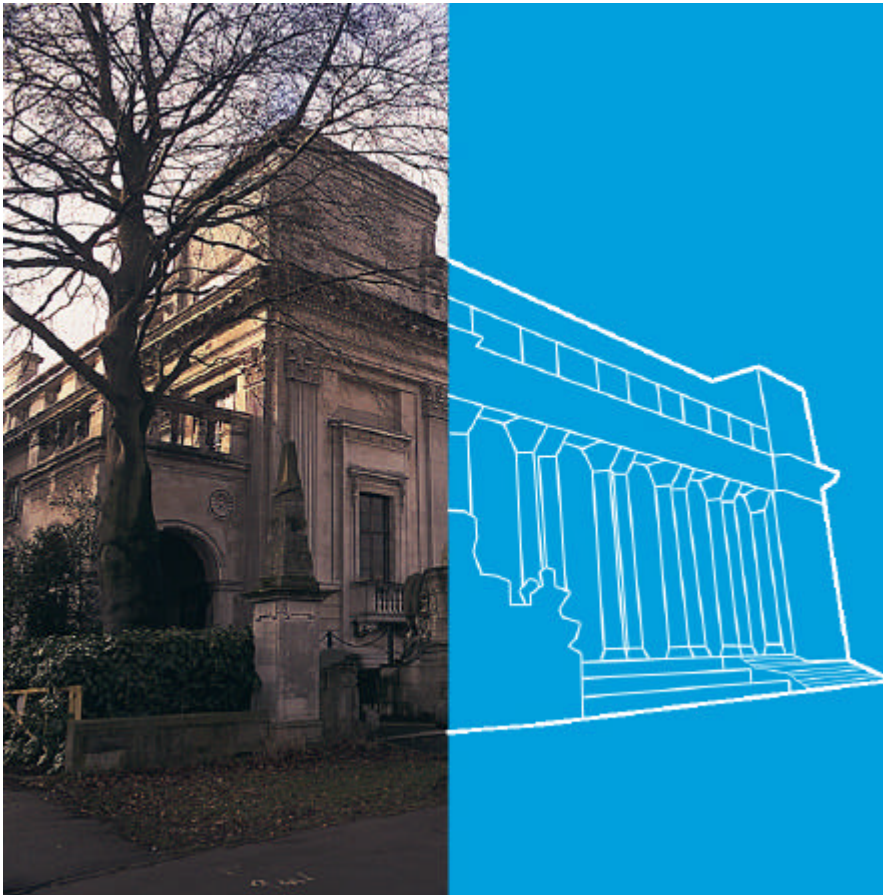


The Regeneration Institute, Cardiff University



RELOCALISING THE FOOD CHAIN:

The Role of Creative Public Procurement

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*In association with
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The Soil Association
Sustain*

A nation's diet can be more revealing than its art or literature.

(Eric Schlosser, *Fast Food Nation*, 2002)

If fresh food is necessary to health in man and beast, then that food must be provided not only from our own soil but as near as possible to the sources of consumption. If this involves fewer imports and consequent repercussions on exports then it is industry that must be readjusted to the needs of food. If such readjustment involves the decentralisation of industry and the re-opening of local mills and slaughter-houses, then the health of the nation is more important than any large combine.

(Lady Eve Balfour, founder of the Soil Association, 1943)

Officials are pretty terrified around the whole of Europe about how to confront some of these huge vested interests ... The fast food and soft drink industries have enormous vested interests which we need to confront. If we don't, the epidemic of childhood obesity is going to rip through Europe so fast - with Britain being in the worst category - that we will have clinics of diabetic children of 13, where the evidence is clear that they will have major problems of blindness by the time they get into their 30s. Kidney units should be regearing because they are going to need huge numbers of kidney transplants and dialysis.

(Philip James, Chairman of the International Obesity Taskforce, 2002)

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EXECUTIVE SUMMARY

1. World summits like Rio and Johannesburg might have a useful role to play in putting sustainable development on the political agenda, but they can never be a substitute for the truly important things, like how we weave sustainable practices into the warp and weft of everyday life – into what we eat, how we travel and how we treat our waste for example. These prosaic, habitual and taken-for-granted features of everyday life will be the real measure of our sustainable lifestyles.
2. Paradoxically, the scope for creating sustainable local spaces – be they homes, localities, cities or regions – is predicated on complementary action at the highest and remotest spatial scales, like securing reform of the WTO's Agreement on Agriculture and the EU's Common Agricultural Policy. Localisation, in short, needs to be defended globally.
3. From farm to fork the conventional food chain constitutes one of the greatest challenges to sustainable development today. This awesome logistical phenomenon prides itself on having 'liberated' food production from nature and her seasons and its proudest boast is that it produces 'cheap food' at 'ever lower prices'. On a narrow economic reckoning this may be true, but on a wider, more sustainable measure the conventional food chain contains hidden costs that show up elsewhere – in burgeoning health bills, in environmental damage and in economic costs to producers and rural economies.
4. Locally-sourced nutritious food offers a number of benefits – what we call *the multiple dividend* – including healthier diets, local markets for local producers, lower food miles as well as a better understanding between producers and consumers, the two ends of the food chain which have become divorced from each other and need to be re-connected. Re-localising the food chain is one way to reconnect it.
5. Enormous barriers block the growth of local food chains, including EU procurement regulations that prohibit explicit 'buy local' policies; UK local government legislation which has the same

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effect; health auditing conventions which have difficulty in accounting for the health gains of nutritious food; catering cultures that are biased to a few large firms in the spurious belief that 'bigger is better'; tendering procedures that are too complex for small local suppliers; and lack of logistical and marketing capacity on the part of local producers.

- 6 Although EU public procurement regulations constrain local action, they are not set in aspic: slowly but surely they are becoming less economic and more alive to social and environmental considerations. EU member states, especially Italy and France, have well-developed local food economies, spawned by enlightened and pro-active public sector catering policies which prioritise local and organic food. Creatively interpreting EU regulations these countries specify 'quality' considerations (like fresh, seasonal and organic food) and the use of 'lots' (to allow small producers to enter the tendering process) and through such innovations they practice 'buy local' policies in all but name. Time and effort are devoted to these things, and higher transaction costs are accepted, because these countries value food and care about its taste and its links to health and culture.
- 7 Schools and hospitals should be the priorities for a concerted local food campaign in the UK because pupils and patients are the most vulnerable sections of society. Locally-produced nutritious food, including organic food, can help us address the spiralling costs of diet-related diseases like heart disease, cancer, diabetes and obesity. Ill-health due to unhealthy diets is estimated to be 50 times greater than ill-health due to food-borne diseases and food-related ill-health is now on a par with smoking as a cause of illness and death in the UK. Local food should be more forcefully integrated into the 'healthy schools' programme and the status of nutrition should be elevated in healthcare strategy. Locally-produced nutritious food would also enhance the community demand for *Meals on Wheels*, a service that is sometimes criticised for serving 'muck in a truck'.
- 8 Public sector procurement has played an enormously important role in re-localising the food chain in many EU member states and it should be encouraged to do so here in the UK too. Although the UK public procurement process is finally being modernised, ostensibly to secure better value for money rather than lower prices, many procurement managers feel they are

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operating in an uncertain regulatory environment and this has fostered a risk-averse culture in which local sourcing is perceived to be a risky and possibly illegal activity.

- 9 Nothing less than a local food action plan is necessary to orchestrate the actions – to reform the regulatory regime and stimulate and calibrate demand and supply – that need to be ‘joined-up’ if we are to avoid the spectacle of organic food, where some 75% of the UK market is currently being supplied by imports. Arguably the most important action of all, however, is the need to improve the *social environment* of food choice to make it easier for consumers, especially parents and children, to buy nutritious local food. This of course pre-supposes reform of our woefully inadequate food labelling system, which is bewildering when it should be enlightening and empowering.

- 10 The central conclusion is that public policies should become part of the solution not part of the problem and they can do this by fostering rather than frustrating the growth of short and sustainable food chains in the UK to allow us to secure the multiple dividend.

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A collective endeavour from start to finish, this report grew out of our collaboration with Powys Food Links and other organisations actively involved in the campaign for more sustainable food and farming systems at home and abroad. For being so generous with their time, their commitment and their knowledge throughout the project we'd like to thank the following: Antony Lewis (*Powys NHS Health Care Trust*), Richard Pitts (*Powys County Council*), Paul Walker (*Powys Health Trust*), Lavinia Vaughan (*a chef and a farmer*), Marie Grannel (*Dyfed Powys Health Authority*), Joy Carey, Jade Bashford and Simon Brenman (*Soil Association*), Vicki Hird and James Petts (*Sustain*).

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Last but not least, thanks to Shelagh Lloyd, who manages The Regeneration Institute, for putting the report together.

Introduction

The origins of this report lie in our involvement with *Powys Food Links (PFL)*, a remarkable and inspirational group of people who became so concerned about the modern food system – and its adverse effects on health, local economies and the global environment – that they decided to try to change it. *PFL* came into being in 2000 with what seemed to be a simple and unpretentious aim: to get locally-produced food into a local hospital, a move which they hoped would create a local market for crisis-ridden local farmers and at the same time provide fresh and nutritious food for local patients.

Yet this seemingly simple aim was frustrated at every turn. In fact everything seemed designed to *prevent* locally-produced food from being consumed locally. Time and again the following barriers kept frustrating them:

- European Union (EU) procurement regulations
- UK local government regulations
- Complex tendering procedures which were beyond local suppliers
- Catering customs which favoured large suppliers
- Audit conventions in the NHS which had difficulty accounting for the health gains of nutritious food

Any one of these barriers might have been enough to prevent a local food chain taking root in Powys, but taken together these multiple barriers overwhelmed the local experiment. Having followed this sad catalogue of events from afar, we decided to approach *PFL* to discuss their plans for promoting local food in the county because we felt that this local issue had enormous global resonance.

Along with the *Soil Association*, the premier certification body for organic produce in the UK, we joined *PFL* to launch a new venture – *the Powys Public Procurement Partnership (4P)* project, to examine the barriers to the growth of local food systems. The *4P* project has three components: first, a study of public procurement regulations in the UK food chain, the results of which are here in

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this report; second, a health impact assessment of local and organic food and its impact on the health of patients and pupils, where one of the aims is to show that local food procurement represents best value for the NHS locally and for the local authority; and, third, a local project exploring the practical opportunities for the sourcing of local food in local schools and hospitals, the aim being to help producers to better understand the tendering process and to re-connect farmers and consumers. The overall recommendations of the *4P project* are shown in Appendix I.

Re-localising the food chain does *not* mean trying to become totally self-sufficient in food, as some people seemed to think in the course of this study. To be perfectly clear about this point let us say at the outset that promoting local food does not mean growing bananas in Bangor or planting tea in Tonna and the like.

We recognise that not all food is available locally and we know that locally grown produce is only available on a seasonal basis. The concept of local food is not about restricting access to overseas products that cannot be grown in the UK, but about buying local and organic food wherever it is possible. It is, as the *Soil Association* rightly says, about 'increasing access to locally produced food by devising a system that makes local food an available, accessible and affordable option for local people' (*Soil Association, 2000*).

For the purpose of this report *local food* refers to foods that are grown and processed in the purchaser's area, be it a locale, a county or a region of the UK. This is not to be confused with *locality food* which carries the name of a locality or a region but which is retailed throughout the country, like Cornish ice cream, or throughout the world, like Parmigiano Reggiano, the finest parmesan cheese which is produced in a strictly defined area in the region of Emilia-Romagna in central Italy. In this report we focus entirely on local food.

Along with our partners we believe that the issues raised by the *4P project* are central to the sustainable development debate. World summits like Rio and Johannesburg may have a role to play if they raise awareness and broadcast good practice, but they can never be a surrogate for the truly important things, like how we weave sustainable development into the warp and weft of everyday life – into what we eat, how we travel and how we treat our waste for example. These

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prosaic, habitual and taken-for-granted features of everyday life will be the real measure of our sustainable lifestyles.

Finally, given the origins of this report, we hope it contributes to a better understanding of current conflicts in the food chain, particularly as regards the barriers to localisation and the role which public procurement might play in overcoming these barriers. Framing the problem is important of course, but we hope that the report offers some credible solutions too.

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1. RE-CONNECTING: FOOD, HEALTH AND SUSTAINABLE DEVELOPMENT

'When you buy *Fairtrade* you are supporting our democracy'. That was the stark message which Guillermo Vargas, a member of a Costa Rican *Fairtrade* coffee cooperative, delivered to the House of Commons during a tour of the UK earlier this year to publicise *Fairtrade* Fortnight. It is hard to imagine a more powerful illustration of the ripple effect of our food choices. Far from being a purely private matter, the food we buy has enormous social consequences - for our health and well-being, for economic development here and abroad, for the integrity of the global environment, for transport and logistical systems, for the relationship between town and country and, as in the *Fairtrade* story, for the very survival of democracy in poor, commodity-producing countries.

In the context of ever-more frenetic lifestyles, however, most British consumers buy food without thinking of the ripple effect of their choices. According to the multiple retailers, who invariably present themselves as mere servants of changing consumer taste, current food trends are being driven by new demographic and lifestyle factors and some of the results are summarised in **Box 1.1**. The key trends include the enormous popularity of 'convenience foods', the decreasing amount of time devoted to preparing meals, the falling share of money devoted to food in household disposable income, the primacy of price when buying food and, more recently, growing concerns among all classes of consumer about the safety and quality of food in the UK.

Some of these trends would appear to be contradictory, not least the emphasis on '*cheap food*' on the one hand and the growing demand for '*healthy food*' on the other. Another example of apparently incompatible trends is the growing interest in '*local food*', which is often equated with fresh and wholesome produce, and '*global sourcing*', which aims to transcend the constraints of locality and seasonality. These tensions are belatedly being addressed by the food retailers themselves, many of whom now concede that:

The industry challenge is to find a balance between supporting British farmers and reducing food miles, and satisfying consumer demand for year round availability of an increased number of products, at ever lower prices (IGD, 2002).

Box 1.1 - Consumer Food Trends in the UK

- Growing time pressure in general, and the growth of female economic activity rates in particular, have eroded what retailers refer to as 'the meal occasion' and these trends have driven the ever-growing demand for 'convenience foods' (a category which ranges from 'ready to eat' food like salad bars to 'ready to heat' food like pizza and curry etc) which many retailers consider to be the consumer success story of the past decade. This trend would seem to be confirmed by Henley Centre research, which found that the average time taken to prepare a meal in 1980 was 2 hours compared to 20 minutes today
- It is estimated that two-thirds of customers find food shopping a chore and these shoppers are looking for ever-more convenient alternatives. In general the amount that consumers spend on food and drink is falling as a proportion of their total disposable income, down to some 15 per cent today
- Changing eating habits also include an enormous growth in eating out: over one third of all meals are now eaten outside the home, with the result that the catering sector is now almost as large as the retail sector in terms of its contribution to the UK economy. One crucial difference between the two sectors, however, is that the legal and regulatory framework on the origin of products is much stronger on retailers than caterers, so consumers are less likely to know what they are eating when they eat out.
- The top 3 factors which consumers cite as influencing their food choice at the point of purchase are price, sell-by-date and taste. Actual buying habits (as opposed to what consumers say they do) show that while British food is often requested, the majority of consumers will not pay a premium for British food products
- Although there is a growing demand for 'healthier' and 'safer' foods, as a result of proliferating food scares such as BSE and FMD, the retailers admit that many of their customers simply do not understand how food is produced and know next to nothing about the processes which take produce from farm to fork
- Fat content is the number one issue for adults, with 60% of Asda customers claiming that they are trying to cut down on fat intake. Sugar is a secondary concern, but a priority for mothers with small children. There is also growing pressure on retailers and manufacturers to reduce salt levels in processed food products, as salt is associated with strokes and high blood pressure
- Growing disquiet about the health and safety implications of food has triggered new demands for more information on food labels – and information that can be readily understood. The Co-op has led the drive for better labelling after publishing a report called *The Lie of the Label*, which exposed the way that food labelling practices confused rather than enlightened the consumer, especially about the relationship between sodium and salt for example

The chief aim of this chapter is to examine the ripple effect of our food choices by making the connections between the food we buy and the social, economic and environmental effects of those decisions. To simplify matters we draw a distinction between the *conventional food chain* (which is dominated by intensive agriculture and large companies producing, processing and retailing food on a national and international scale) and *local food chains* (which tend to be associated with a more sustainable approach to agriculture, especially in the case of organic farming, and with smaller companies producing, processing and retailing food in their locales and regions). There is of course some overlapping. For example the multiples are becoming more interested in selling 'local food' and indeed they are already the largest retailers of organic food, which should not be confused with local food because some 75% of organic food in the UK is currently imported.

The Paradox of Progress: The Hidden Costs of the 'Cheap Food' Chain

From farm to fork the conventional food chain embraces some of the most celebrated names in the corporate galaxy - firms like *Nestle* and *Unilever* in food production, *Wal-mart* and *Tesco* in grocery retailing and, the best known brand of all, *McDonalds* in fast food vending. In the UK the *Food and Drink Federation* claims that food and drink is now the largest manufacturing sector, with current sales of £65.7 billion, a direct workforce of half a million people and a workforce of 3.4 million people in the food chain as a whole (FDF, 2002). One of the proudest boasts of these firms is that, collectively, they have engineered something that previous generations could only dream about, namely a ready supply of 'cheap food', food that is accessible to and affordable by the vast majority of people in the (western) world today. Certainly on the conventional metric, a metric which extols quantity over quality in a mass production system designed to reap economies of scale for producers and low prices for consumers, a metric which is deeply embedded in Anglo-American culture in particular, the record looks like one success story after another as food supply becomes progressively 'liberated' from nature and her seasons.

But in recent years a rival interpretation of food supply has emerged and this is based on a totally different metric - not the productivist metric of mass production but the metric of sustainable development, a metric that invites us to internalise costs, which are externalised in the conventional food chain. How are the costs externalised? By virtue of the fact that the costs borne by taxpayers in cleaning up the effects of intensive agriculture for example (water pollution, BSE, FMD etc) are not

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factored into the 'cheap food' equation. Let us briefly consider some of the other costs associated with *unsustainable* development in the conventional food chain.

One of the deepest conflicts within the conventional food chain today is between farmers and growers on one side and the supermarkets on the other, the problem of the 'vanishing middle' as it is called, and a particularly acute problem in the UK. Fifty years ago, according to some agricultural scholars, at least half the pound, franc, mark or dollar spent on food found its way back to the farmer and the rural community, with the remainder divided between input suppliers (feeds, pesticides, fertilisers, seeds, machinery, labour etc) and manufacturers, processors and retailers. Since then the balance of power has shifted away from the middle, with the result that nowadays farmers get somewhere between 7% in the UK and 18% in France (Pretty, 1998; 2001).

This conflict over the farmers' share of the retail pound has reached a crisis point in the dairy sector, where UK farmers receive 30% below the EU average milk price. According to the NFU, it costs on average 19p to produce a litre of milk, yet UK farmers are currently being paid 15p per litre – in other words 4p per litre *below* the average cost of production – and this milk is being sold in supermarkets for 45p per litre. Many factors have conspired to create this wholly unsustainable state of affairs, but two of the most important factors are organisational in nature - the fragmented nature of UK dairy farmers, who lack the co-operative structures of their European counterparts, and the enormous power of supermarkets in the UK, which is said to harbour the greatest concentration of retail power anywhere in the world **see Box 1. 2**.

Although dairy farmers lack the power to capture a larger share of the retail price, the NFU claims that a recent poll found that 84% of UK consumers were willing to pay 5p more for a pint of milk if they thought the extra money would find its way back to the farmer (NFU, 2002). The dairy crisis is merely a symptom of a more general problem in the UK food chain – the huge asymmetry of power between producers and retailers in what is increasingly believed to be an unsustainable relationship and the hidden costs include the loss of local producers of fresh produce.

Box 1.2 – Third way to poison a food chain

The big five chains control nearly 80% of grocery sales in this country. There is a greater concentration of retailing power in the UK than in any other country in the world. More than 95% of us now do our shopping at a supermarket.....

..... Since last year the big four – Tesco, Asda, Sainsbury's and Safeway – have consolidated their control relentlessly.

There is no shortage of suppliers to explain how they do it. Take the farmer who grows peas in East Anglia and wrote to us in despair recently. If the weather is kind to him, he'll have a crop which he will sell to a processor for 17p a kilo, 8p a kilo less than five years ago. The processor, one of the biggest and most efficient in the country, will clean, freeze and pack them for the supermarkets. That will add a further 18p per kilo to the cost. If the farmer and the processor don't agree to those prices, the retailers say they can buy cheaper abroad, albeit at lower standards.

The supermarkets will sell those peas to us at 98p per kilo. The farmer will make a loss out of them, the processor a tiny profit. That's the global market, the retailers argue - people want cheap food and won't pay more. But at those rates, why should we pay more? All we want is a more equitable distribution of the proceeds.

To give themselves even more leverage, supermarkets have been busy "rationalising their supply base". Their policy is to reduce the number of companies from whom they buy each product. Small- and medium-sized businesses are being squeezed out. A couple of weeks ago one of the leading supermarkets called together its poultry suppliers to reduce their number to just three. Those who hoped to keep their contracts had to explain in detail what their production costs were. The winners would be paid "cost plus", that is their costs plus an amount of profit agreed by the supermarkets.

Ironically, this approach began as a recognition by the retailers that British producers now need the concept of fair trade nearly as desperately as those in developing countries. The trouble is, as one producer told us, once they've seen your books they know just how hard to squeeze.

At the same time Tesco and Sainsbury's are leading a drive for retailers to control transport. They are now insisting that they pick up produce from factories in their own lorries (and therefore pay less for it). Producers with their own fleets can no longer afford drivers.

The retailers have turned themselves into gatekeepers so strong that they can charge suppliers for getting access to us. Between 4% and 5% of suppliers' costs are now accounted for by "shelf slotting fees", that is paying for the privilege of being on the shop shelf.

A code of practice to control how the top four supermarkets treat suppliers came into force 10 days ago following a competition commission investigation. But early drafts were so watered down most farmers and processors think the supermarkets will carry on as usual.

Felicity Lawrence, Consumer Affairs Correspondent, The Guardian, Friday March 29, 2002

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The environmental costs of the conventional food chain may be better publicised than the 'vanishing middle', but they are not necessarily better understood by the public at large. The main environmental costs here are related to the global production of food and the ever-wider distribution of food. On the production side the costs are mainly associated with the intensification of agricultural production, such as declining soil fertility, water pollution, animal welfare problems and the loss of valuable habitats and landscape features as a result of the trend towards fewer and larger farms. On the distribution side the environmental costs of 'food miles' has been well documented.

Transporting food over long distances is energy inefficient in its use of non-renewable fossil fuels and environmentally costly when measured in terms of emissions of carbon dioxide (CO₂), a greenhouse gas. Comparing CO₂ emissions for a single product can be revealing – the distribution of a kilogram of apples from New Zealand to the UK consumer results in 1kg of CO₂ emissions, whereas a kilogram of locally-sourced apples through a home-delivery box scheme results in less than 50g CO₂ (Lucas, 2001). Some modes of freight transport are less environmentally damaging than others: shipping is one of the best options, since road transport generates six times more CO₂ and airfreight fifty times more. But despite the fact that aviation is the most damaging mode, there is strangely no tax on aviation fuel, a glaring anomaly in sustainable development terms (Jones, 2001). Another absurd aspect of food distribution is the phenomenon of 'food swaps', the unnecessary exchange of the same product. Consider the following for example:

- In 1998 the UK imported 61,400 tonnes of poultry meat from the Netherlands in the same year as it exported 33,100 tonnes of poultry meat to the Netherlands
- In 1998 it imported 240,000 tonnes of pork and 125,000 tonnes of lamb while it exported 195,000 tonnes of pork and 102,000 tonnes of lamb
- A year earlier 126 million litres of liquid milk were imported into the UK while 270 million litres were exported out of the UK
- In 1996 the UK imported 434,000 tonnes of apples, 202,000 tonnes of which came from outside the EU, when over 60% of UK apple orchards have been lost since 1970

It is now being convincingly argued that EU countries could reduce imports of these products and meet the shortfall through more local production – and this would secure a multiple dividend in the form of safer food, better animal welfare and a dramatic reduction in carbon emission, thus helping to tackle climate change (Lucas, 2001). It is also worth remembering that the increasing movement of animals, coupled with the closure of local abattoirs and markets, helped to spread and prolong the foot-and-mouth crisis.

No assessment of the environmental costs would be complete without considering the final stage of the food chain - waste disposal – or the stage many of us would like to forget about. However, the vast bulk of food waste in the UK is land-filled, using up land, generating methane and leaking pollutants into our groundwater (Sustain, 2002a). In addition to organic waste there is the burgeoning problem of inorganic waste, like packaging and plastic bags. The UK retail industry uses some 8 billion plastic bags a year, enough to carpet the entire planet every six months, and standard bags take more than 100 years to degrade. Once again the Co-op supermarket has taken the lead by introducing the UK's first fully degradable plastic bag to reduce landfill waste. If other retailers refuse to follow suit the government may have to introduce a plastic bag tax, which reduced the numbers of bags used by 90% when it was introduced in the Irish Republic (Lawrence, 2002).

Human health, or rather the lack of it, is another sphere where the externalised costs of conventional food are becoming ever more apparent. Among nutritionists the year 2000 holds a special significance because that was the year when the number of overweight people in the world for the first time matched the number of undernourished people – 1.1 billion each (Nestle, 2002). According to Marion Nestle, the Chair of the Department of Nutrition and Food Studies at New York University, the diet-related medical costs for just six health conditions – coronary heart disease, cancer, stroke, diabetes, hypertension and obesity – exceeded \$70 BILLION in the US in 1995, a sum that has since escalated to \$117 BILLION. But in her view the most scandalous aspect of the dietary crisis in the US, the home of fast food, is what has happened to American children:

'Conditions that can be prevented by eating better diets have roots in childhood. Rates of obesity are now so high among American children that many exhibit metabolic abnormalities formerly seen only in adults. The high blood sugar due to 'adult-onset' (insulin-resistant type 2) diabetes, the high blood cholesterol, and the high blood pressure now observed in younger

and younger children constitute a national scandal. Such conditions increase the risk of coronary heart disease, cancer, stroke, and diabetes later in life' (Nestle, 2002).

Similar concerns are being expressed in the UK, where food-related ill health is said to be responsible for about 10% of all morbidity and mortality, a figure, which is similar to that due to smoking. According to one highly reputable estimate the burden of food-related ill health in the UK is not merely larger than what is generally assumed, it is also different to what is generally assumed. As regards the financial burden, food-related ill health is estimated to cost the NHS as much as £4 billion a year. Equally important, ill health due to *unhealthy diets* is reckoned to be some 50 times greater than ill health related to food borne-diseases. Although the NHS is overwhelmingly geared towards treating rather than preventing ill health, in the sense that it spends over 100 times more on the former than the latter, health promotion policy has traditionally accorded much more attention to smoking than to poor diets, even though they are equally significant causes of illness and death in the UK (Rayner, 2002).

The human burden of food-related ill health is not shouldered uniformly: putting it bluntly poor people are more likely to die from diet-related diseases. This is partly because they are less likely to have access to fresh produce and more likely to depend on the processed, fatty and sugary foods which are more readily available. A recent study in Sandwell, for example, found that some 90% of households were within 500 metres of shops that sold crisps, soft drinks and ice cream, but less than 20% of the same houses were within 500 metres of a shop selling fresh fruit and vegetables (The Countryside Agency, 2002). Far from being just a health policy issue, the poor's entitlement to healthy food requires a 'joined-up' policy response because it touches a wide array of public policies, not least in the spheres of land use planning, transport, health and education.

The food-related costs of ill health cannot be dismissed as the outcome of individual food choices that fall in the realm of personal preferences, costs which we must therefore accept as sad but inevitable. As we argue in chapter 5, public policy must address itself to the *social environment* of food choice because we do not make these choices in a vacuum. On the contrary, just 0.9% of the UK food advertising budget in 2000 was devoted to fresh fruit and vegetables, while 28% went on advertising cereals, cakes, biscuits, crisps and snacks and, even more extraordinary, 99% of adverts for food during children's programmes are for products that are high in either salt, sugar or fat (Sustain, 2001).

Significantly, food and health policy experts are joining forces to argue that human health ought to be the overriding priority in the reform of farming and food in the UK (Lang and Rayner, 2002).

If the link between diet and health is indeed so important, it seems odd that food labelling is so woefully inadequate as a guide to what consumers are actually buying. The *Food Standards Agency* concedes that the proliferation of food assurance schemes (like the *red tractor* logo) makes it 'very difficult for consumers to make informed choices' and this is the source of 'much consumer confusion' (FSA, 2001). Even in the case of the *red tractor*, perhaps the most widely recognised assurance logo, most consumers think of it as an indication of origin - when in fact it is a standard of production not a location of production. The *Co-op* offers a more damning indictment: in its second *Lie of the Label* report it reveals a number of disturbing trends, namely that:

- Companies are making 'healthy eating' claims for products which can be high in fat, sugar and/or salt
- They can exploit the nutrition labelling regulations to conceal the real nutritional value of their products
- And where nutrition information is given, consumers are baffled by the regulations governing the way it is presented (The Co-op, 2001)

Consumers who are baffled and confused by labels are hardly equipped to take more responsibility for their diets and their health, hence new labelling regulations need to be introduced as a matter of urgency – with HIGH, MEDIUM and LOW indicators that are readily understandable. A more robust labelling regime would complement other promising policy developments and, if they were sufficiently 'joined-up', these new policies could help to deliver a more sustainable approach to farming, food and health in the UK.

Three policy developments in particular deserve to be mentioned here – the creation of the *Food Standards Agency*, the reform of the *Common Agricultural Policy* and the *Curry report* on the future of farming and food.

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Whatever its limitations the *FSA* is a major step forward in protecting the consumer interest in food because the latter was subordinated to the producer interest in the days of the *Ministry of Agriculture, Fisheries and Food (MAFF)*, a name that perfectly reflected its perverse sense of priorities.

A clearer commitment to quality food and ecological integrity may also emerge from the belated reform of the CAP, hitherto the main support mechanism for industrial agriculture in the European Union. This is especially the case with the Rural Development Regulation, the so-called second pillar of the CAP, which consciously aims to promote a more sustainable form of farming and rural development (Falconer and Ward, 2000). The mid-term review of the CAP may not deliver the radical changes that are necessary to mainstream sustainable farming, but it could be another nail in the coffin of intensive farming, and its legacy of placeless, seasonless food.

Finally the *Curry report* on the *Future of Farming and Food* carries major implications for the UK as a whole, even though its remit was ostensibly confined to England, because its central theme was reconnection. More specifically it aimed 'to reconnect farming with its market and the rest of the food chain; to reconnect the food chain and the countryside; and to reconnect consumers with what they eat and how it is produced' (Policy Commission, 2002). This theme is developed in the following section, where we argue that *re-localisation* is one of the ways to reconnect the food chain.

Re-localising and Re-connecting: Towards a Sustainable Food Chain

One of the great merits of the *Curry report* is that it infused 'local food' with the oxygen of publicity. In fact it expressed great hopes for the growth prospects for this tiny sector of the food market, saying:

'We believe that one of the greatest opportunities for farmers to add value and retain a bigger slice of retail price is to build on the public's enthusiasm for locally-produced food, or food with a clear regional provenance. Increasing the market share of such food would have benefits for farmer and consumer alike...We expect that local food will enter the mainstream in the next few years. From a commercial point of view, we have heard from several supermarket retailers that they see local food as the next major development in food retailing' (Policy Commission, 2002)

Although this may prove to be a bold (and perhaps naïve) forecast, the *Curry report* captured the Zeitgeist in food circles, or at least in middle class circles where local food has become de rigueur. Over the past decade the UK has witnessed an explosive growth of local food initiatives – farmers' markets, farm shops, box schemes, community supported agriculture (CSA) schemes, consumer co-ops, producer co-ops as well as the complementary growth of local and regional networks to support and develop local food economies (Pretty, 2001; Sustain, 2002a). And in a UK survey of local community contributions to sustainable development in the wake of the 1992 Earth Summit in Rio, one of the key findings was that 'food has seen the fastest growth' of all the activities surveyed, a finding attributed to 'a succession of food scares coupled with the growing (if unsurprising) realisation that eating well is good for you!' (Shell, 2002).

Notwithstanding these inspiring achievements the most important point of departure for a discussion of local food prospects is perspective – and we can think of no better illustration of the real significance of local food than the fact that, in *Sainsburys* for example, 'local products' currently account for £60 million out of a total turnover of £14 billion - in other words one fortieth of one per cent (House of Commons, 2002). Even if one believes that 'real' local food lies outside the supermarkets altogether, being confined to box schemes and the like, then the overall significance of local food is even smaller – for example the 'organic box delivery' market is estimated to be worth some £34 million annually (Shell, 2002).

When assessing the demand for sustainable products, which might be considered part of the so-called 'ethical products' market, it is sobering to recall the 30:3 syndrome, the phenomenon in which a third of consumers profess to care about corporate social responsibility, yet 'ethical products' rarely achieve more than a 3% market share. (Cowe and Williams, 2000). The most successful 'ethical products' in the UK – some of which are shown in **Box 1.3** - have invariably been given a helping hand, by government in the case of unleaded petrol and by supermarkets responding to public pressure in the case of *Freedom Food* eggs.

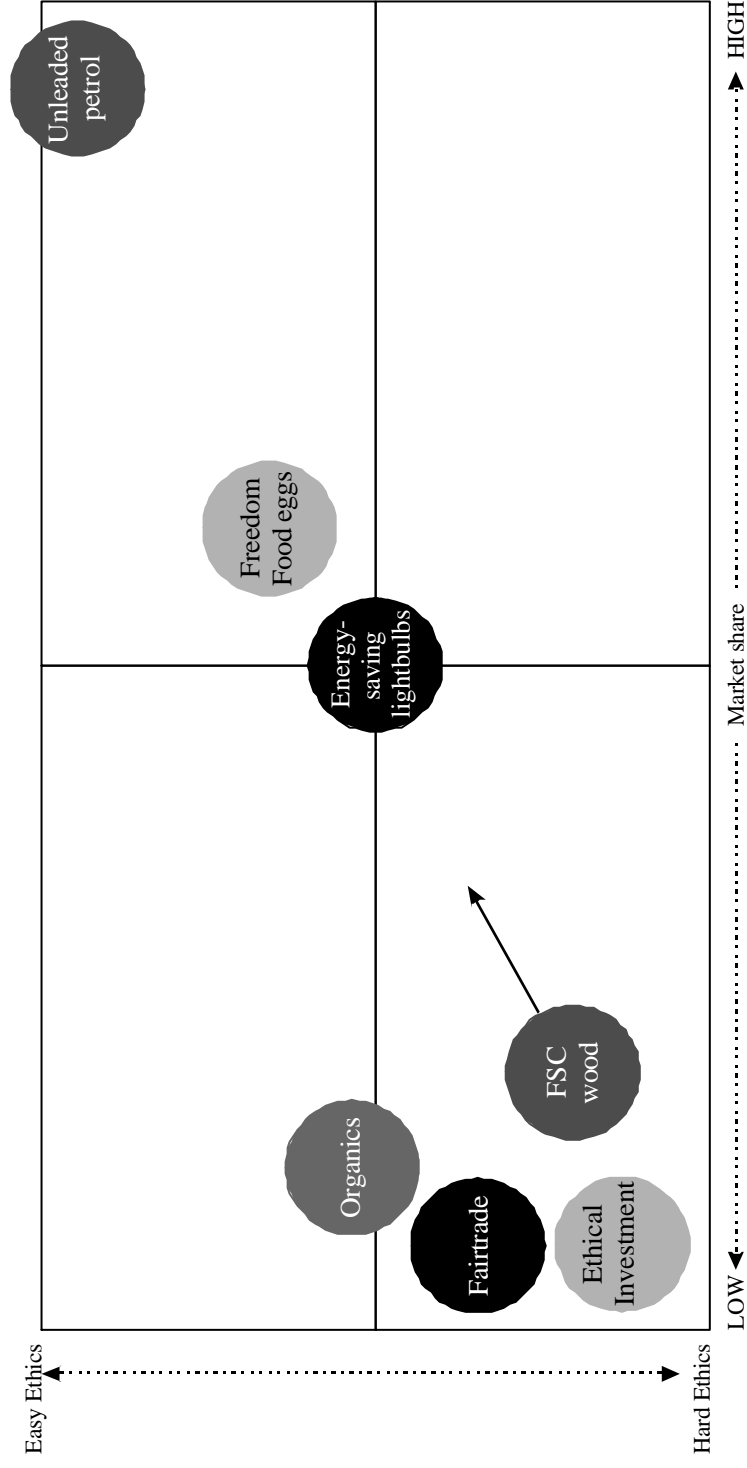
If the local food agenda is worth pursuing – and we believe it is because it offers a multiple dividend of better health, lower food miles and local markets to name but three – we need to recognise that there is no 'silver bullet' solution, no single policy that can make a difference. On the contrary, to make a difference we'll need to orchestrate a series of complementary interventions as regards demand,

supply and support, as illustrated in **Box 1.4**, which shows the framework designed by Tim Crabtree of *West Dorset Food and Land Trust*.

If we are serious about promoting demand for local food products we simply cannot afford to ignore the supermarkets because they dominate grocery sales in the UK. This is why the CPRE has rightly issued its challenge to supermarkets - to set a clear definition for local foods, like food which is grown and processed within 30 miles of the store in which it is sold, and to set targets for 5% of all food sales from each store and 5% of food lines to consist of local foods by 2005 (CPRE, 2002). In their evidence to the *Environment, Food and Rural Affairs Select Committee* on the *Future of UK Agriculture*, the major supermarkets made a public (but unspecified) commitment to increasing their range of locally produced food based on the following initiatives:

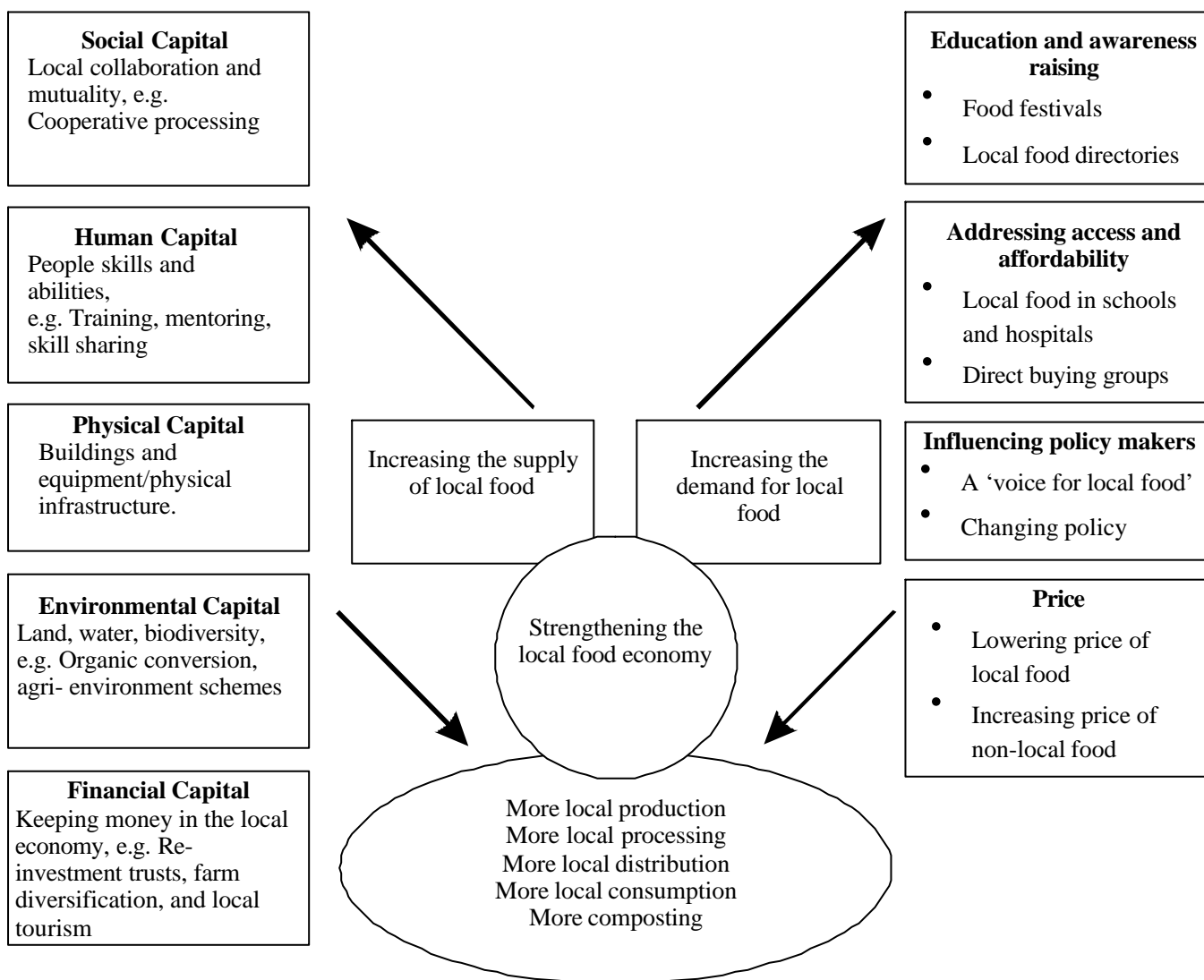
- As part of the *Tesco Farming Initiative*, Tesco has pledged to drive forward their promotion of British produce, local sourcing and clear country of origin labelling; they currently stock 7,000 locally sourced products. Regional buying offices have been opened in Scotland, Wales and Northern Ireland to build closer relationships with producers and to facilitate local buying
- Over the past 2 years *Sainsbury's* have added 3,000 British products worth £60 million to their 20,000 lines. In September 2001 they started labelling British produce with the Union Jack, which they claim has produced a 36% increase in sales on these lines. Regional Trade Development Managers are employed to identify promising local products and bridge the gap between local suppliers and traders
- *Asda* have identified a £160m sales opportunity for local products and aim for every store to stock at least one locally sourced product. Currently they work with 2,607 local suppliers. A dedicated Local Sourcing manager is responsible for co-ordinating the search for local suppliers and for arranging 'meet-the-buyer' events in stores for local business

Box 1.3: The UK Ethical Products Market



Source: Cowe and Williams (2000)

Box 1.4 – A Framework for Stimulating Local Food



Designed by Tim Crabtree - West Dorset Food and Land Trust

- Wherever possible *Safeway* claims to source locally grown products for distribution to local stores and to the wider UK market where volume permits. Their aim is to be 'Best in Fresh' and local managers are able to source local products. For example, West Country Lamb is now sold in more than 50 stores in the south and west of England (IGD, 2002).

The most charitable thing to say about these initiatives is that the supermarkets have to start somewhere, and that local food constitutes a steep learning curve for organisations that are habituated to highly centralised logistical systems. The *Institute of Grocery Distribution (IGD)*, the premier trade body for the grocery industry, has recently commissioned its own research on local and regional food and the key findings were as follows: consumers defined local or regional foods largely as being those that are grown or produced close to home; there was wide consumer interest in buying local foods, with 59% of respondents saying that they were 'quite to extremely interested'; local food products will not succeed through consumer goodwill alone, however, as 32% said they would rarely or never actively look for them; finally, local food would have to compete on an equal footing with other products in their category because, whilst consumers were indeed interested in buying food, they were unlikely to compromise on quality, appearance, cost or product availability (IGD, 2002). Whilst supermarkets acknowledge the growth potential of local food, they argue that the market is constrained by a number of barriers: first, the problem of local suppliers meeting the technical and quality standards demanded in today's retail marketplace; second, delivery to store in the right quantity and time scales; third, suppliers' understanding and adoption of bar code standards (IGD, 2001).

One of the most disturbing aspects of the supermarkets' strategy is that they clearly aim to reduce local food to the same template – with respect to quality, appearance, price and availability etc – as conventional food, when the former constitutes a different kind of offer. This culture clash is most acute in the case of local organic food, which appeals to ecological and nutritional quality standards rather than the cosmetic quality standards of conventional food (Morgan and Murdoch, 2000). Indeed, the *IGD's* own survey found that consumers had more positive than negative expectations of local foods - and the top three reasons for buying local were said to be: freshness, quality and supporting the local community (IGD, 2002).

But perhaps the main point to make about the supermarkets is that, through permissive land use planning and the like, successive governments have allowed them to occupy a privileged position in

Re-localising the Food Chain: the role of creative public procurement

the food chain, a chain which shapes our health, our local economies, our built environment, our transport, and even our climate. Furthermore, large swathes of the food chain are actually regulated by the supermarkets, a classic example of private interest government in the UK (Marsden et al, 2000). And yet, for all their power, the supermarkets may find themselves confronting a much tougher regulatory regime if they try to stymie policies designed to re-localise and re-connect the food chain.

If supermarkets have a major role to play in stimulating demand for local food in the private consumer sector, so too does government in the public sector. The true potential of public procurement has never been tapped in the UK despite the fact that it is one of the most powerful instruments that government has at its disposal to shape economic and social practices. To its credit the *Curry report* was very alive to this potential:

'Some public bodies do set purchasing objectives which encourage the use of healthier food. We have seen such initiatives in action and they have many potential benefits, both to the purchasing body, the end consumer and to the local economy, if the food is locally produced, cutting down transport times (and thereby minimising nutrient loss)...Such purchasing objectives can work within current Best Value requirements and therefore meet cost concerns as well as health, energy minimisation and other local food goals. Local authorities can also specify organic supplies if they wish to.

We encourage all public bodies to try and promote healthy eating through their procurement policies. We note that current interpretation of Best Value may be too narrow to allow public bodies to take into account wider sustainable development issues when setting supplier requirements. We are particularly concerned that public procurement policy takes the impacts of food transportation into account and supports where it can the Government's commitment to tackling climate change' (Policy Commission, 2002).

Sadly, there is an enormous chasm between the potential and the practice of Public Sector Catering (PSC), all too often the Cinderella of the catering service – at least in the UK. Embracing schools, hospitals, prisons, government departmental and agency catering and the like, the PSC sector represents around 7% of the UK catering sector (which in turn represents some 30% of total expenditure on food in the UK), with roughly 61,500 outlets and 1.8 billion meals eaten annually. The problem with mainstream PSC is that it represents the lowest common denominator of food supply, that is the cheapest raw materials, of minimal nutritional quality, often heavily processed and rarely

presented in a way that contributes to an appreciation of food culture. The twin driving forces have been delivery of cost savings and the desire to reduce administration. In view of the fact that vulnerable groups – the young, the sick and the elderly – constitute a large proportion of the PSC sector, this is a totally unacceptable situation, morally and economically, and deserves immediate attention by government (Sustain, 2002b). In the following chapters we examine what other countries are doing in PSC and what we should do as a matter of urgency in the UK.

Stimulating demand needs to be complemented with initiatives to stimulate supply; otherwise we get the organic spectacle, where 75% of the domestic market is supplied by imported produce, much of it from the other side of the globe! The main obstacles to local supply tend to be lack of technical knowledge, especially pertinent to farmers setting up a food business, lack of appropriate finance, little or no accessible processing capacity and limited marketing outlets, in short a woefully inadequate infrastructure for the production and distribution of local food (CPRE, 2002). But in our view there is another, much deeper barrier to the mainstreaming of local food: namely the clash between the UK's 'cheap food' culture, with its mantra of 'ever-lower prices', and the professed concern for quality food at prices which allow producers to earn a living in a sustainable countryside.

This cultural clash was admirably expressed at the 2001 Welsh Soil Association conference by Bob Kennard of *Graig Farm Organics*, one of the most innovative local food producers in the UK. We reproduce his speech at length in **Box 1.5** because it illustrates a dimension of the local food agenda that the *Curry report* diplomatically evaded.

Creating Sustainable Spaces: The Multi-Level Challenge

Good intentions are not enough to effect radical social change – and what else will address the multiple problems of the conventional food chain? Re-localising the food chain will not of itself solve the obesity epidemic for example. But, as part of a strategy to render fresh and nutritious food more widely available, especially to vulnerable groups like children, local food is a key component. However, as we'll see from the chapters that follow, local food requires far more than local action. Paradoxically, the scope for creating sustainable local spaces – be they cities, regions, localities or homes – is predicated on complementary action at the highest, and remotest spatial scales, like

Box 1.5 : Linking Producer and Consumer

"Firstly, I believe there needs to be better communication between the producer and the consumer, many of whom are woefully ignorant of how food is produced. Equally, many farmers have become so divorced from the purpose of their efforts, that to some, marketing means simply a fortnightly visit to a livestock market (or did!) to "get rid of" livestock. In the middle of course is the retailer and their processors, whose task it should be to ensure that open communication. With a degree of hesitation and reticence, I would like to offer our model at Graig Farm as one possible pointer to a solution to this apparent gulf between producer and consumer.

"**Graig Farm Organics**, started in 1988, has at its heart the processing and marketing of organic meat. Since the beginning we worked very closely with a group of organic farmers who came to be known as the Graig Farm Producer Group. We now have around 200 members of the group, across Wales and the borders. Our labelled produce is sold from our farm shop, near Llandrindod Wells in Powys, through around 100 retail outlets across the UK, and via a national mail order service as well as from our internet shop.

"The producer group is aimed at offering organic farmers a regional market for the produce, as well as a regional identity and a source of 200 stories of human interest to tell the consumer – one from each producer.

"We try to offer benefits to both producers and consumers. **For the livestock producer** our marketing philosophy is "local first". If a farmer wants to and can, he should be encouraged to market produce directly to the consumer in his locality. There are increasing numbers of possible outlets – farmers markets and farm shops, and even the internet. However, this can be hard work, and the market may be limited. So we then offer producers the next stage up – an opportunity to market regionally. We aim to minimise livestock journey times by insisting on local processing wherever possible, and also to achieve a fair price for the producer. The livestock is sold either under the Graig Farm Organics label, or through larger slaughterhouses to the multiples.

"In order to offer a credible alternative to producers selling directly to the large processors, we believe such regional producer groups must offer many benefits to the organic farmer. Firstly, there is the old phrase "Unity is Strength". Acting singly, farmers have not done particularly well for themselves over the past few decades. By working together there are many benefits. We offer our members training courses, cheap inputs, meetings, farm walks, demonstrations, sharing of technology, and the ability to sell all products from the farm that are of the right quality. Farming is a pretty lonely occupation, and organic farming can seem even lonelier. An opportunity to meet other farmers in a similar position therefore has many advantages, added to which we are very focused and commercially minded.

"**For the consumer**, we hope to tell the story of the food as well as we can. Our aim is to be as transparent as possible, and to explain how the food is produced. We have run open days for customers. We are about to introduce a system of full traceability. (Hopefully!) from next week, each pack of meat will have a label identifying the producer, describing his farm, and offering an internet address where more information can be found. The consumer is becoming increasingly concerned about food. We aim to offer confidence, and that can be greatly enhanced if we tell the consumer all about what they are buying. We aim also to offer the consumer the very best quality, which is one factor which encourages them to return. If you are asking for a premium for your food, there must, I believe, be a perceptible benefit in the quality of organic food. Mouldy carrots in a cardboard box will no longer do!

"I see a basic contradiction in the current demands of the consumer, and here is a challenge for them: You cannot have it both ways. You cannot have food produced in a picture book British landscape, protected from "environmentally destructive" large-scale farming, a countryside full of wildlife; produced without the use of chemicals; with a local identity, and traceable back to the farmer – you cannot have all of those things (which you say you want) and have this drug (which politicians have promised you since the war) of ever-cheaper food. You cannot square that circle. That is particularly true of organic food..."

Extract from Bob Kennard's speech to The Soil Association Conference
Cardiff, September 14th 2001

securing reform of the WTO's Agreement on Agriculture and reforming the EU's Common Agricultural Policy along with its directives on public procurement. Localisation, in short, needs to be protected globally (Hines, 2000).

The scope for creating sustainable spaces is also heavily influenced by factors closer to home, like the regulatory regime of central government and the incentives (and sanctions) it offers to *practice* the principles of sustainability. In chapter five we show how the Welsh Assembly Government is seeking to realise its constitutional obligation to promote sustainable development, an obligation that falls on only two other governments in the world. But there are other, more compelling reasons as to why Wales is an ideal laboratory for more local and nutritious food. With some of the highest rates of chronic disease in the UK, many of which are diet-related, Wales has more reason than most to promote healthy eating (FSA, 2002). Locally furnished fresh food would also help to create a more buoyant market for Welsh farmers and growers, many of whom are struggling to make ends meet.

While more creative forms of public procurement can help to re-localise the food chain, the most important question is whether we, as consumers and citizens, are able and willing to learn to live differently – to cross what Jules Pretty calls the 'internal frontiers', without which no advance towards sustainability is possible (Pretty, 2002). Some commentators are convinced that the UK's attachment to a 'cheap food' culture is too strong to reform: and, as we can see from **Box 1.6**, this was certainly the view of Matthew Fort during the foot and mouth crisis.

Notwithstanding the powerful obstacles identified by the likes of Matthew Fort, this report is animated by the belief that genuine progress is possible, providing the public realm plays a more innovative role in setting new quality standards, leading consumer demand rather than limping after it.

Box 1.6: Yes, our food is cheap - and so is our talk

We have been seduced by the delight of cheap food, and as long as we experienced the benefits of industrialisation of farming and centralisation of the rest of the food chain, we did not ask how they came about. We have behaved like the aristocratic families of the nineteenth century who had their staff work in their gardens by night because they did not want to be contaminated by the sight of them during the day.

It is easy to see what should be done. Food production should be de-intensified. The food chain should be decentralised. We should cease to treat animals simply as if they were machines and the land as if it were a factory. The cartel of food retailers needs to be broken up. ... We should initiate a state-funded process of education about food - how it is produced, what its qualities are, and how to cook, eat, and above all, enjoy it - starting in schools and continuing through the retail chain. This is not a prescription to a return to some prelapsarian never-never land. It is true, you can't turn the clock back, but it can be turned forward - if there is the collective will to do so.

It is also true that we are part of a global economy. We are bound by the ordinances of international trade agreements, the Codex Alimentarius, European Union concordats and globalisation. But we could use the very economic forces these represent if we could generate enough public support to put pressure on the most accessible point of the food chain, the retailers. In the end the pressure would feed back up through the chain to the suppliers, growers, farmers, and to the bureaucrats and politicians. If we, as voters, demand something en masse, politicians will eventually respond. More importantly, if we, as consumers, demand something, corporations will give it to us because to serve the market is their *raison d'être*.

But it won't happen. Without public pressure there is no political will to reform agriculture because there aren't enough votes in the countryside. Political power has moved from the rural rides, where it lay in the nineteenth and early twentieth century, to the towns, along with the mass of the populace. It would be political suicide to go to the country with a policy of making food more costly. Government will inevitably side with the prevailing commercial forces.

Without public pressure, those forces won't change because it is not in their nature to do so. Commercial operations, of which farming is one, are designed to make a profit. You can no more expect them to put social consequences above that need for profit than you can expect a great white shark to become a vegetarian. The only way we could persuade the companies at each stage of the food chain to change is by convincing them to pursue a course of enlightened self-interest through public pressure, and that will never happen.

There is a cheerful illusion fostered by swathes of television programmes devoted to cooking, acres of food coverage in newspapers and magazines, and slews of cookery books that we are gastronomically enfranchised as a nation, that most people care where their food is coming from. It simply isn't true.

Much is made of the rise in the demand for organic food. The truth is that 75 per cent of organic food is bought by 7 per cent of the shopping population. We spend less of our disposable income on food than any other European nation. The proportion of fresh food we buy drops year by year, and the proportion of prepared foods goes up and up. We have more microwaves per family than any other country except Japan and the US. Some 60 per cent of children aged eight to 15 never eat with their families. Never. On average, office workers spend 18 minutes and £1.50 on lunch.

Does this seem to you like a nation that really cares about food?

Matthew Fort, The Observer, Sunday March 11, 2001

2 What The EU Regulations Say: The Constraints On Local Action

Introduction

The regulations that govern public procurement practices in the UK originate from three levels:

- Global *The World Trade Organisation Agreement on Government Procurement*
- EU *The Treaty of Rome*
 EU Public Procurement Directives
- National *Best Value*

In the context of re-localising food procurement, the major restrictions are at the European level, through the principles of the Treaty of Rome and the rules laid down in EU Public Procurement Directives. The WTO agreement has little impact on food procurement in the UK as it is both less comprehensive and less restrictive than the EU rules. Best Value in itself poses little threat to local purchasing objectives, as it is in effect a method for ensuring that the strategic purchasing objectives of an authority are delivered in an effective manner. Best Value would therefore influence how a local purchasing policy could be best operationalised.

The Treaty of Rome

Although the *Treaty of Rome* does not lay down specific rules relating to public procurement it does establish four fundamental principles applicable to the award of public contracts:

- Non discrimination on the grounds of nationality
- Freedom of movement of goods
- Freedom to provide services
- Freedom of establishment

Non discrimination on the grounds of nationality is the clearest restriction to local food procurement as it not only directly contravenes favouring businesses in terms of their location, but it applies to all public contracts, regardless of size. The spirit of the treaty was later enshrined in a series of specific procurement directives developed to formalise procedures for

large contracts and ensure transparency and effective competition in EU public procurement markets.

EU Procurement Directives

European Directives are pieces of secondary legislation designed in order to render EU treaty provisions more effective. The Public Procurement Directives contain a specific set of rules which must be applied to contracts over certain pecuniary values. These values depend to some extent on the type of contract and the type of institution, and are periodically revised, normally every two years (the last revision was January 2002). For example the contract value to which EU procurement directives apply to Unitary Authority supply contracts in Wales is currently £100 409. Any contract with a value over the relevant threshold must follow clearly defined regulations covering all stages of the contract process.

There are currently three sets of directives directly addressing public procurement:

- public supply contracts (Council Directive 93/36/EEC)
- public service contracts (Council Directive 92/50/EEC)
- public works contracts (Council Directive 93/37/EC)

These directives set out both the procedures and rules for public procurement. Two relevant 'interpretative communications' also exist;

- Interpretative Communication of the Commission on the Community law applicable to public procurement and the possibilities for integrating social considerations into public procurement (COM (2001) 566 final)
- Commission Interpretative Communication on the Community law applicable to public procurement and the possibilities for integrating environmental consideration into public procurement (COM (2001) 274 final).

Both were published in response to criticisms of lack of clarity in the original directives with regard to the scope for using environmental and social criteria and due to commitments adopted in the *Treaty of Amsterdam (1997)* to integrate environmental and sustainable development objectives into EU policies.

Creative freedoms within EU law

It is clear therefore, that the greatest restrictions to local purchasing of foodstuffs arise from European law. EU procurement directives are most pertinent as, in practice, most food contracts tend to be above threshold levels. The question remains therefore, to what extent is there room for public institutions to manoeuvre within EU procurement directives?

European Member States are bound to the objectives of a Directive and domestic authorities can be reprimanded if they fail to act in accordance with the stipulations in any given Directive. Public Procurement Directives apply to all organisations that are governed by public law. Institutions are defined as such on the basis of three cumulative criteria:

'A body governed by public law thus means any body;

- 1 established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character, and*
- 2 having legal personality, and*
- 3 either financed, for the most part, by the State, or regional or local authorities, or other bodies governed by public law, or subject to management supervision by those bodies, or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities or by other bodies governed by public law' (European Commission 1993)*

Therefore in the UK, Public Procurement Directives apply to Unitary Authorities, Higher Education establishments, grant maintained Schools and Colleges, National Health Service Authorities and Development Agencies amongst others.

The basic purpose of the EU directives is to standardise practice across member states, to uphold two key principles (transparency and non-discrimination) and therefore provide an effective competitive market for public contracts that delivers best value for public money.

Transparency is achieved through stipulations about the type of information that must be given and how tenderers should be assessed. All technical and decision-making criteria must be set out in the original tender notice. Moreover, all contracts for which the directives apply must be advertised in the Official Journal of the European Communities (OJEC) to aid communication to other member states.

It is the principle of non-discrimination that presents the biggest barrier to local procurement initiatives. In essence, public procurement policies in EU member states must not be biased towards domestic business interests. Public procurement is estimated to account for 14% of the EU's GDP. It is therefore, a major objective to open up the market in accordance with EU internal market policy. As such, the directives make it clear that public procurement must not be explicitly employed to support domestic producers. Instead, opportunity must be open to businesses from anywhere in the EU to compete for contracts.

In order to avoid discrimination, the directives contain a number of rules with the explicit purpose of preventing purchasing authorities from tailoring their contracts towards specific suppliers. For example, trademarks or production processes can not be stipulated by public authorities unless they are recognised at an EU level or an 'or equivalent' proviso is included. Organically certified food products are therefore allowed, as an EU standard exists.

The decision criteria for all contracts to which public procurement directives apply must be based on either 'the lowest price' or 'the most economically advantageous tender'. The latter broader category refers to the relationship between price and quality. The quality criteria employed in this judgement should be objective and limited to the purpose of the contract. Examples of generally appropriate criteria include delivery date, after sales service and physical quality. The basis on which 'the most economically advantageous tender' is decided must be made explicit during the call for tender stage.

The subsequent guidance documents make it clear that only 'external' costs borne directly by the purchasing authority can be considered in their value calculations. The infliction of costs on wider society cannot therefore be taken on board. For this reason, 'food miles' (i.e. the distance

the food and its constituent ingredients have travelled from source to consumer) could not be used as a selective criteria.

It is clear from the above account that EU procurement directives forbid any activity that may impede cross-national trade in the form of public procurement contracts. Furthermore, it is forbidden for authorities to split contracts in order to avoid applying the directives. Contracts for products of the 'same type' by administratively centralised organisations must be regarded as one for the purpose of calculating total value. Moreover, 'supplies of a range of foods' is given as an example of products of the 'same type'. In sum therefore, there is no official scope for splitting of contracts, unless organisations are administratively devolved from each other.

Contracts can however be split into lots. This allows suppliers to bid only for the parts of the contract they are interested in. The total contract value, however, must still be used to determine whether EU directives apply.

The New EU Public Procurement Directives

The European Union is currently in the process of agreeing a new set of directives for public procurement. The legislative procedure for the new directives is a 'codecision'. This essentially means that the directives have to be agreed by both the European Parliament and the Council of the European Union. The new legislation has currently passed its first reading and is due for a second reading in late 2002.

Although it is impossible to predict the details of the new legislation, draft documents are available on-line. It can be safely anticipated from these that the new legislation will allow greater scope for the integration of social and environmental factors. Although it is almost certain that explicit local sourcing will remain forbidden as the directives must still reflect existing treaty principles of transparency and non-discrimination.

It does seem likely however that the minimum threshold levels will be adjusted significantly higher than they are at present. The European Parliament is arguing for increases of between 32 & 53%, on the basis that existing thresholds have not led to increased cross-border

procurement, but have instead increased administrative costs for purchasing bodies. The European Commission however (led by the Commissioner for the Internal Market, Taxation and Customs Union) is resisting much of the revisions that may weaken existing legislation, including the raising of thresholds.

A conflict at the heart of European Policy

As mentioned above, the *Treaty of the European Union*, agreed in 1997 at the Amsterdam Summit, enshrined sustainable development as a constitutional target of the EU. In particular, article 6 of the EU treaty requires the integration of environmental, economic and social policies in order to promote sustainable development. As a consequence, the EU is committed to integrate sustainable development objectives into all its policies. In the realm of public procurement however, as witnessed in the current negotiations surrounding the new directives, these commitments clearly conflict, and seem to be subordinated to the philosophy of free trade and the single market.

3 What EU Countries Do: The Scope for Local Action

Many European regions have successfully moved towards more sustainable food procurement practices. This has largely been through the adoption of organic purchasing policies, which are relatively common in Italy, Denmark and France, and the employment of various strategies to increase the levels of local and regional procurement. These two forms of sustainable procurement are, of course, highly intertwined. A number of regions have noted that organic procurement significantly increases the proportion of local and regional producers that play a part in the procurement process. This is largely due to the fragmented nature of organic supply in many countries, resulting in a lack of large national organic businesses. Some regions have agri-food industries and food cultures that naturally favour local and environmentally sensitive food consumption, others have had to work a lot harder to move towards more sustainable systems.

This chapter illustrates the extent of sustainable food procurement in the EU and outlines various methods that are either explicitly used, or implicitly part of current systems, which promote the re-localising of public food procurement.

Organic Procurement Policies

Seven EU countries have examples of well-established organic public procurement practices: Italy, France, Denmark, Sweden, Finland, Austria and Germany (Sustain 2002a). Of these, the most documented evidence exists in **Italy** where there are over 300 examples of organic school meal schemes for example, with approximately 100, 000 children eating organic food at school everyday (EAFL 2002). Some schools in Northern Italy have been serving organic meals since 1986 and a number of Italian hospitals also source organic food, principally fruit and vegetables (EAFL 2000).

In 1999, the Italian government passed a law stipulating the inclusion of organic and 'local' quality ingredients in school meals (EAFL 2000). Approximately £1 million was allocated to subsidise the scheme (CCC 2001). Many regions have incorporated these rules into their legislation, and in some cases provided their own additional funding (Sustain 2002b) **Box 3.1**

BOX 3.1 : Tuscan Regional Law

In May 2002, the Tuscan regional government introduced legislation to promote the inclusion of organic and traditional foods in schools, hospitals and universities. The broad aim is to promote regional cuisine and the concept of the 'Mediterranean' dietary model. The regional law provides subsidies for the procurement of products from organic and 'integrated' agriculture, and regional products with European PDO and PGI certification. The legislation provides for subsidies of approximately 3 million Euros over 3 years for procurement of this nature. Individual institutions can qualify for up to 70% of costs if they convert at least 50% of their menus (Greenplanet 2002)

Traditional food products which have been officially registered are also promoted through this legislation, although no financial assistance is given as this would contravene EU single market legislation.

Also included are directions that producers with SA8000 certification (an international accreditation certificate that guarantees the businesses adherence to high social standards, particularly in relation to labour conditions) must be favoured during the tendering process.

Schools, hospitals and universities in the region currently provide over 10 million meals a year between them. Of these, just under 25 000 organic meals a day (Toscana 2002).

Some Italian cities now have comprehensive organic school meal systems in place. In the city of Ferrara, for example, 80% of all food served to the city's 27 nursery schools is organic (ICLEI 2000a). In Cesena, the town's schools, kindergartens and council restaurants serve approximately 2400 organic meals every day. The city of Udine in North East Italy, is one of the first Italian cities to supply organic meals to all its schools. Approximately 400,000 organic meals were served last year, with over 70% of all ingredients procured being organically certified (Postato il Venerdì 2002).

In the city of Malmo, **Sweden**, 60% of all publicly procured food is organic, supplying, among others, 85 schools with approximately 35 000 pupils (IES 2002). Göteborg has an established green procurement strategy which obliges tenderers to complete an environmental declaration on both general and product specific issues. The city procures a significant amount of organic food and is working with other authorities in Western Sweden towards a goal of 5% of organic food in public procurement as a whole (ICLEI 2002b). Procurement officers have noted that most of the organic supply contracts for the city have been won by Swedish firms, often located close to Göteborg (Andersson 2002).

In **Denmark**, as a result of government policy, including funding for the conversion of public canteens, the country has one of the most comprehensive organic sourcing policies in Europe. Nearly 2/3rds of all municipalities have some degree of organic procurement, including schools and hospitals as well as other public institutions. Some Danish cities procure their entire food demand organically (Sustain 2002a).

Purchasing Regional Specific Products

The purchasing of local or regional specialities is a straight forward way of favouring more sustainable food chains. Products with European certified PDO (Protected Designation of Origin) or PGI (Protected Geographical Indication) certification can be requested specifically, as these products have been registered as unique to a particular region, and thus cannot be produced by other firms. In effect, then, PDO and PGI status confers a degree of local protectionism on these products. Some regions of Europe have significantly more registered products than others, and seem to use these designations during their procurement processes.

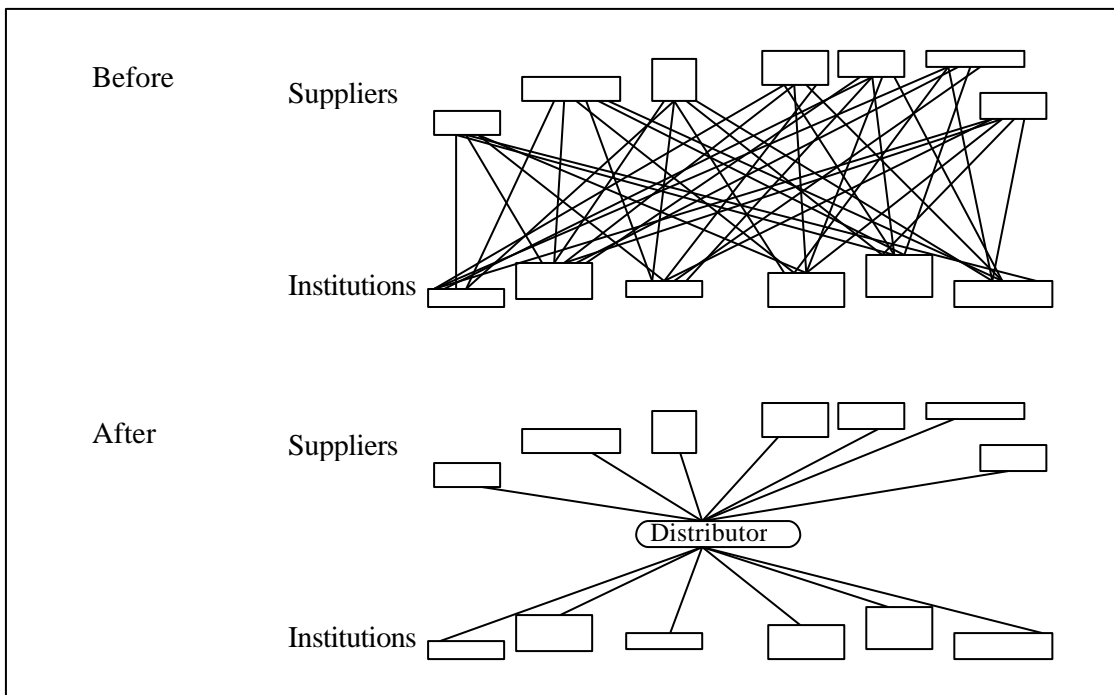
Box 3.2 : Dalarna, Sweden

Sweden's agrifood sector is similar in many ways to Wales. In the retail sector a small number of large supermarkets dominate, competing ostensibly on price. Agriculture has a rather narrow base, producing mainly livestock products. A diverse small food business sector exists but has trouble entering conventional food chains, which can be characterised as importing a high proportion of food products, particularly since Sweden's entry to the EU. Similarly, public food procurement has traditionally relied on large, often multinational food suppliers to provide products mainly from distant sources through large contracts.

In the Dalarna region of Sweden however, four municipalities have developed an innovative procurement system designed to support local and regional business whilst at the same time accruing both economic and environmental benefits. The authorities noticed that, although suitable local products existed at reasonable prices, it was often the cost of distributing these products to numerous institutions that proved prohibitory to small businesses. In order to combat this problem, the municipalities developed a system where distribution is purchased separately. This therefore allows producers to deliver to distribution centres from which suppliers to individual institutions are assembled and then delivered. In addition, the municipalities introduced the allowance of lots in the procurement process. This enabled producers to bid for any number of the 15 defined product segments. Moreover, it was agreed that more than one business can be awarded the contract for an individual lot. This provided an opportunity for small businesses to enter public procurement markets. In the case of potatoes for example, a small number of small producers now supply individual municipalities. The system of third part distribution centres allows that if one producer is unable to fulfil his volumes, the other producers can fill in.

This new system has led to more than double the previous number of local and regional businesses winning contracts. Economic and environmental benefits have also been realised. As a direct result of the more efficient transport system, the total cost of food procurement was reduced by 7%. Moreover, lorry journeys were cut by 50%. This has had an impact both for the wider environment and also to the public institutions, which now usually only receive one delivery per week. This benefits kitchen staff as everything arrives at one time and the whole process is over within 30 minutes. Schools have particularly benefited from this as there is less danger to children playing (*Bringborn 2002*).

The change in distribution structure that facilitated greater local food procurement:



San Marcello in Tuscany, for example, recently tendered for the supply of school meals. Out of the 8 types of cheese stipulated in their contract, 4 were specific regional cheeses with either a PDO or PGI certification (San Marcello 2001a). In fact, Italian legislation now stipulates that public food procurers must source a limited amount of products with PGI or PDO certification.

Even specification of products without PDO or PGI specification can be a powerful tool for raising local procurement. In the Italian city of Ferrera, contracts are designed so as to oblige the supplier to give preference to typical and traditional foodstuffs in general (ICLEI 2000a). Similar practises have been noted in France (CCC 2001). In these instances, while purchasers cannot specify the origins of products, they can at least significantly increase the likelihood of local producers winning the contract. Specific references to local products can be made as long as the proviso 'or equivalent' is included.

Incorporating Seasonality into public food demand

Stipulating the supply of seasonal produce is a common thread running through all the examples cited in this chapter. In Mediterranean countries it is probably more to do with natural demand from consumers than attempts to bolster regional purchasing or educate customers. This highlights the virtuous circle between regions which value local food and the ability to procure locally sourced food.

In a tender document for the supply of fruit and vegetable products to schools in the San Marcello area of Tuscany, the produce requirements for the year are set out monthly in line with natural Italian seasonality. For instance, oranges are required for the 8 months of the year in which they are grown in Italy and melons for 5 months. In the case of oranges, the document even states which Italian varieties are available and when (although crucially it doesn't state that these varieties have to be purchased) (San Marcello 2001b).

Seasonality has also been consciously used as a tool to improve local firm participation in Scandinavia. In Göteborg, Sweden, for example, root vegetables have been introduced onto school menus during the autumn months (Andersson 2002). In Pori, Finland, local varieties of food have also been requested in place of 'global' products. Oranges, for instance, have been replaced with local fruit varieties (Elina 2002).

Service Specification

Using certain service criteria would seem to be a potentially powerful way to assist local and regional producers. Specifying certain levels of freshness, quick delivery response times and minimal packaging would all potentially favour local businesses. In Austria, for instance, it was found that smaller suppliers were better able to supply small schools as they were more flexible and better suited (Soil Association 2002). In the municipality of Pori, Finland, local food procurement has been favoured by moving away from frozen and processed food products towards fresh ingredients. This has allowed authorities to demand acute levels of freshness, delivery commitments and minimal packaging, all of which provide opportunity for local producers. A strong emphasis has been placed on reducing packaging, in line with the municipalities' environmental strategies (Elina 2002). This has included, for example, demanding that milk is delivered in bulk rather than cartons (Pori 2002).

Operating Below EU procurement thresholds

Although maintaining contract sizes below EU procurement thresholds for the purpose of avoiding their associated regulations is specifically prohibited by EU law, it does seem to be widely practised in certain regions. In fact, published evidence of such practice is hard to locate. In the city of Cesena however, it has been noted that the authorities prefer contracts below EU thresholds as it enables them to ask 'reputable and reliable' local firms to bid for contracts (Sustain 2002b).

Allowing for the use of 'Lots' during tendering

Promoting the use of lots during the tendering process is a method that allows small and large businesses to bid for certain parts of supply contracts. Allowing for lots and then communicating this fact effectively among local businesses can be a potentially effective method for supporting local and regional businesses. In the Venice region of Italy, this strategy has been used for the procurement of both organic and conventional food products. For example, a tender for the supply of food to schools for September to December 2001 was split into 12 lots. Of these 8 were for organic products; beef, chicken / eggs, milk products, cereals, tomato products, fruit and vegetables, frozen products and 'others'. The four lots in the conventional food section were for preserved meats, wine vinegar, frozen food and turkey. These latter products are those for which organic products cannot easily be sourced.

The Use of Variants

The use of variants is a contractual method that prescribes two or more variations of the product(s) that can be supplied. This allows the authorities a greater informed choice when awarding the contract, depending on the range of tender submissions received. This is a common tool for those wishing to purchase environmentally friendly goods as it allows both conventional and ecological suppliers to tender for the same contract.

Pori in **Finland** has used the acceptance of variants in its contractual processes as a tool to attract organic food producers. The small number of organic producers in the region has meant that stipulating organic certification for all products is impractical. By allowing variants however, organic producers are able to tender for 'conventional' contracts and have their environmental qualities considered favourably. In practice, the authorities have found that most organic producers who apply through this route do tend to win contracts.

Third Party organisations to manage meal provision

The use of third party organisations to manage public canteens is relatively common across Europe. These organisations are typically responsible for all aspects of the canteen operation including sourcing ingredients, producing meals, serving customers etc. Although usually profit making concerns, a number of organisations exist with wider social objectives. Third party organisations generally have greater freedom in their procurement activities than public institutions.

In Italy, many schools have managed to establish sustainable food provision by handing over the management of their canteens to not-for-profit organisations set up and managed by parent committees. These organisations are then able to source local organic food and supply schools without taking a profit premium. Their operation has been likened to that of housing associations in the UK (Peckham 2002) (EAFL 2000)

In France, third party 'Restauration' businesses are common. Although most of these are commercially run businesses, a number of them also incorporate wider social aims, including

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sustainable agriculture and support of local / regional food producers. *API Restauration* have been supplying local food to schools and hospitals in Northern France on a commercial basis for over 40 years. On their website they highlight the fact that their kitchen heads have complete autonomy over who they source their products from. The company has a registered supplier list of over 800 businesses allowing them to source products from local / regional suppliers as much as possible (www.api-restauration.com/rest_scolaire.html). *Flander Artois Restauration* is another company from Northern France which specialises in supplying schools, hospitals and other canteens with food made from local ingredients (www.far-sarl.fr/).

Biofinesse is a recently established company near Toulouse that supplies local organic food to canteens, including schools and hospitals. In addition to providing a broad range of local organic products, the company also assists in designing seasonal menus for clients. Using seasonal products allows the business to keep prices at a reasonable level (www.biofinesse.com). See **Box 3.3**.

Occasional Sourcing

An alternative strategy to bring local foods into public institutions is to do it on an occasional but regular basis. In the South of France, *Manger Bio* supplies schools with a completely organic menu between once a week and once a fortnight. These events are tied in with an educative element which promotes the value of local food and sustainable supply chains (Laughton 2001) (Medecine Douces 2001) (Peckham 2002). The occasional nature of the sourcing means that food is purchased only in small amounts.

In conclusion we can distil a number of lessons from the continental European experience of sustainable food procurement:

- Many countries /regions interpret the EU regulations more creatively than we do in the UK
- Leading countries like Italy have legislated at the national and regional levels to enable the public catering service to utilise locally produced food
- PDI / PGO status has been actively sought in countries like Italy and France, and this makes it easier to source locally because this designation affords a degree of local protectionism

BOX 3.3 : Manger Bio, France

Manger Bio is a well established movement set up to promote the consumption of organic food. Founded in 1993 by the agricultural organisation CIVAM, *Manger Bio* have provided organic meals to numerous schools and other institutions across southern France. In Languedoc Rousillon, approximately 300 000 organic meals a year are served to 10 schools (Laughton 2001), supplied principally from 20 or so local organic food producers (CCC 2001). A further 400 000 meals are served to schools in the Provence-Alpes-Côte-d'Azur region (Medecine Douces 2001).

Manger Bio Distribution is a private firm set up by *Manger Bio* to improve the efficiency of their operations. Based in Sommières, in the South of France, it is financed by approximately 45 farmers, a butcher and a number of supporting institutions (Durand 2002). Supplies are purchased both from local farmers and, where local sources cannot be found, overseas cooperatives. Consequently a wide range of organic products can be provided by the business including fresh meat, fruit & vegetables, dry products (rice, lentils, beans, oils etc) and drinks (wine, fruit juice etc).

Manger Bio Distribution supply the private company Azur Restauration with local organic meat for school meals in the Nice region. Although an agreement between two private firms, this arrangement is clearly at the behest of the Nice authorities (Durand 2002).

This chapter has highlighted the different ways in which EU member states are interpreting the European procurement rules. These experiences can be distilled into the following steps:

Lessons from Europe

I/ 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

II/ 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.

III/ More Creative Demands

As witnessed in cases across Europe, 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

IV/ 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 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)

VI/ More Support From 'Above'

A significant barrier to local purchasing is the lack of perceived support from 'above'. 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.

4. Schools and Hospitals: The Priorities for Nutritious Food

Promoting locally nutritious food as part of a healthy eating environment should be aimed first and foremost at the people who need it most – the young and the sick. Far from being exemplars of healthy eating, however, school meals and hospital catering are at best perceived as fuel for unflattering jokes, at worst part of the cocktail of diet-related problems that afflict pupils and patients.

Still, scores of inspiring local initiatives are underway in the country today which collectively give the lie to the stereotype that the British public doesn't really care about the quality of its food. Most of these local initiatives invariably involve schools, but some involve hospitals too, and the problems they face are often the same – regulatory hurdles, impenetrable catering contracts, local supply bottlenecks and narrow, bureaucratic public procurement conventions being the principal barriers. We return to these barriers after we examine the current state of food provision in our schools and hospitals.

Confronting Junk Food in Schools

Of all the moral panics that periodically sweep the country the panic about children's health has become a perennial one. The evidence suggests that the problem is real and that it is getting worse. As we can see from **Box 4.1**, the chairman of the International Obesity Taskforce was recently driven to speak of an 'epidemic of childhood obesity' ripping through Europe, with the UK being among the worst affected.

In chapter one we referred to the crisis of children's health in the US, where the problem of childhood obesity is greatest. The US could and should be a role model for us in the UK – that is to say a *negative* role model to help us avoid the fate of a fast food culture which has colonised schools and which persuaded the US surgeon-general to issue a 'call to action' to fight a nationwide obesity epidemic. With obesity-related costs spiralling to \$117 billion per annum, and now threatening 'to bankrupt the nation', the first ever Obesity Bill was introduced in Congress earlier this year to release funds to re-educate the public (Griffith, 2002). The colonisation of US

Box 4.1: Food Industry Blamed For Surge in Obesity

At least three in four of British men and women will be overweight within 10 to 15 years, according to health professionals who accuse governments of failing to tackle the problem because of fear of the food and drink industry. An extraordinary rise in the numbers of the overweight and obese has taken place in the last 20 years. In 1980 6% of men and 8% of women were overweight. By the mid 1980s, that had doubled. Now 65.5% of men and 55.2% of women are overweight or obese in the UK, and the numbers are climbing.

A European Union summit on obesity in Copenhagen recently brought together government ministers and health professionals. They heard that obesity was becoming more of a threat than smoking. A report from the International Obesity Taskforce said that a ban on tobacco advertising should be followed by restrictions to stop industry targeting children with adverts for junk food and sweets and prevent the installation of vending machines for soft drinks in schools.

"Officials are pretty terrified around the whole of Europe about how to confront some of these huge vested interest. The fast food and soft drink industries have enormous vested interests which we need to confront. If we don't, the epidemic of childhood obesity is going to rip through Europe so fast - with Britain being in the worst category - that we will have clinics of diabetic children of 13, where the evidence is clear that they will have major problems of blindness by the time they get into their 30s. Kidney units should be re-gearing because they are going to need huge numbers of kidney transplants and dialysis."

Philip James, chairman of the taskforce

Neville Rigby, director of public affairs at the taskforce, said there had been "a quantum shift" in what was happening to people's body mass because of the changes in diet and the lifestyle.

- Between 1993 and 2000, the numbers of young men aged 16 to 24 classified as obese - with a body mass index of more than 30 - jumped from 4.9% to 9.3%. The rise in the 25 to 34 age group in the same seven years was from 10% to 20.3%. "These should be the fit young men who are the pride of the nation," he said.
- Among 16- to 24-year-old women the rise was 11.1% to 15.7%. Even more alarming, he said, was a new category of super-obese women, with a body mass index of 40 or more. These women - so large they cannot tie their shoelaces or occupy a single seat on a bus - were 1% of the age group in 1993. By 2000 they were 2.4%.
- Men and women who carry excess weight risk heart disease, cancers and diabetes. Type two diabetes, usually caused by obesity, used to be unknown in childhood but now paediatricians are having to learn how to treat it.

The couch potato lifestyle had made weight problems worse, but the chief reason for the epidemic was diet, said the taskforce report, which criticises the industry for targeting children.

"Large business interests are involved in both promoting sedentary behaviour and the passive over-consumption of food," it said. "The food and drink industry seeks to focus on inactivity and promote sports to divert attention from the role of food and drinks. Analysis of marketing strategies shows a targeting of the young and particularly of pre-school children to establish brand preferences."

Sarah Boseley, Health Editor, The Guardian, Friday September 13, 2002

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schools by junk food companies has reached a point where it amounts to a private subjugation of the public realm, the worst expression of which is the egregious spectacle of 'pouring rights' contracts:

'These contracts usually involve large lump-sum payments to school districts and additional payments over 5 to 10 years in return for exclusive sales of one company's products in vending machines and at all school events...In the contract that set the standard, a 53-school Colorado district relinquished its Pepsi vending machines when it signed an \$8 million, 10-year agreement with Coca-Cola that included cash bonuses for exceeding sales targets...The most questionable aspect of these contracts is that they link returns to the companies and to the schools to amounts that students drink' (Nestle, 2002)

In the UK the schools meals service was launched as part of the welfare state in the 1940s, a vital weapon in the fight against poverty, disease and malnutrition. From the outset then, the school meal was perceived to have a multi-functional role as a contribution to health, education and social welfare provision. Since then, however, successive Conservative governments devalued the service by abolishing free school milk for all in the 1970s and then, in the 1980 Education Act, by relegating school meals into a non-essential service. That Act also abolished the minimum nutritional standards that regulated the quality of school meals. More recently Compulsory Competitive Tendering spawned a culture of price-based competition, cost-cutting, out-sourcing and staff cuts, all of which led to a fatal combination of low pay and low morale among catering staff (Unison, 2002).

Equally important changes have occurred in the eating habits of children. Research suggests that children are becoming more knowledgeable and more discerning about food. They expect quality and 'vote with their feet' if they do not get it, and their benchmark is the attractively presented fare in commercial fast food outlets in the high street. Of particular importance, too, is the social context and physical environment in which food is eaten, which has implications not merely for the main meal service but also for vending and tuck shop facilities (Tull, 2001).

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Under pressure to retain more demanding and more discerning customers – which is what many secondary school pupils are – the schools catering service in some parts of the country has sought to ape fast food marketing techniques. One of the most celebrated examples of this strategy is perhaps the *Fuel Zone* concept in Glasgow, which resulted in significant increases in free and cash paid school meal uptake, income and speed of service, though some critics have reservations about the nutritional value of the food on offer. In its predictions for the future shape of school catering, the Local Authority Caterers Association (LACA) said it expected to see ‘more and more schools emulating high street rivals in a bid to retain pupils’ custom in school’ (LACA, 2000).

Like it or not, this is the reality that healthy eating initiatives have to address if they are to make a difference. One of the greatest weaknesses of healthy eating initiatives in schools in the past was their failure to involve pupils as customers. As well as tackling this weakness, the new generation of healthy eating initiatives aim to harness a *whole-school* approach to food so that pupils have a wide array of opportunities to learn about and experience food and nutrition in the curriculum in ways which are integrated and self-reinforcing (Harvey, 2000).

Two important regulatory changes in the school meal environment have occurred recently. First, schools in England and Wales have been obliged to meet new nutritional standards since April 2001, thus reversing the de-regulation introduced in 1980. Second, continuing the trend introduced with local management of schools (LMS), schools are being given more autonomy, a move which gives schools the option of developing a self-managed food service by opting out of the LEA catering contract, a move which reduces the LEA’s local public procurement muscle.

Local food strategies need to be delivered in the context of the healthy schools initiative, which identified a number of themes, one being healthy eating, the guidance for which stated that:

- *‘the school presents consistent, informed messages about healthy eating, for example, food on offer in vending machines, tuck shops and school meals should complement the taught curriculum*

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- *the school provides, promotes and monitors healthier food at lunch and break times and in any breakfast clubs where they are provided*
- *the school includes education on healthier eating and basic food safety practices in the taught curriculum' (DfEE, 1999)*

The UK healthy schools programme has been complemented and further developed by a series of related initiatives in Wales, one of which - the GO2 food bar - specifically aims to provide locally-sourced nutritious school meals. Originally developed by the Meat and Livestock Commission (MLC) Cymru, the GO2 food bar idea was an extension of the successful First Milk bars strategy, which promoted the use of local milk in local schools, both of which also aim to encourage children to think more about where their food and drink comes from. At the launch of the GO2 initiative in April 2002, the then Rural Affairs Minister, Carwyn Jones, said that it helped to deliver a multiple dividend in Wales because:

'Locally-sourced food is not only about providing school children with nutritional meals from quality products, it is also about helping the local economy, improving long-term health and looking after the environment'

Similar attempts to forge direct links between schools and local producers are being explored in England too. Somerset Food Links, for example, last year explored the potential for local food for Somerset schools. Although it found local support for the idea, the study identified some familiar barriers: for example EU regulations that do not allow territorial preferences to be specified in public purchasing contracts; local government legislation that prohibits letting contracts on 'non-commercial' grounds; and a catering contract culture that is pre-disposed to dealing with a few large suppliers so as to reduce transaction costs (Somerset Food Links, 2001).

According to a leading US nutritionist only three things are needed for a healthy school meals service: a committed food service director, a supportive principal and interested parents (Nestle, 2002). But if *locally-sourced* nutritious food is to be part of the healthy eating agenda, three other ingredients are also necessary.

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First, a *local supply chain* needs to be mobilised, a chain that is equipped to produce *and* distribute to multiple school locations in the area – and organising such local capacity is easier said than done. Since schools have neither the skills nor the time to forge local supply arrangements, this task could be entrusted to the WDA in Wales and to the Regional Development Agencies in England.

Secondly, *pupil involvement* will need to be harnessed because, though it is often ignored, they are the actual consumers at the centre of the healthy school equation and they need to appreciate the benefits of eating local food. Pupils need to feel that their views have been used to design and deliver the school meals service and the latter needs to encourage participation and choice. Above all the school meals service should eschew patronising messages about healthy eating, a form of ‘preaching’ that can alienate pupils and even miss the most important point of all - that food is primarily about taste and enjoyment.

Some LEA areas have become beacons of good practice with respect to pupil involvement and pupil choice and, as we show in **Box 4.2** Pembrokeshire is one of the most inspiring areas in Wales with its pupil-driven funky food initiative and its water machines.

The third missing ingredient is a *level playing field* with respect to food choice, so that healthy food is no longer the pygmy to the fast food giant. This brings us to one of the most controversial questions of all, namely the extent to which the state should intervene in the arena of food choice. Two radically different positions exist here: the anti-state view and the pro-state view. The anti-state view maintains that food choice is a private and not a political matter, a view most closely identified with a fast food industry that seeks to repel unwelcome intrusions in the arena of food choice by talking about the ‘nanny state’ in the UK and the ‘totalitarian state’ in the US.

Box 4.2: Healthy Schools in Pembrokeshire

Pembrokeshire is one of the most innovative counties in the UK when it comes to healthy eating initiatives in schools. The Funky Food Group has overcome the problem of pupil involvement by putting them at the centre of a highly innovative team approach to school meals. The team consists of 4 pupils and a teacher from 4 primary schools, 2 area school meals managers, a school cook, a health promotion officer and a dietician, a collaborative exercise facilitated by Lynne Perry of the Pembrokeshire Local Health Group.

The schools involved have incorporated food and health into their curriculum and pupil reps discuss meal changes with their class mates and carry out pupil opinion surveys around school meals.

Pupils were asked to design an alternative school lunch menu around the balance of good health as an alternative to the hot meal. Taster sessions were provided by the school meals service from the children's ideas and a 4 week menu was compiled.

To date this menu system has run in 4 schools since March 2002 and it has proved very successful, not least because school meals uptake has increased in all the schools involved.

The cold lunch alternative is served in a brown paper bag - McDonald's style - and includes a variety of sandwiches or rolls, salad boxes, pasta, rice or green salad, fruit boxes, a variety of cut fruit, a cake or oat biscuit. The aim is to extend this innovative system to other schools in the county.

In addition Pembrokeshire has installed plumbed in water machines in both primary and secondary schools, 38 in all. Although the secondaries sell soft drinks as well and the primaries sell milk, the water machines provide a free and healthy alternative to 'liquid candy'.

By contrast, the pro-state view, which is common among education and health professionals, argues that the fast food industry needs to be more tightly regulated to ensure that the social environment of food choice is not so overwhelmingly stacked *against* healthy food options – as it is for example with children’s television advertising (where 99% of food ads are for products high in either salt, sugar or fat) and as it is with the routine availability of vending machines in schools which discharge ‘liquid candy’ drinks. In this view a healthy eating environment would need to consider prohibiting fast food ads addressed to young children, banning vending machines in schools which offer no alternative to ‘liquid candy’ and perhaps even a ‘sin tax’ on fast food to help meet the burgeoning costs of obesity-related health problems.

Some of these healthy eating issues may seem far removed from the local food agenda, but they are not. Locally-sourced nutritious food needs to be promoted as part and parcel of a healthy eating agenda, not least because fresh food is deemed to have health *and* educational benefits. Originally addressed to the under-consumption side of malnutrition, the school meal is now in the front line of the battle against the over-consumption of food, especially food with a low nutritional value. In our model of sustainable development the school meal becomes a prism through which we should design healthy eating for young people, create local markets for local producers and secure lower food miles for us all, a multiple dividend in other words.

If that’s the vision, what’s the reality? From the standpoint of today’s school catering services it looks like a totally utopian vision. Catering staff are being asked to perform minor miracles daily when they try to deliver quality meals at a price which most people would consider impossibly low – between 32-38 pence for a primary school meal. One local authority catering manager said that the cost pressures spawned by the CCT revolution had ‘driven us down to the bone on cost’, so much so that she could not afford to purchase more local food if it cost more. For all the encouraging trends that are underway in our schools today, the ‘cheap food’ culture is perhaps the most intractable barrier to getting more local food into local schools.

Raising the Status of Nutrition in Healthcare

As well as being the UK's biggest single employer, the NHS is also the largest institutional caterer in the UK. Each year, the organisation provides over 300 million meals, at an estimated cost of £1/2 billion (DoH 2000). As well as feeding patients, it is also a major provider of food to staff and visitors (Audit Commission 2001).

Despite recent efforts to raise the cosmetic and organoleptic qualities of hospital food, the drive to continually cut costs has led some hospitals to spend as little as £2 per patient per day (BBC 2002). The result is that hospital food has continued to be a source of concern for many patients and health officials. Poor food provision also contributes towards the £18 million that is estimated to be lost each year through food wastage in the NHS (Audit Commission 2001).

Around 70% of NHS trusts provide meals through in-house catering departments, with the remainder contracting out the service. In common with much institutional food provision, hospital catering in the UK is gradually moving away from purchasing unprepared raw food ingredients, towards a system of buying in pre-prepared food ingredients, processed food products and, ever increasingly whole ready meals. In fact, 25% of hospitals in the UK now buy in ready meals. This is despite that fact that the Audit Commission's recent review of hospital catering found no evidence that using either pre-prepared foods or ready meals were any cheaper (Audit Commission 2001).

The purchasing structures used to procure food also follow current orthodox trends, with approximately half of NHS food purchasing carried out through national framework contracts, with mainly large suppliers. Although individual trusts have the freedom to purchase for themselves, only half of all food products are purchased this way (Kings Fund 2002). Although national framework contracts reduce transaction costs and increase bargaining power, they also tip the balance in favour of large, non local businesses capable of supplying numerous Trusts at once.

And yet, the need for nutritious food is perhaps greater in hospitals than any other part of public catering.

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According to a Royal College of Physicians study, *Nutrition and patients: a doctor's responsibility*, published in July this year, up to 40% of patients admitted to hospitals in the UK either arrive malnourished or become so during their stay. Malnourished patients are both more prone to infection and take longer to recover from hospital treatment. The report also adds that nutritional training in medical schools is inadequate. Most physicians also have little training in dealing with over-nutrition. Among other things the report said that:

"Those responsible for clinical governance should identify nutrition as an important aspect of clinical practice that involves caterers and many health care disciplines. The inadequate provision of nutritional care has both medico-legal and ethical implications" (RCP 2002)

A similar study of 700 patients found that, compared with nutritionally fit patients, those that are malnourished during their stay in hospital are:

- Twice as likely to suffer from minor complications
- Four times as likely to suffer from major complications
- Four times more likely to die (Bapen, 2002a)

"Nutrition is now high on the public agenda, but unfortunately it is often overlooked by doctors," says Professor Sir George Alberti, President of the *Royal College of Physicians* (RCP) in his foreword to the report. Dr Alastair Forbes, Chairman of the *British Association for Parental and Enteral Nutrition*, adds that "food is a powerful medicine which NHS Trusts ignore at their peril... food intake influences the health and well-being of populations; its appropriate use as treatment saves lives, reduces complications, promotes recovery and reduces length of stay in hospital" (Bapen, 2002b)

Food procurement in the NHS can also have an important impact on sustainable development. Two recent studies have demonstrated the potential a massive public organisation such as the NHS can have in promoting sustainable development goals. The King's Fund report *Claiming the Health Dividend: unlocking the benefits of NHS spending* argued that the role of the NHS in

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communities is more than a just provider of health services. They argue that there is potential for the NHS to contribute towards sustainable dividends in the following areas; employment, purchasing policy, procurement of child care services and food, management of waste, travel and energy, and commissioning new buildings. In terms of food purchasing, the report concluded that the NHS could better contribute to environmental and economic, as well as health goals in the following ways:

- Help patients recover faster and keep its staff healthy by serving nourishing meals
- Save money and reduce environmental damage by cutting waste
- Strengthen local economies by buying more food from local suppliers
- Help with regeneration by creating jobs in areas of need
- Safeguard the environment by encouraging sustainable methods of farming and food processing.

(Kings Fund 2002)

The Sustainable Development Commission pursued this theme with its own study exploring the potential for sustainable food procurement in the NHS (SDC, 2002). In a survey of NHS Trusts, it found that although 75% of the trusts surveyed purchased at least some food from local suppliers, only 45% 'gave regard' to sustainability issues in their food procurement operations. **Box 4.3** outlines the barriers to more sustainable food procurement identified in the report. This figure illustrates the complex nature of these issues, many of which go far beyond insensitive procurement regulations.

In Wales, the forthcoming NHS National Catering Framework provides an opportunity to secure the multiple dividends in public food procurement mentioned in the preceding section. Merely importing the Lloyd Grossman 'Better Hospital Foods' model from England is not enough. There is a unique opportunity in Wales to integrate local food into a new strategy for food provision in the NHS. Recreating 'ready meal' culture in hospitals would be a missed opportunity to help re-brand the NHS as centres of health and wellbeing. **Box 4.4** shows how Llandidloes Hospital in Powys is trying to use local food as part of its health and wellbeing strategy.

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Antony Lewis has been a resolute and articulate champion of the use of local food in hospitals. Reflecting on his experience of the *4P* project he argues that a package of measures is needed to unlock the potential of local and organic food, specifically:

1. The proposition at the heart of the Welsh Assembly Government's NHS plan that NHS bodies should promote health and wellbeing needs to be translated from an interesting intellectual idea into a culture. As it should be constantly in the minds of clinicians, so it needs to be in the forefront of NHS managers' consciousness, particularly as they make food procurement decisions.
2. The Welsh Assembly Government should hold NHS bodies to account for their promotion of health and wellbeing, and particularly for the discharge of their duty to promote social Responsibility through contributing to the sustainability of their local economies. If this means targeted funding, this is an investment the Assembly Government should make.
3. The Audit Commission should take a lead in demonstrating to the NHS the value to their local economies, and therefore to health and wellbeing, of purchasing locally sourced food (organic where available), and District Audit should make clear its understanding that 'cheapest is not always best'.
4. NHS bodies procuring food should make available to local procurers and suppliers (where appropriate in electronic form) all the information necessary to enable them effectively to compete in the market.
5. Training should be made available to local producers and suppliers to enable them to understand the complexities of the tendering process. (Lewis, 2002)

The provision of locally-produced nutritious food would also have a positive impact on the elderly and infirm who are not in hospital. Anecdotal evidence from the *Meals on Wheels* service in

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Aberystwyth suggests that the shift to local food provision has rendered the service more attractive. In the past local people were very reluctant to take what they disparagingly called 'muck in a truck'. But with the introduction of fresher and better looking food, together with the fact that nearly everyone knows someone involved in its production, the service has become more valued precisely because it is localised and more personalised.

Where the Need and the Duty Converge

Wales has good reason to address the above issues as a matter of urgency because it has a unique combination of need and duty. The *need* is all too apparent, not least the fact that it has the highest level of childhood poverty in the UK and one of the highest rates of diet-related diseases in the EU; while the *duty* lies in the legal obligation on the Assembly to promote sustainable development. The provision of locally-produced nutritious food for pupils and patients would seem to be an ideal vehicle for Wales to address its social needs and meet its legal duty at the same time. For this to happen, however, public procurement policy needs to play a more creative role than it has in the past.

Box 4.3 Perceived Barriers to Sustainable Food Procurement in the NHS

Local Level	<ul style="list-style-type: none"> • Lack of awareness of sustainability issues at Trust level • Lack of knowledge of local supply market • Resource allocation needed to implement new systems, including monitoring local contracts • SME's lack of knowledge of procedures for bidding for public contracts
Within NHS	<ul style="list-style-type: none"> • Cost • Availability • Many suppliers not working towards sustainability and it cannot be made a requirement without legislation • Financial pressures • Too many other priorities • Knowledge • Lack of Commitment • Financial Standing Orders • Legal Constraints • Purchasing Model – seen to favour large suppliers • Risk Management issues
National / EU Level	<ul style="list-style-type: none"> • Public sector procurement legislation • Budget limitations works against change • Lack of appreciation of sustainability at national level • Lack of consensus of a definition of sustainable food supply • Lack of understanding of purchasers of environmental and sustainability issues associated with purchasing • Perception that costs will increase • SME's see public bodies as slow payers • The Animal By-Products Amendment Order 2001 limits opportunities for food waste composting

Source: Sustainable Development Commission (2002)

Box 4.4 - Llanidloes War Memorial Hospital, Powys

In 1998, Llanidloes Hospital began a policy of purchasing food from local suppliers where possible. The main reason for this was dissatisfaction with the quality of existing suppliers, coupled with fears about availability during periods in winter when the town maybe cut off because of snow. Llanidloes Hospital is typical of many small hospitals, with only 36 beds available and an average of 75 meals served per day. All meats are prepared and cooked by a small catering team within the hospital.

The main successes in the hospital policy have been the movement of contracts for both fresh meat and fruit & vegetables to local suppliers. As a consequence, all meat now served in the hospital is of local origin, whilst local fruit & vegetables are supplied wherever possible.

The main consequences of the shift towards greater local procurement have been:

- Food is fresher and of higher quality
- Therefore there is less wastage
- Aspects of seasonality have been incorporated allowing for a greater range of meals for patients
- There is now greater flexibility in ordering specific products and specific amounts
- And faster delivery and quicker response times
- On the few occasions where sub-standard food was delivered, the hospital is able to get the suppliers to re-deliver straight away.

Anecdotal evidence suggests that the increased quality of supplies was in part due to the fact that suppliers were local, and they were aware that their reputation with local consumers would suffer if they supplied poor quality goods. The hospital also benefited from positive media coverage connected with the transition to more local food and satisfaction that they were supporting local businesses.

The hospital found that, once the decision had been made to seek out local contracts, their greatest barrier was not knowing exactly what they were allowed to do within existing contracting laws.

5. CREATIVE PUBLIC PROCUREMENT AND THE MULTIPLE DIVIDEND

One of the genuinely puzzling things about economic policy in the UK is that successive governments have shown an avid interest in intervening in areas where they have little or no control, like the money markets, yet they have virtually ignored areas like public procurement, where they have almost complete control. Perhaps not surprisingly therefore, the history of public procurement in the UK is littered with costly and embarrassing overruns, notably in defence, IT and civil engineering. Critics might be forgiven for thinking it was forever thus, citing the sorry sagas of the *System X* digital exchange and the *Advanced Passenger Train* to underline the point that public procurement has been the Cinderella of economic policy in the UK. In contrast to France, where public procurement was successfully deployed to modernise key sectors of the economy, particularly mass transit, energy and telecommunications, the story of public procurement in the UK is a story of untapped potential.

With the creation of the *Office of Government Commerce* (OGC) in April 2000, the public procurement process is belatedly being modernised to secure value for money improvements across the full range of Government's commercial activities. Laudable as it is, however, this modernisation programme begs an important question: is public procurement being modernised within an old, cost-cutting business model (doing things better) or does modernisation embrace a new, more sustainable business model (doing better things)? The more it resembles the latter, the more we can speak of a *creative* procurement process, a process that is both innovative and sustainable - *innovative* because it seeks to transform supplier behaviour rather than taking it as a given, and *sustainable* because it does not allow low cost options to masquerade as best value options.

In this final chapter we examine three key questions. Why is public procurement potentially so significant? To what extent is a creative public procurement policy beginning to emerge? And what needs to be done to secure the multiple dividend of local food in the UK? To answer these questions we draw on the experience of Wales, where the National Assembly is constitutionally obliged to take sustainable development seriously.

Doing Things Better: Modernising Procurement

The creation of the OGC as an office of the Treasury in 2000 was the main conclusion of a major review of civil procurement in central government conducted by Peter Gershon, the current chief executive of the OGC. The need for radical reform was clear because:

- No one really knew how much was being spent by the government on a whole range of products and services
- The government was not utilising effectively its position in the market place, for example through leveraging its relationship with suppliers
- The fragmented approach to procurement across areas such as IT and property and construction was producing enormous variations in performance
- There was plenty of scope for government to become a more intelligent and professional customer, but this potential was not being tapped
- Significantly, procurement was not regarded as a core competence
- Consequently there were major value for money improvements to be gained simply by doing things better (Gershon, 1999)

The recently formed OGC is required to work with departments to secure £1 billion of value for money improvements by March 2003. Its work is underpinned by two key principles: first, defining procurement as the whole 'cradle to grave' life cycle process of acquiring goods and services from third parties and, second, an emphasis on value for money, defined as the optimum combination of whole life costs and quality to meet customers' requirements. Although its main remit is central civil government, the OGC is also required to support value for money improvements across the full range of the public sector, including local government and the NHS.

In parallel with Whitehall, but independently of it, the National Assembly launched the first comprehensive review of procurement across the public sector in Wales, a review that embraced local government, the NHS, higher education establishments, further education colleges and Assembly Sponsored Bodies like the WDA etc. Among other things the review found that:

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- There is no common understanding of the full scope and role of procurement
- There is little effective management information available on what is being spent, hence very few bodies were able to say with confidence how much they spent on what and with whom
- With some exceptions procurement activity is unduly fragmented
- There is little overall investment in the training and development of professional procurement skills
- There is no agreed procurement performance measurement system and few examples of benchmarking of procurement performance
- There is an urgent need to modernise procurement by adopting best practice techniques, like e-commerce (National Assembly for Wales, 2001)

The review was a major public service in itself, not least because it revealed the parlous state of procurement in Wales, which is far more dependent on the public sector than England. Across the 95 public bodies included in the review the total public procurement spend was estimated to be £3 billion in 1998/99 (a staggering £1 billion more than was originally thought), equivalent to 40% of the Assembly's budget and roughly 11% of GDP in Wales. The scale of this collective spending power, covering everything from tins of beans for school meals to ICT projects, means that the Welsh public sector is 'easily the biggest and most significant customer in Wales'.

But the biggest customer was far from being the smartest customer. For one thing it was fragmented, with little or no exchange of information and good practice, hence the procurement power of the public sector, enormous in theory, was totally dissipated in practice. Public sector managers complained about 'the lack of vision and ambition at both official and political level when they attempted to change outdated processes and working practices'. Just as disabling was the fact that few of the 95 organisations had the professional skills necessary for modern supply chain management, with the problem being most acute in the FE sector. The skills deficit reflects the fact that training in procurement was 'seriously lacking in resource and commitment', with one public body investing as little as £100 per head *per annum* in upgrading its procurement team's professional training and development. Several local authorities were totally devoid of officers qualified to corporate membership level of the *Chartered Institute of Purchasing and Supply*

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(MCIPS), the acknowledged qualification for purchasing and supply professionals. Lack of expertise, coupled with successive budget cutbacks, promoted a short-term approach in local government and a 'cheapest is best' culture. Far from being confined to Wales, these problems are typical of the public sector throughout the UK. Procurement experts believe that the government needs to become a vastly better purchaser if it wants to transform public services (Timmins, 2002).

If the recommendations were implemented in full – and they were formally accepted by Edwina Hart, the Finance Minister, on 22 November 2001 – the *Better Value Wales* review team concluded that a challenging but achievable value for money savings target would be 3% per annum, equivalent to £90 million per annum.

Although enormous savings could undoubtedly be made here, one needs to ask how these savings would be realised and at what cost. For example, the review assumed that major savings could be secured if the public sector consistently achieved prices in 'the lower quartile' of their price spreads. One wonders what this would mean for school meals, for example, where costs have been driven down to the bone, and where caterers work to a target of somewhere between 32-38 pence per primary school meal. Fortunately, price is only one of the criteria being proposed for the new public procurement regime in Wales. This brings us to the issue at the heart of this chapter – whether a modernised public procurement policy constitutes a *sustainable* public procurement policy?

Doing Better Things: Towards Creative Procurement?

The prospects for re-localising the food chain would be immeasurably improved by a creative public procurement policy. There are some encouraging signs that such a policy is struggling to emerge in the EU and the UK, but does this signal a genuine process of greening or is it merely greenwash?

As we saw in chapter 2, the EU procurement regulations are currently in transition and the new rules are expected to include guidelines as to how social and environmental factors might be taken into account when awarding contracts.

Case law could provide some interesting pointers here as regards the social and environmental dimensions of sustainability. On the **social** side the *Beentjes case* found that it was legitimate to cite the use of unemployed labour as a contract condition. On the **environmental** side a 'landmark decision' in the *Helsinki Buses case* improved the prospects for green procurement when the Court of Justice decided that environmental criteria can be taken into account when awarding public contracts. On September 18 2002 the Court of Justice ruled in favour of the City of Helsinki on the issue of bus company tendering. The unsuccessful company, *Concordia Bus Company*, claimed that it should have won the contract because it represented 'the most advantageous economic offer'. The Court's main argument, according to *EurActiv.com*, was that the authority in charge of contracting had the right to 'take into consideration ecological criteria such as the level of nitrogen oxide emissions or the noise level of the buses, provided that they are linked to the subject matter of the contract, do not confer an unrestricted freedom of choice on the authority, are expressly mentioned in the contract documents or the tender notice, and comply with all the fundamental principles of Community law, in particular the principle of non-discrimination'. The criteria that the City of Helsinki used to award the tender were threefold: the overall price, the quality of the bus fleet and the operator's quality and environment programme, all of which was included in the tender notice. These two cases suggest that the EU is trying to incorporate sustainable development criteria into its public procurement regulations, even though the latter were not originally designed to do so.

With so many imponderables involved, however, it is impossible to form hard and fast conclusions about the precise meaning of EU regulations at the moment. On the one hand we have the traditional directives on procurement, designed to foster free trade in the name of the single market, while on the other hand we have Article 6 of the EU Treaty, which requires the EU to incorporate sustainable development into all its policies. This is a European version of the wider conflict between WTO rules, which promote free trade, and UN protocols, which could be invoked to restrain free trade for the sake of sustainability. At the World Summit in Johannesburg it was finally agreed that there should be parity of esteem between these different regulatory regimes.

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If the EU position is unclear, so too is the UK position, especially as regards local government. Most local authorities greeted Part 1 of the Local Government Act 2000 with great enthusiasm because it gave them the power to promote the economic, social and environmental well-being of their area, and this could become a powerful vehicle for local sustainable development strategies. Furthermore, although it is a development of CCT, the *Best Value* regime is much less restrictive than some local authorities seem to think, a point underlined by the *Curry report* on farming and food.

But other legislation, particularly Section 17 of the *Local Government Act 1988*, is often deemed to prevent local authorities from localising their procurement on sustainability grounds. This issue came to a head two years ago, when Baroness Miller asked the government 'whether Section 17 of the *Local Government Act 1988* is preventing local authorities from pursuing a local purchasing policy with regard to food and whether the restrictions that seem to apply to local authorities also apply to other bodies such as NHS trusts?' Replying for the government Lord Whitty said:

'The Government recognise that local authorities may wish to consider adopting local purchasing policies but it is for them to judge how far this can be done within existing UK and EU legislation. Local authorities are limited in their scope to use procurement to pursue local purchasing policies by Section 17 of the Local Government Act 1988, which sets out a number of 'non-commercial matters' which must be excluded from the contract process. The 1988 Act does not apply to NHS trusts' (22 June 2000)

A clearer picture will hopefully emerge from the work of the *Sustainable Procurement Group*, a cross-departmental Whitehall group which was set up at the request of Margaret Beckett at DEFRA. Its recommendations will feed into a new framework for sustainable development on the government estate which has been commissioned by the Ministerial Sub-Committee on Green Issues (ENV (G)), the so-called Green Ministers Committee. Officials in the *Sustainable Procurement Group* claim that there is 'no conflict between the Government's environmental objectives and good procurement, given an understanding of the need to specify the requirements in contracts at an appropriate stage, and it is inertia and a lack of awareness that has hitherto hindered the process' (Poulter, 2002). The notion that there is no necessary conflict of interest here

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will come as a surprise to a great many practitioners because, as they have told us time and again, they are constantly running into legal and regulatory barriers when they seek to implement more localised procurement policies.

What we have here is a serious and debilitating difference of opinion as between the policy *design* community, which is still largely based in Whitehall, and the policy *delivery* community at local and regional level. At Whitehall level the chief executive of the OGC claims that in modernising its procurement policy the UK government is also rendering it more sustainable, that greening goes hand in hand with value for money in other words. Addressing the Greening Government Procurement Conference last year he claimed that these two things were synonymous:

'Our attention is firmly focused on value for money – not simply the lowest price. This means looking at quality and whole life costs, including disposal and packaging, which are areas where environmentally friendly products tend to score well...Your task is to work out how to procure environmentally friendly goods while retaining value for money. We should not accept a 'green premium' as an inevitable consequence of greening Government procurement' (Gershon, 2001)

The validity of this claim – that the green line is effectively synonymous with the bottom line – needs to be established in deeds rather than words because the devil is in the detail. Clearly the legal and regulatory ambiguity surrounding sustainable procurement needs to be resolved as a matter of urgency, especially in Wales, where the Assembly has a special duty in this area: section 121 of the Government of Wales Act 1998 requires the Assembly 'to make a scheme setting out how it proposes, in the exercise of its functions, to promote sustainable development', a duty which is unique in the UK. To meet this duty the Assembly formally adopted its sustainable development scheme – *Learning to Live Differently* - in plenary in November 2000 (National Assembly for Wales, 2000).

To its credit the Assembly has taken this duty seriously, despite being over-worked and under-resourced. Rather than going for the easy option, which was to create a discrete sustainable development portfolio, the Welsh Assembly Government is seeking to integrate sustainability into

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all its spending portfolios. Though there is little to show for it as yet, this commitment persuaded the chairman of the *Sustainable Development Commission* to say that 'Wales is leading the UK in putting sustainable development at its heart', commending in particular the new public procurement strategy (Porritt, 2002).

The new public procurement strategy in Wales may be heading in the right direction, but it has a long way to go and it cannot shoulder the full burden of re-localising the food chain. As we have seen, the power of a £3 billion public procurement spend is more apparent than real because this budget is fragmented over 90 public bodies, all of whom have operated as a law unto themselves, bunkered in their own 'silos' as it were.

Though it is barely known to the general public, one of the most significant organisational innovations under the Assembly is the *Welsh Procurement Initiative* (WPI), which aims to catalyse and orchestrate the entire public sector in Wales. By fostering a greater commonality of purpose - through a Wales-wide procurement network and a national procurement website for example - the WPI will enable its members to punch above their weight by giving them access to a collective procurement power which none could ever hope to command on its own. Furthermore, by requiring suppliers to sign up to a code of core values - like sustainable development, equal opportunities and social inclusion - the WPI has the potential to become *the* most important means through which the Assembly gets the business community to subscribe to a more sustainable model of development. In other words the WPI aims not just to change the way that public sector buyers do their business, it also aims to persuade suppliers to become more innovative about the way they supply the public sector. But the biggest barrier to innovation here is the risk-averse culture which is being fuelled by regulatory uncertainty: if procurement managers feel they are entering a grey zone between legality and illegality if they try something novel and innovative, they will invariably refrain from doing it so as to remain in the comfort zone of the status quo.

Despite these legal and regulatory barriers, the WPI has already challenged some of the practices which render re-localisation more difficult, like the fact that buyers are drawn to a single large supplier - *not* because this option offers the best value but because it reduces the transaction costs of the buyer. In the case of fresh food, for example, the WPI team is keen to promote

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radically new supply arrangements, such as supplier associations, co-operatives and franchise operations. For example a franchise operation could enable the main supplier to be the legal entity who signs the contract, but the main supplier then franchises out the contract to perhaps half a dozen smaller suppliers, none of whom might be big enough or sufficiently confident to bid for the contract on its own.

In short the WPI hopes to transform the internal buying habits of the Welsh public sector as a prelude to transforming the external supplying habits of the Welsh private sector. But even if it manages to fully exploit the £3 billion budget, the Welsh public sector cannot re-localise the food chain on its own. If re-localisation is ever to become a reality we'll need to mobilise a complementary set of local food actions along the lines identified in **Box 5.1**. These actions illustrate the need for a multi-level strategy, from the global to the local, so as to defend the local globally.

We might be on the cusp of a strategic 'tipping point' in the UK where a re-localisation of the food chain could conceivably begin in earnest - but this prospect is wholly conditional on the actions outlined in Box 5.1. Two very different scenarios are thus imaginable in the years ahead:

- ***Local food as a minority sport:*** a weak response to the actions in Box 5.1 will mean 'business as usual', a scenario in which local food remains a minority sport, largely confined to middle class consumers and food connoisseurs; this will also mean that the UK failed to make local fresh food available to the people who need it most, the young, the sick and the poor. This scenario would also reveal the Curry report to have been hopelessly naïve about the prospects for local food in the UK
- ***Local food as a mainstream activity:*** a robust response to the actions would trigger a real shift in the behaviour of the food chain from farm to fork, and this would mean that locally-sourced nutritious fresh food was more widely available, especially in healthy schools, health-promoting hospitals and deprived communities throughout the country; it would also mean that the supermarkets had been obliged to do more to support the growth of local food, and considerably more in the case of Sainsbury's, where local food accounted for just one fortieth of one percent of turnover in 2002

Box 5.1 : A Local Food Action Plan

Improve the Regulatory Framework

- Taking advantage of CAP reform, and the Treaty commitment to sustainable development, create a regulatory framework in the EU which fosters rather than frustrates the growth of local food economies
- Create a clearer, more supportive regulatory framework in the UK to encourage re-localisation at all stages of the food chain from farm to fork
- Ensure that local food systems are protected globally by making WTO rules more compatible with nutrition, environmental protection and animal welfare
- Ensure hygiene and health & safety regulations are appropriate to business size and supportive of local consumption

Educate the public about local food

- Promote consumer education on the benefits of local food and the need to “eat less, move more”
- Raise awareness of the diet-related problems of foods of low nutritional value (LNV)

Stimulate demand for local food

- Public procurement, especially in schools and hospitals, should use local or organic food whenever possible
- Persuade supermarkets to do more to stock local food and make it more readily available

Develop the supply of local food

- Develop a supply chain infrastructure to support the local food sector by creating a network of small abattoirs, processing facilities and dairies in each region.
- Use public procurement to encourage small producers to “act big” by working in concert

Facilitate healthy food choices

- Tax foods and drinks of low nutritional value
- Require fast food firms to provide better nutritional information on their products
- Restrict TV adverts for foods and drinks of low nutritional value
- Ban/reduce the sale of foods and drinks of LNV in schools and facilitate access to water
- Use the *Healthy Schools Network* to disseminate good practice

Sources: Adapted from Lucas (2002); Nestle (2002) and The Soil Association (2000)

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If the UK government was pioneering something radically new here then one could understand its cautious attitude to local food. But the UK is actually a laggard in the local food league because the pioneering work has been done elsewhere in the EU, notably in Italy, where robust national measures were introduced to encourage regions and municipalities to promote the growth of local food, especially on the demand side through the public catering service. The fact that France and other member states are following suit gives the lie to the notion that EU procurement rules allow no room for manoeuvre when it comes to re-localising the food chain in the name of sustainable development.

Although the actions in Box 5.1 would compensate for the lack of political support up until now, there is still something missing from the list, that is a more robust **evidence base**. Campaigners have done much to promote the cause of local food across the country but, invaluable and inspirational as it is, this advocacy literature has its limits from a scientific and social scientific standpoint. But the track record of the conventional food industry leaves even more to be desired; the dearth of rigorous health impact assessments, especially of the 'cheap food' chain for example, speaks volumes for the kind of research that has been commissioned hitherto and raises serious questions about the role of the food industry in the research commissioning process.

Learning to live differently is a challenging task at the best of times, but it becomes even more difficult in the absence of a robust and compelling evidence base. However, if the case for change can be linked to potential improvements in the quality of life, locally and globally, then the status quo begins to look less attractive as an option for the future. If we assume that sustainable development is being taken seriously, especially by politicians and policy-makers, then we should expect to see a more earnest effort to assess our *ecological footprints* to gauge how sustainable our communities really are. For example a recent study of the food miles footprint of Cardiff revealed radically different ripple effects on the environment of sourcing just four food items from different locations. The results of the study, shown in **Box 5.2**, help to illustrate the global effects of our local actions, something which is normally too complex and too elusive for us to comprehend. It is not difficult to imagine how schools throughout the country could weave ecological footprint exercises into their projects, with the food chain as the medium for learning about their local community's footprint.

The Multiple Dividend

Re-localising the food chain is one of the grand projects on the sustainable development agenda and, like all such projects, it faces both threats and opportunities. As regards the *threats* by far the most powerful is the conventional food chain lobby, a well-organised set of vested interests which would use its awesome financial muscle to contest and contain any threat to its privileged position in the market. Among other things we can expect this lobby to disparage the claims made on behalf of re-localisation, including the charge that this signals a ‘nanny’ or ‘totalitarian’ state strategy to restrict individual freedom, in this case the freedom to eat oneself to death. It may be that no UK government will have the resolve, or indeed the support, to engage with these vested interests for the sake of sustainability. But unless we do so there is no hope of promoting local food as a mainstream activity, at least not in the UK.

The *opportunities* have been well-rehearsed in earlier chapters and so we refer to them in shorthand here as ***the multiple dividend***. The key argument of this report is that we stand to gain a number of potential benefits if we succeed in re-localising the food chain:

- Locally-sourced nutritious food could help to deliver important *health* benefits, especially for the young and the sick, if it were an integral part of public sector catering in schools and hospitals
- Local food systems could help local economies retain a larger share of the retail price within the community compared to global food systems, delivering potential *economic* benefits to the locality
- Lower food miles would reduce CO2 emissions and produce significant *environmental* benefits

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- Local food chains promote a better dialogue between producers and consumers, laying the basis for a better understanding between town and country, and these *social* benefits help to re-connect the food chain
- Local produce can be part and parcel of an area's culture and identity and these *cultural* benefits help constitute a country's colour and diversity

Transforming these potential benefits into actual benefits is the essence of a sustainable development strategy, a strategy that seeks to re-connect the food chain by re-localising it. With its unique duty to promote sustainable development, the National Assembly for Wales would seem to be the ideal political laboratory for exploring the potential of re-localisation – and to be fair its new public procurement strategy aims to do precisely this. But given the legal uncertainty surrounding EU and UK regulations, it is a moot point as to whether the Assembly's duty to promote sustainable development could ever override procurement rules that may undermine sustainability (Bishop and Flynn, 2002).

Clearly, without regulatory reform to render the regulations clearer and more supportive of sustainable options, the demand-side for local food is unlikely to undergo major change with respect to either institutional demand or consumer demand. On the institutional front public procurement managers are the key players and, as we have seen, they are loath to innovate with local sourcing if they feel they are acting illegally. On the consumer front it is difficult to speak of genuine freedom of choice when it comes to food because this is a freedom founded on ignorance. As we have seen, the social environment of food choice has become so overwhelmingly biased in favour of junk foods and against healthy foods that it beggars belief that anyone (other than the junk food industry) can seriously maintain that consumers have sufficient information to make informed decisions about the food they buy. In other words it is high time that the UK made sustainable options more attractive – through creative public procurement, through better labelling, through tougher regulations on foods of low nutritional value and through raising awareness of the real costs of the 'cheap food' chain, particularly its role in diet-related diseases like heart disease, cancer and obesity.

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Looking ahead perhaps the key thing to remember is that the future is not pre-ordained, not something waiting to unfold independently of what we do. On the contrary it is partly in our own hands: something that is shaped by circumstance to be sure, but something that is shaped by human action too, and this puts the spotlight on ourselves and our capacity to learn to live differently. But until it is embedded in the warp and weft of everyday life – especially in what we eat, how we travel and how we treat our waste – sustainable development will remain what it is today, more a laudable aspiration than a lived reality.

Box 5.2: Cardiff Food Miles

Scenario A

If all produce was sourced in the UK

Item	Source	tonnes per week (Cardiff)	T/km	CO2 (g)
Potatoes	UK	23.646 t	5060.244	1,047,470.508
Lamb & Mutton*	UK	18.013 t	3854.782	797,939.874
Leeks**	UK	>5.961 t	1275.654	264,060.378
Apples	UK	57.313 t	12264.982	2,538,851.274

These four products (if all originated in the UK) would generate **4.65 tonnes of CO2 per week for Cardiff** (241.8 tonnes a year)

Scenario B

If the modal source of each product is used

Item	Source	tonnes per week (Cardiff)	T/km	CO2 (g)
Potatoes	UK	23.646 t	5060.244	1,047,470.508
Lamb & Mutton	NZ	18.013 t	341112.18	194,441,192.6
Leeks	Spain	>5.961 t	>7504.889	>83,440.55
Apples	South Africa	57.313 t	563329.47	321,118,532.9

These four products alone (if sourced from the modal group identified) would generate **516.69 tonnes of CO2 for Cardiff in a week** (26,867.91 tonnes a year)

Source: Connell (2002)

Notes:

* In the absence of Welsh data, UK data were used

** Leeks were grouped with onions and shallots in the survey, (of which leeks made up less than 18.2g)

Appendix and References

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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 NHS Healthcare Trust will be able to use the findings to explore different ways of acting upon them and or taking the work further, as will the Soil Association and its organic partners in Wales.

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 local supply chain infrastructure
- To explicitly design education and awareness-raising programmes that promote sustainable production and consumption

Specific recommendations for action

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

2. Assembly ministers 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 to bear on local food procurement

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 & 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' 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

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

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 within the sector on from providing the ‘institutionalised’ catering of present to a higher quality diet that will meet health and wellbeing targets.

6. Specific, tangible links between health and food & 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 establishments 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.

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 2nd or 3rd tier procurement contracts.

- ‘Carefully considered’ - to avoid contravening any competition laws
- To provide training and help producers tender for 2nd & 3rd tier supply contracts to the public sector, through existing 1st tier contractors
- To support producer co-operation, helping them secure a competitive foothold in the market
- To enable local co-operatives to take on 1st 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.

Proposals for further work

Based on these recommendations and work touched on during the study there is 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

- Work with specific groups of potential producers to identify & pilot different approaches to becoming 1st, 2nd or 3rd 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 farms to develop innovative educational links which help to develop a new food culture, improve diet and provide local marketing opportunities for producers and processors.
- 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.

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