



# Powys Public Procurement Partnership

*Local and local organic food  
in schools and hospitals -  
contributing to the  
health of our nation*

December 2002

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## ‘Local and local organic food in schools and hospitals – contributing to the health of our nation’

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# Foreword

Rt Hon Rhodri Morgan AM

As First Minister for Wales I warmly welcome this Report from the Powys Public Procurement Partnership as an important contribution to the debate about sustainability and public procurement.

The achievements that are reported here are truly 'cross cutting', impacting upon the portfolios of most members of the Cabinet. The Report draws together issues relating to:

- rural development and food production
- the environment and sustainable development
- health and food safety
- education and life long learning
- economic development, including regional development and European economic issues
- local government, social inclusion and community regeneration together with public procurement.

What is particularly pleasing about this work from Powys is that whilst it is rooted in partnership, it is also witness to a culture of interdependence. The partners retain their separate identity but they also now have the experience of the advantages that flow from a collaborative approach.

In commending this Report, I am glad to be able to thank those whose work is reflected in its pages, particularly representatives of Powys County Council, Powys Health Care NHS Trust, Dyfed Powys Health Authority, the Soil Association and Cardiff University, as well as their supportive partners.

I take seriously your Recommendations for Action, and look forward to considering your Proposals for Further Work.

A handwritten signature in black ink that reads "Rhodri Morgan AM". The signature is written in a cursive, flowing style.

# Executive Summary

Procurement of food within the public sector cannot be divorced from the industry that supplies it or the public demand that consumes it. The contents of this Report reflect the various perspectives of the partners who have produced it as well as outlining the wide range of issues involved in making sure that local food, organic where available, is served in our schools and hospitals.

All these perspectives and issues need to be brought together in order to deliver the potentially huge and positive outcomes that this work has identified. These outcomes, as the Report demonstrates, work across the economic, social and environmental agendas of Health and Education as well as Agriculture and Rural Development.

The key conclusions of the Powys Public Procurement Partnership are that sustainability has to be at the heart of 'Best Value' and the 'Wales Improvement Programme'; that leadership at ministerial level is needed to co-ordinate a package of measures and to promote a cross-cutting approach to creative and sustainable public procurement of food; and that the same cross-cutting approach is needed at the local level to achieve real change

## 1.0 Introduction

Since January 2002, the Partnership has been actively working to demonstrate the potential for locally produced food, organic where available\*, to deliver social, environmental and economic benefits and therefore meet the 'best value' needs of public sector catering. The overall aim of our work is to inform policy makers within Wales and the UK of the opportunities and barriers that exist for local and local organic food procurement and to contribute to creative change.

There are four main areas of work:

- Demonstrating that procurement of local food, organic where available, represents 'best value' for the NHS locally and for the Local Authority
- Research into EU legislation on public procurement
- Exploring practical opportunities for the supply of local food, organic where available, to local schools and hospitals.
- Awareness raising and gaining political influence

\*NB At the outset of the study the partners agreed to aim its work at locally produced food, and locally produced organic food where that was available. Any references within this report to local and organic should be read in this context

## **2.0 Making the case for local and local organic as 'best value'**

To demonstrate 'best value' requires any price premium to be justified by a measurable gain in quality. This quality gain is seen as being mainly related to an improvement in the social, economic and environmental 'health' of the local community. One of the questions faced by the Partnership was, 'Can procurement of local food, organic where available, for patients in local hospitals and pupils in local schools be justified as 'best value'?"

Two areas of work were undertaken to gather evidence on this in Powys:

- A 'Health Impact Assessment' workshop identified a range of likely economic, social, environmental and health benefits which could result from local food procurement, organic where available, by Powys County Council and by the Powys Health Care NHS Trust. Three key areas were identified as most likely to be directly affected by local food procurement, organic where available. Paragraphs 3 & 4 below details how best value can be secured through the procurement of local, and where available, organic food.
- Initial results from an ongoing study of the local economic impact of organic meat production and processing within Powys indicate that for every £1 spent by the farm on meat supply, £2.20 is generated for the local economy.<sup>1</sup> A similar study in Cornwall last year showed that spending £10 in a local organic box scheme results in a £25.90 investment in the local economy as opposed to spending £10 at a supermarket which results in a £14 investment locally.<sup>2</sup>

## **2.1 Sustainability underlies 'best value'**

The Partnership was clear from the start of its work that the interpretation of the word 'health' was going to go beyond the mere absence of disease and infirmity. A whole range of non-health issues, all of which could impact upon human health across the time spectrum was included in the Health Impact Assessment. However it was also acknowledged that the needs of sustainable development as a term include issues that go beyond even the broadest interpretation of the word 'health'.

It is for this reason that we attempted to incorporate into the Health Impact Assessment concerns that related to the wider sustainability agenda. In effect we used the model of a Health Impact Assessment to identify and examine all of the concerns within the broadest definitions of 'health' and 'sustainability'. The temptation therefore to describe it as a 'Sustainable Health and Wellbeing Impact Assessment' is an obvious one.

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<sup>1</sup> Appendix 3

<sup>2</sup> Appendix 2 note 3

The decision to do this was guided by the aspiration that the work would be of concern to policy makers and campaigners from a very wide cross section of interests. This is partly reflected in the make up of the Partnership itself. The health sector is obviously interested in all things to do with the broad interpretations of health (in line with its new responsibilities due to come into force in Wales in April 2003). A local authority however is interested in the wider interpretations of sustainable development in line with its responsibilities under Local Agenda 21 and its statutory duties of ensuring the economic, social and environmental wellbeing of its area, as stated in the Local Government Act 2000 and acted upon in numerous Community Strategies across the country.

Nationally too it is expected that both politicians and policy makers will be interested in discovering the widest possible impact of public agencies purchasing local and where available organic food in line with their duty to promote sustainable development.<sup>3</sup>

In all of these respects the power of food as an issue that delivers tangible and significant impacts across the whole spectrum of sustainable development (from employment to environmental quality, from health and nutrition to community structure etc.) underlines the huge significance of this work. It is hoped that this work will help policy makers to identify the ways in which food can be turned into an opportunity, arguably the most potent single opportunity, to deliver positive impacts upon our economic, social and environmental interests.

### **3.0 Health Impact Assessment process and results<sup>4</sup>**

In evaluating the impact of local procurement of food on health we must look at our current understanding of the determinants of health and well-being. A traditional approach would involve looking at an increase or decrease in the microbiological and chemical safety of the food in comparison to conventionally procured food, and at an increase or decrease in the nutritional quality of the diet in which it is incorporated.

However, this traditional approach is now conceived as being far too narrow in construing health simply as the absence of detectable disease or harm. There is a much broader framework which incorporates the following issues:

- Health related lifestyle, eg smoking, exercise
- Education, skills and training
- Income/Poverty

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<sup>3</sup> Government of Wales Act 1997 s.121

<sup>4</sup> Prior to the Health Impact Assessment taking place, the Partnership undertook a search of evidence that might help to inform it. This information was gathered using a desktop search of largely web-based evidence. However it was by no means exhaustive, taking no more than a few hours to accrue, and was not intended to be comprehensive. It merely provided a flavour of the sort of evidence that exists. Indeed the fact that so much and of such a wide variety was found fairly easily convinced the Partnership of the worth of the Health Impact Assessment that followed. In the interests of brevity this evidence has not been included in the Report. The Partnership is happy to make it available should any reader wish to see it. For more information please contact Richard Pitts at Powys County Council.

- Employment and the economy
- Housing
- Physical environment
- Community Safety
- Social Capital
- Geographical Access
- Human Biology, eg. age, genetic factors, ethnic group
- Health Care Organisation, eg. general practice and hospital services.

Not all of these health determinants apply to local food procurement. For example it is hard to see how human biology, housing or the local health care organisation would be affected even indirectly. But several of the others notably employment/economy, income/poverty, education, skills and training, physical environment and social capital could be affected.

The Powys Partnership concluded that procurement of local food, organic where available, will have a significant impact in the following 3 areas:

- the generation of additional local employment
- the impact on local road traffic
- the nutritional impact of locally produced and processed (including organic) food.

### **3.1 Evidence to back up the case for local, organic where available**

At this stage it is not possible to quantify the separate and combined impacts of these factors but the local perception supported by a significant and growing evidence base<sup>5</sup> is that the possible negative impacts from the increased local road traffic would be more than offset by the gains in employment, the local economy, levels of skills and training and in social capital. In other words the health impact balance sheet based on local perceptions and persuasive evidence would be very definitely positive; and probably by a large margin.

The Partnership drew on local food sector research from elsewhere in the UK to back up its conclusions, notably the April 2002 Flair Report produced by the Foundation for Local Food Initiatives, which assesses the size and potential of the UK local food sector and documents research findings on economic, social and environmental impacts of local food systems.

### **3.2 Generation of additional local employment**

In addition to the local economy study carried out by a student on placement with the Soil Association, other economic benefits were identified in the Flair Report.<sup>6</sup> 'The local food sector is showing its potential to encourage new community and business enterprise. As the number of success stories grows and market outlets for local

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<sup>5</sup> *Ibid* and Appendix 2

<sup>6</sup> Appendix 2 note 26

products increase, it becomes easier and therefore more appealing, for new enterprises to enter the sector'. Examples of this trend include:

- Generating greater employment opportunities at a local level - 26% of local food businesses have created jobs during the last 12 months compared to 8% of non-local food businesses<sup>7</sup>
- Securing employment at a local level - Farms in the South West producing food which is sold locally, employ an average of one additional employee per farm<sup>8</sup>
- Creating increased commercial opportunities - By early 2002, 395 Farmers' Markets were in operation across the UK<sup>9</sup>
- Support for local agricultural services and suppliers - 25% of local food businesses have increased the value of their local purchases during the last 12 months<sup>10</sup>
- Diversification of the farm and local economy - At least 2,143 enterprises are currently listed in local food directories
- Making greater use of co-operation and collaboration between businesses – Nearly twice as many local food businesses are involved in collaborative ventures compared to non-local food businesses<sup>11</sup>

### 3.3 Impact on local road traffic

The main direct health impacts of transport are those resulting from increased traffic frequency (specifically small vans) and injuries resulting from a move from a trunk road based distribution system to one using local roads. Less direct but as significant is the effect of global warming and the contribution to it that road traffic is making.

There is good evidence that curtailing global warming is likely to improve health<sup>12</sup> and that increasing traffic on local roads is likely to damage health<sup>13</sup> both from injury rates (small roads have far higher rates per km traveled<sup>14</sup>) and from air pollution (small vans on local roads are five times more polluting<sup>15</sup> although distances traveled will be far less).

The evidence base for likely changes to transport patterns resulting from local procurement is limited;<sup>16</sup> experience from France is that the introduction of consolidation stages between the point of production and the point of delivery will improve efficiency. Furthermore promoting the use of LPG fuel locally, and eliminating key 'high mileage' foodstuffs would make the transport related health

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<sup>7</sup> Appendix 2 note 4

<sup>8</sup> Appendix 2 note 5

<sup>9</sup> Appendix 2 note 6

<sup>10</sup> Appendix 2 note 4

<sup>11</sup> *ibid*

<sup>12</sup> G Donaldson, RS Kovats, WR Keatinge and AJ McMichael, *Health Effects of Climate Change*. Department of Health, 2002.

<sup>13</sup> Brand, Pilkington, Joffe and Anderson, *Informing transport and health impact assessment in London*. NHS Executive .2000.

<sup>14</sup> Department for Transport 2001, *Transport Statistics Great Britain: 2001 Edition*, Table 4.16 Road accidents and accident rates: by road class and severity: 1990-2000.

<sup>15</sup> G Donaldson, RS Kovats, WR Keatinge and AJ McMichael, *Health Effects of Climate Change*. Department of Health, 2002.

<sup>16</sup> Elm Farm/Sustain, *Eating Oil – Food in a challenging climate*, 2001

benefits more significant. Looking at the possible impacts of various distribution scenarios these include on the positive side, fewer lorries on local roads, and reduced 'food mileage' resulting in less reliance on fossil fuels with consequent gains in terms of lower CO<sub>2</sub> emissions. Using alternative energy sources could increase the positive impact. On the negative side, an increase in the number of 'fast moving' smaller vans with attendant increases in traffic frequency, noise and fumes has to be taken into account.

### **3.4 Nutritional impact of locally produced and processed (including organic) food.**

Current orthodoxy is that there is no evidence to indicate that organically grown green crops are significantly different in nutrient content to conventionally grown ones; that animal and fungal products may differ in nutrient content according to their feed/cultivation; that organically grown crops can be contaminated with micro-organisms and chemical additives; and that locally grown food may well be fresher but that frozen imports can still be of better quality than local grown produce that has deteriorated in storage. However, there is a growing body of evidence<sup>17</sup> to suggest that with appropriate quality control measures applied at the production, processing and storage stages, locally grown including organic produce can deliver added value in terms of microbiological and chemical safety and in terms of nutrient content. Thus the answers to both questions posed above can almost certainly be answered in the affirmative though the supportive evidence base requires further development.

At a slightly more mundane level, fresh local produce, if it really is fresh, probably tastes better and assuming suitable preparation this probably applies also to the prepared dishes in which it is incorporated. This may well make the food more palatable and more satisfying.

### **3.5 Social benefits**

Social capital (eg. trust, mutuality, co-operation, collaboration), education, skills and training have been identified in the Flair Report<sup>18</sup>, though these are more difficult to measure. 'The local food sector also fosters local identity and pride in people's local community. This leads to increased confidence and co-operation amongst community members, encouraging more community-based enterprise'. Examples include:<sup>19</sup>

- Improved diet and health through increased access to nutritious food - Over 50% of local food businesses believe that their involvement in the sector has improved their local community's access to fresh produce
- Revitalising local services, including local shops - 55% of local food sales are through existing local shops and markets

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<sup>17</sup> See note 4 (above) and Appendix 2

<sup>18</sup> Appendix 2 note 4

<sup>19</sup> *ibid*

- Encouragement of skills transfer and training - Those involved in the local food sector are nearly four times more likely to have received training than those involved in comparable non-food enterprises
- Increasing social contact between people, including the socially excluded - 74% of local food businesses have direct contact with all or some of their customers compared to 35% of non-local food businesses
- Increased understanding of the links between food, the environment and health - 35% of local food businesses provide information on the health benefits of eating fresh food compared to 13% of non-local food businesses
- Increased opportunities for community involvement in food production - A quarter of local food businesses involve local people in their enterprise activities compared to just 10% of non-local food businesses.

### **3.6 Potential non-transport related environmental benefits**

'Local food enterprises have the potential to reduce energy use in production, whilst achieving national and local biodiversity objectives and regional and more local landscape objectives.' Examples of this proposition in the Flair Report include:<sup>20</sup>

- Encouraging farmers to adopt more environmentally-friendly production systems - Local food producers are significantly more likely to be certified organic than non-local producers
- Enhancing the viability of traditional farming systems that benefit the environment - Traditional breeds and old varieties are present on nearly twice as many local food enterprises compared to non-local food businesses
- Enhancing and conserving the local distinctiveness of landscape character - Local marketing and branding initiatives link products to the protection of the landscapes from which they originate
- Conservation of air, soil and water, including reduced levels of pollution and waste - More than twice as many enterprises involved in the local food sector are involved in waste reduction practices compared to those outside the sector.

### **3.7 The real cost of food – the bigger picture**

Within the UK as a whole a disparity exists in the costs of food production and distribution. Hidden 'external' costs of production are not added to the final price that consumers or purchasers pay for their food. Similarly the benefits that may arise from purchasing local, and organic food where available are not factored into determining the final prices either.

For example, Professor Jules Pretty and others have examined some of the external costs that go into the production and distribution of food within the UK using the global model that currently exists. They have identified that approximately £1.54Billion is currently spent in the UK on the externalities that arise from production. Added to this are the extra costs that arise from air and sea transport, road transport within the UK, both to retail outlets and from shop to home, resulting climate change and the subsequent costs of waste to landfill. Pretty, Ball and

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<sup>20</sup> *ibid*

Morison have calculated that the actual cost of all these externalities would add 11.8% to the price of the weekly food basket.

Pretty *et al* have calculated that this extra cost would be reduced if a more local and sustainable food production and distribution system could be developed. They claim that if more farming were organic, with more sustainable transport and composting of waste instead of landfill the extra cost would be in the region of 5.5%.

Positive externalities are similarly excluded from the final price. All of the economic, social and environmental benefits that arise from local and organic food production and distribution, such as those identified in section 3 above are not considered when the final price is set.

#### **4.0 EU legislation and best value**

The biggest barrier to local procurement is the principle of non-discrimination. Under EU law it is illegal to specify 'local'. Recognised organic standards can be specified as long as an 'or equivalent' proviso is included to facilitate suppliers without certification but with similar standards. The decision to award a contract must be based on either 'the lowest price' or 'the most economically advantageous tender' (which refers to the relationship between price and quality).

Cardiff University has been looking at methods currently being used in Europe to aid local businesses, successfully using public sector procurement to foster social and environmental objectives through the sourcing of local, often organic food. These include:

- Allowing contracts to be broken into small lots,
- Stipulating specific product and service criteria, eg. freshness, conformation criteria, delivery times, seasonal menus, local specific products
- The setting up of 'not for profit' organisations to run school canteens, eg. parent committees in Italy.
- Operating only 'occasional' local food days, therefore requiring 'spot' purchasing rather than contracts.

Work is also going on in other parts of the UK. The Partnership has learnt from the pioneering work being undertaken by the NHS in Cornwall where they aim to form a local supply network, processing and storage facilities along with distribution services for NHS meals in Cornwall. Their Food Manufacturing Study aims to consider the possibility of significantly increasing the proportion of locally purchased produce for use in patients', visitors' and staff meals.

Within local authorities an increasing number of school meal services are examining the issue of local food, organic where possible. For example, in South Gloucestershire, the council, working in partnership with the Wiltshire Consortium for Purchasing and Distribution, let a number of contracts for the supply of food provisions under European tendering legislation. Following a formal evaluation process, contracts for the supply of fresh fruit and vegetables and fresh meat were awarded to local companies.

Since the award of these contracts, they have worked closely with their suppliers to seek to provide the freshest food available for their service; to increase competition locally; to encourage local producers and to support sustainability through their purchasing. They have achieved considerable success with a high level of take up from pupils and a high degree of very positive feedback from parents as well. School meals have consequently increased from 1.5 million a year three years ago to 4 million now.

#### **4.1 Cardiff University Study<sup>21</sup>**

In their report the University found that the barriers imposed by EU procurement legislation, while considerably restricting purchasing discretion, are not insurmountable. Although tendering processes must always be competitively based and can not discriminate against businesses that wish to bid for contracts, there are ways in which the processes can be designed which increase the likelihood of local businesses winning the contract. Through observing practice across Continental Europe, where local procurement strategies are far more wide spread, the Report distilled five main steps with which authorities can procure more food locally:

##### **4.1.1 More fresh food...**

Reversing the trend towards buying-in ever more processed food by purchasing fresh ingredients would implicitly favour local producers in a number of ways:

- Higher quality ingredients can be specified compared with less visible ingredients that commonly find their way into processed foods,
- Freshness raises the value of locality as a quality factor,
- Purchasing more fresh ingredients broadens supply, therefore providing more scope for small businesses to bid for specific lots,
- Buying-in less processed food products reduces the power of large multinational business interests, who tend to dominate the processed food sector.

##### **4.1.2 More organic food...**

Purchasing more organic food provides both health and environmental benefits as well as potential economic assistance to the UK's burgeoning organic sector. It would also increase the possibilities for local producers in the following ways:

- The organic sector remains relatively fragmented compared to its conventional counterpart. This implies the existence of less competition from large, more remote businesses for organic contracts,
- Much of the organic sector retains an ethical dimension that may translate to a greater response from producers for local sourcing schemes, vis à vis conventional producers who are often already 'locked in' to distant food chains.

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<sup>21</sup> K Morgan and A Morley, *Relocalising the Food Chain*, 2002 The Regeneration Institute, Cardiff University

#### **4.1.3 More creative demands...**

Catering managers and purchasing officials can help the re-localisation of food procurement by exercising greater creative discretion in the products they demand from producers. For example, through requiring:

- Domestic varieties. Although many of the agriculture products grown in the UK are also grown elsewhere, simple moves away from exotic fruits and vegetables towards more temperate varieties would place more opportunity in the hands of domestic producers,
- Seasonal Products. Unlike much of Europe, the UK has lost most of its seasonal consumption habits. Sourcing products during periods of market glut may also bring economic advantages for purchasers,
- Regionally Specific Products. Increasing numbers of regional products are attaining EU PDO or PGI certification. Such products can be specifically requested without falling foul of EU procurement legislation. In the UK, products under these schemes include Scotch Lamb and Beef, Jersey Royal Potatoes and various cheese varieties. Welsh Lamb and Beef are currently under application,
- Service Specification. Greater emphasis on freshness, delivery responsiveness, and crucially, minimal packaging would all favour local producers.

#### **4.1.4 More creative procurement structures...**

The quest for ever more agglomeration of public procurement activities through the centralisation of purchasing and the expansion of buying consortia has the effect of both removing opportunity for small local producers and restricting the ability of public institutions to provide local answers to local demands. An innovative approach to food purchasing structures in public organisations that allows broader interests to get involved in procurement strategies, such as parents and teachers in schools and doctors and nutritionists in hospitals, would open up the possibilities for:

- Greater autonomy for smaller organisations, bringing greater scope with contracts that fall under EU thresholds (and therefore do not require official advertising) and less competitive pressures from large suppliers,
- The creation of not-for-profit stakeholder-owned organisations that are able to either run or supply catering services along the lines of those identified in Italy,
- Attracting small-scale commercial organisations by the opportunity to be able to offer an appropriate mix of local and non-local food at competitive rates to individual organisations (through being more flexible and aware of local needs).

#### **4.1.5 More support from 'above'...**

A significant barrier to local purchasing is the lack of perceived support from those 'in the know'. The prospects for local food procurement could be improved by:

- Sending clear messages that politicians and policymakers support local food sourcing

- Providing clearer advice about what is both legal and acceptable in terms of local food procurement
- Demonstrating that support is more than just words through the adoption of visual and transparent initiatives that address not just institutional demand but also supply issues and consumer education strategies.

The University Report also explores the policy dissonance between free market and competition goals and broader sustainability goals that incorporate health, the environment, food production and social inequalities. It recommends that the multiple dividends that are obtainable through local food procurement must be recognised and the in-balance between free market and social goals re-addressed at the highest levels, including the EU and WTO.

Moreover, the sustainable development commitments enshrined by the National Assembly Government put Wales in a unique position to pioneer the exploration, adoption and subsequent legitimisation of local food procurement strategies.

## **5.0 Procurement Procedures - introduction**

The Procurement and preparation of food in the public sector involves a host of critical issues, that together make an extremely complex web of considerations, that have to be borne in mind at different points along the 'foodchain'.

### **5.1 Procurement Procedures at the supplier's end**

The contractor responsible for supplying a public authority has to be able to meet some clear criteria. These criteria are in turn passed onto the second and third tier suppliers, who may be the manufacturer or grower of the foodstuffs ordered. Top of this list is probably continuity of supply and consistency in quality which many local producers are not big enough to guarantee. Food provided has to be of a consistent standard and again this is difficult for local producers who will need to find alternative markets for the proportion of the produce that doesn't meet this standard.

Accountability is another increasingly important criteria. Information and guarantees about the product supplied need to include dietary (nut free, vegetarian etc) and nutritional data (proportions of fat, carbohydrates etc) as well as full production history, storage instructions and quality control information (traceability documentation etc). Specification sheets carrying all this information are now becoming the industry standard, and whilst on the face of it local producers should find providing this information more straight forward (they may be dealing with smaller quantities and from a known source) than it is for multinationals, the increasing use of technology and sometimes expensive software programmes make this a difficult area for local producers to compete with. Were they to do so however they may experience significant advantages

Billing and ordering systems are similarly becoming increasingly computerised across the industry, with sometimes expensive systems that can require training to operate. However whilst this may create barriers there can again be considerable advantages for local suppliers using this technology to manage their business.

## **5.2 Procurement Procedures from the Public Sector's point of view**

Within the public sector itself, and including the requirements for due diligence and good practice, the following considerations need to be borne in mind:

### **5.2.1 Financial Restrictions**

With the usual pressures on budgets, financial restrictions have an obvious and profound influence on the process and usually before any other considerations are made.

### **5.2.2 Technological Considerations**

Foodstuffs have to be as uniform in presentation as possible for ease of preparation and cooking in large numbers and within a short and usually inflexible timespan, eg. mealtimes in both hospitals and particularly schools are at strictly determined times. Similarly catering equipment is specialised and expensive and foods need to be compatible.

### **5.2.3 Personnel Issues**

Catering staff need to be trained to a particular standard to enable them to cook whatever is on the menu at whatever venue they are required to work at (sickness cover etc.) Uniformity and familiarity of foodstuffs & equipment is therefore key.

### **5.2.4 Food Safety Concerns**

At all times foods need to be packaged, delivered, stored and handled with the utmost attention to food safety. This means deliveries have to be punctual, premises (and staff) scrupulously clean and packaging reliable. Tolerances here are predictably tight. Within the Health sector most purchasing is done by Welsh Health Supplies who employ companies to visit and assess premises where food is prepared (both prior to and after it is supplied to establishments) to ensure adherence to standards concerning Hazards and Environmental & Product Controls (HACCP and a range of ISO's).

### **5.2.5 Nutritional Considerations**

Making sure that patients in hospitals and pupils in schools get a balanced & healthy diet does not seem to be a consideration that comes particularly high up in the procurement procedures within the public sector. However in Powys, the Council is perhaps unusual amongst local authorities in having a trained nutritionist responsible for menus which does mean that the quality of school meals in Powys is perhaps higher from a nutritional point of view than in other parts of Wales. Within the Health sector specialist test houses (Camden, Tea Council, Meat & Livestock Commission etc.) are employed to assess the quality of individual products to provide an analysis of the dietary content (ratio of fat to protein etc.) compared with alternative products. Economies of scale make it comparatively easy to operate this degree of analysis which would be hard to replicate to the same degree at the local level, without an alternative approach being developed.

### **5.2.6 Availability**

Menus within schools are costed and set three school terms in advance and circulated to parents to aid them in their menu planning. Availability of the product on the day required is therefore an essential part of the contract.

### **5.2.7 Medical Concerns**

With increasing numbers of food related illnesses such as allergies & intolerances food stuffs procured need to have guarantees that they are what they say they are, eg. nut free, gluten free etc.

### **5.2.8 Cultural Concerns**

Vegetarianism and to a lesser extent in rural Powys religious and cultural preferences will also have a bearing on food purchased. Again guarantees need to be guarantees.

### **5.2.9 Parental Demands**

Linked to the nutritional considerations a growing number of people, and parents at schools in particular, are expressing an interest in the quality and kinds of foods being served.

### **5.2.10 Clinical Factors**

Within the Health sector the suitability of different foodstuffs for patients in different conditions will also have a bearing on the kinds, and quantities of foodstuffs purchased, for example elderly patients may find it difficult to chew certain foods, such as processed bread.

### **5.2.11 Geographical Factors and Purchasing Leverage**

Particularly in rural areas, there are a high number of schools that are very small or isolated. With the usual economies of scale operating it is sometimes difficult to find contractors and distributors that can viably serve some of the more remote establishments (who may want just 2 loaves daily). It is sometimes the case that contracts to supply these schools are met at breakeven point or in extreme cases they may even be made at a loss with contractors aiming to recoup losses by supplying the bigger and more profitable establishments on the same delivery round or contract.

### **5.2.12 Customer Vulnerability**

In both schools and hospitals the 'end users' are some of the most vulnerable members of the community. The implications for these customers could be very serious were there to be any disruption, for whatever reason, in the delivery of their food.

### **5.2.13 Criminal Records Bureau**

Due to the vulnerability of the client groups, it is necessary to carry out checks via the Criminal Records Bureau in respect of each supplier. These are costly and time consuming so a multiplicity of suppliers would increase the costs & administration.

### **5.2.14 Billing procedures**

With pressures on budgets and the need to drive down staff overheads, the use of streamlined electronic billing procedures is irresistible. Many of the existing suppliers to the public sector put weekly invoices, that can number thousands, onto just one CDROM. This provides both the public sector client and the supplier with useful management data very quickly and enables much administration time to be saved and staff released for more effective management roles.

### **5.2.15 Children's Palates**

For schools in particular after all the other considerations have been brought to bear on the procurement & preparation of food it has to pass perhaps the sternest test – being considered fit and appetising to eat by a population of children whose eating habits increasingly revolve around highly processed, salt, sugar and fat rich foods.

## **5.3 Procurement Procedures - A Way Forward**

With all of these considerations it is clear that any producer or supplier will have to make a considerable financial and business commitment if they are to compete for, win and maintain any contracts with the public sector.

With the complexity of the procurement process and the constant pressure on resources and budgets local authorities and NHS purchasers will find it increasingly difficult to enter into any direct contracts with local food suppliers themselves. The added burden of administration, quality control and increased opportunities for confusion and unreliability through working with many smaller suppliers make this approach fraught with difficulties. If more resources (financial, human and technical) were made available to the service then more possibilities for working with local producers may arise.

A much more productive way forward, however, would be to encourage local producers to become 2<sup>nd</sup> or 3<sup>rd</sup> tier suppliers. This would see them entering into contracts to supply existing public sector contractors (1<sup>st</sup> tier suppliers) and in doing so would also open up access to other markets, beyond the public sector and across the first tier. For this to happen however it seems likely that local producers would need to join together, perhaps cooperatively to gain sufficient competitive advantage over existing national or international suppliers. For example, one local egg producer may find it impossible to meet the supply continuity and quality requirements. However by working together it is more likely that a number of egg producers could compete much more successfully.

If it was felt desirable, over time, with sufficient experience and market share and having secured the confidence of both the public agency and its clients there would

be nothing to stop such cooperative ventures from perhaps entering into direct contracts with the Council and health purchasers, or maybe even joining up with cooperative suppliers elsewhere in the county to add to the range of products it supplies and achieving even better economies of scale in administration costs etc. In this way the optimum flow of benefits into the local economy, communities and environment would be realised.

#### **5.4 Procurement Procedures in Powys Hospitals**

In the early months of the work of the Partnership, it was heartening to learn that there are already some small contracts for the supply of locally sourced food to Powys Hospitals. In Machynlleth patients find that bread from the local baker is less likely to get stuck in their teeth. And several years ago when the town of Llanidloes was cut off by snow, Hospital managers had no choice but to buy meat, fruit and vegetables in the town's high street. Patients and staff preferred locally sourced food and these contracts remain. Being of less than £5000 in value, they can be agreed locally.

So it is possible for the NHS to buy locally sourced food, organic where available, but in the current intensely constraining financial climate, the pressure on managers to buy the cheapest food by the cheapest methods is overwhelming. And it seems that even the existing small contracts may not survive.

A package of measures is needed (see paragraph 9 below), backed up by the evidence of the Health Impact Assessment. Together these would unlock significant potential for local economic sustainability as well as for improved health and well-being. They could turn what is currently a fragile interest in danger of being extinguished into a robust and deliverable strategy.

But they require political will and leadership. If this is forthcoming, there is good reason to believe that the NHS, at least in Powys, will be anxious to respond.

#### **6.0 Supply chain needs: can they be met within Powys?**

Powys Food Links has been locating and talking with primary producers within the County and also liaising with the personnel in Powys Catering Procurement on supply and demand.

The tendering process for entering procurement contracts is far too complicated for individual producers to consider and the volumes required are too great, given that the Council procures on a countywide scale.

Due to the small population within the County and the geography of Powys, the percentage of 'free' school meals is extremely low. This is detrimental to the school meals budget and therefore the buying is mainly through only three major suppliers.

Powys Catering have investigated various possibilities with smaller suppliers in the buying of milk. However the producers dairy co-operative who were approached are

not able to supply an adequate continuity or deal with delivery. The lack of a distribution infrastructure is a major barrier.

Powys' most important product is meat. Producers of both conventional and organically reared beef, lamb and pork are keen to supply Powys Catering. There is one organic company within Powys that is keen to supply meat and can cope with demand. However the issues of price, the tendering process and the fact that it would effect change in the existing procurement system which is seen to be working well, has meant that there has been no progress yet.

Research into availability of meat, eggs and dairy products indicate that all the ingredients exist in Powys. The major problems are providing for bulk buying, continuity of supply, distribution and price. Powys Catering ideally wants to use fewer suppliers who can guarantee low prices, and continual deliveries across Powys.

In order to supply quality, fresh and local products the following key elements are needed:

- localised abattoirs
- processing and packing facilities
- co-operative organisations of primary producers
- a change in buying policy, supported at the national level
- local distribution networks.

## **7.0 Political support and awareness raising**

The work undertaken by the Partnership has generated considerable interest within Powys. At an early meeting in Llanidloes, conventional and organic local farmers learnt of the work and all expressed excitement and optimism that the two main public authorities in Powys should be taking this issue so seriously. A number of schools and Parent Teacher Associations have also come forward to express their enthusiasm for the aims of the study and were keen to see their schools take advantage of its findings. Whilst an initial aim of the study was to try and do something practical in a local school and hospital to raise awareness of local food the current supply situation has made it almost impossible to achieve this in any meaningful way. The risks of falsely raising expectations meant that as far as schools were concerned the Partnership had reluctantly to decide against doing anything practical. However the very high level of interest expressed by key sectors in Powys leaves the Partnership in no doubt of the popularity of the issue.

Nationally, in Cardiff a preliminary meeting for policy and decision makers to learn about and become involved in the study was also a success with Assembly Members, including one member of the Cabinet, attending the meeting and expressing their support for the work. The EU Commissioner for the Internal Market, Mr Fritz Bolkerstein also offered the cooperation of his Office for the study. The work has come to the attention of the UK Sustainable Development Commission and the European office of the World Health Organisation who have both asked to be kept informed of our findings.

Two main conclusions have arisen from this element of the study:

- the Partnership has been left in no doubt about the popularity and importance of the procurement of local food as an issue for public agencies
- the important role that both awareness raising and the broader cultural and educational dimension has to play in making sure that demand and supply develops together (see para 9 below).

## **8.0 Combining food culture, education and new market opportunities**

'Reconnecting agriculture' is a term increasingly used by the Powys partners, inspired by reports from a study tour to Italy where primary school meals are a dignified experience for both staff and children, using table cloths with real china and cutlery for a lunch of local organic food in a tranquil atmosphere. Children visit farms on a regular basis as part of their educational curriculum to understand where and how their food is produced. Sprouting grain in the classroom is followed by a farm visit when it germinates, to see grain coming through the ground and again to see the progress of the cereal up until it is harvested, milled and made into a loaf of bread to take home.

Lavinia Vaughan, a Powys farmer and cook, summarises her vision for linking healthy eating, new marketing opportunities and long-term education. "We can feed our children safe freshly cooked food preserving natural vitamins and minerals that we ourselves have produced and help develop a new food culture in primary schools. We need to work together in producer groups to form marketing co-ops with a range of local outlets, invest in a growth area and establish exciting new educational links between farming and schools."

## **9.0 Recommendations for action - a package of measures**

It is clear that no single step will unlock the potential for locally sourced food, organic where available, in the public sector, even in the agricultural environment of Powys. However, nearly all of the recommendations within this report need to be acted upon at the National level. The role of the Assembly in helping to start and raise the prominence of this debate and initiate actions to support local, organic food procurement and thus make change a reality cannot be overstated.

The work of Powys Public Procurement Partnership was started with the aspiration that it would enable a wide range of public agencies and lobby groups across Wales and the UK to pick up on its conclusions and act on them as they see fit. Given the cross-cutting nature of the work, the Powys Partnership's recommendations for action are aimed at a similarly wide range of players and catalysts, from industry suppliers to children and their parents. At the local level, Powys County Council, the Dyfed Powys Health Authority and Powys Healthcare NHS Trust<sup>22</sup> will be able to use the findings to explore different ways of acting upon them and taking the work further, as will the Soil Association and its organic partners in Wales.

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<sup>22</sup> From 1<sup>st</sup> April 2003, the Dyfed Powys Health Authority and the Powys Health Care NHS Trust will be merged into the Powys Local Health Board.

## **9.1 A Role for the Welsh Assembly**

Strong political support is needed at a national level

- To provide leadership and strategic ministerial co-ordination
- To encourage creative implementation of procurement legislation in ways that contribute to the health and well-being of people in Wales
- To enhance capacity and develop a local supply chain infrastructure
- To explicitly design education and awareness-raising programmes that promote sustainable production and consumption

## **9.2 Specific recommendations for action**

### **9.2.1 Convene a top level cross-cutting group within the Assembly on public food procurement with representation from key stakeholders including the organic sector**

- To ensure that existing and planned publicly funded organic and other food chain development is explicitly linked to the needs of public procurement
- To ensure that links are made between different national strategies and built into action plans

### **9.2.2 Assembly ministers to strongly reinforce the message that the public sector has a duty to consider the overall health and wellbeing of the population**

- To shift the conventional health service and primary care approach of the Health Sector to a more preventative, wellbeing-orientated approach
- To translate the proposition at the heart of the Welsh Assembly Government's NHS Plan, that NHS bodies should promote health and well-being needs, from an interesting intellectual idea into a culture
- To promote purchasing of local food, organic where available, as a tangible and effective way for local government and health authorities to deliver the health & wellbeing of their populations
- To bring the full potential of 'Best Value' and the 'Wales Improvement Programme' to bear on local food procurement

### **9.2.3 The Audit Commission needs to take a lead in demonstrating the importance and potential effectiveness of spending (across conventionally separate issues) for the purposes of securing sustainable health and wellbeing.**

- To demonstrate to the NHS the value to their local economies, and therefore to health and wellbeing, of purchasing locally sourced food, organic where available
- To reinforce the message that 'cheapest is not always best'.
- To hold NHS bodies to account for their promotion of health and well-being, and particularly for the discharge of their duty to promote social responsibility through contributing to the sustainability of their local economies.
- To encourage those implementing 'Best Value' and the 'Wales Improvement Programme' to calculate the extra costs of organic production systems against the extra economic, environmental, social and food quality benefits.
- To enable the inclusion of 'organic' in contract specifications

**9.2.4 Funding at local levels should be earmarked for spending on 'tangible' ways to act upon the wellbeing duty in both local government and the health sector.**

- To provide the local food sector with important pump priming financial support to better enable them to reach a critical mass of the market
- To assist institutions to deal with the financial barrier of more local and local organic public food procurement contracts

**9.2.5 Public sector catering and procurement departments, and schools or hospitals who have opted out of central procurement systems should be required to publish details of the ways in which they will be contributing towards the national Nutrition Strategy, and monitor and publish their progress in this respect.**

- To highlight the role that public sector catering plays in delivering public health and nutrition
- To help move attitudes on within the sector across Wales from providing the commonly perceived 'institutionalised' catering of present to a higher quality diet that will meet health and wellbeing targets.

**9.2.6 Specific, tangible links between health and food and farming strategies should be identified and published to reinforce public awareness of the links between sustainable farming practices and healthier communities (in the widest sense).**

- To communicate the Assembly's position very clearly
- To publicise the evidence which supports these claims
- To act as a catalyst for different sectors to respond accordingly
- To assist parents and the managers of public sector organisations to implement changes in their eating habits and catering, and hence create a demand within the public sector
- To help to stimulate a market response to meet the demand for fresh fruit and vegetables
- To help clarify the often conflicting advice to parents, children and schools received from different commercial and pressure group sources.

**9.2.7 Provision of a 'carefully considered' pilot programme of support for co-ordinated local production, processing, packaging and supply**

**initiatives, that is specifically aimed at helping to secure 2<sup>nd</sup> or 3<sup>rd</sup> tier procurement contracts.**

- 'Carefully considered' - to avoid contravening any competition laws
- To provide training and help producers tender for 2<sup>nd</sup> & 3<sup>rd</sup> tier supply contracts to the public sector, through existing 1<sup>st</sup> tier contractors
- To support producer co-operation, helping them secure a competitive foothold in the market
- To enable local co-operatives to take on 1<sup>st</sup> tier supply should this be felt desirable
- To provide for local processing, packaging and distribution infrastructure requirements
- To link and integrate practically with other agricultural sector development strategies
- To encourage any public bodies procuring food to make available to local producers and suppliers (where appropriate in electronic form) all the information necessary to enable them effectively to compete in the market.

## **10.0 Proposals for further work**

Based on these recommendations and work touched on during the study there are a number of areas where there is a clear need for further work to clarify the situation or provide further evidence of benefits and ways forward. These are presented simply as proposals. No discussion has been entered into with any potential partners and before any of these proposals can be acted upon appropriate funding would need to be identified and any support from the Assembly would be warmly welcomed.

- Work with specific groups of potential producers to identify & pilot different approaches to becoming 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> tier suppliers to public bodies.
- Pilot a Sustainable Health & Wellbeing Community Shop & Café, possibly linked to a hospital, within a community in Powys.
- Work with schools and local sustainable farms to develop innovative educational links between the two which help to develop a new food culture, improve diet and provide local marketing opportunities for producers and processors.
- Commission research to establish actual health and well-being gains for pupils and or patients being fed a local and organic diet over a period of time.
- Pilot the provision of 'healthy' snacks (made from local and organic ingredients) within schools and leisure centres through the use 'green' vending machines, in order to evaluate the feasibility and viability of both the supply and demand for such snacks
- Investigate and pilot new and different techniques to measure the health and well-being impacts arising from new or relevant existing initiatives.

- Commission research into the impacts of existing and predicted changes in the area of food labelling and specification data sheets for public procurement of local and organic food.
- Commission research into the potential barriers and opportunities for local food within the use of ICT in public sector procurement procedures.

# Powys Public Procurement Partnership

## Partner Organisations & Contacts

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Powys County Council	Richard Pitts, Local Futures Officer, (Chairman of Partnership Meetings & Co-facilitator)
Soil Association	Joy Carey, Local Food Links Officer, (Co-facilitator & secretariat for the Partnership)
Powys Health Care NHS Trust	Antony Lewis, Chairman PHCNHST
Cardiff University	Professor Kevin Morgan, Professor of European Regional Planning, Department of City & Regional Planning, and Director of the Regeneration Institute
Dyfed Powys Health Authority and Powys Health Alliance	Dr Paul Walker, Consultant in Public Health
Powys Food Links	Suzanne Davies, Project Officer,
National Farmers Union Cymru	Sian Roberts Davies Policy Officer,
Adrian Morley	Researcher, Cardiff University
Alyn Williams	Department of Rural Policy, NAWAD
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Julie Atkins	Administrator, Llanidloes Hospital
Lavinia Vaughan	Steering Group Member, Powys Food Links and Farmer
Marie Grannell	Powys and Ceredigion Health Promotion Unit
Marian Bough	R&D Admin Officer, Powys Health Care NHS Trust
Mike Green	Procurement Officer Powys County Council
Nia Jones	Economic Development Officer, Powys County Council
Selyf Morgan	Researcher, Cardiff University
Simon Brenman	Head of Regional Development, Soil Association

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26. f3 – the Foundation for Local Food Initiatives, is a not-for-profit organisation providing advisory services to help develop local food solutions. The organisation comprises some of the leading UK professionals and practitioners in the fields of local food economies and sustainable agriculture. Our profits are reinvested to help develop the local food sector. Website: [www.localfood.org.uk](http://www.localfood.org.uk)
27. FLAIR – the Food and Local Agriculture Information Resource, is a partnership project led by f3 to analyse the scope and benefits of the local food sector in the UK. The FLAIR project is supported by DEFRA and the Shell Better Britain Campaign.

### **Something Meaty – a project working with Graig Farm Organics, Powys**

The New Economics Foundation has devised a project titled “Plugging the Leaks”. Plugging the Leaks programme is about mapping and measuring local money flows, in order to gain a better understanding of how money circulates within a defined locality.

The methodology used in this study was based on the economic term ‘the multiplier’ and was developed by the NEF using 10 pilot studies, which included businesses or projects categorised under the following headings 1) Local Food Initiatives, 2) Social Enterprise 3) Finance 4) Public Sector Procurement 5) Welfare Benefit Take-up Campaigns.

For this study local was defined as Powys. Data was collected by asking the owners of Graig Farm Organics to provide details of their spending. A representative selection of Graig Farm Organics staff were asked to complete a survey and the Powys organic farmers also completed a survey.

The results so far indicate that for every £1 spent by Graig Farm Organics on its meat business £2.20 is reinvested back into the local economy.

Graig Farm clearly demonstrates a very important part in the economy of Powys. All it’s staff are ‘local’ and live within 15 miles of the farm. 70% of Graig Farms supplies are local, this includes nearly all the meat.

On average the staff at Graig Farm Organics spend 61% locally. Food purchasing accounts for 20% of spending, most of which is local i.e. within Powys. For this study we did not ask the specific breakdown of food purchasing habits, so we are not able to state if food is bought in “local shops” or the supermarket in Llandrindod Wells or Newtown.

To date the number of respondents from the 59 Powys farmers is small – only 9 useable surveys, from farms between 200 acres to 1000 acres. From the present information organic meat farmers in Powys on average they spend 55% of their income locally. Those farms which employ additional staff spend on average 10% of their turnover on local staff, only 1 farm employs non Powys staff.

We asked farmers what % of their income was spent on local supplies, on average 17 % is spent. While 10% is spent on local subcontractors. Most of the farms spend very little on outside supplies or subcontractors.

Information from Graig Farm staff and the farmers, indicates the largest amounts of money leaving Powys is in the form of tax, mortgages and other banking services. Unless stated “local bank” we assumed that the banking services were non-local. 66% of respondents do not use a local insurance agent. All respondents have to pay utility bills which are non-local, although this is a small % of spending.