Executive Summary

Cities on the Grow: Pathways to supporting the sustainable growth of urban food enterprises in London, Reading and Almere

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Cities on the Grow

Cities on the Grow is a cross-disciplinary project that has been funded by Climate-KIC, an initiative of the European Institute of Innovation and Technology. It seeks to support the sustainable growth of urban food enterprises toward the implementation of more commercially viable business practices. It also seeks to secure the social and climate benefits of these enterprises while enhancing their role in city-regional food economies.

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Executive summary

Introduction

1. Urban food enterprises play a significant role in generating socio-economic and climate benefits. This community of craft and micro enterprises is diverse with regards to their ideological motivations and business models. Though their funding streams, albeit varied, are predominantly sourced from fixed grants. This places the viability of these enterprises and their potential benefits to local and regional economies, the environment and the communities they serve at risk.
2. The resulting need to identify commercially viable business models that secure the motives and potential benefits of these enterprises, as well as supporting policy and business support mechanisms, has led the European Institute of Innovation and Technology to fund this project as part of the Climate Knowledge and Innovation Community (Climate-KIC). It was a collaborative venture between Wageningen University and Deltares Institute (NL), and the University of Reading (UK).
3. This pilot study was aimed at investigating the local food systems of London (UK), Reading (UK) and Almere (NL) with the intention of establishing how urban food enterprises operating in these locations can be supported to realise their goals of localised, commercially viable, socio-ecologically just food systems.
4. The collection of reliable and valid data on a diverse and highly dynamic community of urban food enterprises, and their links to consumers and other businesses was a key concern of the project. Thus a range of quantitative and qualitative methods was adopted, including: surveys, stakeholder interviews, stakeholder observations and consultation, workshops and literature reviews.

What is an urban food enterprise (UFE)?

5. There is no hard and fast definition of what constitutes these enterprises. Nevertheless these socially innovative business practices seek alternative, local responses to conventional food systems, from inputs through to resource recovery and waste management. They operate under several legal designations, with diversity in both the scale and scope of business practices that span all stages of this cycle.
6. Average annual turnover of all London/Reading-based UFEs surveyed stands at €451,371 and their Dutch counterparts at €675,020. The average UFE in each instance possesses a turnover akin to that of a micro enterprise (≤€2 million).
7. London/Reading-based UFEs surveyed averaged 9.88 members of staff, significantly higher than their Dutch counterparts, but with over two thirds of these employed on a part-time basis, excluding volunteers.

Definitions

Alternative food networks

8. Alternative Food Networks (AFNs) are emerging networks of producers, consumers, and other actors that embody alternative responses to conventional food systems, from inputs through to resource recovery and waste management.

Alternative food movement

9. The social movements, associated with emergent AFNs and their evolution, constitute the Alternative Food Movement (AFM). A number of self-styled alternative food movements are in existence today, notably the Food Sovereignty Movement, the Food Justice Movement, and the Slow Food Movement. Food also falls within the remit of other broader social movements such as the Transition Network.

Food systems

10. A food system is a cumulative measure of the processes undertaken throughout the food value stream or cycle, from inputs to production, processing, distribution, access, consumption, and resource recovery and waste management. References to local and city-regional food systems are suggestive of efforts to close the food cycle at these geographical levels. For the purposes of this project, local and city-regional food systems constitute negotiated products of their associated supply chains and wider geographical systems of production.

Urban agriculture

11. Urban agriculture can be defined as growing fruits, herbs, and vegetables and raising animals in cities, a process that is accompanied by many other complementary activities such as processing and distributing food, collecting and reusing food waste and rainwater, and educating, organizing, and employing local residents. Urban agriculture is integrated in individual urban communities and neighborhoods, as well as in the ways that cities function and are managed, including municipal policies, plans, and budgets (Five Borough Farm, n.d.).

Business incubators and accelerators

12. The business accelerator is an organisation where there is more evidence of progress, more investments made, more peer to peer support as well as more external support of UFEs, whereas incubators are more concerned with a ‘safe environment’ for UFE start-ups to explore commercial opportunities at a very low cost, with minimal external investing or support. Both organisations provide a platform for the multi-dimensional, inter-sectoral and cross-scalar engagement of networks of producers, consumers, and other actors. They can facilitate paths to alternative sources of capital, including ethical banks and crowd-source funding, state governments, economic development coalitions and other investors, raise the awareness of policy-makers to issues of UFE concern, identify areas for skills development, and promote the role of UFEs in local and regional economic development.

Key messages

Policy and governance

13. The capacity of food systems to simultaneously impact upon several priority non-food related policy areas, such as economic development, health and well-being and GHG emissions, can have the inverse effect of creating a ‘governance trap’ whereby the higher the number of interested parties, the greater the failure for any one individual community group or organisation to take up the food agenda as a means to addressing

wider social issues, including but not limited to food poverty, obesity, and the barriers to food access and choice over nutritious quality food and its causes. Avoiding this governance trap will require the modelling of complex policy interrelationships, with particular attention to the baseline work of food policy councils, food partnerships, and subsequent strategies and action plans.

14. This is a strategic planning challenge. If city-regional food systems are to be advocated in Europe, the urban–rural divide that is evidenced in the *spatial distribution* of Common Agriculture Policy (CAP) subsidies must be re-framed and better coordinated with European urban and regional development objectives/funding mechanisms. Moreover, minimum *spatial thresholds* for direct payments to farmers may exclude producers with smallholdings, and their associated UFE networks, from needed funding. This can further impede the inclusion of UFEs in city-regional food systems. Whereas the minimum threshold is 5 hectares for the UK (*avg. holding:* 54 hectares), it is 2 hectares for the Netherlands (*avg. holding:* 25 hectares) (Council Regulation (EU), 2013).
15. At the city-regional level, attention to the complex interconnections between food systems and other urban systems, such as (food) waste to energy and/or composting streams, will be required of urban planners. The business case that underpins this call for cross-border, inter-sectoral synergies is one of circular economies and ecosystems services. It is a business case that must equally take into consideration pre-existing issues surrounding the uneven distribution of ecological assets (and their social returns), and the disproportionate environmental burdens among economically disadvantaged urban residents.
16. Many of the actors involved in local food systems (particularly UFEs) are not willing to compromise on the ideological motives that inform their businesses. Indeed, for them to do so would mean that all interested parties lose out because the services that UFEs offer to society, such as community support, local jobs and skills upgrading, would be lost. As such, any polices aimed at supporting the growth of the sector must not have the adverse effect of squeezing out these ancillary services. A key goal for many local food networks is to improve access of quality nutritious food at prices that reflect fair wages; this also negates calls for urban food enterprises to solely target premium markets.

Alternative food networks and systems

17. Opportunities for UFEs relate to a mix of economic, and social, environmental and food justice motives that they selectively draw upon for embarking on their venture as an enterprise, and that motivates them throughout the process of ‘doing business’.
18. These ideological motives lie at the heart of UFE practices. They vary greatly between UFEs, with some placing particular emphasis on one or two select issues, while others seek to tie in a broad range of outcomes within their practices. This can make it difficult to establish a policy-making focal point around which to engage community food enterprise and their associated alternative food networks.
19. Variability of UFE motivations can undermine attempts at collaboration between UFEs, in terms of trade, sharing of resources and costs, and collaborative political action.
20. Without knowledge of their societal impact, UFEs are unable to advance their ideological and business objectives with the help of producers, consumers, and other actors. This includes the extent to which climate impact factors into the motives of these enterprises and their consumers.
21. Trust is a key factor highlighted by UFEs. That is, trust between the UFE and consumer, and between UFEs and other actors, is integral to the wider alternative food networks they inhabit.
22. Potential UFE benefits include: the creation of local jobs with an attention to neighbourhood-level entrepreneurship and economic development, especially among

economically disadvantaged urban areas; the range of unique local food initiatives that emerge from, and motivate, processes of community development and urban regeneration across diverse urban communities; and the creative reuse of unused spaces and buildings.

23. For many UFEs, however, their concern with a lack of economies of scale and a lack of market access only stretches so far as to ensure their commercial viability. In part, this could be causing, or at least may not be helping to ease, some of the bottlenecks encountered by many UFEs. Some of the crucial bottlenecks that this study has identified, and which are a common feature of many small firms, are: the lack of entrepreneurial skills; the lack of access to finance; the lack of access to land; and the lack of a professional, shared marketing and sales channel.
24. Insufficient economies of scale also can serve to prevent UFEs from winning public procurement contracts.
25. Over 50% of UFEs surveyed chose to diversify their revenue streams to ensure commercial viability.
26. Other bottlenecks, which are less easily influenced by UFEs, include: regulation and policy adherence, which requires knowledge and time that UFEs do not posses (regulations concerning soil pollution, food and sanitary standards, or on-site processing); increased competition from supermarkets selling 'local' products; and the urban engineering skills and knowledge necessary to reap the potential climate benefits of linking the food cycle to (waste) water, organic waste, and energy streams at the city-regional level.

Environmental challenges and climate benefits of city-regional food systems

27. To maximise the potential climate benefits of urban agriculture, a number of barriers and/or challenges need to be addressed: the inclusive design and delivery of 'green' infrastructure, as well as the ability to identify 'healthy soils'; the (negative) effect of reduced solar radiation on plant productivity; and the potential risk of contamination to water and soil resources from the use of organic waste.
28. Business opportunities for UFEs include: 1) using municipal waste to provide a low price fertiliser to urban agriculturalists: 2) utilising previously contaminated sites, at zero rental, for food production. The stakeholder benefits of these opportunities are: improvements to soil health; reduced processing and transport costs associated with disposal; and phytoremediation strategies and solutions for the storage and buffering of contaminated storm-water runoff.

City-regional food systems in a global city, a regional town centre and a polycentric 'garden city'

29. UFE practices intersect and/or overlap with one or more stages of the food cycle within and across the project case studies. This in turn points to some of the real-life challenges UFEs face when trying to: (i) establish their own identity; (ii) distinguish themselves from the other actors operating within the many arenas that they inhabit; and (iii) convey this identity to consumers and other actors with whom they interact.

Flows of food and food systems

30. All but one UFE in primary food production cultivated produce in soil. On average, the Almere-based producers operate across 6.75 different plots while their UK counterparts operate from an average of four. Leases on the land for all producers ranged from 1 to 30 years with notice to vacate the land averaging around six months. 75% of R London/Reading-based producers said they have made changes to the use of the land they operate on compared with 50% of their Dutch counterparts.

31. Complications with securing such changes included some confusion as to whether planning consent was required to make the necessary changes; assessing whether the tenancies are secure enough to justify: investment of time and finance in the plots; contaminated soil testing; complexities involved in gaining organic certification; and gaining access to land at the outset.
32. London/Reading-based-based producers estimate that over 80% of their produce stays within the city in which they are located, compared with around 70% for their Dutch counterparts. This may be related to the types of products produced and whether they are suitable for direct consumption, or targeted for food processing into secondary products. As food processing plants are often based outside major cities, produce intended for processing will often need to be transported greater distances.
33. London/Reading-based UFEs engaged in food retail/catering source over 75% of their produce from outside of the city. This appears to remain the case despite estimates by London/Reading UFEs, engaged in food processing, who claim 90% of their produce post-processing stays within the city in which they are located; this share exceeds that of their Dutch counterparts. This could suggest that there are no significant levels of trade and interaction between UFEs. An alternative suggestion is that demand for the type of food being retailed outstrips city supply and thus has to be sourced elsewhere. This could be in terms of quantity or, perhaps more likely, the requirements for a wider range of food products. Whereas producers may be driven by local, and seasonal and organic produce, retail and catering may be seeking to supply organic and fair trade, possibly low meat and wholefood consumer demands. Encouraging vertical integration would be one way to increase local supply from primary UFE producers to the catering and retail end of the equation.

UFE and consumer motivations

34. London/Reading-based UFEs' desire to make a profit factors comparatively low compared with other competing statements of motivation. Enterprise funding sources may be influencing profit motivation. Whereas the UK relies on grants and donations, the NL does not.
35. There is a broad concern, between UK and Dutch consumers, for considering the impact of food-related purchases upon the wider environment and the climate. However, of those consumers surveyed, over twice as many London/Reading-based consumers choose to shop with UFEs as a response to this concern.
36. Almere-based consumers are more sceptical about the empirical validity of claims that local food produces positive outcomes for the environment, emphasising how the unreliable traceability of 'local' food acts as a barrier to them shopping with a UFE. This is in comparison to London/Reading-based consumers, where almost 10% more consumers believe they do have adequate information to establish the traceability of a particular product; this is likely due to consumer choice by location/context, such as shopping with farmers markets and shops, to ensure localness rather than a label of clearer traceability.

Barriers to urban food enterprise and consumers

37. Noted UFE barriers include: the inability to compete with the economies of scale of mainstream competitors; achieving a consistent supply of produce; consumer resistance to change in habits (where consumers do not value the UFE value proposition); small market potential/market access; the ability to judge the value/price of produce; and maintaining distinctive marketing edge. Altogether, these challenges would accompany any value proposition for a product that is not standard.

38. When asked if they felt their enterprises were disadvantaged by not being able to offer the same levels of convenience to consumers as supermarkets, 57% of London/Reading-based UFEs and 83% of Almere-based UFEs said 'Yes'.

39. The availability of regional food and convenience both score highly across all UFE consumers surveyed, although slightly less so in Almere. The cost of food is more of an issue for the Dutch consumers. Specific emphasis is placed upon the time and energy it takes to research and locate local food providers in the Dutch context. Despite this, the vast majority of participants would also like to see the procurement of local food integrated into public policy.

Opportunities to urban food enterprise

40. Financial investment upon start-up is primarily based upon bank loans and private investment for the Almere-based UFEs surveyed, whereas their UK counterparts in all but one instance rely solely upon forms of donation and community funding.

41. UFE responses to market access challenges are reflected in the multiple revenue streams of their business models. Over 50% of those surveyed said they had chosen to diversify their revenue streams as a means of ensuring their commercial viability.

Key action points

Roles and business models for business incubators and accelerators

42. Workshop participants distinguished between the business incubator and accelerator, maintaining a preference for the latter whereby established UFEs are guided toward maturity. The business incubator fosters start-ups.

43. Workshop results from this study suggest that the role of UFEs should be defined locally, because the circumstances and needs of communities are locally determined. We are particularly reminded of the importance of *trust* in this regard, of transparency and accountability in the interaction between producer and consumer.

44. The place of the UFE incubator or accelerator lies at the centre of complex cross-sectoral policy interrelationships and the diverse collections of community-based initiatives in any one locality. There is a need for brokering knowledge exchange within and between these policy and civic arenas, and their wider networks. This requires an approach where volunteers and professionals, working together for an incubator or accelerator, can act as serious complementary counterparts to other stakeholders in this complex field of play.

45. Business models for incubators and accelerators of UFEs could have an important beneficial role in the world of urban agriculture by helping to develop entrepreneurial skills. This could involve support with the following: obtaining funding to start a business; coaching on how to start with an aspect of the business that will generate early revenues to boost its further development; realising meaningful cooperation in a city-regional food system by encouraging complementarity across production scales and a diversity of production practices; developing a common marketing approach and retail network for urban and small-holder farmers; establishing institutional markets through public sector food procurement arrangements; lobbying the business case for urban/peri-urban access to land, as well as the case for food and nutrition security.

46. Needs expressed during the workshops and interviews that are not yet provided include: (i) entrepreneurial skills and knowledge development, especially on new financing mechanisms; (ii) leveraging and establishing new financing mechanisms, such crowd funding; and (iii) providing a physical place or hub where demand and supply can meet, where the logistics of distribution can be organised, and where expertise can be exchanged.

Future research

47. Understanding the complex array of actors and ideological approaches is essential to effectively engaging those operating within alternative food networks on local policy and regional development concerns.
48. The dynamic entrepreneurial context makes the mapping of UFE activity difficult. Longitudinal studies of UFEs, in the face of the changing and mounting expectations of these organisations, would be useful.
49. There is a need to consider food and related funding mechanisms under the Directorate General for Agriculture and Rural Development (DG AGRI), namely the Common Agriculture Policy (CAP), in the context of wider urban and regional development objectives under the Directorate General for Regional and Urban Policy (DG REGIO). Territorial impact assessments of one set of policy mechanisms, on the other hand, are urgently required.

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Or by chapter, for example:

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