A Strategy for the Food and Drink Industry in the East of England

east of england
space for ideas

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This document was prepared for EEDA
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Commissioned by EEDA, the work for this Strategy was substantially completed between May 2003 and March 2004. Subsequently, minor and partial updates have been made and these are reflected in the text. The Strategy sets out a series of priorities for delivery by the industry working with EEDA and its regional partners. It was published in September 2005.

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Preface…

The East of England's Food and Drink sector is not at all ordinary. It is vitally important to everyone in the region - from consumers, food producers, retailers and caterers to business support providers. A strategy for the sector must aspire to deliver continued growth in the face of growing global competition over the coming decades. The strategy described in this document provides guidance for a sector whose future success will have a considerable impact on the lives and well-being of everybody in our region.

So often right at the forefront of production, consumer and environmental innovation, the region should continue to reap the benefits of a large, progressive and diverse food and drink industry, much of it based on the highly productive agricultural land. The East of England has many world-class research establishments, fully capable of supporting both global and smaller scale food and drink businesses based here. Moreover, this strategy will further enable the 'Ideas Region' to support its successful food and drink businesses - helping them prosper in an increasingly competitive, innovative and complex global market.

With everybody connected with the sector working together, we collectively should be confident in our conviction that the East of England will rise to all the major challenges in the years ahead. Regional businesses will need to embrace change and innovation. They will need to effectively respond to rapidly-changing consumer markets, climate change and be fully equipped to deal successfully with increased pressure on profit margins.

Traditionally diverse and dynamic and able to adapt quickly to new demands, the sector would not benefit from a rigid prescriptive approach. Therefore the strategy avoids being overly stifling or dogmatic. Also, deliberately, it is not focused too heavily on the threats the industry faces – adopting instead a pragmatic, forward-looking and progressive stance which recognises the need for ongoing innovation and development, the benefits this will bring and the changes needed to exploit exciting new opportunities.

Many of the policies and recommendations in this strategy have already been put to work. Throughout the process of developing the strategy – and subsequently – we have consulted with members of the industry to ensure that it is grounded in the reality of the business world, whilst simultaneously recognising the evolution of consumer needs.

Together, as stakeholders and partners who wish this sector to thrive, we need to take responsibility for the successful implementation of the strategy and enjoy the benefits this will bring to all of us in the region. I, personally, would like to thank all those businesses and individuals who have contributed to the debate. We all should look forward to hearing about many extraordinary achievements in the years ahead and together sharing in the continued success for this sector in our region.

Jody Chatterjee, Director of Business East, EEDA
September 2005

Executive Summary

Food and Drink in the East of England – Today and Tomorrow

1. Within the East of England, agriculture, and food and drink manufacturing, together account for output to the value of £2.9bn (at 1995 prices) and – according to official datasources – around 90,000 jobs (although this may well understate the true scale of the sector). Employment within agriculture, and food and drink manufacturing has declined over recent years and further job loss is anticipated. However the number of jobs is a crude indicator on which to assess the industry's importance; output has grown, productivity has increased steadily and the industry continues to account for a sizeable proportion of manufacturing activity across the region. Moreover, within certain parts of the East of England, the wider cluster (embracing, for example, packaging and haulage as well as agriculture and food and drink processing) accounts for a sizeable proportion of all economic activity. Thus the importance of the sector should not be underestimated.

2. Within the East of England, there is great variation in the character and local significance of the food and drink industry. Spatially, many of these differences may be traced to land use patterns which in turn have been shaped by variations in soil, topography, climate, and proximity to urban areas. Cutting across this, however, is the influence of different corporate structures, variable supply chain relationships and sector-specific political/regulatory regimes. An examination of six key sub-sectors (cereals, pigs and poultry, horticulture, potatoes, sugar beet, and beef and sheep) and their associated supply chains provided a basis for describing the contours of the food and drink industry in the East of England and summarising some of the processes that have shaped its recent evolution (**Chapter 2**).

3. Looking forward, it is imperative to try and understand the factors that are likely to shape the industry's future. These include a complex mix of sociological, technological, economic, environmental and political trends and drivers. Some of these are – to some extent – internal to the industry and the region but most are more generic in character and are operating at national or international scales. They are, however, defining the context within which the region's food and drink businesses will need to operate in the future (**Chapter 3).**

4. Drawing together insights concerning the current nature of the industry in the region *and* the trends and drivers that are likely to shape its medium-long term evolution, a baseline forecast for the industry's future was prepared by Cambridge Econometrics. As with any forecast, this included both up-side and down-side risks and – by isolating the impacts of particular trends and drivers – three scenarios were developed for the future evolution of the industry: one focused on the implications of accelerating globalisation, a second considered the opportunities for innovation linked to the research base, and a third focused on issues relating to provenance and local food. Each of the scenarios was feasible, plausible and internally coherent, and all three were tested and developed through a series of strategic conversations within food and drink businesses and informed intermediaries from around the region. The conclusion was that the industry needed to acknowledge that all three scenarios would feature in moving forward and the Strategy needed to respond accordingly (**Chapter 4**).

A Strategy for the Food and Drink Industry in the East of England

5. In defining the Strategy – and consistent with the Regional Economic Strategy - the Vision is one of enhanced competitiveness and sustainability within the food and drink industry across the East of England, recognising that successful businesses will take a number of forms. This Strategy aims to provide a catalyst for both the public and private sectors, working collaboratively, to enhance supply chain efficiency, increase innovation and add value to the region's food and drink industry.

6. In seeking to achieve this Vision, the Strategy will contribute to the delivery of the Government's Strategy for Sustainable Farming and Food and its aim to promote a competitive and efficient farming and food sector which protects and enhances our countryside and wider environment, and contributes to the health and prosperity of all our communities.

Cross-Cutting Themes

7. In seeking to deliver this Vision, there are a number of implicit priorities; these **Cross-Cutting Themes** relate very closely to the Vision and they will be internalised within the actions which are undertaken. Three Cross-Cutting Themes have been identified (**Chapter 6**):

- **CC1: Improving networking and connectivity**, both within the industry and between it and the wider food and drink system

- **CC2: Consumer/customer focus**, recognising that the industry needs to understand better what consumers and customers really want, and then to respond appropriately

- **CC3: Resources for food and drink**, recognising that enhancing different elements of the hard and soft infrastructure and improving efficiency in the use of resources (such as water) will be vital if the Vision is to be achieved.

Strategic Priorities

8. The Strategy includes six **Strategic Priorities (Chapters 7-12)** which are specific to the particular needs and opportunities facing the food and drink industry in the East of England:

- **SP1: Skills for competitive food and drink businesses**: the skills and workforce agenda is identified as probably *the* key issue in terms of the industry's future and it embraces a number of strands including the range and level of skills within the workforce, labour supply, and the need to attract younger people into the industry (**Chapter 7**)

- **SP2: "Space for ideas" in food and drink**: within the East of England, there is serious research excellence of relevance (directly or indirectly) to food and drink although – to date – links with industry have been under-developed. Particularly as our understanding of the functional value of food increases, there ought to be scope for innovation and entrepreneurship at the interface between the food and drink industry and other related activities (e.g. pharmaceuticals) and between the industry and the research base (**Chapter 8**)

- **SP3: Internationalising food and drink:** the food and drink industry is becoming increasingly international in scope and – with trade liberalisation and EU expansion – this process is likely to accelerate. For the region's food and drink businesses, this will bring with it a series of opportunities but also threats, and a concerted and strategic response will be imperative (**Chapter 9**)

- **SP4: Consumer/customer connections**: in the context of an industry in which multiple retailers account for 90% of food and drink retail sales and in which the food service sector is also becoming increasingly concentrated, the process of establishing and securing channels to market is challenging, particularly for smaller producers and processors. However with increasing interest in – and policy commitments to – regional and local food, creative solutions will need to be found. Opportunities will need to be identified and nurtured, and producers and processors will need to be equipped to respond appropriately (**Chapter 10**)

- **SP5: Whole supply chain:** many supply chains within the East of England are characterised by high levels of vertical integration and often these are concentrated spatially within particular sub-regions. Increasingly, it is important to consider the medium-long term competitiveness of whole supply chains for the source of competitive advantage may exist outside individual corporate structures. Thus key challenges and opportunities ought to be addressed at the level of the whole supply chain; key examples include issues relating to water supply, the management of waste, regulatory imperatives, pressures on costs and requirements for consistent quality (**Chapter 11**)

- **SP6: A place for enjoying good food and drink:** increasingly, consumers will pay a premium for good food and drink – if it is interesting and if it is provided in a manner that is convenient and reliable. Links between good food and drink and tourism are also strong and growing. Thirdly, links between health and nutrition are such that opportunities are arising for many of the region's producers and processors linked to policy commitments to healthier diets. In short, there are serious opportunities for food and drink businesses within the East of England, linked to securing the position of the region as a place for enjoying good food and drink (**Chapter 12**).

9. In order to achieve the Vision of a competitive and sustainable food and drink industry across the East of England, the intention is that actions should be implemented in response to these Strategic Priorities and shaped by the Cross-Cutting Themes. In response, a number of immediate priorities have been identified in terms of moving forward. These are set out in the Table overleaf.

Table 1: Achieving the Vision: A Summary of Priorities in Moving Forward

SP1: Skills for competitive food and drink businesses
• Build on existing initiatives to communicate more clearly with the industry regarding both training needs and the availability of training, and – hence – encourage stronger take-up • Support the emerging Centres of Vocational Excellence and encourage the regional implementation of priorities within the National Skills Strategy to ensure that provision is made for enhanced vocational training as a route to securing better technical, marketing and customer care skills • Support the Sector Skills Councils in encouraging young people to consider working in the food and drink industry and helping businesses to structure career opportunities that are attractive to young people. Ensure that SSC activity appropriately reflects the needs of businesses within the East of England • Ensure that research on foreign labour within the national food and drink industry takes into account fully the issues arising in the East of England, and work with the private sector to identify and disseminate best practice in this domain • Support the delivery of the International Business Strategy to ensure that initiatives to develop the international effectiveness of industry leaders are made available to businesses within the food and drink industry • Ensure that skills funding available to the industry is – as far as possible – used to deliver the priorities identified in this Strategy
SP2: "Space for ideas" in food and drink
• Identify routes through which "mainstream" support for innovation and technology transfer might be rendered applicable to the long term needs of the region's food and drink industry; this is likely to require actions to persuade both researchers and would-be entrepreneurs that the food and drink industry is an attractive focus for their activities • Encourage the region's food and drink-based research institutions and the business community to identify greater opportunities for collaboration • Identify and then "show-case" examples of good practice in terms of links between food and drink businesses – of all sizes and from all sectors – and the research base • Raise awareness among food and drink businesses as to the opportunities for research funding • Encourage the legal community to work with food and drink businesses to develop better protocols for protecting intellectual property • Establish whether the hard infrastructure for value-added start-ups linked to food and drink (e.g. business incubation space) needs to be improved • Provide support for groups of food and drink businesses – and firms from other sectors – which are seeking to innovate through collaborative activity • Encourage the industry to embrace environmental innovation, focusing on energy efficiency, water resources, renewable energy and waste prevention
SP3: Internationalising food and drink
• Develop a targeted, realistic and achievable export strategy for the food and drink industry in the East of England. This ought to link in with the region's food and drink-related knowledge-based specialisms • Support the delivery of the International Business Strategy and ensure that priorities identified within the Food and Drink Industry Strategy are taken on board fully • Identify specific opportunities for food and drink businesses linked to imports arriving at the region's ports and airports • Develop – and publicise – a co-ordinated programme of activity for businesses seeking to engage in international trade, particularly through exhibitions, etc. This in turn will help to market the region's food and drink excellence abroad, and to do so in a co-ordinated way
SP4: Consumer and customer connections
• Continue to work closely with the national English Food and Farming Partnerships (EFFP) initiative to enhance collaborative activity within the region • Support small businesses in seeking to engage with the public sector food procurement initiative and ensure that opportunities within the region are identified, developed and publicised • Provide stronger co-ordination and better support for farmers' markets, linking this into support for sustainably produced local food • Safeguard – and if possible enhance – the regional infrastructure for meat production (abattoirs)

SP5: Whole Supply Chain

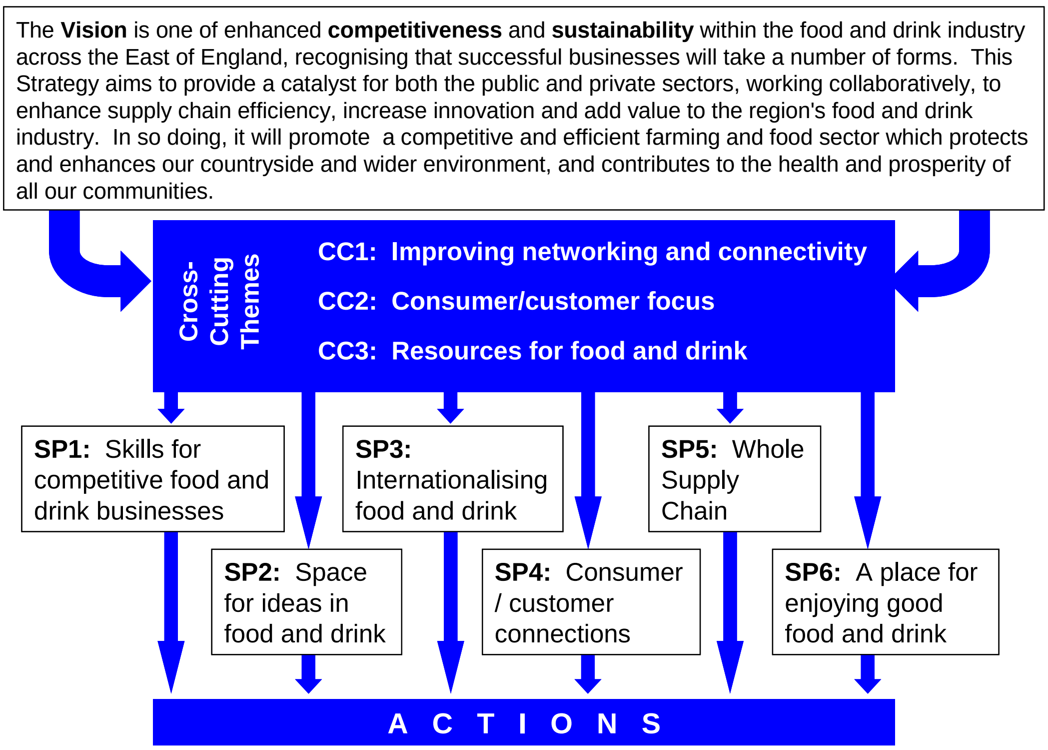
- Animate groups of linked companies to apply for funding to invest in supply chain improvements; the scope of the Processing and Marketing Grant is worth considering in this regard
- Encourage producers from the potato and vegetable sectors to develop a collective response to issues relating to water supply
- Develop a whole supply chain response to new packaging waste recycling targets
- Liaise with other industry sectors in order to identify, develop and disseminate pan-industry "best practice" and learning with regard to supply chain management
- Establish a "regulation watch" resource for producers and processors within the region to provide an early warning on new regulations; this could be linked to activities to enhance communication and networking along major supply chains

SP6: A Place for enjoying good food and drink

- Support and encourage actions that link the provision and promotion of good quality food to the role of market towns
- Develop a region-wide approach to the branding and marketing of quality regional food
- Support actions to link schools to the production of food and drink, thereby raising awareness about provenance and quality
- Working alongside national initiatives, take active steps to promote the concept of food tourism within the East of England

10. Drawing together these different elements, the Strategy for the Food and Drink Industry in the East of England is summarised in Figure 1 below.

Figure 1: A Strategy for the Food and Drink Industry in the East of England



Delivering the Strategy

11. In order to deliver the Strategy, clear implementation arrangements will need to be established. These must be premised on a commitment to involve the private sector fully and effectively and to interface closely with the emerging regional infrastructures for the delivery of business support.

12. In moving forward, the intention is to appoint a *Food and Drink Industry Strategy Sector Group* which – in composition – will reflect the breadth and scope of the industry. This Group will also include key funding agencies and will link into regional delivery structures for business, skills and competitiveness. Through this Group, the industry will continue to have a strong voice within the region and regional partners will continue to lobby nationally (and internationally) for and with the industry. The intention is that these implementation arrangements will also ensure that the Implementation Plan for Sustainable Farming and Food is refreshed to include and reflect the issues identified within this Strategy so that there can be one regional-level Action Plan for the industry to which all funding partners are committed (**Chapter 13**).

13. In this context, effective monitoring and evaluation will be critical in order to develop the Strategy as baseline conditions evolve and change, and to test – and demonstrate – the Strategy's overall effectiveness (**Chapter 14)**.

1 Introduction

Background

1.1 During the early part of 2003, SQW Ltd was commissioned – in association with ADAS Consulting Ltd and Cambridge Econometrics – to complete a programme of work leading to the development of a Strategy for the Food and Drink Industry in the East of England.

National policy context

1.2 This appointment was part of a response by EEDA – and other regional partners – to a stream of policy initiatives from central government. Two were especially important:

- the publication of a national Strategy for Sustainable Farming and Food[1] which required the preparation of an annual regional implementation plan[2]
- a request from government for all RDAs to produce strategies for regional food[3], or at least a regional food component to their regional strategies.

1.3 Drawing together these different imperatives, EEDA's view was that (a) the regional implementation plan for sustainable farming and food needed to be set within a medium-long term regional strategic context and that (b) this ought also to relate to the specific issues regarding *regional* food in addition to the wider food and drink industry. Hence the thinking behind the Strategy for the Food and Drink Industry in the East of England was that it ought to address both imperatives in a single strategic statement.

Regional context

1.4 EEDA has been committed to the food and drink sector since the Agency was set up in 1999. In the first Regional Economic Strategy, the strategic significance of food and drink was acknowledged: although prospects for agriculture were considered to be poor ("*with CAP reform likely to lead to further rationalisation*"), EEDA argued that "*the sector (together with food processing) is likely to remain a major employer in parts of the region and for this*

[1] "The Strategy for Sustainable Farming and Food: Facing the Future", published by Defra, 2002

[2] "Sustainable Farming and Food Strategy: East of England Delivery Plan, 2003-04", published by the Government Office for the East of England, July 2003

[3] This is defined as "food produced within a particular geographical area and marketed as coming from that area. However it may be sold within or outside that area. Regional food is perceived to have a distinctive quality because of the area in or the method by which it is produced" (Defra, 2002). Note that throughout this document, Crown Copyright material is reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland

reason – and the fact that the agricultural industry has a critical role to play in preserving the region's environment – one of its main attractions – we have defined it as a key sector"[4].

1.5 Against this backdrop, an Agriculture and Food Processing Sector Group was set up, chaired by Lady Cranbrook. This sponsored a number of surveys to identify strategic issues relating to food businesses within the region[5]. Subsequently, the sector group split into two: one group focusing on larger processors and a second embracing small and micro businesses. These groups highlighted priority issues requiring further research and – on the back of this – a number of research studies were undertaken. These included, *inter alia*, a strategic review of the meat sector in the East of England[6]; a study of Farmers' Markets[7]; an investigation into barriers to growth for SME businesses within the food and drink industry[8] (completed with and for Lady Caroline Cranbrook and members of EEDA's SME Agricultural and Food Processing Sector Group); and a study of attitudes to local/regional foods[9]. Subsequently – and as the immediate precursor to the development of the Strategy – two further pieces of research were completed:

- a baseline statistical analysis of the region's food and drink industry – defined from "plough to plate" – together with projections for its future prospects[10]
- supply chain case studies with food and drink businesses of varying sizes and from different sectors within the industry. Particular foci have included meat, cereals, vegetables, brewing, and food service[11].

Developing a Strategy for the Food and Drink Industry in the East of England

1.6 Drawing on this evidence base, the approach to Strategy development has been one of sequential engagement and decision-making. Key stages in the process have included:

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4 "Regional Economic and Strategic Analysis", EEDA, 1999 page 55

5 For example, "Agriculture and food processing sector" business survey report to EEDA, produced by Ed Havis, November 2001

6 "Strategic Review of the Meat Sector" prepared for EEDA by Promar International, April 2003

7 "Study on the current support roles of Regional Organisations and Agencies for Farmers' Markets" completed by Rosemary Hoskins, Eco-Projects, for EEDA, April 2003

8 "Climbing the Ladder: SMEs expanding upwards through the food chain in the East of England" Report prepared for EEDA's Agricultural and Food Processing Sector SME Group by Jennifer Frances, University of Cambridge, May 2003

9 This work was undertaken by Good Sense Research on behalf of Tastes of Anglia and for EEDA. It included surveys of members and non-members of Tastes of Anglia including producers, retailers, etc., as well as focus groups which were conducted among consumers in order to elicit opinions on the scope and potential of "regional food development"

10 A full statistical baseline has been prepared and written up by Cambridge Econometrics. It constitutes one of the appendices to this Strategy document

11 Owing to their commercial sensitivity, the full case study reports have been provided as a confidential report to EEDA

- an early workshop[12] and a series of bilateral consultations based around a summary analysis of the drivers of change affecting the sector and the medium term strengths, weaknesses, opportunities and threats (SWOT)

- based on feedback from the SWOT discussions, bilateral consultations with businesses[13] on a number of medium-long term scenarios for the industry's development in the East of England

- reflecting on businesses' comments on the scenarios, the development of a draft strategic framework setting out Strategic Priorities and Cross-Cutting Themes for the industry's future

- a Strategy workshop[14] which focused on developing and refining the draft strategic framework and starting to identify both existing and new actions; provision was also made for written feedback on the framework from those who were unable to attend and those who wanted more time to consider the proposals

- a presentation of the draft strategic framework (which had been revised in the light of earlier feedback) by Marie Skinner, one of EEDA's Board Members, at the FoodEast Conference[15]

- on the day after the FoodEast Conference, the circulation of a questionnaire to all conference attendees which sought businesses' views on specific priorities for action within the context of the revised strategic framework; the same questionnaire was subsequently posted and/or emailed by EEDA and its partners to a further 200 businesses. By mid December 2003, 31 formal responses had been received from the business community

- consultation on the draft Strategy for the Food and Drink Industry: almost 30 written responses were received and in finalising this Strategy, we have sought to take these comments into account.

1.7 Through this process, a large number of businesses and other interested parties have been engaged progressively in developing the Strategy[16]. Our hope is that – in considering this document – they will be able to see the manner in which their different inputs have been distilled and synthesised.

[12] This was held on 3rd June 2003 in Cambridge and there were 17 attendees drawn mainly from public sector agencies

[13] Twenty five food and drink businesses from around the region were engaged in this "strategic conversation". This included some of the region's largest food and drink companies, but also some much smaller businesses, and the interviews were conducted with firms from a variety of industry sub-sectors

[14] This was held on 24th September 2003 in Newmarket. It was attended by over 60 people drawn from public sector agencies and organisations. A note of the meeting was drafted and then circulated in early October

[15] This took place on 22nd October 2003. Well over 100 people attended the FoodEast Conference including a large number of businesses

[16] Our estimate – taking into account the recent work of SQW/ADAS/Cambridge Econometrics and the earlier studies that provided substantive inputs into the development of the Strategy – is that at least 200 businesses have contributed to the development of this Strategy

1.8 The overall process has been overseen by a Steering Group which has been chaired by Katie Huane (EEDA's Sector Adviser). Other members have included Fiona Bryant (EEDA), Mark Deas (EEDA), Alan Bell (GO-East) and Martin Collison (Rural Policy Adviser to EEDA), and – until he left EEDA – Andrew Charlton. The Steering Group has met formally on seven occasions during the Strategy development process. All Steering Group members have attended the different consultation events listed above and there have also been numerous informal meetings and discussions with individual members of the Steering Group as issues have arisen and decisions have had to be made.

Nature and Structure of this Document

1.9 A wide range of different inputs relating to both *analysis* and *process* have therefore informed the preparation of this Strategy. This document sets out to provide a reasonably succinct statement of the nature of the food and drink industry within the East of England, the trends and drivers that are likely to shape its future, the priorities that have been identified in response, and the implementation arrangements through which these might be delivered. Throughout the document, references are provided to supporting analyses, policy statements, and so on. In addition, a number of substantive annexes have been drafted as accompanying volumes.

1.10 The remainder of this document is divided into three main Sections (each of which is sub-divided into a number of Chapters):

- *Section A* provides the context for the Strategy by describing the character of the food and drink industry in the East of England, outlining the drivers that are likely to shape its future, and presenting a number of futures scenarios for the industry's medium-long term development
- *Section B* presents a Strategy for the Food and Drink Industry in the East of England which embraces a Vision, a series of Cross-Cutting Themes, six Strategic Priorities and some actions through which these might be delivered
- *Section C* focuses on the mechanisms through which the Strategy will be delivered and – subsequently – monitored and managed.

Acknowledgements

1.11 Over the last few months, many different people from food and drink businesses – and from the agencies and organisations that are concerned with supporting the sector's development – have contributed substantively to this Strategy process. We would like to acknowledge the significant assistance we have received and the range of different contributions that have been made.

Section A:

Food and Drink in the East of England – Today and Tomorrow

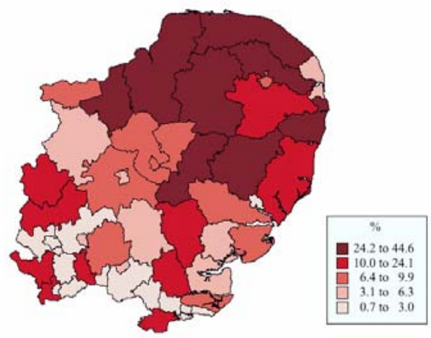
2 Food and Drink in the East of England

How big is the sector in the East of England?

2.1 Official data taken from the Annual Business Inquiry suggest that in 2001, activities relating to agriculture (including fishing and forestry), and food and drink manufacturing (SIC 01, 02, 05, 15) together accounted for around 90,000 jobs in the East of England. Across these sectors, the value of regional output was estimated to be £2.9bn (at 1995 prices)[17]. In terms of both output and employment, agriculture and food and drink manufacturing together accounted for about 3.5% of the regional totals.

2.2 Cut another way, in 2001, the 43,000 jobs in food and drink manufacturing generated output to the value of £1.6bn (at 1995 prices): 13% of all regional manufacturing employment and output respectively. Spatially, employment within food and drink manufacturing was relatively (and absolutely) concentrated in the north and east of the region, as Figure 2.1 demonstrates. Indeed, across both Norfolk and Suffolk, employment in food and drink manufacturing accounted for over 25% of all manufacturing activity which in turn highlights the particular local significance of the sector.

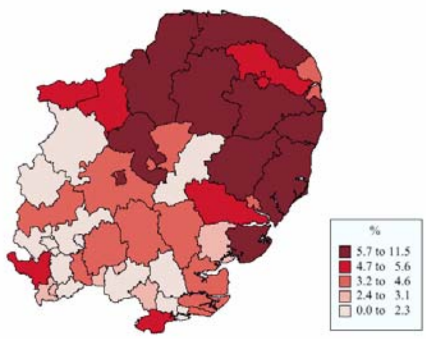
FIGURE 2.1: FOOD AND DRINK EMPLOYMENT AS A PROPORTION OF MANUFACTURING TOTAL IN THE EAST OF ENGLAND BY DISTRICT, 2001



Source(s) : ABI.

2.3 Another important metric concerns the number of business units. From the Annual Business Inquiry, we know that there were about 900 food and drink manufacturing sites within the region. Data from the Defra Agricultural Census suggest that in 2001 there were just over 21,000 farm holdings within the East of England (12% of the English total). In both absolute and relative

FIGURE 2.2: FOOD AND DRINK FIRMS AS A PROPORTION OF MANUFACTURING TOTAL IN THE EAST OF ENGLAND BY DISTRICT, 2001



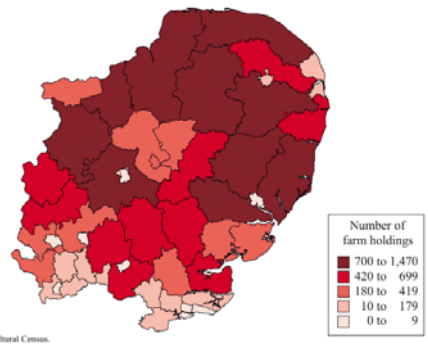
Source(s) : ABI.

[17] Output estimates are made by Cambridge Econometrics in a manner that is consistent with the output data that is published by National Statistics

terms, these again were concentrated in the north and east of the region (see Figures 2.2 and 2.3).

2.4 Within this overall context, the size distribution is important: whereas 60-70% of firms in the food and drink sector employ fewer than 10 people, 10-15% of employment in food processing in the East of England is in sites with more than 1,000 staff. This points to the skewed size distribution of food and drink businesses, a theme to which we return later.

FIGURE 2.3: NUMBER OF FARM HOLDINGS IN THE EAST OF ENGLAND BY DISTRICT, 2001



Source(s) : Defra Agricultural Census.

2.5 But whether the metric is employment or output or the number or size of business units, accurately capturing the scale and significance of agriculture and the food and drink industry is challenging. The reasons for this are both intrinsic to the sector and indicative of some of the broader underlying dynamics. For example:

- due in part to the seasonality of production, demand for labour across much of the industry is very irregular. In addition, packhouses may operate 24 hours per day and hence local labour supply is often – and increasingly – insufficient. For both reasons, casual workers – many of whom are supplied through agencies/gangmasters (sometimes legally, sometimes illegally) – are an important element of the workforce. The Annual Business Inquiry does not collect data on casual or short-term contract labour. While the Defra June Census does in theory include seasonal and casual workers, it is completed too early in the growing season to capture the harvest peak figures. So in terms of official datasources, the number of casual workers – and hence the number of people who depend directly on the industry for their livelihood – is significantly under-recorded[18]

- from ABI, the number of food and drink enterprises is likely to be understated. ABI is based on reporting units at workplaces. Thus very small food and drink processors will not be captured within the data. Nor will food and drink processing activity that takes place within a diversified farm business. Our sense is that the 900 units identified through the official statistics therefore understates the number of food and drink producing enterprises within the region

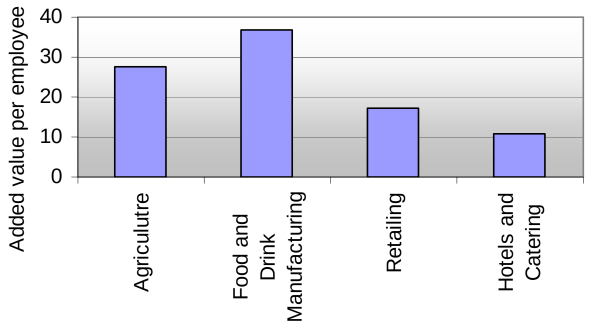
[18] A report from the House of Commons Environment, Food and Rural Affairs Committee on the activities of gangmasters observed that neither government – nor any of the witnesses who gave evidence to the Committee – was able to estimate the number of gangmasters that are operating, the work they are engaged in, or the scale of their operations (House of Commons, 2003 page 9)

- on the other hand, there is some suggestion that official data sources may overstate the number of farms (as one farm business may relate to numerous farm holdings). Increasingly land is managed under contract and is therefore effectively operated as part of a much larger enterprise. Thus the agricultural data may obscure the extent to which consolidation has – effectively – taken place.

2.6 In order to estimate the true significance of the sector, two further major factors must be taken into account.

- firstly, agriculture and food and drink processing together account for far fewer jobs and less output in the East of England than either food-related retailing or the range of activities associated with food service. There are around 20,000 people working in food-related wholesaling, around 115,000 in food-related retailing and over 113,000 within food service (restaurants, bars and canteens and catering, but excluding hotels) although – as Figure 2.4 highlights – value added per employee in these downstream sectors is lower than in agriculture, food and drink

Figure 2.4: Value added per employee across different parts of the Food and Drink Industry in the East of England in 2002 (at 1995 prices)



(Source: Cambridge Econometrics)

- second, it is vital to recognise the range, scale and nature of the wider cluster[19]: the packaging businesses, hauliers, suppliers of food processing equipment, experimental research stations and the like that are intimately related to the industry even if they are – in theory – separate from it. Data suggest that more than 40,000 people are employed in sectors that are key suppliers to the core food and drink industry, such as in packaging, haulage and veterinary services. In addition, almost 200,000 people are employed in other supply industries such as construction, financial and legal services, and buying, selling and letting of real estate (although clearly these supplier industries in the region service more than just the region's food and drink industry).

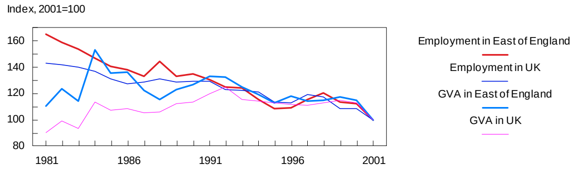
2.7 Thus the significance of the food and drink sector to the region's economy extends beyond the core activities of agriculture and food and drink processing, through the supply chain (including food retailing and food service) and the wider cluster (embracing a range of functionally linked activities).

2.8 Employment in agriculture and food and drink processing has declined steadily over the last 20 years (Figures 2.5, 2.6 and 2.7). This is indicative of the major structural changes that

[19] Defined for statistical purposes through the UK input-output tables

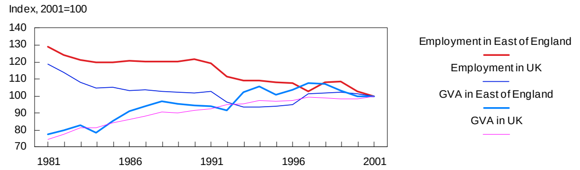
have shaped the industry and it is a theme to which we return later. At the same time, however, it is important to recognise that GVA per employee has increased substantially (Figures 2.8, 2.9 and 2.10). In the context of a region that – for the most part – is not short of jobs – this may be a better metric of its real contribution to regional performance. For the same reason, it ought to be a key indicator in terms of both defining the shape and measuring the progress of the Strategy.

FIGURE 2.5: HISTORICAL TRENDS IN OUTPUT AND EMPLOYMENT IN AGRICULTURE IN THE EAST OF ENGLAND



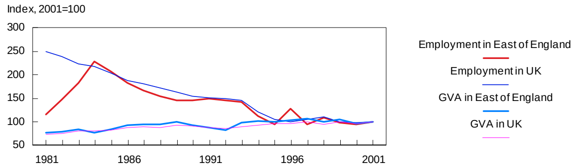
Note(s): Agriculture (including fishing and forestry) is defined as SIC 01, 02 and 05.
Source(s): Cambridge Econometrics.

FIGURE 2.6: HISTORICAL TRENDS IN OUTPUT AND EMPLOYMENT IN FOOD PROCESSING IN THE EAST OF ENGLAND



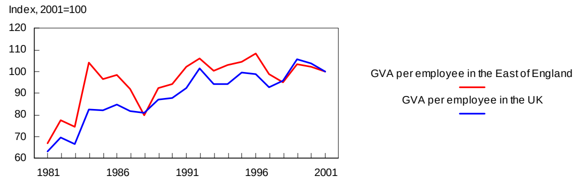
Note(s): Food is defined as SIC 15.1-15.8.
Source(s): Cambridge Econometrics.

FIGURE 2.7: HISTORICAL TRENDS IN OUTPUT AND EMPLOYMENT IN DRINK MANUFACTURING IN THE EAST OF ENGLAND



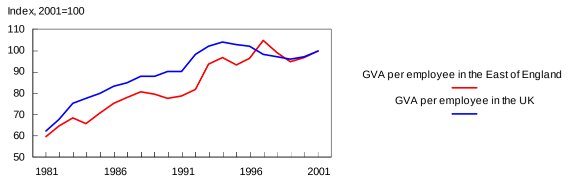
Note(s): Drink is defined as SIC 15.9.
Source(s): Cambridge Econometrics.

FIGURE 2.8: HISTORICAL TRENDS IN GVA PER EMPLOYEE IN AGRICULTURE IN THE EAST OF ENGLAND



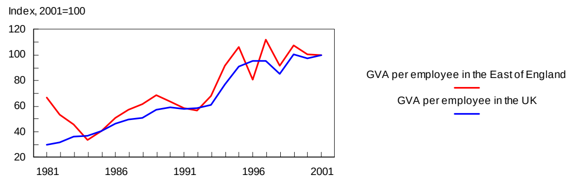
Source(s): Cambridge Econometrics.

FIGURE 2.9: HISTORICAL TRENDS IN GVA PER EMPLOYEE IN FOOD PROCESSING IN THE EAST OF ENGLAND



Source(s): Cambridge Econometrics.

FIGURE 2.10: HISTORICAL TRENDS IN GVA PER EMPLOYEE IN DRINK MANUFACTURING IN THE EAST OF ENGLAND



Source(s): Cambridge Econometrics.

Regional specialisms within the food and drink industry

2.9 Against this backdrop, there are huge variations within the East of England in terms of the nature, character and local significance of the food and drink industry[20]. Spatially, many of these differences may be traced – in whole or in part – to land use patterns which in turn have been shaped by variations in soil, topography, climate, and proximity to urban areas. Cutting across this, however, is the influence of different corporate structures, variable supply chain relationships and sector-specific political/regulatory regimes. In the remainder of this Chapter, we examine key sub-sectors within the East of England's food and drink industry,

[20] Greater Peterborough Investment Agency (GPIA) recently completed an analysis of the greater Peterborough area's farm and food sector. This identified 100 food companies locally, many of which are profiled in its report "Success on a Plate"

the supply chains associated with them and the wider cluster of inter-related activities[21], before turning – in Chapter 3 – to consider the trends and drivers that are shaping their future.

Cereals – and the surrounding supply chains

2.10 According to the Defra June Census 2001, of the land devoted to cereals in England, Norfolk accounts for 7%, Suffolk for 5%, and both Cambridgeshire and Essex for 4%, while the region as a whole can claim 25% of the national total. Within this overall context, the region has a strong relative presence in barley and wheat. However these are major commodity crops and – notwithstanding current intervention pricing under CAP – prices are globally determined. Production within the East of England is tiny in comparison to the volume of cereals grown in North America and central and eastern Europe. It is within this truly global context that producers from the East of England must increasingly operate and compete.

2.11 There are well over 9,000 holdings devoted mainly to cereals within the East of England. Whilst the management of holdings has increasingly been contracted to third parties or let directly under short term tenancies (and hence the effective number of businesses will be less than 9,000), the extent of producer fragmentation – in the context of a price sensitive and global market – is still apparent. Against this backdrop, co-operatives and other collective groupings have played an important role. One example is *Framlingham Farmers* which was set up in Suffolk in 1960 and now has over 500 members; it is responsible for purchasing £38m of inputs and marketing 170,000 tonnes of grain each year[22]. Another is *Camgrain* which – in combination with *Fengrain* and operating from different sites in Cambridgeshire – provides storage facilities and marketing resources for over 200 arable farmers[23]; on one estimate, it is responsible for around 4% of UK wheat.

2.12 After being sold, wheat is used for seed or processed to be become flour, starch or animal feed. Within the East of England there are a number of milling operations (such as *Heygates* in Tring, Hertfordshire). However milling is an area which has seen substantial changes in ownership and industry structure over the recent past; for example, the American multinational *ADM* acquired a number of flour mills from Allied Mills in 2003 in the context of its global, technologically sophisticated and vertically integrated operation. For grain producers, the shape of the animal feed industry in the East of England has also changed significantly; *Dalgety* (which operates from a number of sites in the region) has exited from the animal feed industry leaving *BOCM Pauls* (based in Ipswich) and *ABF*, two companies that have themselves grown through merger and acquisition. In terms of downstream

[21] There is an array of food and drink research and training institutions in the East of England. In the text, we refer to these in the context of particular sub-sectoral specialisms, but the scope and potential of this institutional infrastructure needs to be acknowledged fully

[22] Updated figures for the year to 30/06/05

[23] http://www.camgrain.co.uk

intermediate markets for wheat products, the key feature – arguably – is therefore consolidation and rationalisation which is occurring on an international basis.

2.13 A proportion of the region's barley is used for the production of malt (i.e. partially fermented barley grain) which in turn is used mainly to supply brewers. In general terms, maltsters have closer links to the growers of barley than do millers with the growers of wheat. This is explained in terms of the need to anticipate and respond to changes in demand through direct contracts with farmers to ensure both specific supply and quality requirements. Within this overall context, the East of England has a strong barley-malt-brewing cluster with:

- favourable soil and climate conditions for the growing of barley: data from the Defra June Census suggest 98,000 ha devoted to winter barley (3,500 holdings) and 86,000 ha devoted to spring barley (3,700 holdings) – the principal source of malting barley – in the East of England

- some major maltsters (e.g. *Muntons* in Stowmarket, *Crisp Malting Group* in Great Ryborough (Norfolk) and Ditchingham (Suffolk), *EDME* in Maningtree, and *Pauls Malt* (which was acquired by Greencore) in Bury St Edmunds); and

- major brewers (of which *Greene King* (based in Bury St Edmunds), *Adnams* (Southwold) and *Charles Wells* (Bedford) have been very successful following significant brand investment, some diversification into catering and hotels, etc.) but also a strong complement of micro breweries: for example, there are over 20 small independent brewers within East Anglian Brewers Ltd – a co-operative which was founded in 2002 with support from EEDA[24].

2.14 Notwithstanding the recent success of the brewers, the cluster as a whole has been under some pressure. Since the 1980s, malt has increasingly been commoditised and margins along the supply chain have been squeezed as the industry has become truly global. The consequence has been that many maltsters are looking to diversify into malted ingredients – and thereby broaden their customer base – in order to access higher margin markets. But at the same time, the micro-breweries have grown in presence and stature in the context of favourable legislative and tax changes and a resurgent interest in "real" ales[25]. Arguably, therefore, developments within the region's barley-malt-brewing cluster are a microcosm of trends across the entire food and drink industry: globalisation, differentiation and a range of quite different business models with distinctive competitive drivers.

2.15 With regard to cereals more generally, one final point concerns the scale and significance of the research base within the East of England which – in a wider UK context – is arguably

[24] http://www.eastanglianbrewers.com

[25] A detailed account of the factors which lay behind the creation of St Peter's Brewery – located near Bungay in Suffolk and a member of East Anglia Brewers Ltd – may be found at http://www.stpetersbrewery.co.uk

second to none. The *Institute of Arable Crops Research (IACR)* operates from two sites in the East of England (and three in total), the biggest of which is at Rothamsted (Harpenden). It is a major research facility and has received substantial funding from BBSRC over the last few years. *NIAB* – based in Cambridge – has a strong research record in plant variety rights, seed certification and seed technology. Another major centre of research linked explicitly to cereals is *Plant Breeding International of Cambridge (PBIC)* which was acquired by Monsanto in 1998 on the basis of its breeding programmes for crops including winter wheat, barley, oilseed rape and potatoes[26]. Other private sector research-based companies include *Twyfords* at Thriplow, *Syngenta Seeds* at Abington and Whittlesford, *Bayer Crop Science* at Harston and the *ADAS Centre for Sustainable Crop Management* at Boxworth near Cambridge.

Pigs and Poultry – and the surrounding supply chains

2.16 Historically, the region's strength in the production of grain has gone hand-in-hand with the rearing of both pigs and poultry and the relationship between the two sectors continues to be a strong one. By 2001, the Defra June Census suggested that the East of England accounted for 26% of the national pig herd and 25% of table chickens, and both sectors were spatially concentrated in Norfolk and Suffolk.

2.17 Supply chains across both pigs and poultry are characterised by high levels of vertical integration. They are increasingly concentrated and – at the same time – both have been progressively shaped through the effects of internationalisation. Both are unsupported through CAP and thus have had to respond to market changes. It is instructive to consider briefly the similarities and differences between the two sectors.

2.18 The pig sector has been under immense pressure over recent years. In the East of England, the combined effects of serious disease outbreaks, unfavourable exchange rates and – in the eyes of the industry – competition from continental European producers whose methods are much less welfare-friendly, has led to intense competition; the sector has – to use the terminology of one consultee – been "commoditised", price sensitivity has increased and the size of the pig herd has reduced sharply. There remain some major players within the region including *Grampian* (which has a number of sites within the region including a sizeable one at Haverhill) and *Dalehead*[27] (with its headquarters at Linton in Cambridgeshire and a second site in Framlingham, Suffolk). Across these businesses, levels of vertical integration are high and careful supply chain management is a key feature. For instance, through the acquisition

[26] In October 2003, Monsanto announced that it would seek a buyer for its operations in Cambridge

[27] Dalehead Foods Ltd is part of Flagship Foods Ltd. In May 2004, Flagship Foods and Danish Crown agreed to combine the businesses of Flagship Foods and Danish Crown's UK subsidiary, Tulip Ltd, to create one of the UK's largest meat groups (http://www.danishcrown.dk/print2685.asp?)

of *BQP*, Dalehead secured links to 250 farms which produce breeding sows, mainly within the East of England[28].

2.19 For the region's Strategy for the Food and Drink Industry, a number of wider implications follow. First, the level of integration is such that the scope for independent producers is really quite modest (and this trend is further accelerated by the declining provision of local abattoirs). Second, it means that a sizeable proportion of the region's pig meat supply chain is bound up in the operations of a modest number of decision-makers, thereby implying both regional-level vulnerability but also – perhaps – some resilience. Third, it means that there ought to be scope for innovation and improved performance across the length of the supply chain and for mutual benefit.

2.20 Across the poultrymeat industry there are many parallels, but also some differences. With over 20% of the national flock, the East of England has a strong presence. This in turn owes much to the region's ability to grow grain – an input that represents around 30% of production costs[29]. Like pig production, the poultry industry is characterised by a high level of vertical integration and also increasing market concentration across a small number of large companies; major players based in the region include *Bernard Matthews* (in Great Witchingham, Norfolk), *Grampian Country Chicken* (with several sites in the region) and *GW Padley* (in Wisbech). Unlike pig rearing, the poultry sector is quite industrialised: chickens are reared in 38-45 days and then slaughtering and processing are highly automated – to the extent that digital cameras are used to route individual carcasses to particular end-uses. Through automation, processing plants can handle 10-11,000 birds per hour and – whereas red meat abattoirs are often underutilised – poultry plants will often operate double shifts, if they can find the labour. Even so, the poultry industry is being affected by the growth of imports. Brazil and Thailand have become major competitors and suggestions have been made that poultry is entering the UK market at below cost in the context of wage levels that are much lower than those in the East of England and regulatory requirements that are less onerous; and in this context, consumers need to be encouraged to understand and trust UK assurance schemes. However, the globalisation of poultry production seems irreversible: many major processors have investigated the scope of off-shore facilities and in 2001, for example, Grampian acquired a chicken production facility in Thailand[30].

2.21 The East of England has strong locational advantages for both pigs and poultry relating to the local supply of grain – which again demonstrates the inherent inter-connectivity of different parts of the food and drink industry. But whereas the poultry industry has invested heavily in automation and product innovation, pig production – in the East of England – remains more

[28] http://www.flagshipfoods.co.uk/dalehead/integration.htm

[29] "Strategic Review of the Meat Sector", prepared for EEDA by Promar International, April 2003

[30] "Insight to the chicken market", Grampian, 2003

fragmented (certainly in terms of rearing pigs) and labour intensive. Notwithstanding the existence of some major players within the region, the fact that the size of the national pig herd has halved in recent years is testimony to the nature and extent of the competitive pressures.

Horticulture – and the surrounding supply chains

2.22 Horticulture – defined broadly to include the growing, packaging and processing of salad crops, fruit and field vegetables (peas, beans, etc.) – is among the most distinctive parts of the region's food and drink industry. In terms of raw materials, the East of England accounts for over a quarter of the horticultural land area and 20% of the holdings nation-wide. Geographically, it is concentrated in the north of the region and – with its Grade 1 agricultural land – the Fens area is especially strong. There are pockets of horticultural activity elsewhere, notably in Essex.

2.23 Salad and vegetables are unsupported sectors[31] and of necessity, their relationship with the market has been much closer than in many other areas of agriculture. As a result, the sector is widely regarded as one of the most competitive and sophisticated parts of the UK food industry. Its growth has paralleled – and in some respects depended on – that of major multiple retailers and many of the major suppliers have exacting but enduring relationships with the multiples and major food service companies. Within the region the supply of salad and fresh vegetables is a major part of the food and drink industry, and some of the region's largest and most successful food companies operate within it.

2.24 One important example is *G's Marketing*. With its headquarters near Ely, G's is part of the Shropshire Group of companies and – with an annual turnover in excess of £135m[32] – it is a major player in the salad and fresh vegetable sector. The company's origins were in the growing of celery in the 1950s, but the founder quickly recognised that the future lay in marketing and selling vegetables. G's Growers Limited – a growers' co-operative – was formed in 1984 and G's Marketing Limited was set up alongside it to provide services including harvesting, storage, packing, distribution, administration, quality assurance and marketing. In order to secure year-round supply, G's set up an operation in Spain in the mid 1980s. At about the same time, it also moved into prepared salads. In the 1990s, it developed worldwide procurement expertise so as to provide continuity of quality product all year. And in positioning itself for the future, G's has established footholds in Poland and the Czech Republic. Thus although the origins of the company lay in growing celery on fertile land, its growth has owed much to the disciplines of maintaining tight quality control, building and sustaining close links to customers, responding through co-operative supply and then global

[31] i.e. there is no production subsidy through the Common Agricultural Policy

[32] http://www.gs-marketing.com

procurement to changing customer demands and – increasingly – seeking to add value, interest and convenience to salad crops and vegetables[33]. These imperatives apply equally to other parts of the food and drink industry and the themes within them have contributed significantly to the development of the Strategy for the Food and Drink Industry.

2.25 Another distinctive specialism within the East of England is in the freezing of vegetables[34]. Especially on the fertile Fen soils, peas are grown in rotation with other crops, notably potatoes (see below). In the late 1960s – in the context of the white goods revolution and thus major changes in the consumption possibilities available to households – a vegetable freezing industry emerged in close proximity to the raw material source. Key players today include *Bird's Eye* (part of Unilever) which has a major plant in Lowestoft, and *Pinguin* (which acquired the plant formerly owned by Albert Fisher Frozen Foods Ltd) in King's Lynn. Networks of growers are linked to the freezing plants through co-operative producer groups.

2.26 However as consumer perceptions have changed, the frozen foods market as a whole has been under pressure (mainly from fresh alternatives) and margins have been very tight; in this context, retailers have started to source frozen vegetables through internet auctions and – in the future – it is conceivable that the nature of relationships with growers might change in a parallel fashion. The sector is also experiencing difficulties associated with the availability and cost of water supply, and the costs of effluent disposal. Nevertheless this is a sector in which globalisation and EU expansion could bring with it serious opportunities as the "white goods revolution" spreads across currently under-developed markets. It will be important that relevant firms in the East of England are sufficiently ensconced within the international networks to be able to benefit; this is an important theme and one to which we return later.

2.27 A third sub-sector within horticulture is fruit. Relative to England as a whole, the East of England is not a major fruit producer; both Worcestershire/Herefordshire and Kent produce significantly larger volumes. However the sector is locally important. Around Wisbech, for example, there is a cluster of top fruit activity, linked particularly to conference pears and bramley apples[35]. This has been in a decline over recent years and there has been concern about the lack of reinvestment (through replanting orchards), the age profile of those running the orchards together with the dearth of obvious succession strategies, and – encouraged at certain times by government grants – the rate at which orchards have been (and are being) grubbed up. However, consultations have suggested that recent innovations in packaging and a much greater emphasis on customer relations and marketing have led to some improvement

[33] A much longer description of the history and growth of the Shropshire Group of Companies is included within a speech by John Shropshire entitled "Horticulture today – lessons for tomorrow" (http://www.rase.org.uk/jshropshire)

[34] Historically, vegetable canning was very important in the north of the region, but this part of the industry has declined as frozen – and increasingly fresh – products have become available

[35] Encouraged in part by public policy, orchards have largely disappeared from other traditional growing areas in the East of England

in performance and prospects. Although modest in scale, the region's soft fruit production is also noteworthy; recent growth has been fuelled by investment in Spanish tunnels, new varieties, professional management and strong international links.

2.28 Because of its unsupported nature and its geographical concentration, horticulture is a very important sector for the East of England in general and the Fens in particular. Within it are some very sophisticated businesses that have responded to market, technological and political changes. Further challenges lie ahead – of which the difficulty of attracting labour, issues relating to water supply and the threats (but also opportunities) associated with globalisation are among the most important. Nevertheless, in observing the processes through which firms within the wider supply chain are responding to these challenges, it is – arguably – possible to draw out some key insights and imperatives for the region's food and drink industry more generally.

Potatoes – and the surrounding supply chains

2.29 The East of England accounts for over 30% of the land devoted to the growing of potatoes in England and – within this – the Fens area of west Norfolk and north Cambridgeshire again features strongly, but not exclusively. Going back 20 years, the average consumer bought potatoes by the sack as a staple food; today the gross volume of potatoes that are consumed by households has declined, but – led by the retail multiples – the value has risen as the varieties of potatoes available – and the forms in which they can be purchased – has increased substantially. Potatoes is a sector in which category management – the strategic management of product groups through trade partnerships – has been a feature. The region's potato supply chain – from seed merchants and agronomists through growers, packers, hauliers and processors – has had to adapt, evolve and innovate in response. In practice – as elsewhere in the food and drink industry – this has meant rationalisation and consolidation across all parts of the supply chain.

2.30 Within the East of England, there is a group of businesses associated with different parts of the supply chain. These include both packers and processors although – with increasing vertical integration – categorising individual businesses is becoming more difficult. *McCains* in Whittlesey has a dedicated chip production facility and one of the largest processing factories in the UK. Other processors/packers include *Greenvale AP* in Wisbech, *Russell Burgess* (part of *Produce World*) at Yaxley, *Garden Isle* in Wisbech, and *Fenmarc* in Wisbech. *Abbey Group* – located some 400 yards from McCains – is one of a number of companies which works at the interface between growers and processors providing agronomy services, storage facilities and marketing expertise. Another is *Greens of Soham*; In 2002, the company supply-managed 125,000 tonnes of chipstock, salad potatoes and seed mainly to processing companies and Greens itself grows 35,000 tonnes of potatoes each year[36].

2.31 Within the region, potatoes are grown on nearly 2,000 holdings; 70% of these are within Norfolk and Cambridgeshire. Suffolk and Essex – with lighter sandy soils – account for most of the other producers. Potatoes from the east of the region are different from those grown in the Fens; they are earlier, more seasonal, and – unlike the Fen potatoes – do not store well. Some are supplied to the major processors early in the season, but a number of growers also have direct links to supply the major multiples; during our consultations, one grower, for example, talked of a particularly strong link with Marks and Spencer.

2.32 The East of England has long been an important location for research and development linked to potatoes. The *Cambridge University Potato Growers Research Association* is recognised as an important contributor to knowledge within the sector as is the *Sutton Bridge Experimental Unit*[37] which bids for British Potato Council contracts. Closer to market, there is continuous trialling of new varieties. Frequently this is managed collaboratively between a grower and/or packer and/or retailer and – in this context – vertical relationships within the potato industry are reported to be strong.

Sugar Beet

2.33 Sugar is a further sub-sector in which the position of the East of England is distinctive and strong. Although it sits outside CAP, the production of sugar is limited by quota. In the UK, *British Sugar* is the monopoly sugar beet processor. It was formed in the 1930s by amalgamating previously independent factories under the Sugar Industry (Reorganisation) Act. Government was a shareholder until the 1980s. In 1991, it was acquired by Associated British Foods. British Sugar now operates from six factories which together produce 1.4m tonnes of white sugar from sugar beet. British Sugar's headquarters is in Peterborough. Three of the factories – which generate around 70% of the output – are in the East of England (at Bury St Edmunds, Wissington and Cantley). Raw sugar beet is – on average – transported 25 miles from the field in which it is grown to the factory in which processing takes place. This suggests that the region's three factory sites sit at the heart of a significant part of the UK sugar industry; indeed the East of England accounts for 49% of the holdings and 54% of the acreage devoted to sugar beet across England and – in both cases – around half of the total is found in Norfolk. It has been estimated that the processing and transporting of sugar beet

[36] Taken from a speech by Andrew Green, Chairman of Greens of Soham, which was given at the East of England Sustainable Food and Farming Conference which was held in Newmarket in July 2002

[37] This is located on the border with the East Midlands. Although technically based in the East Midlands, it is nevertheless an important resource for the East of England

accounts for around 23,000 jobs within the region if both direct and indirect (e.g. haulage) employment is taken into account[38].

2.34 In line with this well-established specialism, the East of England has significant research excellence relating to sugar. The IACR site at *Broom's Barn* (near Bury St Edmunds) was established in the early 1960s. It focuses upon sugar beet research and is funded mainly by the industry. The *Morley Research Centre* – which is affiliated to the University of East Anglia – also has important specialisms within this sector[39]. Looking to the future and the use of sugar in the production of bio-ethanol could be a major opportunity although there will also be challenges linked specifically to the review of the Sugar Regime. Depending on the outcome of the review, these challenges could be really very serious for the East of England; issues relating to the reform of the sugar regime are considered in more detail in Chapter 3.

Beef and Sheep

2.35 In terms of headline statistics, beef and sheep account for a small proportion of the East of England's food and drink industry: for example, sheep and beef holdings in the East of England comprise 11% and 8% respectively of the regional total (compared to 25% and 16% across England)[40]. Over the recent past, cattle numbers have declined (in part due to poor margins being achieved on low-lying grazing marshes) and whilst sheep numbers have increased slightly, the region's share of the English total has fallen.

2.36 However, business models in beef and sheep are – in general – very different from those in other meat-producing sectors and therefore the nature of their contribution to the regional economy needs to be assessed in a different way. There is a high incidence of small producers and a good proportion of these are linked into intricate local supply chains which can be integral to rural communities. For example, research undertaken in the late 1990s (in the context of a planning application for an out-of-town superstore) found that most of the meat sold by butchers in the vicinity of Saxmundham in Suffolk had travelled less than 100 miles from field to plate[41]; the meat was being sold in small food shops which in turn were providing a key service, particularly to people living in rural areas and without access to a car. In addition, some of these businesses are very specialised. Again in Suffolk, a number of producers rear Red Poll cattle which – as an early 19th century cross of Suffolk Duns with

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[38] Food Fen Flyer, Issue 8, 2001

[39] The Morley Research Centre has recently merged with the Arable Research Centre to form The Arable Group (TAG) http://www.morley.org.uk

[40] Source: Defra June Census, 2001

[41] Memorandum by Caroline Cranbrook on the environmental impact of supermarket competition, presented to the House of Commons Select Committee on Environment, Transport and Regional Affairs (http://www.parliament.the-stationery-office.co.uk/pa/cm199899/cmselect/cmenvtra/841/841ap09.htm)

Norfolk Reds – are well-adapted to grazing conditions in the east of the region. In 1997, there were 920 breeding females in the UK. The breed society is based in Woodbridge, Suffolk[42].

2.37 The importance of beef and sheep production also needs to be understood in terms of its environmental impact and role, and its indirect economic contribution[43]. Sheep and beef cattle provide the grazed landscape upon which much biodiversity depends. Grazing is an essential part of grassland management for most of the region's wildlife reserves, internationally designated habitats (Natura 2000 sites), Environmentally Sensitive Areas[44] and Areas of Outstanding Natural Beauty. And this landscape, in turn, is an important asset for tourism. Indeed, coupled with the distinctive and high quality food deriving from many of the same beef and sheep producers, it is – arguably – integral to the "tourism offer", particularly in the east of the region.

2.38 However, the beef and sheep sector is under a great deal of pressure for a variety of reasons. The growing concentration of food retailing is one factor and the cost of regulatory compliance is a second. In addition, there is growing evidence that small meat producers are experiencing difficulties in finding local abattoirs and cutting plants that are capable of handling small volumes. Abattoirs and cutting plants constitute the key infrastructure without which businesses cannot be viable[45].

Activities within the wider cluster

2.39 In addition to these distinctive specialisms, the strength of the East of England's food and drink industry also needs to be understood within the context of the wider cluster of inter-related activities. This embraces companies involved, *inter alia*, in the design, development and production of food and drink packaging; the supply of specialist machinery; agricultural engineering; the supply of agri-chemicals; plant breeding and seed supply; the supply of business services; technology services suppliers; and businesses engaged in the transportation of food and drink. In the paragraphs below we consider – briefly – some of the principal activities within the wider network.

2.40 A recent study concluded that the East of England contains around 16% of all *packaging* supply companies in the UK and that a proportion of these have strong links to the region's agri-food industry. The range of packaging produced within the region is substantial. Some of it is traditional and within declining market segments, but other elements are highly innovative and are likely to experience further growth. Packaging products include wooden

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[42] http://www.rare-breeds.com

[43] "Meating" your needs" – a conference on the economic and environmental importance of livestock in the East of England – was held in Suffolk in February 2004

[44] "The East Anglian Food Web" paper by Caroline Cranbrook

[45] A report of the Suffolk Red Meat Project (November 2003) includes data which indicate that the number of abattoirs in the UK in 2001 was just 20% of the figure 30 years earlier

bins, pallets and corrugated board (for agriculture) and films and film bags, plastic trays, lidding and sleeving, and labelling and tote trays (for processed food and drink); within the region there is a high incidence of relevant producers. However the placement of contracts often sits in the hands of retailers who source nationally or internationally and – on this basis – the report concludes that although packaging businesses and agri-food businesses are often co-located, they do not currently operate as a genuinely symbiotic cluster – although, in at least part of the region, there may be scope for this[46]. Some companies within the region's packaging industry are innovative and technologically sophisticated – and it is recognised that some of the most innovative activities related to the food and drink industry are in the domain of packaging. This strength is also related – in part – to the technology consultancies in and around Cambridge, several of which have some history and interest in packaging[47].

2.41 In terms of other elements of the wider cluster, the region has a notable presence in food and drink processing *equipment*. With its head office in Peterborough, *APV Baker* is a leading supplier of industrial equipment related to bakery products, biscuits, breakfast cereals and confectionery. Now part of Invensys, the company designs and installs plant, drawing on process expertise, engineering excellence and advanced software[48]. Another company is *RJ Herbert Engineering Ltd*. Based near Wisbech, this firm originally manufactured machinery for farmers but it has diversified into supplying the fresh packing and processing industries. It has focused especially on the supply of machinery for the potato sector, but it also develops, manufactures and installs equipment for onions, carrots and other root crops[49]. As with many other elements of the food and drink industry – and whether defined broadly or narrowly – equipment supply is now a global industry: both of the companies mentioned above are operating internationally.

2.42 Food and drink *haulage* is another sizeable activity within the region which embraces a wide range of different companies, some with sophisticated chill chain technology and complex logistics operations, and others which focus on moving basic food stuffs.

2.43 In addition, there are large numbers of *business service providers* in the East of England with a distinctive focus on agri-food activities. These include banks and lawyers; for example, Cambridge-based Taylor Vinters has set up a specialist food group in order to service the needs of the industry[50]. Specialist labour and recruitment agencies are also a key part of the

[46] "The status of packaging in the East of England Agriculture and Food Processing Supply Chain", report by PacLinc to EEDA, 2003 page 11

[47] "The status of packaging in the East of England Agriculture and Food Processing Supply Chain", report by PacLinc to EEDA, 2003 page 6

[48] www.apvbaker.com

[49] www.rjherbert.co.uk/facts-figs.html

[50] www.taylorvinters.com

wider support infrastructure for the food and drink industry, and they play a key role in terms of sourcing an adequate labour supply.

Conclusion

2.44 This chapter has sought to consider the nature and scale of the food and drink industry in the East of England. It has done so principally through the lens of six sub-sectors in which we have examined issues relating to the raw material base, the structure and character of the processing industry that has grown from it and still – to a large extent – depends on it, and the supply chain relations that link the two together and extend downstream to food retail and food service. The analysis has not been encyclopaedic. Within all six sub-sectors, SMEs continue to play a role and indeed, many of the larger companies identified within the chapter can trace their origins to small-scale business activities within the region. In addition, there are a number of very significant food and drink businesses operating within the East of England whose activities cannot easily be traced to a particular raw material source; often these are businesses are operating in high value-added areas and their importance should not be underestimated[51]. Thirdly, there is a range of locally important sub-sectors that have received little or no attention[52]. Nevertheless, in considering the six sub-sectors in the round, we can start to draw out a number of common themes that the Strategy will need to embrace. These include:

- *the strength – and continuing importance – of the two-way relationships between the major processing industries and the raw material base*: relationships have changed and – as we examine in Chapter 3 – they will change further as new pressures come to the fore, but the overall effectiveness of the surrounding supply chain processes are absolutely central to the industry's medium-long term future

- *polarisation across the supply base*: notwithstanding their different political/regulatory structures, consolidation and rationalisation has been a feature of all six sub-sectors and it has paralleled changes in the customer base. It has been a function of tight margins and – hence – downward pressure on the cost base. It has resulted in – and to some extent been caused by – significant investment in the automation of key processes. At the same time, there remain many micro-enterprises within the food and drink industry. The sector as a whole has been characterised by polarisation as medium-sized producers have been subject to merger and acquisition

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[51] Examples include *New Covent Garden Food Company*, with a site near Peterborough (see www.newcoventgardensoup.com); *Premier Foods*, with plants in Wisbech and Histon (near Cambridge) (see www.premierfoods.co.uk) and *Hazlewood Foods* with a chilled ready meals facility in Wisbech (see www.hazlewoodfoods.com)

[52] For example, we have not mentioned some important agricultural crops (e.g. oil seed rape) and nor have we examined local specialisms such as Cromer Crab or the expansion of activities such as the production and marketing of game. All of these activities are important but the purpose of this overview was to set out the broad contours of the industry in the region

- *the significance of internationalisation*: again, across all six sub-sectors, the business environment within which the region's food and drink businesses are operating is increasingly international. While this has certainly brought challenges – not least to the pigs and poultry sector – we have observed that it should also generate opportunities for the region's businesses, if they have the capacity, the knowledge, the skills, the networks and the support with which to respond

- *the extent to which the region has developed a strong research presence in response to its specialisms in food and drink*[53]: on a sub-sectoral basis, we have observed the range of institutions within the region including, *inter alia,* IACR Rothampsted, IACR Broom's Barn, Morley Research Station[54], Institute of Food Research and NIAB. A challenge for the future of the food and drink industry within the region is to ensure that institutions of this nature are engaged to maximum effect, recognising – as we discuss in Chapter 3 – that there are also likely to be practical challenges along the way

- *the importance of responding adeptly to changing consumer markets*: we have seen that businesses within the region have restructured their operations in order to respond to changing – and fickle – demands; the need for year-round sourcing of fresh fruit and vegetables has been one clear driver while the imperative for convenience – and all the microbiological, packaging-related and other complications that go with it – has been a second. The implication is that the share of added value captured by core food-related activities has declined progressively. Again as we discuss in Chapter 3, this is a trend that will accelerate further bringing new challenges and opportunities for the region's food and drink industry as it looks to the future.

[53] For an overview, see *Innovation and Technology Audit for the East of England,* report to the East of England Development Agency by Arthur D Little, November 2003

[54] Now part of The Arable Group – see http://www.morley.org.uk

3 Trends and Drivers shaping the Food and Drink Industry

3.1 Chapter 2 described the contours of the food and drink industry in the East of England. Through the lens of six key sub-sectors, it examined the scale and local importance of different parts of the industry, identified key businesses within them and summarised some of the processes that have shaped their recent evolution. In this chapter, we take a step back from the region's businesses and consider the external trends and drivers that are shaping the industry's future. We adopt the framework of a classical STEEP analysis focusing in turn on the key sociological, technological, environmental, economic and political trends and drivers which – together – will define the competitive context within which the region's food and drink businesses must operate.

Sociological factors shaping the evolution of the food and drink industry

3.2 The relationship between food and drink and the people who consume it is – by its nature – an intimate one; food and drink is a basic commodity which is essential for life, but it is also a fashion statement and a consumer decision. In a very real sense, choices regarding the nature, quantity, style and location of consumption provide a clear insight into changing lifestyles more generally. Thus the sociological influences driving change across the food and drink industry are hugely complicated and often contradictory; they are shaped by a myriad of factors ranging from the changing demographic structure[55] to issues of life-work balance, and from whimsical fashion (e.g. current interest in the Atkins diet) to growing concerns about fair trade and welfare-friendly production methods. Consumers constitute a key driver for food and drink businesses and the industry as a whole has spent a great deal of time and money trying to understand them better.

3.3 Within this context, Datamonitor has identified three food "mega-trends" which are shaping consumption patterns and to which the industry needs to respond: convenience, health and pleasure[56]. All three – together with the overlaps between them - are having a profound impact on the nature and shape of the wider food and drink industry; we are, for example, seeing high quality convenience food stores on or near mainline railway stations, internet shopping, single person portion packs, and so on.

[55] Key aspects of the demographic structure include the age structure and changing household composition (it is, for example, significant that 60% of households had one or two persons in 2000 compared with 44% in 1961). Source: OST Food Foresight Panel, Annex B

[56] Datamonitor, quoted in "Geest Talks" Annual Report and Accounts, 2002, page 8

3.4 Linked closely to this is the very rapid growth of food service (which is defined as the "provision of meals, food and refreshments fully prepared away from home; mostly also eaten away from home (but including home delivery and takeaway)"). On one estimate, the value of food service sales will outstrip retail sales by 2015 and this trend is projected to increase thereafter[57]. The medium-long term implications are substantial in terms of the sociology of consumption and the infrastructure that goes with it: already we are seeing city centre dwellings being built without kitchens, snacking and "eating on the go" has become commonplace[58] whilst "cooking" – as conventionally defined – may increasingly be seen as a leisure activity that is linked far more to entertaining than to day-to-day sustenance.

3.5 But there are other consumer drivers. Particularly for lower income households, cost is still a key factor – hence the continuing presence of low cost/value lines despite the challenges they pose (in terms of very low margins) for the industry. Environmental, ethical and welfare concerns are further additional influences, as is the growing interest in the provenance of food and drink; hence the growth of farmers' markets of which there are now over 40 in the East of England. In sum, the fickle and contradictory – but multifaceted – nature of consumer behaviour is a (and probably *the)* key driver industry-wide: the power and influence of consumers should not be underestimated.

3.6 Another sociological driver which is different in nature but very important in terms of the industry's future concerns the willingness and inclination of people – particularly young people – to work within food and drink businesses. The surrounding issues manifest themselves in a variety of different ways. In agriculture and to some extent horticulture, the issue of succession within family-owned and managed businesses has been a concern although – from a more positive perspective – this should also create opportunities for new entrants. Further downstream, a recent study of the food and drink manufacturing sector observed that "*the industry's image as an employer is widely recognised as poor. The nature of the work and working hours are often perceived to be unattractive, while pay and conditions do not always compensate sufficiently"*[59]. It is for this reason that a bid by the food and drink industry to set up a Sector Skills Council identifies the "status of the industry" ("to make the industry a "top of mind" consideration to job seekers") as its first strategic business goal[60].

3.7 Growing disinterest in the sector has led to declining numbers of students enrolling in agriculture and food and drink-related higher and further education courses. Hence, there is something of a downward spiral in terms of skilled labour supply. In the context of an

[57] "Strategic Review of the Meat Sector" prepared for EEDA by Promar International, April 2003 page 47

[58] "The UK Consumer" Brandragon, Brand and Marketing Consultants

[59] "Skills Dialogues: Listening to Employers - An assessment of skill needs in food and drink manufacturing" DfES, 2001 page 30

[60] Food and Drink Sector Skills Council - Expression of Interest, dated 5th February 2003

industry in which there is a need for higher level skills – albeit within a smaller workforce – the challenges are clearly apparent. In the East of England – a region which is characterised by high living costs and, for the most part, no shortage of alternative employment opportunities – the threat to the industry is especially acute.

Technological factors shaping the evolution of the food and drink industry

3.8 The food and drink industry is – in terms of technology – complicated. Contrary to popular belief, it is also very sophisticated. Substantial investments have been made in the development of process and other technologies. In part, these have been driven by the issues surrounding labour supply alluded to above.

3.9 The biggest issue of recent years – and a serious driver for the future – surrounds genetic modification (GM). Currently UK government policy is somewhat ambivalent towards GM – neither encouraging nor prohibiting it (as long as it is not harmful to either the environment or health) but instead waiting for science to provide the answer. Commercially, the benefits of GM may include improved yields, quality and freshness. However in the UK (unlike the USA), the GM debate has met with much consumer resistance and a growing sense of mistrust of both government and the multi-national food and drink companies that are developing the science[61]. Indeed, the debate is such that individual retailers are now actively marketing themselves on the grounds that they are "non-GM". Through its arable research, the East of England has a strong and relevant knowledge base, but – in the light of consumer resistance – the medium-long term implications are far from clear.

3.10 Over recent years, there have been major advances in post-harvest and packaging technology and together, these have revolutionised the supply chain. By allowing the time between primary production and consumption to be extended, they have helped to reduce wastage and improve quality. Looking to the future, packaging-related innovation is likely to remain a major driver for the food and drink industry.

3.11 Another major technology affecting the dynamics of the food and drink industry relates to ICT – in all its different guises. Computerised process control is one element, ecommerce is a second, inventory control is a third, a trend to online CAP payments is a fourth[62] and internet trading is a fifth; all are creating efficiencies, eliminating intermediaries and – generally – changing the ways in which business is done. Because of ICT, the food industry of 2004 looks very different from that of – say – 1980 with complete traceability, just in time delivery, and so on; in another 20 years, it is likely to look different again.

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[61] "GM Nation?: The Findings of the debate" Chaired by Professor Malcolm Grant

[62] One of Defra's PSA targets is to increase to 95% electronic service delivery capability for CAP payments by 31st March 2005

Environmental factors shaping the evolution of the food and drink industry

3.12 The food and drink industry in the East of England is subject to a wide range of environmental drivers, many of which are accompanied by complicated regulatory imperatives to which the industry must respond. In the paragraphs below, we consider four key environmental drivers and their implications for the industry's evolution: water resources, waste, climate change, and renewable energy.

(i) Water resources

3.13 In environmental terms, water resources constitute a pressing issue affecting prospects for the region's food and drink industry[63]. For the East of England in general, water resources are a growing concern: in the south of the region, water is already a scarce resource[64] and with the scale and location of development intimated in the Sustainable Communities Plan, the challenges are likely to grow[65].

3.14 The food and drink industry is a big user of water. The costs of water supply and effluent disposal are significant and they are considered (by the industry) to be extremely high; indeed, one consultee commented that for his business, effluent disposal costs in the Fens are higher than the costs of direct labour.

3.15 New legislation and regulations relating to water are being introduced at a European and national level. Many of these are absorbed within the Water Framework Directive which seeks to balance the interest of the environment with that of those who depend on it; this will mean, *inter alia*, that by 2010 an "*adequate contribution is made by industry and agriculture to the recovery of the costs of water services*"[66]. The consequences for the industry could be very significant. For example, the British Potato Council anticipates that it could result in changes to the process and cost of retaining abstraction licences; changes to the areas in which licences can be retained; a requirement to prove water is needed on farm; a requirement to prove that abstraction does not compromise local ecology; and new quality standards; and limits for eutrophication and pesticide pollution[67]. In moving forward, food and drink businesses that can find ways of increasing water efficiency should be able to generate cost savings.

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[63] Increased water demand, water conservation and flooding were identified as concerns as many of those attending the Newmarket workshop on Sustainable Farming and Food in May 2002

[64] "Water resources for the future: A summary of the strategy for England and Wales", Environment Agency, March 2001

[65] "Sustainable communities in the East of England", ODPM, February 2003 (www.odpm.gov.uk); the Plan states that addressing the development consequences of scarce water resources throughout the region constitutes a key strategic challenge for the East of England (page 5)

[66] "Directing the Flow: Priorities for Future Water Policy" Defra, November 2002 page 29

[67] "New water legislation and how it will affect all potato irrigators", British Potato Council, April 2003

(ii) Waste

3.16 Food and drink businesses typically produce significant quantities of waste. As with water resources, there is a raft of recent – and imminent – legislation relating to waste minimisation and recycling, and this will have a substantial influence on the industry. For example:

- the *Packaging Waste Regulations* came into force on 6 March 1997 and they constitute the UK Government's approach to meeting the recycling and recovery targets as set out in the EU Directive on Packaging and Packaging Waste: the aim is to recover 50% of the 8 million tonnes of packaging waste produced in the UK[68]

- the *Landfill Directive* – which was agreed in 1999 and came into force in 2001 – is intended to reduce the volume of waste going to landfill[69]; the implications for the food and drink industry are wide-ranging and there are particular issues for vegetable processors and others who generate large volumes of organic waste

- under the regulatory framework of the Pollution Prevention and Control Regulations, *Integrated Pollution and Control (IPPC)* applies an integrated environmental approach to the regulation of industrial activities. The IPPC is concerned with emissions to air, water and land. Through an IPPC permitting system, operators are required to ensure, *inter alia,* that the production of waste is minimised and managed, and that energy is used efficiently[70]. Intensive agriculture, large pig and poultry units, and food and drink manufacturers are all covered by IPPC; permits have been required for new installations since 1999[71]

- the *Animal By-Products Regulation*[72] – which came into force on 1st May 2003 – means that animal waste cannot be landfilled but must either be incinerated or rendered before it can be put into the ground, composted or turned into biogas. Farmers can no longer bury dead stock on their farms and abattoirs can no longer sell blood to be spread on fields as a natural fertilizer. For smaller producers and processors, the implications of the regulation could be serious. Indeed, reports suggest that regulation of this type has been behind the demise of many local abattoirs which simply cannot meet the increasingly stringent requirements

- new *Waste Management Regulations* will apply to agricultural waste (discarded pesticide containers, plastics, packaging waste, tyres, old machinery and oil, etc.) from 2004. Under the new regulation, farmers will have to take waste for disposal off-farm at licensed sites, or register for a licensing exemption with the Environment

[68] http://www.onlinepackagingsolutions.co.uk/eu-packaging-waste-directive.htm

[69] http://europa.eu.int/comm/environment/waste/landfill_index.htm

[70] "Integrated Pollution Prevention and Control: A Practical Guide" Edition 3, Defra, February 2004

[71] http://www.defra.gov.uk/environment/ppc/ippc.htm

[72] http://www.legislation.hmso.gov.uk/si/si2003/20031482.htm#1

Agency to recycle waste on farm, or apply to the Environment Agency for a licence to continue on-farm disposal[73].

3.17 For food and drink businesses, these regulatory changes are frequently linked to rapidly escalating costs. In moving forward, the production of waste needs to be minimised – partly because Government policy demands it (through targets) and partly because there can be cost savings accruing to individual businesses. Where this is not possible, steps should be taken to re-use, re-cycle, compost and recover the energy from waste; landfill should genuinely be regarded as the last resort.

(iii) Climate change and the Climate Change Levy

3.18 Another major environmental driver is the impact of climate change. Future scenarios suggest warmer summers (with temperatures increasing by 2-5 ^{o}C), an extended thermal growing season, wetter winters and drier summers. The implications for agriculture and horticulture in the East of England are likely to be substantial as growing conditions change. In addition, it is significant that the areas which include the region's most fertile and productive agricultural land – and the cluster of food and drink businesses which have grown up around it – are likely to be most susceptible to increased flood risk and salt water contamination.

3.19 Part of the UK government's response has beeen the introduction of the *Climate Change Levy*. This is an environmental tax on the use of energy in industry, commerce and the public sector. It came into force on 1st April 2001. For parts of the food and drink industry, it is very significant: horticulture, for example, is a big user of energy. Government has introduced some special measures for the horticulutre industry, but even so, the full climate change levy will apply within five years[74].

(iv) Renewable energy

3.20 The UK has a Kyoto Protocol commitment to reduce greenhouse gas emissions by 12.5% below 1990 levels by 2008-12, and a national goal to move towards a 20% reduction in carbon dioxide emissions below 1990 levels by 2010. Government's intention is that renewable energy should account for 10% of UK electricity supply by 2010[75]. Within this overall context, there are growing opportunities for primary producers within the East of England; these are being supported and encouraged through *Renewables East*[76]. Although some recent schemes have not been altogether successful, long term, there are opportunities surrounding energy crops (short rotation coppice willow and miscanthus). Another

[73] http://www.defra.gov.uk/environment/waste/topics/agwaste.htm

[74] http://www.defra.gov.uk/environment/ccl/intro.htm#Horticulture

[75] "Our Energy Future: Creating a low carbon economy" Energy White Paper, DTI, February 2003

[76] see www.renewableseast.org.uk

possibility – and one in which the East of England could be well placed – concerns bioethanol which can be produced from sugar beet and starch crops such as wheat. A recent study concluded that to develop, the industry would require "*active financial stimulation and encouragement by central and regional government*"[77]. Nevertheless, in the context of changes both to the Common Agricultural Policy and the Sugar Regime (see below), the economics of shifting from commodity food production to commodity energy production may start to look more attractive.

Economic factors shaping the evolution of the food and drink industry

3.21 One of the key economic drivers relates to the shifting balance of power across the supply chain and – in this context – the ascendancy of the retail multiples has long been a cause for concern. In October 2000, the Competition Commission published a report following a wide-ranging monopoly investigation into the pricing and other practices of supermarkets in the UK. Two major areas of concern were identified; one relating to the pricing of grocery products and a second relating to the practices of Asda, Safeway, Sainsbury's, Somerfield and Tesco in relation to their suppliers[78]; a Code of Practice on supermarkets' dealings with their suppliers was drawn up in response.

3.22 Subsequently, the market share of Asda, Morrisons and Tesco increased further and – in the context of proposed mergers with Safeway plc – the Competition Commission undertook a further investigation into the sector. Part of its enquiry focused on the likely impact of the proposed mergers on supermarkets' small and medium-sized suppliers and in this context, NOP conducted a telephone survey of 400 suppliers in May/June 2003. This found that almost half of suppliers made an operating profit of 4% or less. It also found that the negotiating position of suppliers had worsened for around half of the sample over the preceding four years[79].

3.23 In its main report, the Competition Commission concluded that the proposed acquisitions of Safeway by Asda, Sainsbury's and Tesco may all be expected to operate against the public interest, and should be prohibited[80]. The Secretary of State accepted these findings but also the conclusion that the proposed acquisition of Safeway by Morrisons should be allowed to proceed provided Morrisons agreed to sell stores in areas where local competition concerns

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[77] "The impacts of creating a domestic UK bioethanol industry" A report for EEDA prepared by ADAS Consulting, Ecofys UK Ltd and Eofys bv, June 2003

[78] "Supermarkets: a report on the supply of groceries from multiple stores in the UK" Stationery Office, Cm 4842, October 2000

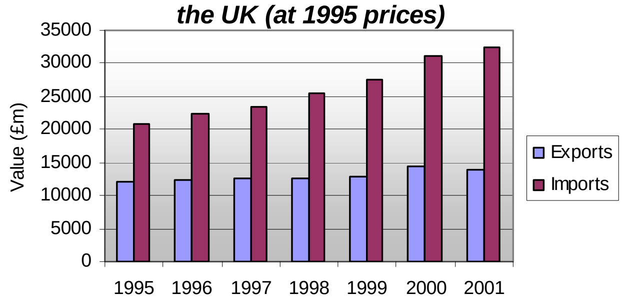
[79] "Safeway plc and Asda group Limited, Wm Morrison Supermarkets plc, J Sainsbury plc and Tesco Plc: A report on the mergers in contemplation" published by the Competition Commission, September 2003; Annex 6.2 presents a report on the NOP survey of suppliers

[80] DTI News Release: 26th September 2003

would arise as a result of the acquisition[81]. Following the merger, retail experts are predicting intensifying competitive pressures: levels of price cutting have been unprecedented[82] and this is having widespread ramifications across the food and drink industry.

3.24 One response has been an increasing propensity to procure internationally. The UK has long been a net importer of agricultural commodities, food and drink. Some level of import is both inevitable and desirable: for climatic reasons, it is hard to see how we could drink coffee or eat bananas in the absence of international trade. But as intimated in Chapter 2 and as confirmed by the data in Figure 3.1, the value of trade in food and drink is rising and – within this context – the UK's trade deficit is increasing. In an era of trade liberalisation, much of the increment reflects competition from producers based in countries where regulatory regimes are more relaxed and labour costs are very much lower.

Figure 3.1: Value of Agriculture, Food and Drink Imports and Exports to/from the UK (at 1995 prices)



(Source: National Statistics - UK trade analysed in terms of industry)

Political factors shaping the evolution of the food and drink industry

3.25 Food and drink has long been amongst the most highly politicised and regulated sectors and within this context, the 1990 Food Safety Act and the 1995 Food Hygiene Directive have been extremely important. Looking to the future, a range of political drivers will continue to have a very major impact. Some – such as those relating to GM and renewable energy – will effectively determine whether there is a market for food and drink companies to develop[83].

3.26 Other key developments include the following:

- the *CAP reform package* – agreed by the Agriculture Council on 26th June 2003 following the Mid Term Review – heralded a decoupling of subsidies from production; specific requirements for cross-compliance; increased resources for rural development (through modulation); and substantial reform to specific market intervention regimes.

[81] DTI News Release: 8th December 2003

[82] "Tesco makes a record £1.7bn: retail machine cuts through competition to achieve sector's best ever profit" http://www.guardian.co.uk/supermarkets/story/0%2C12784%2C1197326%2C00.html

[83] i.e. Government could conceivably introduce legislation which might either eliminate or enforce the growth of these technologies

Following a period of consultation, key decisions on how the reform package will be implemented in England[84] were announced early in 2004[85]. A Single Payment Scheme will be introduced from 2005. The intention is phase in a flat rate system of payment (while phasing out a payment system based on historic receipts) over the period to 2012. All who are in receipt of the new payment will have to abide by new cross-compliance conditions relating to the management of the land and a range of existing EU requirements on the environment, public and plant health, animal health, and welfare standards

Defra's initial economic analysis has suggested that under the new system, the "losers" – in terms of the way that the payment is being calculated – will tend to be large dairy farms, lowland cattle and sheep, and mixed farms while the "winners" will be horticultural and general cropping farms; part of the reason for this is the inclusion of negative area crops such as potatoes and sugar beet[86]. Given the agricultural make-up of the East of England, the decisions surrounding implementation appear to be relatively favourable at an aggregate level[87]. That said, for individual businesses, the implications will clearly be mixed: although small in number, the region's lowland cattle and sheep producers are one group that will be affected adversely

- the European Commission is committed to bringing forward proposals to *review the future of the sugar support system.* Given the importance of the sector, changes in this domain would certainly have a major impact on the East of England. Discussions were opened on 23rd September 2003. They were based around three main options: extending the current common market organisation (CMO) to beyond 2006 and reducing quotas, tariffs and prices within this; phasing out production quotas over time; and complete liberalisation with producers integrated into the Single Farm Payment System[88]. If it was to go ahead, the latter option would decimate UK sugar production, leaving 12,000 jobs under threat in the region and with further multiplier effects; over the recent past, sugar has provided a significant break crop across much of the region, but it has also been central to farm profitability

- another major political driver is concerned with the *expansion of the EU*: on 1st May 2004, ten Accession States joined the European Union[89] (and more states are likely to

[84] It is important to note that the reform package will not be implemented in the same way across Europe; the manner in which it is implemented will have differential competitive implications

[85] "Summary of Defra Announcement – 12th February 2004" http://www.defra.gov.uk/farm/capreform/spayeng01.htm

[86] "CAP Reform Update" ADAS, February 2004

[87] "CAP reform implementation: Distributional impact of area vs historical payment schemes" Defra Economics and Statistics Directorate (see http://www.defra.gov.uk/corporate/consult/capreformthree/econanalysis-031031.pdf)

[88] Press Release from the Commission Press Room: 23rd September 2003

[89] The ten Accession States are: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia

join during the timeframe of this Strategy). The Accession States include major food producing states (such as Poland) with significant cost advantages (mostly in terms of labour costs) compared to the East of England. As alluded to above, the concern is that accession will lead to a substantial further increase in imports. On the other hand, EU expansion could also generate substantial new opportunities: some of the Accession States are currently net importers and – as their domestic markets evolve to become more like that of the UK – there could be some important opportunities for the region's food and drink producers

- at a national level, the *Government's Strategy for Sustainable Farming and Food* is important. It was developed in response to the report of the Policy Commission which emphasised the imperative to reconnect farmers with the food industry; farmers with the environment; and the food chain with consumers. Some £500m of new public money was made available to deliver the strategy and a large number of separate initiatives have followed; these include the establishment of a Food Chain Centre which is co-located with the Institute of Grocery Distribution in Hertfordshire, and support for the establishment of English Food and Farming Partnerships (EFFP). In the East of England, a regional delivery plan has been developed and the intention is that this should be shaped and steered by the medium-long term priorities identified within this Strategy

- the national "*5 a day*" campaign is being sponsored by the Department of Health and it includes a National School Fruit Scheme, local "5 a day" initiatives and work with producers, caterers and retailers[90]. In the East of England, a regional 5-a-day co-ordinator has been appointed; with some funding from EEDA, the post is hosted by East Anglia Food Link on behalf of the Public Health Group at GO-East[91]. The "5 a day" campaign is intended to change eating habits fundamentally. It co-incides with a suggestion from the Chair of the Food Standards Agency that – for the first time in over 100 years – life expectancy is declining, primarily because of poor nutrition[92] [93]. For the region's producers of fruit and vegetables, this ought to generate serious opportunities

- in addition, there seems to be serious momentum behind a changed approach to *public sector procurement* with growing recognition of the purchasing power of hospitals, schools, local authorities and the like; Defra has estimated that the public sector in England spends £1.8bn on food supply and catering services. Within the restrictions of state aids, the intention is to positively encourage local procurement.

[90] http://www.doh.gov.uk/fiveaday/

[91] "East Anglia Food Link: A New Vision" July 2003

[92] http://news.bbc.co.uk/1/hi/health/3254375.stm

[93] In similar vein, it has been estimated that diet-related ill health costs the NHS £2bn per annum (see Strategy for Sustainable Farming and Food, Defra 2002, page 36)

The *Public Sector Food Procurement Initiative* sets out five priority objectives[94] and a clear programme of work[95]. Again, this could generate serious opportunities for the region's producers and processors.

3.27 Within this overall context, food and drink continues to be a highly regulated sector, and comments have often been made – not least by our consultees – on the stringency with which enforcement occurs in the UK compared to elsewhere in the EU. However, through the work of the *Better Regulation Task Force*[96] and other initiatives, genuine steps have been (and are being) taken to try and improve regulatory processes. The *Whole Farm Approach (WFA)* – an integral element of the Sustainable Farming and Food Strategy – is, for example, concerned with developing a single set of core data that will identify where there is a regulatory requirement, and what actions will be needed to fulfil that requirement. The intention is that this should help to streamline regulation and help to raise awareness of the range of current and planned legislation that may affect the farming industry[97]. So although political drivers are not going to go away, Defra and its partners are seeking to provide a mechanism for managing these more effectively.

[94] The five priority objectives are to: raise production and process standards; increase tenders from small and local producers; increase consumption of healthy and nutritious food; reduce adverse environmental impacts of production and supply; and increase capacity of small and local suppliers to meet demand

[95] http://www.defra.gov.uk/farm/sustain/procurement/index.htm

[96] This identified five principles for good regulation: proportionality, accountability, consistency, transparency, targeting

[97] http://www.defra.gov.uk/farm/sustain/wfa/aboutwfa.htm

4 Looking to the Future: Forecasts and Scenarios

Introduction

4.1 In Chapter 2, we outlined the contours of the food and drink industry in the East of England by considering the spatial and business dynamics of six key sub-sectors. The focus in Chapter 3 was broader and examined – briefly – the more generic trends and drivers that are likely to shape the industry's future. In this Chapter – and as the backdrop to the Strategy in Section B – we draw the findings from Chapters 2 and 3 together to consider the future for the food and drink industry in the East of England.

Forecasts for the Industry's Future

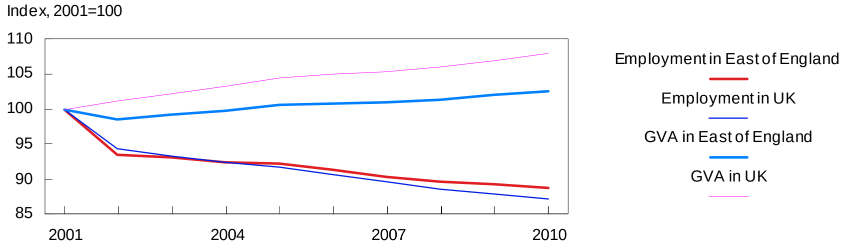
4.2 Using well-established and widely respected modelling techniques[98], Cambridge Econometrics has generated a set of forecasts relating to the region's agriculture, food and drink industries. The headline results are presented in Figures 4.1-4.6 (overleaf). Over the next decade, these suggest that:

- employment in agriculture and food and drink manufacturing is expected to decline in the East of England, but less rapidly than in the UK as a whole. Thus past trends with respect to the rationalisation of employment (see Figures 2.5, 2.6 and 2.7) are set to continue

- GVA (a measure of the value of output) is expected to grow in each of agriculture, food and drink. The strongest growth is expected in drink but this will be at a slower rate than is expected for the region's economy as a whole and for its overall manufacturing sector. Despite relatively favourable employment prospects compared to the UK, output growth in the industry in the region is expected to lag that experienced nationally. This could imply declining relative productivity from a comparatively high starting point

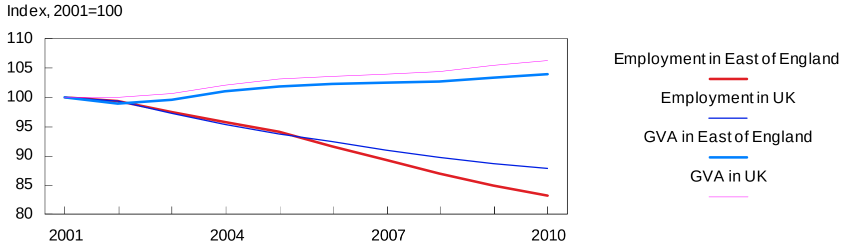
[98] Forecasts for output and employment in the broadly defined agriculture, food and drink sectors (and other sectors of the economy) in the region and the county are as published in *Regional Economic Prospects*, July 2002. They have been developed using Cambridge Econometrics' (CE) Multisectoral Dynamic Model of the UK economy. Using the information available from the ABI, initial projections for the future prospects of separate sub-groups of the food and drink sector have been made. The projections for GVA and employment growth in each of the detailed activities are developed through a method that assesses the strength of the past underlying growth in that activity and compares it to that at the relevant more aggregated sector for which CE maintains data and forecasts. This relative strong or weak performance is projected forward given the context of the more aggregated forecasts. These projections are then scaled to ensure consistency with CE's published forecasts

FIGURE 4.1: FORECAST TRENDS IN OUTPUT AND EMPLOYMENT IN AGRICULTURE IN THE EAST OF ENGLAND



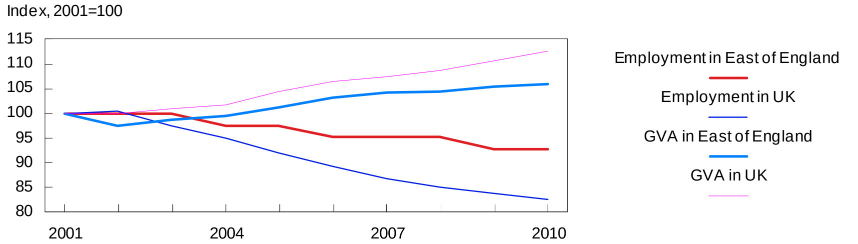
Note(s): Agriculture (including fishing and forestry) is defined as SIC 01, 02 and 05.
Source(s): Cambridge Econometrics; Regional Economic Prospects, July 2002.

FIGURE 4.2: FORECAST TRENDS IN OUTPUT AND EMPLOYMENT IN FOOD IN THE EAST OF ENGLAND



Note(s): Food is defined as SIC 15.1-15.8.
Source(s): Cambridge Econometrics; Regional Economic Prospects, July 2002.

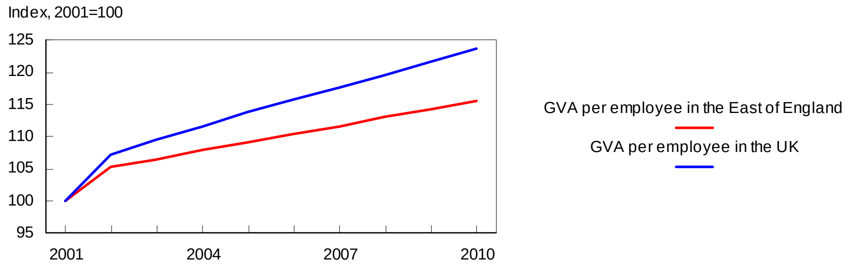
FIGURE 4.3: FORECAST TRENDS IN OUTPUT AND EMPLOYMENT IN DRINK IN THE EAST OF ENGLAND



Note(s): Drink is defined as SIC 15.9.
Source(s): Cambridge Econometrics; Regional Economic Prospects, July 2002.

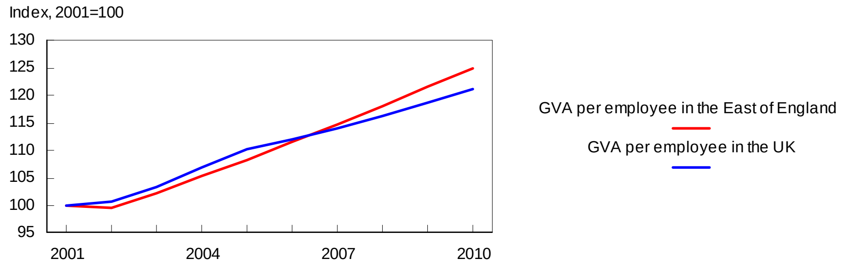
- GVA per employee (a measure of productivity) is expected to grow in each of agriculture, food and drink. The rate of growth is expected to be slower than the national average in drink manufacturing and agriculture but faster – over the period to 2010 – in food processing. Among the three core food and drink sectors, the fastest growth in GVA per employee is forecast in food processing and here, output per employee is expected to increase at a rate of 2.6% per annum over the period 2000-2010.

FIGURE 4.4: FORECAST TRENDS IN GVA PER EMPLOYEE IN AGRICULTURE IN THE EAST OF ENGLAND



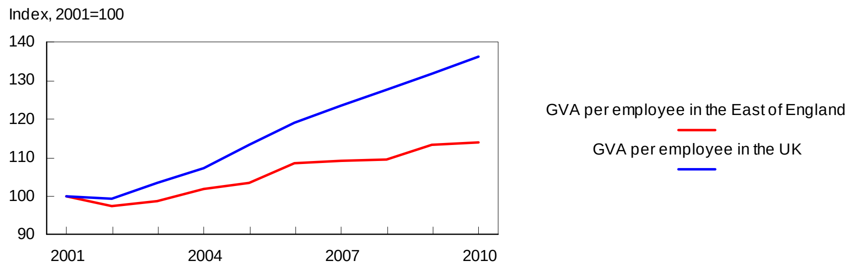
Source(s): Cambridge Econometrics.

FIGURE 4.5: FORECAST TRENDS IN GVA PER EMPLOYEE IN FOOD PROCESSING IN THE EAST OF ENGLAND



Source(s): Cambridge Econometrics.

FIGURE 4.6: FORECAST TRENDS IN GVA PER EMPLOYEE IN DRINK MANUFACTURING IN THE EAST OF ENGLAND



Source(s): Cambridge Econometrics.

Scenarios for the future of Food and Drink in the East of England

4.3 The forecasts set out above represent, in quantitative terms, Cambridge Econometrics' view of the most likely future for the food and drink industry in the East of England through to 2012. In terms of Chapter 3, the forecast (which we will label "Scenario 0") reflects the influence of all the trends and drivers but not in an extreme way; thus the context for the forecast is one where the trend towards globalisation of the sector continues at a similar pace to that seen in the past[99] and any move among producers into higher value-added products is limited. As with any forecast, there are both up-side and down-side risks. By isolating the impacts of particular trends and drivers identified in Chapter 3, we have been able to define a

[99] i.e. an increasing share of UK production is traded internationally and an increasing share of UK demand is met through imports

number of feasible, plausible and internally coherent scenarios for the industry's future in the East of England. These in turn have been used to stimulate a series of "strategic conversations" with the industry and with informed intermediaries regarding the future of the food and drink industry within the region.

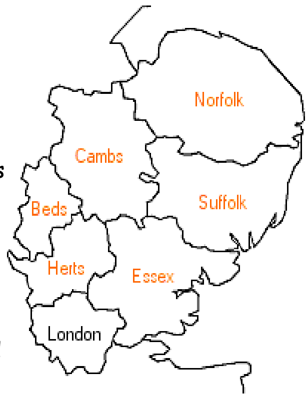
4.4 In the paragraphs that follow, we present the scenarios as storylines and we provide a little more detail with regard to scenario drivers, the implications in terms of sustainable economic development, and the spatial consequences. We then attempt to quantify the impact of the different scenarios on the core sector[100] before outlining the industry's response and the implications for this Strategy.

Scenario 1: Food and drink in a global trading system

Figure 4.7

Scenario 1: Food and Drink in a Global Trading System

Much of the East of England's food and drink industry is increasingly international, characterised by commodity-based trading within a global agri-business system. There is an emphasis on volume production at low margins and generally low wage levels



4.5 Scenario 1 assumes that trends we have observed with regard to liberalisation and the consequent internationalisation of the food and drink system continue and, indeed, accelerate. Business – in the East of England and elsewhere – will be concerned with developing and defending international markets and increasingly, a few firms and brands will dominate individual sectors. Hence merger and acquisition will also be a feature. Many of the food and drink businesses within the East of England will be part of multi-national groupings and increasingly, strategic decisions will be made outside the region. In this context, production and distribution efficiency – measured in terms of international relativities – will be a key metric and it is likely that some multinational food and drink companies will consider relocating their operations abroad. If it is to retain its businesses, investment in the region's broader infrastructure to support food and drink businesses (i.e. road network, broadband provision, quality sites, rail network, water supply and waste disposal, etc.) will be imperative. The costs of water supply and effluent disposal will also be important considerations.

4.6 In terms of sustaining economic development, Scenario 1 will bring some advantages. It will – in principle – ensure that there is a market for the region's agricultural commodities as large scale food and drink processing continues to be a significant part of the region's industrial landscape. However, unless there are substantial productivity improvements, there will be downward pressure on headcount and further pressure to limit wage levels and labour costs. In this context, there will be challenges with regard to labour supply and businesses within the

[100] Defined as agriculture, and food and drink manufacturing

region will need to devise innovative solutions, some of which will involve immigrant workers. At the other end of the labour market, there will be a need for a modest number of highly skilled professionals, and – in the context of more general trends – these people may be difficult to recruit.

4.7 Spatially, Scenario 1 will favour relatively low cost locations within the East of England, particularly those that are well located with regard to the raw material base and/or the region's international gateways. Thus the Fens area will continue to feature prominently in the industrial geography of food and drink, but there may also be growing opportunities around the Haven Ports (in Suffolk and north Essex), Stansted Airport (particularly if freight traffic increases and green belt restrictions are relaxed), and – potentially – the Shallhaven port complex in Thames Gateway. Under Scenario 1, the development value of land will also have a significant influence: specifically, businesses will seek to divest their operations if the value of a site can be realised for alternative uses (notably housing); this is likely to be a particular issue in the south of the region.

4.8 Under Scenario 1, the likelihood is that the region could lose activity equivalent to one or two major producers (in addition to the changes already projected in the base forecast). There might be scope for the growth of niche producers in the region, but the impact of this on employment will be more than offset by the loss of employment among larger players. As a result, the decline in employment is expected to be stronger than in the baseline forecast (Scenario 0) and the rate of output growth is likely to be slower.

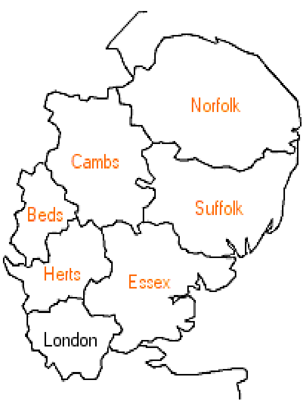
Scenario 2: Innovative agriculture, food and drink

4.9 Under Scenario 2, the region is at the forefront of innovation in agriculture, food and drink. In an era in which the links between health and nutrition are increasingly apparent, and in which the population is living longer, the functionality of food will be a major driver. The science associated with food and drink will progress rapidly. Genetic modification may feature within this – if consumer attitudes soften – but Scenario 2 will be concerned with a number of other developments. There will – for example – be close links between food and drink activity and the region's pharmaceuticals cluster. Food-based research organisations within the East of England – Institute of Food Research, Rothampsted, Broom's Barn, etc. – will play an increasingly prominent role. Related to this, the region's high tech infrastructure – which is already well developed – will be seriously attuned to the

Figure 4.8

Scenario 2: Innovative agriculture, food and drink

The East of England is at the forefront of innovation in agriculture, food and drink. Its research institutions are amongst the best in the world and these are linked through strong collaborative networks to businesses within the region



needs and imperatives of food and drink-related activity; thus there will be a cadre of specialist intellectual property lawyers, venture capitalists, and so on. In addition, the physical infrastructure to support new business starts in innovative food and drink activity will be very much better developed. There will be a network of incubators and innovation centres that provide specialist support to spin-outs and micro-businesses that develop as a result of the region's knowledge-based excellence.

4.10 Scenario 2 will contribute in important ways to sustainable economic development. The basis of the industry's competitiveness will be its intellectual capital – a resource in which the East of England already has comparative advantages and in which cost-based competition is much less of an issue. The skills base associated with the industry will also be more developed; rather than a career of last resort, food and drink really will be a prestige choice for new graduates from top universities. In addition, the business base associated with food and drink will be re-moulded such that it is characterised by strong and collaborative links to the research base, but also to retailers and food service companies. Indeed a key challenge for businesses under Scenario 2 will be the joining up of the three food "mega trends" described in Chapter 3 and in this venture, close relationships with downstream players will be imperative.

4.11 Spatially, under Scenario 2, activity relating to the food and drink industry will increasingly cluster – either literally or virtually – around the major centres of food and drink knowledge and expertise. Thus Cambridge and Norwich are likely to be major hubs of activity but there will also be distributed clusters elsewhere in the region, focusing – for example – around linked innovation centres. In addition, some spatial congruence with the region's pharmaceuticals industry is likely to influence the industry's geography (and *vice versa)* as the links between the two sectors are progressively strengthened.

4.12 Under Scenario 2, we expect the industry to benefit from additional activity equivalent to the retention within the region of two large firms (compared with the baseline forecast, Scenario 0) that would otherwise have relocated, and a further boost from employment in new start-ups. There will be greater scope for the growth of niche producers in the region, and the impact of all of this is that employment will decline at a slower rate than in the baseline forecasts, and that the rate of output growth will be faster. Under Scenario 2, by 2010, we anticipate an additional 2,900 jobs in agriculture, food and drink (compared to Scenario 0), but even so, the absolute level of employment in the core sector will be lower than it is currently.

Scenario 3: A reconnected food and drink industry

4.13 Scenario 3 points to a food and drink industry in which concerns about provenance, welfare, environmental sustainability and the coherence of rural communities will come to the fore.

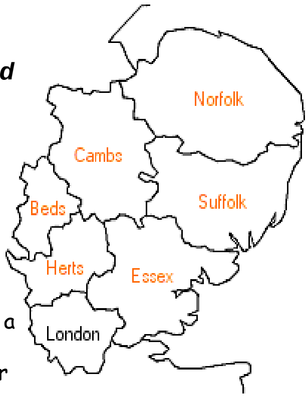
There will be a purposive emphasis on local sourcing and local/regional branding will be a far stronger feature than hitherto. Consumers will buy food and drink from local producers and this in turn will mean a re-direction of expenditure. Currently, for example, consumers in the East of England spend around £1.2bn annually on meat; if 10% of this is redirected to local producers, the local market will grow by £120m. As a result, the industry will be characterised more by companies ensconced within localised supply chains and – encouraged by government – the public sector will also procure food and drink locally thereby providing a further market opportunity for producers and processors. From school age onwards, people will understand food and drink better; they will be confident about how to cook it and – through mechanisms like Farmers' Markets and other forms of direct marketing – producers and processors will be on hand to provide a detailed and personal account of both traceability and provenance. Within the food system, risk will increasingly be managed through a growing social capital linked to trust. Because of this – and encouraged by government – the regulatory burden may be reduced. This in turn will mean that key infrastructures for small scale producers and processors – notably local abattoirs and meat cutting plants – can again become a viable proposition.

4.14 With reduced food miles, Scenario 3 should be characterised by high levels of environmental sustainability although some production efficiencies – linked to economies of scale – may be lost and this conceivably could have adverse environmental consequences. Equally, the export potential of the region's food and drink industry may well be reduced with bottom line implications in terms of regional GDP. Under Scenario 3, the industry should continue to be a serious employer although the skills mix will be quite distinctive; there will be fewer production line staff and fewer high level technicians/engineers/food scientists, etc. but a larger middle group of multi-skilled small business managers and entrepreneurs. In terms of the sustainability of rural communities, Scenario 3 should be helpful: it will provide a commercial rationale for local butchers and greengrocers while local pubs and other food service outlets will be able to source their products from within the community, thereby capturing the full extent of local multipliers.

Figure 4.9

Scenario 3: A reconnected food and drink industry

Concerns about welfare, provenance and sustainability are to the fore. Customers want high quality, healthy and locally produced food. Often this is bought from outlets other than supermarkets, although convenience remains a major concern. They are prepared to pay a premium for good food and drink



4.15 In principle, the spatial manifestation of Scenario 3 should be a food and drink industry which is widely distributed across the region. In practice, however, it is likely to favour those areas in which the food and drink industry already has a concentration of small and medium sized food businesses operating across different sub-sectors and in the context of mixed farming systems, and – importantly – the infrastructure to support this. Thus Scenario 3 may well favour businesses operating in east Suffolk – for example – over and above those seeking to operate in northern Cambridgeshire where the meat sector is really quite modest and the SME infrastructure is limited. Equally, under Scenario 3 – like Scenario 1 – food and drink businesses will struggle in areas in which both land values and labour costs are relatively high and thus the risk of displacement is significant.

4.16 The result of Scenario 3 is that by 2010 – and compared to Scenario 0 – there could be an additional 600 people employed in food and drink processing, 400 in agriculture and 1,700 in retailing functions[101] (some of which could be allied to farm shops) within the region. Even so, the level of employment in the core sector will be lower than it is currently.

Quantifying the impacts of the different Scenarios

4.17 At least in theory, it is possible to envisage a future of either Scenario 0 (the base case) or Scenario 1 on their own, or in combination with one or both of the other two Scenarios. The implications for output and employment in the core industry in the region over the period to 2010 are depicted in Figures 4.10-4.13. Scenario 1 constitutes the "worst case" outcome while a combination of the base case (Scenario 0) plus Scenarios 2 and 3 would be the "best case". In this outcome, by 2010, output of the core sector would be some 6% higher than in the base case (Scenario 0). Employment would be 5% (4,000 jobs) higher than the base case, but this still represents job losses compared to the current situation.

FIGURE 4.10: EMPLOYMENT IN AGRICULTURE, FOOD AND DRINK IN THE EAST OF ENGLAND UNDER DIFFERENT SCENARIOS

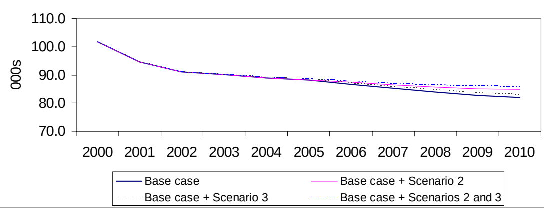


FIGURE 4.11: EMPLOYMENT IN AGRICULTURE, FOOD AND DRINK IN THE EAST OF ENGLAND UNDER DIFFERENT SCENARIOS

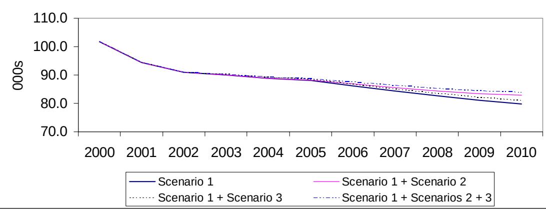


FIGURE 4.12: OUTPUT IN AGRICULTURE, FOOD AND DRINK IN THE EAST OF ENGLAND UNDER DIFFERENT SCENARIOS

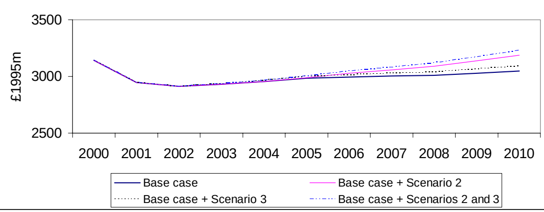
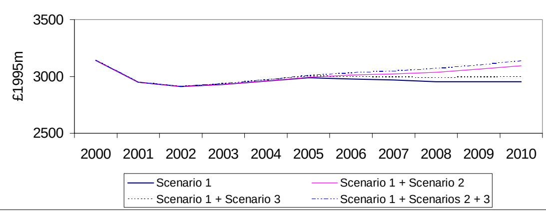


FIGURE 4.13: OUTPUT IN AGRICULTURE, FOOD AND DRINK IN THE EAST OF ENGLAND UNDER DIFFERENT SCENARIOS



[101] This assumes that there is no compensating loss of employment in other areas of retailing as a result of the switch in consumer behaviour

A Strategic Conversation with businesses based around the Scenarios

4.18 Based on the assumption that an exploration of the future can and should inform current decision making, these scenarios were used to stimulate a "strategic conversation" with food and drink businesses and informed intermediaries from around the region such that they might shape a forward-looking, informed and relevant Strategy[102]; in order to develop the scenarios one-to-one consultations were completed with large and small food and drink businesses during the summer and early autumn, 2003. The base case (Scenario 0) and all three of the Scenarios set out above are feasible in the light of the trends and drivers described in Chapter 3. They are also plausible given the nature and structure of the industry in the East of England, as described in Chapter 2. But to what extent do the region's food and drink businesses recognise the scenarios, and what do they tell us about where the focus of the region's Strategy for the Food and Drink Industry should lie?

4.19 In order to test the scenarios – and in addition to the business consultations – a questionnaire was sent/emailed to food and drink firms from across the region following the FoodEast Conference in October 2003. Some 31 completed replies were received. These included responses from some of the region's biggest food and drink companies (indeed, 9 respondents had a workforce in excess of 250 in the region and one employed well over 1,000 people locally), but we also had replies from 8 firms with 10 or fewer staff. Equally, respondents were drawn from a range of food and drink sectors including – for example – livestock farmers, maltsters, brewers, potato packers, salad growers, meat processors, and grain marketing operations. So although the number of respondents was modest, it did include a good representation from different parts of the industry and different types of business.

4.20 After a brief description of the scenarios, respondents were asked to award a total of 10 points across the three scenarios in order to indicate where – in their view – the balance of effort ought to lie in seeking to support the food and drink industry over the next few years.

Table 4.1: A response from industry as to where the balance of effort should lie in supporting the industry's future

Number of respondents giving particular scores to the different scenarios: Score:	**Scenario 1:** Support for food and drink businesses operating within a global trading system	**Scenario 2:** Steps to position the region for innovative agriculture, food and drink	**Scenario 3:** Building a reconnected food and drinks industry
0-2 (implying a very low level of priority)	13	9	11
3-5	14	20	13
6-8	3	2	7
9-10 (suggesting a very high level of priority)	1	0	0
Average Score across 31 respondents	3.3	3.2	3.4

(Source: SQW Business Survey, Autumn 2003)

[102] These consultations also helped us to quantify some aspects of the scenarios

4.21 Although they should not be taken too far, the results – which are tabulated above – are instructive and important. They were also fully consistent with messages from the one-to-consultations, and indeed, the review of secondary sources and the findings from a number of other research studies. They suggest:

- businesses from across the region's food and drink industry recognise all three scenarios and they acknowledge that all three will feature in terms of future industry configurations
- views are quite divergent: the fact of similar average scores should be not be interpreted in terms of most firms agreeing that the different scenarios were equally important. This is a classic ecological fallacy and a detailed inspection of the data points to something quite different: 14 respondents gave a score of 1 or less to at least one of the scenarios. Nevertheless the "average" scores for each scenario across all respondents were similar suggesting that for the industry as a whole – assuming one respondent equals one vote – all three scenarios are equally valid
- as Tables 4.2a and 4.2b suggest, there were differences in emphasis from firms of different sizes: perhaps unsurprisingly, micro businesses favoured Scenario 3 whereas larger firms scored Scenario 1 more strongly. But interestingly, no respondent from either group awarded a score of 9 or 10 to any scenario, suggesting again that a range of food and drink industry futures need to be recognised and supported. Firms' unprompted comments on the three scenarios – taken verbatim from the questionnaire – broadly endorsed this conclusion, as indeed did the insights from the one-to-one consultations.

Table 4.2a: A response from businesses with 250 or more staff in the East of England as to where the balance of effort should lie in supporting the industry's future

Number of respondents giving particular scores to the different scenarios:	**Scenario 1:** Support for food and drink businesses operating within a global trading system	**Scenario 2:** Steps to position the region for innovative agriculture, food and drink	**Scenario 3:** Building a reconnected food and drinks industry
Score:			
0-2 (implying a very low level of priority)	2	2	5
3-5	6	7	3
6-8	1	0	1
9-10 (suggesting a very high level of priority)	0	0	0
Average Score across 9 respondents	4.1	3.2	2.7

(Source: SQW Business Survey, Autumn 2003)

Table 4.2b: A response from businesses with 10 or fewer staff in the East of England as to where the balance of effort should lie in supporting the industry's future

Number of respondents giving particular scores to the different scenarios: Score:	**Scenario 1:** Support for food and drink businesses operating within a global trading system	**Scenario 2:** Steps to position the region for innovative agriculture, food and drink	**Scenario 3:** Building a reconnected food and drinks industry
0-2 (implying a very low level of priority)	5	3	2
3-5	3	5	3
6-8	0	0	3
9-10 (suggesting a very high level of priority)	0	0	0
Average Score across 8 respondents	2.4	3.3	4.4

(Source: SQW Business Survey, Autumn 2003)

Conclusions and Implications for the Strategy

4.22 We cannot predict the future with certainty and – in the context of an industry as complicated as food and drink – we should not try to do so. The data-based output and employment forecasts suggest – at one level – a gloomy future characterised by continuing absolute and relative decline within the region. In moving towards a Strategy for the industry, we cannot ignore these projections and we need to be pragmatic. But at the same time, the forecasts relate to the outcome of likely trends and the whole purpose of drawing together a medium-long term Strategy for the industry is to develop policies to influence these trends.

4.23 And it is in this context that the scenario planning exercise is helpful and the response from the business community and other informed organisations is really quite insightful. Through a series of strategic conversations, we have observed a collection of quite different perspectives on the industry's future and – within this – contrasting assessments of where the balance of effort should lie in moving forward.

4.24 This all suggests a multiplicity of futures in terms of food and drink which – given the diversity of the sector and the range of trends and drivers alluded to in Chapter 3 – is perhaps both inevitable and desirable. Sometimes this will mean managing decline whilst in other situations the emphasis will be on supporting diversification and growth. But a multiplicity of futures is not – and cannot – be an excuse for "anything goes" in terms of strategic focus. Indeed, it means that strategic levers need to be calibrated and tested in the light of different scenarios in order to move forward with purpose. And this in turn suggests that the Strategy cannot be a "one-size-fits-all" blueprint; instead it is much more of a process through which an informed and ongoing dialogue can help shape contrasting – and potentially contradictory – futures and through which a range of business types might be supported and encouraged for the medium-long term benefit of the industry, consumers and the East of England more generally.

Section B:

A Strategy for the Food and Drink Industry in the East of England

5 The Strategy

5.1 This Strategy for the Food and Drink Industry in the East of England has a number of distinctive components, all of which are consistent with – and contribute to the delivery of – the Regional Economic Strategy (RES)[103]. In the paragraphs below, we introduce the core elements of the Strategy which have been developed in a consultative and iterative manner (as discussed in Chapter 1). Different elements of the Strategy are described and explained in detail in the chapters that follow.

Vision

5.2 Consistent with the RES, the Vision is one of enhanced competitiveness and sustainability within the food and drink industry across the East of England, recognising that successful businesses will take a number of forms. This Strategy aims to provide a catalyst for both the public and private sectors, working collaboratively, to enhance supply chain efficiency, increase innovation and add value to the region's food and drink industry.

5.3 In seeking to achieve this Vision, the Strategy will contribute to the delivery of the Government's Strategy for Sustainable Farming and Food and its aim to promote a competitive and efficient farming and food sector which protects and enhances our countryside and wider environment, and contributes to the health and prosperity of all our communities.

Cross-Cutting Themes

5.4 In seeking to deliver this Vision, there are a number of priorities that ought to be implicit; these **Cross-Cutting Themes** relate very closely to the Vision and they will be internalised within the actions which are undertaken. Three Cross-Cutting Themes have been identified. These are listed below and described and explained in Chapter 6:

- CC1: Improving networking and connectivity
- CC2: Consumer/customer focus
- CC3: Resources for food and drink.

[103] *A Shared Vision: The Regional Economic Strategy for the East of England,* East of England Development Agency, December 2004

Strategic Priorities

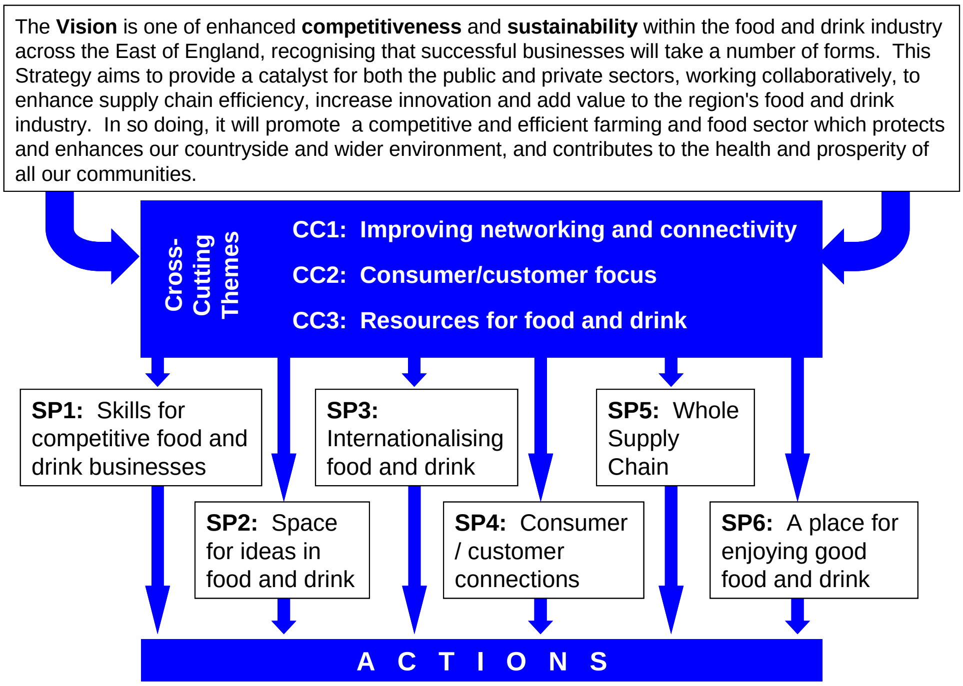
5.5 In addition there are six **Strategic Priorities** which are specific to the particular needs and opportunities facing the food and drink industry in the East of England. All six priorities are founded in evidence and they have all been drawn from the analysis presented in Section A. The intention is that actions should be implemented in response to the Strategic Priorities shaped by the Cross-Cutting Themes in order to achieve the Vision. The six Strategic Priorities are listed below and explained in detail in Chapters 7-12:

- SP1: Skills for competitive food and drink businesses
- SP2: "Space for ideas" in food and drink
- SP3: Internationalising food and drink
- SP4: Consumer/customer connections
- SP5: Whole supply chain
- SP6: A place for enjoying good food and drink.

A Strategy for the Food and Drink Industry in the East of England

5.6 Drawing together the different components set out above, the Strategy for Food and Drink in the East of England is summarised in the graphic below.

Figure 5.1: A Strategy for the Food and Drink Industry in the East of England



6 Cross-Cutting Themes

6.1 Three Cross-Cutting Themes have been identified as implicit priorities that must be delivered in order to realise the Strategy's objectives. In the paragraphs below, we introduce each of these themes, describing the rationale for them and explaining the implications that follow.

CC1: Improving Networking and Connectivity

6.2 In moving forward, improved networking and connectivity – both within the industry and between it and other parts of the wider food and drink system – is absolutely imperative. It must be implicit in delivering this Strategy.

6.3 The call for enhanced communication and collaboration is not new and the importance of it has been widely recognised in research and policy; it was, for example, a central theme within the Report of the Policy Commission on the Future of Farming and Food[104] [105]. Its significance has also been widely endorsed by research undertaken in the East of England. For instance, in her work with the "*Climbing the Ladder*" group of small and medium-sized food and drink businesses, Dr Jennifer Frances identified – as her first recommendation – the need for an effective SME network to look at the opportunities and barriers to growth[106]. Similarly, following a strategic review of the meat sector in the East of England, Promar recommended that steps should be taken to "*develop greater co-operation through the value chain*"[107].

6.4 But networking, connectivity, communication and collaboration cannot be an end in itself; to quote a farmer cited in the Report of the Policy Commission on the Future of Farming and Food, "*the history of farming is littered with dead co-operatives*". Rather than a structure or an initiative, networking and connectivity must be seen as a cultural and dynamic process which relies on a good stock of social capital characterised by some level of trust – none of which is easy in the context of tight margins and declining profitability. It is for this reason that public sector initiatives to promote collaboration sometimes fail[108]. Nevertheless, within

[104] "Farming and Food: A Sustainable Future" Report on the Policy Commission on the Future of Farming and Food, January 2002 page 34

[105] English Food and Farming Partnerships (EFFP) has been launched in response. EFFP's mission is "to strengthen the profitability, competitiveness and sustainability of England's farming and food industry". It aims to achieve this by the growth of successful market focused Farmer Controlled Businesses and by developing co-operation and partnership activities, not only between farmers but also between farmers and the food chain (see http://www.effp.com)

[106] "Climbing the Ladder: SMEs expanding upwards through the food chain in the East of England region" Report by Dr Jennifer Frances, for EEDA, May 2003

[107] "Strategic review of the meat sector" Prepared by Promar International for EEDA, April 2003, page 67

[108] It is also important, however, to recognise that particular co-ops might serve a useful purpose for a period of time and then – because of shifting market and other conditions – they might become redundant; in this context, the demise of a co-op does not necessarily mean that it has "failed"

the industry we have seen some private sector-led networking ventures which tend to be either small and localised or – alternatively – international[109]. Our sense is that businesses within them generally perform better than those outside. It is for this reason that networking and connectivity – premised on improved communication – needs to be a cross-cutting theme: something that is achieved in the course of doing other things, but no less important because of it.

CC2: Consumer/customer focus

6.5 A second cross-cutting theme relates to the need for a clear consumer/customer focus in moving the industry forward. Again, this was a theme that was explicitly recognised by the Policy Commission. Particularly among primary producers, the preoccupation with producing rather than selling has been an inevitable consequence of the incentive structure of agricultural policy over the last 50 years. Yet following the Mid Term Review of CAP – as described in Chapter 3 – supported sectors will be exposed more fully to the disciplines of the market and the consequence will quickly be that a focus on consumers and customers is imperative. As the Managing Director of G's Marketing – one of the region's major growers and suppliers of salads and fresh vegetables – put it "*based on our experience I believe that farmers have got to get closer to their customers and to start with they have got to stop whinging about the supermarkets. They have got to have a really clear understanding of what the customers want and invest time in finding out*"[110]. Arguably the purpose of this Strategy must be to help farmers, growers and food and drink processors to position themselves better in response to these fast changing ground-rules. Equally – through farm assurance schemes and the like – consumers need to be helped to get closer (at least in terms of awareness and understanding) – to the activities of producers.

CC3: Resources for Food and Drink

6.6 Our final cross-cutting theme is rather different, but very important – not least in terms of its contribution to wider sustainability agendas. It relates to the need for appropriate resources to support the future prospects of the food and drink industry. This "resource base" embraces many different elements – water, land, premises, physical infrastructure, business support, and so on – and in all cases, improving efficiency in resource use must be a priority.

6.7 One key element of the resource base concerns the water supply; this is a critical resource for many food and drink businesses in the region, and one that is under a good deal of pressure. Conversely, for small meat producers, a key resource relates to the provision of local

[109] During our consultations, we were told of a good example of the former. A network of food companies and related organisations – including the District Council – has emerged in the area around King's Lynn and it was reported to be very useful

[110] Taken From a speech by John Shropshire entitled "Horticulture today – lessons for tomorrow" (http://www.rase.org.uk/jshropshire)

abattoirs: there is much evidence to suggest that this has been significantly depleted over the last three decades[111] and there is now a serious infrastructure deficit in terms of local producers. In a similar overall context, Promar identified the need to co-ordinate with local authorities in terms of the impact of planning regulations on the meat sector[112]. For other firms, we observed that broadband is a key infrastructural resource while many businesses in Norfolk, Suffolk and northern Cambridgeshire have commented on the limited trunk road provision. Elsewhere, the quality of food and drink premises has been recognised as a concern; in the context of growing planning and site constraints, this is likely to become more of an issue in the future.

6.8 However in calling for better resources to support businesses within the food and drink industry, it is also important to recognise that demands for improvements far exceed the resources available to deliver them. It is for this reason that resource improvement is identified as a cross-cutting theme. Requests for infrastructural and other improvements need to be carefully identified in a manner that contributes substantively and catalytically to delivering the Strategic Priorities. As with the other two Cross-Cutting Themes, improving resources – whether through increased supply or improvements in the efficiency with which resources are used – is not as an end in itself.

[111] A report of the Suffolk Red Meat Project (November 2003) includes data which suggest that the number of abattoirs in the UK has declined massively since the 1970s. At the same time, there is evidence that – because of the drop in livestock numbers – many plants are operating at below capacity

[112] "Strategic review of the meat sector" Prepared by Promar International for EEDA, April 2003, page 67

7 SP1: Skills for competitive food and drink businesses

Scope, rationale and perspectives from Food and Drink businesses

7.1 During our consultations and supply chain case studies, issues relating to skills and workforce arose repeatedly as *the* key concern for businesses of different sizes and from different segments of the food and drink industry. This empirical observation was entirely consistent with published research: a national study of skills needs in food and drink manufacturing for example observed that the "*replacement of highly skilled workers is a major issue for the industry. A large number of manufacturers suffer from recruitment difficulties, especially among the most highly skilled occupations... The poor image of work in the industry is also an important factor behind recruitment difficulties"*[113].

7.2 But it is not just at the higher end of the labour market that recruitment difficulties are acute. Across much of the industry, wage levels are low, working conditions are difficult and jobs are frequently temporary or seasonal. In the East of England, the consequence is that it is becoming increasingly difficult to fill jobs locally.

7.3 In this overall context, some food and drink businesses have taken serious steps to address the surrounding problems. G's Marketing, for example, has set up an international recruitment website with the intention of attracting students and others travelling to the UK[114] and it has also built a hostel to accommodate those working on a seasonal or temporary basis. Elsewhere, agency or gang labour is an increasing feature of the contemporary food and drink industry in the East of England. Some of this is legal and some is not, but either way, no one seems to have any knowledge of the numbers involved, just a "hunch" that the numbers are growing[115].

7.4 Looking to the future and the issue of skills and labour for competitive food and drink businesses is likely to become more acute in the context of all of the scenarios set out in Chapter 4. Under Scenario 1, the issue will be the need for smaller numbers of higher level skills – particularly in terms of marketing and business skills, and skills relating to process control – together with a need for a large, flexible and cheap workforce on a seasonal basis.

[113] "An Assessment of Skill Needs in Food and Drink Manufacturing" Skills Dialogues: Listening to Employers, DfES, 2001

[114] See http://www.gs-recruitment.com/uk_home.htm

[115] A report from the House of Commons Environment, Food and Rural Affairs Committee on the activities of gangmasters observed that neither government – nor any of the witnesses who gave evidence to the Committee – was able to estimate the number of gangmasters that are operating, the work they are engaged in, or the scale of their operations (House of Commons, 2003 page 9)

Under Scenario 2, the skills agenda will be concerned more with innovation, commercialisation and technology transfer. Conversely, for Scenario 3, there will be a need for multi-skilled owner/managers but with technical knowledge, commercial acumen and a strong awareness of marketing issues.

7.5 Against this backdrop, it is perhaps unsurprising that issues associated with SP1 featured strongly in all of the studies which were undertaken by EEDA as inputs into the development of this Strategy. For example, in its report on the meat sector, Promar observed that recruitment was a significant constraint on growth, and it concluded that "*for the East of England to be both a world class region (for meat) and contain competitive organisations, it is vital that the loss of skills be halted, and an influx of "new blood" into the meat industry be seen*"[116]. Similar arguments were made during the more recent consultations and supply chain case studies. These themes also featured strongly in the findings from the business survey; indeed almost a third of respondents identified "*provision of better technical skills among middle/high level staff*" (SP1 – priority 1) as one of the three absolute priorities for the Strategy while a quarter of respondents assessed "*actions to encourage young people to join the industry*" (SP1 – priority 3) in a similar way. Some 87% of respondents claimed that "*actions to retain skilled people*" (SP1 – priority 5) would contribute positively to the competitiveness of their business while the "*provision of enhanced marketing and customer care skills*" (SP1 – priority 2) was assessed in similar terms by 68%.

Table 7.1: Response from businesses to priorities identified within SP1

Assessment of priorities within SP1: Skills for competitive food and drink businesses	Assessment of potential impact on their business competitiveness			Number (%) identifying it as a "top 3" priority	
	++ (number)	**% ++** or **+**	Coefficient[117]		
1 Provision of better technical skills among middle/high level staff	15	77%	1.4	9	29%
2 Provision of enhanced marketing and customer care skills	7	68%	1.2	4	13%
3 Actions to encourage young people to join the industry	11	61%	1.1	7	23%
4 Actions to secure a larger pool of un-/semi-skilled labour	3	42%	0.7	4	13%
5 Actions to retain skilled people (e.g. continuing professional development)	9	87%	1.5	1	3%
6 Steps to build the international effectiveness of industry leaders	2	39%	0.7	0	0%
7 Provision of enhanced vocational training (e.g. Modern Apprenticeships, NVQs)	8	61%	1.1	1	3%

(Source: SQW Business Survey, Autumn 2003)

[116] "Strategic review of the meat sector" Prepared by Promar International for EEDA, April 2003, page 68

[117] In this and subsequent tables the co-efficient is a measure of the relative importance attached by our 31 respondents to each potential action. It is calculated by dividing the proportion of respondents awarding a high score to each action by the proportion of high scores across the total. Thus a score greater than one suggests a high level of relative importance

Principal programmes, funding sources and initiatives

7.6 In order to meet the needs of businesses and to deliver the priorities set out above, it will be necessary to work with the industry, and to influence the use of mainstream funding. In the domain of SP1, this should – in principle – be straightforward, for many of the priorities identified by the industry in the East of England are consistent with those identified nationally. They are also consistent with many of the priorities and action areas identified within Goal One of the RES (A skills base that can support a world-class economy). For example:

- the National Skills Strategy embraces a number of priorities that are potentially very relevant to the skills needs of the region's food and drink industry. For example, provision is made by government to guarantee all adults free tuition up to NVQ Level 2 and to fund training to NVQ Level 3 in sectors which are identified as strategically important[118]. There is also further support for the development of foundation degrees and an increase in the eligible age range for Modern Apprenticeships. For significant numbers of people working in the region's food and drink industry, these policy developments could be really quite important. At a regional level, steps should be taken to encourage employees and employers from the food and drink industry to make the most of these opportunities. *In turn, this should help to deliver priorities 1, 2 and 7 from within Table 7.1*

- the National Skills Strategy also emphasises the importance of the Sector Skills Councils. These are employer-led and actively involve trade unions, professional bodies and other stakeholders in key strategic sectors. The intention is that SSCs should give responsibility to employers to provide leadership for strategic action to meet their sector's skills and business needs. In return they receive public investment and greater dialogue with government departments across the UK[119]. In terms of the land-based industries, LANTRA is well established and the SSC for Food and Drink Manufacturing (named "Improve") has recently been set up. It will be important that both SSCs are engaged in delivering the Strategic Priorities identified in the East of England, and indeed, EEDA already has strong links with both. Moreover connections will also have to be forged with SSCs with responsibility for elements of the wider food chain (e.g. Skillsmart, the SSC for retail) and the wider cluster (e.g. the SSC for logistics which is currently under development)[120]. *Through these mechanisms, it should be possible to contribute substantively to the delivery of priorities 1, 5 and 7 from Table 7.1*

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[118] "21st Century Skills – Realising our Potential: Individuals, Employers, Nation" Presented to Parliament by the Secretary of State for Education and Skills, July 2003. Strategically important sectors – in this context – remain to be defined

[119] http://www.ssda.org.uk/ssc/sscouncil.shtml

[120] see http://www.ssda.org.uk/

- a £1.2bn national initiative called "Success for All" was launched in November 2002. It was aimed at raising standards and transforming local delivery in learning and skills provision. As part of the initiative, Strategic Area Reviews (StARs) were launched in April 2003 by the Learning and Skills Councils in order to analyse post-16 provision and assess the extent to which it is responsive to the needs of learners, employers and local communities. *This national initiative should help to deliver priorities 1, 5 and 7 from within Table 7.1*

- Defra has completed a national Learning, Skills and Knowledge Review focusing on stimulating demand for learning, identifying learning needs, access to provision, effectiveness, etc.[121] Although its remit is rural businesses and therefore overlaps – but is not co-incident – with that of the food and drink industry, it does help focus attention on some of the issues identified above. *In turn, this should help to inform the delivery of all of the priorities identified within Table 7.1*

- at a regional level, the Framework for Regional Skills Action (FRESA) has been developed and led by EEDA and its regional partners with the aim of addressing the needs of employers and individuals within the East of England. The FRESA has identified five top priorities for the region, most of which are consistent with the needs of businesses within the food and drink industry: raising participation in higher education; responding to redundancies; skills for employability; workforce development and in-work progression; and young people, career choices and continued learning. Delivery of the FRESA is being achieved principally through the six Learning and Skills Councils, Jobcentre Plus, Connexions, the Association of Universities in the East of England (AUEE) and EEDA. Looking to the future and the Regional Skills and Competitiveness Partnership (incorporating the DfES requirement for a Regional Skills Partnership) will play an increasingly prominent role. This Strategy will need to influence all of these bodies. *In turn, this should help to deliver all of the priorities identified within Table 7.1*

- while they last, the European Structural Fund Programmes (Objective 3 and – to a lesser extent – Objective 2) ought to be able to fund projects to address the priorities identified above; indeed, there are already a good number of projects within the region that are addressing the learning and skills needs of the food and drink industry and are funded through these sources. *In turn, these are helping to address many of the priorities identified within Table 7.1*

- some elements of the England Rural Development Programme are also both relevant and available; in the domain of learning and skills, the Vocational Training Scheme is the clearest example. *This ought to be tailored to support the delivery of priorities 1, 2, 3, 5, 6 and 7 from Table 7.1*

[121] "Learning, Skills and Knowledge Review" Final Report published by Defra, February 2004

- run by the Learning and Skills Council, the Centres of Vocational Excellence (CoVE) Programme is an important venture in the domain of vocational training[122]. There are a number of planned/existing CoVEs of relevance to the food and drink industry within the East of England. One example is the Centre of Vocational Excellence based around food manufacturing which is being established at Otley College in Suffolk. *CoVE initiatives ought to be especially helpful in responding to priorities 1, 5 and 7 from Table 7.1.*

Links between the principal programmes, funding sources and initiatives and priorities identified by the Food and Drink Industry in the East of England

7.7 The principal programmes identified above have spawned a large number of local and sub-regional projects. In considering the feedback from businesses alongside the inventory of ongoing activity in the domain of SP1, we make the following observations and suggestions:

- first, it is clear that there is a great deal of on-going activity within the domain of SP1 which is contributing to the delivery of priorities identified in Table 7.1. However much of this appears to operate at a sub-regional level. The question we therefore need to consider is whether the existing provision is achieving critical mass and if not, what steps might be taken to effect this outcome. There have been various attempts to provide more co-ordination for learning across the region including the work of ADER and the LSC StARs. It will be important that lessons are learned

- second, businesses have identified the need to attract young people as a key priority (SP1 – priority 3). Connexions is an important route to delivery. However attempts to attract young people must be based on career opportunities with structured learning, not just a source of cheap labour. In this context, there is a need to work closely with the relevant Sector Skills Councils, particularly in terms of understanding their perceptions of the industry and the factors that subsequently influence career choices. *This would contribute to the delivery of priority 3*

- third, the inventory of on-going activity includes very little reference to the good and best practice that has been developed by the private sector. In the domain of skills there may well be opportunities for companies to learn from each other, particularly with regard to immigrant labour (CC1). However, poaching of specialist staff is an issue. This would need to be taken into account in seeking to formulate actions led by the private sector. It could also be that the Strategy should promote a means of co-operation that will reduce poaching. *Associated actions should help to deliver all of the priorities identified in Table 7.1*

- in addition – and in response to the challenge set out in the National Skills Strategy – private and public sector partners from the East of England ought to lobby the Food

[122] see http://www.dfes.gov.uk/cove/

and Drink Sector Skills Council to address the particular needs of the region's food and drink firms. The development of Sector Skills Agreements will be an important means by which SSCs engage with regional and local partners. *This should help to deliver all of the priorities identified within Table 7.1*

- fifth – and notwithstanding the relatively low score in Table 7.1 – provision arguably ought to be made to support the emergence of a new cadre of industry leaders. Rather than efficient producers, these would need to be effective marketeers who can negotiate and network effectively at the highest international levels (CC1). To the extent that we see either Scenario 1 or Scenario 2 depicting elements of the industry's future, this ought to be a priority. In moving forward, links ought to be established to UK Trade and Investment and Invest East of England activity in the domain of international leadership[123], *thereby contributing to the delivery of priority 6*

- sixth, there is a need for a better understanding of the scale and nature of the foreign labour on which the industry appears increasingly to depend. In this context, steps should be taken to ensure that national research fully explores the issues which are most relevant to the East of England. *This would respond especially to priority 4 within Table 7.1.*

Summary – Moving Forward

7.8 In order to address the themes ensconced within SP1 – and taking into account the range of on-going activity – immediate priorities for action are summarised in Table 7.2 below.

Table 7.2: Priorities in Moving Forward

SP1: Skills for competitive food and drink businesses
• Build on existing initiatives to communicate more clearly with the industry regarding both training needs and the availability of training, and – hence – encourage stronger take-up
• Support the emerging Centres of Vocational Excellence and encourage the regional implementation of priorities within the National Skills Strategy to ensure that provision is made for enhanced vocational training as a route to securing better technical, marketing and customer care skills
• Support the Sector Skills Councils in encouraging young people to consider working in the food and drink industry and helping businesses to structure career opportunities that are attractive to young people. Ensure that SSC activity appropriately reflects the needs of businesses within the East of England
• Ensure that research on foreign labour within the national food and drink industry takes into account fully the issues arising in the East of England, and work with the private sector to identify and disseminate best practice in this domain
• Support the delivery of the International Business Strategy to ensure that initiatives to develop the international effectiveness of industry leaders are made available to businesses within the food and drink industry
• Ensure that skills funding available to the industry is – as far as possible – used to deliver the priorities identified in this Strategy

[123] A series of actions under the second Strategic Priority from the International Business Strategy for the East of England will be relevant in this domain. The second Strategic Priority is concerned with ensuring that the region's businesses are equipped with the skills and expertise needed to engage effectively in international markets. See pages 14-19 of the consultation draft International Business Strategy

8 SP2: "Space for Ideas" in Food and Drink

Scope, rationale and perspectives from Food and Drink businesses

8.1 The rationale for SP2 – "Space for ideas" in Food and Drink – is informed by Scenario 2, but it is also very relevant to the other scenarios described in Chapter 4. In part, it derives from the juxtaposition of serious research excellence in the East of England – particularly in plant-related biotechnology – and a growing interest in the functional value of food and the wider relationships between nutrition and health[124]. But it also reflects the potential for food and drink businesses to benefit from other R&D specialisms. The argument is that the East of England ought to be very well placed to generate and harness significant commercial benefits in that part of the food and drink industry that depends more on intellectual capital than plentiful raw materials or cheap labour. Potentially, therefore, SP2 is playing to the region's comparative advantage and strategically it ought to be a medium-long term priority. To this end, provision needs to be made for appropriate incubator and grow-on space, mechanisms to effect technology transfer and protect intellectual property (IP), and other key elements of an innovation infrastructure (CC3). This assessment of the opportunities surrounding the region's research excellence linked to food and drink mirrors a more general challenge for the East of England: across all sectors, R&D spend exceeds the European target, but – as the draft regional Business Start-Up Strategy identifies – "*these knowledge assets are significantly under-utilised and further support would generate increased activity*"[125].

8.2 More generally, there is a need to encourage entrepreneurship within the industry, both from among those already working in food and drink-related activities, and – importantly – from potential new entrants. Indeed, across the food and drink industry – as in other sectors – entrepreneurship ought to be seen as the lifeblood[126]. In addition, SP2 is also concerned with more incremental processes of innovation within the existing business base[127]. This in turn requires a level of engagement with the market (CC2) but often it also needs to be a collective endeavour, albeit one that takes place within a shared set of "ground rules" (CC1). The dilemmas are widely recognised within the region's food and drink industry. As one recent

[124] For an overview, see *Innovation and Technology Audit for the East of England*, report to the East of England Development Agency by Arthur D Little, November 2003

[125] The East of England Business Start-Up Strategy, Consultation Draft. December 2003, page 23

[126] In its report, Promar emphasised the importance of attracting "new blood" into the meat industry – in the context of attracting people to work for businesses within the sector. Arguably the same point applies in terms of stimulating new businesses, both in the meat sector and more generally. A level of "churn" within the business base should be seen as indicative of a dynamic sector; at any rate, this is a clear feature of apparently more dynamic and high growth sectors such as ICT

[127] This may relate to many different aspects of a food and drink firm's operation including, potentially, environmental performance, new product development and so on

study observed: "*New product development at some point involves the sharing of ideas. All of the businesses were concerned about the giving away commercially sensitive information but at the same time valued the need to be open and share information as a means for product and process innovation*"[128].

8.3 The importance of SP2 has been borne out through a number of research studies. Indeed, three of the priorities identified within the study referred to above were consistent with it[129]. From the business survey, firms' assessments of the priorities identified in response to SP2 were – in the main – more cautious than those expressed in response to SP1. In some respects this should come as no great surprise for firms' concerns in the domain of skills and the labour market are immediate and pressing, whereas "Space for ideas" is a longer term venture. In addition, many of those who potentially might benefit from it are – by definition – yet to enter the industry and they are not therefore in a good position to respond to questionnaire surveys. Nevertheless of the six suggested priorities, two appeared to meet with sustained support: "*mechanisms to improve technology transfer between researchers and business*" (SP2 – priority 8) and "*support for innovation through collaboration*" (SP2 – priority 12).

Table 8.1: Response from businesses to priorities identified within SP2

Assessment of priorities within SP2: "Space for ideas" in Food and Drink	Assessment of potential impact on their business competitiveness			Number (%) identifying it as a "top 3" priority	
	++ (number)	% ++ or +	Coefficient		
8 Improved technology transfer between researchers and business	11	77%	1.4	3	10%
9 Dissemination of international best practice in food and drink R&D	3	61%	1.1	1	3%
10 Enhanced awareness of IT and process excellence	7	65%	1.1	0	0%
11 Improved protection of Intellectual Property (IP)	0	26%	0.5	0	0%
12 Support for innovation through collaboration	10	61%	1.1	3	10%
13 Improved access to finance	4	35%	0.6	3	10%

(Source: SQW Business Survey, Autumn 2003)

Principal programmes, funding sources and initiatives

8.4 SP2 resonates strongly with Goals Two (Growing competitiveness, productivity and enterprise) and Three (Global leadership in developing and realising innovation in science,

[128] "Climbing the Ladder: SMEs expanding upwards through the food chain in the East of England region" Report by Dr Jennifer Frances, for EEDA, May 2003 page 31

[129] Three of the recommendations within the "Climbing the Ladder" report referenced above were consistent with SP2: support for one-to-one mentoring to facilitate knowledge transfer; work to develop IPR for agricultural and food products; and encouragement to grant providers that are able to offer small, easily accessible and flexible amounts of money to SMEs

technology and research) from the RES. As with SP1, there is significant on-going activity that is – in broad terms – consistent with the aims, objectives and aspirations of "Space for ideas" in food and drink. For example:

- nationally, the Higher Education Innovation Fund (HEIF) is supporting interactions between higher education institutions and business, building on the third stream of funding initiated by the Higher Education Reach-out to Business and the Community fund. The deadline for applications for a second round of HEIF was February 2004[130]. *This ought to be consistent with the delivery of priorities 8, 11, 12 and 13 – if applications relevant to the industry are both submitted and approved*

- DTI is providing core funding to 24 Faraday Partnerships which are designed to improve the competitiveness of UK industry through more effective interaction between the science and technology base, and industry. A food processing Faraday Partnership – set up by DTI and Defra – is assisting the UK food and drink industry by promoting active flows of people, industrial technology and innovative business concepts amongst the science and technology base and industry; building a partnership ethic in industrially relevant research organisations, business and the innovation knowledge base; supporting core research that will underpin business opportunities; and promoting business relevant post-graduate training leading to life long learning[131]. A number of other Faraday partnerships – notably those relating to packaging and farm animal genetics and genomics – are also relevant to the needs of the wider sector. *This all ought to be consistent with much of SP2 – notably priorities 8 and 12*

- sector specific bodies are playing a key role in terms of innovation. For example, HGCA[132] runs a number of competitions that should be of interest to businesses within the East of England. One example is the HGCA Enterprise Awards

- Defra is currently involved in LINK schemes in agriculture and food[133]. In addition, there are a number of non-sector specific national initiatives which could support innovation/technology transfer within the industry in the region; examples include SMART[134] and Knowledge Transfer Partnerships[135]. *Again, these ought to support*

[130] http://www.hefce.ac.uk/Pubs/hefce/2003/03_58/

[131] http://www.fpfaraday.com

[132] Home-Grown Cereals Authority; HGCA is a Non-Departmental Public Body established under the Cereals Marketing Act 1965, with the purpose of improving the production and marketing of cereals and oilseeds grown in the United Kingdom

[133] LINK is a scheme in which the Government collaborates in the funding of industrially relevant research to support its wealth creation and quality of life goals (see www.defra.gov.uk/science/LINK/)

[134] SMART (Small Firms Merit Award for Research and Technology) Awards are Government grants, given to establish the feasibility of innovations and inventions and to help the development of products through to the pre-production state

[135] Formerly the Teaching Company Scheme (TCS)

the delivery of SP2, if businesses and researchers linked to the food and drink industry engage proactively within them

- at a regional level, there are strong and clear links to the East of England Business Start-Up Strategy[136], its four priority themes[137] and a number of specific actions and initiatives that it is stimulating

- I10 is a wide-ranging initiative which involves all of the region's higher education institutions and is designed to facilitate access to technologies and intellectual property generated within the region. A group of organisations including FoodFen, Writtle College, Taylor Vinters, Institute of Food Research (IFR), EEDA and Tastes of Anglia is exploring how I10 might be dovetailed to the needs of the food and drink industry. *This should contribute especially to the delivery of priorities 8, 11 and 12 from Table 8.1*

- EEDA is supporting I10 and is also providing an Innovation facilitation service which will act as a first stop shop for companies seeking support with innovation. Consistent with the Business Start-Up Strategy, EEDA is also supporting the provision of Enterprise Hubs at different locations around the region

- the East of England Innovation Relay Centre is one of 68 similar centres throughout Europe. It is physically located at St John's Innovation Centre and its main objective is to link technology offers with technology requests

- some funding support relevant to the needs of some producers and consistent with the aims of SP2 may be available through the Rural Enterprise Scheme, part of the England Rural Development Programme.

Links between the principal programmes, funding sources and initiatives and priorities identified by the food and drink industry in the East of England

8.5 Within this overall context, we would make a number of comments with regard to the links between on-going activity and the priorities identified in building the competitiveness of the food and drink industry:

- currently – from the perspective of businesses – relatively little of the on-going activity appears explicitly to deliver either CC1 (networking and connectivity) or CC2 (consumer/customer focus) in the context of supporting innovation. In moving forward it will be important to ensure that these Cross-Cutting Themes are genuinely being delivered

[136] The East of England Business Start-Up Strategy, Consultation Draft. December 2003

[137] The four themes within the Strategy are: developing and enterprise culture; improving the customer experience of services supporting start-ups; removing barriers to enterprise in targeted communities; and improving the support available to innovative, high value start-ups

- few of the existing ventures appear to focus heavily on the non-University sources of research excellence. This is a weakness and one that ought to be remedied through the Strategy. *In so doing, progress ought to be made in addressing priorities 8 and 12 from Table 8.1*

- in line with the national Strategy for Sustainable Farming and Food, steps could be taken to set up a regional priorities board for strategic research to help provide a regional steer for nationally funded research undertaken in the region. *This would contribute to the delivery of many different elements of SP2*

- more generally, steps could usefully be taken to encourage the "mainstream" research community to really engage in the opportunities associated with food and drink; only in this manner will the full potential benefits of the "mainstream" innovation support identified above be captured by the industry. *Again, this should contribute to the delivery of SP2 across a number of dimensions*

- in moving forward, there is a need to consider further the scope and potential to innovate in the efficiency of resource use. As Chapter 3 made clear, the imperatives (and, to some extent, opportunities) in this domain are growing, and it will be important that food and drink businesses respond positively and creatively.

Summary – Moving Forward

8.6 In order to address the themes ensconced within SP2 – and taking into account the range of on-going activity – immediate priorities for action are summarised in Table 8.2.

Table 8.2: Priorities in Moving Forward

SP2: "Space for ideas" in food and drink
• Identify routes through which "mainstream" support for innovation and technology transfer might be rendered applicable to the long term needs of the region's food and drink industry; this is likely to require actions to persuade both researchers and would-be entrepreneurs that the food and drink industry is an attractive focus for their activities • Encourage the region's food and drink-based research institutions and the business community to identify greater opportunities for collaboration • Identify and then "show-case" examples of good practice in terms of links between food and drink businesses – of all sizes and from all sectors – and the research base • Raise awareness among food and drink businesses as to the opportunities for research funding • Encourage the legal community to work with food and drink businesses to develop better protocols for protecting intellectual property • Establish whether the hard infrastructure for value-added start-ups linked to food and drink (e.g. business incubation space) needs to be improved • Provide support for groups of food and drink businesses – and firms from other sectors – which are seeking to innovate through collaborative activity • Encourage the industry to embrace environmental innovation, focusing on energy efficiency, water resources, renewable energy and waste prevention

9 SP3: Internationalising Food and Drink

Scope, rationale and perspectives from Food and Drink businesses

9.1 As set out in Section A, the food and drink industry is becoming increasingly international. The volume and value of international trade is growing[138], and food and drink companies are increasingly ensconced within multinational corporate structures. Moreover, with progressive trade liberalisation, the likelihood is that international connectivity will increase further.

9.2 For food and drink businesses in the East of England, internationalisation is frequently seen as a threat in the context of growing competition from countries in which wage levels are lower and regulatory requirements are more relaxed. However there are also opportunities. For example, the "white goods" revolution which led to the growth of the frozen foods industry in the UK in the late 1960s is starting to take root in many countries and this ought to constitute a serious opportunity for the region's frozen food manufacturers. More generally, the sophistication of the UK food and drink system ought to mean that the region's businesses are well placed to benefit from developing markets elsewhere. For this reason, in its review of the meat sector, Promar argued that steps should be taken to open up export markets and build the capacity for East of England meat to be competitive on world exchanges[139]. But in order to realise these opportunities it will be necessary for businesses to engage proactively in international networks, to get close to international buyers (CC2) and – in many product areas – to produce and effectively market a differentiated, quality product.

9.3 In addition – and particularly in an East of England regional context – there ought to be opportunities for food and drink companies relating to import – both in terms of related logistics operations and processing prior to onward distribution. In Felixstowe, the region has a major international container port and substantial investment is planned to develop the Haven Ports complex further. Thus the volume of imported food and drink being transported through the region is likely to grow. Arguably this should constitute a business opportunity for the region.

9.4 From the Promar report referenced above, and from subsequent work, there was a good deal of support for SP3. The survey of businesses suggested that actions to encourage firms "*to engage successfully in international trade*" (SP3 – priority 15) were regarded as a particular priority as – to a lesser extent – were actions "*to market the region's food and drink*

[138] Recently published data suggest that the value of agricultural exports from the East of England in 2002 was £909m; this constituted 5.6% of all exports from the region (Source: DTI/HMCE November 2003 – quoted in the draft International Business Strategy for the East of England)

[139] "Strategic review of the meat sector" Prepared by Promar International for EEDA, April 2003, page 70

excellence abroad" (SP3 – priority 16). Our consultations suggested that firms struggled in trying to reconcile the different expectations of national buyers, and this is an area in which specific action could be useful. In addition, a number of businesses reported that overseas channels to market were quite impenetrable and in this domain too, there would seem to be an opportunity for collective endeavour (CC1, CC2).

Table 9.1: Response from businesses to priorities identified within SP3

Assessment of priorities within SP3: Internationalising Food and Drink	Assessment of potential impact on their business competitiveness			Number (%) identifying it as a "top 3" priority	
	++ (number)	% ++ or +	Coefficient		
14 Support for international business-to-business networking	9	52%	0.9	1	3%
15 Steps to encourage firms to engage more successfully in international trade	9	68%	1.2	5	16%
16 Actions to market the region's food and drink excellence abroad	8	68%	1.2	0	0%

(Source: SQW Business Survey, Autumn 2003)

Principal programmes, funding sources and initiatives

9.5 Like SP2, there are strong connections between SP3 and Goals Two (Growing competitiveness, productivity and enterprise) and Three (Global leadership in developing and realising innovation in science, technology and research) from the RES. On-going activity which is consistent with SP3 is set out below:

- UK Trade and Investment (formerly TP-UK) has the lead role in this domain on a national basis, and it has a strong and increasing presence in the East of England; UK Trade and Investment's "Passport to Export" initiative is particularly significant. *This is already contributing to the delivery of priority 15 from Table 9.1*

- led by UK Trade and Investment, a consultation draft of the International Business Strategy for the East of England has been published. This highlights a range of forms of internationalisation, including joint ventures and partnering, technology transfer, imports, inward and outward investment, and international research arrangements. Five Strategic Priorities are identified[140] and all have resonance with the themes identified under both SP3 and a number of other Strategic Priorities. Moreover the need for clear links between the International Business Strategy and the Food and Drink Sector Strategy is flagged explicitly[141]. *The delivery of the International*

[140] The five Strategic Priorities within the draft International Business Strategy for the East of England are as follows: to raise awareness of the opportunities and benefits of engaging in international business and of the support available across the region; to ensure that the region's businesses are equipped with the skills and expertise needed to engage effectively in international markets; to improve the targeting of public sector resources for companies engaged in international business to ensure that support is focused on improving regional productivity most effectively; to promote the region as an attractive inward investment destination, and encourage further investment from foreign-owned companies in the region; and to establish greater co-ordination between organisations in the region that support, encourage and promote international business opportunities

[141] International Business Strategy for the East of England, Consultation Draft, December 2003. See pages 20-21

Business Strategy should contribute to the pursuit of SP3 across all of its component dimensions

- Food from Britain (FFB) is a Non-Departmental Public Body established under the Agricultural Marketing Act 1983. Its remit is to promote exports of food and drink produced or processed in the United Kingdom and to promote production and consumption of quality regional food and drink. To this end it receives over £5m of Defra funding annually and further funding is generated from the industry and from industry bodies such as HGCA[142]. *FFB ought – by definition – to be contributing to the delivery of SP3; in moving forward it will be important to ensure that maximum leverage is achieved*

- EEDA and other regional organisations have played an important role vis-à-vis international food exhibitions. *This is already contributing to the delivery of SP3 and steps will need to be taken to ensure that as many businesses as possible benefit; in part this may be achieved by sharing national platforms and developing a more co-ordinated programme of activity*

- at a regional level, Invest East of England is working to support companies considering investment in the East of England, and to ensure that once investments are made, companies can grow profitably in the region. The Agency has identified food and drink as one of its priority sectors and a nominated business development manager is responsible for working with companies in the sector.

Links between the principal programmes, funding sources and initiatives and priorities identified by the food and drink industry in the East of England

9.6 In moving forward within this Strategic Priority, we would make the following comments and observations:

- the arena of export is complicated and – potentially – very resource intensive. Arguably the region ought to agree on one or two initial priorities, perhaps in particular product areas. It then ought to focus on these in an attempt both to achieve critical mass and to test and develop "good practice" which then ought to be disseminated. The industry ought to be seriously involved in drawing up and agreeing these priorities. *This would contribute substantively to the delivery of priority 15 from Table 9.1*

- in terms of marketing the region's food and drink excellence internationally, steps ought to be taken to engage seriously with the region's knowledge base. As argued already, this is a key resource for the future and one in which the region has a comparative advantage. It ought to be helpful in terms of international positioning.

[142] http://www.defra.gov.uk/corporate/consult/ffbreview/annex1.htm

This would forge an important connection between SP2 and SP3. It would also be fully consistent with the priorities identified within the International Business Strategy

- building on the work of Invest East of England, steps should be taken to ensure that inward investment through merger and acquisition – a key feature of Scenario 1 – is managed as effectively as possible, recognising that this might not always be welcomed. In addition – and very much in line with the priorities identified in the draft International Business Strategy for the East of England – steps could be taken to support food and drink businesses from within the region that are seeking to invest overseas

- there is no evidence of any initiative/programme which targets imports as a positive opportunity. Yet with the growth of the region's ports and airports, this could be a focus for future activity. This possibility should be explored.

Summary – Moving Forward

9.7 In order to address the themes ensconced within SP3 – and taking into account the range of on-going activity – immediate priorities for action are summarised in Table 9.2 below.

Table 9.2: Priorities in Moving Forward

SP3: Internationalising food and drink
• Develop a targeted, realistic and achievable export strategy for the food and drink industry in the East of England. This ought to link in with the region's food and drink-related knowledge-based specialisms • Support the delivery of the International Business Strategy and ensure that priorities identified within the Food and Drink Industry Strategy are taken on board fully • Identify specific opportunities for food and drink businesses linked to imports arriving at the region's ports and airports • Develop – and publicise – a co-ordinated programme of activity for businesses seeking to engage in international trade, particularly through exhibitions, etc. This in turn will help to market the region's food and drink excellence abroad, and to do so in a co-ordinated way

10 SP4: Consumer and Customer Connections

Scope, rationale and perspectives from Food and Drink businesses

10.1 One of the principal challenges for food and drink businesses is establishing and securing viable "channels to market". In the context of an industry in which multiple retailers account for around 90% of food and drink retail sales[143], the options are limited[144]. Moreover, evidence suggests that with the growth of major food service companies – such as Brakes Brothers, Compass and 3663 – the food service market is similarly concentrated and equally difficult. A key challenge, therefore, is how to break into a distribution system which is increasingly premised on large volumes of product sourced through a progressively smaller number of buying points. And in this overall context, the growth of category management in many product areas has been a further inimical development – at least from the viewpoint of small and local suppliers.

10.2 Within this overall context, a growing consumer interest in – and policy commitment to – local and regional food presents something of a conundrum, for the distribution system is not easily compatible with it. But the issues and challenges are not all in one direction. Evidence from our consultations has suggested that buyers who are genuinely committed to sourcing local food and drink from within the East of England are struggling to set up viable and effective supply chains; their concern is that too many businesses lack a serious customer focus and are not well equipped to respond to the opportunities that are genuinely available. In a very real sense then, there is something of a two-way structural disjunction.

10.3 Within this overall context, ventures such as farmers' markets, internet marketing and fruit and vegetable box schemes are important, and they need to be developed further. Despite their popularity, a recent study within the East of England observed that "*currently many farmers' markets are operating within vicious circles of diminishing returns for their producers and lack of resources to manage and promote the markets*"[145].

10.4 But farmers' markets account for a tiny proportion of the overall market. In addition there is a need for a mezzanine level of food and drink distribution that is more strongly institutionalised than farmers' markets but – at the same time – more modest in scale than the

[143] Data from the IGD suggest that multiple retailers' share of retail food sales increased from under 40% in 1970 to around 90% in 2000 (quoted in the Report of the Policy Commission, page 16)

[144] It is important to note that some retailers (e.g. Somerfield) have made some efforts to source regional and speciality food, but the fundamental challenge remains

[145] "Study on the current support roles of regional organisations and agencies for farmers' markets" Study completed by Rosemary Hoskins, for EEDA, April 2003: page 4

retail multiples. And in this context it could be that local shops may potentially have a serious role to play and – perhaps – one that is linked to the role of market towns more generally.

10.5 In addition, public procurement ought to provide a serious channel to market; this is an area that is evolving quickly and producers and processors from the East of England will need to respond. As we explained in Chapter 3, important new opportunities are emerging in this domain. However, many public sector procurers have requirements that commercial customers typically do not (e.g. equal opportunities policies, etc.); in this context, there is a need to ensure that supplying the public sector is made as straightforward and un-bureaucratic as possible for smaller and larger companies alike.

10.6 Alongside the establishment of effective channels to market, it is vital that small food and drink producers and processors are equipped to respond in a manner that is professional, efficient and organised. Hence the cross-cutting theme of customer/consumer focus (CC2) must be implicit within SP4.

10.7 The importance of novel channels to market has been identified in a range of studies in the East of England. One study of SMEs within the food and drink industry highlighted the need to explore network strategies for innovative distribution mechanisms[146]. Another study highlighted the potential for co-operative groups of producers and processors to collectively engage in direct marketing activity[147]. Relative to the potential actions proposed in the context of the other Strategic Priorities, the business survey suggested a relatively muted response to specific priorities identified under SP4. The theme receiving the greatest support was "*encourage public procurers to source sustainably and, where possible, locally*" but even this was identified as a "top 3" priority by just 3 businesses. The suspicion is that businesses' apparent ambivalence with regard to themes within SP4 is not a sign that the Strategic Priority is mis-specified. Instead, it may be that there is something approaching "initiative overload" in this area; this constitutes a strategic challenge in its own right.

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[146] "SMEs expanding upwards through the food chain in the East of England" Report prepared for EEDA by Dr Jennifer Frances, May 2003 Page 38

[147] "Strategic review of the meat sector" Prepared by Promar International for EEDA, April 2003, page 70

Table 10.1: Response from businesses to priorities identified within SP4

Assessment of priorities within SP4: Consumer and Customer Connections	Assessment of potential impact on their business competitiveness			Number (%) identifying it as a "top 3" priority	
	++ (number)	**% ++** or **+**	Coefficient		
17 Steps to help businesses trade more effectively using the internet	6	48%	0.9	1	3%
18 Support for farmers' markets and other consumer-focused distribution channels	3	32%	0.6	1	3%
19 Steps to safeguard the regional infrastructure for meat production (abattoirs)	3	23%	0.4	1	3%
20 Encourage public procurers to source sustainably and, where possible, locally	8	48%	0.9	3	10%
21 Better provision of research on consumer trends, etc.	5	52%	0.9	0	0%

(Source: SQW Business Survey, Autumn 2003)

Principal programmes, funding sources and initiatives

10.8 There is already a great deal of on-going activity within the domain of SP4; indeed it could be argued that everything flowing from both the Strategy for Sustainable Farming and Food and the CAP reform package is contributing more-or-less directly to the pursuit of this objective. More specifically, we can cite the following:

- at a national level, Defra is setting up English Farming and Food Partnerships in order to develop a strategy to encourage co-operation between farmers, and between farmers and the rest of the food chain. *EEDA is already working closely with the EFFP initiative and this should contribute to the broad aims of SP4*

- following the CAP MTR, the "new CAP" is intended to enhance farmers' ability to produce what consumers want. Related to this, there is a proposal to provide incentive payments to farmers that participate in schemes to improve the quality of agricultural products, production processes, and marketing and promotion. There is likely also to be public support for producer groups undertaking consumer information activities

- Defra has developed a Strategy for Regional Food[148] and a core element of this is associated with consumer and customer connections. Regional Food Groups receive some funding from Food from Britain to help deliver the Strategy regionally, and in moving forward, it will be important that there is a strong dialogue such that national priorities are informed by regional needs

- Defra has launched a public sector food procurement initiative. This has five priority objectives including raising production and process standards; increasing tenders from small and local producers; increasing consumption of healthy and nutritious

[148] http://www.defra.gov.uk/foodrin/foodname/reglocal/Strategy.htm

food; reducing adverse environmental impacts of production and supply; and increasing the capacity of small and local suppliers to meet demand[149]. *If steps can be taken to make it easy for small food and drink businesses to participate, this should contribute significantly to the delivery of SP4*

- Farmers markets and other local distribution arrangements are being promoted / signposted through many different channels (Tastes of Anglia, East Anglia Food Link, etc.). However recent research suggested a need both for greater resourcing and co-ordination in addition to stronger support for sustainably-produced local food[150]

- EEDA is putting significant effort into the roll-out of broadband, particularly in rural areas through – for example – the "Connecting Communities" competition and the broadband brokerage initiative. *Broadband is a key infrastructure in terms of forging consumer and customer connections and it ought to contribute to the delivery of SP4*

Links between the principal programmes, funding sources and initiatives and priorities identified by the food and drink industry in the East of England

10.9 SP4 is very important. Looking to the future, there is – arguably – a need for fewer but more strategic actions and interventions. Rather than proposing new projects, it will be imperative that partners from the East of England work with the existing national and regional initiatives and focus these on the particular requirements of the region's businesses as set out above.

Summary – Moving Forward

10.10 In order to address the themes ensconced within SP4 – and taking into account the range of on-going activity – immediate priorities for action are summarised in Table 10.2 below.

Table 10.2: Priorities in Moving Forward

SP4: Consumer and customer connections
• Continue to work closely with the national English Food and Farming Partnerships (EFFP) initiative to enhance collaborative activity within the region • Support small businesses in seeking to engage with the public sector food procurement initiative and ensure that opportunities within the region are identified, developed and publicised • Provide stronger co-ordination and better support for farmers' markets, linking this into support for sustainably produced local food • Safeguard – and if possible enhance – the regional infrastructure for meat production (abattoirs)

149 http://www.defra.gov.uk/farm/sustain/procurement

150 "Study on the current support roles of regional organisations and agencies for farmers' markets" Study completed by Rosemary Hoskins, for EEDA, April 2003: page 4

11 SP5: Whole Supply Chain

Scope, rationale and perspectives from Food and Drink businesses

11.1 The discussion in Section A of this document pointed to the vertically integrated nature of key food and drink supply chains, many of which are geographically concentrated within sub-regions in the East of England. This is a source of both strength and weakness for it implies some level of embeddedness and resilience but also a degree of vulnerability: provision really ought to be made for the possibility of a Rover-type crisis[151] within the East of England's food and drink industry.

11.2 Related to this, it is important to consider the medium-long term competitiveness of whole supply chains for increasingly, the source of competitiveness transcends individual corporate structures. This in turn means that key challenges ought to be addressed at the level of the whole supply chain. Important examples in this context include – *inter alia* – issues relating to water supply, the management of waste, regulatory imperatives, pressures on costs, and requirements for consistent quality.

11.3 Themes relating to the importance of the whole supply chain have arisen in a number of different studies of the food and drink industry in the East of England. In concluding its review of the meat sector, Promar argued that partners should "*consider investigating the potential to develop greater co-operation through the value chain*" in order, principally, to reduce cost[152]. Similar themes emerged during our consultations and – from the business survey – it was apparent that a number of themes within the domain of SP5 ought to be considered as a matter of some urgency; indeed, alongside SP1 (Skills for competitive food and drink businesses), priorities within SP5 were scored most strongly in terms of their potential impacts on individual businesses and the level of priority attached to them. As Table 11.1 overleaf indicates, four themes appeared to be of particular importance: "*steps to help minimise the costs of regulatory compliance*" (SP5 – priority 24), the "*provision of improved infrastructure (roads, premises, broadband)*" (SP5 – priority 26), "*steps to take cost out of supply chains*" (SP5 – priority 27), and "*actions to help build quality across supply chains*" (SP5 – priority 28). Across all of these, it is apparent that delivery will only work if it

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[151] The threatened closure of the Rover car plant at Longbridge in Birmingham led to a recognition that large parts of the West Midlands region's manufacturing industry could – through the supply chains – be decimated by a single corporate decision. In this context, the region embarked on a medium-long term strategy of diversification and modernisation so as to reduce levels of vulnerability. Arguably the potential scope for similar dangers within the East of England's food and drink industry need to be recognised

[152] "Strategic review of the meat sector" Prepared by Promar International for EEDA, April 2003, page 67

takes account of the Cross-Cutting Themes set out in Chapter 6, particularly improving networking and connectivity (CC1) and customer/consumer focus (CC2).

Table 11.1: Response from businesses to priorities identified within SP5

Assessment of priorities within SP5: Whole Supply Chain	Assessment of potential impact on their business competitiveness			Number (%) identifying it as a "top 3" priority	
	++ (number)	% ++ or +	Coefficient		
22 Steps to improve environmental efficiency and resource management	3	55%	1.0	0	0%
23 Steps to better monitor and anticipate regulation	5	68%	1.2	1	3%
24 Steps to help minimise the costs of regulatory compliance	15	81%	1.4	4	13%
25 Actions to help enhance communication and networking	6	58%	1.0	1	3%
26 Provision of improved infrastructure – roads, premises, broadband	10	74%	1.3	4	13%
27 Actions to help take out cost from supply chains	13	71%	1.3	8	26%
28 Actions to help build quality across the supply chain	12	58%	1.0	3	10%
29 Actions to identify market uses for supply chain by-products	6	48%	0.9	1	3%
30 Steps to strengthen supply chain connections	6	52%	0.9	3	10%

(Source: SQW Business Survey, Autumn 2003)

Principal programmes, funding sources and initiatives

11.4 SP5 links strongly to Goals Two (Growing competitiveness, productivity and enterprise) and Eight (An exemplar for the efficient use of resources) from the RES. A range of on-going activity in the domain of SP5 is set out below:

- the IGD Food Chain Centre was set up in response to the findings of the Policy Commission on Sustainable Farming and Food and is concerned with supporting innovation and collaboration across food industry supply chains. Although not focused exclusively on the East of England, the IGD is located within the region and – given the specialised nature of the region's food and drink industry – some ventures will have particular relevance. For example, using the CBI's PROBE tool, work has already been done to examine the scope for taking cost out of horticultural supply chains. *This ought to be contributing to many of the themes identified within Table 11.1 including, most specifically, priority 27*

- a number of ERDP Schemes could potentially be relevant to the whole supply chain – notably the Processing and Marketing Grant. In this domain, it may be possible to encourage applications from groups of producers and processors. *In principle this ought to support the delivery of most of the priorities identified in Table 11.1*

- EEDA's supply chain team is working on an on-going basis with businesses from across the food and drink industry. *In so doing, it is contributing to the delivery of all the priorities identified within Table 11.1*

- Envirowise is a national initiative that is being delivered in the East of England with the aim of improving the environmental efficiency of businesses in order to improve economic performance. *It is contributing most directly to the delivery of priority 22 in Table 11.1*

- issues relating to composting and waste are important in terms of *the delivery of priority 22 from Table 11.1*

- in the context of SP5, it is also important to recognise the range and nature of generic support that ought to be available to food and drink businesses, even though it is not targeted specifically at them. In addition to its links with the Farm Business Advisory Service (FBAS), the work of the Business Link network is very significant in this regard. The DTI-sponsored Manufacturing Advisory Service is also important[153]. In the East of England, MAS East is delivered by the Regional Centre for Manufacturing Excellence which is run by a consortium made up of Cranfield University School of Industrial and Manufacturing Science and Essex County Council's Advancement of Manufacturing Technology Centre, supported by Cambridge University's Institute for Manufacturing[154]. *Through this source, it ought to be possible to address many of the themes within Table 11.1, particularly priorities 23, 24, 27 and 30.*

Links between the principal programmes, funding sources and initiatives and priorities identified by the food and drink industry in the East of England

11.5 SP5 is a very important domain in terms of achieving competitiveness across the food and drink industry and – hence – delivering the Vision set out in Chapter 5. However in terms of intervention it is a difficult area. Supply chain issues must be addressed from within the private sector; the public sector can support, facilitate and encourage, but it cannot operate in an exclusive or lead capacity.

11.6 Against this backdrop, we make a number of suggestions regarding future interventions, but all of these need to be tested and developed with businesses before being taken further:

- steps might be taken to better understand supply chain "bottlenecks". This in turn could do much to help take cost out and build quality in. However it would need to be led by the private sector. *If this could be achieved, it would do much to deliver priorities 27 and 28 from Table 11.1*

[153] DTI's intention to create a Manufacturing Advisory Service (MAS) was announced in February 2001 in the Government's White Paper "Opportunity for All in a World of Change", and has subsequently been developed since by DTI in partnership with EEDA and the other RDAs

[154] see http://www.mas-east.org.uk/index.jsp

- across particular supply chains within the East of England – perhaps most especially potatoes and vegetables – the industry might develop a collective response to issues relating to water in close dialogue with Anglia Water. Potentially this could also help eliminate costs within the supply chain. *This in turn would help to address priorities 22 and 27*

- actions could be taken to animate groups of linked companies to apply for relevant funding (e.g. Processing and Marketing Grant) to undertake projects that might help secure the competitiveness of key supply chains. *This would address many of the themes within Table 11.1, particularly priorities 25, 27, 28 and 30*

- steps could be taken to pursue a whole supply chain response to the new packaging waste recycling targets which have been announced for the period 2004-08. Again this might help eliminate cost if a collective response could be agreed, *thereby addressing priorities 22 and 27*

- actions might be taken to liaise with other industry sectors to facilitate two-way learning and the development of pan-industry "best practice" in the domain of supply chain management; strategic links with the automotive and electronics industries might be particularly helpful. *In principle, this should help inform all the priorities identified within Table 11.1*

Summary – Moving Forward

11.7 In order to address the themes ensconced within SP5 – and taking into account the range of on-going activity – immediate priorities for action are summarised in Table 11.2 below.

Table 11.2: Priorities in Moving Forward

SP5: Whole Supply Chain
• Animate groups of linked companies to apply for funding to invest in supply chain improvements; the scope of the Processing and Marketing Grant is worth considering in this regard • Encourage producers from the potato and vegetable sectors to develop a collective response to issues relating to water supply • Develop a whole supply chain response to new packaging waste recycling targets • Liaise with other industry sectors in order to identify, develop and disseminate pan-industry "best practice" and learning with regard to supply chain management • Establish a "regulation watch" resource for producers and processors within the region to provide an early warning on new regulations; this could be linked to activities to enhance communication and networking along major supply chains

12 SP6: A place for enjoying good food and drink

Scope, rationale and perspectives from Food and Drink businesses

12.1 The relationship between health and diet is increasingly recognised. Various government initiatives have been launched in response, most notably the "5 a day" campaign. As well as its intrinsic value, this ought to represent a real opportunity for both producers and consumers in the East of England: the region is responsible for producing a sizeable proportion of the country's vegetable and salad crops and so the policy venture should open up important opportunities.

12.2 At the same time, as Chapter 3 reported, consumers are progressively seeking better quality food and drink. The East of England is relatively affluent and there is a sizeable group of consumers who will pay a premium for good food if it is interesting and if it is provided in a manner that is convenient and reliable. Moreover the links between good food and tourism are potentially both strong and growing. The draft Sustainable Tourism Strategy makes clear that food and drink is a critical part of the experience for many visitors; it adds to regional and local distinctiveness and good pubs and restaurants can be tourism destinations in their own right[155]. In addition, the links between the production of food and drink and the creation and maintenance of the region's landscape are also significant in terms of the tourism offer: the grazing of cattle and sheep is, for example, an essential part of grassland management for most of the region's wildlife reserves, Environmentally Sensitive Areas[156] and Areas of Outstanding Natural Beauty.

12.3 However – with one or two exceptions – the region is not widely regarded as a source of good food, either in terms of strong local brands[157] or high quality cuisine: within the region, there is – for example – nothing on a par with Ludlow in Shropshire which has gained an international reputation for good food. Local producers and processors have benefited greatly as a result, and the area's tourism offer has also been significantly enhanced.

12.4 In its report on the meat sector, Promar concluded that stronger regional branding ought to be developed as a means of demonstrating – and gaining value from – the provenance of meat[158].

[155] "Sustainable Tourism Strategy for the East of England" Consultation Draft Locum Destination Consulting, November 2003, page 30

[156] "The East Anglian Food Web" paper by Caroline Cranbrook

[157] Research undertaken by Good Sense Research and Tastes of Anglia on behalf of EEDA has shown that there is little awareness of specific foods relating to the counties of the East of England. The exceptions to this are Norfolk (lavender, crabs), Suffolk (beer and pigs), Bedfordshire (sprouts), and Essex (jellied eels, oysters, Malden salt)

[158] "Strategic review of the meat sector" Prepared by Promar International for EEDA, April 2003, page 67

Another study – based on in-depth consultation with SMEs – found that the businesses which succeeded in "climbing the ladder" generally did so on the basis of product quality; this was understood in terms of "*sourcing the finest local ingredients, using the best husbandry and production methods, using local labour and leading to a recognisable difference in taste at the point of consumption*"[159]. Consistent with these findings, feedback from the business survey suggested serious interest in the notion that the East of England ought to be "*promoted as a source of good, healthy food*" (SP6 – priority 31). Indeed, five respondents considered this to be one of the top three priorities overall.

Table 12.1: Response from businesses to priorities identified within SP6

Assessment of priorities within SP6: A Place for Good Food and Drink	Assessment of potential impact on their business competitiveness			Number (%) identifying it as a "top 3" priority	
	++ (number)	% ++ or +	Coefficient		
31 Support to promote the region as a source of good, healthy food	13	71%	1.3	5	16%
32 Actions to develop stronger links between food, drink and tourism	8	48%	0.9	3	10%
33 Support for regional and local branding	9	48%	0.9	2	6%
34 Active support and promotion for the regional 5-a-day campaign	7	32%	0.6	0	0%

(Source: SQW Business Survey, Autumn 2003)

Principal programmes, funding sources and initiatives

12.5 In terms of SP6, there are strong links to Goal Four (High quality places to live, work and visit) from the RES. Activity already planned or underway and of relevance to food and drink businesses in the East of England includes the following:

- at an EU level, systems have been created for developing and protecting foodstuffs. These are intended to encourage diverse agricultural production, to protect product names from misuse and imitation, and to give consumers specific information about the character of products. Two quality marks have been developed: PDO (protected designation of origin – where foodstuffs are produced, processed and prepared in a given geographical area using recognised know how) and PGI (protected geographical indication – where a geographical link must occur in at least one of the stages of production, processing or preparation)[160]

- led by the Department of Health, central government is attaching a great deal of importance to the "5 a day" programme. This aims to raise awareness of the health benefits associated with fresh fruit and vegetables and to improve access to fruit and

[159] "SMEs expanding upwards through the food chain in the East of England" Report prepared for EEDA by Dr Jennifer Frances, May 2003 Page 30

[160] http://europa.eu.int/comm/agriculture/qual/en/syste_en.htm Note, however, that uptake in the East of England – and across much of the UK – has been quite poor

vegetables. It embraces five key strands: the National Fruit Scheme, local 5-a-day initiatives, communications, and working with both partners and the industry[161]. Significant resource is being channelled through this programme. In addition to mainstream funding, the New Opportunities Fund is – for example – committing £10m to community initiatives in 66 Primary Care Trusts across England and £42m to a School Fruit Pilot programme. In the East of England – and with support from EEDA – East Anglia Food Link is hosting the regional "5-a-day" Co-ordinator. *This is clearly consistent with priority 34 and – in moving forward – steps should be taken to increase the leverage from it; in particular, a number of initiatives that are currently pilots might be extended*

- there are various national initiatives which are concerned with Food Tourism – e.g. British Food Fortnight, FFB/Visit Britain activity, etc. – and steps should be taken to ensure that some of the benefits are captured within the East of England. At a regional level, the Sustainable Tourism Strategy for the East of England[162] and the Tourism Marketing Strategy are key initiatives. The former recognises explicitly the links between food and drink and tourism, arguing that top quality destination pubs and restaurants, local/regional foods, and destinations to champion good local produce and buy locally, should all be encouraged[163]. *This is consistent with the delivery of priority 32 from Table 12.1*

- East Anglia Food Link is delivering a range of actions that are consistent with SP6. Specific examples include the production of a manual for sustainability in public food and catering; and the Broadland Food Forum (aimed at encouraging young people to eat healthy food and working with the buyers to identify sources). *This is consistent with priority 31*

- there is a large number of national initiatives aimed at generating educational resources, etc. for schools – notably the DfES/DEFRA-funded Growing Schools Initiative (and Farming and Countryside Education (FACE), Countryside Foundation for Education (CFE), etc.). Evidence suggests that much of the support in this domain is quite fragmented; *however it ought to be contributing to the delivery of priority 31.*

Links between the principal programmes, funding sources and initiatives and priorities identified by the food and drink industry in the East of England

12.6 In moving forward with SP6, there is a need to ensure that the plethora of national initiatives recognise and respond to the requirements of the East of England. In addition we would

[161] http://www.doh.gov.uk/fiveaday/index.htm

[162] "Sustainable Tourism Strategy for the East of England" Consultation Draft Locum Destination Consulting, November 2003

[163] "Sustainable Tourism Strategy for the East of England" Consultation Draft Locum Destination Consulting, November 2003, page 31

suggest that steps to promote the region as a place of good food and drink are taken as part of EEDA's wider marketing activities which are intended to raise the profile of the region more generally. Beyond this, some specific proposals for consideration include:

- actions to build on work already underway to link schools to the production of food, thereby encouraging a better awareness of the provenance of food and – indirectly – a greater understanding of the food and drink industry; *this could in turn deliver important benefits for SP1 as well as SP6*

- actions to link the provision and promotion of good quality food to the role of market towns, perhaps including some promotion of the Italian concept of "slow food"; *this should help to deliver priorities 31, 32 and 33*

- actions to develop a region-wide approach to the branding and marketing of quality regional food; this could be linked with wider promotional activity. *This would contribute significantly to the delivery of priority 33*

- actions to make a stronger link between the landscape and the production of food and drink; *this should deliver important benefits for many of the priorities within SP6.*

Summary – Moving Forward

12.7 In order to address the themes ensconced within SP6 – and taking into account the range of on-going activity – immediate priorities for action are summarised in Table 12.2 below.

Table 12.2: Priorities in Moving Forward

SP6: A Place for enjoying good food and drink
• Support and encourage actions that link the provision and promotion of good quality food to the role of market towns • Develop a region-wide approach to the branding and marketing of quality regional food • Support actions to link schools to the production of food and drink, thereby raising awareness about provenance and quality • Working alongside national initiatives, take active steps to promote the concept of food tourism within the East of England

Section C:

Delivering the Strategy

13 Structure for Implementation

13.1 The preceding chapters have provided a detailed account of the current state of the food and drink industry in the East of England and the drivers for change (Section A), together with an assessment of priorities for action (Section B). In order to deliver the Strategy, clear implementation arrangements need to be established.

13.2 In moving forward, it is proposed that implementation arrangements for the Food and Drink Industry Strategy should dovetail with evolving arrangements for the delivery of business and skills support across the East of England. These proposals are radical and innovative. They will ensure that synergies are maximised and that the region's food and drink industry is able to influence and lever in support from the widest range of sources, including all potential funding providers.

13.3 The details surrounding these proposals remain to be finalised and there are currently a number of uncertainties. In addition to those linked to the delivery of business and skills support, uncertainties surround the full implications of the Modernising Rural Delivery Programme. Defra's response to the findings of the rural delivery review[164] was published within the Rural Strategy, 2004, and a series of delivery reforms were announced. Over time, these should help to simplify and streamline rural delivery and for parts of the food and drink industry, this is likely to be both important and beneficial.

13.4 In the paragraphs below, we describe some key principles for implementation and delivery and we describe the proposed role of a new Food and Drink Industry Strategy Sector Group.

Key principles of implementation and delivery

13.5 A number of key design principles have shaped our thinking on implementation arrangements, notably the imperatives for:

- substantial involvement by the private sector in steering the delivery of the Strategy to ensure that the interests of food and drink businesses are taken into account fully
- a commitment to delivering the Strategic Priorities at the local level, using existing local delivery structures as far as possible but also being prepared to rationalise provision, if this is likely to increase efficiency and impact
- the capability to take a strong horizontal view of the Strategy's performance, which is able to understand the differential impacts that the Strategy is having across the

[164] "Rural Delivery Review: A Report on the delivery of government policies in rural England" Christopher Haskins, October 2003

region, and which ensures that the Cross-Cutting Themes, Strategic Priorities and actions respond to the differing types and scales of challenge. This capability will also need to ensure that actions mesh creatively and efficiently with what has already been done, or is planned

- the sustained involvement of individuals who are capable of anticipating future issues and challenges, thereby conferring the Strategy with a strong pro-active competency. Priorities identified within the Strategy will need to be regularly and thoroughly refreshed to ensure they remain valid and appropriate to changing regional needs

- a transparent monitoring and evaluation framework, which allows the performance of the Strategy to be assessed and judged in real time and ex-post, by internal and external stakeholders alike

- clear and transparent reporting mechanisms which will ensure accountability for actions, and clarity of progress

- a style and structure that commands the respect and confidence of funders at all levels, such that they are prepared to allow their funding streams to be 'bent' to deliver the Strategy's Vision.

Food and Drink Industry Sector Group

13.6 It is proposed that a new Food and Drink Industry Sector Group[165] will play a critical role in steering the Strategy's delivery and working with relevant funding bodies to ensure that mainstream delivery is moulded to the industry's requirements and/or that specialist support services are developed. The Group will strive to keep the Food and Drink Industry Strategy up-to-date and it will act as a "sounding board" in relation to regional and national policy which might affect the industry. The Group will also provide the sector's input into regional implementation arrangements for business support. Therefore the role of the Group will be decisive in ensuring that sectoral priorities are addressed in an effective and timely manner.

13.7 It is proposed that the Food and Drink Industry Sector Group should consist of eleven members in total: six will be drawn from different parts of the food and drink industry[166], four from the public sector[167] and there will, in addition, be a private sector chair. It is proposed that members of the Sector Group should participate for a time-limited period and – once the Group is operational – members should be replaced on a rolling basis to ensure some

[165] The name of the Group is yet to be decided

[166] The proposal is that the composition of industry representation should be as follows: one from cereals production, one from horticulture, one from pigs and poultry, one from red meat and two from food retail / food service

[167] The proposal is that public sector representation should be drawn from EEDA, EERA, Go-East and the Environment Agency

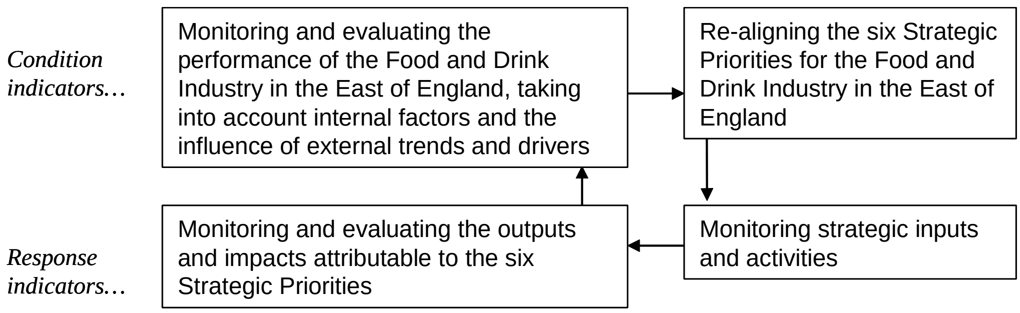
continuity and knowledge transfer. It is proposed that the Group should meet three or four times a year.

14 Monitoring and Evaluation

14.1 This Strategy sets out an ambitious agenda for the region's food and drink industry and a Vision that will be realised over the next 10-20 years. Over this period, the political, economic and social context is likely to change substantially both within the East of England and across national and international arenas. In order to respond effectively to this – and to demonstrate progress – it is vital that the delivery of this Strategy is underpinned by a robust monitoring and evaluation framework.

14.2 Informed by standard methodologies, we would propose a monitoring and evaluation framework with two main elements. A top-down component will monitor *changing baseline conditions* with regard to the food and drink industry in the East of England and it will require the use of *condition indicators*. The second component will be bottom-up; it will enable the *Strategy's activities, outputs, and impacts* to be assessed by using appropriate *response indicators*. These different components – and the relationships between them – are illustrated in Figure 14.1 below.

Figure 14.1: Monitoring and Evaluation Framework



14.3 When taken together, the two components should provide a clear and robust insight into the impact of the Strategy. Over time, as operating evidence and experience grows, the monitoring and evaluation framework will yield information on those activities which are more effective and efficient than others, allowing strategic and operational priorities to be reshaped accordingly.

Populating the framework (1) – Condition Indicators

14.4 The Strategy for the Food and Drink Industry in the East of England has set out a Vision of enhanced sustainability and competitiveness within the food and drink industry across the East of England, recognising that successful businesses will take a number of forms. Beyond this, the Strategy will provide a catalyst for both the public and private sectors and – working collaboratively – it will enhance supply chain efficiency, increase innovation and add value to the region's food and drink industry. In this manner, it aims to promote a competitive and efficient farming and food sector which protects and enhances our countryside and wider environment, and contributes to the health and prosperity of all our communities.

14.5 By unpacking this Vision, it should be possible to identify a series of core condition indicators. As well as monitoring progress in achieving the Vision, these will need to complement other performance indicators, particularly those that are identified in the emerging tasking framework for RDAs[168] and those which have been identified for the Sustainable Food and Farming Strategy[169]. Clearly more work on the core condition indicators will be needed once some of these uncertainties are resolved.

Populating the framework (2): Response Indicators

14.6 Chapters 7-12 identified a number of areas for priority action, but the manner and rate at which these are taken forward will be a matter for the Food and Drink Industry Strategy Group (see Chapter 13). Until specific actions have been agreed and scheduled, complete with relevant response indicators, this component of the monitoring and evaluation framework cannot be fully populated. This will however have to be developed as the Strategy implementation process moves forward.

[168] These will not be finalised until July 2004 – see "Progressing a Shared Vision" Consultation draft Regional Economic Strategy, EEDA, May 2004 – page 100

[169] "Sustainable Farming and Food Strategy: A Framework for Monitoring and Evaluation", Defra December 2002