Rural tourism and local food and drink

Final report to the Department for Environment, Food and Rural Affairs

15 February 2016
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Rural tourism and local food and drink - draft final report

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Executive summary

This study examined the links between rural tourism and local food and drink in England. It aimed to assess the nature and strength of those linkages and provide evidence of the economic impact on rural economies of a localised food and drink offer related to rural tourism. The study defines local food and drink as that produced within 30 miles of where it is purchased, while areas with a population of less than 10,000 are considered ‘rural’.

Study Approach

Food and drink purchases represent a major component of tourism expenditure in rural areas. This study tested the hypothesis that a local food and drink offer can increase tourism expenditure and its impacts on rural economies. A combination of qualitative and quantitative approaches were used including a review of key literature and data sources, an assessment of the current state of the market, six case studies and five stakeholder workshops.

The case studies feature prominently throughout the report and were selected to provide coverage of a range of different rural locations, in different parts of the country and with different local food and drink offers. Brief introductions to the six case study locations are provided below:

- Amble – a holiday destination and important fishing centre in Northumberland with a growing local food and drink offer, which is well integrated in local economic development plans.
- Bude – a tourist destination on the north Cornwall coast. It has a developing offer for local food and drink and a growing supply chain but is constrained by the price-sensitivity of residents and visitors.
- Dersingham and Hunstanton – tourist destinations in West Norfolk where there is potential to develop the local food and drink offer, and its contribution to tourism, although opportunities are also constrained by the price-sensitivity of existing consumers.
- Exmoor – a national park located in Devon and Somerset. Local food and drink is an important element of the local tourism offer but is not yet considered a significant driver of tourism.
- Padstow – a small fishing port and tourist destination on the north Cornwall coast with a strong food-related supply chain. It has developed a strong reputation as a ‘local food’ destination, enhanced by celebrity chefs, who operate a number of establishments in the town.
- Tebay and Gloucester Services – motorway services, comprising farm shops selling local produce. They are located in areas with strong local food producer networks.

Linkages between local food and drink and rural tourism

The study identified strong linkages between local food and drink and rural tourism. The research findings suggest that a localised food and drink offer can enhance the tourism offer of rural destinations and offer benefits to rural businesses and economies by:

- increasing the attractiveness of rural destinations and attracting additional visitors. A strong local food and drink offer can influence the choice of destination for visitors and can be an important factor in encouraging return visits. It can also enhance the local identity and reputation of areas and offer new recreational shopping opportunities for visitors;
- encouraging greater tourism expenditures. A localised food and drink offer can enhance the quality of the local tourism product. This can help to attract additional tourism expenditures and encourage greater expenditures per visit, thereby supporting more productive jobs and higher added value and providing support for economic regeneration;
- extending the tourism season. Seasonal unemployment is a major issue in many rural locations. However, a localised food and drink offer is less dependent on the weather and peak holiday
periods and can help to support year-round tourism. Food festivals, markets and other initiatives also provide opportunities to attract visitors at different times of the year; and

- **increasing the retention of tourism expenditures in the local economy (economic multiplier effects).** By definition, local food and drink has a more localised supply chain than non-local produce, which means that a greater share of these tourism expenditures are retained in the local economy, providing additional benefits for local food and drink suppliers and the wider economy.

Local food and drink can deliver additional economic benefits by substituting local output for imported produce. It also provides a means of supporting diversification of farms and producer businesses and can create additional demands for skills and training. The research also identified some wider benefits of a more localised food and drink offer: for the environment, through reduced food miles and carbon emissions; for consumers, through increased product choice and potential health benefits (consultees suggested that local produce is often healthier than non-local alternatives); and for communities by increasing cultural identity and community pride and the resilience of the local supply of food.

The scale of benefits was found to vary between locations and was most significant in areas with:

- a strong and varied supply chain that is willing and able to source produce locally;
- high levels of awareness and a good reputation for local food and drink amongst visitors;
- a high quality tourism offer to attract and support high value visitors; and
- strong support from public sector decision-makers and delivery bodies.

The study made comparisons between Padstow and Bude to highlight potential differences in the current scale of local food and drink activities and impacts. Both towns are located on the north Cornwall coast but attract different types of visitor and their local food and drink offers are at different stages of development. Padstow has a strong and established local food and drink offer, while the offer in Bude is at an earlier stage of development. An analysis of their food and drink and tourism sectors estimated local food and drink activities in Bude to be less than half the size of activities in Padstow, despite Bude having a larger resident population and attracting a larger number of visitors.

**State of the market**

This study has produced estimates of the scale of the local food and drink sector and its associated impacts for rural tourism economies in England, subject to a number of limitations and assumptions.

The study has estimated that **sales of local food and drink totalled almost £10 billion across England in 2013, almost £3 billion of which was sold in rural areas.** Tourism expenditures on local food and drink are significant and visitors are estimated to account for a significant proportion of these sales. Total **tourism expenditures on local food and drink have been estimated to total £2.6 billion across England in 2013, of which £1.4 billion was estimated to be spent in rural areas.** This suggests that tourists account for 50% of local food and drink sales in rural areas (comprising 5% of sales in retailers and 63% in food service outlets). **These expenditures are estimated to support 81,000 jobs and £1.5 billion of GVA across rural tourism economies in England.**

These are the best estimates that could be produced with the available data. Assumptions were used to fill gaps in the data, which has increased the uncertainty associated with these estimates and should be taken into consideration when interpreting the results. The analysis was also restricted by a lack of evidence of displacement effects and the extent to which local food and drink motivates tourism visits and expenditures. These estimates therefore relate to the scale of local food and drink activities in rural areas rather than their net impact on the UK economy, which would also need to consider:

- the extent to which local food and drink motivates tourism visits and expenditures on other goods and services, which would deliver additional benefits to those included in the above estimates; and
- the extent to which local food and drink expenditures in rural areas have displaced expenditures from other areas or products. For example, if all additional visitors and expenditures attracted to a rural destination were displaced from elsewhere in England, there might be no net gain at the national level, while the economic benefits could be significant at a local level.
Issues and challenges

The research also identified a number of barriers to developing a local food and drink offer. The key challenges relate to:

- **affordability** of local food and drink (and perceptions that local food and drink is more expensive than non-local alternatives), which can be a particular issue in areas where visitors are more price-sensitive;
- **availability** and the seasonality of tourism and availability of produce, which highlights the inherent difficulties of supplying a market that is focused on particular times of the year;
- **accessibility** issues, which can be particularly prevalent in remote rural areas with dispersed settlements;
- **awareness** of supply, which can restrict opportunities for local food and drink in areas where visitors, retailers and food service outlets have a lower awareness of local producers and their produce; and
- **cohesive initiatives** to promote the linkages between local food and drink and rural tourism, which can be restricted in areas where there is a lack of coordination between the public sector decision-makers and tourism bodies.

The primary research undertaken as part of this study also identified some other generic issues and threats to the development of local food and drink activities, which included:

- **Threats to the integrity and quality of local food and drink.** The research identified concerns about false and misleading claims from food producers, retailers and food service outlets and the impacts for the integrity and quality of local produce. It was reported that these issues are detrimental to consumer understanding and confidence and thereby restrict growth of the sector.
- **Disproportionate regulation and bureaucracy.** The burden of regulation was reported to be excessive and disproportionately large for small businesses in the food chain. This can restrict growth, stifle innovation and enterprise, and curb potential new ventures and new developments. Examples included regulations relating to food hygiene, standards and labelling as well as many of the more generic business regulations.
- **Funding issues.** Consultees reported a lack of relevant funding sources, but also suggested that minimum grant sizes are often too large for many of the small businesses operating in the local food and drink sector. Businesses also reported that the bureaucracy associated with funding opportunities can be complex and requires a disproportionate amount of time for small businesses, which acts as a disincentive to apply for funding.
- **Difficulties changing consumer habits.** It was reported that local produce can be a more uncertain and risky purchase for consumers and it can be difficult to entice consumers away from familiar brands and retailers. An associated issue relates to the lack of local produce served in supermarkets, which were widely regarded amongst consultees to be competitors to local food and drink rather than a route to market.

Opportunities for development

The study identified opportunities, and examples of good practice, for addressing the above challenges and enhancing the linkages between local food and drink and rural tourism. The most significant opportunities relate to:

- **strengthening engagement and collaboration within the sector,** particularly to address accessibility and availability issues and offset the challenges faced by small food businesses. Examples include coordination of distribution efforts and development of new routes to market;
- **increased marketing efforts** to overcome awareness issues, including issues associated with perceptions of affordability, and to attract additional visitors throughout the year and help address availability issues;
developing new market opportunities, such as online sales or sales to non-local conurbations, to take advantage of non-local demand and support sales outside the peak tourism season; 

maintaining the integrity, provenance and quality of local food and drink and protecting local suppliers from other businesses using false or misleading claims; and 

ensuring that funding opportunities and business support are appropriate for local food and drink businesses operating in rural areas, many of which are micro or small businesses.

Consultees also identified key success factors for maximising the opportunities associated with local food and drink and the linkages to tourism, which include:

- Strong place-branding and marketing activities to raise awareness amongst tourists;
- Raising the quality of the overall tourism offer to attract and service higher value tourists;
- Developing food and drink activities as visitor attractions in their own right to meet demand from tourists;
- Strong supply chain linkages (between outlets and suppliers) to ensure availability for tourists;
- Ensuring the integrity and authenticity of local food and drink produce;
- Collaboration and coordination in the sector to overcome barriers and maximise opportunities; and
- Public sector support and funding for the local food and drink and tourism sectors to enhance the benefits for local economies.

Many of the opportunities for developing linkages between local food and drink and rural tourism are likely to represent commercial opportunities for the private sector, while others may also warrant public sector intervention. The case for public sector intervention needs to be based on evidence of market failure, such as a failure of markets to match willing buyers and sellers, or to achieve the most efficient levels of production and consumption. The evidence identified through this study suggests that the rationale for intervention is likely to be most significant in cases where:

- local food and drink can give rise to positive externalities through the delivery of environmental benefits (such as reduced food miles and carbon emissions and increased landscape benefits), or social benefits (such as increased health benefits from substituting some non-local products for local produce, or where employment programmes can deliver social benefits for local residents);
- improved infrastructure (such as distribution hubs and transport links) could resolve accessibility issues and provide new routes to market to better match willing buyers and sellers;
- potential demand for local food and drink is not being met because of information or co-ordination failures, such as a lack of information about where and how to source local produce, issues relating to perceptions of affordability, or where false information is affecting consumer understanding and confidence in the sector; and
- local food and drink can promote economic development and regeneration through the strengthening of links between local food and drink and rural tourism.

To maximise the effectiveness of public interventions, it will also be important to consider and address any coordination issues between the public sector decision-makers and tourism bodies, ensure that funding and business support mechanisms are able to meet the needs of local food and drink businesses, and ensure regulatory burdens are minimised.

Implications for policy

The research identified a number of opportunities for policy to address some of the challenges, facilitate some of the opportunities, and maximise the benefits of a localised food and drink offer in rural areas. These policy implications include:

- Provision of business support that is tailored to small businesses in the food and drink sector. Local food and drink businesses stressed the need for advice that is tailored to small
ventures, start-ups and young businesses in the food and drink sector, and covers a wide range of support needs including training, marketing support, funding advice, mentoring, and networking.

- **Reducing red-tape and ensuring regulations are proportionate** where possible to avoid over-burdening small-scale food and drink businesses. There was a strong desire for a review of key regulations so these could be applied to small enterprises with better proportionality to ensure that small businesses in the sector can operate on a level playing field.

- **Ensuring appropriate and consistent enforcement of standards and systems relating to the authenticity of local food and drink.** This is important to protect the integrity and quality of local food and drink and reduce potential negative impacts on consumer understanding and confidence, which can affect sales and economic benefits.

- **Ensuring funding opportunities are appropriate for local food and drink businesses by:**
  - removing (or at least reducing) minimum grant sizes to ensure funding is appropriate for small businesses and small projects;
  - providing longer term grants to support greater effectiveness and sustainability of funding;
  - simplifying the requirements and bureaucracy associated with funding schemes to encourage greater uptake amongst small food and drink businesses; and
  - providing support for innovation, including new approaches to food and drink production and distribution.

- **Helping to raise awareness of the benefits of ‘buying local produce’** by providing ‘quotable’ evidence of the benefits of local food and drink (particularly evidence relating to economic impacts and multiplier effects). This would support businesses and stakeholders to raise awareness of these benefits amongst consumers, policy-makers and funding providers.

**Further research**

The study identified some gaps in the evidence base that could be addressed through additional research. The most significant gaps related to:

- **Sales of local food and drink.** from retailers and particularly from food service outlets, and tourism expenditures on local food and drink.

- **Local food and drink as a motivation for tourism visits** (i.e. the extent to which local food and drink motivates tourism visits and thereby encourages additional tourism expenditures on accommodation, travel, entertainment, etc.)

- **Local economic multipliers for tourist expenditures on local food and drink** in rural areas of England (rather than generic multipliers that do not distinguish between local residents and visitors or different types of area).

- **Evidence of displacement** (i.e. the extent to which local food and drink displaces visitors and expenditures from other food outlets and other areas, and displaces purchases of non-local food and drink including imports).

- **Quantitative evidence of actual and perceived prices of local food and drink** relative to non-local food and drink, for different products and in different outlets and locations, to help our understanding of the accuracy of perceptions of pricing and affordability.

Addressing these gaps would help to improve the estimates of the scale of the market for local food and drink and its economic impacts and could also provide additional evidence on the potential benefits, issues and opportunities associated with a localised food and drink offer in rural tourism destinations.
1 Introduction

This is the final report of a project to examine the links between rural tourism and local food and drink in England. The project was delivered by a team led by ICF for the Department for Environment, Food and Rural Affairs (Defra). The ICF team was supported by Rick Minter, a rural consultant who led the delivery of the stakeholder workshops. Sue Slocum (an expert in food tourism and rural development from George Mason University in the US) and Roger Vaughan (Professor of Tourism Economics at Bournemouth University) performed a peer review role, reviewing the outputs of the study.

1.1 Aim of the research

The aim of this research project was to provide an assessment of the links between local food networks and the tourism economy, including evidence on the economic impact on rural economies of a localised food and drink offer related to rural tourism.

The purpose of this report is to summarise the findings of the research, the conclusions of the study team, the implications for policy and suggestions for further research based on identified gaps in the evidence base.

1.2 Context and study objectives

Defra has identified the potential to support rural tourism1 by:

- Increasing the number of tourism visits to rural areas;
- Increasing tourism spending in rural areas; and/or
- Increasing the benefits of this spending for the rural economy.

Food and drink purchases represent a major component of tourism expenditure in rural areas2. A local food and drink offer may have the potential to increase tourism expenditure and its impacts on rural economies. For this reason, Defra was keen to identify evidence of the benefits of local food and drink to rural tourism destinations and to examine whether, how and why local food and drink provides benefits to rural economies compared to a non-localised food and drink offer.

The objectives of this project were to:

- Review existing evidence on the relationship between local food and drink and tourism to provide a clear evidence-based statement on the economic benefits or disbenefits of a more localised food and drink offer to the rural economy and whether this displaces other benefits, on a before and after basis.
- Provide a comparison between the outcomes for a rural tourism destination which has a more developed local food and drink offer against the outcomes for one with a less developed local food and drink offer.
- Provide an up to date review of the local food and drink market in rural tourism destinations.
- Identify the issues, challenges and opportunities to increase localised food and drink offerings in rural tourism destinations with discussion on the desirability of such an increase; linked to the review of existing evidence.

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1 Defra, 2012. Rural Economy Growth Review
Identify good practice and share learning gained from innovative businesses in the market place who are: (a) delivering localised food and drink offerings in rural tourism destinations or (b) helping to develop links with food and drink outlets to deliver localised produce.

Consider future policy interventions to boost localised food and drink in tourism destinations if that is found to be an economically beneficial policy for rural economies.

Identify suitable rural case study areas that are developing, or have developed, their local food and drink and tourism offer, to inform future ‘what works’ research.

1.3 Methodology

The project involved five key stages of work, as shown in Figure 1.1. The results and findings of each stage of work are summarised in annexes to this report.

Figure 1.1 Core research tasks and outputs

Stage 1 – Rapid evidence assessment (REA) – The aim of the REA was to better understand the type and nature of economic effects associated with tourist destinations having a well-defined local food and drink offer. The REA reviewed literature on the economic benefits of localised food and drink offers within rural destinations, and the links between food and tourism in order to assess the range of linkages and models and their economic effects.

Stage 2 – Review and analysis of available data – The aim of this analysis was to assess the state of the market for local food and drink and its linkages to tourism in rural areas. The analysis used a range of data sources to produce estimates of the scale and value of local food and drink and related tourism activity in rural areas of England.

Stage 3 – Qualitative research – The research explored how local food systems have developed and the nature of their links to tourism economies. Six case studies were undertaken in different locations with different local food and drink offers. The research comprised semi-structured interviews with local policy-makers, delivery bodies and a range of food and drink and tourism businesses including producers and processors, retailers, cafés, restaurants, pubs and accommodation providers.

Stage 4 – Stakeholder engagement – Stakeholder workshops were held in five of the six case study locations. The aim of the workshops was to discuss the findings of the research, consider the barriers and opportunities to enhance links between local tourism economies and local food networks, and identify steps to strengthen these linkages. Each workshop ran for around five hours and involved case study participants and individuals from their wider networks, including producers, food outlets, delivery bodies and policymakers.

Stage 5 – Final report on key learning points and dissemination - This report represents the output from Stage 5 and includes an overall analysis of the linkages between local...
food and tourism economies in rural areas, which summarises the findings from the other research tasks.

1.3.1 Primary research

Primary research played a key role in this study. As stated above, six case studies were undertaken and the study team returned to five of the six case study areas\(^3\) to undertake stakeholder workshops. Many of the findings and experiences presented in this report were captured through these research tasks and this section provides a brief introduction to the six locations.

The case studies were selected to provide coverage of different types of rural location, in different parts of the country and with different local food and drink offers. They comprised:

- **Amble** – a popular holiday destination and important fishing centre in Northumberland. The local food and drink sector is growing and complements the local tourism offer but is not currently a key driver of tourism. However, the development of the local food and drink sector is well integrated in local economic development plans.

- **Bude** – a tourist destination on the north Cornwall coast, which is a particularly popular destination for families. It has a developing offer for local food and drink and a strong and growing supply chain. It has ambitions to develop its local food and drink offer but is constrained by the price-sensitive nature of existing residents and visitors.

- **Dersingham and Hunstanton** – popular tourist destinations in West Norfolk: Dersingham is located close to local beaches and is popular among birdwatchers and visitors to Sandringham; Hunstanton is a seaside resort, popular with young families. Local food and drink contributes to the local tourism offer but is not as prominent as in other parts of the county, such as North Norfolk. There is potential to develop the local food and drink offer although this is also constrained by the price-sensitivity of the existing customer base.

- **Exmoor** – a national park located in Devon and Somerset. Tourism makes up the single largest component of the Exmoor economy. Local food and drink is an important element of the local tourism offer and complements other attributes of the area. It is not yet considered a significant driver of tourism, although increasing numbers of tourists are visiting Exmoor because of the local food and drink offer.

- **Padstow** – a small, working fishing port located on the north Cornwall coast and a popular destination for visitors. Padstow has a strong food-related supply chain and has developed a particularly strong reputation as a ‘local food’ destination. This reputation has been supported and enhanced by celebrity chefs, who have opened a number of establishments in the town.

- **Tebay and Gloucester Services** – Tebay Services is operated by the Westmorland Group, a family-owned business, on the eastern edge of the Lake District on the M6. The services comprise farm shops selling local produce. They opened in 2003 and were the first of their kind for the British motorway network. More recently, the Westmorland Group has opened a site on the M5 in Gloucestershire, based in an area with a strong local food producer network.

1.4 Structure of this report

The remainder of this report is structured as follows:

- Section 2 presents key findings relating to the links between local food and drink and rural tourism economies;

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\(^3\) Stakeholder workshops were undertaken in Amble, Bude, Exmoor, Padstow and Tebay.
Section 3 presents available evidence of the scale, trends and impact of the local food and drink and tourism markets, including a comparison of two rural destinations;

Section 4 discusses the issues, challenges and opportunities in developing linkages between local food and drink and tourism, and reviews existing initiatives to develop such linkages; and

Section 5 presents the conclusions of the study and implications for policy and further research.

There are also five annexes included in a separate document:

- Error! Reference source not found. presents the results of the Rapid Evidence Assessment;
- Error! Reference source not found. presents the State of the Market report – a statistical review of linkages between the tourism and local food and drink economies;
- Error! Reference source not found. presents the six case studies of the links between food and drink and the tourism economy at a local level;
- Error! Reference source not found. presents a summary of the discussion points at each of the five stakeholder workshops; and
- Error! Reference source not found. provides the references used to inform the different research tasks.
2 The linkages between local food and drink and rural tourism economies

This section presents the research findings on the linkages between local food and drink and rural tourism economies. It begins by setting out the definitions used in the study and introducing a conceptual framework for assessing the impacts of linkages between local food and drink and rural tourism, before discussing the potential benefits of a localised food and drink offer. It also describes the characteristics of local food and drink and rural tourism economies.

2.1 Definition of local food and drink and rural areas

The evidence review found that there is no single definition of local food and drink. Previous studies have defined ‘local food and drink’ using a number of different attributes including product characteristics and designations, although definitions are most commonly based on geography. Administrative boundaries are often used when referring to local food and drink (e.g. produce from within a particular county or region) and such definitions were frequently referred to by many of the food and drink businesses and stakeholders that participated in this study. This was particularly the case for locations with a strong local food and drink brand such as Cornwall and Exmoor.

In practice local food and drink may embrace a number of different attributes and may not need to be based exclusively on any particular criteria. However, this research found that the most important attribute is for local food and drink to be produced and sold within a defined area and this report therefore defines local food and drink as that produced within 30 miles from where it is purchased.

In order to identify rural tourism destinations, the study used the standard government definition of rural areas in England, comprising settlements with a population below 10,000. The local food and drink sector is defined to comprise a range of activities including farming, processing, food service and food retail activities. The definition of a rural food and drink tourism destination also needs to consider the extent to which food and drink businesses cater for tourists as well as local residents because the proportion of sales accounted for by tourism varies between different places and types of outlet.

2.2 Conceptual framework for assessing linkages and benefits

Figure 2.1 presents a conceptual framework which defines the different ways in which a localised food and drink offer has the potential to benefit the local tourism economy. This framework was used to guide the research and analysis and enabled the study team to test the potential impact pathways through the different research tasks.

4 https://www.gov.uk/government/collections/rural-urban-definition

5 The government definition of ‘rural areas’ is based on population, whereas the Great Britain tourism surveys are based on respondents’ perceptions of whether they visited the ‘countryside / villages’, the ‘seaside’, a ‘small town’ or a ‘city or large town’. To ensure a more consistent approach across the various data sources, this research has accessed raw data from the tourism surveys, which is based on the local authority visited. These data were then converted into ‘rural’ estimates using the latest ONS conversion tool (based on estimates of the share of the population of each local authority that is classified as ‘rural’). Therefore all estimates produced by this study for rural areas are ‘population-based’ estimates, unless stated otherwise.

6 Retail activities should include the activities of supermarkets, specialist shops, food festivals and farmers’ markets.
The central pillar of the framework represents the local tourism economy. It shows how the local tourism economy earns income and supports jobs and businesses by attracting visitors, who spend money in the local economy, which provides revenue for local businesses. These business revenues are used to:

- purchase food and drink produce and products and all other goods and services required to operate each business. These goods and services are purchased from a range of supplier businesses that may or may not be based locally;
- pay wages to staff, who may or may not live locally and spend their wages in the local economy; and
- generate profits for business owners and investors, who also may or may not live locally and spend their income in the local economy.

The resulting impacts for the local tourism economy are typically measured in terms of the gross value added (GVA)\(^7\) and employment that are supported by these visitor and business activities and expenditures. The scale of these economic impacts will be determined, not only by the scale of the visitor expenditures, but also by the extent to which that money is retained in the local economy (the multiplier effect) through:

- local purchases of food and drink and other goods and services from local suppliers (indirect effects); and
- wages and profits paid to local residents and the extent to which that income is also re-spent in the local economy (induced effects).

**Figure 2.1 Conceptual framework for assessing local food and drink and the tourism economy**

\(^7\) GVA is a standard measure of economic output and is defined as the additional value generated by a particular sector or area of an economy.
Local food and drink can deliver benefits and affect the local tourism economy in a number of ways. The framework recognises that local food and drink can be an attractor, bringing more people to an area, or an enhancer, encouraging people to spend more once in the area. In cases where local food and drink is an attractor, it may bring additional non food and drink expenditures (e.g. purchases of accommodation), whereas if it is an enhancer, the primary benefit will be through expenditures on food and drink itself.

Local food and drink may affect either or both the level of tourism expenditure which benefits the economy (the multiplicand) or the degree to which the economy is impacted by that expenditure, as a result of greater levels of re-spending and retention of income (the multiplier). The occurrence and extent of these benefits can be tested through relevant indicators, such as:

- **numbers of visitors**, and changes in visitor numbers as a result of growth in the local food and drink offer in a particular location, as well as the proportion of surveyed visitors who cite local food and drink as a reason for their visit;
- **expenditure per visitor**, especially evidence of average expenditures on food and drink per visit, and trends in this indicator as well as comparisons with locations with a less localised food offer;
- **proportion of food and drink expenditures that are sourced locally**, enabling comparisons of local food and drink expenditures in areas with a localised and less-localised food economy; and
- **economic multiplier effects**, and evidence of the proportion of wider purchases of goods and services that are sourced locally, and the extent to which incomes are retained and re-spent in the local economy.

The study has also examined the issue of *additionality* when considering the economic impact of local food and drink and tourism. As described above, economic leakage and multiplier effects are important as they determine the proportion of expenditures that are retained locally and recirculate in local economies, rather than leaking out of the economy and supporting economic activity elsewhere.

Another important aspect of additionality is *displacement* – the extent to which local food and drink may stimulate economic activity in one area at the expense of reductions elsewhere. For example, expenditures on local produce will reduce demand for produce from other areas, including rural areas within England. On the other hand, displacement of imports (such as Danish bacon) may lead to overall benefits to the English rural economy. Displacement may also take place with respect to visitors themselves – for example where local food encourages them to visit one part of rural England rather than another.

Finally, when assessing the case for – and impacts of – public sector interventions with respect to local tourism, it is important to examine the extent of *market failure*. In some circumstances markets may fail to take full advantage of a particular area of economic opportunity. With respect to local food and tourism, this could potentially occur as a result of:

- **information failures**, for example, if there was incomplete information among suppliers or consumers about the sources of food and drink or the benefits of local food and drink;
- **coordination failures** if, for example, markets failed to take advantage of opportunities to bring together local food and drink to form a coherent local offer; or
- **externalities**, for example, if the full benefits of local food and drink, including wider benefits in linking consumers to the food system and the environment, were not recognised by markets.

The study examined the barriers and challenges to the development of a local food and drink and tourism offer, and possible interventions that might address them, with critical analysis of these barriers to examine whether there are genuine market failures that justify intervention. For example, it was important to understand whether challenges in developing a local food and drink offer in rural areas were the result of market failures rather than other factors.
and drink offer in some areas are the result of a lack of consumer demand, or whether there is such a demand but it is currently difficult to service because of information or coordination failures, or barriers related to government regulation or other factors.

2.3 The characteristics of local food and drink and rural tourism economies

As stated above, the case studies were selected to provide examples of different locations and different types of localised food and drink offers. However, despite these inherent differences, the locations shared a number of common characteristics. This section presents the findings of the primary and secondary research in relation to the characteristics of local food and drink and rural tourism economies.

By definition rural settlements have a relatively small resident population of less than 10,000. Tourism is an important component of these local economies and, in many areas, supports the employment of a relatively large proportion of the local population. While the extent of the linkages between local food and drink and tourism differed between the case studies, each location had a significant local tourism economy in its own right. Furthermore, the research did not identify any rural tourism locations where tourism was wholly dependent on its local food and drink offer, although there was significant variance in the extent to which local food and drink enhanced the local tourism economy.

The research also found that the areas with the strongest linkages between local food and drink and rural tourism would commonly be expected to share the following characteristics:

- A strong and varied local supply chain comprising producers, processors, retailers and restaurants.
- A high proportion of independent retailers and food service outlets with local purchasing decisions (in contrast to retail, restaurant and pub chains with centralised purchasing contracts).
- A high quality tourism offer (comprising restaurants, pubs, cafés and retailers, but also wider services for visitors such as accommodation, attractions, etc.) that can attract and support high value visitors who are prepared to spend more on food and drink, particularly when eating out.
- Strong place branding and marketing that emphasises the quality of the food and drink experience offered to tourists.
- Customer serving outlets (shops, restaurants, pubs, hotels, etc.) that not only cater for visitors as well as local residents but also understand the potential benefits of local food and drink, and are aware of and serve produce that is available locally. Local chefs and food outlets play an important role in raising awareness of local food and drink amongst consumers, and particularly tourists, through effective communication in their menus, signage and marketing materials.
- Collaboration between local businesses to share resources, jointly market the local food and drink offer and secure new routes to market.
- Support from public sector decision-makers and delivery bodies. For example, some of the case studies reported their local authorities as being particularly pro-active in supporting and promoting the local food and drink sector despite having limited resources available.

2.4 The economic benefits of links between local food and drink and rural tourism

The study identified a range of economic benefits between local food and drink and rural tourism from the review of existing evidence and the case studies and stakeholder workshops.
2.4.1 Local food and drink as a driver for tourism

Visitor expenditures on food and drink account for a substantial proportion of the overall economic impact of the tourism sector. VisitEngland data suggest Great Britain (GB) residents spent a total of £65 billion during day visits and overnight trips in England in 2013, of which at least £23 billion (35%) was spent on food and drink:

- In 2013, ‘eating or drinking out’ accounted for 37% of all money spent by GB residents on day visits to destinations in England. A further 5% was spent on food purchased from shops and takeaways.
- In 2013, ‘eating and drinking out’ accounted for 20% of the total money spent by GB residents on domestic overnight trips in England.

These figures exclude the expenditures of international visitors, who were estimated to spend a further £18.4 billion on visits to England in 2013. Unfortunately, the data are not disaggregated to show expenditures on food and drink.

Further analysis of the VisitEngland data, undertaken to inform this study, has estimated total tourism expenditures and food and drink expenditures in rural areas of England. It suggests that GB visitors spent £16 billion during day visits and overnight trips to rural destinations in England in 2013, of which £5.7 billion (36%) was spent on food and drink.

This suggests that GB visitors spend a slightly higher proportion of their overall expenditure on food and drink when visiting rural areas (compared to urban areas).

The VisitEngland surveys do not collect data on how much of this food and drink expenditure relates specifically to local food and drink but have provided evidence that a local food and drink offer can serve as an attraction and motivating factor for tourists, including those on holidays to rural destinations. In 2013, VisitEngland collected information regarding participation and interest in a range of activities associated with local food and drink through the Domestic Trip Tracker survey. The survey asked about levels of interest and participation in the following activities:

- Going to a food festival;
- Visiting a farmer’s or local produce market;
- Dining at a restaurant, café, pub, etc. serving local food / produce; and/or
- Buying food or produce local to the destination.

The findings are presented in 0 and show that respondents had participated in these local food and drink related activities as part of between 8% and 29% of holidays, breaks and day visits taken during the previous year. It also shows that levels of interest in participating in these activities were higher than the levels of actual participation. The survey data does not explain the reasons for these gaps, although it is common for stated preferences to exceed actual purchases in all consumer industries and may suggest issues relating to the affordability or availability of local food and drink, or issues relating to marketing and awareness amongst visitors.

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10 As stated above, these are population-based estimates for rural areas, based on additional analysis of raw VisitEngland data and using the ONS tool for converting local authority data into estimates for rural areas.
11 The survey explored levels of interest and participation in these activities as part of holidays, breaks or day trips in England in the 12 months to August 2013.
The research also supported the suggestion that a localised food and drink offer can enhance economic impacts by attracting additional tourists and tourism expenditures. The economic benefits are described in detail below and include:

- **Increasing the attractiveness of tourism destinations and attracting additional visitors.** A survey of visitors to Cornwall (undertaken by Cornwall Food and Drink in 2014) found strong links between Cornish food and drink and tourism. More than 80% of respondents stated that the Cornwall food and drink offer had had some influence on their choice of destination, while it had either ‘quite a lot’ or a ‘very heavy’ influence on the decisions of more than 40%.

Sims (2009) conducted interviews with visitors in the Lake District and Exmoor and found that local food and drink are assets to integrated and sustainable tourism because they enable host communities to capitalise on visitors’ desire for some form of “authentic” experience. This arises from local food provision as a means to symbolise the place and culture of the tourist destination, offering “a moral ‘feel-good’ factor” and allowing visitors to connect with their destination during and after their visit. The primary research also supported the view that there is increasing demand from tourists for local produce and experiences associated with local produce, which provides significant opportunities for food and drink businesses in rural areas. An example from the Exmoor case study is provided by Westcountry Food and Farm Tours, a business which has been established to meet demand from tourists to visit local producers. This also provides additional benefits for the local producers by helping to raise awareness of their local produce.

The research also found that a localised food and drink offer can help attract visitors by enhancing the local identity and reputation of areas and creating a point of difference with other tourist destinations. Local food and drink often has a close fit with the local traditions and history of different areas, which can be linked in marketing and promoting the area to tourists. For example, Pearson et al. (2011) suggest that local food systems can provide a means of improving local branding and delivering new recreational shopping opportunities to attract additional visitors. The primary research also identified examples including Grasmere Gingerbread in Cumbria (https://www.grasmeregingerbread.co.uk/), which uses the local history and reputation of Grasmere in promoting its products.

The case studies also found that local food and drink was an important factor in encouraging return visits from visitors as well as increasing the numbers of ‘new’ visitors. For example, local food and drink was highlighted as a major reason for the high rates of return visits to Exmoor, and it was suggested that numbers of return visitors would fall if the local food and drink offer was reduced.
Encouraging greater tourism expenditures. As well as attracting additional tourists, the research found that a localised food and drink offer also enhances tourism expenditures and encourages greater expenditures per visit. This was identified as a particular benefit in Padstow, where stakeholders reported significant growth in the quality of the local tourism product and food and drink offer over time. This growth has been supported and enhanced by celebrity chefs, including Rick Stein, Paul Ainsworth and Nathan Outlaw, who have established a number of restaurants, takeaways and food retail outlets in the town. Food and drink businesses and other tourism businesses, such as accommodation providers, have all been committed and worked together to increase the overall quality and value of the local food and drink and tourism offer in Padstow.

Local food and drink is currently less important to the tourism economy in other locations such as Bude and Dersingham and Hunstanton. There are aspirations to strengthen the local food and drink offers and links to tourism in these locations, but the characteristics of visitors and the price-sensitive nature of the local tourism market makes this more of a challenge. Local businesses and stakeholders reported the need to continue meeting the needs of existing visitors as well as using local food and drink as a means of attracting additional higher value visitors.

Extending the tourism season. This was identified as a key benefit in the research, particularly in terms of addressing seasonal unemployment, which is a major issue for the tourism industry in many rural locations. Furthermore, Everett and Aitchison (2008) interviewed 12 Cornish restaurant owners who thought that those visiting outside the peak season, particularly in the months of May, June and September, are more likely to frequent more expensive food outlets specialising in local produce. They also suggested that tourists are willing to spend slightly more money and pay higher prices for locally sourced products outside the peak season.

All six case study locations suggested that an extended season was a key benefit of a localised food and drink offer. Local food and drink can be a year-round attraction for tourists and is not dependent on the weather. Most case study locations also reported using food festivals, markets and other initiatives to further extend the season. Padstow again provides a good example where local food and drink has motivated a significant increase in visits outside the peak season. It was reported that many businesses in Padstow used to close in the winter but the large majority now stay open for most or all of the year as a result of the increase in year round trade from visitors. For example, one accommodation provider interviewed as part of this study used to close in the winter but is now open all year round and is booked for 48 weeks of the year.

2.4.2 Increasing the retention of tourism expenditures in the local economy

The review of existing evidence identified quantitative and qualitative assessments which indicated that expenditures in local food systems are likely to be associated with higher multipliers than non-local food expenditures. This is to be expected, since local food systems, by definition, involve greater than average levels of local purchasing (of food at least) and can therefore be expected to have stronger indirect multiplier effects. However, evidence relating specifically to tourist expenditures on food was lacking, with the only available studies focusing on other types of local food and drink initiatives such as food box schemes and local procurement in hospitals and schools.

The case studies also indicated that local multipliers are likely to be strong in areas with a strong local food and drink offer as local food systems have stronger local supply chains and therefore retain a larger proportion of tourism expenditures within the local economy. Furthermore, in all of the case study areas, there was a tendency for a large proportion of people employed by local food and drink businesses to reside within the local area, rather than commute from further afield, which suggests that a high proportion of wages are also re-spent in the local economy. The workshops also identified spin-off opportunities for other sectors. Logistics was an example of a sector that has benefited from considerable
additional income as a result of recent economic gains in the local food and drink sector in Padstow.

A full assessment of the benefits of local food to the tourism sector needs to take account of potential displacement effects, which may relate to displacement of visitors from other areas, displacement of expenditures from other food outlets and displacement of food produced for export. The scale of displacement effects depends on the geographical level being observed and the nature of the displacement. For example, if all additional expenditures generated by a localised food and drink offer were displaced from elsewhere in England, there might be no net gain at the national level, while the economic benefits could be significant at a local level. On the other hand, displacement effects could be significant at the local level if there was little change in the scale of visits and expenditures to a particular destination and expenditures were displaced from one local business to another. For example, one study identified by the evidence review, relating to a farmers’ market in Askern near Doncaster, found that the increase in income to farmers was predominantly offset by a decline in income for other local businesses (Hall and Sharples, 2008), presumably indicating that the market was not able to attract additional tourism income from outside the local area.

Local food and drink can bring additional economic benefits if it displaces imports or if it has stronger economic multipliers and fewer leakages than non-local food systems. It can also attract higher expenditures that are capable of supporting more productive jobs and higher added value and can deliver additional economic and wider benefits (described below).

However, while suggesting that displacement may be an issue, the research found very little existing evidence on the likely scale of displacement effects, suggesting that further research would be required to explore these issues in greater depth. It is also important to note that the scale and nature of displacement effects is likely to vary between different locations. For example, the case study businesses gave views about what might happen in the absence of a local food offer although these were somewhat speculative and varied between the case study locations.

### 2.4.3 Other economic benefits

The primary research also identified some other economic benefits of a localised food and drink offer, which included:

- **Supporting economic regeneration.** The case studies found that local food and drink is helping regeneration efforts in Bude and Amble. There are tangible examples of benefits in each location, including an increased number and quality of restaurants, increased numbers of producers, evidence of food and drink businesses working collaboratively with each other, and new mixed-use developments which include food and drink ventures. Food and drink is playing an integral part of the regeneration of Amble, where initiatives have included the opening of the Harbour Village, seafood centre and the lobster hatchery. These initiatives aim to increase Amble’s reputation as a destination for good quality food, thereby increasing the volume and value of tourism and creating new jobs and new business for distributors and suppliers.

- **Increased resilience and self-sufficiency.** The research also identified benefits relating to self-sufficiency by helping to reduce the nation’s dependence on food imports and increasing the resilience of local communities to provide food and drink for their own population.

- **Supporting the diversification of farms and producer businesses.** Stakeholders in the case study locations also highlighted the important role played by the local food and drink sector in supporting the diversification of farm and producer businesses by adding or enhancing customer serving aspects to traditional farming businesses. This is likely to be a key benefit in many rural areas and was mentioned by stakeholders in Amble, Exmoor and Padstow.
Increased skills and training opportunities. Stakeholders also reported that artisan food and drink production requires a skilled workforce and therefore creates demands for training, including apprenticeships in areas such as brewing, baking and butchery.

2.4.4 Wider benefits

The research also identified a number of wider benefits of increased use of local food and drink including:

- **Environmental benefits.** The primary research found that, for many stakeholders, the environmental benefits of a localised food and drink offer were at least as important as the economic benefits. The main environmental benefits related to fewer food miles and reduced carbon emissions associated with the production and distribution of local food and drink, as well as benefits for the local landscape and habitats, such as through traditional grazing and cropping practices. The landscape benefits were particularly important for stakeholders in Exmoor, where the landscape and associated land use is the primary attraction for many visitors.

- **Health benefits.** Many of the people consulted in the study stated there is often a strong overlap between local food and drink and food that has health benefits. This is perhaps because the suppliers and consumers of local food and drink are relatively likely to be concerned about health benefits. Consultees suggested that local food and drink is often more natural, organic, wholesome and nutritious than non-local alternatives and is also less likely to be produced with pesticides, preservatives and other additives. It was reported that these attributes can create more healthy products and could potentially help to reduce ailments associated with poor nutrition.

- **Increased cultural identity and community pride.** This is an important aspect for many stakeholders in the case study locations. It was suggested that a localised food and drink offer can help to develop and enhance the cultural identity of a local area and can instil feelings of pride and a sense of place amongst those involved in food and drink and the wider community.

- **Greater consumer choice.** Stakeholders also reported that local food and drink is often associated with increased quality, integrity and freshness of produce and products. This can offer an important alternative to non-local products, providing consumers with greater choice of product at different prices and levels of quality.

2.4.5 Quantitative estimates of the benefits of local food and drink

Some quantitative estimates of the benefits of local food and drink to the tourism sector in the UK were identified by the study and are described below.

The Campaign to Protect Rural England (CPRE) undertook an analysis of local food networks in England in 2012. The research was based on evidence collected from approximately 2,000 shoppers and more than 600 food businesses located in 19 different local food networks across England. The results were extrapolated across England to provide an estimated annual value of local food sales of £2.7 billion. The study also considered the indirect effects of these local food purchases on local supply chains of producers located within 30 miles and suggested that the overall impact of local food purchases were likely to contribute £6.75 billion of value to local economies across England per annum.

Sherwood (2013) estimated the benefits of increasing tourism expenditure on local food and drink in Herefordshire. The study estimated that in 2010 total tourism expenditure on food and drink bought from food outlets was around £110 million. It estimated that increasing

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13 CPRE, 2012. From field to fork: The value of England’s local food webs
tourism expenditure on locally sourced food and drink by 15 percentage points would generate more than £16 million in additional expenditure in the local economy (or £25 million including local multiplier effects).

Ward (2013) estimated that expenditure on food and drink produced within 30 miles of Totnes amounted to approximately £8 million, representing 27% of the total £30 million spend on food and drink. Applying local multipliers estimated in a study by CPRE, the author estimated that if 30% (£6 million) of the expenditure in large food and drink retail chains in Totnes was instead spent in local independent outlets, this could translate to an additional 87 jobs.

In Bakewell, one of the major market towns in the Peak District National Park, a farmers market has been held each month since 2000. Hall and Sharples (2008) found that traders are predominantly based within a 30-mile radius of the market. Each month the market has between 43 and 50 stallholders, generating an average combined turnover of £67,500 per week or £810,000 per year. The study found that Bakewell draws some 3,000 to 4,000 customers from Manchester, Sheffield, Cheshire and Derbyshire. Customers spend around £5 to £10 per visit to the market, which comprises 5-25% of their weekly spend on food. The market is perceived by customers to be predominantly an extension of a day out and only around 10% of the customer base lives in the immediate area.

The Taste Cumbria Festival is a three-day food festival held in Cockermouth, Cumbria, during a weekend in September. An economic impact assessment conducted by Tate (2013) estimated that the 2013 festival brought £1.9 million of additional expenditure into the local economy, including off site expenditures and after allowing for deadweight, leakage, displacement and multiplier effects. Event expenditure, including equipment costs, logistics, and salaries associated with public relations and project management was estimated at £100,000. Based on this, it was estimated that each pound invested in the Taste Cumbria Food Festival brought more than £19 into the local economy, an increase from £11 the year before. Most of the visitors interviewed (92%) had made their trip to Cockermouth specifically for the festival, and food and drink accounted for more than 49% of their overall expenditures.
3 Scale and trends in the tourism and food and drink economy

This section presents estimates of the scale and trends in the tourism and food and drink economy. It also summarises the approach used to produce estimates, and discusses the availability and limitations of published evidence. The full analysis is included in the State of the Market report, which is included in Error! Reference source not found..

3.1 Framework and methodology

The overall aim of this analysis was to estimate the scale and value of local food and drink-related tourism activity in rural areas of England. Figure 3.1 highlights the segment of the market that needed to be estimated and how it fits within the wider food and tourism sectors.

Figure 3.1 Estimating local food-related tourism activity in rural areas

However, the study identified a lack of existing data relating to purchases of local food and drink made during visits to rural destinations in England. The approach used in this study therefore used a combination of: supply-side estimates of business activities; and demand-side estimates of consumer and visitor expenditures to:

- estimate the total food and tourism sectors in England; and then
- estimate the extent to which activities and expenditures in these sectors occur in rural economies and relate to local food and drink.

This approach involved two separate streams of work as shown in Figure 3.2 below: one focused on estimating food and drink activities and the other focused on estimating visitor expenditures. The key steps used to estimate food and drink activities included:

1. defining the overall food chain in terms of standard industrial classification (SIC) codes;
2. using published data to produce national estimates of the overall food chain;
3. developing estimates of the activities of food and drink retailers and food service outlets located in rural areas of England\(^{14}\); and
4. estimating local food and drink activities by estimating the extent to which local food and drink contributes to the total turnover of different types of retail and food service outlet.\(^{15}\)

\(^{14}\) The lack of published data for rural and local areas required the use of microdata from the inter-departmental business register (IDBR). Data were collected at a local level and aggregated to develop estimates for rural areas.
The key steps involved in producing estimates for the tourism industry included:

1. estimating visitor trips and expenditures undertaken by domestic and international visitors in the UK and England, using VisitEngland survey data;
2. producing estimates for rural areas of England by aggregating VisitEngland survey data at a local level and for different types of location; and
3. estimating food and drink expenditures in rural areas, by disaggregating total tourism expenditures into food and drink and other expenditures.

The two sets of estimates were then combined to produce estimates of visitor expenditures on local food and drink in rural areas of England. The final step was to estimate the overall economic contribution of those visitor expenditures using:

- appropriate ratios of gross value added (GVA) and jobs to turnover to estimate direct GVA and employment impacts; and
- local economic multipliers to estimate indirect impacts for the food and drink supply chain and induced effects from the re-spending of wages and profits in the local economy.

### Figure 3.2 Approach used to estimate tourism and local food and drink activities

#### FOOD AND DRINK SECTOR

1. Define food & drink sector using SIC codes
2. Estimate the overall scale and value of the food & drink sector (nationally)
3. Estimate food & drink sales through retail and food service outlets in rural areas
4. Estimate sales of local food & drink (as % of total food & drink sales in different types of retail / food service outlet)

#### TOURISM SECTOR

1. Estimate all tourism trips and expenditures (nationally)
2. Produce estimates of tourism trips and expenditures in rural areas
3. Estimate visitor expenditures on food & drink in rural areas

Combine to produce estimates of visitor expenditures on local food & drink in rural areas
Estimate the economic contribution of these visitor expenditures (incl. direct, indirect & induced effects)

### 3.2 Evidence from published statistics and existing research

Published statistics and sources of existing research provide a wealth of useful data with which to estimate food and drink activities and visitor expenditures. However, data coverage

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15 The lack of published statistics required the use of research studies and particularly the Campaign to Protect Rural England (CPRE) report (CPRE, 2012. From field to fork: The value of England’s local food webs)
16 For consistency with the supply side estimates, data for local authorities was used to produce estimates for rural areas.
17 GVA is defined as the additional value generated by a particular sector or area of an economy.
is less comprehensive and less robust for activities and expenditures relating to local food and drink and for rural areas. The lack of published data available for rural areas was addressed by securing access to unpublished data at the most local level possible (see bullets below) and then using the latest ONS rural urban classification toolkits to aggregate these data to produce robust estimates for all rural areas of England. The sources of these ‘unpublished’ data included:

- the ONS Virtual Microdata Laboratory (VML), which provided data for lower super output areas (LSOAs) relating to the number of food and drink enterprises and local outlets/units, their turnover and their employment; and
- additional data for tourism visits to English local authorities from the GB Tourism Survey and GB Day Visits Survey relating to trips and expenditures (including food and drink-related expenditures).

There were several issues that could not be addressed using these additional sources and these are described in detail in Error! Reference source not found. A common issue with this type of study is that the industry does not fit neatly with conventional industry definitions expressed in terms of SIC codes, which form the basis of most of the datasets. However, the study has used the most appropriate definition and the estimates are considered to be as accurate as possible. Another issue is the lack of data relating to displacement, which has meant that this quantitative analysis has been unable to take account of displacement effects. The estimates therefore relate to the scale of local food and drink activities in rural areas rather than their net impact on the UK economy. Displacement means that the net impact of local food and drink in rural areas will be smaller than the estimates provided in this report, as, in the absence of a local food and drink offer, a large proportion of expenditures would take place in other areas or involve purchases of non-local food and drink.

Other data issues relate to:

- difficulties differentiating local food and drink sales and tourism expenditures from total food and drink; and
- differences in the data coverage of the three Visit England tourism surveys, and a lack of data relating to the expenditures of overseas visitors.

These issues required the use of assumptions to produce the estimates presented in section 3.3. The main assumptions are summarised in Table 3.1, alongside the source and evidence on which the assumption was based.

<table>
<thead>
<tr>
<th>Type of Assumption</th>
<th>Source</th>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of local food and drink in rural areas account for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2% of the turnover of supermarkets</td>
<td>CPRE (2012) From field to fork: The value of England’s local food webs</td>
<td>CPRE estimates that sales of local food and drink account for between 0% and 4% of the total turnover of supermarkets</td>
</tr>
<tr>
<td>25% of the turnover of specialist food retailers, stalls and markets</td>
<td></td>
<td>CPRE estimates that sales of local food and drink account for more than 25% of the total turnover of independent outlets for 68% of businesses</td>
</tr>
<tr>
<td>25% of the turnover of food service outlets</td>
<td>ICF</td>
<td>No evidence available. See below for description of assumptions applied.</td>
</tr>
<tr>
<td>Food and drink accounts for 20% of the retail purchases of overnight visitors</td>
<td>GB Day Visits Survey</td>
<td>Uses equivalent estimates for GB day visitors</td>
</tr>
<tr>
<td>Rural areas account for 50% of the expenditures of overseas visitors who have visited the ‘countryside or villages’ during their</td>
<td>ICF</td>
<td>No evidence available. See below for description of assumptions applied.</td>
</tr>
</tbody>
</table>
Rural tourism and local food and drink - draft final report

Overseas visitors' spend:

- 2% of their total expenditure in rural areas on retail purchases of food and drink
- 20% of their total expenditure in rural areas on eating and drinking out

Tourism expenditures on local food and drink in rural areas account for:

- 5% of retail sales of local food and drink
- 63% of sales of local food and drink through food service outlets

Source: ICF analysis

In most cases it was possible to apply the closest available proxy to produce an appropriate assumption (such as using GB overnight visitor expenditures to estimate overseas visitor expenditures). However, there were two areas where there was no appropriate evidence on which to base an assumption:

- Sales of local food and drink through food service outlets in rural areas was a key gap in the evidence base, given that the large majority of tourism expenditures on local food and drink take place in these outlets. It was assumed that local food and drink accounts for 25% of the turnover of these outlets in rural areas. This uses the same assumption as specialist food retailers, stalls and markets. The case study evidence suggested that local food and drink accounted for 60% of turnover for some food service outlets but the sample was skewed towards outlets serving local food and drink.

- Another gap related to purchases made by overseas visitors in rural areas. It was possible to estimate the total trip expenditures undertaken by overseas visitors that had visited the ‘countryside or villages’ for at least part of the trip, but not the share of these purchases that took place in rural areas. In the absence of any appropriate data, it was assumed that half of these expenditures take place in rural areas.

A sensitivity analysis showed that the overall estimates presented in Section 3.3 are sensitive to the assumption that sales of local food and drink account for 25% of the total turnover of food service outlets. It is important that the results of this analysis are interpreted with an understanding of the limitations of the data. However, the study team believes that it is unlikely that the analysis overestimates the overall GVA and employment impacts given the use of conservative assumptions throughout the analysis.

3.3 Overall estimates of the size and impact of the local food and drink and rural tourism economy

This section presents estimates of the size and impact of the local food and drink and tourism economy and is consistent with the state of the market report presented in Error! Reference source not found..

It is important to state that these estimates are the best estimates that could be produced at this stage, given the limitations and assumptions described above.

3.3.1 Food chain

The overall food chain is estimated to have directly contributed:

- £103 billion of GVA to the UK economy in 2013, directly supporting 3.9 million jobs in 421,000 businesses. The industry therefore directly supports approximately 7% of GVA and 13% of employment in the UK; and
£82 billion of GVA to the England economy in 2013, directly supporting 3.2 million jobs in 269,000 businesses.

The scale, value and productivity of the UK food chain have been growing over time. GVA growth amongst food chain businesses has been growing at a faster rate than the UK economy as a whole. The food chain has also been growing over time in England, but at a slightly slower rate than the UK.

There are estimated to be more than 31,000 businesses delivering food retail and food service activities through 37,000 outlets in rural areas of England. These rural outlets are estimated to generate gross sales of around £22 billion and directly contribute £6.8 billion of GVA and support the employment of 350,000 people in rural areas. They also generate additional impacts through indirect and induced effects.

Based on the approach and assumptions described above, it is estimated that sales of local food and drink totalled:

- £9.6 billion in England, comprising £5 billion of retail sales and £4.6 billion of sales through food service outlets; and
- £2.9 billion in rural areas of England, comprising £0.7 billion of retail sales and £2.2 billion of sales through food service outlets.

Analysis of these expenditures suggests that total sales of local food and drink in rural areas are estimated to support £2.65 billion of GVA and 140,000 jobs in local rural economies across England (taking account of direct, indirect and induced effects).

3.3.2 Tourism expenditures

Total tourism expenditures have been estimated by aggregating the estimates for domestic overnight visitors, domestic day visitors and overseas visitors and following the approach described above. The analysis has estimated that:

- visitors spent a total of £83 billion on trips in England in 2013, of which £18.5 billion was spent in rural areas; and
- approximately a third of tourism expenditures was spent on food and drink, totalling £27 billion in England, and £6.2 billion in rural areas.

3.3.3 Tourism expenditures on local food and drink

The analysis and estimates of the sales of food chain businesses and tourism expenditures on food and drink have been combined to produce estimates of visitor expenditures on local food and drink.

The comparison suggests that tourism expenditures on food and drink were equivalent to 5% of all retail sales of food and drink and 63% of all sales of food service outlets in rural areas of England in 2013. Assuming that tourism expenditures also accounted for the same percentages of sales of local food and drink, it is estimated that tourists spent £2.55 billion on local food and drink in England in 2013, including £1.44 billion in rural areas of England.

Taking account of all direct, indirect and induced effects suggests that tourism expenditures on local food and drink in rural areas supported £1.5 billion of GVA and 81,000 jobs in local rural economies across England in 2013 (subject to the limitations and assumptions described above).

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18 Local residents (i.e. non-tourists) are therefore estimated to account for the other 95% of retail sales of food and drink in rural areas.

19 The equivalent comparison for England as a whole suggested that tourism expenditures on food and drink were equivalent to 2% of all retail sales of food and drink and 53% of all sales of food service outlets in England in 2013.
3.4 Comparison of two rural destinations

The state of the market report (Error! Reference source not found.) also provides a comparative analysis of two rural destinations: one with a more developed local food offer and one with a less-developed offer:

- Padstow was selected as an example of a rural destination with a well-developed local food and drink offer; and
- Bude was selected as an example of a rural destination with ambitions to develop its local food offer.

The two rural destinations were selected as they share a number of similar characteristics in terms of their location on the north coast of Cornwall, local environment and the significant contribution of tourism to their local economies. Given the lack of economic and tourism data available for local rural areas, the destinations were also selected based on the availability of published evidence relating to their food and drink and tourism activities.

Bude is the larger town (approximately twice the size of Padstow) but the number of jobs and scale of incomes supported by the food chain are lower than in Padstow. The industry data suggest that food and drink activities in Bude have a stronger focus on retail activities, particularly in supermarkets, while Padstow has more significant levels of employment in independent, specialist food retailers and food service outlets where sales of local food and drink are likely to be more significant. The data also suggest that other food related activities such as fishing, food manufacturing and food wholesaling are more significant in Padstow, suggesting a more localised food and drink supply chain.

Using the same assumptions as the national analysis suggests that local food and drink sales totalled £6.9 million in Padstow in 2013 (comprising £5 million through food service outlets and £1.9 million from retailers) and totalled £5.9 million in Bude (comprising £3.4 million through food service outlets and £2.5 million from retailers).

In terms of tourism, Bude attracts a larger number of visitors, but has a much higher proportion of day visitors, whereas Padstow attracts more staying visitors. Overall, tourists spend more time in Padstow and, as a result, tourism expenditures and impacts are also more significant. Average food and drink expenditures per visitor are around £13 per visitor day/night in both locations. Total tourism expenditures on food and drink are also significant in both towns, although the greater time spent in Padstow means that they are approximately 17% higher than in Bude.

Using the same assumptions as the national analysis, suggests that tourism expenditures on local food and drink totalled £2.2 million in Padstow and £1.1 million in Bude in 2013. Applying the same local multiplier of 2.2 suggests that these expenditures support a total of:

- £2 million of GVA and 103 jobs in the Padstow economy; and
- £0.9 million of GVA and 44 jobs in the Bude economy.

These are likely to represent conservative estimates given the strength of the local food and drink offers, particularly in Padstow, where tourism expenditures on local food and drink are likely to be relatively large compared to the ‘average’ across all rural areas.

The case studies and stakeholder workshops provided an opportunity to explore the linkages between local food and drink and tourism in greater detail and make further comparisons between Bude and Padstow. The findings suggested that the activities of food producers and

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20 Using the same assumptions that local food and drink accounts for 2% of the turnover of supermarkets and 25% of the turnover of independent and specialist retailers and food service outlets.
21 Using the same assumption that tourism expenditures on local food and drink are proportionate to tourism expenditures on all food and drink.
processors were significant in both locations, although the linkages between producers and food outlets and tourists were much stronger in Padstow. It is therefore likely that tourism expenditures on local food and drink could be enhanced in Bude by increasing the availability of local food and drink through local retailers, restaurants, pubs and cafés.

Padstow also benefits from a high quality tourism offer, which is able to attract higher value visitors. In contrast, Bude has experienced a lack of investment in tourism and could therefore also enhance tourism expenditures by investing in the whole tourism offer and attracting more high value visitors. Finally, there were opportunities for food outlets in both locations to increase their purchases of local food and drink, which would retain more tourism expenditures in the local economy and deliver greater economic benefits in both locations.
4 Developing the linkages between local food and drink and tourism – issues and challenges

4.1 Introduction

This section presents an analysis of the issues, challenges and opportunities to increase localised food and drink offerings in rural tourism destinations. It also uses the findings of the case studies and stakeholder workshops to describe initiatives to develop the local food and drink and tourism economy, share the experiences of local food and drink businesses and stakeholders and identify examples of good practice. More detailed write-ups of the case studies and the stakeholder workshops are included in Error! Reference source not found. and Error! Reference source not found. respectively.

4.2 Issues, challenges and opportunities for development

The findings from the evidence review, case studies and stakeholder workshops suggest that there are a number of barriers to increasing the linkages between rural tourism and local food and drink for producers, food outlets and consumers. These include key challenges with respect to:

- affordability of local food and drink to consumers,
- availability of local products and alignment with the tourist season,
- accessibility for producers, such as infrastructure for distribution,
- awareness of local supply amongst food outlets and corresponding producer skills and resources to market their products effectively,
- cohesive initiatives to promote the linkages between local food and drink and rural tourism, and coordination on developing a ‘complete offer’ amongst government and tourism development bodies.

There are also opportunities to strengthen these linkages, including by strengthening supply-side engagement, marketing opportunities and place branding to consumers, and improving the targeting of funding.

This section reviews the issues and challenges, as well as the opportunities for developing linkages between local food and drink and rural tourism.

4.2.1 Issues and challenges to development

The research tasks have identified five main issues and challenges to developing links between a local food and drink offer and rural tourism. These issues are all particularly relevant for rural areas, although they are also likely to affect urban areas. This section reviews each issue in turn, while the extent to which they justify intervention, based on market failure, is discussed below.

4.2.1.1 Affordability and value for money

The prices of local food and drink as compared to the prices of ‘non local’ products have been identified as a barrier to consumption. The evidence review identified several studies (Groves, 2005; University of Plymouth, 2008; and CPRE, 2012) that suggest affordability is a barrier to increased consumption of local food and drink. For example, a 2012 survey of 800 shoppers undertaken in 13 different locations in England (CPRE, 2012a) found that cost was cited as a reason for not buying more local food by 58% of respondents. A recent survey undertaken by Cornwall Food and Drink (2015) explored motivations for buying Cornish produce when eating out: the survey identified high levels of satisfaction with the use of local ingredients and the quality of food and drink, while satisfaction in terms of value for money was lower.
However, it should be noted that these studies targeted consumers, without distinguishing between tourists and other consumers. They also focused on perceived barriers, such as the fact that consumers ‘believe’ that local food is more expensive than other produce. Quantitative evidence providing a comparison between the actual prices of local food and drink offered to tourists in rural England was not identified by the evidence review.

The findings of the case studies and stakeholder workshops support the proposition that high costs, and perceptions of high costs and poor value for money, can be limiting factors to increased sales of local food and drink to tourists in rural destinations. This was particularly true in locations with a more price-sensitive visitor base, where local businesses were conscious of the need to continue to satisfy their existing customer base. Some businesses in these locations reported that affordability concerns were a barrier to them sourcing local produce.

Local food and drink was generally found to be (or at least perceived to be) more expensive than sourcing from large national distributors and supermarkets. The case study interviews suggested that larger distributors and retailers were able to capitalise on economies of scale, while smaller producers and processors reported that their production processes were often more expensive and less automated than larger competitors. Other reasons why local food and drink might be more expensive than non-local alternatives include:

- greater transaction costs of sourcing different food products from different suppliers;
- differences in attributes between local/niche food and drink and non-local/mass market products (e.g. differences in quality, packaging, freshness, storage, etc.); and
- restrictions of choice (e.g. choices are restricted by only buying local produce and it is more likely that costs will be higher as a result).

Local food and drink may also be sold at a higher price even if it does not cost more to produce and distribute as the fact that something is local may offer an opportunity to charge more for it. This is particularly likely in a tourism context as visitors to an area may have a higher willingness to pay for something that offers a taste of that area, although the case studies and workshops did not identify any examples of this happening in practice.

However, the primary research also identified examples where local food and drink was cheaper than non-local alternatives. This suggests there are likely to be opportunities to ensure customers are better informed, in order to address perceptions that local food and drink is always more expensive than non-local alternatives. It may also offer an opportunity for some local businesses to increase profit margins. For example, some local businesses reported being able to source local produce more cheaply at specific times of the year, when certain seasonal produce was more widely available. Others suggested that some local produce was cheaper as a result of lower transport costs and more condensed supply chains that exclude the costs and margins of wholesalers, distributors and other intermediaries. For example, a pub in Norfolk reported that some locally produced ales were a third cheaper than sourcing from national distributors.

The evidence therefore suggests that some factors may make local food and drink cheaper (such as lower transport costs and cutting out intermediaries), while others may make it more expensive (such as increased costs of production, loss of economies of scale, restricted choice, and increased scope to add margins). Whether it is more or less expensive than non-local alternatives depends on the balance of these different factors.

The scale of opportunities for local food and drink will depend on these factors but also on the nature of demand from consumers. Price-sensitive consumers, and consumers for whom local food and drink is not a priority, are more likely to choose the lowest priced option and will only choose local food and drink if it is not more expensive than non-local alternatives. In these cases local food and drink will have to be price competitive and is less likely to attract price premiums. In contrast, a localised food and drink offer provides greater opportunities where consumers are less price-sensitive, as it provides scope to increase the scale and
retention of tourism expenditures, particularly where tourists are seeking a local food experience and are prepared to pay for something distinctive.

Affordability and perceived affordability may therefore present a constraint to local food economies, especially in those areas where demand is price sensitive. However, there are also likely to be opportunities to increase awareness amongst consumers that local food and drink is not always more expensive than non-local alternatives. These issues are also likely to be common across urban and rural areas, although they could be more significant in rural areas if prices of produce are relatively high as a result of increased costs of distribution to a more dispersed customer base in more remote areas.

4.2.1.2 Availability

The research suggests that the seasonal availability of products and seasonality of tourism creates problems for producers and food outlets in matching supply and demand. The seasonality of some local produce limits its availability to consumers, as compared to ‘mainstream’ products that are available throughout the year thanks to national and international sourcing strategies (JRC, 2013; Visser, Trienekens and van Beek, 2013).

These issues can also arise if food producers cannot easily address fluctuating demand, for example, if production systems rely on constant output and produce is difficult to store. This was a major issue in Amble, where the pronounced seasonality in visitor numbers was reported to cause problems for micro-businesses who struggle to keep up with demand in high season and are therefore unable to take full advantage of the opportunities available.

Seasonality of tourism can also limit the capacity of businesses to ensure stable income throughout the year (Everett and Aitchison, 2008) and this was identified as an issue in all case study locations. It also creates additional costs for businesses through the ongoing recruitment and training of staff, and also causes issues for the local workforce and the local economy due to high levels of seasonal unemployment. For example, a Padstow-based producer of Cornish pasties reported facing significant challenges in ensuring that production and staffing levels match levels of demand throughout the year. The business is currently trying to reduce seasonality effects by developing its wholesale business and increasing sales into new markets outside the local area.

However, it is not clear from the available evidence, whether seasonal availability and fluctuations in demand are a constraint on the overall development of a local food and drink offer for the tourism sector or whether it is a challenge for individual suppliers. More broadly, however, the development of a local food and drink offer was widely seen as an opportunity to extend the tourist season and reduce these seasonality effects.

Availability of local produce is again likely to be an issue in urban as well as rural areas, since all food and drink businesses will face similar issues relating to the seasonality of some UK produce. However, the issue is likely to be more prominent in rural areas where there is greater seasonality in the number of visitors and the demand for local produce. For example, stakeholders in Exmoor raised the issue that there are no nearby conurbations to support sales outside of the peak tourism season.

4.2.1.3 Accessibility

One of the most commonly reported market failures in the literature relates to the difficulties for local growers to access local food and drink supply chains (Irshad, 2010; Dougherty, Brown and Green, 2013; Visser, Trienekens and van Beek, 2013; Halkier, 2012; Little, Maye and Ilbery, 2010). The research suggests that prices and delivery arrangements offered by growers do not always match the requirements of outlets and distributors. The case studies also found that remote areas and dispersed settlements can make it difficult and costly for small producers to deliver to outlets and, in some cases, small suppliers do not supply enough to make deliveries viable. For example, producers in Northumberland cited the sheer size of the county and the widely dispersed population as a major barrier as it greatly increased delivery costs.
Local food outlets in the case study locations also noted the inconvenience and costs of dealing with multiple local suppliers. Transaction costs (associated with identifying suppliers, negotiating deals and enforcing contracts) increase when dealing with multiple suppliers, which may in turn increase the cost of local food and drink and contribute to the issue of affordability. Local food and drink producers in all case study areas stated that it was difficult to compete with the flexibility of wholesalers, who benefit from economies of scale and can act as a one-stop-shop for their customers. For example, one Padstow fisherman stated that even for the top restaurants in Padstow, they were unable to compete with larger fish wholesalers that are able to offer fresh fish that has already been filleted and provided in homogenous sizes/portions to meet the needs of the restaurants.

The research also found that sales of local food and drink can be restricted by a shortage of appropriate outlets. For example, the case study interviews cited the lack of local butchers and abattoirs in Exmoor and fishmongers in Dersingham and Hunstanton as a barrier to sales of local meat and fish in these locations.

Transport infrastructure was also cited as a challenge to local food and drink supply chains. For example, poor road infrastructure in Exmoor was reported to be a barrier to visitors accessing more remote food businesses, while road congestion during the summer months was a barrier for food businesses in Padstow. One local business described how it had previously operated a vegetable box scheme in the Padstow area but traffic congestion in the summer months had made the business unviable.

Accessibility is likely to be a much more significant issue for food and drink businesses in rural areas compared to those in urban areas. This is because rural areas typically face more significant issues in terms of serving remote areas and a dispersed customer base, a lack of processing, distribution and retail infrastructure, relatively poor transport infrastructure and seasonal congestion caused by increased visitor numbers.

### 4.2.1.4 Awareness of supply

Awareness of supply has been identified as another challenge, with a lack of awareness amongst food and drink outlets and customers of the local produce that is available in the local area.

There is evidence in the literature to suggest that small restaurants are often unaware of local food supply (Alonso and O’Neill, 2010; Alonso, 2010) and this was supported by the case studies. For example, food service outlets in Bude confirmed that the main challenge to them using local produce was a lack of awareness of who the local producers were, what they were producing, when produce was available and how they could access it. One restaurant owner in Bude reported only recently starting to purchase free-range eggs from a local farm because he had not previously been aware that he could source eggs locally in the required quantities and at a similar cost to his previous supplier. Buyers, restaurants and retail businesses in Northumberland and West Norfolk also noted that there was not enough information available on local producers and the produce available locally.

It is likely in the above examples that a lack of awareness of local supply is linked to limitations in local demand: stronger demand would likely lead to food service outlets making greater efforts to determine the availability of local supply. Information failures might represent a valid rationale for intervention, whereas a general lack of awareness linked to an absence of demand would not.

The case studies and stakeholder workshops also identified a related issue that small businesses have a lack of time, resources and skills to market themselves effectively. A local authority interviewed in Exmoor indicated that food and drink businesses may not always know what is actually needed or demanded by their customers, while time constraints prevented some businesses from undertaking marketing activities or adopting direct sales strategies such as involvement in farmers’ markets. The stakeholder workshops also identified a lack of business support activities tailored to the needs of small food and drink businesses in these areas.
Issues of awareness are likely to be generic issues for small food and drink businesses located in either rural or urban areas. However the issue could be more prominent in rural areas if local access to appropriate business support and training provision is more restricted, which would restrict the opportunities for rural food and drink businesses to enhance their marketing and general business skills.

### 4.2.1.5 Cohesive and comprehensive initiatives to link food and farming with tourism strategies

Another reported challenge is public sector coordination with tourism delivery bodies. This can also cause problems of raising awareness amongst visitors of rural destinations with a localised food and drink offer.

For example, in Cumbria, the case study interviews suggested that local authorities are not well connected with Cumbria Tourism. Similarly in Norfolk, there was reported to be a lack of coordination and duplication of effort between the different tourist development bodies. This is likely to make it difficult to develop more strategic approaches to link the tourism and local food and drink sectors. West Norfolk in particular is located at the edge of the county jurisdiction and is relatively isolated from administrative centres, such as Norwich. As a result, interviewees reported that the district has not engaged as much as it might in regional initiatives led by local government, trade associations and tourism promotion bodies. A further complication was identified in Exmoor, which straddles the Devon and Somerset border. This increases the issues in developing cohesive initiatives as well as adding administrative complexity for local food and drink businesses.

The stakeholder workshops also suggested that while public bodies have an important role in helping to facilitate and stimulate action, their capabilities are somewhat restricted by limited resources and capacity. These are all likely to be generic issues that could affect urban as well as rural areas. It is impossible to say whether these issues are more prominent for rural areas without undertaking similar research in urban areas to provide a means of comparison.

### 4.2.1.6 Other issues

The case studies and stakeholder workshops also identified some other generic issues to the development of local food and drink activities that were not identified from the evidence review. These include:

- **Threats to the integrity and quality of local food and drink.** Many of the case study businesses were concerned about false and misleading claims and marketing spin of food producers, retailers and food service outlets and the potential impacts on the integrity and quality of local produce. It was reported that these issues are detrimental to consumer understanding and confidence and thereby restrict the growth of the sector. Common examples included: food producers using misleading or false claims about their products in order to appear more ‘local’ and retailers and food service outlets making false or misleading claims about their products and ingredients. In some cases, the extent to which claims were misleading was quite subtle. For example, a restaurant might claim to serve local food and drink when it only uses a token amount of local produce and the majority of ingredients are non-local. There were also reports of inconsistent enforcement of regulation across different Trading Standards offices, and some businesses suggested that there was a need to tighten the enforcement of regulations relating to the authenticity of produce.

- **Disproportionate regulation and bureaucracy.** While some businesses were concerned with the need to address the potential threats to the integrity and quality of local food and drink, there was also widespread agreement that the overall burden of regulation was excessive and can be disproportionately large for small businesses operating in the food chain. This was reported to be the case for many of the regulations relating to food hygiene, standards and labelling as well as many of the more generic business regulations. Specific examples included: regulations relating to allergens and labelling, where the costs and burdens of proving the presence (or not) of allergens in
products are the same for all businesses, irrespective of size; and the licensing of alcohol, where businesses handling small amounts of alcohol have the same license payment and training requirements as a pub landlord. An EU funded project (Facilitating Alternative Agro-food Networks, 2010) also identified a number of EU policies (including the CAP and EU hygiene regulations) that may hinder local food systems. These issues can restrict growth opportunities for food and drink businesses, stifle innovation and enterprise, and curb potential new ventures and new developments. While these issues affect businesses in urban and rural locations, it was identified as a particular issue in rural locations due to the relatively high number of micro and small businesses.

- **Funding issues.** The research identified a number of issues relating to funding. Not only did local food and drink businesses and stakeholders report a lack of relevant funding sources, they also suggested that minimum grant sizes are often too large for many of the small businesses operating in the local food and drink sector. An example was provided by business owners in Cumbria, who suggested that the minimum grant size for SME funding accessed through the local authority was £1 million, which was too large for most local food and drink businesses. Businesses also reported that the bureaucracy associated with funding opportunities can be complex and require a disproportionate amount of time for small businesses, which acts as a disincentive to apply for funding. A specific example was reported in relation to the fisheries sector, where potential applicants are typically directed to the European Maritime and Fisheries Fund which is disproportionately big and administratively heavy for most modest local projects, such as the provision of quayside cold stores to support local fishermen. In this case a smaller ‘primer’ grant for local fisheries would be desirable.

- **Difficulties changing consumer habits.** Local food and drink businesses stated that another challenge is that consumers tend to stick with familiar brands, shops and supermarkets. Local produce can be a more uncertain and risky purchase for some consumers and these habits can be difficult to change. An associated issue relates to the lack of local produce served in supermarkets. In all case study areas supermarkets were viewed as competitors to local suppliers rather than a route to market. Competition from supermarkets was also found to be a more significant issue in areas with more price-sensitive visitors and residents.

4.2.2 **Is there a market failure rationale for intervention?**

The previous section highlights a number of barriers to the successful development of local food and tourism markets. However, the case for public sector intervention in the local food and drink market needs to be based on evidence of market failure. To justify intervention it is necessary to identify cases where markets are failing to deliver an optimal solution. It is not sufficient to point to a lack of demand or a shortfall in supply. Instead it is necessary to identify a failure of markets to match willing buyers and sellers, or to achieve the most efficient levels of production and consumption by taking account of all of the costs and benefits involved.

Common causes of market failure include:

- **Externalities:** The presence of external costs or benefits may mean that some goods are under-consumed and others are over-consumed.

- **Information and communication failures:** In perfectly functioning markets, buyers are fully aware of the goods and services on offer and their attributes, sellers are aware of potential customers and their preferences, and the two groups are able to come together and trade. But imperfect information or a failure to match buyers and sellers may cause markets to under-perform.

- **Monopoly power:** Abuse of monopoly power can lead to sub-optimal market solutions and justify intervention in markets, but does not appear relevant to local food.
Local food and drink could be argued to have some positive externalities, for example if it were shown to deliver particular environmental and/or social benefits. These may include evidence of links to environmentally beneficial farming systems, and/or educational benefits through strengthening linkages between food consumers and producers.

Interventions in strengthening links between food and drink and tourism might further be justified on the basis of their potential to promote economic development and regeneration in places that have suffered underinvestment. Thus they may play a part in local economic development strategies, irrespective of whether there is a market failure specific to local food and drink itself.

A further argument for potential intervention with respect to tourism and local food and drink may relate to information and/or co-ordination failures. Where it can be shown that there is a strong potential demand for local food and drink among visitors, but that this is not being met because of a lack of information about where and how to source local produce, or about how to match buyers and sellers, this may suggest a case for intervention to improve information and awareness, and/or to ensure that buyers and sellers are better connected.

There is likely to be a rationale for intervention based on market failure for each of the challenges identified above. Issues relating to affordability and awareness of supply could represent a market failure in instances where there is demand that is not being met. For example, where information and communication failures mean that consumers are not fully aware of the local produce available or where there are issues relating to perceived affordability. Availability issues could also represent a market failure if there is imperfect information or a failure to match buyers and sellers at different times of the year. There may also be opportunities to increase economic development and regeneration by addressing seasonality effects. Issues relating to accessibility and poor infrastructure could also indicate a failure of markets to match willing buyers and sellers. Cohesive initiatives and coordination also provide a means of improving information and communication to potential visitors and delivering economic development and regeneration.

It is also important to note that any policy intervention will have to consider and address the above issues relating to the weaknesses in public sector coordination with tourism delivery bodies, and access to funding, if they are to offer an effective means of delivering interventions.

The case study evidence is limited, but suggests that there may be rationale for intervention:

- In locations, such as Amble and Bude, where a local food and drink offer can be tied to economic development and regeneration plans.
- Where buyers and sellers argue that improved infrastructure (including distribution hubs and transport links) could resolve accessibility issues for local food and drink. This was identified as an issue in all six case study locations.
- In cases where social benefits arise from the linkages, such as at Gloucester services, where employment programmes benefit disadvantaged communities by increasing access to training and employment opportunities.

The next section outlines a number of initiatives that are being undertaken to strengthen the linkages between local food and tourism, and further ideas about possible actions that could be introduced.

### 4.2.3 Opportunities and initiatives to develop the local food and drink and tourism economy

It was widely reported, through the case studies and stakeholder workshops, that there are many opportunities to help improve the links between a local food and drink offer and rural tourism and enable local businesses and economies to take advantage of the benefits of a more localised food and drink offer. Some of these opportunities help to address the above issues relating to market failure, and suggest a need for intervention, while others represent opportunities for the private sector.
This section addresses both supply and demand side opportunities as well as the potential for business support and funding initiatives aimed at small businesses.

4.2.3.1 Strengthen supply side engagement and collaboration

The research undertaken for this study suggests that there are missed opportunities from the supply side whereby better marketing and provision of information and improved relationships with the tourism industry could increase demand by opening up a new market segment. There are four main activities identified in the evidence review and primary research tasks that could improve the links between a local food and drink offer and the rural tourism economy:

- developing specific strategies to raise the profile of local producers amongst food outlets;
- awareness-raising to provide food outlets with more information about local products;
- protecting the integrity and authenticity of local food and drink; and
- developing market channels (including distribution hubs and food outlets) selling local food and drink.

There could be a case for public sector intervention to help support private sector actions for each of these activities, since they seek to address information and coordination failures, while some may also deliver positive externalities (e.g. environmental benefits from coordinated distribution efforts to optimise deliveries and transport movements).

Food strategy development

According to a report by the EU Joint Research Centre (JRC, 2013) there are different opportunities for policy interventions to increase the offer of local food and drink in rural tourism areas. National and regional strategies can play an important role in supporting territorial branding and promoting the development of local food and drink networks.

These opportunities have been recognised in the strategies of public authorities at local and national levels. Some local authorities in England integrate the value of local food and drink networks in their local food strategies: an example is the ‘Sustainable local food strategy’ for County Durham (County Durham Food Partnership, 2014) and the ‘Food strategy and action plan for Brighton & Hove’ (Brighton & Hove Food Partnership, 2012).

Awareness-raising

There are likely to be opportunities to raise awareness of local food and drink in two different ways:

- Raising awareness of local producers and local produce amongst food and drink outlets. The research suggests that there is a need for initiatives to help to link buyers and producers and raise awareness of the availability of local food and drink. Stakeholders stated that local chefs play an important role as they not only make purchasing decisions for food outlets but also act as the key link between producers and tourists. Chefs can therefore help stimulate markets for local produce and help explain and promote the local strands of the menu. For example, the Northumberland Tasty Food Trails initiative has developed food trails around the south-east coast of Northumberland, and has produced a brochure to give chefs better and more up-to-date information about local food and drink suppliers. Other examples include ‘Meet the Maker’ networking events where suppliers can meet regional buyers and distributors, while the Amble Development Trust (a social enterprise aimed at economic regeneration in Amble) has appointed seafood brokers to work with the local fishing industry to encourage them to sell directly to food outlets in Amble.

- Making visitors (and local residents) more aware of local businesses that serve local food and drink. Interviewees in Padstow suggested that a Defra-run scheme, similar to the food hygiene ratings, would be useful for informing consumers of outlets that are
using local produce and supporting local producers, whilst also encouraging the outlets to want to use more local produce. Taste of the West offers similar schemes for members, but it was suggested that an independent scheme for all outlets would offer greater benefits.

**Protecting the integrity and authenticity of local food and drink**

There are also likely to be opportunities to protect the integrity and authenticity of local food and drink from false and misleading claims made by producers, retailers and food service outlets. This will help to address issues of imperfect information being provided to consumers and was identified as a key issue for local food and drink businesses in all case study locations. It was suggested that there is an opportunity for an over-arching initiative to simplify the different quality standards that already exist, but also take account of the extent to which products and establishments use local produce.

The research also identified confusion relating to the definition of ‘local’ fish. The issue is complicated due to the large distances travelled by some large fishing vessels, whereas the ‘localness’ of the catch is usually determined by where it is landed. This was a particular issue for local fishermen in Padstow, who stated a preference for a definition that is based on where fish are caught rather than landed.

**Developing market channels**

The research suggests that there are also opportunities to develop market channels that enable food outlets to more easily procure local products from producers, and enable local producers to more easily supply produce to local food outlets. Consultees in several case study locations recognised the importance of physical and/or virtual distribution hubs and suggested the need to develop existing ones further.

Food distribution hubs were cited as important for overcoming accessibility issues in all case study locations. For example, the Amble Development Trust owns a distribution company, *Fourways Foods*, which provides distribution for local food companies. Other opportunities involve shared transport and logistics activities between groups of producers to help rationalise distribution costs and resources and offer economies of scale. Opportunities were also identified for increased coordination to optimise transport movements and avoid empty vehicles making long journeys. One example relates to the transportation of fish and shellfish from Cornwall to Spain as vehicles are reported to be empty when they arrive from Spain, which increases distribution costs and restricts the prices that buyers are willing to pay.

Other opportunities for developing market channels include:

- increased support for farmers’ markets and small local outlets that can distribute local products. Case study consultees in Padstow indicated that the town could benefit from a regular farmers’ market and a fish market or additional fishmongers as there is currently only one fish shop in Padstow. This could provide an opportunity to retain more of the Padstow catch in the town and develop linkages between the fishing fleet and the local restaurants, food processors, residents and visitors.

- involving more large retailers in local food and drink networks. Supermarkets have the potential to provide a significant source of income for local suppliers. They may also promote local products and participate in strategies for local branding (FAAN, 2010; CPRE, 2012b). The stakeholder workshops suggested that some supermarkets were beginning to stock more local produce and this was seen as a positive step. Stakeholders also identified an opportunity for a more collective approach to help promote local food and drink to residents and tourists through community supermarkets, similar to the ‘people’s supermarket’ in London.

4.2.3.2 **Marketing opportunities and place branding**

The literature suggests ‘place-branding opportunities’ may be used by food and drink operators as a marketing strategy to differentiate one tourism destination from another and
increase tourism activities and expenditures (Blichfeldt and Halkier, 2012; Chang Mazza, 2013; OECD, 2013; Steinmetz, 2010). National and regional strategies can play an important role in supporting territorial branding and promoting the development of local food and drink networks (JRC, 2013).

There may be a case for intervention to support place-branding and marketing to address information failures and use local food and drink as a tool for economic development in local rural economies. However, the delivery of food festivals and developing opportunities to showcase local food and drink are more likely to represent commercial opportunities for the private sector.

**Local food festivals and other local food events**

Local food festivals and events were noted by many consultees to have been successful in raising the visibility of local food businesses amongst consumers and particularly tourists. Examples include the Bude For Food Festival, Padstow Christmas Festival, Exmoor food week, and Northumberland two-day food festivals in Alnwick, Morpeth, and Berwick.

**Showcasing local food where it is produced**

Several of the case studies highlighted opportunities to showcase local food, which helps to raise awareness of local producers, as well as satisfying demand from tourists to visit local producers and purchase their produce. There is also evidence that production sites where food is showcased can help increase sales of local produce. In Exmoor, a consultee at the local flour mill noted that on days when the mill is operating and visitors witness the production process, they are significantly more likely to purchase flour than on non-milling days. Similarly, a study of local cider producers in Somerset (Sharples, 2003) found that visits to orchards offered opportunities to engage directly and build connections with tourists that could increase the likelihood of repeat visits and positive ‘word of mouth advertising’.

**Developing new market opportunities**

There are also supply-side opportunities for local producers to take advantage of demand from non-local markets to support sales outside the peak tourism season. As stated above, seasonality issues are a significant challenge in rural tourism destinations. While not directly related to tourism, non-local markets can play an important role in supporting more consistent year-round sales and thereby support the survival of local food and drink businesses in rural areas in winter months. However, these are also likely to represent opportunities for the private sector rather than cases for public sector intervention.

**Online sales**

The case studies identified online sales to be an effective way for businesses to enable visitors to purchase their products when they return home, and supplement sales outside of the tourist season. This can help to cement connections for visitors with tourist destinations, increasing the likelihood of repeat visits. The Cornwall Food and Drink survey (2015) found that visitors to Cornwall would like more opportunities to buy Cornish food and drink outside of Cornwall, when they have returned home. Many local producers and manufacturers in Cornwall are developing online businesses in addition to their local sales channels, including the Chough Bakery in Padstow which provides a mail-order service to sell Cornish pasties and cream teas. Case study research in West Norfolk found that some food outlets in the region were beginning to set up online shops as well.

**Non-local markets in large urban conurbations**

In addition to targeting direct consumers through online sales, the case studies identified opportunities for local businesses to target food outlets in non-local markets to support sales outside the peak tourism season. For example, food and drink producers in Padstow were found to be supplying restaurants in London. This provides access to a large customer base with year-round demand as well as an opportunity to increase profits through higher prices.
An example of such an initiative is the ‘Cornwall Project’ (http://cornwallproject.com/), which offers daily delivery of Cornish produce to London restaurants.

4.2.3.4 Provide additional support to local food and drink businesses in rural areas

Consultees stated that there were also opportunities to ensure that funding and business support were more appropriate to meet the needs of local food and drink and tourism businesses in rural areas. As stated above, these activities are likely to require public sector intervention to address issues and enhance the support available to local businesses through funding and business support.

Funding

The case study interviews suggested that rural funding programmes provide opportunities for linking local food and drink with rural tourism, although funding could be better directed to local food and drink and tourism businesses. For example, in Cumbria, several grant schemes were identified as facilitating local networks and supporting small scale producers, including those offered by Organic Entry Stewardship, the Leader programme, local charities and foundations, the Regional Development Agency, European Social Fund and charitable trusts (Balázs, 2009; FAAN, 2010).

Business support

The stakeholder workshops identified similar issues relating to business support. It was reported that current provision can be difficult to access in rural areas and is often focused on generic business support and is not always relevant. There were demands from businesses for business support that is tailored to the needs of food and drink and tourism businesses in rural areas and particularly targeted at the needs of small businesses and start-ups. Specific areas of demand related to training, apprenticeships, marketing support, mentoring and access to investment for entrepreneurs and early-stage businesses.

4.3 Initiatives to develop the local food and drink and tourism economy

The case studies and stakeholder workshops also explored initiatives to exploit opportunities to develop the local food and drink and tourism economy in rural areas. A large number of existing and potential initiatives were identified, a selection of which are described below.

4.3.1 Initiatives to raise awareness

Stakeholders identified several initiatives to raise awareness of local food and drink producers and local produce. Common examples included:

- **Increased use of food festivals.** Food festivals are an effective means of raising awareness of local producers and delivering economic impacts by extending the tourism season and attracting additional visitors and expenditures. The case studies suggested that there were opportunities to introduce food festivals or add new food festivals at different times of the year. It was also suggested that additional food festivals could be more specific in nature, such as linking to local strengths (e.g. lobsters in Padstow, mussels and oysters in Exmoor). It was also suggested that designating ‘food towns’ and ‘food weeks’ may create a marketing and promotional drive for local produce as an additional measure to food festivals.

- **Producer and supplier directories.** There was particularly high demand from stakeholders in Bude for directories of local food and drink businesses. However, it was stated that the directories would need to be updated regularly, given the pace of change in the sector, and could be tailored for the local food and drink sector to incorporate quality assessment criteria, for example.

- **Increased use of IT and social media.** It was suggested that increased use of social media and IT developments (such as superfast broadband and 4G coverage) offered significant opportunities for local food and drink businesses to raise awareness of
seasonal, weekly or even daily availability of local produce. For example, one stakeholder suggested an ‘availability app’ could provide information on the ‘real-time’ availability of local produce to local buyers. This could be a particularly useful tool for fishermen who could potentially update buyers about their catch while they are still at sea.

- **Increased use of market intelligence on tourism and local food and drink.** Stakeholders suggested that food and drink and tourism businesses and the wider sector could make better use of market intelligence. Businesses could use this information as part of their marketing of local food and drink and to ensure their activities are aligned with tourism trends. There was particular interest in information relating to multiplier effects, and how expenditures on local food and drink can enhance the benefits for the local economy, that could be used in marketing materials.

- **Incentivise purchases of local food and drink.** In several case study areas, it was suggested that incentives could be used to raise awareness of the availability of local food and drink and encourage tourists (and local residents) to sample local produce to try and influence consumption patterns. Examples included repeating the successful ‘restaurant trail’ in Bude (where consumers collect stamps when they purchase food and drink in different outlets in order to be entered in a prize draw) and introducing a ‘loyalty card’ in Exmoor, which would incentivise consumers to seek local produce as well as providing a means of consolidating the branding of ‘Exmoor produce’.

- **Encourage local chefs to help increase availability of local food and drink and raise awareness amongst tourists.** Examples of existing initiatives included specific training courses for local chefs in Amble and Exmoor. In Exmoor, the ‘Train the Chef’ programme was designed to include training in the use of local produce, while similar training for younger chefs is being provided through the ‘Eat Exmoor’ initiative at West Somerset College (http://districtcouncils.info/casestudies/eat-exmoor/). Stakeholders in Exmoor also suggested that an initiative using ‘local chef awards’ would also help to raise awareness of local produce and incentivise its use in local restaurants.

- **Producer outreach.** Stakeholders suggested that producers could also do more to increase awareness of their local produce amongst tourists (and residents) and use their own activities to attract additional visitors and enhance tourism expenditures. Examples of initiatives include: producer open days, ‘meet the producer’ events and producer trails.

### 4.3.2 Initiatives to increase collaboration

Stakeholders also described several initiatives to encourage increased collaboration to support local food and drink and tourism activities. Examples included:

- **Mutual support and networking.** Stakeholders in several locations identified mutual support and increased networking as a priority need for local food and drink businesses. It was suggested that the effectiveness of such activities would be maximised if they were targeted, demand-led and used to address key needs such as marketing, training, and product sourcing. Such initiatives can help provide mentoring and mutual support, signpost advice and allow businesses to learn from each other.

- **Initiatives to encourage closer working between public and private sectors.** Local food and drink businesses in some locations felt that they lacked support from the public sector and tourism bodies and wanted initiatives to encourage closer working between local producers, food outlets, the tourist board and tourism bodies, and local authorities. One example where tourism bodies could provide additional support would be to allocate space for local food and drink in tourist information centres to promote relevant restaurants, hostelries and producers.
4.3.3 Initiatives to address accessibility and availability issues

Stakeholders in all case study areas described initiatives to address accessibility and availability issues. Examples included distribution hubs as well as specific services for tourists, such as providing local food parcels to tourists. This would help to showcase the local produce as well as help to develop new customers for online sales.

Another relevant initiative relates to collaborative food outlets, such as the Exmoor Producer Association (EPA), which operates a shop run as a cooperative by local farmers and other producers and provides an additional outlet for their produce.

4.3.4 Initiatives to maximise local multiplier effects

Stakeholders in Padstow also described there being potential to introduce a local currency initiative to help prevent money leaking from the local area and further enhance local economic multiplier effects. Local currencies have already been introduced in other local economies in England including Bristol, Stroud, Brixton, Lewes and Totnes.

4.4 Success factors and examples of good practice

The case studies and stakeholder workshops have highlighted a number of success factors and provided examples of good practice. The key success factors for maximising the opportunities associated with local food and drink and its linkages to tourism include:

- Strong place-branding and marketing activities, particularly those aiming to raise awareness amongst tourists;
- Raising the quality of the overall tourism offer;
- Developing food and drink activities as visitor attractions in their own right to meet demand from tourists;
- Strong supply chain linkages (between food outlets serving tourists and suppliers of local food and drink) to ensure availability for tourists;
- Ensuring the integrity and authenticity of local food and drink produce;
- Collaboration and coordination across the sector to overcome barriers and maximise opportunities; and
- Support from the public sector, including support and funding for the local food and drink and tourism sectors as well as strategic investments to use local food and drink to enhance the benefits for local economies.

The six case studies identified many examples of good practice and some of the key examples have been included below:

- Norton Barton farm and artisan food village in Bude – A new cluster of food businesses has been established in Bude and is generating significant momentum. It already accommodates a number of award-winning local producers including Cornish Charcuterie, Popti Cornish Bakehouse, Whalesborough Cheese and, in the near future, North Coast Cider. One of the aims of the cluster is to reduce seasonality effects by sharing resources for finance, sales, marketing and distribution between the resident businesses and sharing under-utilised resources during the winter months to undertake tasks that can be done at any time of the year (e.g. salting and hanging meat, making cider, etc.). Norton Barton was also awarded Food Enterprise Zone (FEZ) status in 2015. It was selected by Cornwall Council to benefit from the new Defra initiative, designed to help food and farming businesses fast-track growth and new job creation by simplifying planning procedures. It is estimated that the FEZ at Norton Barton could create an additional 40 jobs. The Artisan Food Village would help local food start-ups to grow and develop by offering access to production units and support to develop and trial new products before they are able to move on to their own premises. The plans for Norton
Barton also include a new education centre providing information on where food comes from and how it is made, which will add to the local tourism offer and attract additional visitors to the area.

- The team at Norton Barton is also responsible for the Bude for Food initiative. Bude for Food is a not for profit organisation, which was recently established to raise Bude’s profile as a food destination regionally, nationally and internationally. It aims to promote the local food and drink offer and encourage year-round visitors to extend the tourism season through initiatives such as the Bude for Food festival, which took place for the first time in September 2014 and is expected to become an annual event. The first festival showcased the products and services of more than 60 local food and drink businesses. All profits from the events and initiatives are being invested in promoting further food and drink related activities that will encourage an extended tourist season, creating future employment and business opportunities for the area.

- A Food Assembly was also established recently in Bude and uses the same ‘Bude for Food’ brand name. The Bude for Food Assembly is a group of local producers of food and drink, which was established in 2014, and provides a distribution hub through which people buy directly from farmers and local food producers, using a ‘click and collect’ service. The group focuses on producers within a 20 mile radius of Bude and aims to support the local food and drink sector by developing additional routes to market and generating additional demand for local food and drink products. The group has more than 500 members and was selected as the Best British Food Initiative at the BBC Food and Farming Awards in May 2015.

- There are many examples of good practice from the Padstow case study, perhaps the most significant of which is the development of the ‘Padstow’ brand. Padstow has successfully developed its own identity and a strong reputation as a destination with a high quality localised food and drink offer. This reputation has been developed over time as a result of the individual and coordinated efforts of food and drink businesses across the supply chain. It has also been supported and enhanced by celebrity chefs who have established a number of restaurants, takeaways and food retail outlets in the town. The links between the town and the food sector are also highly visible through the local fishing fleet, which also serves as an attraction for visitors and helps to reinforce the integrity of Padstow’s food offer. This reputation for ‘local food’ has given the area its own destination-brand with strong pulling power for visitors. Stakeholders reported that this has resulted in huge demand for ‘Padstow’ products, both amongst visitors to the area but also from other markets, such as London restaurants, some of which are now serving ‘Padstow’ produce. An example is the Prawn on the Lawn restaurant in London, which serves Padstow produce to customers. It is also involved in the ‘buy one set one free’ scheme to support the National Lobster Hatchery in Padstow, and explains the scheme to customers on the menu, alongside an explanation of the origin and seasonal availability of fish and other ingredients. It also requests that customers choosing lobster make a small donation to the lobster hatchery (http://www.nationallobsterhatchery.co.uk/support-us/buyonesetonefree/).

- The Exmoor National Park Partners scheme is an initiative which ‘recognises and rewards those businesses and organisations that put the National Park at the heart of all they do, contributing in a positive way to the special qualities of the area and developing a distinctive sustainable tourism destination’ (http://www.exmoor-nationalpark.gov.uk/enjoying/park-partners). The scheme encourages local businesses to think about sustainable tourism and work collaboratively to enhance the local tourism offer. Local food and drink has clear linkages with the sustainable tourism objectives and the partners already include businesses associated with local food and drink. Stakeholders also suggested that the scheme could be extended specifically to recognise and reward businesses specialising in local food and drink.
Porlock Bay Oysters is a good example of a local food and drink initiative with strong links to rural tourism. Oysters from Porlock Bay in Exmoor used to have a national reputation for quality and taste but the harvesting of oysters ended about 100 years ago. However, a new initiative has recently been established to revive oyster farming at Porlock Bay. The £17,000 project, funded by Porlock Parish Council and Exmoor National Park, has completed a successful trial and the Food Standards Authority has awarded Porlock Bay Oysters the top A classification for its Pacific Bay Oysters, which means that the oysters can be eaten directly from the sea without any treatment. There is only one other site in England and Wales to have achieved this classification. The aim of the initiative is to create six new jobs, generate income for the Porlock Bay community, and enhance the local tourist industry by becoming an attraction in itself.

Local wholesalers in West Norfolk provide linkages between local food and drink producers and local food outlets. Business interviews in Dersingham and Hunstanton identified the common barriers associated with accessibility and the inconvenience and cost of many local food producers supplying many food outlets. The preferences of local producers and food outlets were for a single delivery comprising produce from a range of producers. These requirements have been met through local wholesalers who are reported to have been successful in addressing the accessibility barriers and selling a broad range of local produce to a broad spectrum of local food outlets, including those catering to low and high-end tourist markets. The wholesalers have used their local knowledge and experience to provide a professional service that is comparable in price to larger national providers and is large enough to offer multiple deliveries each week, whilst maintaining a more personal service.

Supporting regeneration in Amble. Recent initiatives in Amble are helping to diversify the local food and drink offer, which is helping to change visitor perceptions of Amble, attract additional visitors and support economic regeneration. The Harbour Village project has received funding from the Coastal Communities Fund and has been led by Amble Development Trust and developed in partnership with Town and County Councils, local businesses and other community organisations. The project aims to build on Amble’s heritage and transform the town into a seafood destination that will attract additional visitors, create jobs and provide significant benefits for the local economy. The key aspects of the Harbour Village project include:

- The ‘Seafood Centre’, which supply locally caught seafood to local businesses and consumers. It aims to enhance sustainability efforts by introducing customers to new types of fish and seafood, whilst also helping to support the local fishing fleet;
- The creation of 15 ‘pods’, which are already fully occupied with small businesses selling local food and drink and other gifts; and
- Improvements to the waterfront and connections to the town centre and the many independent retailers and restaurants.

Tebay and Gloucester Services. The Tebay Services are located on the eastern edge of the Lake District on the M6. Farm shops selling local produce were incorporated into the services by the Westmorland Group in 2003 and were the first of their kind for the British motorway network. Tourists make up a significant proportion of the customer base, particularly due to the close proximity of the Lake District.

Tebay Services provide significant opportunities for local producers and the area has developed a wide range of food and drink activity which is linked to and complements the strong driving force provided by the services. Interviews with producers suggested that the services understand the challenges faced by small food and drink businesses and are supportive of them. For example, it was reported that the services actively pay suppliers earlier than other buyers to assist cash flow.

More recently, the Westmorland Group opened a new site on the M5 in Gloucestershire, based in another area with a strong local food producer network. The economic and
social impacts of the services are significant and the northbound section, which opened in 2014, is reported to have created 150 permanent jobs. Gloucester Services also works with the Gateway Trust to prioritise jobs for unemployed residents in local disadvantaged areas and intends to donate a percentage of sales back into the local community. Another 150 jobs are expected to be created for the southbound section, which opened in May 2015.
5 Conclusions, implications for policy and further research

This section presents the conclusions of the study and sets out the implications for future policy decisions. It also describes gaps in the evidence base that were identified in the course of the study and could present opportunities for further research.

5.1 Conclusions

This study has identified strong linkages between local food and drink and rural tourism. A localised food and drink offer can enhance the tourism offer of rural destinations and offer benefits to rural businesses and economies by attracting additional visitors, encouraging greater tourism expenditures and extending the tourism season. By definition, local food and drink also has a more localised supply chain than non-local produce, which means that a greater share of tourism expenditures is retained in the local economy, which provides additional benefits for suppliers of local food and drink and the wider economy.

These benefits are particularly prevalent in areas with: a strong and varied supply chain (comprising producers, processors, retailers and restaurants) that is willing and able to source produce locally; high levels of awareness and a good reputation for local food and drink amongst visitors; a high quality tourism offer to attract and support high value visitors; and strong support from public sector decision-makers and delivery bodies.

The benefits of a localised food and drink offer can therefore vary between locations. The study used comparisons between Padstow and Bude to highlight differences in the current scale of local food and drink activities and their impacts for local economies. Bude has aspirations to develop its own localised food and drink offer and the sector has been growing in Bude in recent years. However, despite having a larger resident population and attracting a larger number of visitors, the estimated scale of local food and drink activities in Bude is estimated to be less than half the size of activities in Padstow.

This study has produced estimates of the scale of the market and its associated impacts, subject to a number of limitations and assumptions. It is estimated that sales of local food and drink totalled almost £10 billion across England in 2013, almost £3 billion of which was sold by retailers, restaurants, pubs and cafés in rural areas. Tourism expenditures on local food and drink are significant and visitors are estimated to account for a significant proportion of these sales. Total tourism expenditures on local food and drink have been estimated to total £2.6 billion across England in 2013, of which £1.4 billion was estimated to be spent in rural areas. This suggests that tourists are estimated to account for 50% of local food and drink sales in rural areas (comprising 5% of sales in retailers and 63% in food service outlets). These expenditures are estimated to support 81,000 jobs and £1.5 billion of GVA across rural tourism economies in England.

These are the best estimates that could be produced by the study given limitations with the availability of specific data relating to local food and drink activities, and particularly tourism expenditures on local food and drink. This has required the use of a number of assumptions to fill these gaps. While the assumptions are considered conservative, these gaps in the data do increase the uncertainty associated with the estimates, which should be taken into consideration when interpreting the figures.

Furthermore, the analysis was also restricted by a lack of evidence relating to displacement effects and the extent to which local food and drink motivates tourism visits and

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22 Data issues and limitations are summarised in Section 3 and described in detail in Error! Reference source not found..

23 These estimates take account of local economic multiplier effects but have not taken account of displacement due to a lack of evidence.
expenditures. The above estimates therefore relate to the scale of local food and drink activities in rural areas rather than their net impact on the UK economy, which would also need to consider:

- the extent to which local food and drink motivates tourism visits and expenditures on other goods and services, which would deliver additional benefits to those included in the above estimates; and

- the extent to which local food and drink expenditures in rural areas have been displaced from other areas or products. This depends on the geographical level being observed and the nature of the displacement and is more significant at national rather than local levels. For example, if all additional visitors and expenditures attracted to a rural destination were displaced from elsewhere in England, there might be no net gain at the national level, while the economic benefits could be significant at a local level.

However, local food and drink can bring additional economic benefits if it displaces imports or if it has stronger economic multipliers and fewer leakages than non-local food systems. It can also attract higher expenditures that are capable of supporting more productive jobs and higher added value and can provide support for economic regeneration. A localised food and drink offer can also deliver wider benefits: for the environment, through reduced food miles and carbon emissions; for consumers, through increased product choice; and for communities by increasing cultural identity and community pride and the resilience of the local supply of food.

The research also identified a number of barriers to developing a local food and drink offer. The key challenges relate to:

- affordability of local food and drink (and perceptions that local food and drink is more expensive than non-local alternatives), which can be a particular issue in areas where visitors are more price-sensitive;

- availability and the seasonality of tourism and availability of produce, which highlights the inherent difficulties of supplying a market that is focused on particular times of the year;

- accessibility issues, which can be particularly prevalent in remote rural areas with dispersed settlements;

- awareness of supply, which can restrict opportunities for local food and drink in areas where visitors, retailers and food service outlets have a lower awareness of local producers and their produce; and

- cohesive initiatives to promote the linkages between local food and drink and rural tourism, which can be restricted in areas where there is a lack of coordination between the public sector decision-makers and tourism bodies.

The study has also identified opportunities to address these challenges and enhance the linkages between local food and drink and rural tourism. These opportunities, and examples of good practice, are likely to be relevant for many local food and drink and tourism businesses. They may help businesses to overcome constraints and maximise the potential opportunities associated with a localised food and drink offer. Many of these opportunities relate to collaboration within the sector to encourage more cohesive initiatives and to offset the challenges faced by smaller businesses, such as working together to coordinate distribution efforts, provide additional routes to market and overcome accessibility issues. Other opportunities relate to:

- increased marketing efforts to overcome awareness issues, including issues associated with perceived affordability, and to attract additional visitors throughout the year and help address availability issues;

- maintaining the integrity, provenance and quality of local food and drink products and protecting local suppliers from other businesses using false or misleading claims; and
ensuring that funding opportunities and business support are appropriate for local food and drink businesses operating in rural areas, many of which are micro or small businesses.

Many of these opportunities represent commercial opportunities for the private sector, although some are also likely to be appropriate for public sector intervention. The case for public sector intervention needs to be based on evidence of market failure. The evidence identified through this study suggests that there may be a rationale for intervention:

- in cases where local food and drink can be argued to have some positive externalities through the delivery of environmental benefits, such as reduced food miles and carbon emissions and increased landscape benefits, or the delivery of social benefits, such as increased health benefits from substituting some non-local products for local produce, or where employment programmes can deliver social benefits for local residents;
- where buyers and sellers argue that improved infrastructure (including distribution hubs and transport links) could resolve accessibility issues for local food and drink;
- in locations where there are information and/or co-ordination failures, where the potential demand for local food and drink among visitors is not being met because of a lack of information about where and how to source local produce, or where false information is affecting consumer understanding and confidence in the sector; and
- in locations where a local food and drink offer can promote economic development and regeneration through the strengthening of links between local food and drink and rural tourism.

There are likely to be specific opportunities for public sector intervention to address market failures relating to imperfect information by: raising awareness of rural destinations with a strong local food and drink offer and raising awareness of the suppliers of local produce within those destinations; but also by addressing the issues of misleading and false information that threaten the integrity of local food and drink produce. There are also likely to be particular opportunities for interventions to address issues of accessibility where markets are failing to match buyers and sellers effectively. Public sector intervention will also be required to ensure that funding and business support mechanisms are able to meet the needs of local food and drink businesses, while minimising regulatory burdens.

The next section describes the potential implications for policy based on the evidence collected by the study.

5.2 Implications for policy

An important objective of the study was to consider future policy interventions to boost localised food and drink in rural tourism destinations. The research identified a number of opportunities for policy to address some of the identified challenges, facilitate some of the opportunities, and maximise the benefits of a localised food and drink offer in rural areas. These policy implications include:

- **Provision of business support that is tailored to small businesses in the food and drink sector.** In many areas business support is available through existing advice systems but local food and drink businesses stressed the need for advice that is tailored to small food and drink ventures, and especially those in early stages of development. A wide range of support needs were identified through the research including training, ongoing advice, marketing support, funding advice, mentoring, and focused networking. It was recognised that there is a role for both public bodies to help facilitate such measures and adapt existing support, and for current business advice, training and mentoring systems to identify specific requirements of small businesses in this sector. It was also stated that additional funded support should be marketed effectively to ensure all relevant businesses are aware of it, rather than focusing on businesses with previous experience of accessing funded support.
■ Reducing red-tape and ensuring regulations are proportionate where possible to avoid over-burdening small-scale food and drink businesses. Consultees reported that small businesses in the local food and drink sector often have to deal with regulations, licensing and financial rules, which are aimed at larger enterprises and are not tailored or scaled down for small businesses. This was reported to have significant time and cost implications for small producers and small businesses, which can affect business growth and associated economic impacts. There was a strong desire for a review of key regulations so these could be applied to small enterprises with better proportionality to ensure that small businesses in the sector can operate on a level playing field. An associated issue related to the need for advice and workshops relating to new laws and changes in policy to be funded by the Government to ease financial impacts for small businesses.

■ Ensuring consistent enforcement of standards and systems relating to the authenticity of local food and drink. Many of the local food and drink businesses consulted in this study stated concerns of the potential risks presented by those who try to cash in on the momentum associated with local food and drink, but who do not offer such a high standard of product or make false claims about the ‘localness’ of their products. Such activities can have significant impacts on consumer understanding and confidence in the sector and therefore restrict sales and economic benefits. The consultees also reported inconsistent enforcement of food authenticity regulations between areas, which suggests that these issues and risks could be mitigated through more consistent and comprehensive enforcement by Trading Standards.

■ Ensuring funding opportunities are appropriate for local food and drink businesses. The research identified minimal uptake of funding opportunities amongst businesses consulted in the study. The feedback suggested that current and previous funding opportunities are not appropriate for small businesses operating in the local food and drink sector. It was suggested that future funding opportunities should:
  – remove (or at least reduce) minimum grant sizes to ensure funding is appropriate and available for small businesses and small projects;
  – provide longer term grants to support greater effectiveness and sustainability of funding, rather than concentrated funding over shorter periods;
  – seek to simplify the requirements and bureaucracy associated with funding schemes, which can appear complex and act as a disincentive to small food and drink businesses, many of whom cannot afford advisers; and
  – provide support for innovation, including new approaches to food and drink production and distribution. Consultees described a number of areas of innovation that would benefit from future funding such as more environmentally-friendly farming methods and equipment, more sustainable fishing equipment, innovative routes to market, etc.

■ Helping to raise awareness of the benefits of ‘buying local produce’ by providing local businesses and stakeholders with quotable evidence of the benefits of local food and drink, and especially economic impacts and multiplier effects, with some clear examples and substantiated figures. This would not only help to raise awareness amongst potential consumers (residents and visitors) but would also help to influence local policy-makers and providers of funding, by showing the potential benefits and returns on investment in the sector. This requirement is addressed to some extent by this study, although there are also opportunities for further research (described below) that would help to produce more robust evidence.
5.3 Further research

The research also identified a number of gaps in the evidence base that could be addressed through additional research. This would be particularly helpful in improving the estimates of the scale of the market for local food and drink and its economic impacts but could also provide additional evidence on the potential benefits, issues and opportunities associated with a localised food and drink offer in rural tourism destinations. The main evidence gaps and opportunities for further research related to:

- **Sales of local food and drink, particularly from food service outlets.** The main limitation with the quantitative estimates presented in this report was a lack of evidence relating to sales of local food and drink. There was some evidence relating to sales through retailers, but a lack of data relating to sales through food service outlets. This is a significant gap given that the large majority of tourist expenditure on food and drink takes place in food service outlets.

- **Tourism expenditures on local food and drink.** As above, the research identified a lack of evidence relating to tourism expenditures on local food and drink from either day visitors, domestic overnight visitors or overseas visitors.

- **Local food and drink as a motivation for tourism visits.** VisitEngland data provided some evidence relating to participation and interest in a number of different activities relating to local food and drink. However, there was a lack of information of the extent to which local food and drink motivates tourism visits (day visits, overnight stays from domestic visitors, and overseas visits) and thereby encourages associated tourism expenditures on accommodation, travel, etc. that can also be attributed to local food and drink.

- **Local economic multipliers for tourist expenditures on food.** The evidence review identified a number of sources of information relating to local economic multipliers of local food expenditures. However, these studies did not differentiate between the expenditures of local residents and tourists. It would therefore be useful if additional research could provide more specific and robust evidence to support understanding of the local multiplier effects associated with tourism expenditures on local food and drink in rural areas of England.

- **Evidence of displacement.** The lack of data relating to displacement prevented this study from undertaking a full assessment of the benefits of local food and drink for the tourism sector in rural areas. Additional research would be required to assess the extent to which local food and drink displaces:
  - visitors and expenditures from other food outlets and/or other areas; and
  - purchases of non-local food and drink (including imports).

- **Quantitative evidence of actual and perceived prices of local food and drink.** The study identified a lack of information with which to compare the perceived and actual prices of local food and drink offered to tourists in rural areas of England, and make comparisons between the prices of local and non-local alternatives. This would provide valuable evidence on the actual price differentials between local and non-local products and support understanding of the accuracy of perceptions of pricing and affordability. It would be useful to make comparisons for different products, different types of retailer and food service outlet and different locations (different parts of the country and comparisons between urban and rural areas). It would also be interesting to explore differences between the perceptions of business customers (retailers, restaurants, pubs, etc.) and the final consumer.