SAC Consulting

An audit of food and drink in the Cairngorms National Park and immediate environs

Final Report

Prepared for: Cairngorms National Park Authority

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Executive Summary

The aim of the project was to produce a comprehensive audit of food and drink in the Cairngorms National Park [the Park], creating a detailed register of what is grown, bred and produced in the Park, identification of gaps, and an indication of potential opportunities for growth including retail and consumer.

The project has been completed in three distinct phases:

- Stage One: an audit to provide a full register of businesses and business types, and to map these by type.
- Stage Two: an evaluation of business types, interest in supply and provision of local produce, and interest in collaboration
- Stage Three; an analysis of results and wider economic trends

Questionnaires were sent out to 317 local food providers and to 359 food and drink producers in January 2011 and the survey collected 57 responses (18%) from food and drink providers and 113 responses (31%) from producers.

A total of 46 businesses indicated that they were selling within the Cairngorms National Park Authority [CNPA] area, with businesses selling to game dealers or meat processors located outside the Park. However, from a total of 60 producers who specified which proportion of their produce was sold within the Park , 25 of these indicated that less than 10% of their produce was sold within the CNPA area and 22 were selling over 75% of their production inside the Park area.

The type of outlets supplied were predominantly speciality retailers or wholesale (17 respondents each), or online /home delivery and to foodservice outlets, (12 respondents each).

When questioned on barriers to business growth seven of the producers mentioned costs, particularly fuel as providing difficulties. A further seven responses identified planning as a key issue, while the ability to secure tenancy or available land was also mentioned in a small number of responses. Other barriers featured included price rises,

a perceived lack of government support and red tape, and access to consumers and processing in the form of meat cutting

From the of the 72 producer responses indicating seasonality 45.8% were engaged in full year production. The highest seasonal peaks are seen in September to December, with October the month when most products are available.

There was strong reported interest in the areas of both local food recognition and collaboration, with 81.8% of producers interested in participating in any initiatives providing recognition of local food and drink use in retail outlets or in hospitality, while another 76.7% of producers responded that they would be interested in collaboration.

The preferred interaction with other food and drink producers would be through e-mail, where 64.3% of the 56 responses favoured this type of communication, although 32.1% were also interested in a newsletter.

There was a wide variety of local food providers represented in the survey completed by the food and drink providers. Twenty eight accommodation providers completed the questionnaire, while 21 other types of traditional establishments serving meals also completed the survey. Sixteen tourism and activity providers completed the survey. While many businesses operated in more than one of these categories, a total of 57 providers completed the overall survey.

The main meal provided through responses was breakfast by 86.7% of the 45 who completed the question. An evening meal was offered by 64.4% and lunch by 44.4% of respondents.

In terms of the purchases made by local food providers, over 50% were buying red meat (69.4%), game (55.1%) eggs, fruit and vegetables (each 51%) from the CNPA area.

The category most requested to be made more available locally by food providers was vegetables, with 14 responses from the 33 completed highlighting this as the key product requirement. A further. 13 identified jams or honey and 12 stated they would most like to source milk, but other areas highlighted as significant were eggs, other dairy products, poultry and fruit. Cheese was also specifically identified as a product which would be desirable. There were relatively even splits with regard to estimates of supply of food and drink from the CNPA area.

In terms of encouragement needed for more local food and drink procurement, the most frequently cited encouragement to use more local food and drink was flexibility in ordering and delivery by 30 of the 43 respondents. Twenty six looked for more consistency of supply, while a further 21 responded that they were seeking a wider range of produce. Specific comments highlighted availability of produce as another key variable. Many of these reasons are echoed in the comments regarding barriers to securing further supply, with availability, consistency and delivery all key areas where providers felt improvement could be made.

A large number of food and drink providers (44 responses from 50) indicated that they would be willing to participate in a future initiative providing recognition of local food & drink in the region. Eighty eight per cent of food providers would be interested in participating in initiatives providing recognition of local food use, while 80.8% (38 from 47 responses) would be interested in collaborating with other food and drink providers.

From a total of 46 responses, 43.5% (23 businesses) of local food providers preferred communication or interaction with other food and drink providers via e-mail, while 30.4% (14 businesses) were interested in a networking event, which was higher than the food and drink producers' response.

The food and drink sector in Cairngorms only represents around 1% of the national Gross value added or GVA in this sector. However, it does represent a significant proportion of the CPNA area economy. Thirty per cent of total business turnover in the area is aligned to food and drink enterprises. The proportion of business premises and jobs is also significantly above the national average. Many locations in Scotland have seen a steady increase in the number of business premises; however, the CNPA area has witnessed a 20% increase in business sites over the period 1998-2008 – compared with 10% nationally.

Collectively the GVA of food and drink businesses in the CNPA area represents 25% of the wider economy. In terms of GVA per employee, or the total level of GVA divided by the number of employees, the sector is a significant contributor to local economic wealth. The level of GVA per employee is greater than most regions and £10,000 greater (per employee) than the national average.

GVA per employee in the food and drink sector in the area is also higher than the average GVA per employee at national level - £39,400 across all sectors. As well as being a key sector in terms of jobs, turnover and business activity, it is of a high economic value and vital to the areas wealth.

The overall summary for changes in attitude towards local food indicates that there remains strong interest in local foods, and particularly where there is evidence of a benefit to health, animal welfare or a return to the local community.

Key conclusions and recommendations are that connections between food producers and providers can also improve, as can issues to address collaboration in distribution, particularly in an environment where there is demonstrated desire to develop greater collaboration.

A further recommendation is also that further investigation is made of the potential for an initiative rewarding local food and drink providers for their use of local food and drink. This in turn will benefit producers.

Another key recommendation will be that any actions arising from this work are initiated at the earliest opportunity, as the survey has generated an interest in further actions and in collaboration which it is recommended should be acted upon.

1. Introduction

The aim of the project was to produce a comprehensive audit of food and drink in the Park, creating a detailed register of what is grown, bred and produced in the Park, identification of gaps, and an indication of potential opportunities for growth including retail and consumer.

The detailed information the register provides will inform and enable other actions within the Development Plan to be progressed and will also act as a baseline against which the outcomes of the Plan will be measured.

Objectives

The main objectives of the project were to:

- Compile an accurate, up to date picture of the local produce market in the Cairngorms, both primary, secondary and processing, business and community.
- Establish what percentage of local produce is sold within the Park and outline the potential scope for increase.
- Identify the extent of local produce retailing within the National Park (incl Farmers Markets) and highlight any potential growth opportunities.
- Identify businesses who may be seeking to diversify/ alter current production methods.
- Identify the main barriers to food & drink business development.
- Identify gaps in the local produce market in the Park either sectorally or geographically.
- Identify opportunities for collaborative working and establish evidence of local demand for developing this.
- Give an indication of trends in the National Park (drawn from statistical data which is regularly collated nationally), and provide a comparison with national trends.
- Identify current routes to market used by producers and highlight alternative options which may be beneficial to the local supply chain.
- Give an indication of distribution networks and/ or issues faced.

Background

National Parks in Scotland are set up under the National Parks (Scotland) Act 2000, and the relevant designation order (specific to each Park). The Act specifies the 4 aims of the National Park Authority:

- to conserve and enhance the natural and cultural heritage of the area,
- to promote sustainable use of the natural resources of the area,
- to promote understanding and enjoyment (including enjoyment in the form of recreation) of the special qualities of the area by the public, and
- to promote sustainable economic and social development of the area's communities
- The Cairngorms National Park Plan has as a priority the need to encourage and support interested parties linked to the special qualities of the area such as food and drink, with an outcome for 2012 being an increase in use of local suppliers and produce.

As a result, the CNPA has been working in partnership with the Soil Association Scotland in developing a Food for Life Development Plan for the Cairngorms aimed at improving and increasing the availability and use of local produce in the National Park. There are eight priorities for action emanating from the Plan, which takes a holistic approach to food and its provision. The focus of this project is on developing the market intelligence leading to a greater understanding of the local food sector, which will enable the development of other action areas.

Previous surveys of producers were carried out in 2006 and updated in March 2010 which gives indicative figures of producers and what is grown and bred in the Park, but neither survey utilised national statistics available.

2. Methodology

The project has been completed in three distinct phases:

Stage One: an audit to provide a full register of businesses and business types, and to map these by type.
Stage Two: an evaluation of business types, interest in supply and provision of local produce, and interest in collaboration
Stage Three: an analysis of results and wider economic trends

Stage One:
In order to compile an accurate and up to date picture of the local produce market in the CNPA area, it was essential to establish where the businesses are, and a view of production types. To this end, an audit took place of all business types, using the following methodology:

- Updating the existing database held by CNPA
- Food and drink businesses identified using tools such as business directories, the Scotland Food & Drink Buyers Guide and utilising key local contacts and local knowledge.
- Liaising with retail and hospitality businesses within the region and identifying existing food and drink producers currently operating within the CNPA Area
- Primary producers identified using SAC's own resource base

The team have collated all information, and will provide a Google Map illustrating business location and type in the final report.

Stage Two
This stage will seek to establish what percentage of local produce is sold within the park. The most recent survey undertaken identified a total of 690 food and drink producers, growers, processors, retailers and providers. Businesses identified in stage were asked to complete a short survey via post, e-mail or weblink.

The survey sought to gather a range of information including the following objectives of the project:

- Considering volume sold, and proportion of sales within and outwith the Park

- Identifying those businesses who may be seeking to diversify or alter their current production methods.
- Identifying the main barriers to food & drink business development, both within the Park and beyond.
- Identify gaps in the local produce market in the Park either sectorally or geographically.
- Identify opportunities for collaborative working and establish evidence of local demand for developing collaboration in marketing, distribution or production.
- Identifying the current routes to market used by producers, and where assistance may be required to develop routes to market

A very concise format questionnaire was sent out to all businesses identified in the first stage, with very specific questions addressing the above named areas. The concise online questionnaire was designed to ascertain answers to specific questions concerning food and drink types, quantities produced and markets supplied. Separate questionnaires were created for local food producers (primary and secondary) as identified, and for food and drink providers (serving or selling food) and these can be viewed in Appendices 1 & 2.

Responses were collected by e-mailing survey links and mailing survey forms to potential respondents, and following this up with telephone surveys. The survey was sent out to 317 local food providers (emailed to 95 and posted to 222 recipients) and the survey was emailed to 38 and posted to 321 food producers, giving a total of 359 food and drink producers and therefore to 676 businesses in total. While some businesses had been identified in Stage One who were no longer producing or trading, others were identified through their responses as not producing food for final sale.

A wide range of businesses were interviewed through the survey, with a variation between food producers and food providers, but the following business types were considered:

- Primary Producers
- Food and drink processors & distilleries
- Farm shops & farmers markets
- Schools & hospitals
- Farm shops & speciality retail
- Hotels & B&Bs
- Multiple retailers
- Other tourism providers

Stage Three

This stage sought to undertake analysis of results and to consider demand trends and outline the potential scope for increase. Further to this, the research incorporated all data received, and supplemented this with an indication of trends in the Park, drawn from national statistics.

The analysis sought to identify answers to a number of the key questions raised in stages one and two, including

- Producers seeking to diversify or change production or market
- Distribution issues
- Product or market gaps
- Distribution networks and any issues faced in delivery

3. Evaluation of Survey Findings

While questionnaires were sent out to 317 local food providers and to 359 food and drink producers in January 2011, response rates were lower than normal for a survey of this type, where businesses had the option to complete through four varying processes:

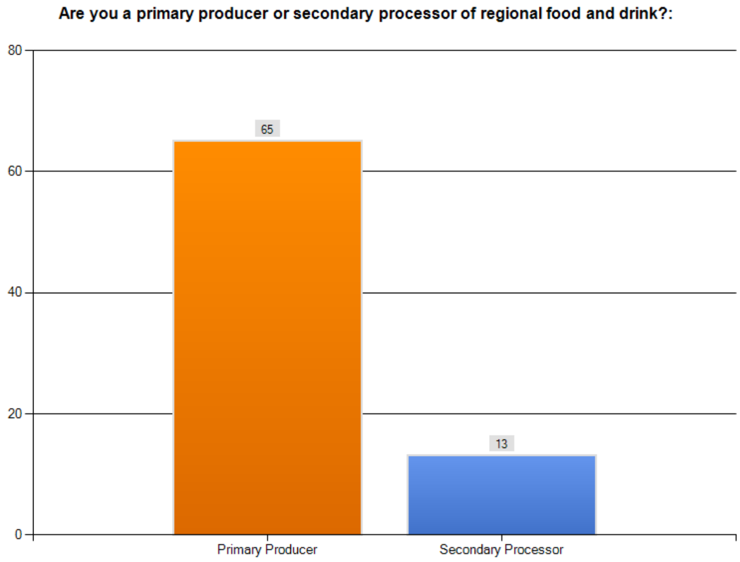
- Completing the questionnaire online via e-mail link
- Sending a paper copy of their response back
- By telephone response either when contacted or calling a member of the project team
- Meeting a member of the project team directly

The survey collected 57 responses (18%) from food and drink providers and 113 responses (31%) from producers. While the initial response from both providers and producers represented a low response rate for a survey of this nature, when businesses in the database were contacted a large number of those contacted directly indicated that they were not producing food or drink for final sale. In addition, some businesses contacted from the original database were no longer producing or trading and others were identified through their responses as not producing food for final sale. From the sample of 117 food and drink producers contacted, approximately 30 of these were not included in the majority of the analysis, as they were not producing a specific product for various reasons – i.e. let out land, retired, store producers only etc.

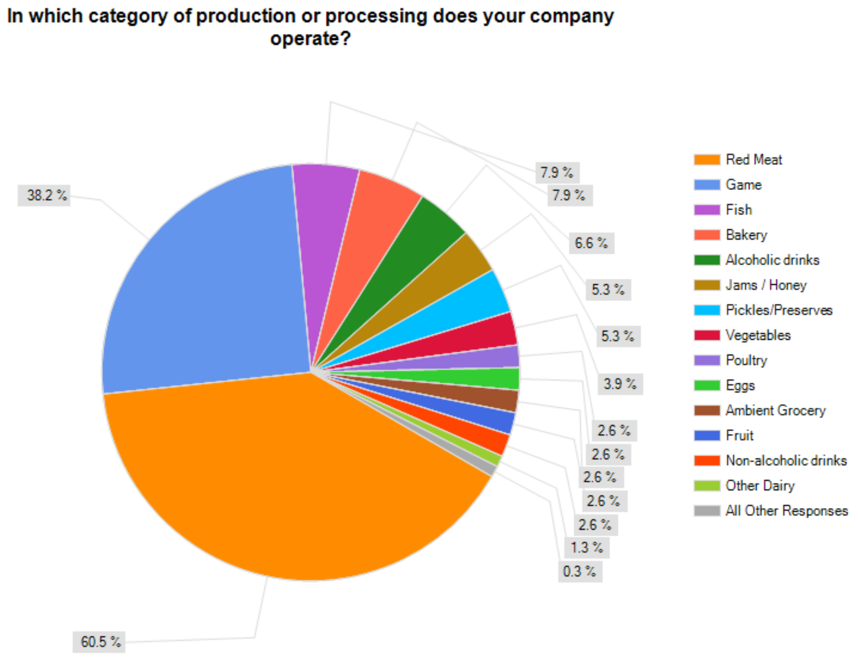
The analysis responses were broken down into two separate analyses, those of producers of food and drink, and those providing food and drink either for direct consumption, or for home consumption through retailing.

Local Food Producers

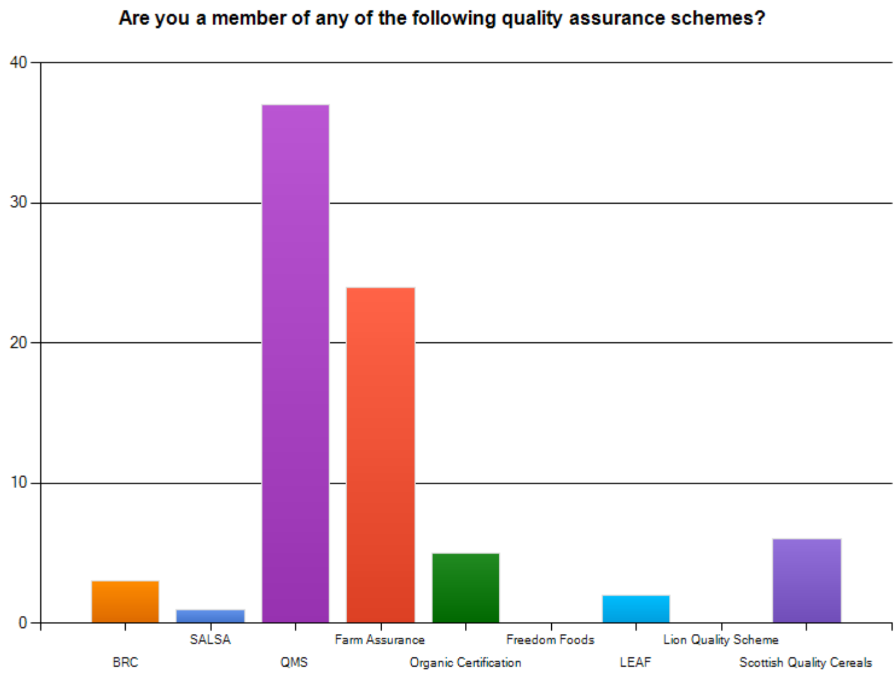
Of the 78 who indicated that they were involved in some kind of processing, 65 producers were engaged in primary processing, while 13 were in secondary processing. Those who specified ‘other production’ were either involved in the production of store cattle or lambs (27), let out their land (8), were not producing anyhting (7) or were involved in a different business type.



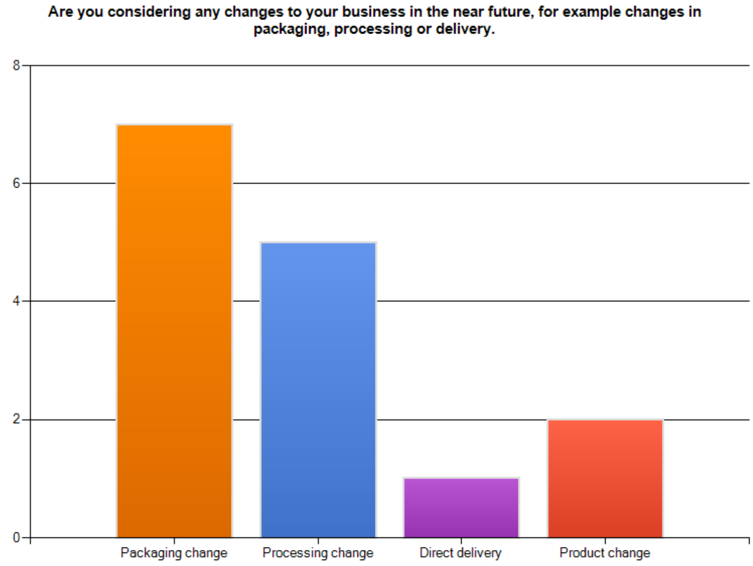
76 businesses answered the question relating to the category they operated in. Red Meat (60.5%) and Game (38.2%) dominated, while small numbers were involved across the wide range of other options. There were nil responses in the categories of chilled and frozen ready meals, but ‘other’ areas mentioned included smoked fish, strawberries and soft fruit, tablet, wild boar and Christmas puddings.



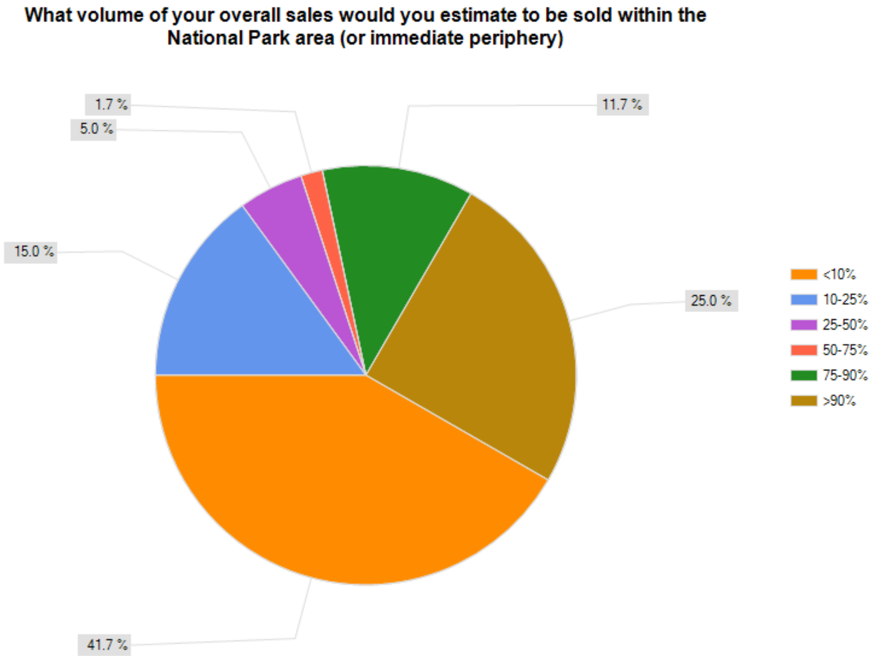
A wide range of Quality Assurance schemes were in use, and QMS was the most often cited scheme in use, by 37 producers. 25 producers held Farm Assurance, while two held one of the highest levels of assurance, BRC; both of these businesses were bakeries. While specific assurance schemes were identified in the questionnaire, it should be noted that four respondents were members of a scheme which had not been specified, Scottish Quality Wild Venison, and another two were working towards SALSA.

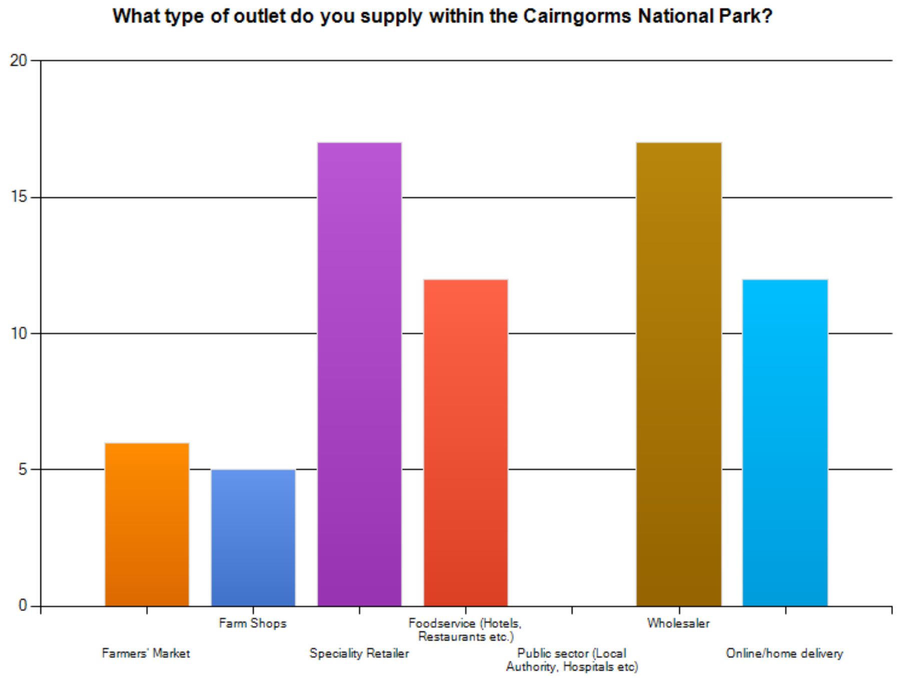


A total of 23 respondents were considering change to their business, although only 10 of these indicated one of the four categories listed: processing change, packaging change, direct delivery or product change. Other changes noted were a business installing a bottling plant, and two businesses looking into online sales.



A total of 46 businesses indicated that they were selling within the CNPA area, with businesses selling to game dealers or meat processors located outside the Park. However, a total of 60 producers indicated which proportion, with 25 of these indicating that less than 10% of their produce was sold within the CNPA area. A further 22 respondents were selling over 75% of their production inside the Park area.





The type of outlets supplied were predominantly speciality retailers or wholesale (17 respondents each), or online / home delivery and to foodservice outlets, (12 respondents each). It should be noted that many businesses were supplying more than one type of outlet. No businesses indicated any supply to the public sector. Seven of the businesses were selling through their own retail or catering.

The 10th question in the survey was an open ended question which looked at barriers to business growth. It asked respondents to indicate any real / potential barriers to business growth and some indications of key or representative comments are indicated below.

"There are, of course, many [barriers]. Primarily it is many miles from our main market. We came home to 'be here' and the company followed. In marketing terms, being here is good but the costs are much higher than they would be in a more 'switched on' industrial area nearer to the UK main distribution network." **Drinks Producer**

While 19 of those responding merely indicated that there were no issues, seven of the responses mentioned costs, particularly fuel as providing difficulties.

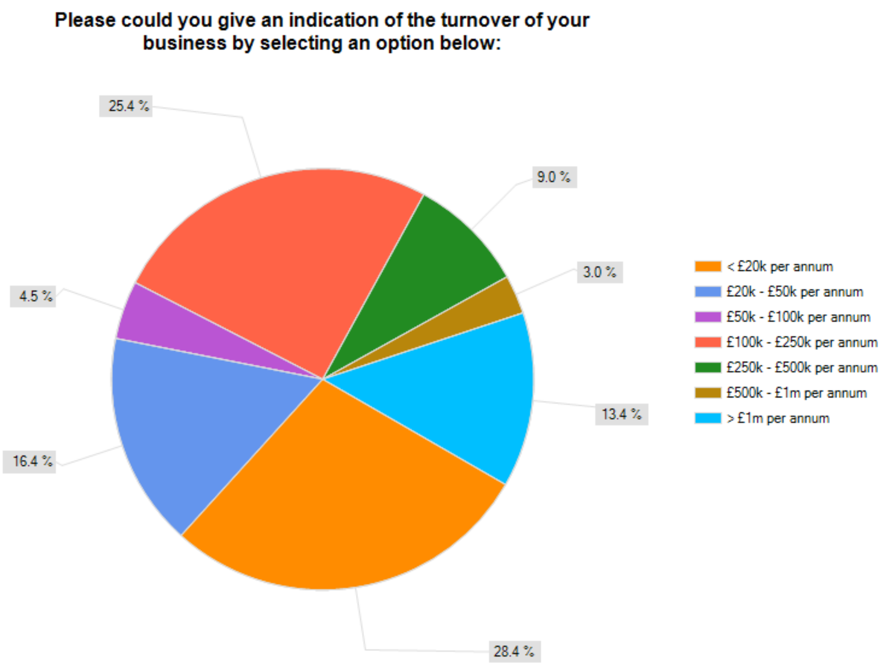
"Change of Licensing laws meant some smaller independent shops could not afford to keep their drinks licence. Fuel costs and limited choices of 3rd party hauliers who operate in the Highlands"
Brewery

A further seven responses identified planning as a key issue, while the ability to secure tenancy or available land was also mentioned in a small number of responses.

"Planning issues with regard to business development and housing for young locals" **Land Agent**

Other barriers featured included price rises, a perceived lack of government support and red tape, and access to consumers and meat processing facilities.

"I am a great advocate of mobile killing and butchering facilities being arranged in the CNPA to permit farers to cash in on the CNPA brand and to enable them to economically produce meat for the table using this service." **Estate Factor**

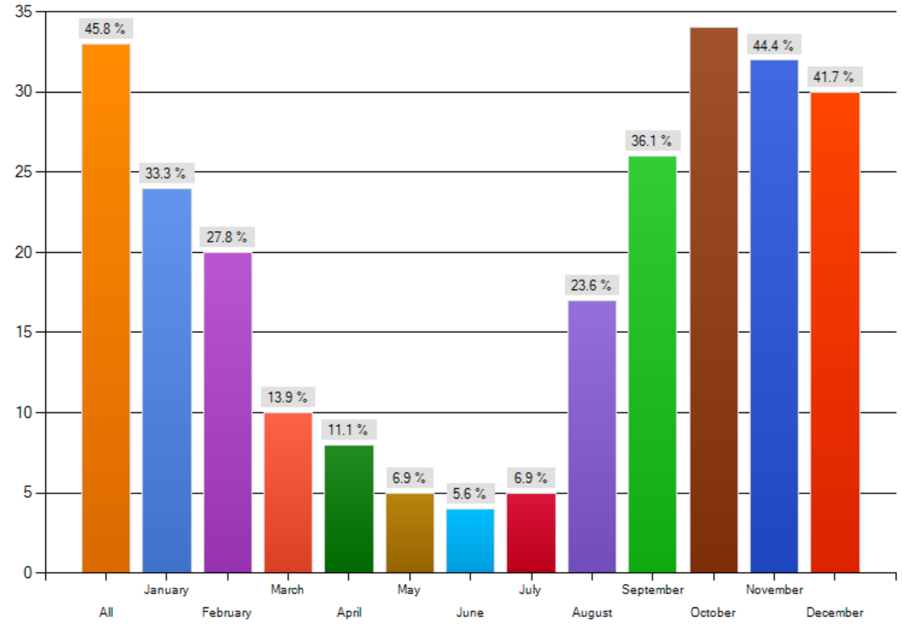


The scale of business operations varied greatly, as shown in the variation of turnover, although it did include eight businesses operating at over £1 million turnover. A total of 67 businesses completed the question and were willing to give a response.

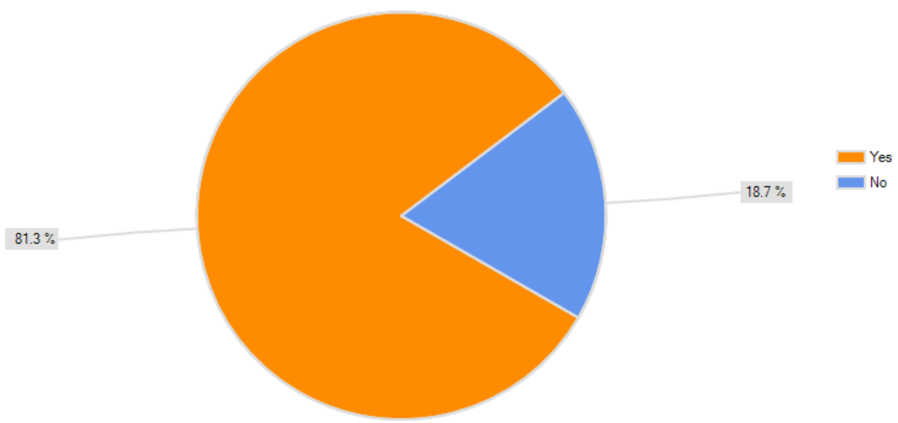
As perhaps typified by the large numbers of producers involved in the production of red meat and game, there was less production during the spring and early summer months. However, some 45.8% of the 72 responses indicated year round production.

The highest seasonal production peaks can be seen in September to December, with October the month when most product is available. This corresponds with the peaks associated with traditional lamb and venison production / marketing and beef which is often sold this time of year before winter housing commences.

Which months do you currently supply produce?

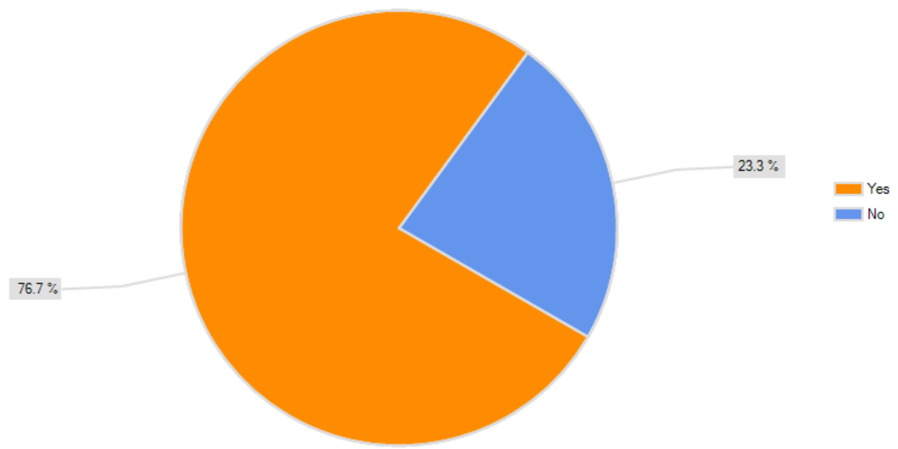


Would you be interested in participating in any future initiatives which would provide recognition of local food use in food and drink outlets and hospitality in Cairngorms National Park?



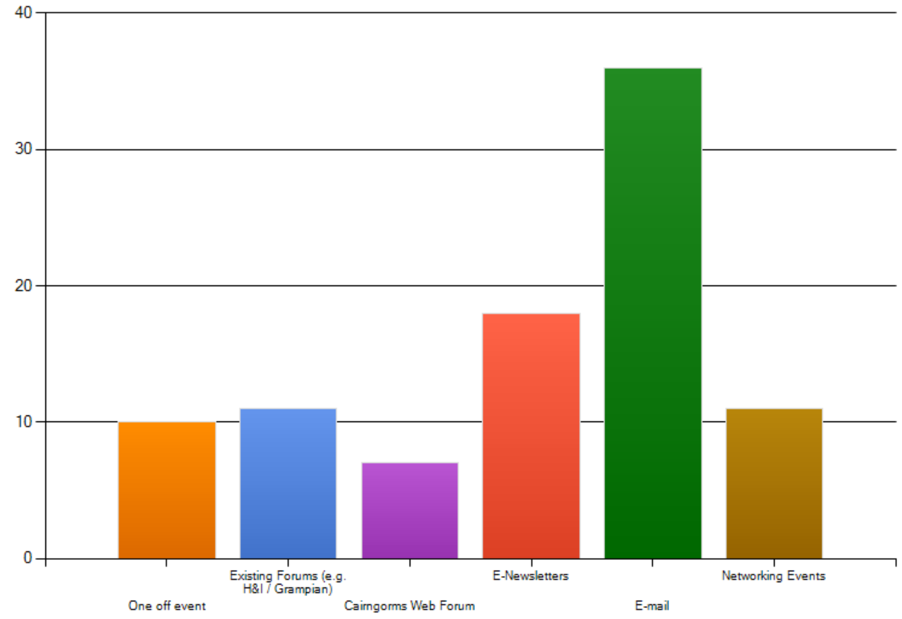
There was strong reported interest in the areas of both local food recognition and collaboration, with 81.8% of producers interested in participating in any initiatives providing recognition of local food and drink use in retail outlets or in hospitality, while 76.7% of producers stated they would be interested in collaborating with other local food producers.

Would you be willing to consider collaboration within the region?



Preferred interaction with other food and drink producers would be through e-mail, where 64.3% of the 56 responses favoured this type of communication. An additional 32.1% were interested in corresponding via a newsletter. Other responses in this category (although fewer than for e-mail or e-newsletters) favoured existing forums or contact face to face or by phone.

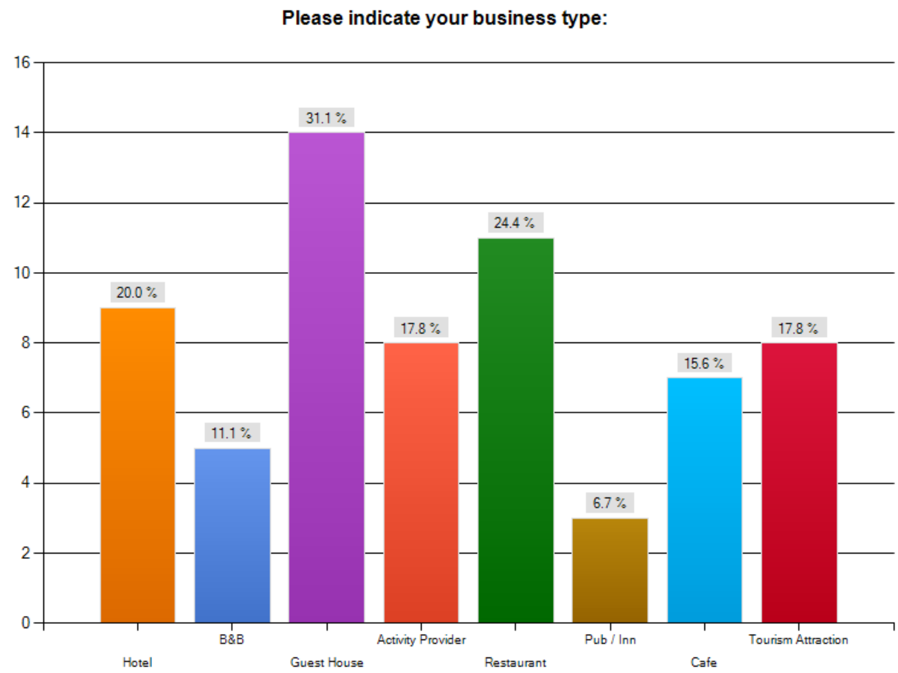
How would you like to communicate / interact with other local food producers?

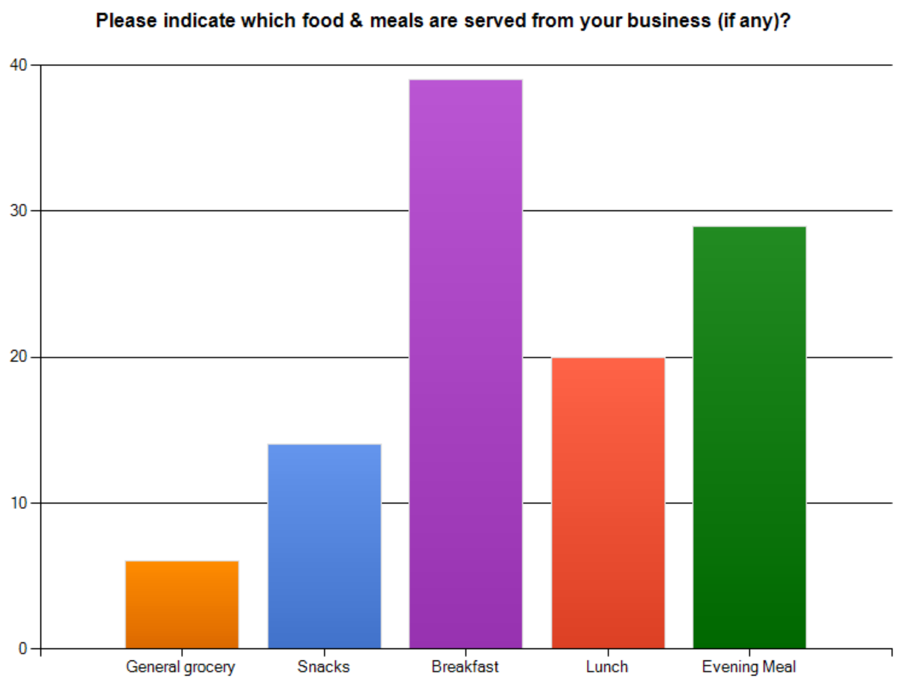


Local Food Providers

There was a wide variety of local food providers in the CNPA area represented in the food and drink providers survey. Of these 28 were accommodation providers (14 guest houses, 5 bed & breakfasts and 9 hotels), while 21 other types of traditional establishments serving meals also completed the survey (11 restaurants, 3 pubs/inns and 7 cafés). Sixteen tourism and activity providers completed the survey. These numbers when totalled provide a number greater than the overall 45 who provided a response; some businesses indicated more than one business type on their survey return.

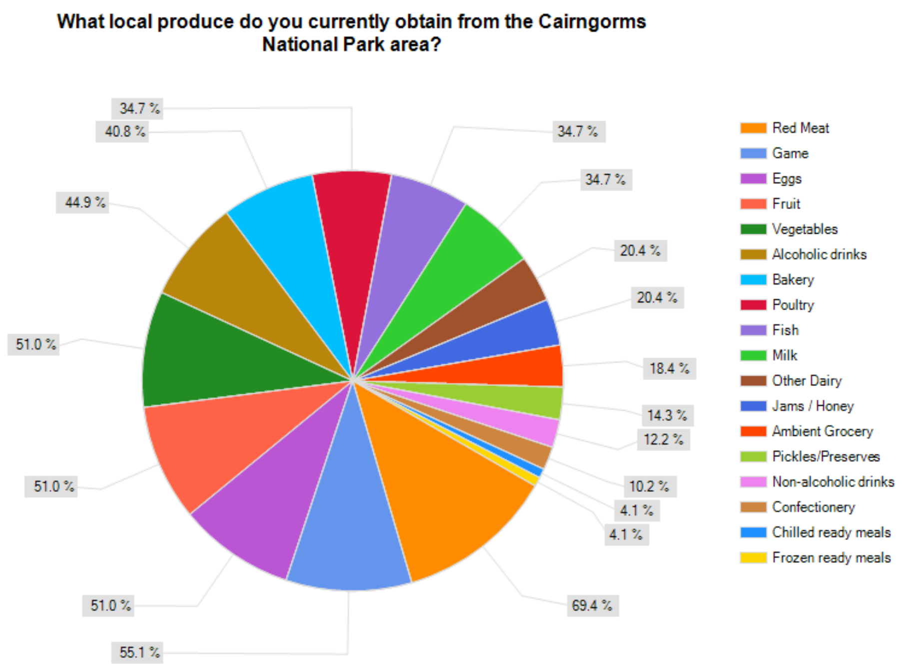
A total of 57 providers completed the overall survey.



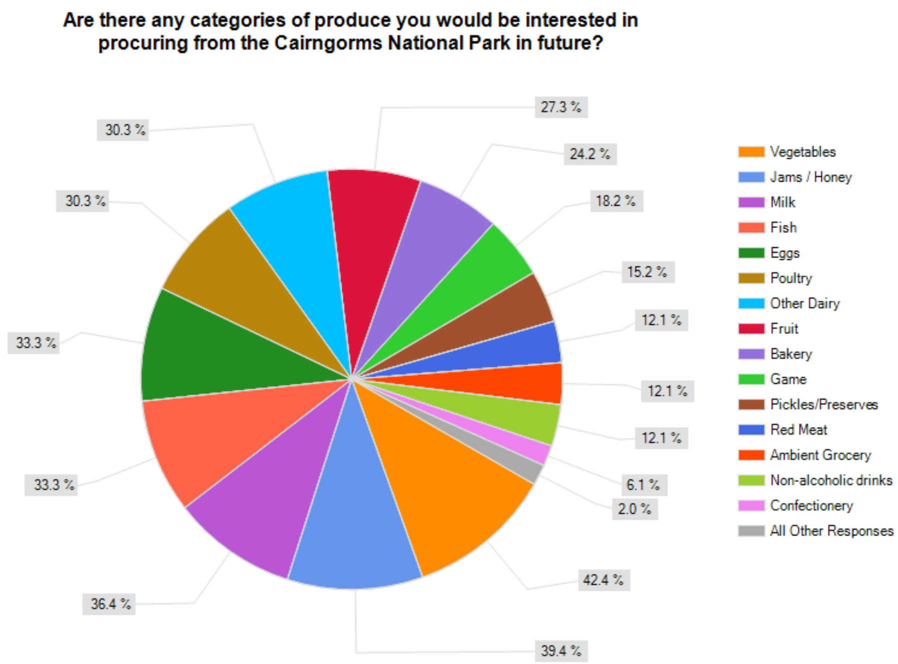


The main meal provided through responses was breakfast by 86.7% of the 45 who completed the question. An evening meal was offered by some 64.4% of respondents and lunch by 44.4%.

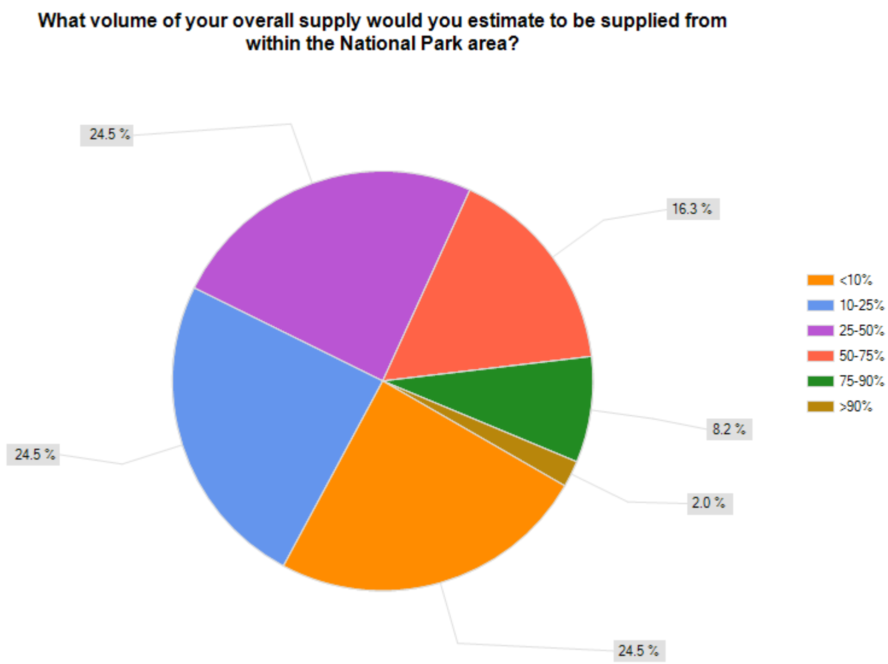
In terms of the purchases made by local food providers, over 50% of respondents were buying red meat (69.4%), game (55.1%) eggs, fruit and vegetables (all 51%) from within the CNPA area.



The category most requested by food providers was vegetables, with 14 responses from the 33 completed highlighting this as a key requirement. Another 13 respondents identified jams or honey and a further 12 would most like to source milk locally. Other areas highlighted as significant were eggs, other dairy, poultry and fruit. Cheese was also specifically identified by some as a product which would be desirable to source locally.

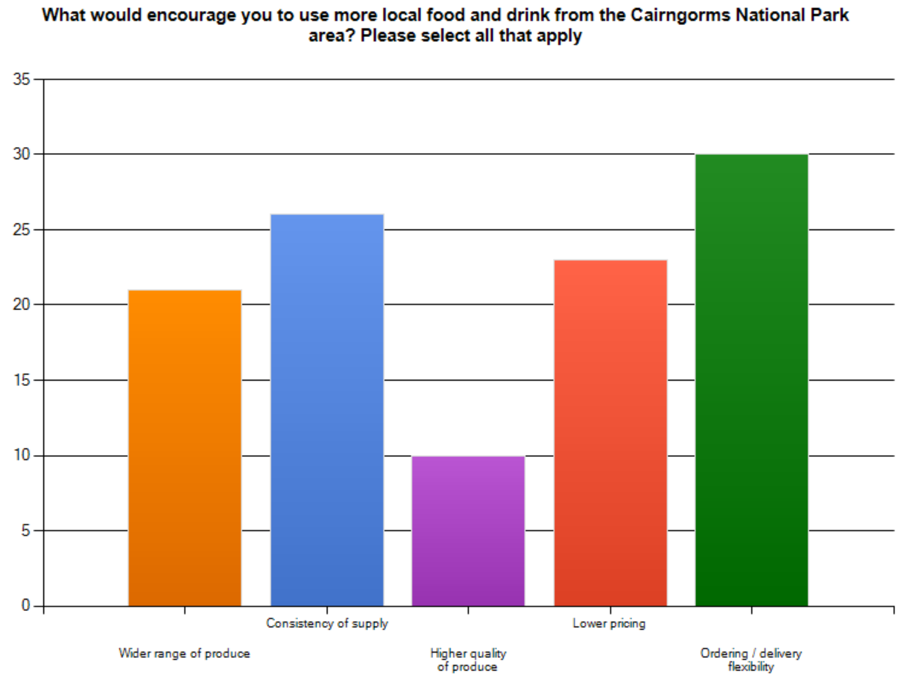


A large number of providers are members of certification schemes, with 42 of the 43 respondents being members of a VisitScotland scheme. Five respondents are members of the EatScotland certification scheme.



There were relatively even splits with regard to estimates of supply of food and drink procured from the CNPA area. There were 12 respondents in each of the first three categories; between less than 10% up to 50% of supply sourced from within the CNP area.

In terms of encouragement for food providers to procure local food and drink supplies, the most frequently cited encouragement to use more local food and drink was flexibility in ordering and delivery by 30 of the 43 respondents. A further 26 looked for consistency of supply, 23 cited lower pricing and 21 sought a wider range of produce. Specific comments highlighted availability of produce as another key concern.



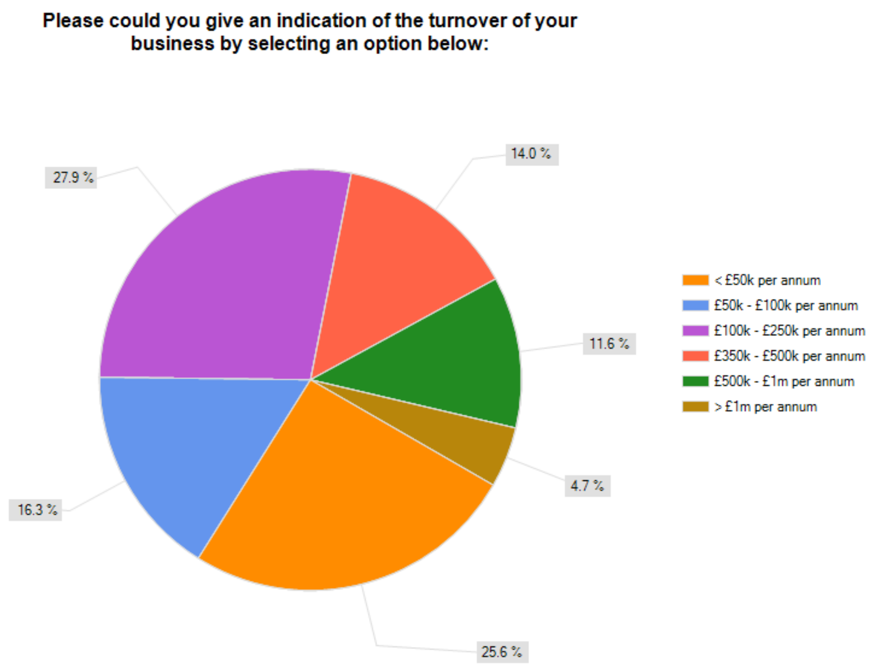
Many of the reasons cited above are echoed in the comments regarding barriers to securing further supply, with availability, consistency and delivery all key areas where food providers felt improvement could be made. See comments below:

"Some products just aren't grown or reared in the Park, e.g. most vegetables/salads/herbs, poultry, pork, dairy. Some products aren't readily available in the quantities or specification we require, e.g. prime cuts of meat. Some products are better (we believe) in other areas of Scotland, e.g. quality & consistency of meats. Some potential suppliers lack the sort of customer focus that would give us confidence to deal with them as partners - many seem quite ambivalent about supplying in the small quantities that most local restaurants will require. Delivery and distribution is currently difficult. We do buy significant amount of produce from close to but outside of the Park, and perhaps the availability of produce within, say, 100 miles needs to be taken into account when conducting this study." **Hotel Chef/Owner**

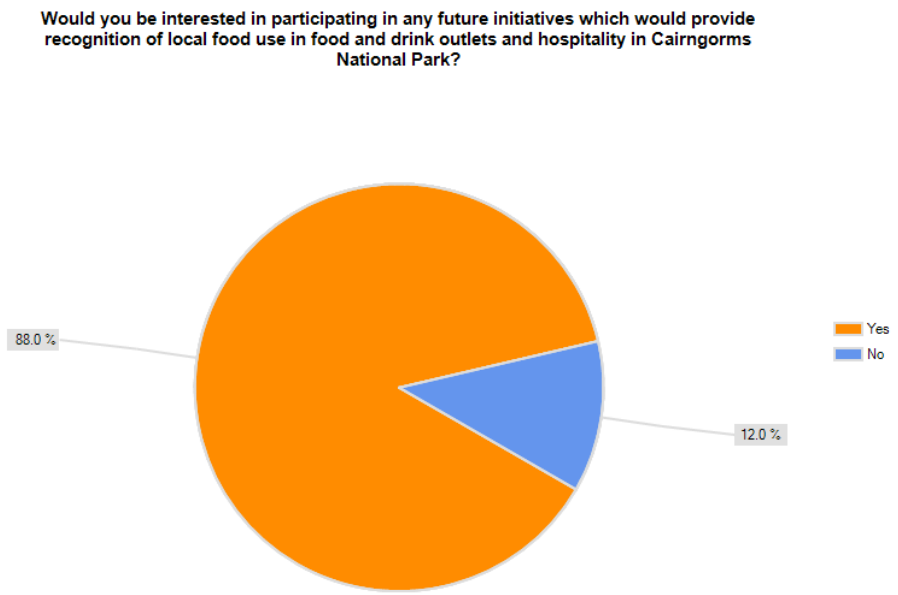
"We are a demand led business that is heavily weather dependant. If the weather is good - the cafe needs to re-stock quickly. This is easily done via a national supplier but not so easy when dealing with smaller suppliers." **Activity Provider**

"Find local trade very helpful and good value with excellent products" **Guest House Owner**

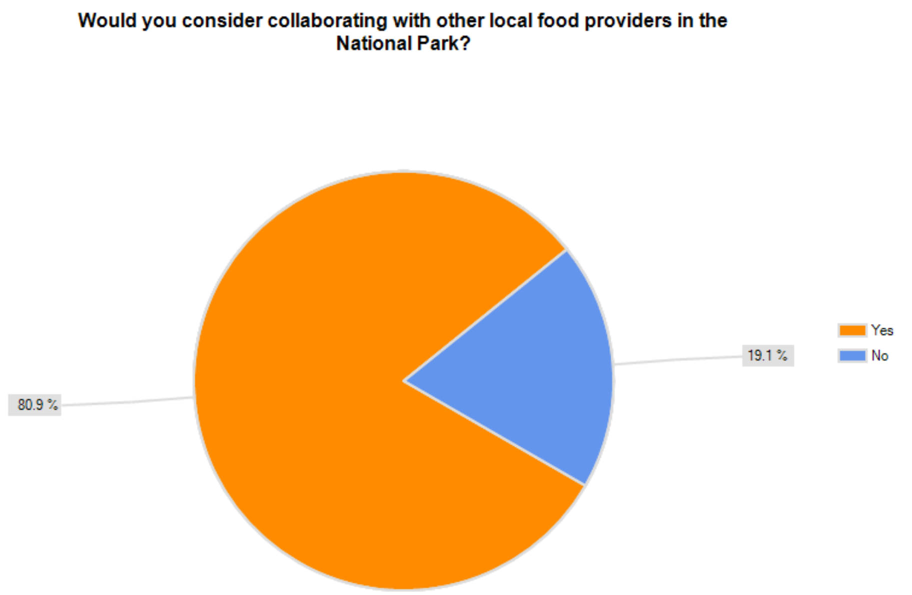
There were a small number of enterprises indicating high turnover, with two businesses from the 43 responses reporting turnover exceeding £1 million. The largest proportion of respondents (12) reported turnover in the category of £100,000 to £250,000. A significant proportion (11 respondents) were in the lowest turnover category, less than £50k.



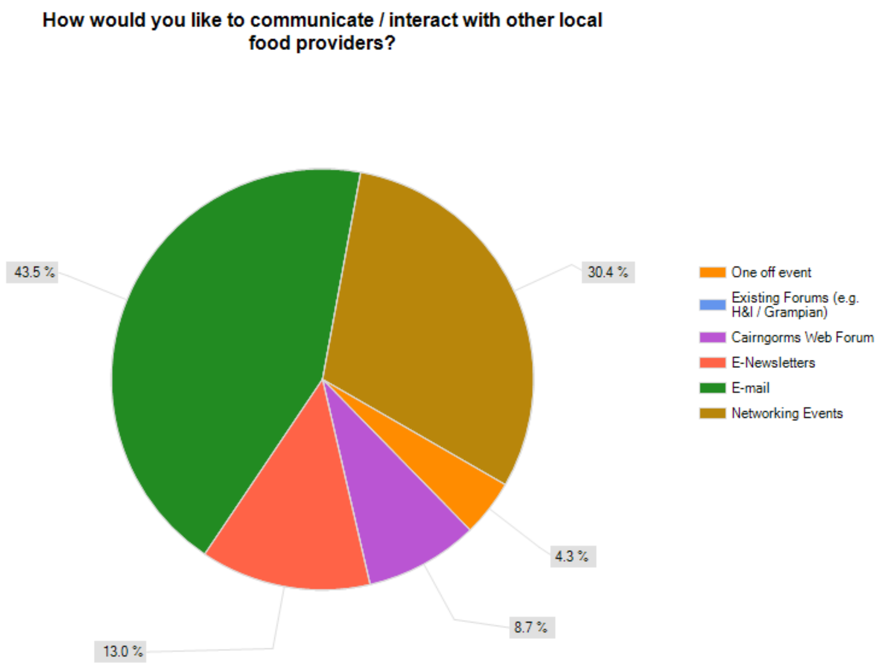
A large number of food and drink providers (44 responses from 50) indicated that they would be willing to participate in a future initiative providing recognition of local food & drink in the region.



88% of food providers would be interested in participating in initiatives providing recognition of local food use, while 80.8% (38 from 47 responses) would be interested in collaborating with other food and drink providers.



43.5% (20 of 46 responses) of local food providers preferred communication or interaction with other food and drink providers via e-mail. A substantial 30.4% (14 businesses) were interested in a networking event. This is higher than the food and drink producers' response with regard to a networking event.



4. Food and Drink trends in the Cairngorms National Park

An objective of the audit of local produce in the CNPA includes a review of available datasets to provide an understanding of the sector and its trends. This paper illustrates the key trends of the food and drink sector in the CNPA and provides a comparable assessment against other regions and the national picture.

The food and drink sector

It is recognised that the food and drink industry in Scotland encompasses a wide range of activities including agriculture, fishing and manufacturing and has a considerable supply chain including food and drink wholesaling, retailing and the food service sector.

A broad definition for the food and drink sector for the CNPA has been developed as part of this review. This definition has been guided by the national definition presented in a number of publications but formed according to the availability of statistics at the local level. In broad terms this comparable and trend assessment has assumed the following definitions:

Food and Drink in the Cairngorms National Park: Definitions

Definition	Coverage	Standard Industrial Classification (SIC)
Food and drink industry	Agriculture	Scottish Government, Agriculture Census data*
	Fishing	5.01 Fishing
		5.02 Operation of fish hatcheries and fish farms
	Food and Drink Manufacturing	15 Manufacture of food products, beverages
	Plus Food and Drink Wholesaling	51.3 Wholesale of food, beverages and tobacco
	Plus Food and Drink Retailing	52.1 Retail sale in non-specialised stores *(excluding 52.12 Other retail sale in non-specialised stores)*
		52.2 Retail sale of food, beverages and tobacco in specialised stores *(excluding 52.26 Retail sale of tobacco products)*
	Plus Non Residential Catering	55.3 Restaurants
		55.4 Bars
		55.5 Canteens and catering

* Agriculture included within IDBR figs but not within SABS data

The national food and drink sector definition includes agricultural and is based on the Scottish Agricultural: Output, Input and Income publication – but figures are not available at the local level. The data used as part of this assessment mirrors the data used to measure the national food and drink sector. Aspects of the data are not available at the local level but this assessment enables a robust and consistent comparison between other regions and the national picture. The data has been sourced from the Annual Business Inquiry (ABI) and the Inter-departmental Business Register (IDBR). ABI excludes Agriculture in this analysis whereas IDBR data includes this sector.

The source data used in this review has been endorsed and cross checked by the Scottish Government's Corporate Sector Statistic team.

The following postal codes make up the enlarged CNPA area and these have been used to assess the scale and scope of the food and drink sector – according to available datasets.

CNPA Postcodes

CNPA Postcodes	
AB35 5	PH20 1
AB34 5	PH21 1
AB36 8	PH22 1
AB37 9	PH23 3
DD8 4	PH24 3
DD9 7	PH25 3
PH11 8	PH26 3
PH19 1	

The business data presented in this review is taken from (1) Annual Business Inquiry (ABI) (2) a Scottish extract of the Inter Departmental Business Register (IDBR). ABI is conducted by the Office for National Statistics (ONS). The ABI estimates cover UK businesses registered for Value Added Tax (VAT) and/or Pay As you Earn (PAYE), classified to the UK Standard Industrial Classification (SIC) system.

ABI provides data mainly on the Manufacturing, Construction and Service Sectors in Scotland. The ABI, from which the statistics are derived, covers approximately two thirds of the economy. The main sectors not covered are agriculture (Groups 01.1, 01.2, 01.3), financial intermediation, public administration and defence and some of the public sector.

The IDBR is maintained by ONS and is a database of all registered enterprises operating in the UK, i.e., enterprises that are registered for VAT and/or PAYE. It covers 99% of economic activity in the UK. Those excluded are small sole traders or partnerships with no employees and an annual turnover of less than the VAT threshold.

The key reason for including both ABI and IDBR data is due to the latter covering the entire Agriculture sector. IDBR is normally used to look at business stock whereas ABI is the preferred source for comparing financial variables within industries over time.

Notwithstanding the coverage restrictions associated with available datasets, which is magnified when assessed at the local level, the aim of this review is to summarise nationally available datasets and to present comparisons and trends. The restrictions in coverage and sector are consistent across the spatial areas and time series and therefore this research is valuable in highlighting the scale and scope of the food and drink sector in the CNPA.

The analysis has been presented at national, regional and local levels, thereby enabling comparison to be made against national, regional and the Loch Lomond and Trossachs National Park area. In terms of regional comparisons the following regions have been summarised:

Regional Definitions

Region	**Local Authorities**
Grampian	Aberdeen City and Aberdeenshire and Moray
South	Dumfries and Galloway and Borders
West	Ayrshires, Lanarkshires, Dunbartonshires, Glasgow, Renfrewshires, Inverclyde
Tayside/Fife	Dundee, Perth and Kinross, Angus and Fife
Lothians	Mid, East, West Lothians and Edinburgh
Highlands	Highlands, Western Isles, Orkney, Shetland & Argyll and Bute
Central	Stirling, Clackmannanshire, Falkirk

The following analysis summarises the key findings from the review of available national statistics. The detailed review is contained in the Annex.

The National Overview

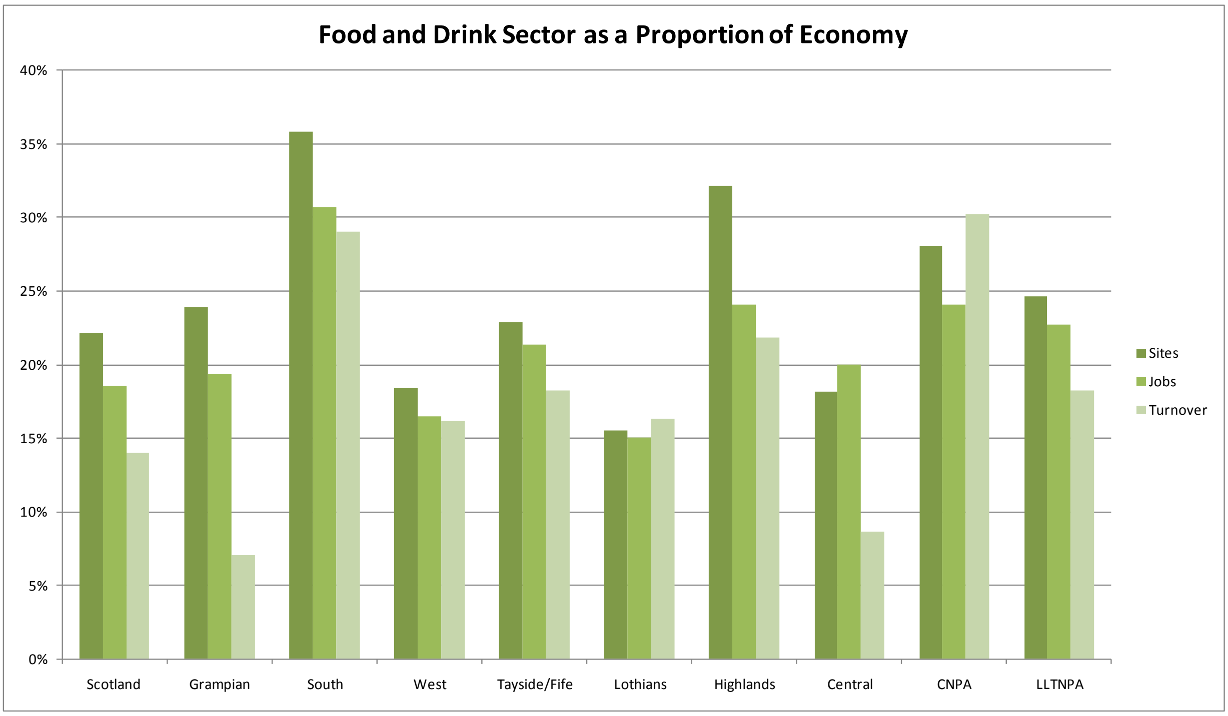
The food and drink sector generates £10.2bn per annum in gross value added (GVA) to the Scottish economy, increasing from £6.4bn in 2001. The sector employs almost 370,000 people and generated a combined turnover of £34.1bn in 2008. The food and drink industry is recognised as a key sector by the Scottish Government through its significant contribution towards the nation's wealth.

The food and drink sector accounts for a significant part of the Scottish economy and reflects the contribution of all areas of Scotland. It is not only important to the economy but it cuts across many other areas of life in Scotland, for example, in health, education and the environment. Food and drink was Scotland's top exporting industry in 2007. Also, the spirits sector, especially whisky, is very important in terms of value added and export potential. The whisky sector accounts for over 30% of 'Scottish food and drink' total turnover and over half of its total GVA – many of these companies are located in or in close proximity to the Cairngorms National Park.

The Cairngorms Overview

The food and drink sector in Cairngorms only represents around 1% of national GVA in this sector. However, it does represent a significant proportion of the CPNA area economy. The figure below demonstrates that 30% of total business turnover in the area is aligned to food and drink enterprises. The proportion of business premises and jobs is also significantly above the national average.

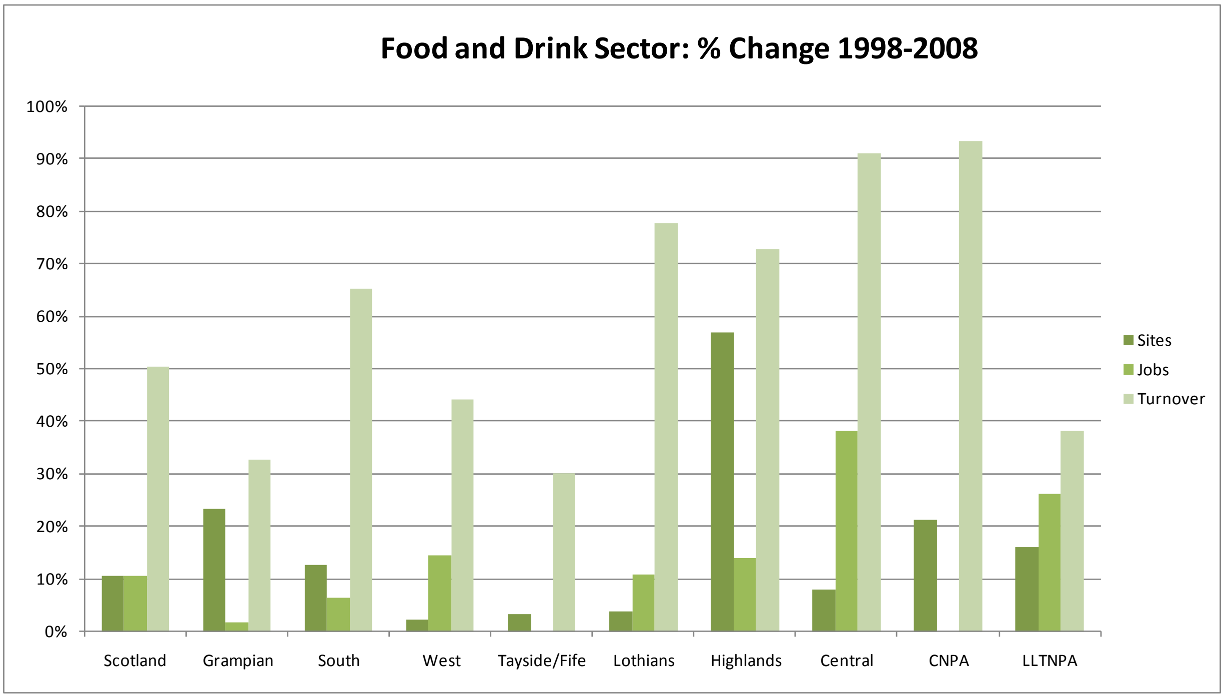
It is apparent that the food and drink sector is of strategic importance to the CNPA area – and proportionally more significant than food and drink in the Loch Lomond and the Trossachs National Park.



Note: Turnover excludes financial intermediation sector
Source: IDBR, March 2010

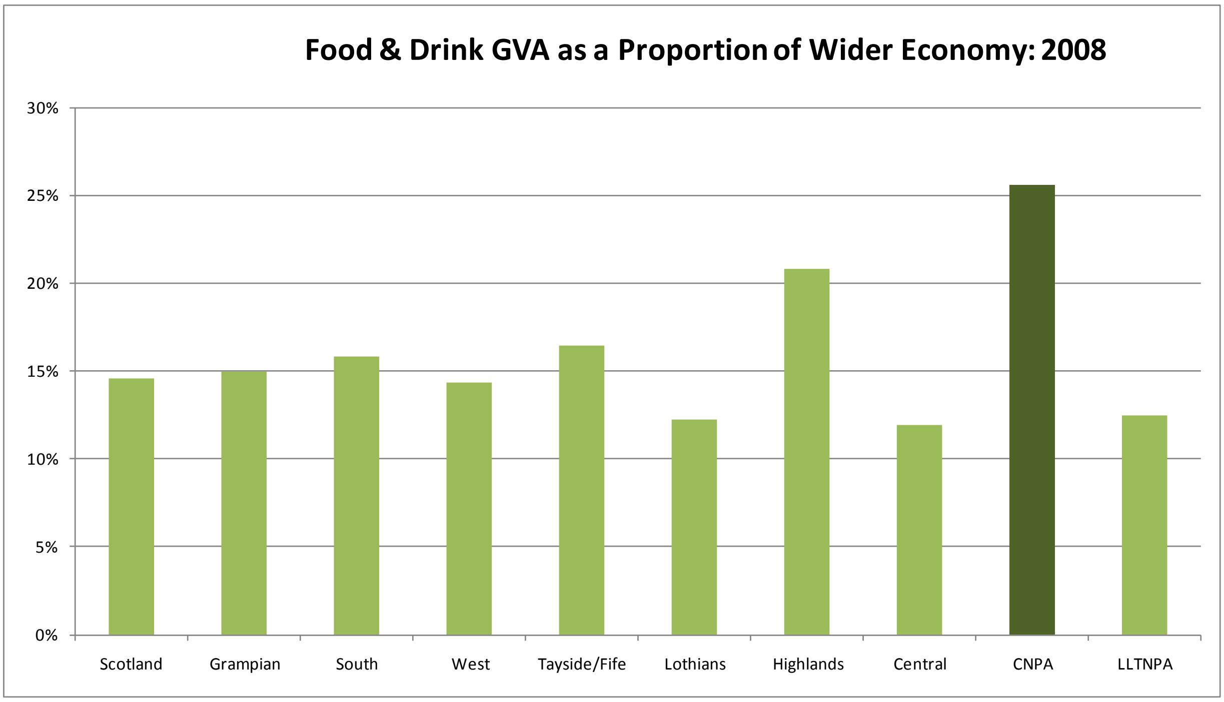
Many locations in Scotland have seen a steady increase in the number of business premises; however, the CNPA area has witnessed a 20% increase in business sites over the period 1998-2008 – compared to 10% nationally.

Nationally, the number of jobs in the sector has also expanded by around 10%, however the CNPA area recorded zero growth in the number of jobs but did witnessed the highest level of turnover growth over the same period, where total business turnover increased by more than 90%. This suggests that although the sector has recorded a substantial increase in financial value, this has been achieved without measurable employment growth. This is likely to be related to the whisky sector, and the growth achieved through new capital intensive working practice resulting in enhanced productivity and profitability.



Source: ABI, 2008

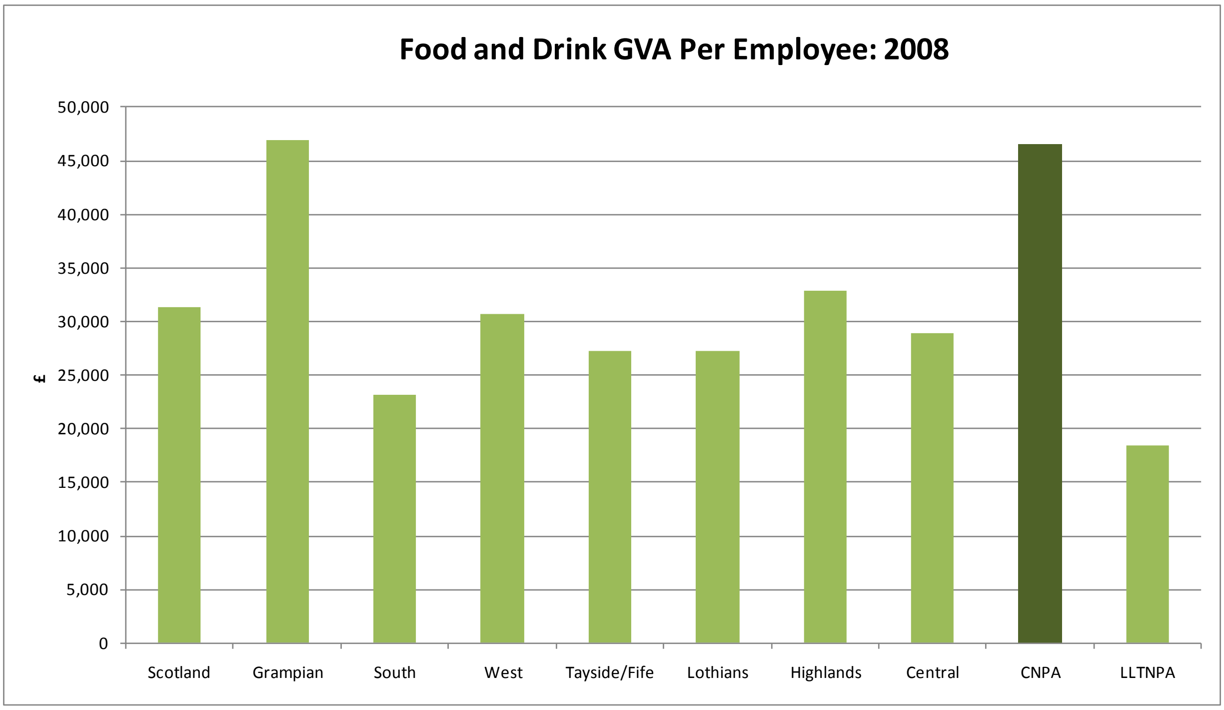
Gross value added, or GVA, measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. Collectively the GVA of food and drink businesses in the CNPA area represents 25% of the wider economy (note the ABI does not include agriculture or the financial sector). As noted with turnover, the food and drink sector plays an important role in the CNPA economy. In comparison with other regions, including the LLTNPA area, the food and drink sector plays a more significant economic role in the CNPA area.



Note: Wider economy is defined as Fishing, Manufacturing, Construction and Service Sectors (excludes financial sector)
Source: ABI, 2008

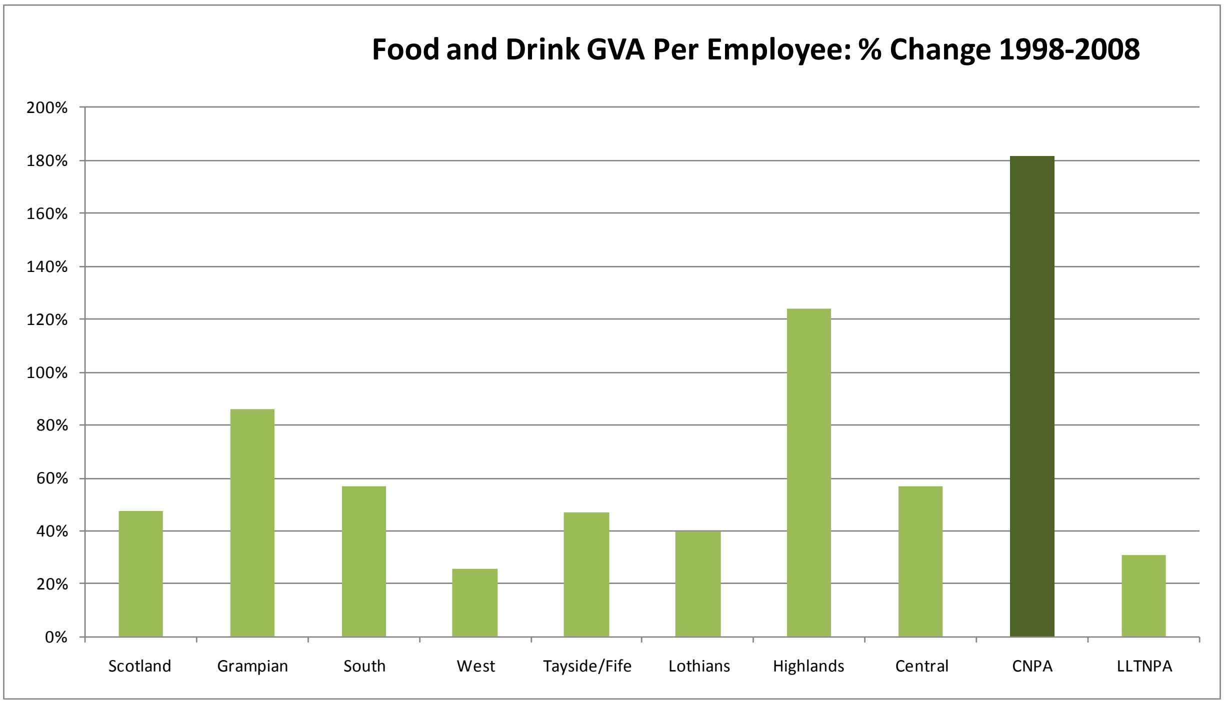
In terms of GVA per employee, or the total level of GVA divided by the number of employees, the sector is a significant contributor to local economic wealth. The level of GVA per employee is greater than most regions and £10,000 greater than the national average.

GVA per employee in the food and drink sector in the area is also higher than the average GVA per employee at national level - £39,400 across all sectors. As well as being a key sector in terms of jobs, turnover and business activity, it is of a high economic value and vital to the areas wealth. It should be noted that GVA per employee can be a volatile variable for such a small area, and may be subject to large changes in future years.



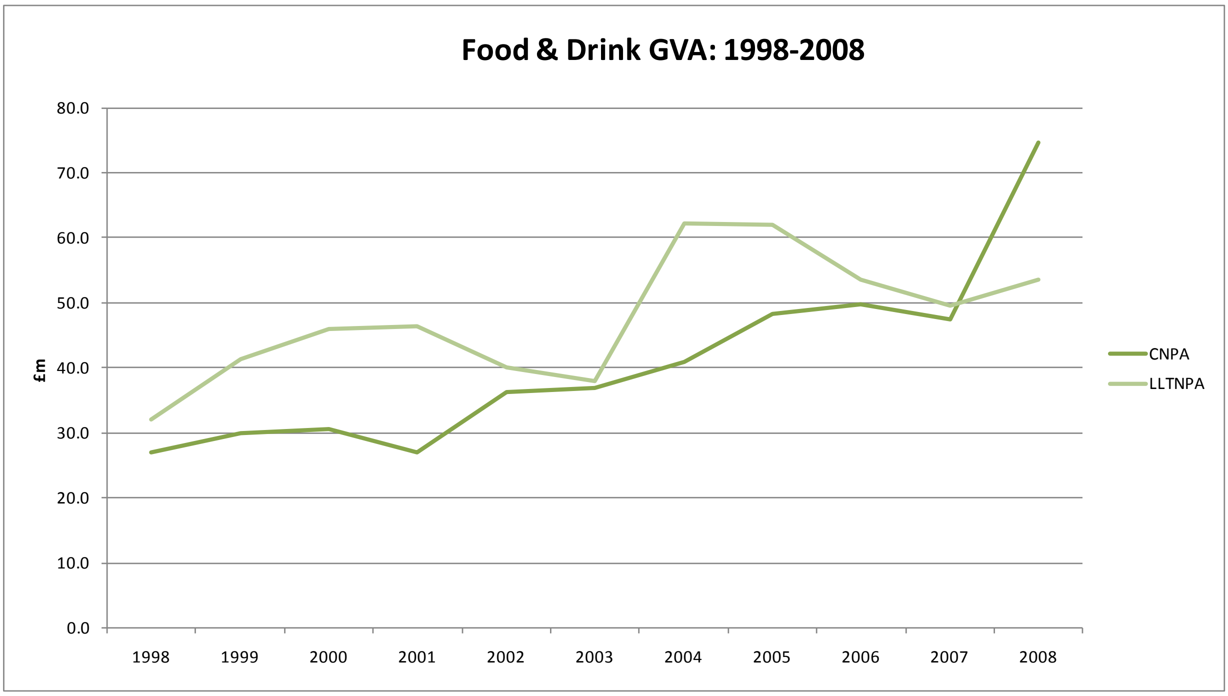
Source: ABI, 2008

The scale and importance of the food and drink sector in the CNPA has expanded rapidly over the period 1998-2008. The sector has recorded the greatest increase of all regions, a substantial element of its value and growth is envisaged to have been contributed by the whisky industry and its supply chain.



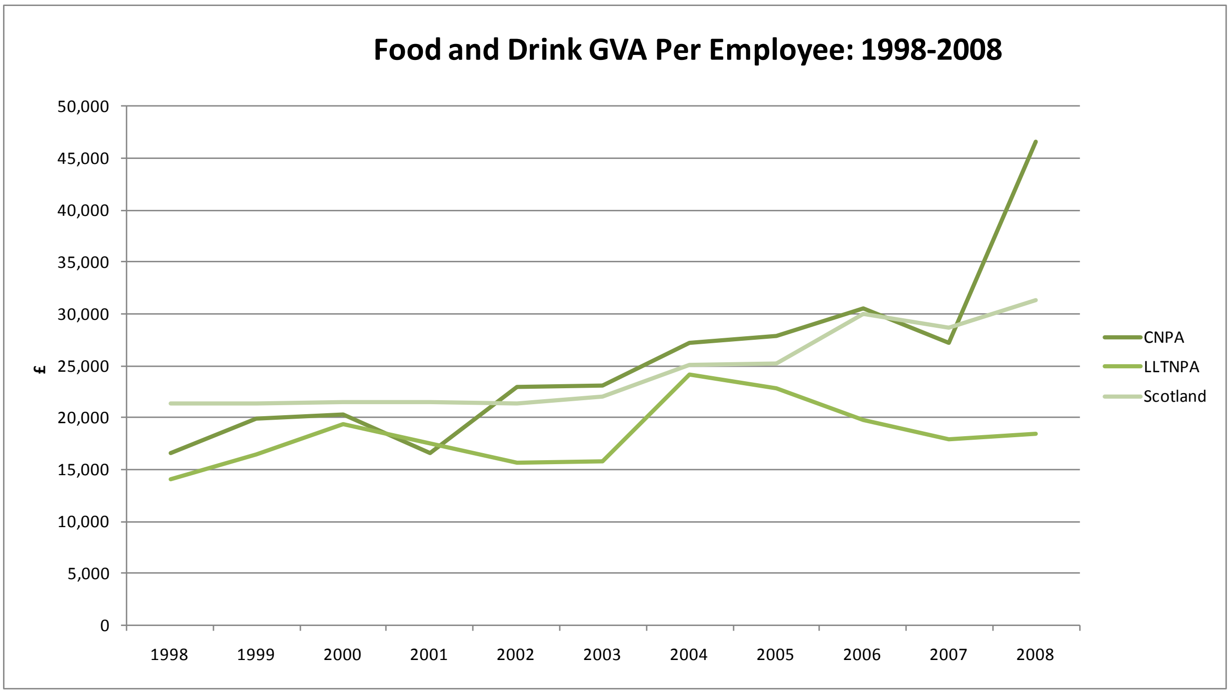
Source: ABI, 2008

The total GVA value of the sector peaked sharply during the period 2007/08; this resulted in the sector being greater in gross terms than the LLTNPA area. GVA data for 2009 is not yet available but this should be reviewed to assess if this growth has been sustained.



Source: ABI, 2008

GVA per employee in the sector has closely tracked the national average and generally outperformed the comparable sector in the LLTNPA area. The sector witnessed a sharp increase in the 2007/08 period and further analysis of 2009 GVA data will provide a better understanding if this increase is part of a wider trend.



Source: ABI, 2008

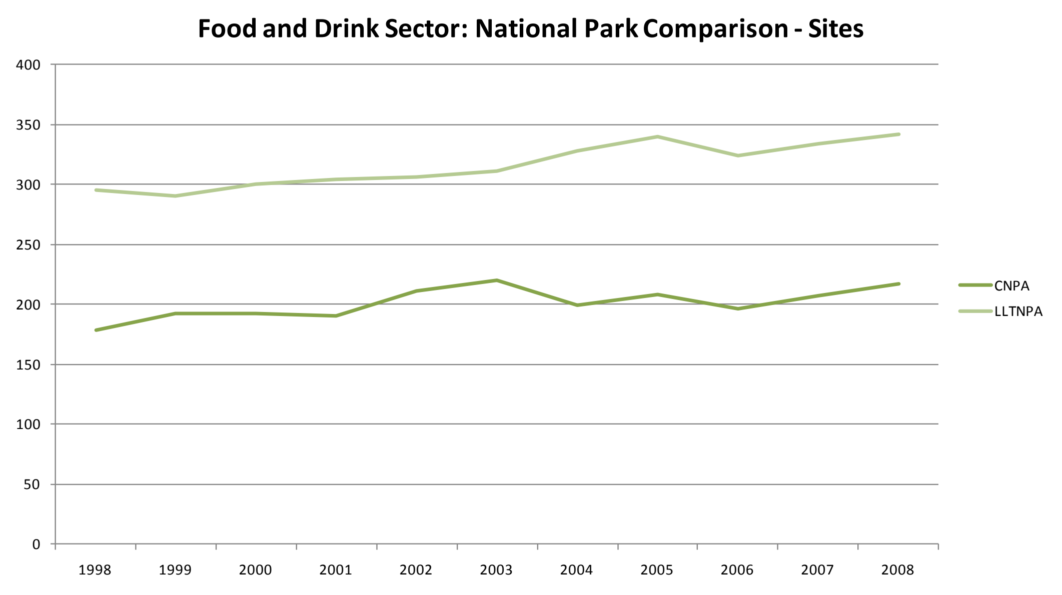
Although GVA has risen sharply over the period, it should be noted that the number of business premises and jobs has remained relatively static over the period 1998-2008, whereas these have risen in the LLTNPA area. However, the financial value arising from the food and drink activities in the CNPA area has steadily increased over the same period – see figures overleaf.

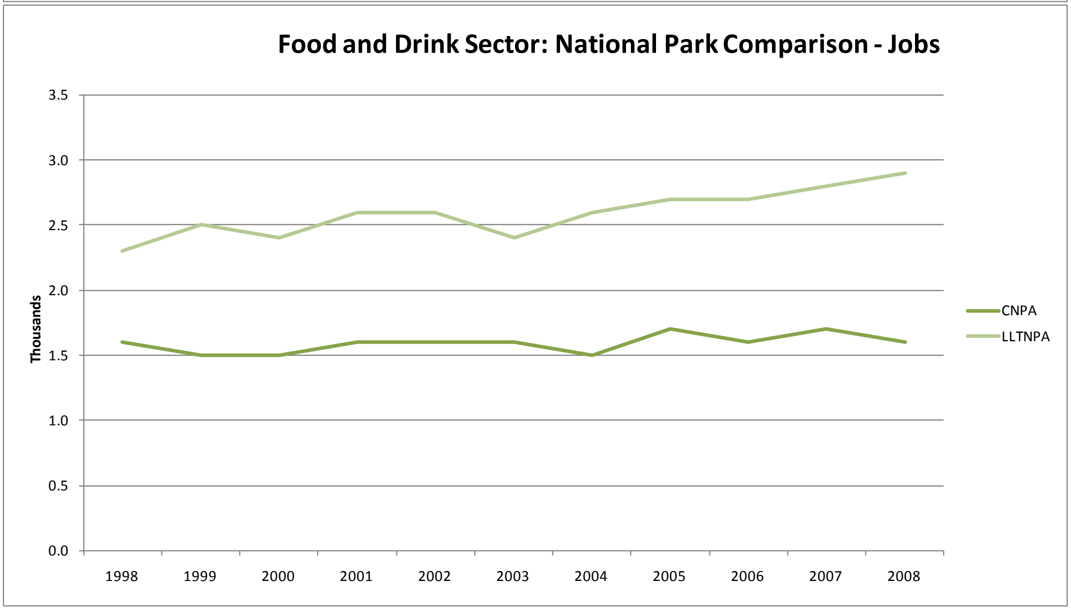
It is apparent from this assessment that the food and drink sector, and its supply chain is amongst the most important economic activity in the national park. Proportionally the sector has a greater economic role than both the national and regional pictures. Although a smaller area and fewer food and drink related sites and jobs, the industry has a greater economic output than the LLTNPA.

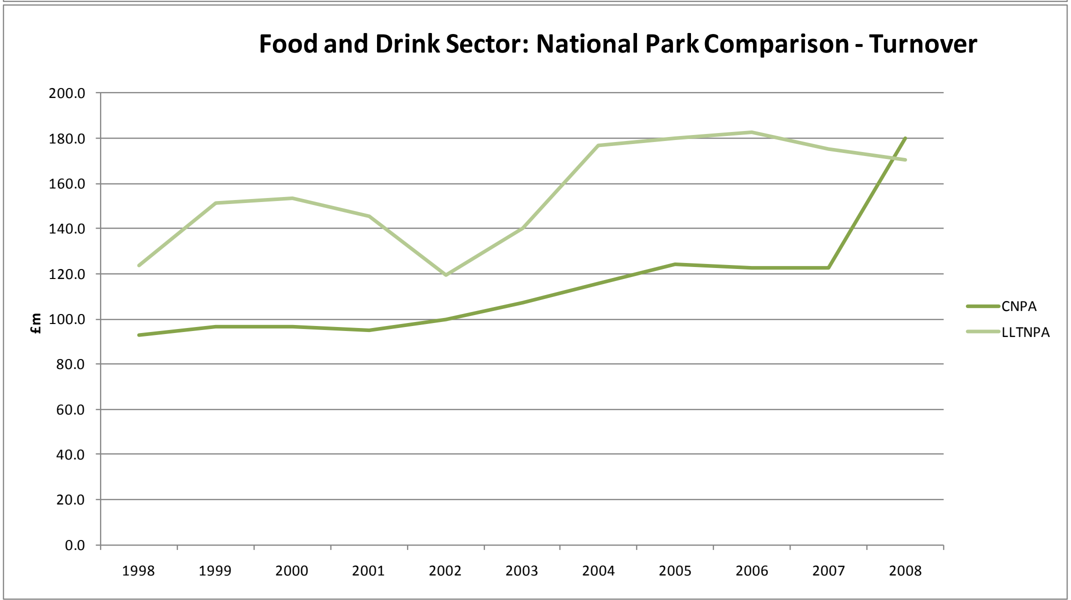
It is evident from this assessment that food and drink businesses have continued to be more productive, and likely profitably through increase sales and turnover, without recruiting additional staff or new operating bases. Both national park areas have a similar number of business premises but LLTNPA has significantly more employees in the food and drink sector. Again, the lower level of employment but greater level of GVA, both in gross terms and per employee, highlights the apparent 'whisky' factor in the CNPA area.

In economic development terms, the scale of GVA arising from the sector is impressive and the challenge for local partners will be to sustain these levels. Whilst the whisky industry is the key contributor to the sector and its supply chain can offer wide opportunities and local benefits – there is clear benefit to diversify the industry further – including the links to the sizable tourism sector and the opportunities afforded by other key segments including export, health and provenance.

The results summarised above and detailed in the annex are driven from medium and large scale enterprises and the smaller businesses are not picked up in the official national datasets. There is a need to dovetail this assessment with the findings of the primary research to present a robust analysis which can be used to support recommendations capable of sustaining growth. The annex has been designed in a manner which enables the CNPA to update from available sources in future years.







Source: ABI, 2008

5. Agricultural Data Review

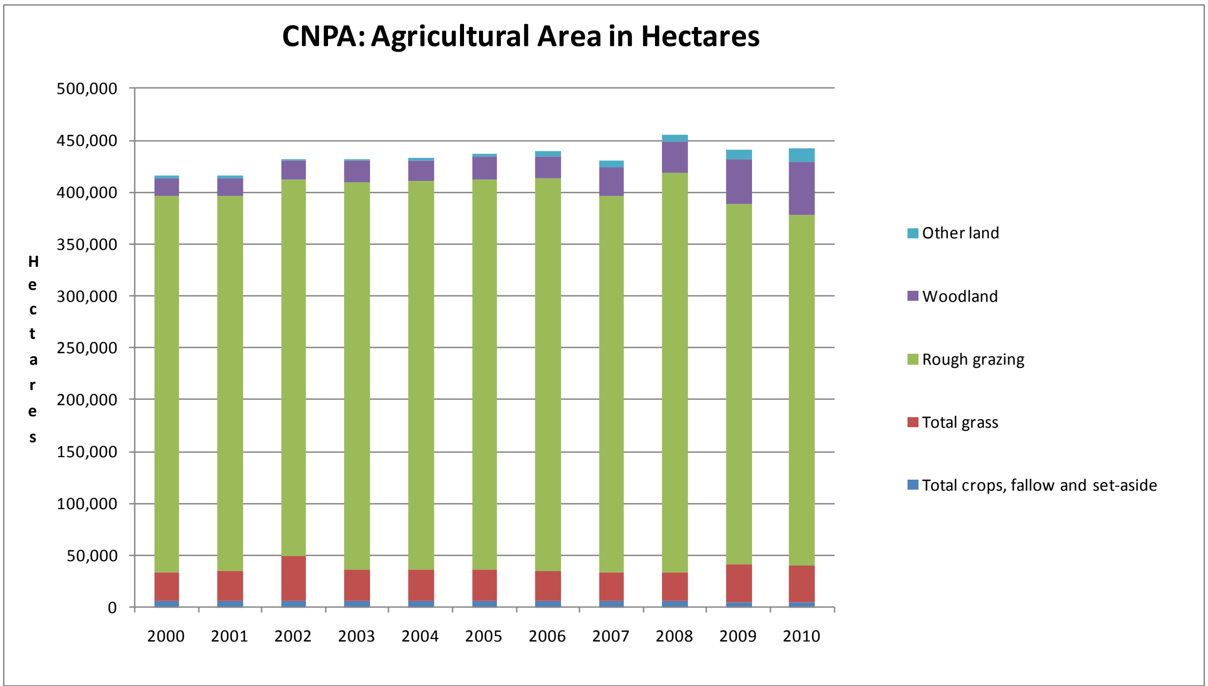
Introduction

In addition to business and financial statistics for the food and drink sector in the CNPA area, the Scottish Government (as part of EU guidelines) collates agricultural statistics. The Scottish Agricultural Census captures data on land use, crop areas, livestock and number of people working on agricultural holdings. These statistics are used by government and stakeholders to assess agricultural activity by different sectors of the industry and to inform related debate and policies.

The following paper summarises some key trends between the CNPA area and the national level in relation to land use, livestock and workforce. More detailed figures are presented in Annex 1.

Land Use

A summary of the proportion of land type and key changes over the period 2000-2010 at the CNPA area level is presented below:



Source: Scottish Agricultural Census 2000-2010

The above figure highlights that 'rough grazing' makes up more than three quarters of total agricultural land in the CNPA area, this compare to 57% nationally. 'Crops, fallow and set-aside' only represent 1% locally, where these represent 10% at the national level. The proportion of 'grass' at CNPA level (8%) is also significantly below the national average (24%).

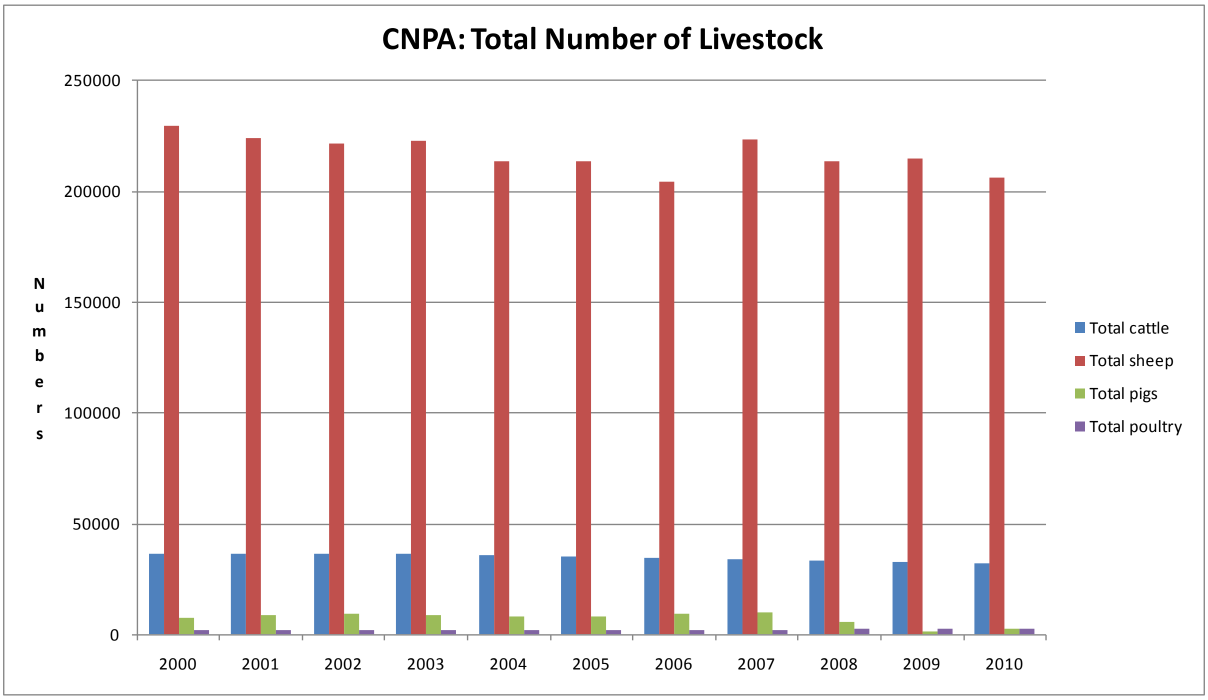
Land Use as % of Total Agricutural Area		
Land Use	**CNPA**	**Scotland**
Total crops, fallow and set-aside	1%	10%
Total grass	8%	24%
Sole right rough grazing	76%	57%
Woodland	11%	7%
Other land	3%	2%

There has been a significant increase in the level of 'woodland in agricultural holdings' at the CNPA area over the past decade (+188%), compared to +99% at national level. The area of 'crops, fallow and set-aside' has declined more at the local level (-19%) than nationally (-12%). 'Grass' has increased at twice the rate than the national picture. Overall, the total area of agricultural land has increased by 6% over the period 2000-2010 in the CNPA area, compared to 3% nationally.

Land Use % Change 2000 - 2010		
Land Use	**CNPA**	**Scotland**
Total crops, fallow and set-aside	-19%	-12%
Total grass	31%	16%
Sole right rough grazing	-7%	-6%
Woodland	188%	99%
Other land	598%	65%
Total agricultural land	*6%*	*3%*

Livestock Type

Sheep are the predominating livestock type in the national park area, representing 84% of total livestock numbers, cattle represent 13% and pigs and poultry are around 1% of total livestock in the CNPA area.



Source: Scottish Agricultural Census 2000-2010

The proportion of sheep in the local area (84%) is significantly greater than at the national level (29%). Pigs and poultry as a proportion of total livestock are significantly lower than at the national level, notably poultry which make up 62% of national livestock compared to 1% in the CNPA area.

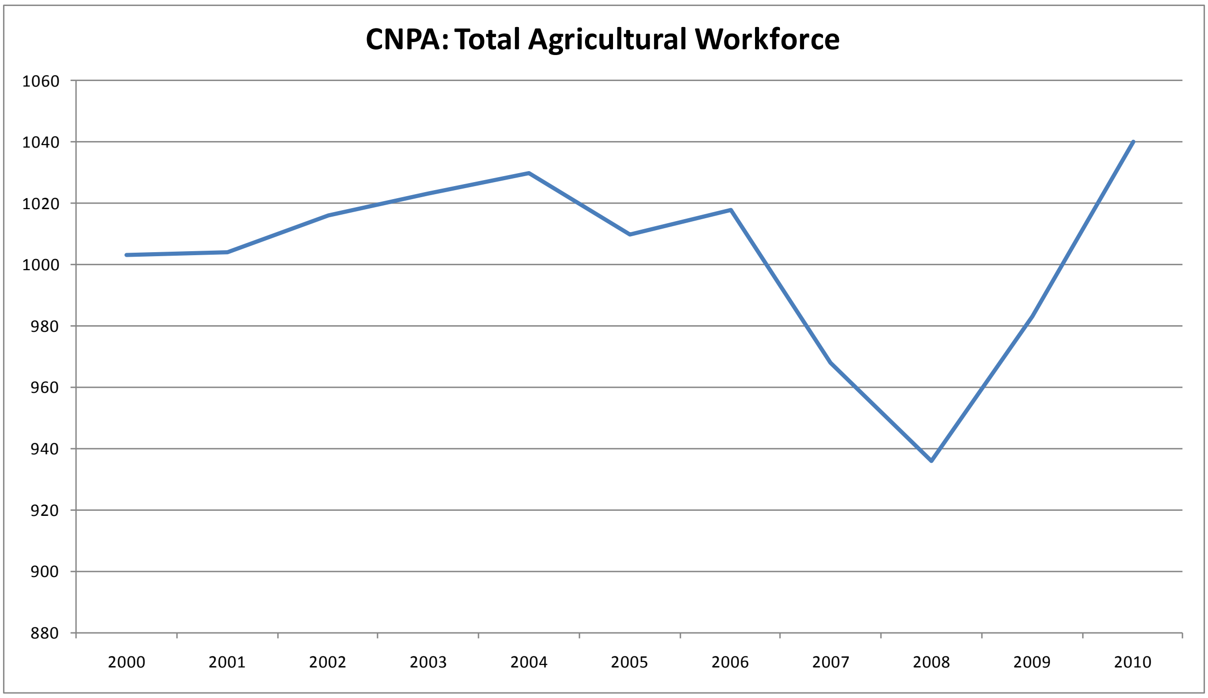
Livestock Type as % of Total Livestock		
Total cattle	13%	8%
Total sheep	84%	29%
Total pigs	1%	2%
Total poultry	1%	62%

Generally, the number of livestock has reduced over the past ten years – notably the number of pigs the CNPA area, where there has been a reduction of 5,000 or -62%, compared to only a 27% reduction nationally. Sheep numbers have dropped by 23,000 or 10% locally, but less than the national reduction of 26%. Although there is not a significant number of poultry in the CNPA area, they have increased by 800 or 42%, compared to 2% nationally.

Livestock Type % Change 2000 - 2010		
Livestock Type	**CNPA**	**Scotland**
Total cattle	-12%	-10%
Total sheep	-10%	-26%
Total pigs	-62%	-27%
Total poultry	42%	2%

Workforce

The number of people working on the agricultural holdings in the CNPA has increased by 4% over the period 2000-2010, having seen a significant increase over the past two years – now employing more 10,040 people. Nationally, the figure has shrunk from 69,500 to 66,600 over the same period, a fall of 3%.



Source: Scottish Agricultural Census 2000-2010

6. Local Food & Drink Trends

There has been a trend towards local food amongst consumers in recent years, as evidenced by the growth in farmers' markets, farm shops and online sales. Farm shops have been cited as the fastest growing sector in the retail market (FARMA 2008).

Additional reports on attitudes towards local food have pointed towards food safety concerns and a wide range of factors driving the demand for local food. According to the Institute of Grocery Distribution (IGD), freshness is the main key attribute in the demand for local foods, with 58% citing this as a key reason for purchase, although this had declined from 60% in 2006. 32% of consumers surveyed on their attitude also cited concerns for the environment. This level of concern has increased by 8% since 2006.

According to IGD (2008) "the fastest rising drivers are support for local producers at 44%, a rise of 15% percentage points since 2006". While these factors support local food in all sectors, including retail and foodservice, there are a varying number of factors contributing to the reason for purchase.

Consumers are becoming more interested in ethical issues and animal welfare according to IGD and FSA studies. While in a FSA Scotland study (2007) 15% of consumers had concerns over food miles, and therefore the environmental impact of food production, other larger (unprompted) concerns expressed by consumers related to livestock feed (18%), animal slaughtering techniques (18%) and antibiotics in meat (18%).

While many consumers are citing the support for local businesses as a key factor for their interest in local food, those consumers in the category identified by IGD as 'ethical consumers' are likely to be concerned about where their food has come from, whether a fair return goes to the producer (the fair trade principle) and the methods used to produce those goods.

There has been a rising consumer interest in ethically sourced goods in a period of difficult economic and market conditions, which suggests that "ethical consumerism looks set to maintain its position within food and grocery retailing. This may also signal a fundamental change in the way a certain proportion of shoppers shop for food and grocery products" (IGD 2008).

Some consumers will also cite low 'food miles' as a benefit in procuring food locally – food miles being defined as "the distances travelled by foodstuffs from farm gate to consumer". This remains a consumer perception linked to the benefit of local food repeated in the media, although there is limited evidence of food miles being an adequate measure of sustainability.

A survey carried out on demand for local food in the Highland & Islands in 2007-8 by the Food & Drink Team at SAC and local food consultants f3 identified that nearly 90% of consumers in the region were "interested" or "very interested" in buying locally produced food and drink, with 86% saying they had bought food produced in the Highlands & Islands for consumption at home in the past year. Rural residents were most interested in local produce compared to people living in more urban locations. Reasons for buying local food were most commonly that it supported the local economy (48%), followed by freshness (27%), taste (12%) and quality (9%).

Grossing up the survey indicated that in total, Highlands and Islands households could be spending around £200m a year on local food and drink. Most shoppers expected their overall food and drink spend to stay "about the same", but 38% said they would expect to spend up to 9% more on local produce, especially when eating out, similar results were expected if the survey were to be conducted over the whole of Scotland, with an estimated overall market in excess of £500m.

There has been a fast growing interest among UK consumers in food sourcing and provenance. The market for locally and regionally sourced food products in the UK is estimated to have grown by 15% from £3.75bn in 2005 to £4.3bn in 2007. (Source: Defra, IGD UK Grocery Outlook 2007).

Locally and regionally sourced products

IGD expects further growth for locally and regionally sourced products and predicts the market to be worth £5.7bn by 2012, an annual average growth rate of 5.8%. The boom in local foods is largely the result of a new wave of entrepreneurial producers. Most major retailers have helped by providing a greater range of regionally sourced produce.

Indications are that there are further significant opportunities for growth in local foods. Around half of consumers in a recent study (47%) say that they would buy more local produce if the availability could be extended. While there are different levels of commitment to local food, there is still perceived to be untapped demand (IGD 2008).

Committed shoppers may present the greatest opportunity. Scotland has one of the highest levels of local food purchase according to IGD, although the definition of local may be extended, as many consumers regard 'local' as having varied meanings and interpretations. 15% of consumers in Scotland view 'local' as produced within the county, while "22% of Scots believed local meant food produced in Scotland". In all, 75% of consumers (with varying definitions of distance) buy local food in Scotland, well above the UK average. The most likely consumers to buy local produce will live in rural areas, although the urban centres still represent an opportunity for local food sales (IGD 2008).

Farm shops' rise represents a major turnaround in the fortunes of small farmers who are, according to some industry sources, no longer held over a barrel by the multiples. While supermarkets dominate the total grocery market, independent retailers from farm shops to markets and specialists take the lion's share of the lucrative locally sourced produce market.

UK Retail Sales of locally sourced foods by market share

	%
Farm Shops	33
Multiple Retailers	26
Specialist Retailers	22
Farmers' markets	5
Box schemes	5
Convenience Stores	4
Pick your own	1
Others (Continental Markets, Shows etc.)	4
Total	**100**

Mintel – Locally Sourced Foods, September 2008

It should be noted, however, that Mintel's figures only include local sales within a 30-mile radius, county or region and not generic Scottish, English branding or the market share indicators would show a much greater market share in multiple retail.

While 'local sourcing' in multiple retail outlets has been subject to a varied interpretation in recent years, a shift is evident over the last few years towards stricter adherence to conventional interpretations of 'local'' and 'regional', as multiples take note of farm shops' success.

Farmers' markets are currently held at around 550 locations in the UK, with over 70 in Scotland, and the Cairngorms farmers' market taking place over four destinations in the National Park. Once largely held monthly, markets are more often held fortnightly or even weekly now but their market share is nonetheless impressive given their short opening hours in comparison with supermarkets or even farm shops.

UK farm shop numbers currently total around 2,000 and are the fastest growing retail sector, according to IGD. While some have beefed up their stock with imports in an effort to compete with supermarkets, others stick to local sourcing.

Shops are plentiful in Scotland but there are regions where farm shops are sparse. However, farm shops are likely to continue to grow in number and market share, with consumers keen to support the rural economy, reduce food miles and shop in independent stores.

The rise of farm shops has coincided with the decline of specialists such as butchers' and bakers' shops, suffered from supermarket competition, particularly out-of-town one-stop shopping – as they tended to have in-store bakeries and butchers.

In recent years, however, food scares and a rallying of support for independent retailers have resulted in a revival of specialist shops, with as many butchers said to be expanding as closing down shops.

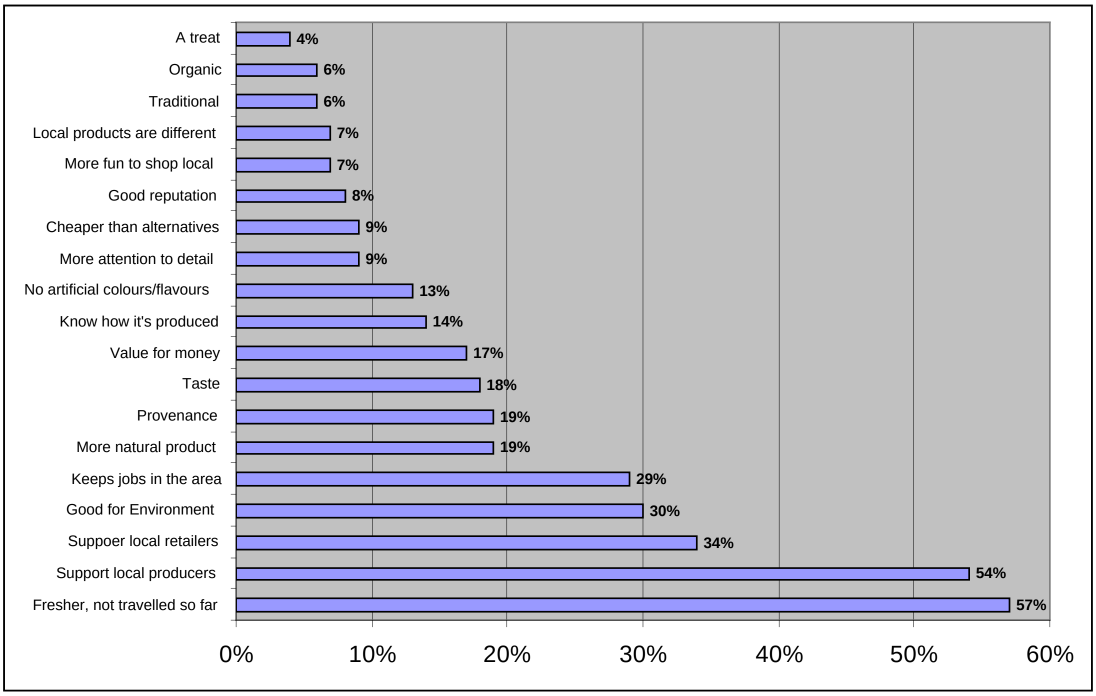
An additional aspect of Scottish provenance interest adding to these social trends can be food tourism. Food tourism can be briefly described as the opportunity to market value added produce to visitors and tourists within a region who will consider local food as part of their visit experience.

Surveys by VisitScotland (2005) have shown that more than 70% of potential visitors to Scotland want to taste traditional dishes, regional specialities and fresh local produce. Most indicate that they would be prepared to pay a little more for locally-produced food in the expectation of freshness, enhanced taste and interest in the community they are visiting. Unfortunately, this is not what many are offered. Many experience only "bland international" food and have difficulty finding the wonderful produce for which Scotland is famous, with the result that very few of these visitors would recommend Scotland for its food.

In 2005, UK tourists to Scotland spent £601m on food and drink which represented 20 per cent of their visit expenditure, while overseas visitors spent a further £241m. Over 70 per cent of potential visitors to Scotland indicated a strong interest in sampling distinctive Scottish food, local and regional specialities, fresh produce and traditional recipes.

Where the question over local food buying preferences was asked (IGD 2010) as indicated on the chart, consumers indicated that their support for small businesses was a key factor (54%, 34%). Combined this amounts to the biggest reasons for purchase, ahead of freshness (57%), consumers were interested in keeping jobs in the area (29%) and environmental reasons (30%).

Reasons for buying local food, 2010



IGD Shopper Trends 2010

Impact of Economic Change

According to the New Economics Foundation (NEF) local multiplier model, for every pound spent on local food, an estimated £2.59 is generated in the local economy, compared with the £1.40 generated by every pound spent at the supermarket.

In the context of the wider economy, the market share of local foods remains small at an estimated £400 million to £500 million in Scotland compared to the overall food and drink turnover in Scotland of £7.6bn (Scottish Government 2008). However, there is seen to be growth potential in economic terms in local foods, as local food may eat into established brand market share in future, as consumer survey figures indicate that 38% of consumers will increase their purchases of local food, and that this will not be affected by rising food prices. In the UK, the estimated size of the market for locally and regionally sourced food products in the UK has grown by 15% from £3.75bn in 2005 to £4.3bn in 2007 (IGD 2008).

There is some evidence that health has declined as a reason for purchase during the recession, but it remains an important influence in consumers purchasing decisions, due to awareness of rising levels of obesity among consumers.

There is also evidence of shoppers choosing to seek out promotional deals and discounted food and particularly in areas where there has been rising unemployment. Surveys on consumer attitudes carried out by various researchers in 2008 and 2009 indicate continued growth in interest in locally produced foods, fair-trade products, and from producers with high animal welfare standards.

Change in Consumer Profile & Attitudes

The overall summary for changes in attitude towards local food indicates that there remains strong interest in local foods, and particularly where there is evidence of a benefit to health, animal welfare or a return to the local community. It must be noted, however, that all analysts looking at the market agree that is too early to see the fuller picture of where food trends will lead, as this will greatly depend on the length and subsequent impact of the economic recession. The picture within any sector can also be varied, as although organic sales are down by 1% overall, certain retailers such as ASDA are selling more organic produce. Some trends are also contradictory, as while a Mintel survey in September 2008 indicated that 13% of shoppers were buying less ethical foods (e.g. fair-trade), 19% reported that they were increasing their purchase of local foods.

The retention of demand for local foods and ethical foods may be in part due to a change in values built up over a number of years, and a change in consumer demographics. While there will be changes in shopping behaviour, consumers will still like to treat themselves and while they are ‘trading down’, may also be, trading up and trading over between categories of food and drink. Balance and compromise are important key words in assessing consumer behaviour.

The change in demographics also represents buying power in the UK market. While a key focus in food and drink retail has traditionally been the young family, there is a growing importance in selling to what has been labelled ‘the Golden Generation’. Over 50s represent a third (34%) of the UK population, and are estimated to represent 51% of grocery spend in the UK (while holding an estimated 80% of disposable income) according to an IGD report.

For this category of consumer, savings are often well protected, and loyalty to product types much stronger. They are also much more likely to seek out local foods, with 20% more likely to be willing to pay a premium for locally sourced products than the average consumer. Service is an important part of the process and 48% of over 50s shoppers would like to see this area improved in their shopping experience, which provides an opportunity for smaller retailers in particular.

7. Conclusions & Recommendations

Some clear findings emerge from the work conducted; predominantly from the survey data but also from the market analysis and the specific analysis of the CNPA area in comparison to wider trends.

It has been noted that the CNPA food and drink sector is a key sector in terms of jobs, turnover and business activity, and that it is of a high economic value and vital to the areas wealth. Sectoral reviews and attitudes of producers of food and drink and those retailing it and serving it suggest that there remain opportunities for growth through collaboration.

The surveys highlight in particular greater scope for procurement of food and drink grown in the CNP region to those selling and serving it, and the potential for a structured approach to this being regarded as beneficial by large numbers of businesses in both categories. There is an opportunity to do more in recognising and addressing the real and perceived barriers and in recognising and taking advantage of consumer demand trends.

It must also be recognised, however, that there may be areas and gaps that cannot be addressed so easily, such as the demand for greater production of vegetables and dairy products. However, these issues should be considered carefully to see if there are potential opportunities which may be further supported and developed in these sectors, where provision may be encouraged of value-added products from this area.

There may also be opportunities for collaboration between primary producers [store producers and finishers] to enable a higher level of red meat finishing within the CNP. However, it should be acknowledged, that with any new initiative this will also require co-ordination and a substantial level of initial managing.

The survey responses highlight a desire for specific products, and a recommendation would be to investigate the potential for further development of produce where there is demand. Particularly where high value and quality are associated with the produce, as this, combined with the provenance, creates a compelling argument for local supply and further development.

Connections between food producers and providers can also improve, as the comments on barriers suggest that producers are unaware of the requirements of food and drink providers, and efforts should be encouraged wherever feasible to acknowledge and work to address these barriers.

Another key barrier identified is distribution, particularly through rising fuel costs, and while little can be done at a local level to address rising feed costs and fuel prices, this may be an opportunity to instigate collaboration in distribution, particularly in an environment where there is demonstrated desire to develop greater collaboration.

A key recommendation is also that further investigation is made of the potential for an initiative rewarding local food and drink providers for their use of local food and drink, and this will in turn benefit producers. An example of this may be through implementation of the Food for Life Catering Mark, as a unique way for restaurants and caterers to gain the recognition they deserve for all of their good work serving great food.

It is generally widely acknowledged and in fact was observed whilst conducting this survey that communication between different players [e.g. food producers and food providers or long standing businesses/ farms and new entrants] spread over a wide geographic area can be more tricky and slower than in other more densely populated areas. Therefore all efforts should be made to communicate regularly in addressing respondent concerns on areas such as planning / land ownership / new initiatives wherever this may be possible to avoid misunderstandings which can lead to unnecessary tension. For example: it was suggested that an important CNPA meeting held on the same day as Grantown Show meant many from the farming community were unable to attend.

The final key recommendation is that any actions arising from this work are initiated at the earliest opportunity, as the survey has generated an interest in further actions and in collaboration which it is recommended should be acted upon.

Capitalising on consumer demand for local food and drink, willingness to collaborate, and an ability to drive key economic trends in spite of low employment growth are encouraging. Pushing forward with the above recommendations and stimulating relationships may assist in the process of further economic growth and job creation in the CNP where links are made.