become more sustainable in overall business terms.

29. Positioning South East food within reach of consumers is a matter of ensuring that food is available and acceptable to consumers and, in some markets eg public procurement, that they can afford it. This requires key customers and their sourcing processes to be identified, and activity targeted upon them. Trade activity such as Meet the Buyer events should be maintained. There should be a study of the distribution challenge, to see whether it would be beneficial to set up new facilities at a regional or local level.

30. To stimulate consumer interest, the market research programme needs to be utilised to augment PR work on both existing and potential new customers. Regional champions – prominent individuals with an interest in the region - should be appointed to act as a focus for marketing efforts. Tourism, export and public procurement opportunities should be identified, assessed and exploited.

31. Providing a business development network that meets the needs of stakeholders will involve retaining the current two-tier approach. The Strategy needs to be led from the centre, and it is recommended that the SEFGP Chairman be responsible for relations with stakeholders and for monitoring progress against objectives. The Isle of Wight, where there is currently no local food group, should be encouraged to join the network.

32. New membership structures are proposed to maximise business engagement and private sector income, whilst recognising that a significant number of businesses have no aspiration to grow, and will require only limited involvement. Hence the proposed division of support into the standard Level 1, providing market intelligence, information and contacts, and premium Level 2, where producers can pay for direct advice and guidance.

33. Targets are proposed, to help monitor the progress of the Strategy. To address the three legs of sustainable development, these are:

> **Target 1**. 'To raise the market value of SE regional and local food by 10% per annum in 2006, 2007 and 2008.'
>
> **Target 2**. 'To get SE regional and local food into healthy eating and public procurement programmes in each county, and to raise the value supplied by 10% per annum in 2006, 2007 and 2008.'
>
> **Target 3**. 'To ensure that at least 50% of SE regional and local food producers are involved in activities that will benefit the environment by 2008.'

Acknowledgements

34. The consultants are extremely grateful to all the stakeholders who contributed to the research that underpins this Strategy. Their help is very much appreciated, and the Strategy could not have been written without it.

THE ACTION PLAN

Purpose

35. This section is the heart of the Strategy. It sets out what the Strategy is seeking to achieve, summarises the detailed findings of the research reported in the Annexes to the report, and presents a strategic framework, linking specific activities to Key Objectives.

Overall objective

36. The consultants believe that the Strategy needs to have a single simple overall objective, to which everyone concerned can subscribe. We propose that this should be:

> **'To raise progressively the value and benefits of regional and local food from the South East region'**

Targets

37. In order to measure progress, there need to be clear targets, expressed as far as possible in quantitative terms. In order to emphasise the contribution that the Strategy will make to the three legs of sustainable development, we propose three separate targets in the economic, social and environmental fields:

> 1. '***To raise the market value of SE regional and local food by 10% per annum in 2006, 2007 and 2008.'***
>
> 2. ***'To get SE regional and local food into healthy eating and public procurement programmes in each county, and to raise the value supplied by 10% per annum in 2006, 2007 and 2008.'***
>
> 3. ***'To ensure that at least 50% of SE regional and local food producers are involved in activities that will benefit the environment by 2008.'***

Strategic framework

38. Starting from the overall objective explained above, we propose five key objectives to guide the various aspects of the work. These can be related simply to the themes set out in Defra's strategy on regional food. The following table explains how these points all fit together.

39. Later in this paper, specific action is explained for each strategic aim. For simplicity we have referred to all producers of regional and local food, including manufacturers and processors, as "producers".

Strategic framework

Overall objective	**Defra objective**	**Key Objectives of this Strategy**	**Strategic aims**
'To raise progressively the value and benefits of regional and local food from the South East region'	Help with increased competitive ness	1: Raise producers' awareness of the market, and help them develop products and services to meet it	Help producers understand the market place
			Promote awareness of the links between product and service quality, innovation and marketing.
			Help producers deal with specific challenges
		2. Continuously improve producers' management and organisation	Establish ongoing analysis of producers' business development needs
			Promote collaborative approaches and involve other business organisations
			Raise efficiency by making better use of resources
			Encourage businesses to join environmental initiatives
			Develop a toolkit for business expansion
			Tackle labour and skills shortages
			Involve other business organisations
			Facilitate compliance with food legislation
	Trade development	3. Position SE food within reach of consumers	Understand and resolve the challenge of distribution
			Identify key potential customers and target activity on them
			Connect producers with visitors to the region
			Unblock redmeat supply problems
	Consumer awareness	4. Stimulate consumer interest in SE regional and local food	Identify and capture market opportunities
			Appoint regional champions as a focus for marketing efforts
			Stimulate export interest
			Embed SE food in healthy eating & public procurement initiatives in the region
	N/A	5. Provide a business development network that meets the needs of stakeholders	Decide on future structure of the network
			Develop membership structures to maximise business engagement, and private sector income
			Provide positive leadership and efficient management of the network, with the maximum synergy and benefits to stakeholders
			Obtain any necessary state aid clearance
			Improve network coverage
			Seek to improve relevance of grant support

Key Objective 1: Raise producers' awareness of the market, and help them develop products and services to meet it

40. Successful businesses must have a detailed and accurate understanding of the marketplace in which they operate, and the future needs and wants of customers in the value chain.

41. The food market is changing rapidly, with an ever-increasing emphasis on convenience and eating out, especially by younger people. Food products need to be adapted to people's changing lifestyles and eating behaviour. There is growing demand for food that takes less time to prepare, that is easily available and that can be eaten on the move.

42. Consumers are becoming more discriminating and a significant proportion are interested in local food. Current purchasers of regional and local food tend to be enthusiasts motivated by a desire for quality and for 'localness'.. Disappointing experiences may have put some people off repeat purchasing. Interest in local food is concentrated in older consumers and those in the higher socio-economic groups. There is therefore a need to reach out to wider groups of consumers.

43. Published research shows that localness and patriotic feelings are not enough – the product has to offer quality as well. This Key Objective will enable producers to assure existing and new consumers of these benefits so that sales can increase.

44. The multiple retailers continue to dominate the food market (accounting for 73% of grocery retailing) and they set the standards for marketing and presentation, and influence customer expectations.

45. Most producers we spoke to want the Strategy to be market-focused rather than product-focused. They believe that the quality of their product is a key strength, but recognise that there is a lack of effective marketing to the consumer to exploit this. Lack of marketing skills is a weakness in the region, and producers have identified marketing as a key area for support. Action here will help them to raise their game and show that their product is better than mainstream food.

46. Businesses are struggling to find and distil information about the market. There is a general demand for better market intelligence, but a need to have the information in an accessible and easily-assimilated form. Producers would like to be able to go to a single joined-up source of information, and there were suggestions for a regional knowledge base and/or bulletin board.

47. The importance of innovation and new product development is not well understood, and nor is the technical support available from technology centres such as Leatherhead Food International or Food Knowledge and Know-how (FKK) at Reading. Regional and local food producers, being close to the consumer, are in a good position to innovate if they can get the technical knowledge and marketing confidence. Product innovation will enable them to widen their offering and increase returns.

Key Objective 1: Raise producers' awareness of the market, and help them develop products and services to meet it			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**[1]	**Priority**
Help producers understand the market place	1.01. SEFGP should develop a systematic programme of market research and disseminate results to producers *(Annex A, paragraph 132).* 1.02. SEFGP should set up a regional knowledge base, with access to technical and marketing journals and reference works. *(Annex A, paragraph 132).*	1 2	H L
Promote awareness of the links between product and service quality, innovation and marketing	1.03. SEFGP should highlight the importance of customer service and ensure that support is available on it. *(Annex A, paragraph 146).* 1.04. SEFGP and local food groups should promote the benefits of innovation, and ensure that producers are aware of technological support (eg from FKK). *(Annex A, paragraph 146)..* 1.05. SEFGP should network with the IGD Food Chain Centre, SSCs *et al* and produce guidance on continuous quality improvement. *(Annex A, paragraph 146).*	1 1 1	M M M
Help producers deal with specific challenges	1.06. Business development advisers[2] should work alongside producers in small groups and individually to address specific market opportunities and development needs. *(Annex D, paragraph 291).*	2	H

Key Objective 2: Continuously improve producers' management and organisation

48. Competitiveness is an issue for all producers, whatever their size, and virtually everyone would like to find ways of becoming more profitable. Downward price pressure threatens the whole sector, and demands a response in terms of reduced costs, improved efficiency and new product development.

49. Businesses report that there is no systematic, objective mechanism to assess their business development needs. 70% of the food group members polled said they had no training needs. Food groups admitted to us that their assessment of needs was largely anecdotal, and that producers were poor at articulating what they required.

[1] See specific action 5.05.
[2] See specific action 5.07.

50. Many producers felt that the benefits of training needed to be better communicated, and that training should be driven by demand rather than supply: a bottom-up approach towards needs analysis and delivery, rather than the present top-down menu. This clearly applies to the analysis of business development needs as a whole.

51. In order to make training more effective, it needs to be delivered in a more strategic context: increasing producers' awareness of the benefits; making it more relevant to their needs; making it clearer who provides what; and involving the Sector Skills Councils.

52. The larger businesses are already aware of the need to have efficient management systems and organisation to keep on top of their operations. Even some of these said how difficult they had found it to manage growth.

53. Many producers have no aspiration to grow, either because they have got their operation the size they want it – the so-called lifestyle businesses – or because they are constrained by statutory or commercial factors. Others simply do not see how to manage the step up to a new scale of operation, or do not have the confidence to grow.

54. The region has a higher proportion of small producers than other regions, and many of these feel locked into a long hours culture as a result of skills and labour shortages, and problems of dealing with red tape.

55. Barriers to growth are a recurrent theme. Issues cited as barriers include lack of confidence in the market, uncertainty about sources of advice, lack of business planning, lack of affordable distribution, and shortage of staff. Producers have said that the 'move to Stage 2' is a particularly challenging phase, more difficult than the initial start-up.

56. Collaborative approaches, eg on distribution, can help to raise efficiency and access new markets. Producers could benefit from similar approaches towards environmental issues, eg savings on water and fuel usage and waste minimisation.

57. Skill and labour shortages threaten competitiveness and profitability, and can also lead to a failure to adopt new working practices. The SE region and London generally have greater shortages than other regions. The regional and local food sector suffers from its location in this region, and from the high proportion of small businesses in the sector who often don't have the resources to recruit and adequately remunerate staff. Many businesses report difficulties with shortages of skilled and unskilled labour, and many sectors are now recruiting workers from the new EU Member States.

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**	**Priority**
Establish ongoing analysis of producers' development needs	2.01. SEFGP should work with BL, SBS and SSCs to develop effective methods for analysing business development needs, so that producers understand the benefits of training, and use it as necessary to develop their business. *(Annex F, paragraph 365).*	1	H

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**	**Priority**
Develop a toolkit for business expansion	2.02. SEFGP should liaise with SBS and identify the common issues that SERLF businesses face in moving on from start-up scale (eg relocation, process management, customer relations, personnel management, IT and funding). SEFGP should compile a toolkit guide with case studies of successful expansion, and sources of advice. *(Annex B, paragraph 223,).*	1	H
	2.03. Business development advisers should help producers to act on this guidance. *(Annex B, paragraph 223).*	2	H
Promote collaborative approaches, and involve other business organisations	2.04. SEFGP should network with other UK regions and collaborative bodies like EFFP to establish collaborative best practice, eg in assembling range and volume for large customers and target sectors, and in cutting production costs. *(Annex B, paragraph 232).*	1	H
	2.05 SEFGP should arrange study tours to best practice examples outside the region *(Annex B, paragraph 232)*	2	M
	2.06. Food groups should identify opportunities for collaboration and facilitate suitable projects. *(Annex B, paragraph 232,)*	2	H
	2.07. SEFGP should maintain with RBAT a list of organisations able to provide advice or support to food business development (including BL, agricultural colleges, chambers of commerce, trade associations et al). *(Annex B, paragraph 232)*	1	H
Raise efficiency by making better use of resources	2.08. SEFGP should prompt SBS to provide benchmarking (eg Benchmark Index) and other business improvement techniques for SERLF producers. *(Annex paragraph 208).*	1	M
	2.09. Local food groups should promote benefits to businesses, and encourage uptake. *(Annex B, paragraph 208,).*	2	M
Encourage businesses to join environmental initiatives	2.10. SEFGP should liaise with the Carbon Trust, Envirowise, Sustain et al to identify practical environmental steps with benefits to producers (eg savings on utilities and waste). Local food groups should encourage business uptake. *(Annex B, paragraph 210).*	1	H
Tackle labour and skills shortages	2.11. Food groups should identify specific labour and skills shortages in their areas. *(Annex B, paragraph 227).*	1	M
	2.12. SEFGP should work with industry, the sector skills councils, training providers and business development advisers to enhance the relevance, attractiveness and accessibility of training. *(Annex E, paragraph 335).*	1	H
	2.13. SEFGP should bring in specialist employment agencies to find solutions. *(Annex B, paragraph 227).*	1	M

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**	**Priority**
Facilitate compliance with food legislation	2.14. GOSE and SEFGP should encourage dialogue between trading standards and environmental health officers and food businesses to promote understanding of the problems arising from food law enforcement, and encourage both sides to take a more realistic and constructive approach. *(Annex B, paragraph 221).*	1	H
	2.15. SEFGP should commission a food technology centre to provide suitable guidance for producers on interpretation of food legislation. *(Annex B, paragraph 221).*	1	H
	2.16. SEFGP should identify organisations able to provide one-to-one guidance on compliance, and signpost producers to them. *(Annex B, paragraph 221).*	1	M

Key Objective 3: Position SE food within reach of consumers

58. Raising consumer awareness is not enough. If industry is to grow, increased awareness must result in regional and local food being **available and acceptable** to customers, and result in increasing volume and value of transactions. To counter existing negative attitudes about market sectors, industry must:

- develop links with the trade as well as the consumer
- develop effective, affordable distribution channels
- collaborate to meet the needs of the market place

59. Affordability is a key issue in some outlets, particularly in public procurement and food access for disadvantaged groups. Increased production efficiency and collaboration, eg over distribution, are important techniques that could help to make food more affordable.

60. Distribution is almost universally regarded as a key problem - smaller businesses in particular see it as too time consuming and expensive. Lateral transport links across the region are slow and congested, and it is difficult to use delivery vehicles to their maximum capacity. Collaboration seems a logical solution, but producers have failed to find a collaborative model that works.

61. In fact distribution is a complex technical issue, which even some large businesses struggle to get right. The key for regional and local food producers lies in understanding how distribution chains work, and what physical routes already exist. SEFGP has already held a seminar on this subject with presentations from several practitioners, and there is widespread interest in examining something like the Tastes of Anglia Table initiative.

62.The profile of local and regional sourcing has grown in the South East during the last few years with many retailers and some foodservice companies actively looking to expand their local food offer. Strong connections have been made through Meet the Buyer type events. However, discussion with producers shows much uncertainty and ambivalence about dealing with key customer sectors:

- Larger producers tend to be in business with the supermarkets already, but smaller ones know little about this sector and many would prefer not to have to supply it.
- Some producers consider that foodservice is another sector where suppliers will be forced to accept low margins.
- Despite its proximity, only a few producers are interested in supplying the London market. The general view is that the capital is too much hassle, with difficulties of congestion and parking, and that it is easier to supply affluent consumers nearer to home.
- The export market is now worth £9.9 billion and growing, 65% is to the EU, and SE producers are in a strong geographical location to exploit this opportunity. The trade development role of FFB is well recognised, but few SE producers appear interested in export – ADAS research shows that just 1% of regional food income comers from exports - and existing exporters tend to be larger organisations. Some local food groups prefer to concentrate on satisfying local demand, and some question the appropriateness of stimulating exports, when a key benefit of local food is the saving in food miles.

63. Spreading best practice is valuable, but producers and intermediaries are generally unaware of what best practice constitutes, and those that have cracked it are generally reluctant to share it, for fear of diminishing competitive advantage.

64. There is a particular regional problem in the redmeat sector. Local redmeat projects will not get off the ground without a collaborative approach, but this sector is notorious for small-scale and ineffectual initiatives, despite much support effort. Defra would like to stimulate progress to justify the support already given, and the Strategy should contribute to this.

Key Objective 3: Position SE food within the reach of customers			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**	**Priority**
Understand and resolve the challenge of distribution	3.01. SEFGP should carry out a study of distribution systems in the region to see whether there would be any benefit in setting up distribution facilities at regional or local level, taking account of existing initiatives, precedents in other regions (eg Tastes of Anglia Table), and possible availability of grant support to private sector projects. *(Annex B, paragraph 191).* 3.02. Local food groups should signpost producers to sources of advice and commercial expertise on distribution. *(Annex B, paragraph 191).*	1 1	H H
Identify key potential customers and target activity on them	3.03. SEFGP and local food groups should compile information for producers on: • • regional and local food, and the best access point for their supply chains; • *(Annex B, paragraph 234).*	1 2	H H

Key Objective 3: Position SE food within the reach of customers			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**	**Priority**
	3.04. SEFGP and local food groups should work with suitable interested producers by means of Meet the Buyer and other trade events, and signposting to other sources of advice on product and service level requirements. *(Annex B, paragraph 234).* 3.05. Local food groups should seek to recruit interested customers into membership. *(Annex B, paragraph 234).* 3.06 SEFGP should bring a customer or consumer director onto the advisory panel. *(Annex B, paragraph 234).*	2 1	M M
Connect producers with visitors to the region	3.07. SEFGP should liaise with TSE, National Trust and other tourism interests to develop activities that position SE regional and local food in visitor attractions, tourism accommodation etc. *(Annex B, paragraph 194,).*	2	M
Unblock redmeat supply problems	3.08. SEFGP and SEEDA should help DEFRA , EBLEX et al to find ways of progressing collaborative redmeat projects in the region. *(Annex B, paragraph 238).*	2	M

Key Objective 4: Stimulate consumer interest in SE regional and local food

65. Increasing consumer awareness and converting that interest into purchases is the key to unlocking growth potential in the market. Awareness can be improved in the existing consumer market, as well as through raising awareness in new markets.

66. Much of the existing activity is focused on stimulating consumer interest, and we recommend that this work should continue.

67. There is increasing consciousness of regional and local food, but more can be done. Mintel (2003) reports that over one third of shoppers say that origin of food plays no role in their purchase decision making process, and 40% tend not to notice the origin of goods when shopping in supermarkets. For 10% of shoppers, price is the overriding factor.

68. Regional and local food producers have the opportunity to capitalise on market uncertainties in mainstream food. IGD have found that there has been a decline in overall confidence in food production since 2002; from 24% of consumers having no concerns in 2002 to 16% having no concerns in 2004. This is partly due to consumers' greater awareness of food production systems as well as concerns fuelled by high profile media reports and documentaries.

69. Further education and information campaigns are needed to communicate the values and benefits of regional and local food, and to engage with the one third of consumers who currently show no interest.

70. Experience from industry has often shown that focusing attention on successful brands and products can help to speed up this process.

71. Public procurement is potentially important, yet many producers have reservations about it. They fear that their production is too small to meet the likely demand, and they worry that procurement is based on excessively keen price points, when they are seeking a premium price for what they regard as a premium product.

Key Objective 4: Stimulate consumer interest in SE regional and local food			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**	**Priority**
Identify and capture market opportunities	4.01. Local food groups and industry should use the market research to: • Identify and clarify local market awareness opportunities. • Organise more effective local food events. • Target PR activities on major opportunities. *(Annex A, paragraph 140).* 4.02. SEFGP should liaise with TSE to identify tourism opportunities. *(Annex A, paragraph 140).*	1 1	H M
Appoint regional champions as a focus for marketing efforts	4.03. Local food groups should identify suitable individuals to act as regional champions who will: • and local food events. • groups. • SEFGP and private sector sponsors. • *(Annex A, paragraph 126).*	1	H
Stimulate export interest	4.04. FFB should work within the region to raise the profile of export potential and prepare a 'diagnostic' of the region's export potential. *(Annex B, paragraph 203).* 4.05. Local food groups and FFB should identify producers with suitable products for the export market, and offer specific assistance to develop campaigns. *(Annex B, paragraph 203).*	1 2	H M
Embed SE food in healthy eating &public procurement initiatives in the region	4.06. SEFGP should liaise with GOSE health and education staff, Soil Association, Sustain and other interested NGOs to identify emerging opportunities, and spread best practice. *(Annex B, paragraph 198).* 4.07. Local food groups should follow up opportunities at local level. *(Annex B, paragraph 198).*	1 2	H H

Key Objective 5: Provide a business development network that meets the needs of stakeholders

72. The network in the region consists of 5 local food groups plus SEFGP, and all six bodies have modest resources, with around one full-time member of staff. This structure is not typical of the other English regions, most of which have a stronger regional body (eg Taste of the West or Heart of England Fine Foods), but even in other regions like this there is usually some kind of local presence in the counties which helps to connect the network to individual businesses. The South East region has few distinguishing characteristics, and it is quite clear that producers and consumers identify more closely with the counties than with the region. Although we think it would be more efficient for services to be delivered through a single regional organisation, we accept that there are significant benefits in retaining the local entry points.

73. The degree of business support varies widely across the region, with confident long-established groups in Hampshire and Kent, relatively new initiatives in Sussex, Buckinghamshire/Berkshire/ Oxfordshire, and Surrey, and nothing at present in the Isle of Wight (though the Isle of Wight Council is looking into this.) This variation bears no relation to producers' needs.

74. Services provided by the network have generally focused on marketing, training, information and signposting services, and these have been well received by producers on the whole.

75. There is tension between some (but not all) local food groups and SEFGP, and even a suggestion that the Partnership's activities in arranging a regional presence at food shows detracts from the counties' own efforts. To some extent the tension reflects wider political differences between some counties and the Government's regional policy. But it suggests that there is a lack of understanding and synergy in some cases, that there needs to be a clearer division of responsibilities, and that SEFGP needs to communicate better the benefits it delivers.

76. Some producers feel that there is a lack of communication and synergy between the local food groups. This may be partly because some counties take great pride in their local initiative, and make it an explicit objective to keep local money within the county.

77. SEEDA's policy is to reduce funding progressively from local food groups to encourage them to seek a higher proportion of private sector funding. The groups' budgets are constructed accordingly, but none of them appears to have addressed the implications, though Kent County Council is in the process of 'externalising' Produced in Kent, so that it will in future operate at arms length from the Council. Otherwise, local authorities' future intentions about funding are unknown, and Defra's support for regional food is unclear after 2006.

78. In summary, the current network is providing producers with a range of services that are predominantly focused on consumer awareness and trade development, which are generally carried out well by the network at a tactical level, and well received by producers. But at the strategic level, services appear patchy and lack synergy, largely reflect the funding stream constraints, and strategic opportunities to develop the network and its' profile have been missed. In particular, the consultants have identified the following strategic gaps in the development effort across the region as a whole:

a) Lack of the leadership and direction needed to get the whole network pulling together

b) Absence of an evidence-based approach to assessing business development needs at the sectoral and individual business level.

c) Insufficient market intelligence to help producers understand and adapt to rapidly changing customer needs and wants

d) Failure to encourage private sector revenue generation, especially to fund activities that are in demand but presently excluded by state aid rules

e) Poor linkage to third party organisations and instruments which can help support the sector

f) Too little emphasis on services to help business growth and competitiveness

g) Absence of a 'knowledge hub' to provide producers with a seamless interface to information and contacts across all relevant business areas

79. 60% of producers polled had no views on the structure of the business development network, and some even seemed unaware of its existence. Exploring this subject more deeply in the focus groups, most producers did not want to see any additional tiers of support, and felt that the existing tiers should be retained, and their roles reformed.

80. Food group members felt unable to comment on appropriate subscription levels, or to gauge the benefits of membership. There was some concern about the sustainability of county-level groups if a higher proportion of income is to be obtained from the private sector. There may not be enough producers at county level to support a worthwhile volume of support activity.

81. We propose that a serious effort should be made to increase producer membership of food groups, and that the most logical approach is to work on a two-tier structure, with a basic package essentially of information and intelligence, backed up with a higher level paid-for advisory service.

82. Some support organisations suggested that the groups might be allowed to specialise in areas of particular importance to them, and make their services available to others on a commercial basis.

83. Both tiers agree that internal monitoring of network activity to date has been inconsistent and that systems need to be reviewed to ensure valuable relevant data is collated, and then distributed to the appropriate recipients in a timely manner.

84. Implementation of this Strategy will require strong leadership from the centre, and this should be provided by a new Chairman at SEFGP with food industry knowledge, and expertise in change management and commercial development. Funding and reporting structures need to reinforce this approach., and there needs to be firm stakeholder ownership and support. Without these factors, there is a high risk of failure. Stakeholders need to consider this carefully.

85. Any new support arrangements may need EU state aid clearance. This is a complex area, where Defra have practical expertise, but we suggest that SEEDA should take the lead as they will be more familiar with regional circumstances and needs.

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action and reference in Annex**	**Priority**
Decide on future structure of the network	5.01. Following consultation, SEFGP and other stakeholders should agree the structure of the network and distribution of functions. *(Annex A, paragraph 353).*	H

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action and reference in Annex**	**Priority**
	5.02. SEFGP should ensure that regional tier activities will add value to local food groups, and that the strategy as a whole will reduce dependency on local, regional and national funds. *(Annex A, paragraph 353).* 5.03. SEFGP should encourage groups to specialise in areas of greatest importance to them (while discouraging any unnecessary duplication). *(Annex A, paragraph 180).* 5.04. Opportunities should be taken as they arise to consolidate the network. *(Annex F, paragraph 353).*	H M M
Develop membership structures to maximise business engagement, and private sector income	5.05. SEFGP and local food groups should introduce two tiers of business membership: • rate of ~£100 for the first year) that will provide access to a broad range of market intelligence, information and contacts on key customers, business expansion, collaboration, benchmarking, environment and exports, plus services on food law enforcement, distribution, labour and skills, and the regional champions. • on a 'pay as you go' basis on service and quality improvement, innovation, management development, food law compliance, and marketing to specific customers. *(Annex D, paragraph 292).* 5.06. Local food groups should review private sector income prospects, and consequent options to distance their operations from public sector control and funding. *(Annex D, paragraph 292,).* 5.07. SEFGP and local food groups should introduce one-to-one assistance to producers, eg by recruiting business development advisers, senior people with food industry experience such as retired executives, who would visit food companies and offer analysis/advice/mentoring on marketing and development. *(Annex D, paragraph 292).*	H H H
Provide positive leadership and efficient management of the network, with maximum synergy and benefits to stakeholders	5.08 In light of the consultation, stakeholders must decide who is to take the strategic lead on implementing this Strategy and give them full authority. The consultants propose that this role be given to a strengthened SEFGP. *(Annex F, paragraph 362).* 5.09. SEFGP should appoint a Chairman with strong leadership skills. Experience of delivering organisational change is essential, and a commercial marketing background desirable. Food industry experience and understanding of the public sector would be an advantage. *(Annex F, paragraph 362).*	H H

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action and reference in Annex**	**Priority**
	5.10. The Chairman should be responsible for relations with stakeholders, for marketing the network - its work, its challenges, its successes – to them, and for monitoring progress against objectives. *(Annex F, paragraph 362).*	M
	5.11. Local food groups should agree their business plans with SEFGP. *(Annex F, paragraph 369)*	H
	5.12. National and regional funding should be distributed through SEFGP. *(Annex F, paragraph 369)*	H
	5.13. Local food groups should be accountable to SEFGP for delivery. *(Annex F, paragraph 369)*	H
	5.14. SEFGP, local food groups and funding bodies should seek to improve the effectiveness and efficiency of monitoring procedures. *(Annex F, paragraph 369)*	M
Obtain any necessary state aid clearance	5.15. SEEDA should take the lead in submitting any applications for state aid clearance that may become necessary, with the guidance of the experts in Defra. *(Annex F, paragraph 378).*	M
Improve network coverage	5.16. IoW Council should extend network to the Island if local stakeholders want this. Funding organisations should be prepared to pump-prime. *(Annex A, paragraph 154).*	H
Seek to improve relevance of grant support.	5.17. GO-SE should take advantage of Defra's review of funding streams to urge that any successors to RES, PMG and VTS should be made more relevant to the needs of regional and local food producers. *(Annex D, paragraph 299).*	M

STAKEHOLDER CONSULTATION DOCUMENT

1. Purpose of the Consultation

86. This document seeks your views on the future Strategy towards regional and local food in South East England:

a) what should the objectives and targets be?

b) what services should be made available to support regional and local food producers? and

c) how should the business development network of local food groups be structured?

87. Please let us have your views by Friday 4th February 2005, so that they can be taken into account in the final Strategy.

2. Background

88. The South East Food Group Partnership (SEFGP) with funding from the South East England Development Agency (SEEDA) commissioned consultants Roger Seed Professional Services and Westley Consulting Ltd to draft a new Strategy on regional and local food. They have spoken to a wide range of regional stakeholders and produced a comprehensive report on the sector, detailing its strengths and weaknesses, grant and other support mechanisms currently available, an assessment of training needs and the activities and structure of the business development network. Their full report is available electronically at www.xxxx or in hard copy from SEFGP. This consultation is about the action plan, which sets out what the network should do, and how it should be organised.

3. Rationale for the Strategy

89. It is proposed that the Strategy should deal with two overlapping sectors:

- *regional food*: food that is produced within, and marketed as coming from the SE region, whether it is sold here or elsewhere. It is perceived to have a distinctive quality because of the area in or the method by which it is produced. Hand-made speciality chocolates would be an example.
- *local food*: food that is produced, traded and sold within the SE region, or a smaller area within it. It has no particular quality connotations. This would include fresh produce sold at a farmers market.

90. The turnover of the sector in the region is estimated at around £625 million. There are believed to be some 1,750 regional and local food businesses involved, with average sales over

£300,000. A small number of businesses account for a substantial proportion of sales and employment. On average around 4.5 full-time equivalent staff are employed per organisation. Most businesses are therefore at the small end of the SME bracket, and comparative statistics show that the South East has proportionately more small food businesses than other regions.

91. There is a market opportunity for regional and local food. Some consumers have reservations about mainstream supermarket food, and are looking for quality and local alternatives. Interest is comparatively high in the SE region, but is concentrated in older age groups, and one third of consumers never consciously buy local food.

92. Most producers are rural businesses, including diversifying farmers, and their prosperity has a direct effect on the rural economy. Their small size makes it difficult for them to understand the market and to develop their business in response to it.

93. The Government is anxious to widen public procurement and healthy eating opportunities for local food, but the industry has so far been reluctant to respond.

94. Training and development needs to go broader than the present focus on marketing, promotion and regulatory compliance to include more general issues of business competitiveness.

95. Environmental issues are moving steadily up the agenda. There is growing recognition that economic development in the region has to respect quality of life. Utility costs are increasing fast, and businesses may be able to find efficiencies that save money and protect the environment at the same time.

96. The business development network has grown up piecemeal in the region. Some counties have supported local food groups for many years, while in others this is a recent activity. Unlike other regions, support has been provided mainly at county level, and SEFGP dates only from 2001. Government has provided pump-priming funding, particularly in the wake of Foot and Mouth Disease, but there is now a need for the network to develop a higher proportion of private-sector income.

97. The purpose of the Strategy is to bring coherence to this work, taking account of all the factors explained above, and to develop an action plan for sustainable development of regional and local food.

4. Overall Objective and Targets

98. The Strategy needs to have one overall objective to explain what it is for, and a small number of specific targets in order to monitor progress. The following proposals are intended to promote the sustainability of businesses and the sector as a whole.

Please score your response on a scale of 1 to 5 (1=strongly disagree; 2=disagree; 3=neither agree nor disagree; 4=agree; 5=strongly agree), and add any further comments.

How strongly do you agree with the following Overall Objective and Targets?	1	2	3	4	5
Overall Objective: To raise progressively the value and benefits of regional and local food from the South East region					
Target 1. To raise the market value of SE regional and local food by 10% per annum in 2006, 2007 and 2008.					
Target 2. To get SE regional and local food into healthy eating and public procurement programmes in each county, and to raise the value supplied by 10% per annum in 2006, 2007 and 2008.					
Target 3. To ensure that at least 50% of SE regional and local food producers are involved in activities that will benefit the environment by 2008.					
Would you change the Overall Objective or Targets? If so, how?					

5. Key Objectives

99. The Strategy breaks down into Key Objectives, dealing with:

a) Understanding the market place, service, quality, innovation and marketing.
b) Improving internal management, efficiency, growth, skills and training.
c) Trade development, distribution, promotion and targeting key customers.
d) Stimulating consumer interest and awareness.
e) Getting the right structure, leadership, and business engagement in the network.

100. Please let us have your views, again on a score of 1-5 where 5 is ‘strongly agree’, and any other comments.

On a scale of 1 to 5 as before, how strongly do you agree with the following Key Objectives:	1	2	3	4	5
1. Raise producers' awareness of the market, and help them develop products and services to meet it					
2. Continuously improve producers' management and organisation					
3. Position SE food within reach of consumers					
4. Stimulate consumer interest in SE regional and local food					
5. Provide a business development network that meets the needs of stakeholders					
Would you change or delete or add any Key Objectives?					

6. Services to Regional and Local Food Producers

101. We need your views on several aspects of the proposed services.

102. There are differing views on the coverage of the Strategy. Defra has a strategy and provides specific support only for regional food. Improving quality is an EU objective, and it is easier to get state aid clearance in Brussels for support on regional food. In practice, most of the local food groups in the region support local food as well, and believe in helping people to buy local food.

103. The present support services are aimed principally at marketing, promotion and training. There is no suggestion that these should cease, but the Strategy proposes broadening them to include other services that should help producers raise their competitiveness, eg through collaboration and making better use of resources.

104. The Strategy proposes that support services should be put on a more commercial footing, and should be organised at two levels. The first level would include a broad package of information (including specially commissioned market research) and details for support service providers, but would not include direct support to individual businesses. The aim would be to charge a modest fee (possibly around £200 with an introductory rate of ~£100 for the first year) in order to attract a large proportion of the companies in the sector.

105. The second level of service would consist of tailored one-to-one support provided on a pay-as-you-go basis. This would help producers to meet their own specific objectives on an individual or group basis, through analysing their development needs, and helping them respond to specific challenges and problems. For example, activities could include individual mentoring and coaching to deal with market challenges, or facilitation of collaborative initiatives to overcome market barriers.

106. The level 2 service would include access to business development advisers, individuals with food industry management experience, who could provide analysis, advice and mentoring.

107. The network would help food producers join in environmental activities beneficial to themselves and to the environment, eg reduction of energy and water usage, and minimisation of waste.

On a scale of 1 to 5 as before, d*o you agree that services to producers should include:*	1	2	3	4	5
1. Support for regional **and** local food?					
2. A broad range of services aimed at raising competitiveness?					
3. A first level of membership (entry level) supplying a broad package of market intelligence, basic guidance and information about support services for a modest fee?					
4. A second level of membership supplying one-to-one support and advice on a pay-as-you-go basis?					
5. Experienced business development advisers providing one-to-one advice as part of the second level of service?					
6. Producer involvement in environmental initiatives that provide benefits to them (eg savings in utilities costs)?					
Do you have any comment on services?					

7. Structure of the Business Development Network

108. The present network consists of five county-based groups (in Kent, Hampshire, Sussex, Surrey and the federation of Buckinghamshire/Berkshire/Oxfordshire) plus SEFGP, which provides support and co-ordination for the whole network. These are all small organisations, with around one full-time equivalent staff member.

109. In many other regions, support is more concentrated at the regional level (for example, Taste of the West has several members of staff), though there are still satellite bodies in the counties. This enables a wider range of tasks to be undertaken, and for services to be provided more efficiently. The consultants believe that purely in business terms it would be more efficient for the South East to be organised like this.

110. However, they recognise that the SE region has very little in the way of distinguishing characteristics, and that producers and consumers both identify more strongly with the counties than the region. Moreover the consultants recognise the well established position of local food groups and the important contribution made to them by local authorities. The Strategy therefore proposes to maintain both current tiers, but to strengthen SEFGP.

111. Whilst the strategy proposes to maintain the current 2 tier approach, improvements in performance and output are essential. The current network is providing producers with a range of marketing, training, information and signposting services that are generally carried out well by the network at a tactical level, and well received by producers. But at the strategic level, services appear patchy and lack synergy, largely reflect the funding stream constraints, and opportunities to develop the network and its' profile have been missed. In particular, the consultants have identified the following strategic gaps in the development effort across the region as a whole hat need to be addressed:

a) the leadership and direction required to get the whole network pulling together

b) an evidence-based approach to assessing business development needs at the sectoral and individual business level.

c) market intelligence to help producers understand and adapt to rapidly changing customer needs and wants

d) encouragement of private sector revenue generation by the network, especially to fund activities that are in demand but presently excluded by state aid rules

e) Improved linkage to third party organisations and instruments which can help support the sector

f) Much greater emphasis on services to help business growth and competitiveness, delivered in a way that appeals to owner-manager type organisations

g) A 'knowledge hub' to provide producers with a seamless interface to information and contacts across all relevant business areas

112. In particular, the Strategy proposes that SEFGP should appoint a Chairman to provide leadership and direction to the work of the whole network, to liaise with stakeholders in the local authorities and the industry, and to ensure that progress is made against targets.

Are you in favour of (score 1 to 5, as before):	1	2	3	4	5
More activity at regional level, whilst retaining an entry point at county level?					
Concentrating all activity at county level?					
Concentrating all activity at regional level?					
Retaining the balance in the Business Development Network as it stands?					
Leadership being exercised by a strengthened SEFGP?					
Do you have any comments on structure?					

8. Any other comments

113. The questions above summarise the main issues arising from the Strategy on which we need stakeholders' views. But we should be pleased to receive any other views you have about the contents of the Strategy and the needs of stakeholders.

9. Your Position

114. We need to know which stakeholder group you are from in order to make the best use of your views.

Are you responding to this consultation as a: (please tick one)	Regional or local food producer?	
	Regional or local food customer?	
	Local government body?	
	Local food group	
	Other business support agency	
	Trade association	
	Other (please specify)	

**Please note that 'producer' includes manufacturers and processors of food*

10. Your Contact Details

115. In case the consultants need to discuss with you any of the views you have expressed, please let us have your contact details. This is optional.

Your phone number and/or email address	

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SEFGP contact details

The full Strategy document is available on the SEFGP website at xxxxx
or in hard copy from SEFGP, contact xxxxx

ANNEX A. OVERVIEW OF THE SECTOR

Demand for Regional and Local Food

Changing Consumer Needs and Wants – an Opportunity for Regional and Local Food

116. Successful businesses must have a detailed and accurate understanding of the marketplace in which they operate, and the future needs and wants of customers in the value chain.

117. In 2000 the average weekly UK expenditure per head on food consumed in the home, including soft drinks, alcoholic drinks and confectionery was £17.64 (IGD, 2002).

118. The traditional "three meals a day" is being replaced by snacking and grazing, and there appears to be greater reliance on 'others' to prepare and cook this food. Expenditure on eating out has been increasing, and the younger generations are eating out more than older generations, bringing real changes to the way we eat.

119. Traditional stereotypes no longer apply and marketing strategies are being developed to reflect people's attitudes and life-stages rather than their age or socio-demographic group.

120. As the number of households increase and the average size decreases the type of food we are eating and cooking is changing. There is a greater demand for smaller pack sizes, for ready prepared food, and for eating out. We are less likely than before to eat a formal meal and more likely to eat a number of snacks throughout the day.

121. More people in work, longer working hours and flexible working arrangements has created a demand for longer opening hours, for food that doesn't take too long to prepare and for technologies that help make our life easier. Home delivery and home shopping are becoming more popular as we become used to receiving help from others.

122. The food offer is changing to reflect the way we live our life. There is greater demand for food that takes less time to prepare, that is easily available and that can be eaten on the move.

123. Within this complex environment, there is an increasing consciousness of regional and local food. This has partly arisen from consumers' greater awareness of food production systems and shaky confidence of mainstream food, fuelled by high profile media reports and documentaries. IGD have found that there has been a decline in overall confidence in food production since 2002; from 24% of consumers having no concerns in 2002 to 16% having no concerns in 2004.

124. The profile of local sourcing has grown over the last few years with many retailers and some foodservice companies actively looking to expand their local food offer.

125. Our diets and eating habits are increasingly influenced by celebrity chefs, high profile individuals in the media, as well as marketing campaigns by successful businesses. Local food has become increasingly prominent and champions within the industry and media appear to have a substantial impact on consumer interest and behaviour.

126. Recommendation:

Key Objective 4: Stimulate consumer interest in SE regional and local food			
Strategic aim	**Specific action**	**Level of activity[3]**	**Priority**
Appoint regional champions as a focus for marketing efforts	4.03. Local food groups should identify suitable individuals to act as regional champions who will: • and local food events. • groups. • SEFGP and private sector sponsors. •	1	H

127. To be competitive the South East regional and local food sector must be aware of the market dynamics and keep up to speed with the changing demands of consumers. Accurate and up to date market intelligence is relevant to all businesses and it appears that consumer needs do not vary widely across the region.

128. At present there is little evidence of any organised market research being conducted in the region, and made readily available to producers. Market research is also expensive, often prohibitively so for many smaller businesses.

129. Businesses are struggling to find and distil information about the market. There is a general demand for better market intelligence, but a need to have the information in an accessible and easily-assimilated form.

130. Producers would like to be able to go to a single joined-up source of information, and there were suggestions for a regional knowledge base and/or bulletin board.

131. There is therefore a direct benefit from pooling market research activity at a regional level, which can be distributed to the local food groups and direct to members, adding value to the membership ‘package’. At the same time, this organised intelligence gathering can help to monitor the impact of consumer awareness raising activities.

132. Recommendation:

Key Objective 1: Raise producers’ awareness of the market, and help them develop products and services to meet it			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Help producers understand the market place	1.01. SEFGP should develop a systematic programme of market research and disseminate results to producers. 1.02. SEFGP should set up a regional knowledge base, with access to technical and marketing journals and reference works.	1 2	H L

[3] See specific action 5.05.

133. Affordability is a key issue in some outlets, particularly in public procurement and food access for disadvantaged groups. Increased production efficiency and collaboration, eg over distribution, are important techniques that could help to make food more affordable.

134. Producers must understand and respond to the current and forecast future demands of particular consumer segments, and provide products that fit the parameters within which consumers make choices, such as money and time available.

135. An IGD report (2002) on consumers' attitudes states that key priorities for the future are: Making sure food is healthy and safe; Moving farming practices down the intensiveness scale; Minimising negative impacts of farming on watercourses and the wildlife; and better labelling .

136. New product development means utilising market research and innovating new products and services to meet or exceed market expectations. There is little apparent awareness of the food innovation and technology support organisations in the region such as Food Knowledge and Know How, and producers are unsure where to turn for help with new product development.

137. Consumer interest in locally produced foods has grown commensurate with improving availability. In 2002 IGD research showed that 59% of the population was interested in buying locally produced food. In the top-ten wish-list for supermarket shopping, 'locally produced food availability' was ranked number three in 2003 and number four in 2004 by consumers, topped only by price and promotion related wishes (IGD, 2004).

138. A survey conducted by Mintel (2002) showed that over half tried to buy British when shopping for fresh meat; 44% look for British fresh fruit and vegetables and 31% have a preference for fresh fish. Locally grown produce is also in demand with 23 % of shoppers purchasing local products through farmers markets.

139. At the same time over one third of shoppers say that origin of food plays no role in their purchase decision, and 40% tend not to notice the origin of goods when shopping in supermarkets. For 10% of shoppers, price is the overriding factor (Mintel, 2003).

140. Recommendation:

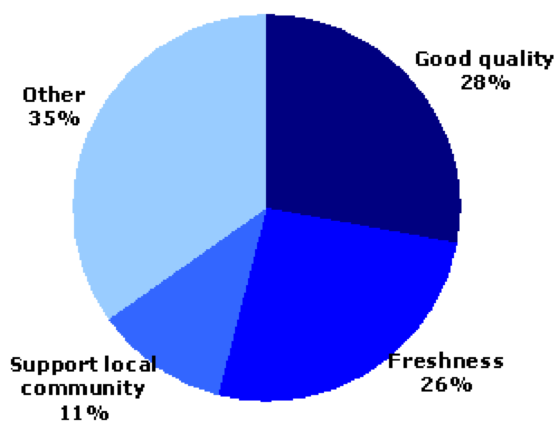
Key Objective 4: Stimulate consumer interest in SE regional and local food			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Identify and capture market opportunities	4.01. Local food groups and industry should use the market research to: • Identify and clarify local market awareness opportunities. • Organise more effective local food events. • Target PR activities on major opportunities. 4.02. SEFGP should liaise with TSE to identify tourism opportunities.	1 1	H M

141. 63% of consumers see local foods as those produced fairly close-by, either 30 miles from where they live or buy the food from, or from the county in which they live. One in five consumers think bigger; for 13% local is their home nation, either England Scotland or Wales, and a further 8% see local as food produced in Britain.

142. Mintel research (2003) found that 23% of consumers bought local because they liked the idea of supporting the local community, and the same number because the product is fresher. The IGD have found the same, where consumers feel that local foods offer an additional attractive quality by enabling them to support the local community, but this has to be balanced by consumers needs in other areas (IGD Consumer Watch, 2002). The same research found that few (just 30%) actually purchase direct from the producer.

143. For most consumers, 'localness' and patriotic emotions are not sufficient to encourage them to buy local foods. The **quality** of the food is paramount (IGD Consumer Research, 2003).

Figure 1: Attributes of local foods: importance to consumers



144. Whilst producers generally take tremendous pride in the quality of their product there is little apparent emphasis on 'customer service' which is a key component of quality, and some consumers complain about poor service levels. There is little evidence of 'continuous quality improvement' being embedded within business strategy.

145. The vast majority of SE producers believe that they deliver a very high quality product, and herald this as their key selling point. However, this research has detected evidence that some producers are concerned about the poor quality offered by a minority, which lets the sector down.

146. Recommendation:

Key Objective 1: Raise producers' awareness of the market, and help them develop products and services to meet it			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Promote awareness of the links between product and service quality, innovation and marketing	1.03. SEFGP should highlight the importance of customer service and ensure that support is available on it. 1.04. SEFGP and local food groups should promote the benefits of innovation, and ensure that producers are aware of technological support (eg from FKK). 1.05. SEFGP should network with the IGD Food Chain Centre, SSCs *et al* and produce guidance on continuous quality improvement.	1 1 1	M M M

Supply of Regional and Local Food

Number of Businesses

147. Research by ADAS in 2003 estimated that there were 979 quality 'regional' SME food businesses located in the South East and London region, out of a total population of 2,277 food and drink companies. Extrapolation of this data (using a methodology agreed by Seed with ADAS researchers) suggests 715 of these are located in the South East outside London.

148. Compared to other regions in the ADAS research, there are substantially more regional food businesses in the South East – 715 compared to an average of 392 per Government Office region across England (Table 1).

Table 1: Numbers of Regional Food Businesses (ADAS, 2003)

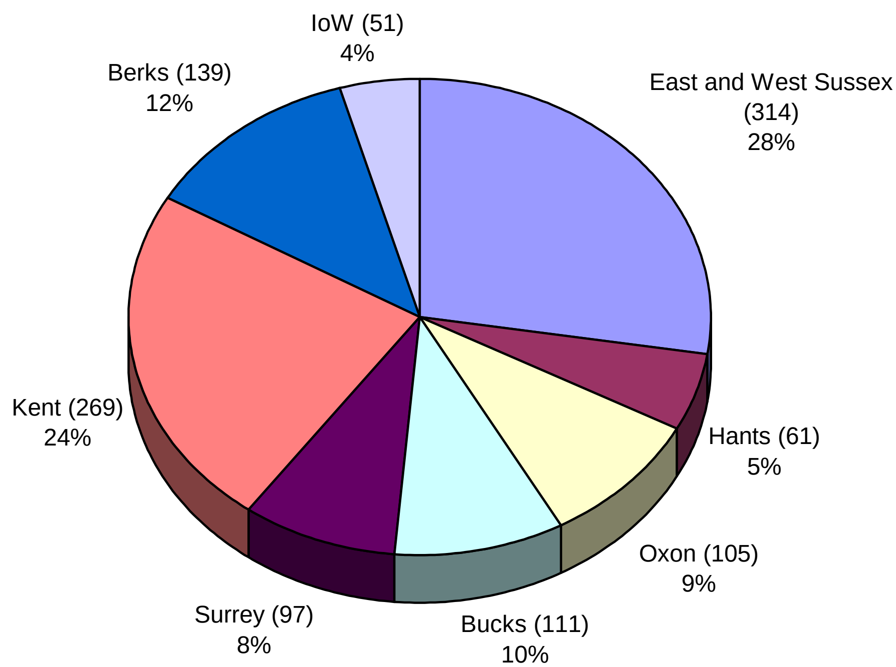
	No. Regional Businesses	Total Number of Food Businesses	Regional as % of Total
South East + London	715+264	2,277	43%
North East	159	378	47%
North West	390	866	45%
Yorks & Humber	294	653	45%
East Mids	263	559	47%
West Mids	299	665	45%
East Anglia	176	367	48%
South West	524	919	57%

149. The extrapolated figure of 715 businesses is relatively consistent with data from the Food from Britain (FFB) database which identifies 822 food and drink companies operating in the South East. This is moreover the case when one considers that some of the FFB data is likely to include businesses that may not qualify as 'regional' producers or processors.

150. The 2003 Thomson CD-ROM business database identifies 1,611 businesses involved in food and drink manufacturing and processing in the South East (Thomson Business Search Pro, 2003). Using the ADAS research which shows that 43% of South East food businesses see themselves as 'regional', then 43% of the Thomson figures result in an estimated 692 regional food businesses located in the South East; a figure that is reasonably consistent with the 715 extrapolated from the ADAS research, and the FFB figure of 822.

151. Whilst there appear to be around 700 'regional' food manufacturers, detailed analysis of the county food group directory information by the consultants has found 1,147 businesses manufacturing, processing and/or retailing regional and local foods, most of which are 'local' food producers located in Sussex and Kent (Figure 2). It is also apparent that Hampshire Fare has a proportionately small membership compared to other counties, reflecting its deliberately more targeted approach towards fewer businesses.

Figure 2: Numbers of Food Manufacturing and Retailing Businesses in the County Food Group Membership by County, 2004 (based on analysis of directories and websites, Seed and Westley Consulting)



152. The total number of businesses in the food directories is most likely to be higher than the other research data for 3 reasons:

a) the county food group membership includes a number of retailers who purchase regional or local food but who do not manufacture or process food products themselves
b) the county food group membership includes a significant number of members who are 'local' producers selling unbranded, indistinct products as well as 'regional' producers
c) many members are farming based businesses selling added value food products, whose primary business activity remains farming

153. The analysis highlighted a noticeable geographic gap in the regional and local food network, with no structures in place on the Isle of Wight.

154. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Improve network coverage	5.16. IoW Council should extend network to the Island if local stakeholders want this. Funding organisations should be prepared to pump-prime.	H

155. Research by FARMA suggests that there may be around 4,000 farm shops in the UK and around 7,000 farm businesses selling ‘local’ produce at the farm gate. Assuming a greater concentration of retailing activity in the South East, it might be possible to argue that approaching 10% of this UK figure relates to the South East – heading towards around 1,000 businesses in total.

156. Cross-referencing with DEFRA’s annual study on diversification as part of the June Agricultural Census, the census data identified 1.2% of agricultural holdings in the South East involved in processing and food manufacturing in 2003 (this would exclude farm gate retailers selling local produce such as eggs). With 21,559 holdings in the region that year, this equates to 259 farm-based added value food enterprises. It can therefore be postulated that around one fifth of the region’s regional and local food businesses are diversification activities of agricultural land-based organisations.

157. Interestingly, the proportion of farms involved in added value food production has remained remarkably consistent at 1.0-1.5% of holdings in the South East between 1998 and 2003, despite increasing pressure and support to diversify.

158. Combining data from published sources including the food group directories, together with research undertaken as part of this Strategy paper, it is therefore concluded that there are probably around 1,000 ‘local’ food producers in the region, in addition to the 750 or so regional food businesses that meet the strict DEFRA definition of ‘regional’.

Numbers Employed in the Sector

159. ADAS (2003) found that South East regional food businesses employed 12 permanent employees on average (8 full-time and 4 part-time), compared to 17 per business across England (13 full-time and 4 part-time).

160. The same research found that around 50% of businesses in the region employed 4 permanent staff or less, compared to 37.8% of regional food businesses in England.

161. Assuming that part-time roles are broadly equivalent to one third of a full-time equivalent, multiplying the estimated 715 businesses by the employment data indicates that the total employment created by the ‘regional’ food sector is perhaps in the order of 6,000.

162. Primary research undertaken by the consultants (polling a random sample of 50 county food group members) found that the average number of full-time equivalent staff was just 3.68, ranging from 1 to 47 in the sample, with the average nearer to 2 for ‘local’ food businesses. Multiplying up by the number of estimated local producers (1,000) gives a total of 2,000 full-time equivalents in the local food sector.

163. Therefore, the consultants broadly estimate that some 8,000 full-time equivalents may be involved in SE regional and local food production as a whole.

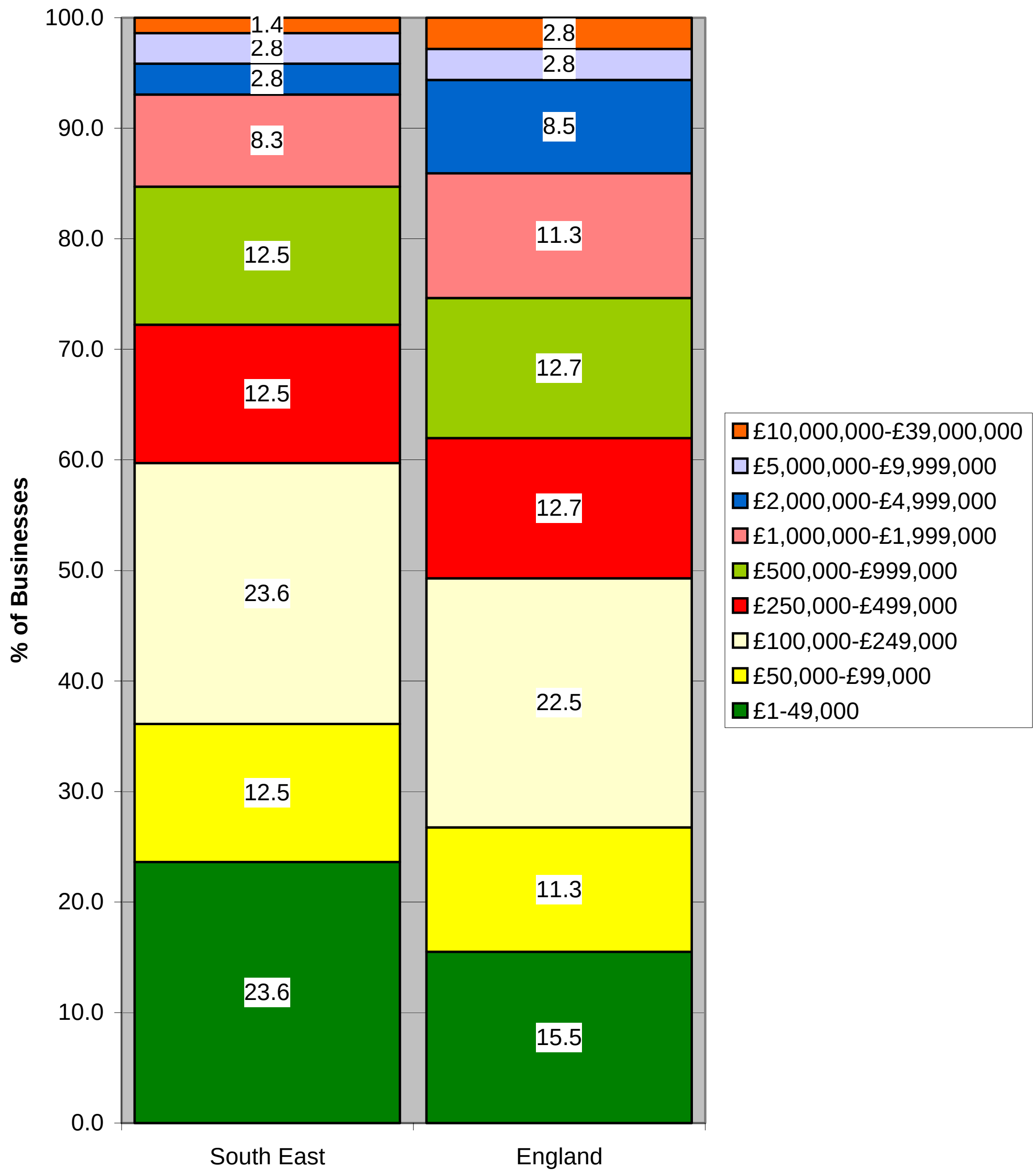
Average Business Turnover

164. Polling 205 ‘regional’ food businesses in the South East, ADAS (2003) estimated the average business turnover in the South East to be £755,057 compared to £1.19m across all regions.

165. Their data clearly shows that there are proportionately more smaller regional businesses than in other regions of the country (Figure 3). Just 41.3% of businesses in the South East had a turnover of more than £250,000, compared to 50.7% across England.

166. Local food businesses appear to have only around 20% of the staff of regional food businesses, and use a heavier ratio of labour to machinery for a given output. Average UK farm shop sales appear to be in the order of £200,000, with a median of £90,000 (Cardiff University, 2001). The consultants therefore estimate that the average 'local' food business turnover is perhaps in the order of £125,000.

Figure 3: Proportion of Businesses by Turnover, South East Compared to England (ADAS, 2003)



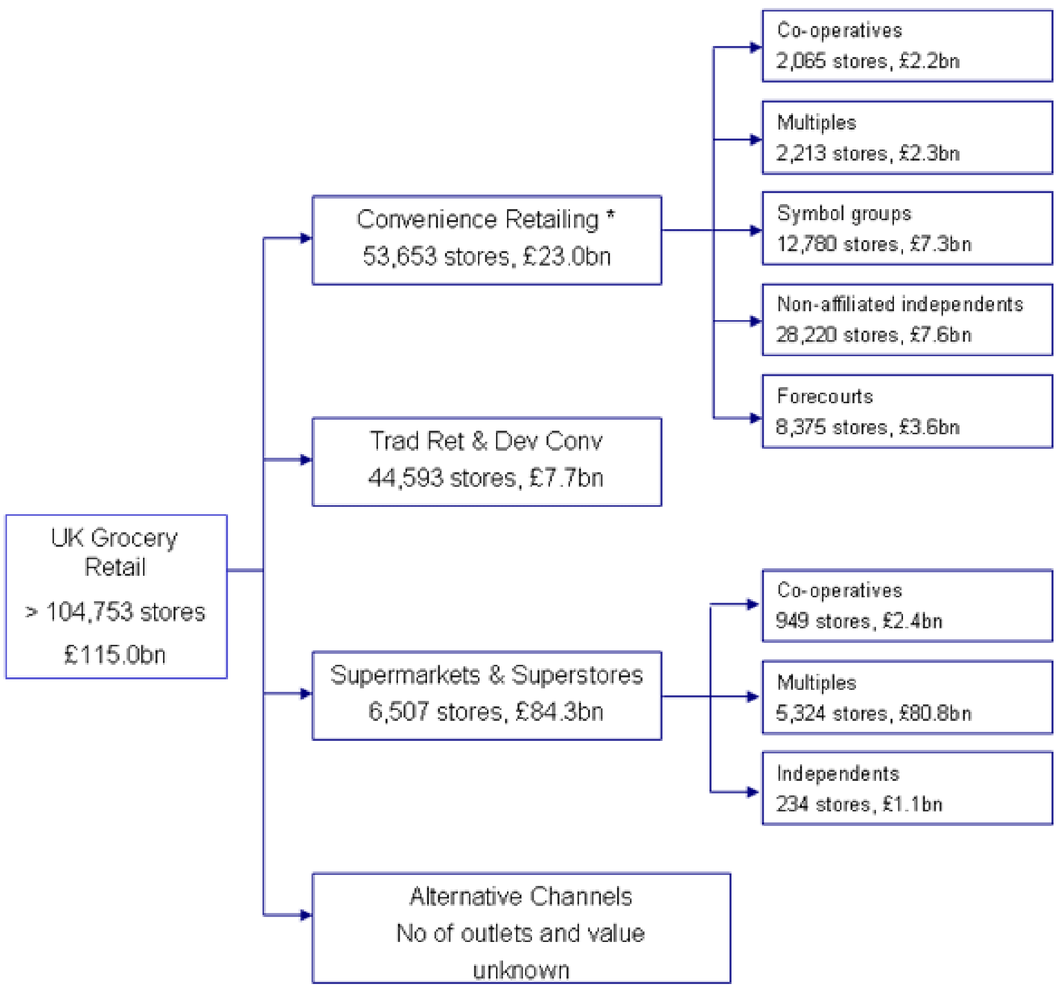
Total Market Size

167. Research by ADAS (2003) estimates that the UK regional quality food sector accounted for 6% (£3.75 billion) of total UK food and drink manufacturing in 2003.

168. However, this does not necessarily reflect the market value in the South East, since regional businesses export some of their product outside the region. On average ADAS found that 72% of regional food produced in the South East was sold locally (significantly more than in other regions with the exception of the North East), 27% nationally and 1% exported.

169. Put into context, the UK grocery market overall was worth £115.0 billion in 2003 (IGD, 2004), dominated by the multiple retailers (Figure 4).

Figure 4: UK Grocery Sales Channels



170. The foodservice sector was worth £33.1 billion in 2003 and wholesaling (the fundamental distribution of goods within the grocery industry) has grown to a market value of £16.4 billion.

171. Multiplying the estimated number of South East regional food businesses from the ADAS research (715) by average turnover (£755,057) suggests that the value of the regional food sector

was around £550m in the South East in 2003 – 14.3% of the total regional food sales turnover across England.

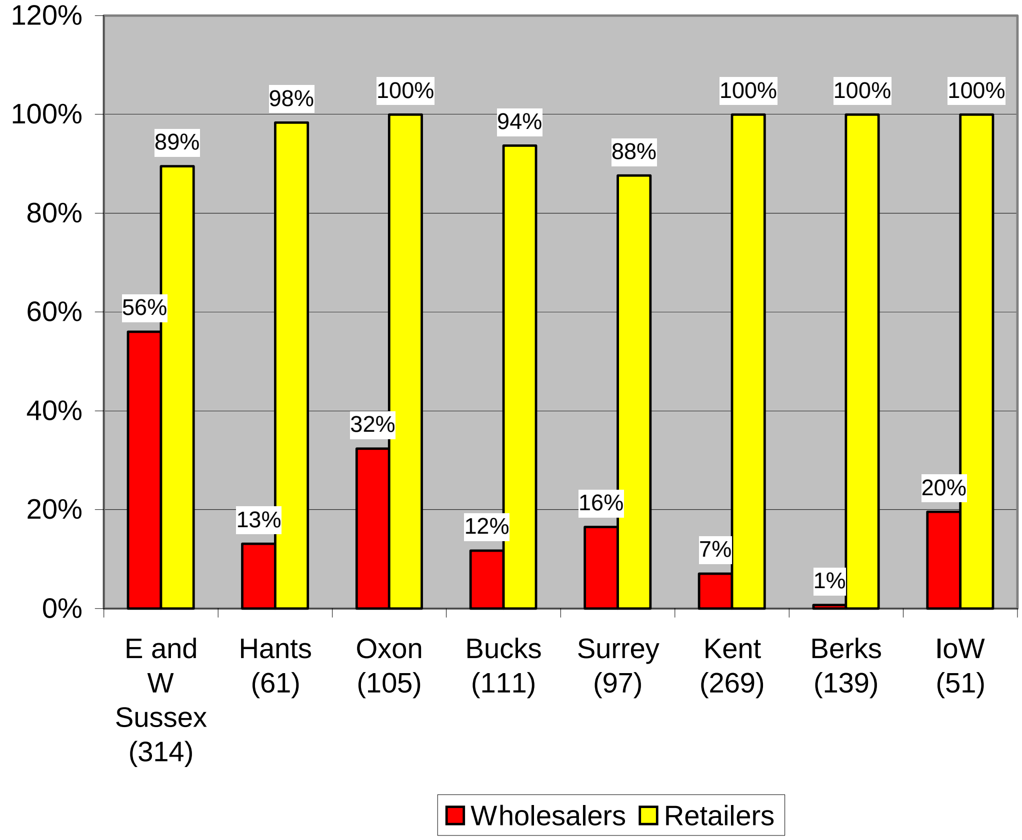
172. Using the consultants own estimates for local food production, 1,000 members with an estimated average turnover of £125,000, the local food market is estimated to be worth in the region of £125 million.

173. Aggregating regional and local food sales, suggests a total market value in the order of £675 million for the South East.

Business Type

174. Analysis of the county food group membership using the detailed descriptions in the directories established that over 95% of members are producers or processors actively retailing produce, with just over 4% exclusively wholesaling. Around 20% appear to be both wholesaling and retailing across the region. Wholesaling amongst producers is most apparent in East and West Sussex and Oxfordshire (Figure 5).

Figure 5: Proportion of Businesses Retailing and Wholesaling by County (total number of members in brackets on x-axis)



Business Sub-Sector Activity

175. Data from the Food From Britain database indicates that the key product lines of 'regional' food businesses in the South East are fruit and vegetables (21%), bakery (11%), meat (11%) and dairy products (11%).

176. Classifying the 1,147 county food group members by primary activity (using information provided in the food directories and on the web) shows that meat (18%), vegetables and herbs (17%) and fruit (14%) are the most popular product sectors in the region (Table 2).

Table 2: Summary of County Food Group Membership Activity by County

Numbers of Businesses by Primary Activity in Each County

	E&W Sussex	Hants	Oxon	Bucks	Surrey	Kent	Berks	IOW	Total
Baked Goods	17	4	11	9	7	15	7	7	**77**
Dairy Produce	22	5	10	9	3	10	8	5	**72**
Drinks	36	11	7	6	5	24	5	7	**101**
Eggs	26	0	5	2	11	23	17	4	**88**
Fish	11	4	4	1	3	3	0	2	**28**
Fruit	36	5	11	12	11	67	22	2	**166**
Game	6	1	1	2	1	3	1	0	**15**
Meat	62	11	15	22	19	38	30	6	**203**
Poultry	6	5	14	14	13	10	7	2	**71**
Honey, Sauces, Soups, Condiments	12	7	13	15	11	27	16	8	**109**
Prepared Foods	22	0	0	0	1	0	0	0	**23**
Vegetables/Herbs	58	8	14	19	12	49	26	8	**194**
Total	**314**	**61**	**105**	**111**	**97**	**269**	**139**	**51**	**1147**

Breakdown of Business Type in each County eg. 5% of E&W Sussex businesses are baked goods

	E&W Sussex	Hants	Oxon	Bucks	Surrey	Kent	Berks	IOW	Total
Baked Goods	5%	7%	10%	8%	7%	6%	5%	14%	**7%**
Dairy Produce	7%	8%	10%	8%	3%	4%	6%	10%	**6%**
Drinks	11%	18%	7%	5%	5%	9%	4%	14%	**9%**
Eggs	8%	0%	5%	2%	11%	9%	12%	8%	**8%**
Fish	4%	7%	4%	1%	3%	1%	0%	4%	**2%**
Fruit	11%	8%	10%	11%	11%	25%	16%	4%	**14%**
Game	2%	2%	1%	2%	1%	1%	1%	0%	**1%**
Meat	20%	18%	14%	20%	20%	14%	22%	12%	**18%**
Poultry	2%	8%	13%	13%	13%	4%	5%	4%	**6%**
Honey, Sauces, Soups, Condiments	4%	11%	12%	14%	11%	10%	12%	16%	**10%**
Prepared Foods	7%	0%	0%	0%	1%	0%	0%	0%	**2%**
Vegetables/Herbs	18%	13%	13%	17%	12%	18%	19%	16%	**17%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Counties Contribution to Regional Population of Activity eg.E&W Sussex has 22% of the regional baked goods membership

	E&W Sussex	Hants	Oxon	Bucks	Surrey	Kent	Berks	IOW	Total
Baked Goods	22%	5%	14%	12%	9%	19%	9%	9%	**100%**
Dairy Produce	31%	7%	14%	13%	4%	14%	11%	7%	**100%**
Drinks	36%	11%	7%	6%	5%	24%	5%	7%	**100%**
Eggs	30%	0%	6%	2%	13%	26%	19%	5%	**100%**
Fish	39%	14%	14%	4%	11%	11%	0%	7%	**100%**
Fruit	22%	3%	7%	7%	7%	40%	13%	1%	**100%**
Game	40%	7%	7%	13%	7%	20%	7%	0%	**100%**
Meat	31%	5%	7%	11%	9%	19%	15%	3%	**100%**
Poultry	8%	7%	20%	20%	18%	14%	10%	3%	**100%**
Honey, Sauces, Soups, Condiments	11%	6%	12%	14%	10%	25%	15%	7%	**100%**
Prepared Foods	96%	0%	0%	0%	4%	0%	0%	0%	**100%**
Vegetables/Herbs	30%	4%	7%	10%	6%	25%	13%	4%	**100%**
Total	**27%**	**5%**	**9%**	**10%**	**8%**	**23%**	**12%**	**4%**	**100%**

177. As expected, food group member businesses associated predominantly with fruit are most apparent in Kent where they represent 25% of the county food group membership. Kent based fruit businesses also account for 40% of the regional membership involved in fruit manufacturing or processing.

178. Whilst prepared food businesses account for only 2% of the businesses in the regional membership, 96% of these (22) are located in East and West Sussex.

179. Profiling the membership shows concentration of certain activities, which helps to make the case for development of specialist expertise in local food groups (eg. prepared foods in Sussex). Discussion with food groups shows this is already happening to an extent.

180. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Decide on future structure of the network	5.03. SEFGP should encourage groups to specialise in areas of greatest importance to them (while discouraging any unnecessary duplication).	M

ANNEX B. STAKEHOLDER VIEWS

181. In order to prepare a relevant, inclusive Strategy views have been obtained from key stakeholders through face-to-face interviews, focus groups, telephone interviews and a telephone survey. In all, 110 individuals have been engaged in the process (of which 50 were involved in the telephone survey), including regional food manufacturers, local farm retailers, a sample of county food group members, stakeholders of the South East Food Group partnership, all local food group co-ordinators, local authorities, and a wide range of supporting organisations.

182. Areas investigated included:

- Businesses strengths and weaknesses
- Opportunities and threats faced by the sector
- Growth aspirations and constraints to business development
- Market developments and market intelligence issues
- Business support needs
- Training and development needs
- The efficiency and effectiveness of support mechanisms

183. Observations and opinions have been consolidated into 5 key areas as follows:

a) Industry views on current position and business needs
b) Industry views on the current and future support structure
c) Support organisations views on business needs
d) Support organisations views on the current and future support structure
e) Support organisations views on coverage of the Strategy.

Industry Views on Business Needs

Strengths, Weaknesses, Opportunities and Threats

184. Manufacturers and processors see the quality of their product as a key strength for their business and the sector as a whole. The sector is well established, growing and typified by hard working, highly dedicated family businesses.

185. However, many producers see the long hours culture and dedication of many businesses as a key weakness, described as "*unsustainable*" in the longer term by some business owners. This problem is exacerbated by 2 further factors:

a) difficulties in finding appropriate skilled and unskilled labour, threatening short term performance and longer term growth.

b) time and effort taken up "*dealing with red tape*" which "*takes us away from producing and selling our products*" and also "*discourages us from investing in the business*".

186. Some businesses are also very concerned that over-regulation and application of mainstream standards is leading to the commoditisation of speciality products, stifling innovation and new product development. One producer described how they were having to spend considerable "*time and effort educating their public analyst*", so that traditional recipes they manufactured were not threatened by lack of conformity with mainstream specifications and labelling rules.

187. Distribution is almost universally regarded as a key problem - smaller businesses in particular see it as too time consuming and expensive. Lateral transport links across the region are slow and congested, and it is difficult to use delivery vehicles to their maximum capacity. Collaboration seems a logical solution, but producers have struggled to find collaborative models that work, and extend their reach to provide regional solutions to the problem.

188. In fact distribution is a complex technical issue, which even some large businesses struggle to get right. The key for regional and local food producers lies in understanding how distribution chains work, and what physical routes already exist. SEFGP has already held a seminar on this subject with presentations from several practitioners, and there is widespread interest in examining something like the Tastes of Anglia Table initiative.

189. Collaborative, private sector driven distribution initiatives are also evolving eg. Doug Wanstall of Bank Farm Produce near Ashford, and CPM Retail/Farm to Fridge.

190. There is a clear need to understand and resolve the challenge of distribution.

191. Recommendation:

Key Objective 3: Position SE food within the reach of customers			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Understand and resolve the challenge of distribution	3.01. SEFGP should carry out a study of distribution systems in the region to see whether there would be any benefit in setting up distribution facilities at regional or local level, taking account of existing initiatives, precedents in other regions (eg Tastes of Anglia Table), and possible availability of grant support to private sector projects. 3.02. Local food groups should signpost producers to sources of advice and commercial expertise on distribution.	1 1	H H

192. The majority of businesses see opportunity for developing the market within the region, rather than going further afield to London or the Continent. A current weakness perceived by industry is the lack of effective marketing to the consumer. One producer summed up by saying "*Why waste so much energy and money in chasing markets further away when there is a huge opportunity to grow the local marketplace. Doubling market share of the food sector from 2% to 4% should not be impossible and there are over 8 million customers on our doorstep in the region who we should be talking to*".

193. Many producers have identified opportunities from linking in with tourism activity in the region. Examples include the Big Breakfast, and engaging with the National Trust getting local food into their attractions. SEFGP and the local food groups have been successful in helping, and this type of activity must continue.

194. Recommendation:

Key Objective 3: Position SE food within the reach of customers			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Connect producers with visitors to the region	3.07. SEFGP should liaise with TSE, National Trust and other tourism interests to develop activities that position SE regional and local food in visitor attractions, tourism accommodation etc.	2	M

195. The increasing emphasis of policy towards healthy eating and public procurement initiatives involving regional and local food provides a distinct opportunity for the industry.

196. But at the same time, many businesses cannot identify public procurement as a business opportunity. The majority of organisations admit to being too small to service the sector's needs, and being focused on high added value into the retail sector whereas public service customers *"appear to be driven primarily by cost"*. Interest in this sector was most common in dairy and red meat producers seeking alternative markets for mainstream produce.

197. Specific help is needed to embed SE food in healthy eating and public procurement initiatives.

198. Recommendation:

Key Objective 4: Stimulate consumer interest in SE regional and local food			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Embed SE food in healthy eating &public procurement initiatives in the region	4.06. SEFGP should liaise with GOSE health and education staff, Soil Association, Sustain and other interested NGOs to identify emerging opportunities, and spread best practice. 4.07. Local food groups should follow up opportunities at local level.	1 2	H H

199. The export market is now worth £9.9 billion and growing, 65% is to the EU, and SE producers are in a strong geographical location to exploit this opportunity.

200. The trade development role of FFB is well recognised, but few SE producers appear interested in export – ADAS research shows that just 1% of regional food income comers from exports - and existing exporters tend to be larger organisations.

201. Some local food groups prefer to concentrate on satisfying local demand, and some question the appropriateness of stimulating exports, when a key benefit of local food is the saving in food miles.

202. Nevertheless, a number of businesses are keen to develop or extend export markets and these tend to be the larger organisations in the sector.

203. Recommendation:

Key Objective 4: Stimulate consumer interest in SE regional and local food			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Stimulate export interest	4.04. FFB should work within the region to raise the profile of export potential and prepare a 'diagnostic' of the region's export potential.	1	H
	4.05. Local food groups and FFB should identify producers with suitable products for the export market, and offer specific assistance to develop campaigns.	2	M

204. Producers note that a key weakness if not knowing whether their performance is 'good or bad' compared to others. Consequently it is difficult to identify which aspects of the business to target for improvement.

205. Whilst Benchmark Index and Farm Business Survey data exist, there are apparently no readily available benchmarking datasets specifically for local and regional food sector businesses, although FARMA have some data for farm retailers and farmers markets.

206. Spreading best practice is valuable, but producers and intermediaries are generally unaware of what best practice constitutes, and those that have cracked it are generally reluctant to share it, for fear of diminishing competitive advantage.

207. Continuous improvement is a fundamental component of business competitiveness, and benchmarking is a key instrument in achieving it.

208. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Raise efficiency by making better use of	2.08. SEFGP should prompt SBS to provide benchmarking (eg Benchmark Index) and other business improvement techniques for SERLF producers.	1	M

resources	2.09. Local food groups should promote benefits to businesses, and encourage uptake.	2	M

209. The industry hasn't to so far been involved in environmental initiatives to any extent. We believe they would benefit from being more closely involved, not only to help with the quality of life in the South East, but also to help become more efficient in areas of the business where costs are rising at rates well above inflation (eg. energy and waste)

210. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Encourage businesses to join environmental initiatives	2.10. SEFGP should liaise with the Carbon Trust, Envirowise, Sustain et al to identify practical environmental steps with benefits to producers (eg savings on utilities and waste). Local food groups should encourage business uptake.	1	H

211. A more comprehensive analysis of the strengths and weaknesses, opportunities and threats is provided in Annex C (SWOT analyses).

Growth Aspirations and Constraints to Business Development

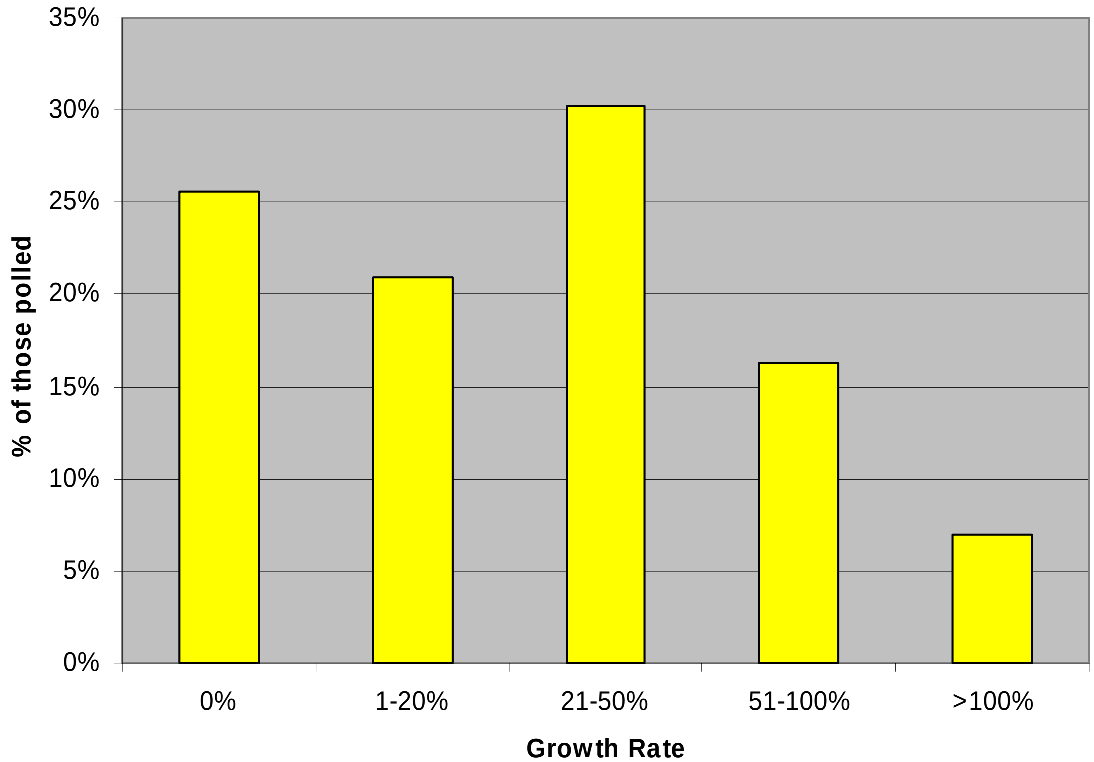
212. Most businesses see growth being defined by turnover, with numbers employed and profit as alternate indicators. Discussion with industry stakeholders has revealed that some companies have no intention of growing further – around one quarter appear to have achieved a size and presence in the marketplace that is meeting their personal and business objectives, or they are constrained by legally binding capacity limits on production (eg in meat processing).

213. DEFRA have clearly stated that they want to see a 25% increase in the turnover of regional food over the next 5 years. The telephone survey of county food group members indicates that this level of growth is consistent with the aspirations of the industry.

214. On average, businesses polled in the telephone survey expect to grow turnover by 50% over the coming 5 years, ranging from 0% to 300% (Figure 5).

215. Whilst 26% of manufacturers and processors stated that they do not want to expand turnover and volume, all businesses are interested in improving margin and profitability – an internal measure of growth rather than external market measure.

Figure 6: Growth (Turnover) Aspirations of County Food Group Membership Sample (n=50) over the Next 5 Years



216. 86% of county food group members polled clearly identified barriers to growth. Of these, 44% highlighted regulatory constraints, 28% market constraints (mainly competition from supermarkets), and there were half a dozen other reasons mentioned (such as the performance of the economy in general).

217. Regulatory issues seem to grow with the size of business, and dealing with 'red tape' is a major hurdle for both small scale and larger producers, both in terms of time and cost.

218. Small producers who don't have internal expertise on regulation often struggle to understand and implement it.

219. Particular regulatory hurdles include planning permission, waste and labelling.

220. A wide range in the level of service and support provided by Environmental Health and Trading Standards has also been identified across the region.

221. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Facilitate compliance with food legislation	2.13. GOSE and SEFGP should encourage dialogue between trading standards and environmental health officers and food businesses to promote understanding of the problems arising from food law enforcement, and encourage both sides to take a more realistic and constructive approach.	1	H
	2.14. SEFGP should commission a food technology centre to provide suitable guidance for producers on interpretation of food legislation.	1	H
	2.15 SEFGP should identify organisations able to provide one-to-one guidance on compliance, and signpost producers to them.	1	M

222. Many smaller stakeholders described great difficulty in achieving what they described as the second growth stage in their business – moving from a home or small unit start up position to a larger business requiring moderate investment, dedicated premises, improved organization and extra staff. They thought this was more of a challenge than the initial start-up.

223. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Develop a toolkit for business expansion	2.02. SEFGP should liaise with SBS and identify the common issues that SERLF businesses face in moving on from start-up scale (eg relocation, process management, customer relations, personnel management, IT and funding). SEFGP should compile a toolkit guide with case studies of successful expansion, and sources of advice.	1	H
	2.03. Business development advisers should help producers to act on this guidance.	2	H

224. Issues about confidence in the market, where to go for help and advice, how to secure affordable finance, assistance in business planning, difficulty in deciding whether to continue with managing own delivery against outsourced distribution solutions, and being able to find suitable staff were all identified as integral factors to this growth phase.

225. Technical barriers were seen to be less of an issue to most concerned.

226. Manufacturers and processors of all sizes see skilled and unskilled labour shortages as a major constraint.

227. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Tackle labour and skills shortages	2.11. Food groups should identify specific labour and skills shortages in their areas. 2.12. SEFGP should work with industry, the sector skills councils, training providers and business development advisers to enhance the relevance, attractiveness and accessibility of training. 2.13. SEFGP should bring in specialist employment agencies to find solutions.	1 1 1	M H M

228. Collaboration is seen as a key opportunity for overcoming certain barriers to growth. Collaboration has been proven to provide many business benefits including:

a) Pulling together of fragmented markets
b) Pulling together of scarce resources
c) Critical mass for raising finance
d) Marketing and administrative expertise
e) R&D capability
f) Efficiencies through economies of scale
g) Access to technology that is too expensive for individuals
h) Greater brand awareness
i) Reduced risk to individual businesses
j) Joint marketing and branding
k) Increased perceived supply by the customer
l) More visible product
m) More consistent quality standards

229. Good examples of collaboration in the sector include pulling together to gain critical mass and efficiencies in distribution, and integrated retailing where a range of producers goods meet the consumers 'basket requirement' in one shopping event.

230. SEFGP and the local food group structures can help facilitate collaborative activities, but businesses need more than introductions to other producers. They need greater business

management support to implement joined up ventures, but often don't know where to go for specific help in this field.

231. Bodies such as EFFP and the Plunkett Foundation play an integral role in helping producers get together, and such organisations need to be networked in.

232. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Promote collaborative approaches, and involve other business organisations	2.04. SEFGP should network with other UK regions and collaborative bodies like EFFP to establish collaborative best practice, eg in assembling range and volume for large customers and target sectors, and in cutting production costs.	1	H
	2.05 SEFGP should arrange study tours to best practice examples outside the region	2	M
	2.06. Food groups should identify opportunities for collaboration and facilitate suitable projects.	2	H
	2.07. SEFGP should maintain with RBAT a list of organisations able to provide advice or support to food business development (including BL, agricultural colleges, chambers of commerce, trade associations et al).	1	H

233. Producers are also keen to gain a better understanding of the 'route to market' for different product types and retail outlets eg. how to approach independent retailers, the foodservice sector, supermarkets etc. There is clear need for mapping these channels to market, communicating these routes to producers, and helping them along the way.

234. Recommendation:

Key Objective 3: Position SE food within the reach of customers			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Identify key potential customers and target activity on them	3.03. SEFGP and local food groups should compile information for producers on: • • regional and local food, and the best access point for their supply chains; •	1	H

	3.04. SEFGP and local food groups should work with suitable interested producers by means of Meet the Buyer and other trade events, and signposting to other sources of advice on product and service level requirements.	2	H
	3.05. Local food groups should seek to recruit interested customers into membership.	2	M
	3.06 SEFGP should bring a customer or consumer director onto the advisory panel .	1	M

235. Difficulties in sourcing sufficient volume of raw ingredient from local producers at an economic price are also an issue for many.

236. Some organisations also saw the cost of financing the annual purchase of seasonally produced ingredients as a constraint on growth.

237. In the land-based extensive red meat sector, with added value projects such as the South Downs Lamb Scheme, Chilterns Choice and Surrey Hills, discussions with industry stakeholders reveal several factors holding back growth. This is apparently commonplace as EBLEX are unable to point to any successful collaborative projects of this nature in England as a whole, let alone the South East region. The following have been clearly stated by industry stakeholders as constraints on development:

- *"Disputes over ownership of the brand"*
- *"Lack of awareness of the benefits among butchers and consumers"*
- *"Overly prescriptive rules on grazing by various interested stakeholders*
- *"High distribution costs"*
- *"Inability of farmers to co-operate"*
- *Lack of management time and appropriate expertise by many tasked with organising and delivering such projects*
- *Too much focus on the physical product, too little focus on identifying and connecting with relevant consumer values"*

238. Recommendation:

Key Objective 3: Position SE food within the reach of customers			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Unblock redmeat supply problems	3.08. SEFGP and SEEDA should help DEFRA , EBLEX et al to find ways of progressing collaborative redmeat projects in the region.	2	M

Market Developments, Market Intelligence and Innovation

239. Innovation and new product development is seen as a fundamental requirement for long term success of the sector. Innovation in food is generally seen as a personal skill that cannot be taught, but there is some confusion between radical innovation (coming up with the new idea) and incremental innovation (continuous business improvement). There is also poor awareness (promotion) of technical organisations such as Food Knowledge and Know-how at Reading, who can help at the idea stage, and with ongoing product development.

240. Many stakeholders feel that the agricultural colleges have missed a good opportunity to support the regional and local food sector through product development, business incubation and training.

241. A recurring theme of a need for better market intelligence has been apparent throughout the stakeholder consultation. Some members describe market research as '*nice to have but not essential*' whereas others are desperate for better information to improve their decision-making. Several producers have suggested a regional knowledge database and on-line discussion board to bring together relevant market research and experience for the benefit of all.

Industry's Views on Support Needs of Business

242. Competitiveness is an issue for all producers, whatever their size, and virtually everyone would like to find ways of becoming more profitable. Downward price pressure threatens the whole sector, and demands a response in terms of reduced costs, improved efficiency and new product development.

243. Managing growth is a second key need for business, with around three quarters wanting to increase their size. The larger businesses are already aware of the need to have efficient management systems and organisation to keep on top of their operations. Even some of these said how difficult they had found it to manage growth.

244. Businesses want a more bottom-up approach to business support, and are very keen for more one to one advice and guidance from advisers with relevant experience.

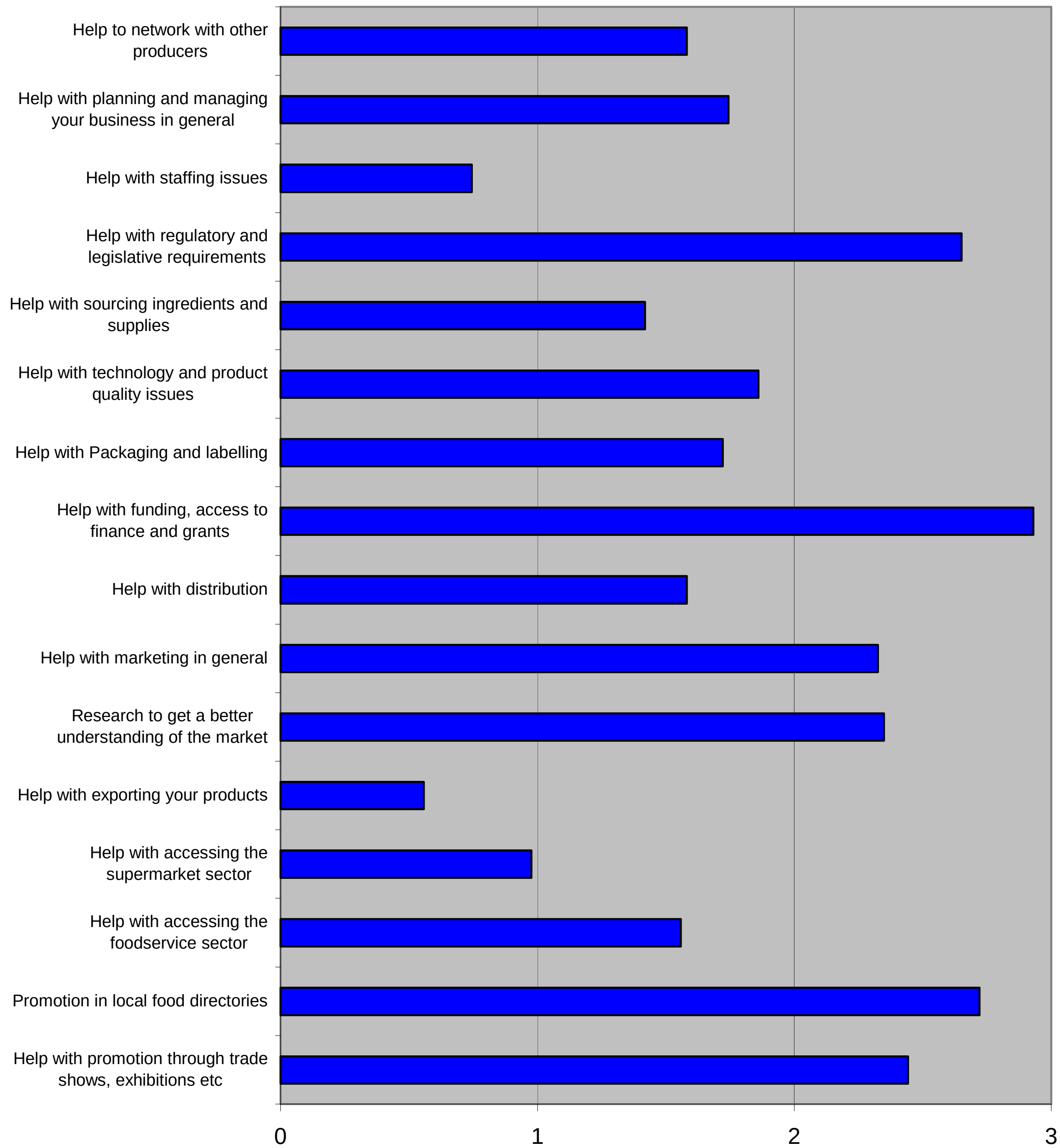
245. Regional and local food businesses are clearly struggling to find and distil the reams of relevant data and support in an increasingly fragmented marketplace, and to turn it into useful information to help plan and manage their enterprises. Many producers are therefore keen to have a more informed, more joined up, more pro-active single point source of filtered, relevant information for their business activities.

246. Businesses also highlight that there is no systematic, objective mechanism for identifying and tackling their business needs. There is mixed experience of the Business Link "*diagnostic and signposting approach to expensive consultants*", and the local food groups apparently only informally tackle the issue by asking what members want.

247. The telephone survey clearly identified help with funding, access to finance and grants, help with regulatory issues and promotion to local consumers as key areas where additional support is required (Figure 7). But 70% did not identify any training requirement.

248. There was comparatively little interest in help with exporting, staffing and access to supermarket outlets in the telephone survey. However these issues are very relevant to larger, more established businesses operating in the sector. And whilst many don't aspire to positioning product in the multiples, there is a need to better understand that supermarkets set the standard and consumer expectations for presentation and hygiene.

Figure 7: Areas of Support Requested by Sample of County Food Group Members, rating 0 to 5 where 5 is high (n=50)



249. In addition to business specific needs, there are collective needs of the industry, a clear example being distribution. A number of enterprises are being planned in the region which include a distribution component to their activities eg. Botley Food Centre, Faringdon Food Centre, and some ventures are already established such as CPM Retail/Farm to Fridge and Bank Farm Produce.

250. Such activities require specialist expertise and guidance, and industry stakeholders are concerned that developments are generally ad hoc, take little account of a regionally organised approach which could bring wider benefits and greater individual sustainability, and are all expending time and money trying to solve the same business specific issues.

251. A number of stakeholders have suggested that distribution and the establishment of 'hubs' should be co-ordinated strategically at a regional level. But at the same time, private entrepreneurship should take the lead.

Training Needs

252. A comprehensive study of training issues for the sector is outlined in Annex E of this report.

253. There is clearly a problem in determining real training needs as 70% of those polled within the county group membership do not currently identify any training requirement at all.

254. Analysis by the sector skills councils and industry's own perceptions of training need point to 3 key areas:

a) training to meet regulatory standards

b) training for business development (generic management skills)

c) training to develop personally for the benefit of the business (eg. time management)

255. Stakeholders agree that training is relevant, but the benefits need to be better communicated, and there should be a bottom up approach to training needs analysis and delivery – driven by demand rather than supply.

Industry Views on the Current and Future Support Structure

256. Of the 50 county food group members polled in the telephone survey, 60% had no opinion on support. Of those that commented, most expressed a lack of awareness of any support and a need to focus on small producers (despite research for this Strategy showing that the food groups are already focused more towards smaller businesses.

257. There is an overwhelming consensus that the current support situation is one of fragmentation and confusion, and that future support strategy needs to be market- rather than producer-focused, creating the climate in which people want to buy more regional and local food. This demand approach rather than pushing supply should create a more sustainable marketplace in which businesses operate.

258. Industry stakeholders are strongly opposed to the creation of more tiers of support. Most agree that the county and regional structures should remain but roles should be reformed.

259. Most importantly, there is total agreement that a more organised bottom-up approach should be adopted, with fewer activities based on a top-down prescriptive agenda. Many businesses would particularly like more one-to-one on-site advice and guidance (perhaps on an annual or 6 monthly basis) by an individual with appropriate industry knowledge and expertise. Advisers with this role could also help to develop county and regional support strategy from the bottom up.

260. The bottom up approach is underlined by the request from many producers for a pro-active lobbying role at regional level – the need to get messages back to the top from the bottom.

261. Concern has been expressed by a number of producers that the county model is not sustainable if the food groups are to become less dependent on public funds, and that revenues generated will be insufficient to provide appropriate levels of expertise and support.

262. Comments have also been received from a number of producers about the lack of communication and synergy between the food groups, which could help improve delivery of marketing, training and general support activities.

263. SEEDA are keen for the county organisations to become more self-financing in order to underpin their sustainability, but also to open up avenues for self-help support which may be excluded by state aid rules (see Annex F) . However, many county food group members have been reluctant to comment on an appropriate level of membership subscription. This is partly because they are either unsure what the benefits of membership are, or cannot measure the degree of benefit bought by membership.

264. Producers draw attention to a number of organisations outside the county food groups who play a valid role in supporting their activities. These include Business Links, FARMA, the Federation of Small Businesses, the Soil Association and various trade associations. The regional Strategy needs to take account of the specialist expertise offered by such organisations, and the request by many businesses for more dedicated specialist help with their business activities. At the same time it must be recognised that these organisations are to some extent competing (at least as far as paid-for activities are concerned) with the county food groups.

265. A frequent request is for a capable individuals with industry experience to operate at county level by going into businesses, to advise on strategy, funding, marketing, training etc and to help put them in touch with appropriate solutions (such as training programmes, grants and marketing initiatives).

266. A number of industry representatives have underlined the need to link activity of the food groups with healthy eating initiatives.

Support Organisations' Views on Business Needs

267. Most of the food groups and county councils think they know what producers need, but this appears to be based mainly on anecdotal evidence of what they say they want. Most also agree that producers are poor at articulating what sort of training they need. There appears to have been no systematic examination, and Food From Britain rely principally on a 1999 DTZ/Pieda study.

268. The focus on business needs has to date been primarily on regulatory training, marketing and promotion (through various activities including support for Farmers Markets, entry into food directories, Meet the Buyer events and exhibitions).

269. All involved in the county food group structure recognise that there is a disconnect between business needs and service delivery, particularly as support services are driven by available funding streams and eligibility is strictly controlled.

270. Future needs identified by support organisations included the need to sort out distribution (perhaps through a regional study to look at the feasibility of distribution hubs, akin to Tastes of Anglia Table), support for marketing and trade development, improving the attractiveness and uptake of demand led training, and improving the quality of production.

Support Organisations' Views on the Current and Future Support Structure

271. Consultation with industry suggests that whilst the needs of producers do not vary very much across the region, the support services offered by the county food groups appear to vary enormously, both in quality and quantity. The degree of presence and level of service appears to be related at least in part to the number of years each food group has been established, the degree of buy in from the local authorities, the skills, available time and expertise of the co-ordinator and ability to access funding.

272. There appears to be some reluctance for county food groups to network with one another, although the SEFGP operating structure (advisory panel, directorships and meetings) is now facilitating this process.

273. Reasons for lack of networking include the positioning of the county food groups within county organisations who by their very nature define geographic limits to their reach and intervention with industry, typified by the rate payer argument about "*keeping x money in x*". There is also a lack of awareness of what other county food groups can offer, and tensions between county and regional activity.

274. Some counties express concern about the role and costs of SEFGP, and the more established groups with a strong county image see little benefit from the regional umbrella. The role of SEFGP is questioned, given the lack of a regional food identity. All food group co-ordinators are keen to ensure that SEFGP does not undertake activity that conflicts with the counties. However, the counties recognise that some activities, such as market research, could better be done at regional level. Further proposals for regional activity include trade development with larger customers and retailers such as the multiples, and a high profile lobbying role.

275. There is an express need for SEFGP to better communicate the benefits it delivers to the county groups.

276. County co-ordinators are keen for greater autonomy to adjust their delivery to meet local needs – and to develop specialist expertise that could then be transferred to other counties on a repayment basis. A number of national supporting organisations are very keen to see the counties specialise in this way, but the current funding mechanisms and politics do not encourage it.

277. Some counties have run into difficulties with state aids, and they recognise that increasing revenue from members and sponsorship can help to increase the range of services offered without running into state aid problems.

278. SEFGP and the local food groups are keen to remove the shackles of internal monitoring and evaluation to enable more higher value added activity from limited human resource to be undertaken for the benefit of industry. There is a strong feeling that too much time is spent auditing!

279. The general strategy for support is arguably moving towards one of greater independence and flexibility which should help to make support more sustainable and less prone to changes in policy. It is clear that as well as offering support to businesses, the counties themselves need assistance in externalising their revenues and becoming more commercially oriented. This could result in training for co-ordinators and a supporting role for SEFGP.

Support organisations' views on coverage of the Strategy

280. There are strong views on the terminology of 'quality and speciality food'. This was the scope originally laid down for this project by the SEFGP. There does not appear to be any accepted definition of 'quality food', but 'speciality food' has been defined as 'premium, low-volume food which has been through specialist processing to add value, but which may not be identified with any particular geographical area. Most of the local food groups and local authorities rejected any suggestion that the Strategy should just deal with speciality and quality food, and feedback from support organisations indicates these terms suggest 'elitist', 'exclusive rather than inclusive', 'posh and expensive' foods, and that they 'smack of game pie and funny pickles'.

281. By contrast, much of the groups' current work deals with 'local food', eg encouragement of farmers markets and promotion of local procurement by hospitals. Local food groups advise that consumers are at least as interested in local food as in regional food, and that initiatives should deal with ordinary food for ordinary people.

282. The significance of this issue is that Defra has a strategy for regional food, and aims to target its support on this sector. It has only a 'policy' for local food, with no particular support associated with it. There is a further complication over rules on state aids (see Annex F on the structure of support).

283. In the consultants' view, the SE food groups are right. The Strategy clearly ought to be based on the needs of the market place, where many consumers are demanding local food. This does not mean to downplay the significance of regional food, an important sector which can include quality and speciality products, but it is recommended that the formal scope of the Strategy should cover both regional and local food.

284. If the consultation on this Strategy supports this recommendation, the consultants further recommend that Defra should be asked to review its approach, with a view to putting local food on a par with regional food.

ANNEX C. SWOT ANALYSES

SWOT 1: Producers and the Region

285. A draft SWOT analysis was prepared using the consultants knowledge of the food sector and the major trends impacting on it, and this was tested against the views expressed in stakeholder interviews and focus groups. A very large number of issues were raised in all sections of the SWOT, and the following chart concentrates on the most significant points. .

Strengths	**Weaknesses**
• Well established sector with some high quality businesses and products. • Proximity to large, affluent population. • Some well-recognised geographical areas within the region that can help with food provenance. • Dedication of producers/family businesses. • Some potential local ‘champions’. • Some county food groups have extensive experience & knowledge. • Large enough sector to justify support.	• Lack of identity of region (and of some counties). • Poor cross-regional communications. • Lack of scale and continuity of supply. • Shortage of affordable distribution. • Insufficient promotion - customers frequently don’t know what there is/where to buy it. • Many food businesses have inadequate skills on marketing, innovation and business management. • Small businesses tend to work all hours and lose focus on market. • Support structure for the industry is fragmented and of variable quality
Opportunities	**Threats**
• Some consumers increasingly affluent and discriminating. • Some consumers interested in regional/local food, and food miles. • Specialist retailers • Supermarkets (but more interested in national/international procurement). • Foodservice sector (but very cost driven) • Tourist / B&B sector. • Quality assurance and/or local branding to reassure consumers. • New National Parks re food brands. • Benchmarking • PDO/PGI/trademark protection. • Linkage to other local initiatives, eg market towns, EFFP	• Small, niche sector with risk of going backwards. • Most local/regional consumers are older and at peak of spending power – market bound to decline. • Farmers market outlet has peaked. • Business costs higher than elsewhere. • All food producers face ongoing price squeeze. • Shortage of skilled and unskilled labour in the region. • Other regions with more products/better identity. • Red tape stifles enthusiasm. • Food scares could dent consumer confidence.

SWOT 2: Support System

286. In order to clarify the issues, a separate SWOT analysis has been produced for the support system, concentrating on governmental issues.

Strengths	Weaknesses

• Government concern to promote regional food.
• SEEDA commitment to rural economy & SMEs.
• Support of county councils.
	• Current support:
	    • patchy,
	    • unstrategic,
	    • not evidence-based.
	    • structure dictated by funding streams and state aid rules, not business needs.
	• Some counties' entrenched position and distrust of regional activity reduces effectiveness.
	• County groups:
	    • all trying to do same thing on a shoestring.
	    • skills required for food group staff not defined.
	    • unclear about 'regional' and 'local' foods.
	    • uncertain about how best to commercialise/privatise.
	• No current support activity on Isle of Wight.
	• SEFGP role poorly defined and understood.
	• Govt interest biased towards land-based activity, rather than added-value processing.

Opportunities	**Threats**
• Govt interest in sustainable procurement. • Haskins reforms could provide opportunity for new approach to support. • Specialisation by county groups could raise effectiveness.	• Government policy could divert resources to lagging regions. • State aid restrictions could hit Govt support. • Increasing red tape drives up compliance costs, and raises barriers to entry/development.

ANNEX D . SUPPORT MECHANISMS

287. This section reviews existing support mechanisms, identifies areas where future support should be targeted, and makes proposals for filling gaps. It should be read with Annex F on support structures.

Existing support mechanisms

288. There is a range of support schemes, mainly Defra grants that are targeted on food, agriculture and rural development, alongside SEEDA support to specific areas in the region, and subsidised consultancy for farmers and for SME businesses in general. The following programmes in Table 3 are all relevant to regional and local food production, to a greater or lesser extent.

Table 3: Tabular Summary of Support Initiatives

Scheme	Coverage	Comments
Grant schemes related directly to agriculture and food and agriculture producers		
Rural Enterprise Scheme	Available to businesses and community organisations. Scope includes marketing of quality agricultural produce; diversification of agricultural activities; and encouragement of tourism activities. Grant rate around 30% where economic benefit to applicant. There is a new fast-track approval system for small applications. £12.1m budget in SE, 2001-06. Nationally, 471 approvals out of 1200 applications in 2003 (39% success), with grant commitment of £25m (average grant £53,000). Most popular measures were diversification (34% of projects), tourism (26%) and marketing of quality agricultural products (12%).	Much used by small rural food businesses. Broad scope means it is hard to be certain about eligibility without discussion with Defra. 'Quality agricultural produce' fits well with 'regional food'. But tends to exclude 'local food' where there is no specific quality attribute.
Processing & Marketing Grant	Confined to primary processing. Available to businesses generally, but must show benefit to farmers. Grant rate 30%.	Clear, but complicated rules. Only relevant if outputs are 'Annex 1' products, so secondary processing excluded. Improvement of quality is one of several scheme

Scheme	Coverage	Comments
Grant schemes related directly to agriculture and food and agriculture producers		
	£4.6m budget in SE, 2001-06. Nationally, 46 projects approvals out of 61 applications (75% success) in 2003, with grant commitment of £9.3m (average grant £201,000).	objectives, but local food is not excluded.
Vocational Training Scheme	Available to farmers, growers and organisers of training. £2.9m budget in SE, 2001-06. Grant rate 75%. Nationally, 73 approvals out of 225 applications (32% success) in 2003with grant commitment of £4.5m (average grant £61,000).	Statistics suggest that approved projects are quite large 'initiatives'. Not available to food businesses that are not also in farming/growing. Significantly underspent in SE region
Organic Farming Scheme	Payments to farmers to aid conversion to organic production, and to manage their land in other environmentally beneficial ways. Payments per ha dependent on land type. Also payments for advice & training. Nationally, 183 new agreements covering 14,758 ha (average 81 ha) in 2003, at a cost of £2.8m (average £15,000).	Can provide basis for organic food production on own farm.
SEEDA Farm Diversification grants	Available to farmers to re-use redundant buildings. 25% grant rate.	Could assist with diversification into food production.
Leader+	Partnership-based action to improve quality of life and economic prosperity. Five areas in SE: Mid Kent, West Oxfordshire, New Forest, Isle of Wight and Wealden & Rother. Scope includes diversification and processing & marketing, and promotion.	Suitable for small food marketing initiatives in the relevant areas.
Agriculture Development Scheme	Defra non-capital grant towards organisation, development etc of the marketing of agricultural produce at all stages of the foodchain. Targeted at sector-wide projects, but regional projects not ruled out, if significant in national terms. Projects aidable under RES or VTS	Could be relevant to a strategic regional project (eg in the SE, a project involving fruit or hops?)

Scheme	Coverage	Comments
Grant schemes related directly to agriculture and food and agriculture producers		
	should apply there. Grant rate up to 50%.	
Landfill Tax Credit Scheme	Rebate for landfill site operators to provide funding for environmental bodies to undertake projects with waste and environmental issues	Could help waste and environmental management of some food producer / processor activities in the region
Producer Organisation Aid Scheme	Administered by RPA. Available to fruit and vegetable growers who wish to join together to ensure planned production, improve marketing and product quality, concentrate supply, reduce costs and promote appropriate operational practices	Generous support firmly tied to EU-defined producer group structures.
Ratings Act 2001	Rate relief for small diversified farm businesses with rateable value under £6,000	Scheme runs to August 2005

Scheme	Coverage	Comments
Advice and Guidance support relevant to regional and local food and farming businesses		
County Food Groups	Membership based marketing and training support for SME food producers and processors, funded by SEEDA, local authorities, Interreg etc	See Annex F
SEFGP	Support for county food groups and some direct funds to help with regional marketing and training initiatives	See Annex F
Planning consultancy advice for farm diversification	Support for planning consultancy and feasibility study to help apply for farm diversification under RES.	Could provide first step towards diversification into food production.
SBS Farm Business Advice Scheme	3 days advice for farmers to look at farm performance and future prospects. Scheme to close in March 2005.	Could provide first step towards diversification into food production.
SEEDA Training Budget via SEFGP	£100,000 of training to support regional and local food businesses across a range of skills areas	Poor take up and competing with underspent DEFRA VTS scheme (see above)
Lantra Skillcheck	Free advice to farmers and growers to complete training needs analysis. Can act as gateway to VTS application.	Objective instrument for collating skills needs for the sector, delivered by trained personnel across the region.

Scheme	Coverage	Comments
Direct Funding and Advisory / Guidance Support not targeted on food and agriculture, but which could assist projects with a food component		
Business Link	Locally-delivered consultancy and advice services in areas such as start-up, finance, marketing, management, technology, innovation, export and training.	Available to all SMEs. Tending to move towards model (diagnostic and signposting) rather than direct support.
SEEDA Regeneration Areas (rural development programme?)	Parts of E Sussex, Kent, Isle of Wight.	All these areas are in need of food development, as well as more general regeneration.
SEEDA Small Rural Towns programme	SE has 166 small rural towns. Up to 12 will be able to get grant for large project (up to £240,000), and around 60 could get single project grant (minimum £40,000). Applicants need to match fund.	
SBS Small Firms Loan Guarantee Scheme	Guarantee on 75% of loan up to £250,000, for manufacturers with turnover up to £5m. Costs 2% on outstanding amount of loan. Restrictions apply to processing of agricultural produce.	
Enterprise Areas	Range of financial measures aimed at supporting business in deprived areas. Very small proportion of SE region covered – mainly some urban coastal wards and parts of Ashford, Oxford, Reading & Milton Keynes.	
Growth Areas	4 Growth Areas in England where large expansion of population planned include Thames Gateway, Milton Keynes & Ashford.	Areas where large scale development could provide an opportunity to build in local food and food access initiatives.
LINK Food Quality and Safety Programme	DEFRA programme to support research and development into food quality and safety to meet consumer demands	Could help new product development in regional food sector
Objective 2	EU structural funding to encourage business creation and survival, and improve competitiveness of existing businesses. Applies to certain wards in Thanet,	

Scheme	Coverage	Comments
Direct Funding and Advisory / Guidance Support not targeted on food and agriculture, but which could assist projects with a food component		
	Hastings and Dover (Sandwich). £22m over period 2000-06. Projects have to be match funded, but match funding can come from other public funds.	
ESF / Objective 3 funds	EU structural programme with objectives in SE region of developing skills, stimulating entrepreneurship and equality of opportunity, and accelerating the application and use of technology.	Local projects could be of benefit to food industry.
Interreg IIIa	EU programme to encourage partners on either side of Channel to work together on areas of joint interest, including tourism, social inclusion, sustainability and economic development. Kent, Medway, East Sussex and Brighton and Hove in the UK and, in France, the regions of Upper Normandy, Picardy and Nord Pas de Calais. A joint UK/French budget of €108 million (£67 million) has been made available during the life of the programme (2000 – 2006.)	Produced in Kent has a substantial Interreg element in its budget.

Gaps in support

289. Interviews and focus groups have drawn attention to several shortcomings of the funding support mechanisms:

a) Scheme rules and application procedures are seen as inflexible and cumbersome. Objections have been raised to the minimum project size in the PMG and time limits for completion in RES/PMG. Although investments smaller than £70,000 can be considered under RES, priorities there are different, and projects can 'fall between two schemes'.

b) It is generally felt that the grant schemes are more focused on agriculture than on food production. This is not surprising as most have evolved from the Common Agricultural Policy, The implication is that their focus and objectives should be redirected towards higher added-value activities. This would have state aid implications (see Annex F), unless the reformed scheme was part of an EU package (as is the case with the ERDP).

c) Small sub-regions of the South East and other regions, particularly those granted Objective 1 status, have an unfair advantage.

d) Smaller companies identified help with accessing grants as their greatest business development need. This does suggest that the grant schemes are not seen as very easy to understand or to access.

290. More general gaps in advisory and guidance support have been identified as follows:

a) Smaller businesses identified help with funding, access to finance and grants as their greatest development need. Advice on this is widespread (eg GOSE, Defra, Farm Business Advice Service, Business Link, banks etc) but generally fragmentary.

b) Some of the larger food processors expressed the need for help in securing expertise on marketing strategy and business planning.

c) Many businesses need help in understanding their market (market research).

d) There is a need to assess skills gaps objectively at the individual business level, to offer appropriately delivered training, and to monitor progress.

e) There is substantial interest in a one-to-one business support agent role to help businesses individually, similar to that operated by Independent Family Brewers of Britain.

291. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Help producers deal with specific challenges	1.06. Business development advisers[4] should work alongside producers in small groups and individually to address specific market opportunities and development needs.	H

292. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Develop membership structures to maximise business engagement, and private sector income	5.05. SEFGP and local food groups should introduce two tiers of business membership: • rate of ~£100 for the first year) that will provide access to a broad range of market intelligence, information and contacts on key customers, business expansion, collaboration, benchmarking, environment and exports, plus services on food law enforcement, distribution, labour and skills, and the regional champions.	H

[4] See specific action 5.07.

	• Premium 'Level 2' with targeted one-to-one services provided on a 'pay as you go' basis on service and quality improvement, innovation, management development, food law compliance, and marketing to specific customers.	H
	5.06. Local food groups should review private sector income prospects, and consequent options to distance their operations from public sector control and funding.	H
	5.07. SEFGP and local food groups should introduce one-to-one assistance to producers, eg by recruiting business development advisers, retired executives with food industry experience, who would visit food companies and offer analysis/advice/mentoring on marketing and development.	

293. Three specific suggestions on the current ERDP grant schemes are proposed.

294. First, that the scope of the Rural Enterprise Scheme should be widened, so that 'local food' can be given the same degree of priority as 'regional food'. The regional targeting statement for the scheme could be amended to make this explicit.

295. Second, that the rules of the Processing & Marketing Grant should be simplified, and its coverage extended to include aid for production of non-Annex 1 products. Regional and local food should be featured in the regional targeting statement.

296. Third, that scope of the VTS should be widened to include food processors as well as farmers, or at least to include producers of 'regional food' and 'local food'.

297. We also suggest that serious consideration should be given to a new small capital grant scheme, possibly on the lines of the Processing and Marketing Small Grant Scheme in Wales (for capital projects up to £40,000, grant rate 30 or 40%) or the Small Business Capital Grant Scheme in Cumbria (up to £10,000 or 50% of costs)

298. We recognise that changes to national grant schemes fall outside the responsibility of the stakeholders in the South East region. Nevertheless these are important issues, and we suggest as a first step that SEFGP and SEEDA should discuss with their counterparts in other regions whether there is a general agreement on these and other possible changes. If there is, SEEDA could should raise this with Defra either through the RDAs collectively, or direct.

299. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Seek to improve relevance of grant support.	5.17. GO-SE should take advantage of Defra's review of funding streams to urge that any successors to RES, PMG and VTS should be made more relevant to the needs of regional and local food producers.	M

Defra Rural Strategy and review of funding streams

300. Defra published its Rural Strategy 2004 in response to Lord Haskins' review of rural delivery. It is based on three key priorities: social and economic regeneration, social justice for all, and enhancing the value of the countryside. This will strengthen the position of RDAs, including SEEDA, and provides an important opportunity to pursue the objectives of this Strategy and in particular the above ideas for amendments to grant schemes.

301. On social and economic regeneration, £27m extra is being provided to RDAs from 2005, and from the same date decision-making and funding will be devolved to them. This means that SEEDA will have the lead in setting rural priorities in the region, including in the regional targeting statements for grants. From 2007 RDAs will be given control over economic and social funding in the ERDP. Thus SEEDA will have control over grant decisions.

302. A Rural Funding Review carried out as part of the Rural Strategy is intended to sweep rules away to simplify the grants for applicants, and to streamline funding streams down from the current 100 odd schemes down to three:

- Rural regeneration of communities and businesses;
- Competitive farming and food industry;
- Sustainable land management.

303. Each area of funding will have an element for grants plus non-grant core funding to build capacity in delivery organisations. Although nothing has been specified publicly, this appears to give SEEDA the opportunity to make a case to Defra for core funding to strengthen the food group support structure. We recommend that SEEDA should use this Strategy to inform its on-going approach towards Defra on the Rural Strategy.

Areas for targeting of future support

304. As mentioned above, we recommend that support for regional and local food should in general be given a higher priority.

305. More specifically, if food businesses are to raise their game they need support on:

- Marketing, including market research and development of a new marketing strategy.
- Supply chain management, including procurement of raw materials and other inputs.
- Internal management planning for expansion, including IT planning, financing and production management.
- Skills acquisition, management and development

306. These issues could be written into existing schemes, or alternatively a completely new scheme could be devised. BPEX and EBLEX have managed to introduce new supply chain support schemes without encountering state aid problems, and we believe it would not be impossible to target regional and local food.

ANNEX E. TRAINING AND DEVELOPMENT NEEDS

Why Training is Critical to South East Regional Food

307. Skills shortages and recruitment difficulties can result in higher operating costs, inability to increase output, lower productivity, difficulty in meeting required quality and customer service standards, delays in product development, and loss of orders to competitors. This has a direct impact on competitiveness and profitability, and can result in withdrawal from particular markets.

308. Skills shortages and recruitment problems can also lead to failure in introducing new working practices, constraining an organisation's ability to change and adapt to retain competitive edge.

309. The Employers Skills Survey (ESS, 2000) reported that the South East and London regions have greater skills gap problems compared to other regions in England in craft and skilled manufacturing industries, and with sales staff in the retail sectors. The same research pointed to skills gaps being more of a problem in the smallest companies.

310. The regional and local food sector in the South East clearly suffers from both disadvantages of location and small business size. It is therefore essential that skills gap problems are adequately addressed. Otherwise the sector will struggle to remain competitive, profitable and able to adapt to the market.

311. Skills gaps can be addressed through recruitment of new workers, changing working practices and through providing training. In the smaller food and drink businesses typified by the South East regional food sector where half have a turnover of less than £150,000 (ADAS, 2003) and many rely on family labour (average of 2.5 full-time equivalents in the county food group membership, Seed and Westley Consulting, 2004), the emphasis should be on training existing personnel and improving working practices.

Attitudes to Training in the South East

312. The regional and local food sector is made up predominantly of micro and small firms, and whilst small organisations engage in training they don't do so as much as their larger counterparts.

313. As part of the preparation of this Strategy, a random sample of 50 members of the county food groups were asked whether they or their staff had any specific training needs. 69.8% could not identify any training needs.

314. Of those that identified one or more specific training needs, the majority were related to regulatory and quality control training such as Health and Hygiene and HACCP. 3 businesses also stated a clear training need in IT (Figure 8).

315. The apparent lack of interest in training from the county food group membership is a real concern, and underlines the need to raise awareness of the benefits of training, and the potential threats from not investing in training and development (ie. increase demand) in addition to providing attractive training services to the sector (managing supply).

Figure 8: Stated Responses of the Food Group Membership who Identified One or More Training Needs (Seed and Westley Consulting, 2004)

	High Priority	Low Priority
Vocational	"Slaughter" x 2	"Meath handling"
	"Health Regs"	"Butchery"
	"HACCP" x2	
	"Health"	
	"Cheesemaking"	
	"Health and Hygiene" x2	
	"Bakery"	
Generic	"IT Training"	"Health and Safety"
	"Computer skills"	"IT"
	"Sales"	
	"Health and Safety"	

316. Barriers to uptake of training are many, and can be categorised into a number of key areas for the regional food sector. Key factors include lack of awareness of the benefits that training can bring, lack of time for training due to many smaller food businesses being owner managed and run, and a culture of training for regulatory compliance rather than business and market development (Table 4).

Table 4: Barriers to Uptake of Training in Regional Food Businesses

Barrier	Relevance to South East Regional and Local Food Businesses
Financial	• Many businesses not eligible for DEFRA Vocational Training Scheme Funds • Comparatively low earnings in the land based sector may mean low priority given to learning, even when embarking on added value food projects. • Secondary cost concerns for smaller business operators e.g. travel and childcare. • Industry geared to low cost training provision, at the bottom end of industry norms - may impact quality.
Situational	• Long working hours of micro-businesses/ seasonal peaks in work affect learner availability Adult learners vary widely in their rate of learning. • Lack of IT connectivity in some rural areas. • Potentially small numbers of learners. • Industry geared to responding chiefly to short term tactical needs of business, notably food regulatory training. • Possible shortage of suitable “trainers” in this industry for roll out of experiential learning models. • Possible negative experience of learning at school and low qualifications base in the industry. • Little knowledge of IT and computer skills. • Socio-demographic profile of farmers in the region – older adult learners with relatively low qualifications base; many unused to academic study.

Barrier	Relevance to South East Regional and Local Food Businesses
Informational	• No single source is promoted to identify training needs, or guidance in selection of training (3 Sector Skills Councils having a valid remit in the sector). • Lack of knowledge about what skills are required and therefore being unable to select effectively. • Lack of understanding of the value of training. • Lack of information about the quality of training.
Institutional	• The time of day or season that courses are run. • Lack of suitable provision, (too many instructor-led courses when adult learners would prefer experiential learning) • Geographical limitations - trainees unwilling to travel too far • Bureaucratic enrolment procedures. • Lack of awareness of preferred learning styles in the sector
Dispositional	• Culture of training for compliance rather than business development • Fear of change • Lack of personal confidence in a learning situation • Lack of perception of existence of skills gaps. • Training perceived as a luxury not a necessity for business. • Lack of aspiration – some businesses are not looking to develop or expand • Preference for doing other things!

317. As well as addressing specific training needs identified through activities such as skillschecks, it is may be more effective and efficient to train those who own and work within the sector to address their own development needs. However, some activities can be delivered more efficiently by specialists or outside organisations, such as technical training in groups.

318 On this basis we suggest that careful analysis of the areas where businesses most recognise the need for external help and support can help to identify the activities where training might be best targeted. In other words, training could be targeted towards real business needs rather than individuals' perceived training requirement.

Specific Skills Gaps

319 The ESS identified latent skills gaps most commonly in teamworking (where 43% of all food and drink businesses reported a significant specific skills gap), communication skills (38%) and other technical and practical skills (31%).

320. Research undertaken by Pye-Tait Limited for the Department for Education and Skills in 2001 summarised the headline skills shortages for the food and drink sector as follows:

- Basic and key skills eg. communication and teamworking
- Technical and practical skills
- Vocational knowledge
- Generic management skills
- IT skills among skilled employees
- Personal attributes and attitudes

321. At a sub-sector level, the same research highlighted the following shortages:

Food and Drink Manufacturing

- Job specific skills
- Initiative
- Communication skills
- Bakery Sub-sector
- Bakery craft skills
- Personal skills
- Communication skills

Dairy Sub-sector

- Management skills (HR and industrial relations)
- Basic skills
- Generic skills
- Sales skills
- Technical skills

Meat Sub-sector

- Attitudes and personal skills
- Basic skills
- Craft skills in butchery
- Hygiene
- Quality assurance

322. Pye-Tait also identified particular skills shortages with butchers and bakers.

323. The DTZ Pieda Consulting report for Food from Britain on the UK Speciality Food and Drink Sector 1999 identified three groups of development issues:

High priority	Financial control Management skills Marketing Legislation/food safety Productivity
Medium priority	Product development HACCP Distribution Packaging/Labelling Staff recruitment/retention
Low priority	Multiples' buying power Exporting outside the UK

324. Research of farm-based organisations producing or processing added value food products in the South East, conducted by Adams *et al* (2004) via a series of focus groups and interviews, endorses the Pye-Tait and ESS research in that basic management and vocational skills are the main areas of skills development required (Table 5).

Table 5: Skills and Knowledge Required by Farm Based Added Value Food Businesses (Adams *et al*, 2004)

	Personal Attributes	Generic Skills	Management Skills	Vocational Skills
Higher Priority	• Positive attitude • Work ethic	• Managing oneself and others • Ability to analyse critically • Ability to problem solve • Ability to achieve objectives • Teamworking	• Customer care • General marketing skills • Planning knowledge • Knowledge of the product • Selling skills • Recruitment and retention of staff • People skills • Team building	• HACCP training • Processing skills relevant to product lines • Health & Safety • Health & Hygiene • Fresh meat marketing and retailing • Food Legislation
Lower Priority	• Honest with people • Ability to enjoy the project / business		• Negotiating skills • Media training • Promotion of the business • Financial management	• Animal husbandry • Cellar management

325. Research undertaken by Seed and Westley Consulting (2004) as part of this study asked a sample of county food group members to score 16 areas of potential business support. The results clearly identified help with funding and access to grants, together with marketing activity and handling regulatory tasks as the main needs. These are areas where training can play a key role (Figure 7, page 54).

326. In conclusion, there are 3 main training areas to address in the regional food sector:

a) generic business skills (especially marketing, business planning, Health and Safety, funding and use of IT)

b) vocational quality management skills (eg. Health and Hygiene, HACCP)

c) vocational production and processing skills (eg. cheesemaking, butchery)

A Strategic Response to Filling Skills Gaps

327. Research demonstrates that the sustainability of the South East regional and local food sector is highly exposed to skills gaps, that there are specific training needs, that some of the requests for business support can be addressed by training, and that there is a comparatively low interest in training from members of the local food groups.

328. Research for this strategy indicates strongly that small firms, of which this sector is largely comprised, do not engage in training as much as their larger counterparts.

329. Cannell (People Management, 2003) makes the specific following points about training for small firms. The Business Growth Training (BGT) programmes funded by government in the early 1990s helped small firms to analyse their business activities and identify opportunities and constraints to growth. An action plan was developed from discussions between a consultant and the business principal, and agreement reached about which areas would benefit from improved managerial skills to reach defined objectives. The consultant then worked with the practice to implement the action plan. Alongside this ran a series of seminars offering shared training for the principals of various local businesses. This approach was very successful and resulted in a significant increase in training uptake by small owner-managed businesses.

330. Cannell states that the main lessons to be learned about training and developing small firms are: use networks to convince owner managers and to get them talking to each other about problems; identify business issues and tie management training to them in some form of action learning; get ownership from the management team; focus on on-the-job training and keep classroom training to a minimum; and use ‘training clusters’ to achieve economies of scale in training. Advice without ownership simply doesn’t work, so there needs to be a good relationship between the consultant and the owner manager, and the consultant needs to know when to stand back.

331. It is therefore essential that the benefits of training are better communicated to the sector, that individual businesses have a more accurate understanding of their own particular training needs and who can service these needs best.

332. At present there are a number of organisations providing skills advice and guidance to businesses. These range from national bodies such as Learn Direct to sub-regional enterprises eg. the Learning and Skills Councils and Business Links, and local training delivery organisations such as Sparsholt College and the Vale Training Group.

333. At the same time, training as an activity is comparatively well funded through key streams such as European Social Funds (mainly via the Learning and Skills Councils), and the DEFRA Vocational Training Scheme (VTS). However, schemes such as VTS are only relevant to a proportion of regional food businesses as applicants must have a DEFRA holding number and be engaged in agricultural, horticultural or forestry activity.

334. In summary a series of fundamental issues concerning training of the regional food sector must be addressed at regional level:

- a need to increase the awareness of the benefits of training
- a need to make training relevant to individual businesses through:
    - objective diagnoses that detect real rather than perceived needs
    - linking skills development to specific issues within individual businesses

  - connection of the trainee to delivery agents that can meet their real needs
- the need for a personal business adviser type role to help make these things happen
- a need for funding agencies to recognise that training is a life-long learning experience and not an ad hoc activity
- a need to bring clarity to the structure of training provision to the sector
- a need for greater focus on business management development skills
- the provision of a seamless boundary between the 3 sector skills councils that have a valid role in the sector:
  - Improve (the food and drink sector skills council),
  - Smart (the retail sector skills council), and
  - LANTRA (the land based sector skills council)
- The need to strategically manage the partnership between the sector skills councils, organisations involved in the diagnosis of training needs in the sector, the funding bodies and the delivery agents of training (a role for SEFGP?)

335. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action and reference in Annex**	**Level of activity**	**Priority**
Tackle labour and skills shortages	2.11. Food groups should identify specific labour and skills shortages in their areas. 2.12. SEFGP should work with industry, the sector skills councils, training providers and business development advisers to enhance the relevance, attractiveness and accessibility of training. 2.13. SEFGP should bring in specialist employment agencies to find solutions.	1 1 1	M H M

ANNEX F. THE BUSINESS DEVELOPMENT NETWORK

336. The support structure in the region consists principally of local food groups plus the South East Food Group Partnership. Other agencies provide complementary support on specific issues. We think there is scope for some strengthening at local level, and for a more strategic approach by the regional tier. State aid implications need to be considered carefully.

History

337. The history of support in the region is complicated. In the early 1990s Food From Britain promoted the establishment of regional speciality food groups, to encourage speciality food producers (high value-added, low volume producers) who were seen as having export potential. In the SE region, Kent County Council promoted its own Kentish Fare in 1994 as a county speciality food group, and Hampshire County Council provided support to Hampshire Fare (originally established in 1991) from 1995. This meant that there was never a clean slate for a SE regional group, and when Taste of the South East was established, it covered only Sussex and Surrey; it later ran into financial difficulties and was wound up in 2003. The South East Food Group Partnership was set up in 2001, initially with support from the Countryside Agency under its Eat the View programme and SEEDA, to co-ordinate and expand activity across the region, and to encourage sustainable forms of production.

338. Meanwhile, the focus moved away from speciality foods alone. Public concern about food miles and food access prompted a new interest in 'local food' – ordinary food produced and sold within a limited area. Following the Curry report, Defra announced a new strategy with support via FFB and the RDAs for 'regional food' – food produced within a particular area and sold as coming from that area, either within the area or beyond. Regional food is perceived to have a distinctive quality because of the area in or the method by which it is produced.

Structure

339. Table 6 lists the food group organisations now active in the field:

Table 6: Food groups

Organisation	Description
Hampshire Fare (established 1991)	Represents and promotes the interests of local food, drink and rural craft businesses. Based at Hants CC with full-time marketing officer (Tim Brock) paid by the Council. Concerns itself with local food as well as regional food. Around 100 members (including affiliates outside the food industry) pay membership fees of £150-250.
Kentish Fare (established 1994)	Speciality food group with producer, retailer and foodservice members. 80 members with fee of £35. Now run as a division of Produced in Kent

Organisation	Description
Produced in Kent (established 2002)	Local food, drink and crafts group with around 500 businesses signed up to use PinK promotional material. Hosted by Kent CC, who pay salary of manager (Rob Weaver). Plans to introduce membership fee from 2005, and to privatise the group in the medium term.
A Taste of Sussex (established 2004)	Aims to satisfy the business needs of any organisation in the food chain in Sussex. Based operationally at the office of Sussex Enterprise (which also groups together Chamber of Commerce and Business Link services). Hilary Knight, co-ordinator. Supported principally by local Councils and SEEDA. Membership fee of £200. 314 businesses listed in Sussex Food Finder directory.
BBO Federation	Federation of the food groups in Buckinghamshire & Milton Keynes (2001), Berkshire (2003) and Oxfordshire (1998). Most services to producers managed by Oxfordshire Food Group (co-ordinator Tamara Schiopu). Hosted by Oxford Brookes University. Specific county activities are handled by local co-ordinators Nancy Pound (Buckinghamshire), Tamara Schiopu (Oxfordshire) and TBA (Berkshire). Activities cover local food as well as regional food. Plans to institute paid membership from 2005.
Surrey Food Links (established 2004)	Aims to assist all businesses in Surrey involved in food supply and production to expand markets and improve profitability. Supported principally by Surrey CC and SEEDA. Co-ordinator (part-time) Preetie Bindra at Surrey CC. Membership fees envisaged from 2005.
Isle of Wight	As of November 2004 there is no active food group.
South East Food Group Partnership (established 2001)	Aims to develop a robust and stable regional structure providing producer support and increasing consumers, trade and media awareness of local producers and produce, and to support the food groups to become viable, all-inclusive, support organisations with skill, expertise and high profile. Has a range of PR, support and training functions. The co-ordinator, Henriette Reinders, works 4 days a week.

340. Other business organisations that are relevant and complementary to that of the food groups includes:

a) **Business Links**: general business development and advice, signposting and support. SEEDA will assume responsibility for the BLs in the region from 2005.

b) **Local authorities**: support is generally provided direct to the food groups, eg by paying the salary of staff or providing accommodation or both. Some local authorities support related activities, eg farmers markets. In all areas there are local programmes of regeneration, economic development or sustainability that could be relevant to future local food initiatives.

c) **Defra**: grants under the England Rural Development Programme are provided through the Rural Development Service at its office in Reading and out-stations at Wye and Guildford.

d) **SEEDA**: SEEDA support to the food groups is delivered mainly through the SEFGP. Other rural programmes (such as Market Towns, and the farm diversification grant scheme) are administered from its offices in Guildford and Chatham.

e) **Countryside Agency**: support for the SEFGP and several local projects (eg Surrey Hills,) has been provided under the Eat the View programme from the Agency's SE regional office in London. Under the Government's Rural Strategy 2004, a slimmed-down New Countryside Agency will act as rural advocate; natural environment functions will be transferred into the New Integrated Agency; and rural development responsibilities transferred to the RDAs.

f) **Food From Britain:** the national food export promotion agency. It also delivers Defra's regional food support to SEFGP, and is in a strong position to promote networking and the spread of best practice across regions.

Summary of Activities

341. The county food groups have a range of functions that are quite similar, though their scale varies according to the resources available. Typically, these include:

a) Direct advice and signposting of producers to other sources of advice on marketing and training.

b) PR activities for the county and on behalf of individual producers.

c) Glossy 'portfolios' to promote producers' products.

d) County directories and/or websites on which producers can promote their products.

e) Networking events at which producers can discuss problems and learn from one another.

f) Organisation of training events, particularly on marketing and food safety issues. Produced in Kent is a registered training centre.

g) Trade events to promote products to large customers.

h) Local food events, often with a consumer promotion angle.

342. SEFGP has several groups of activities, summarised more fully in Annex H:

a) Supporting local food groups financially.

b) Arranging regional food events, and encouraging local producers to attend national and international events.

c) Contributing regional information to databases on regional food and food tourism.

d) PR for the sector in the region.

e) Promoting uptake of EU protected food names.

f) Providing producers with intelligence on legislative developments.

g) Developing a formal sector group for local produce.

h) Producing (with the aid of consultants) strategies on regional food and on public procurement.

i) Managing and improving the regional website.

j) Managing training packages for producers.

k) Developing better links to the foodservice sector.

Review of food group activities

343. The consultants have considered the various tasks undertaken by the local food groups and SEFGP in the light of comments from stakeholders, and reached the following assessment.

344. Current work - local food groups:

Activity	Assessment
Signposting of producers to other sources of advice on marketing and training.	An important activity, and a major aspect of food group work. Well understood and well received by producers. There is some overlap with Business Link, and groups are not always regarded as the producer’s first port of call. They are quite good at diagnosing needs. Technology services (eg from FKK) could be much better promoted.
PR activities for sector in the county and on behalf of individual producers.	This is an important activity, which groups do well, and which is popular with producers.
Glossy ‘portfolios’ to promote producers’ products.	Done professionally, and popular with producers. We question the effectiveness of these portfolios with the customer.
County directories and/or websites on which producers can promote their products.	A fundamental activity carried out well. However, directories are naturally organised in accordance with county boundaries, which do not necessarily fit with the location of the market. Producers might reach more customers and consumers if they considered a radial approach, like that used by Big Barn. Likely to be most practical with an internet directory.
Networking events at which producers can discuss problems and learn from one another.	Important and valued by producers. If circumstances permit, networking activity should be increased, and possibly held more locally.

Activity	Assessment
Organisation of training events, particularly on marketing and food safety issues. Produced in Kent is a registered training centre.	A vital activity, where plenty of training is offered, but uptake is poor. We think the approach is too top-down, with producers being offered courses on particular subjects, rather than offered help to understand what they need, and the benefits of particular training. Evidence suggests that training uptake should be improved through more one-to-one advisory work with producers.
Trade events to promote products to large customers.	An invaluable activity for a proportion of producers, generally performed well. We suspect it could be organised more systematically, to keep in touch with large customers, and that more attention could be given to the foodservice sector. There is a strong argument for regional level activity to reflect the sourcing approach and demands of larger customers.
Local food events, often with a consumer promotion angle.	A useful activity, popular with the public.

345. Current work – SEFGP:

Activity	Assessment
Supporting local food groups.	An important activity until now, while the network has been put in place. BBO federation successfully launched. Funding administered but apparent little involvement in business planning activities of local food groups, and some inconsistencies in monitoring of activity. SEFGP needs to be much more involved in helping the entire network become self-supporting. Local food groups tend to take for granted
Arranging food events, and encouraging local producers to attend regional, national and international events.	An important activity done quite well. Some counties question the need for SEFGP to organise national events. In future, we recommend that SEFGP should concentrate on national and regional events, leaving the local food groups to organise local activity.
Contributing regional information to databases on regional food and food tourism.	Important to connect producers with their market. We believe the value of this information could be exploited more if the information were made more generally accessible, and presented in a more customer-friendly way.

Activity	Assessment
PR for the sector in the region.	A very difficult task because the region has so few distinguishing characteristics,but potentially important, eg support for geographic brands such as the New Forest. Targets set seem to be very modest. A PR agent is used but more should be done to raise the profile of the sector.
Promoting uptake of EU protected food names.	Little interest among producers, probably because they have little understanding of the benefits and believe procedures will be bureaucratic. The subject cannot be ignored, but we recommend giving it a low priority.
Providing producers with intelligence on market and legislative developments.	An important activity appreciated by producers. We question whether SEFGP's E-bulletin is widely read. Much more needs to be done on market intelligence and, whilst disseminating legislative developments is critical, there needs to be a readily accessible source of up to date and digestible guidance on legislation.
Developing a formal sector group for local produce.	No information received from SEFGP. Local food is different from regional food. This Strategy needs to strengthen the presence of local food within a 'regional and local food' strategy.
Producing (with the aid of consultants) strategies on regional food and on public procurement.	Work on the current Strategy on regional food is well under way. A brief has been drawn up for that on public procurement.
Managing and improving the regional website.	Two websites are managed for suppliers and customers. We question the value of this activity. Although the wider scale is an advantage over the county websites, the information does duplicate that on the county and FFB sites.
Managing training packages for producers.	An important activity, taken seriously by SEFGP, but it is a struggle to secure producer uptake. EFSIS training programme appears to be satisfactory. We think the approach is too top-down, with producers being offered courses on particular subjects, rather than offered help to understand what they need, and the benefits of particular training. We would prefer to see SEFGP play a more strategic role in training, encouraging a more bottom up approach, assisting in planning content and promotion, sharing best practice, and supporting local delivery.
Developing better links to the foodservice sector.	A significant activity, but industry is not penetrating this sector, and there is scope for a renewed approach.

Conclusions on current activities

346. Most of the current activities undertaken by local food groups and the SEFGP are important and carried out well. There is naturally a range of performance, with the oldest established groups acting with the greatest confidence. To the extent that much of the work is carried out behind the scenes, it is not surprising that it is not always understood or appreciated. We have no major criticism of current performance at tactical level. But at a strategic level services appear patchy and lack synergy, largely reflect the funding stream constraints, and strategic opportunities to develop the network and its' profile have been missed. In particular, the consultants have identified the following strategic gaps in the development effort across the region as a whole:

h) Lack of the leadership and direction needed to get the whole network pulling together

i) Absence of an evidence-based approach to assessing business development needs at the sectoral and individual business level.

j) Insufficient market intelligence to help producers understand and adapt to rapidly changing customer needs and wants

k) Failure to encourage private sector revenue generation, especially to fund activities that are in demand but presently excluded by state aid rules

l) Poor linkage to third party organisations and instruments which can help support the sector

m) Too little emphasis on services to help business growth and competitiveness

n) Absence of a 'knowledge hub' to provide producers with a seamless interface to information and contacts across all relevant business areas

347. Apart from the detailed suggestions above, we recommend that:

a) Support for training requires a new approach, involving a more accurate and bottom-up analysis of producers needs. Producers also need to be helped to see the benefits of training.

b) Technology services need to be better promoted.

c) SEFGP should concentrate on organising regional and national food events, while local food groups deal with local events.

d) A lower priority should be given to work on producer portfolios, EU protected food names, and the regional websites.

County group issues

348. The support structure in the South East, where the lead is taken by county groups and there is loose co-ordination at regional level, is not typical of other parts of the UK. In most regions, there is a strong regional organisation which carries out functions on behalf of businesses across the region. Taste of the West has always been regarded as a particularly successful example. The distribution arm of Tastes of Anglia (Tastes of Anglia Table) has attracted widespread

interest. Heart of England Fine Foods is the lead organisation for Herefordshire, Shropshire, Staffordshire, Warwickshire, Worcestershire and the conurbations of the West Midlands region. There are strong national strategies in Scotland and Wales.

349. Ideally, we think that support in the South East should also be organised regionally. It should be more efficient for many services to be provided on a broader scale, though we recognise that there are strong advantages in retaining the local point of entry.

350. For the future, the key question is sustainability. If food groups are to become more self-sustaining, they will need to attract a substantial proportion of their income from members. Producers will naturally ask what services they will get for their money, and this must be related to the size of the group. There must be a trade-off between size and proximity: a very local group will be able to raise only limited resources, and will therefore be able to offer only a narrow range of services delivered by a very small number of staff. More resources, staff and services could be assembled across a wider area, but this may be less attractive to local people.

351. This brings in the issue of buy-in from local people, ie regional and local food producers, local authorities, customers and consumers. Circumstances vary widely around the crescent from Milton Keynes to the Isle of Wight to Kent, and few people feel much solidarity with the South East Region. Although it has a broad range of complementary agriculture and food production, there is little foodchain linkage across the region . The longstanding and dedicated support of some county councils has entrenched the leading position of the county initiatives, and this seems to strike a chord with many [but not all] producers and consumers.

352. This buy-in needs to be maintained and strengthened in the interests of sustainability. We do not therefore think it is realistic to propose any radical change from the county-based approach. However, it is recommend that the groups should be consolidated where possible over time.

353. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action and reference in Annex**	**Priority**
Decide on future structure of the network	5.01. Following consultation, SEFGP and other stakeholders should agree the structure of the network and distribution of functions. 5.02. SEFGP should ensure that regional tier activities will add value to local food groups, and that the strategy as a whole will reduce dependency on local, regional and national funds. 5.03. SEFGP should encourage groups to specialise in areas of greatest importance to them (while discouraging any unnecessary duplication). *(Annex A, paragraph 0).* 5.04. Opportunities should be taken as they arise to consolidate the network. *(Annex F, paragraph 0).*	H H M

354. Specific consolidation opportunities include:

a) Consideration being given to converting the BBO confederation into a single organisation with common objectives, resource and staffing.

b) The Isle of Wight Council is seeking to bring local interests together to support a Local Produce Plan. This is likely to need a dedicated Island resource to facilitate progress in the short term. When this has been done, in the medium term, it would be worthwhile for the respective stakeholders to examine whether synergy would improve with collaboration between the Island and Hampshire. The IOW has quite a strong identity linked to tourism and is a net exporter of food. They have the potential to exploit a good marketing opportunity that goes beyond Hampshire and even the SE. They may want to be independent.

c) Sussex and Surrey have launched separate new county groups very recently, following the collapse of Taste of the South East. We can understand the desire of those concerned to 'do their own thing', but question whether this is a step in the right direction. In the light of experience, we suggest that these two initiatives should consider the pros and cons of working together.

355. The Isle of Wight activity mentioned above is expected to include organisational development, production standards, supply development and marketing, and the Council will shortly be considering what funding sources are available to it to pump-prime it. As the Island is lagging behind the others on food development, and it is in any case accepted to be an area in need of agricultural and industrial support, we hope that funding bodies will look sympathetically on a well-argued case for new support.

356. One experienced food group manager said to us that the groups should be allowed to develop in their own way, and should not just be 'clones' of each other. Another suggested that the groups should specialise to some extent, whilst still retaining their core functions of supporting and advising businesses. We think this is an important idea. Produced in Kent, for example, is the only food group that is a registered training centre. Training is a key activity, and PinK could offer it to other counties on a repayment basis. Other areas where the need for support is similar, and local groups might specialise, include advice on organic systems where Oxfordshire have strong expertise, interpretation of legislation, or procurement of common supplies such as packaging. **We recommend that the county groups should consider, with their stakeholders, what scope they have to develop more specialised services that could be traded to other groups.**

357. The county groups all receive substantial government support from their local authorities and from SEEDA. In future, it is likely to be necessary for this support to be complemented, or even replaced, by private sector funds. Concerns about state aids (see below) may call into question the support given for local food initiatives. Public expenditure cuts may force government agencies at all levels to review their priorities. There is also a widespread view that, to be credible, support to business should come from bodies that are as close to business as possible. For all these reasons, pressure is likely to increase for the food groups to become self-financing, or at least to raise a much greater proportion of their resources from the businesses in their area. This implies action on two fronts: dealing with the largest possible number of businesses, and becoming membership organisations charging a realistic fee for the services rendered. The groups that are not currently charging a fee are planning to start doing so in the near future, but none (to our knowledge) has made a serious estimate of the income that can realistically be expected from fees. Given the importance of raising additional income, **we recommend that all the county groups should conduct a specific review of their costs, potential membership and income prospects**.

358. In order for the groups to be as well-informed about business needs as possible, we recommend that they should appoint food group producers to their Boards or Advisory Panels.

359. The county groups are all ‘hosted’ by larger organisations, which enables some of their running costs to be subsidised. This can produce useful side benefits, eg access to the business studies facilities at Oxford Brookes University by BBO, and to Business Link and other services by A Taste of Sussex. The other groups are set up within County Hall, which produces other benefits such as access to trading standards and economic development departments, but a Council-run department is not the obvious home for a business support organisation. Kent County Council is giving consideration to ‘externalising’ Produced in Kent, so as to take it out of direct Council control, and **we recommend that the lessons learned from this initiative should be studied by the other counties concerned**.

Regional tier issues

360. SEFGP has made progress against its original objectives since it was set up in 2001. It has also acquired a wide range of responsibilities in its short life, but most of the people we have spoken to (with the exception of the county groups that deal with it regularly) have little or no idea what it does, or even that it exists. To some extent this is inevitable with an organisation that works behind the scenes as a facilitator, but we think that the main problem is that SEFGP has been moulded to fit the various funding streams coming down from above (eg Countryside Agency, SEEDA, Food From Britain) rather than the needs of the sector in the region, or of the local groups working there.

361. Implementation of this Strategy will require strong leadership from the centre, preferably from the head of SEFGP. Funding and reporting structures need to reinforce this approach, and there needs to be firm stakeholder ownership and support. Without these factors, there is a high risk of failure. Stakeholders need to consider this carefully.

362. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Provide positive leadership and efficient management of the network, with maximum synergy and benefits to stakeholders	5.08 In light of the consultation, stakeholders must decide who is to take the strategic lead on implementing this Strategy and give them full authority. The consultants propose that this role be given to a strengthened SEFGP.	H
	5.09. SEFGP should appoint a chairman with strong leadership skills. Experience of delivering organisational change is essential, and a commercial marketing background desirable. Food industry experience and understanding of the public sector would be an advantage.	H
	5.10. The chairman should be responsible for relations with stakeholders, for marketing the network - its work, its challenges, its successes – to them, and for monitoring progress against objectives.	M

363. As the regional body, we think that SEFGP should handle issues that apply to the region as a whole. As a marketing organisation, its work should be governed by developments in the market place. Although it has a contract to supply information on legislative developments, we are not convinced that it is sufficiently well-informed on the market itself, and therefore **recommend that it should have a budget to commission research on behalf of the sector in the region as a whole into market opportunities of particular relevance to SE producers (eg London)**.

364. Similarly, we think it should be better informed about producers' real business development needs. We have the clear impression from talking to food groups that information about needs is largely anecdotal, and that even when producers are asked, they either 'tick all the boxes' or identify very few needs. Our own survey of producers confirms the latter. We see no reason why business development needs should vary greatly between producers in different parts of the region (though large companies will differ from small ones), so this issue would lend itself to systematic investigation at regional level. **We recommend that the SEFGP research budget should also cover producer needs**.

365. Recommendation:

Key Objective 2: Continuously improve producers' management and organisation			
Strategic aim	**Specific action**	**Level of activity**	**Priority**
Establish ongoing analysis of producers' business development needs	2.01. SEFGP should work with BL, SBS and SSCs to develop effective methods for analysing business development needs, so that producers understand the benefits of training, and use it as necessary to develop their business.	1	H

366. We also think that SEFGP would benefit from more direct business advice in its decision-making. **We recommend that producers and customers should be appointed to the Advisory Panel** in their own right, and not as 'representatives' of one or other county.

367. At present, the county groups decide their own business plans, which need to be approved by SEEDA to draw down funds from the agency. This is obviously a bilateral process, and it provides no opportunity for a wider look at the activity being mounted across the region as a whole. SEFGP's own business plan is complex. We **recommend that it would be much more transparent if SEFGP were to draw up an annual regional programme setting out what it and the counties were each aiming to achieve**. This would provide the opportunity to check:

a) Whether the different activities genuinely complemented each other;

b) Whether activities in one part of the region could be done more efficiently or effectively by following practice elsewhere;

c) Whether all activities were really needed;

d) Whether there were obvious gaps in coverage.

368. This programme could form the basis for funding decisions, and could be used to monitor progress against objectives across the region.

369. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Provide positive leadership and efficient management of the network, with maximum synergy and benefits to stakeholders	5.11. Local food groups should agree their business plans with SEFGP.	H
	5.12. National and regional funding should be distributed through SEFGP.	H
	5.13. Local food groups should be accountable to SEFGP for delivery.	H
	5.14. SEFGP, local food groups and funding bodies should seek to improve the effectiveness and efficiency of monitoring procedures. *(Annex F, paragraph 369)*	M

State aids

370. It is a fundamental principle of the European Union that state aid which distorts competition in the Common Market is prohibited by the Treaty. 'State aid' is interpreted widely to cover many forms of assistance given or controlled by government bodies, or given through organisations (such as the Meat and Livestock Commission) funded by 'parafiscal levies' that are considered akin to taxation. Initiatives funded by the industry itself on a voluntary basis are not considered as state aids. The European Commission has the power to approve state aids on a case-by-case basis, and certain kinds of aid have been defined as being compatible with the Common Market. There is a huge body of EU legislation, administrative guidance and decision, and case law in this field, which makes it impossible to summarise the position concisely.

371. In view of the large volume of market legislation (the Common Agricultural Policy), there are specific state aid rules for agriculture. Aids to encourage the production and marketing of quality agricultural products, and the provision of technical support to producers, are under certain conditions acceptable to the Commission.

372. There are further rules on state aids to SMEs active in the production, processing and marketing of agricultural products, but these apply exclusively to 'Annex 1 products' which extends only to primary processing (eg slaughter of livestock and cutting of meat) and do not apply to further processing (eg manufacture of meat pies). Activities that are specifically allowed by way of support for Annex 1 products (subject to conditions) are participation in trade fairs and exhibitions; information about regional food products; organisation of competitions; marketing of quality products; and advertising.

373. Activities that do not deal with 'Annex 1 products' fall under the state aid rules that apply to industries in general. Here there are regulations providing 'block exemptions' for state aid to SMEs and for state aid to training.

374. There is also a *de minimis* rule, where support of up to €100,000 per enterprise over three years is not considered to constitute aid, except in the sensitive sectors of agriculture, fisheries and transport. This applies to non-Annex 1 products, which would include many regional and local foods.

375. Government support for the development of regional and local food, whether from national, regional or local government agencies, counts as a state aid. This does not mean that it is necessarily prohibited, but it does mean that it needs to be approved by the Commission by reference to the various rules that have been laid down. This is a tricky area, and considerable expertise is needed to understand what is and is not permissible. It is quite likely that the support will be relevant to farmers, to Annex 1 processors, and to non-Annex 1 processors. It is likely to cover improvements in quality, training and development of SMEs, which are all accepted EU objectives. Benefits to individual businesses will be modest. These are all positive factors.

376. More specifically, support for the development of regional food, which is considered to have some clear quality attribute, is considered permissible and Defra's strategy on regional food relies on this. The position is less clear on the development of local food. Consumers clearly see benefits in terms of freshness, 'localness' and fewer food miles in, say, cabbages bought at a farmers market in preference to those on sale in a supermarket, but it is harder to pin down an objective quality criterion for this produce. By encouraging people to 'eat local', any initiative could also be thought to disadvantage producers elsewhere, and therefore potentially to distort competition.

377. This shows that the issue of state aid clearance is by no means straightforward. Support programmes and changes to support need to be notified to the Commission. SEEDA are in the best position to take the lead in submitting applications for clearance on SE regional and local food, but that they should be guided by the experts in Defra, who have wider experience in this field.

378. Recommendation:

Key Objective 5: Provide a business development network that meets the needs of stakeholders		
Strategic aim	**Specific action**	**Priority**
Obtain any necessary state aid clearance	5.15. SEEDA should take the lead in submitting any applications for state aid clearance that may become necessary, with the guidance of the experts in Defra.	M

379. The restrictions on state aids underline the need for initiatives on regional and local food to become, as far as possible, self-financing. **We recommend that each of the local initiatives should adopt targets for the development of private-sector funding.**

ANNEX G. CONSULTEE LIST

The following people and organisations have been consulted in the preparation of this report:

1. Roger Budden, Tourism South East
2. Steve Blamire, Isle of Wight Council
3. David Groocock, St Maur Hotel, Ventnor, Isle of Wight
4. Robin Oulton, Horringford Gardens, Isle of Wight
5. Rob Owen, Isle of Wight Council
6. Joanna Richards, former co-ordinator of former Isle of Wight local food
7. Sarahe Ellis, Rural Community Council
8. John Evans, Sussex Enterprise
9. Henriette Reinders, SEFGP Manager
10. Di Dawes, Foxbury Farm Shop
11. Dominic Pattinson, DEFRA Regional and Local Food
12. Jessica Salder, West Sussex Council
13. Charlotte Lawson, Food from Britain
14. Rob Weaver, Produced in Kent
15. Steven Gleave, DEFRA
16. Preetie Bindra, Surrey County Council
17. Hilary Knight, A Taste of Sussex
18. Nancy Pound, Bucks County Food Group
19. Philip Tomalin, East Sussex County Council
20. Clarissa Hallings-Pott, Sussex Producers Consortium
21. Tim Brock, Hampshire Fare
22. Frances Stokes, Hampshire County Council
23. Susie Ohlenschlager, Oxon County Council
24. Tamara Schiopu, Oxon County Food Group
25. Jeremy Bolas, Seeda
26. Wendy Tobitt, Berkshire County Food Group Steering Committee
27. Chris Clark, Bellwether Marketing
28. Laurence Hodge, Bellwether Marketing
29. Bob White, Chilterns Choice
30. Terry Bradfield, DEFRA RDS
31. Nick Allen, EBLEX
32. Gareth Jones, FARMA
33. Marc Saunders, Faringdon Local Food Initiative

34. Rod Craig, rural consultant and Faringdon Local Food Initiative
35. Daphne Saunders, Oxon Farmer and Faringdon Local Food Initiative
36. Topsy Jewell, Netherfield Centre
37. James Mulleneux, NFU SE Farming and Food Adviser
38. Sarah Richards, DEFRA RDS
39. John Godden, LANTRA SE
40. Kate Mason, Vale Training Group
41. Rupert Ashby, CLA SE Director
42. Fay Deakin, IMPROVE SE Regional Manager
43. Rachel Potter, Ex Acting Manager SEFGP
44. David Holloway, Callows Farm Shop
45. Phil Acock, Fourayes Farm
46. Paul Saxby, Jonathan Crisps
47. Michael Turner, Turners Dairies
48. Bill Inman, Harveys of Lewes
49. Andrew Gordon, Gordons Fine Foods
50. William Opie, Bennett Opie
51. Teresa Watkins, Classic Preserves Limited
52. William McKeever, WT McKeever
53. Donald Komrower, Sarum Foods
54. Derek Beaves, George Gale & Co
55. Chris Mason, Hill Farm Products
56. Ian Nelson, Sunnyfield Organics
57. Peter Wood, Woodys Home Made Food
58. Kate Munt, Kate Bakes
59. Mark Hardy, High Weald Dairy
60. Erica Turton, Egypt Farm

Plus 50 county food group manufacturers and processors contacted in the telephone survey.

ANNEX H. DETAILED SUMMARY OF SEFGP ACTIVITIES

Ongoing SEFGP functions include:

a) Manage funding bids for groups.

b) Training for food producers and businesses.

c) SEFGP bid to FFB regional package, 2004-05

Maximum of 4 trade events:

- At least one Meet the Buyer and/or one trade show aimed at foodservice & tourism sector.
- Regional stand at Speciality & Fine Food Fair.
- Regional stand at Restaurant Show.
- Producer participation linked to regional project obtain Efsis Safe & Legal standard.

Regional food producers database

- Contribute 500 business names towards national database, building on work in 2003/04.

National/international support - encourage producers via E-bulletin to participate in:

- English Wine Week (20 vineyards).
- British Cheese Festival (5 non-cheese producers).
- Salone (5 producers).
- Hospitality Show (2 producers).
- IFE (6 producers).
- Retailer programme (8 producers).
- Foodservice seminar (5 producers).

Food tourism

- Monthly updates to provide 250 business names to FFB/Visit Britain.
- Provide accurate information to regional tourist body.

Food Show

- At least 65 producers, 5000 consumers and sales of £30,000 at Regional Food Show, and support for SE regional cheese stand and farm shop at British Cheese Festival.

PR/Communications

- Range of press releases achieving coverage of 32 press or broadcast pieces, reaching at least 10,000 consumers.

Farmhouse breakfast

- Involve 10 producers in Farmhouse Breakfast week 2005.

EU protected food names

- Achieve at least 1 application from the region.

Provision of market intelligence

- 85% producer satisfaction with intelligence in E-Bulletin from FKK Reading.
- Evidence of promotion of FSA and SBS legislative information via FKK.

Export workshop

- Promote export guide via E-Bulletin.
- Run export workshop in association with FFB and UKTP, and achieve 10 producers and 85% satisfaction rating.
- Feedback one case study. At least one producer to develop export plan.

d) Activity under SE Regional Delivery Plan on Sustainable Farming & Food, 2004-06

- Develop a formal sector group for local produce in the region, and act as umbrella body for the cluster groups.
- Produce a Regional Food Strategy.
- Develop a strategy and action plan for the supply of food to the public sector by local SMEs.
- Improve the regional website with its online database.
- Act as a conduit for SEEDA's continuing marketing budget.
- Manage a training package – particularly to meet safety and hygiene standards necessary for entering different markets such as supermarkets as well as development of new skills.
- Run a training programme in conjunction with EBLEX/MLC to increase the level of skills among the butchery trade.
- Development of better links to catering companies specialising in local produce.