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**The Effectiveness of the Policy Support Environment for Local Food Production,
Competitiveness, Innovation and Growth**

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1.0 Introduction

Micro or artisanal food producers contribute to the fabric of the local rural community and the development of a local food culture. More broadly, the activities of small enterprises can play a key role in increasing economic activity in peripheral areas (Alonso and O'Neill, 2010). Myriad food scares in recent years and growing concerns over food contamination and a lack of nutrition in highly processed foods has seen increased consumer interest and awareness of authenticity, localness, traceability, health and provenance of food products and environmental and ethical concerns (Bloom and Hinrichs, 2010; Seo et al., 2013). The response to this 'turn to quality' (Goodman, 2003) towards locally produced food within a region requires the development of innovation capabilities and outcomes among smaller regional or place-based food businesses, to provide a basis for increased growth. The policy and support environment plays an important role in helping such small businesses improve their performance and overcome barriers to growth (Crichton, 2007; Henry and Treanor, 2013; Mason and Brown, 2013; Yusoff and Zaniol, 2012). However, there is a significant challenge to these food artisanal firms and to regional Government policy makers to increase innovation where the food sector as a whole has not been associated with high levels of research and development, and only moderate levels of innovation (Baregheh et al., 2014; Costa and Jongen, 2006). The role of business policy and support and how policy-based programme interventions can impact upon innovation, growth and competitiveness of the micro sized, local, food producer has not been afforded sufficient research attention. This research gap may be partly explained by a perception of small, localised food production as specialist activity where the predominant goals are lifestyle in nature rather than commercial growth.

This policy briefing provides an overview of the findings from the European Union (EU) funded INTERREG IVC LOCFOOD (Local Food as an Engine for Local Business) project (2012 – 2014). The aim of the LOCFOOD project was to explore whether food policy sufficiently addresses the needs of micro food businesses (employing approximately ten people and under) to encourage innovation, competitiveness and growth. The project included 13 project partners from nine countries, including Ulster University and Down District Council in Northern Ireland. The other partner countries included Bulgaria, Greece, Italy, Norway, Slovenia, Spain, Sweden, and Switzerland. The policy briefing makes several core policy recommendations based on the empirical data collected across the European regions, and specifically within Northern Ireland.

2.0 Methodology

The first stage of the project involved a mapping exercise, using secondary sources, to identify current policy and support programmes in relation to micro food businesses¹, the main stakeholders for local food production, and the gaps in policy and support for food producers in each of the European regions. This was supplemented by interviews and group consultations with a range of stakeholders, including policy makers from Government agencies, policy influencers from trade bodies and support providers, and with food producers from various food sectors.

This was followed by a cross-country survey of micro food producers involving the nine European regions. The purpose of the survey was to obtain information on general business activities, innovation activities and the role of Government support in the development of these enterprises. Only companies involved in food production were included in the sample. This included farmers who had diversified into food production but excluded food service operators. Companies with less than ten employees were selected across a range of food sub sectors. A total of 457 responses were obtained and this included 39 responses from Northern Ireland. Based on this analysis of local food production in their region, each partner then identified good practices in policy and company activity to support micro food production within their region.

3.0 Findings

3.1 Policy/Support Programmes

Since the 1990s policy makers have developed support mechanisms to encourage more local and regional food production (Gorton and Tregear, 2008). Across the partner regions there are a range of agencies and stakeholders with responsibility for providing policies and support programmes for the food sector such as central Government agencies, local government councils, industry groups/networks, and educational providers (universities and colleges). The research highlighted the wide use of the Rural Development Programme (RDP), a key policy/programme, by micro food producers across the partner regions, particularly in Italy and Greece. However, some partners highlighted that there was an issue of demand and supply with this programme and that it tended to be oversubscribed.

Within Northern Ireland, the evidence suggests that micro food producers are engaging with introductory levels of Government support, for instance InvestNI's Innovation Vouchers scheme. The majority of central Government support programmes would appear to have more relevance to medium to large food businesses with greater capacity to innovate and collaborate. Whilst there is support available for micro food producers, the evidence suggests that support programmes tend to be generic in nature, and that more tailored support could be provided. There appears to be a lack of integration or progression among these interventions in that insufficient numbers of micro food producers are progressing their innovative capabilities. The needs of micro food enterprises are being addressed at local authority level through programmes such as the South East Economic Development (SEED) Consortium 'Food to Follow', led by Down District Council. These types of

¹ Micro is defined as a business with less than ten employees.

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programmes typically are supported by European Union funding and other regional funding such as InvestNI and tend to engage clusters of council areas.

3.2 European-wide Innovation Practices

A questionnaire was developed in order to collect data from a broad range of micro food producers located across Europe. The structure and format of the questionnaire largely followed the structure of the established Community Innovation Survey (CIS) that is conducted biennially to assess innovation levels within EU member states. The CIS survey is not carried out with micro-sized companies.

Table 1: Questionnaire Responses by Region

Country/Region	Number	Percentage*
Slovenia – (RDA)	60	13
Slovenia – (DCHS)	41	9
Sweden - Region of Västerbotten	39	9
Northern Ireland (Ulster Business School / Down District Council)	39	9
Greece	38	8
Switzerland	37	8
Sweden - Region of Örebro	37	8
Bulgaria	37	8
Norway	36	8
Italy – Rimini	36	8
Italy – Marche	31	7
Spain	23	5
Unidentified	3	
Total	457	100

*Figures rounded up to nearest whole number.

The respondents were involved in a range of activities beyond food/drinks production, including crop/animal production, retail, food and beverage service activities. Their products are sold widely through a range of distributive outlets including local retail stores, own stores, hotels, restaurants, farmers' markets/food fairs and wholesale. The majority of companies were of first generation family ownership (56%) with 28% second generation and 16% non-family ownership. Thus the majority of responding companies may be viewed as entrepreneurial start-ups or new ventures.

The survey results indicated that across the European regions micro food producers display relatively high levels of innovative activity. The only exception to this was in the case of Spain, where lower innovation activity was recorded and this was attributed to the adverse trading conditions. The figures reported for innovation activity compare strongly to those recorded in the most recent CIS results (Eurostat, 2013), for all organizational sizes. Respondents were asked to indicate the extent to which they had developed new or significantly improved products, services and processes over a three year period. The majority of replies were in relation to new and improved products (65%) and a smaller number (39%) cited new/improved services. The majority of product/service innovations were new to the business (47%) rather than the market (40%), nonetheless the 'new to market' innovations figure is relatively high. Process innovations were undertaken by 220 respondents (48%). Process innovations are all new or significantly improved methods for the production

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or supply of goods or services. Of those respondents that did take part in process innovation, 136 claimed that the process innovation was new to the industry.

Respondents were asked how important it was to obtain information from a range of sources to help with their innovation activities. Respondents were most likely to obtain information from within their business (45%) and information from customers (44%). Least likely sources were from universities or other higher education institutes (5%), government or public research institutes (5%). This could be explained in that small firms often lack sufficient resources to manage knowledge flows and innovation and owner-managers value their independence and are unwilling to seek knowledge from external partners. The results presented here would suggest that these small firms are following a familiar pattern and have yet to fully utilise the range of networks available to them, to assist their innovation efforts.

Respondents were asked to highlight the factors in driving innovation. The owner-manager (66%), business planning (36%) and demand for innovative products identified from a market gap (29%) were the top three drivers of innovation. Least important factors were finance available to support innovation activities, regional support, and collaborative networks. Public financial support was most likely to be obtained from regional authorities (29%) and EU institutions/programmes (21%). Only 6% of respondents indicated that they had received financial support from central Government. This would suggest that drawing down financial support from a local council is a much more popular option, possibly because it is viewed as being a much more straight-forward process, with less bureaucracy. Micro food producers may have more awareness of the financial support on offer locally than from central Government.

The barriers to innovation cited by respondents included cost/availability of finance (30%), direct innovation costs too high (28%) and excessive perceived risk (26%). Lack of information on technology (11%) and markets (9%) and an uncertain demand for innovative goods or services (10%) were not viewed as major barriers to innovation. The evidence therefore suggests that key barriers to further innovation are predominately finance related, both in relation to accessing finance and the costs associated with borrowing.

3.3 The Northern Ireland Context

The results for Northern Ireland highlighted a broadly similar pattern of innovation, competitiveness and engagement in support programmes as demonstrated across the majority of the European regions. The nature of support for innovation in Northern Ireland was explored further through consultations with stakeholders and food producers. The findings indicated a lack of understanding of what support is currently available and an uncertainty about the value of support. A key criticism cited by the Northern Ireland producers in this study has been the lack of an integrated approach taken to delivery of support that has caused confusion on how to obtain support and where to obtain it. The plethora of organisations offering support and advice to the local food sector in the UK has been criticised in the 2002 'Curry' report on the future of farming and food. Our findings indicate that duplication in offerings within Government, however, may not be straightforward to eradicate due to a 'silo' mentality and a level of protectionism on the part of support providers. Furthermore, the micro producers' perception of support does not reflect exactly the support that is available, and suggests a lack of communication or 'signposting' of the relevant supports by support providers. For instance, there is a perception that InvestNI only help those companies who export; however InvestNI offer a number of schemes for those companies who do not export. The producers articulated the need for more specialist support and industry expertise within the agencies in growing areas of artisan produce and specialist categories, highlighting the need for tailored programmes to address local contexts.

Another issue highlighted was the role of regulation and bureaucracy. Food producers recorded their dissatisfaction with the levels of red tape that were generally viewed as restricting development. Frustrations were highlighted around the access to funding and issues around eligibility, such as the expense of meeting requirements that were "constantly changing", and the length of time taken on decision making on funding applications. It was also felt that the emphasis among agencies has been more on the 'policing' of regulations

and bureaucracy, rather than an 'enabling role' to foster business growth, leading to a generally unsupportive business environment. It should be noted that the frustration is not with regulations per se, which is a critical aspect in the monitoring and protection of food safety, but with the perceived excessive focus on monitoring or 'policing' aspects, and administrative hurdles, compared with other regions (i.e. other regions of the UK, and the Republic of Ireland).

The Northern Ireland results highlighted a lack of collaboration among food producers in availing of supports that would potentially lead to increased innovation and competitiveness. The issue of lack of involvement in business support collaborative programmes was explored with the producers and stakeholders and issues around trust and shared values, fear of loss of company secrets, the problem of sustaining networks beyond the life of the business support programme, and the costs of engagement were identified. The lack of involvement in collaborative business supports is indicative of a general lack of engagement in networking by these types of businesses. Many of the small artisan food producers we consulted feel isolated and lacking a 'voice'. Whilst there have been forums organized for particular food categories, many challenges were encountered; it was very difficult to keep momentum and the forums only ran for short periods.

There are a lack of 'selling' opportunities for food producers across Northern Ireland, particularly, for those businesses who want to expand and grow their business, as opposed to the lifestyle businesses. The traditional supply chain whereby the producer reaches the marketplace through the large retailer is not accessible for many of these enterprises given their small scale production capabilities. Therefore, farmers' markets, food fairs and sales through smaller retail outlets are important sales points. Some of the food producers interviewed indicated that they have a stall at St George's Market, which is the major food market in Northern Ireland. There are many benefits of exhibiting at St George's Market as it provides a regular, low cost option to sell their produce. However, there are a relatively low number of such local food markets in Northern Ireland, and there is a need for a co-ordinated approach to promote such local markets to food producers and consumers. There is also an opportunity to promote further sales channels for micro producers through Government procurement initiatives (for instance local food and schools initiatives), and local supply channels (for instance hotels, restaurants, schools).

In recognising that consumers want to know more about, and to trust those who are providing their food, especially in light of the recent horse meat scandal, high quality customer service is one way micro food producers can build closer relationships with their customers and attract new customers. Given the importance of food, consumers regularly share food related experiences, hence, word-of-mouth promotion and reputation are very important in helping to 'tell the story'. The findings illustrate the diversity of local stories available, and this is something that consumers want to hear more about. There is an opportunity for agencies to promote the value and importance of local food and to 'educate' consumers. This could be linked to tourism initiatives and focused on fostering regional identities, not just for Northern Ireland as a whole, but at a more localised level.

4.0 Identification of Policy/Programme 'Gaps'

Following the data collection exercise across the partner regions, a number of programme and policy gaps have been highlighted. The key policy/programme gaps include:

- Lack of an agreed vision and strategic objectives for the future development and growth of micro food producers;
- Lack of information on the number of micro food producers and their activities. The needs of food producers are not fully being met by Government representatives as policies are not being developed and implemented according to their needs, based on rigorous data;
- The funding/eligibility criteria and bureaucracy of funded programmes is complex;
- Regulations should be implemented consistently across all council areas;
- Lack of co-operation between micro food producers;

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- Significant lack of engagement between food producers and educational institutions including universities, colleges and Government;
- Sustainability of networks following the end of funded programmes is an obstacle to growth;
- Support programmes tend to be generic in nature rather than tailored to meet specific needs;
- Lack of a co-ordinated approach to communication across the public sector regarding support for micro food producers;
- Food tourism and food experience provide opportunities for micro food producer growth and access to new business, but there is lack of an integrated approach between tourism and local food promotion.

5.0 Identification of Good Practices

For the LOCFOOD project as a whole there have been 77 good practice initiatives highlighted, at policy and company levels. The LOCFOOD project has enabled project partners to share this good practice and learn from practitioners and policy makers in each region. The good practices have been categorised broadly into four types that support the development of micro food producers:

- Local food sourcing and supply;
- Local food networks, collaboration and business development;
- Marketing and promotion of local food;
- Local food tourism.

These good practices displayed wide ranging objectives and involved multiple target groups and stakeholders. For example, good practices with a strong networking and business development focus had broader education, and consumer awareness agendas. The good practices demonstrate the value of a network and trade name, for the food business and the region. Where farmers/producers work together they can promote themselves better and raise awareness of the work they do. Networking led to new business opportunities for the participating companies and facilitated knowledge transfer and learning among the participants.

The sustainability of projects is a major theme throughout the good practices. These initiatives need on-going administrative and funding support to survive and where such support is not maintained the benefits from the network will be lost. The identification of these good practice initiatives across the European regions highlight that there are multiple approaches to support innovation in micro food producers.

6.0 Policy Recommendations

Based on the policy/programme gaps, the results from the project highlight a number of recommendations for implementation by policy makers in Northern Ireland which would incorporate some of the 'good practice' initiatives from the other European regions.² Some of these recommendations are broad ranging and at a strategic level, that would require a significant reappraisal of existing approaches to support, while others, it is felt, are more achievable within the short-term. The core recommendations are as follows:

- There needs to be an agreed vision and strategic objectives developed for the future development and growth of micro food producers and thus the local food market. Micro food producers are not well represented in regional strategic plans where the focus tends to be on exporting. Strategic plans need to take into account the development needs of micro businesses and how these businesses can be sustained in the future, particularly in the medium and long term. Given the forecasted increase in

² These recommendations have been broken down into actions, timeframes and relevant stakeholders in the LOCFOOD Northern Ireland Implementation Plan (available on request).

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consumer awareness of food provenance issues, micro food producers can play a significant role in producing local food, but Government needs to provide them with the relevant support;

- Whilst there are a number of different agencies involved in providing support for food producers (local authorities/regional development agencies etc.), there is no one single organisation responsible for providing support and advice for food producers. Therefore it is recommended that a single organisation should co-ordinate and manage information across the supply chain to improve communication and develop a better understanding of the industry;
- There is a need for Governmental bodies and agencies to provide a supportive market environment for the development of the local food sector (including the minimisation of bureaucracy and red tape, the promotion of local food and the development of government procurement initiatives for local food);
- A more co-ordinated approach should be provided across agencies to the development of food tourism and the promotion of local food. Some good practice examples of this include: the Swiss Local Food Competition; the Food Party in Sweden; the Consortium of the Food and Wine Trail of Rimini Hills; the Local Pact of Quality' in the Municipality of Kozani, Greece. It is recommended that an evaluation of tourist food experiences should be carried out annually. Stronger identification and promotion of local food markets to micro food producers and consumers is required. A co-ordinated programme of markets would provide additional opportunities for local food producers and would build on established regular markets;
- Educating consumers is key to increasing the purchasing of local produce. Education of local food needs to be made part of the curriculum at primary school. This could be assisted for instance through inviting local food producers into schools to inform children about the benefits of eating local food and where their parents can buy it. Opportunities to promote local produce must be maximized. Some examples could include: farmers markets; food fairs; cooking schools; agricultural shows to promote entertaining/cooking at home and maximising pride in local produce. Marketing campaigns should be developed for enhanced awareness of local food issues, telling the 'story' of local, artisan produce, linked to tourism initiatives and focused on regional identity;
- There is a need for the development of local support networks for micro food producers. For instance, co-operatives have been successful in Valencia, Spain, providing direct links between consumers and food producers. The development of schemes between various players in the supply chain to encourage the use of local food produce would be beneficial. An example of this would be the hospitality sector (café/restaurants/hotels) actively promoting local produce (one example includes the local pizzeria selling ice cream supplied by the next door café). Local councils should explore the potential for further development of co-operatives and support networks and how such networks would be funded (for instance through EU funds);
- Government departments and agencies should assist with sustainability of networks (through a facilitating role, provision of funding etc.);
- Educational institutions (universities/colleges) should promote their support services for micro food enterprises;
- The provision of more tailored training programmes to suit the individual needs of micro food businesses. Local councils should carry out regular reviews of the needs of food producers in their region. Industry mentoring and business development is needed to provide sector specific expertise and knowledge to micro food producers (for example in 'new' artisan areas), for instance from large food businesses or industry experts. An example of a good practice initiative is the SEED 'Food to Follow' programme.

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