

Executive Summary

Introduction and Terms of Reference

This evaluation of the Regional Food Strategy (**RFS**) began with an inception meeting in September 2004 and the draft final was submitted in July 2005. The evaluation team was led by ADAS Consulting Ltd with expert input from the University of Newcastle.

The Regional Food Strategy (**RFS**) aims to increase retail turnover of the quality regional food sector by 25% by 1 April 2008 (from £3.7 billion in April 2003). The rationale is based on links to Defra high-level objectives and a number of socio-economic and environmental outcomes. It uses a number of policy instruments, some existing and some additional. These comprise:

- Schemes under the England Rural Development Programme (**ERDP**), delivered by Defra's Rural Development Service (**RDS**),
- RDA support to Food and Drink through a regional food component to their Regional Economic Strategy, delivered through a number of agencies, including Regional Food Groups,
- A new structure from April 2003 for supporting quality regional food initiatives led by Food From Britain (**FFB**) which receives additional Government funds (£3 million over 3 years) to promote quality regional food.
- Promotion of the EU Protected food names schemes as part of the FFB programme (the scheme is not part of RFS or delivered as part of the FFB programme)
- Public Sector Food Procurement Initiative (**PSFPI**)

The research objectives for the evaluation were:

- i) Is there a valid economic rationale for public sector support in the promotion of the quality regional food sector?
- ii) What have been the impacts of the Strategy so far, what are its potential impacts and how effective has it been in meeting its objective?
- iii) Have there been any wider impacts of the Strategy?
- iv) How efficient has the Regional Food Strategy been in delivering its objectives?
- v) What is the nature and likelihood of the risks facing the Strategy?
- vi) Recommendations to improve the design and implementation of the Regional Food Strategy

Methodology

The evaluation team reviewed the scheme objectives, activities and administration based on information provided by Defra, FFB and the Regional Food Groups. Interviews with those in Defra responsible for developing the policy and implementing the scheme were supplemented with interviews with FFB and the Countryside Agency. RDAs were also interviewed.

A literature review was carried out to support the work on the economic rationale.

Information on the impacts of the scheme was collected through a number of consultation activities:

- i) A short quantitative telephone survey of regional food producers
- ii) A more detailed qualitative telephone survey of regional food producers
- iii) Written submissions from Regional Food Groups and key stakeholders
- iv) A telephone survey of retailers and trade bodies

Case studies were carried out on four scheme beneficiaries and two non-beneficiaries, located across England.

Evaluation questions

i) Is there a valid economic rationale for public sector support in the promotion of the quality food sector? What is the nature and current extent of any market failure or failures and how well does the Strategy address it/ them?

Regional food producers in the UK are part of a British tradition of entrepreneurship, with few collective assets as enshrined in PDO/PGI legislation. Government intervention can be justified to correct market failure in *capital and information markets and specific support measures to improve market intelligence and facilitate trade*. This largely derives from regional food producers being small businesses rather than the particular sector to which they belong.

Support offered by the FFB and RDAs programmes is focused on trade development and most beneficiaries feel that it is very effective. Consumer awareness is well regarded and deemed to be important to raising the profile of regional foods and helping develop market demand. To this extent, the programme does address the market failure identified.

ii) What have been the impacts of the Strategy so far, what are the potential impacts and how effective has it been in meeting its objective.

The survey identifies that those firms which have benefited from advice, funding and support have performed better (measured by changes in turnover) than non-beneficiaries. Although causality is difficult to establish, the strategy has facilitated high levels of sector growth and the 25% growth target should be met by 2008. The key contribution of the strategy is to supply capacity, which might constrain demand or draw in imports if not developed in parallel with demand. Additionality is not a concern as there is a significant role for the strategy in facilitating expansion of supply and linking suppliers to markets. Limited data on outputs indicates that capacity building and job creation are also significant outputs.

The strategy could be more effective through better engagement with the sector, as there was a low level of awareness of RFS. There are also questions over the balance of national and regional activities and the usefulness of some particular initiatives e.g. website. A top-down focus on exports and the EU protected names schemes needs to be responsive to demand.

(iii) Have there been any wider impacts of the strategy? Has the strategy addressed the socio-economic and environmental aspects intended? Have there been other, unanticipated impacts of the Strategy?

The survey highlights that regional food businesses are highly embedded in the local economy. The RFS seems to be addressing its socio-economic objectives as intended.

In contrast, RFS seems to be ineffective in addressing its environmental objectives because the causality is so weak and these objectives therefore need to be reviewed. A more robust link would be with localness under a sustainability or low carbon policy objective.

This again raises the significance of integrating local food into the strategy.

One unanticipated impact of the strategy is a problem of labour supply to work in small, often rural regional food plants.

(iv) How efficient has the Regional Food Strategy been in delivering its objectives? How cost effective has the strategy been? What indicators might be used to assess its cost-effectiveness?

It is difficult to measure how efficient has the overall Regional Food Strategy been in delivering its objectives as the strategy comprises a wide set of measures (FFB programmes, RDA programmes and ERDP project-based schemes).

The FFB element of the strategy has been efficient in the sense of achieving a low administrative cost as a proportion of spend at 7% of the total budget. Additionally, the service has received very good levels of satisfaction in the producer survey. In contrast, the uptake of ERDP grants is low and they are not well promoted beyond farming networks and are highly bureaucratic. RDA programmes under the RFS vary considerably across the regions and lack of consistent output data has limited ability to measure efficiency.

In terms of cost-effectiveness, monitoring data captured by FFB, Defra RDS and the RDAs is not consistent, so any assessment is qualitative. The evidence from the producer survey and case studies is that most regional food producers are enjoying good growth and that this is in part due to the various elements of support they have received through the combined programmes of the RFS.

Appropriate indicators for the RFS include the overall growth of the sector, as a measure of aggregate impact. The other useful indicator is the uptake of programmes along with direct feedback from beneficiary businesses in terms of sales orders and jobs. The structure of the sector could also be a measure of effectiveness as it is important that new businesses are starting up as well as growth of existing firms.

v) What is the nature and likelihood of the risks facing the Strategy? What are the risks inherent in the Strategy and in the approach adopted to its implementation?

A number of risks are apparent:

a) Growth

- Reluctance of owner-managers in terms of dealing with multiple retailers.
- Rapid growth that transforms a niche product into a mainstream one could undermine its appeal to consumers.

b) Lack of integration between agencies and initiatives

- Large number of different groups/networks suggests duplication of support effort and risks confusing consumers.

c) Loss of impact due to definition of regional food

- The distinction between local and regional is not recognised by the industry or

consumers and it confuses consumers and encourages competition between regional and local for status, funds etc.

d) *Failure of Regional Food Groups*

- Both the regional and national programmes rely on the regional food groups for delivery of at least some of the activities under the strategy. Lack of RDA funding in some regions threatens the viability of these groups. It is important that this is addressed.

e) *Displacement*

- An inherent risk of having regional strategies for food and drink is that brands compete for a common market, undermining market value and the sustainability of the sector. It is important that the strategy has a national lead and that a national body has responsibility for co-ordinating public spend in this area.

Recommendations

1. Continue to provide public support to the quality food sector to develop supply chain links and promote quality food to consumers. Business competitiveness is a generic need and a national programme is needed to drive forward but is not specific to regional food.
2. Abandon 'regional food' as a definition in favour of 'quality regional food'.
3. Clarify purpose of support and ensure activities reflect Defra priorities notably, "to deliver more customer-focused, competitive and sustainable farming and food industries" (Defra PSA target 5)
4. Re-launch key components of the RFS as a *Quality Regional Food Initiative*, a distinct component of SSFF with clear aims, outputs and indicators (ERDP and wider RDA food sector programmes as separate but supporting).
5. Establish distinct roles for national (FFB) and regional (RDAs) remits. This needs to be agreed so that there is a base level of support across England, while reflecting regional priorities; the two programmes should compliment each other.
6. Support should focus on collective activity rather than individual business support (which should continue to be addressed through other mechanisms) and be focused through a regional food group, trade association or other food networks. Individual business grants through ERDP should be strongly linked to delivery of priorities.
7. Develop partnership working between agencies involved in support for quality regional food through sharing practices and outputs and by moving to a 3-year contract for regional delivery of the FFB programme.
8. Programme monitoring should focus on a consistent set of indicators across the FFB and RDA programmes, relating to the three themes, trade development, consumer awareness and competitiveness. These should comprise number of businesses assisted (engagement), RDA Tier 2 and 3 outputs (socio-economic impact) and sector details (structure).
9. Review the basis for operation of regional food groups across England to promote a robust model for effective and efficient delivery of Defra and RDA programmes to quality regional food businesses.