The Role of the Private Sector in City Region Food systems

Private sector players are recognised to have the potential to contribute to more sustainable and resilient City Region Food Systems (CRFS). Traditionally, a wide range of private sector organisations have been and are involved in different parts of the food system (from input and service supply to production, processing, retail, catering and consumption). Examples of such private sector players operating in the formal and informal sectors include small, medium and large agricultural farms and production enterprises, food value chain enterprises, individual entrepreneurs, cooperatives, family-run businesses, social enterprises and large corporations.

More recently, players from (urban-based) non-food sectors such as water and energy companies, technological companies, private funds and landowners, social housing corporations and real estate businesses are playing an increasingly important role. Their involvement includes, for example, supporting urban and peri-urban agriculture production, developing short chains and promoting local processing and procurement, developing food hubs in the city region and optimising food waste reduction and re-use. Many of those players are based in and around city regions which are at the centre of supply, markets and consumer demand.

However, information on such private sector roles and initiatives in city region food systems is quite rare. Therefore, RUAF Foundation and the Food & Business Knowledge Platform (F&BKN), with additional support from the CGIAR Water, Land and Ecosystems Research Program (WLE / IWMI) undertook a study in order to better analyse the role of the private sector in building more sustainable and resilient CRFS, to provide suggestions for business and policy support mechanisms and to identify key lessons learned. The study is based on three city region case studies, 19 smaller case studies featuring private sector and government interventions, and a complementary literature and online review. The two overarching questions addressed by this study were:

- How can the private sector help shape more sustainable city region food systems?
- What business and policy environment is needed to better engage the private sector in building sustainable city region food systems?

Examples from three city region case studies

**Rotterdam city region food system, The Netherlands**
The city region food system of Rotterdam is characterised by a high dependence on national and international trade and a more centralised, consolidated food supply chain with reduced reliance on local production. At the same time, a growing local food movement is developing a number of (smaller) initiatives based on social, environmental and commercial values, including various short supply chains that focus on minimising the distance between producers, retail and consumers in the city region. A specific innovative feature of the Rotterdam CRFS is the role played by a variety of new and non-traditional food players, such as landowners, health organisations, social start-ups and entrepreneurs, energy and water companies, social housing and real estate companies. Social housing and real estate companies, for example, are supporting local (small-scale) urban agriculture production and gardens and facilitating access to land and building stock for other food-related and training activities, such as cooking. They are motivated by social reasons (e.g. Corporate Social Responsibility (CSR)), provision of improved living environments for tenants, and economic reasons (increasing real estate value and reducing the turnover of tenants). The importance of these new players’ contribution to more sustainable and resilient food systems is not so much due to the scale of their interventions but to their contribution to creating a supporting environment for food initiatives in the city region. Interventions range from providing access to financial support, land, human resources, knowledge, expertise, networks and peer knowledge to initiating the development and delivery of projects (see also the article on page 48).

**Quito city region food system, Ecuador**
The city region food system in Quito is characterised by a combination of national and localised food systems. A large number of small and medium-scale producers, local markets and traders still exist alongside a rapidly growing modern and globalised food system which is dominated by a small number of larger processing and retail businesses and greater consumption of processed food. The latter is particularly relevant in the meat, bread and grain-based and dairy sectors where consumer demand is also the highest. Due to the presence of small-scale producers and intermediaries in the city region and the fact that small and large food processing and retail enterprises are still connected to a local supplier base, there are real opportunities to develop a more sustainable and resilient CRFS in the Quito city region. The Ecuadorian government is very concerned about social inclusion aspects and the government
stimulates and enforces links to a local supplier base through several support programmes and national legislation. Most striking is a 2014 national policy that stipulates the inclusion of small-scale producers in supermarket distribution channels. A small but growing number of largely high-end consumers are also driving the presence and development of alternative short supply chains, where small-scale producers from the Quito city region directly connect with urban consumer groups.

The potential scale of interventions in, and impact on, a sustainable and resilient CRFS in the Quito city region are quite high considering the (potentially growing) involvement and size of several actors in the food supply chain. There is a large number of small-scale producers, as well as intermediaries and a large processing and retail industry with a dominant market share. Nonetheless, the pressure for the processing and retail companies to be efficient, to offer standardised products and to reduce costs presents challenges and obstacles to small-scale farmers, small enterprises and artisanal entrepreneurs. Those groups particularly struggle with the requirement for regular supply, larger volumes, specific products, hygiene and quality standards, cold storage and transport infrastructure.

Bristol city region food system, United Kingdom

As in Rotterdam, the city region food system in Bristol presents a combination of a globalised and concentrated food system and explicit government and private sector engagement in building a more re-localised food system and a sustainable and resilient CRFS. There is a huge range of food produced and available in the city region but only a small proportion of that is labelled and sold as such to consumers in the city region. Existing networks of community groups, organisations and entrepreneurs, all of whom are interested in good, sustainably-produced food, can be strengthened and form a basis for a more sustainable and resilient CRFS.

In addition, awareness of and demand from institutional buyers, as well as public awareness-raising campaigns, prove to be effective drivers of change towards a more sustainable and resilient CRFS in Bristol. In Bristol, and in the UK generally, a novel catering mark scheme is used by a significant number of public sector buyers such as hospitals, schools and universities. The Food for Life Catering Mark is a voluntary accreditation scheme with a focus on provenance and traceability. North Bristol NHS, for example, prepares 3000 meals a day for Southmead Hospital in Bristol under this scheme. Eden Food Services, a national catering company that also adheres to the catering mark, holds Bristol City Council’s contract to provide school meals in 126 schools in the Bristol city region. Driven by strong public pressure for improvements to school and hospital meals, the catering mark proves to be an effective tool for driving qualitative change in public sector catering while providing unique opportunities for city region producers, processors and other suppliers.

Other private sector players and innovations

Additional private sector cases showcase how mainstream business models can include innovative and more sustainable food system strategies that make a difference at a city region scale. These include examples of large-scale retail and catering enterprises involved in food waste reduction, local or regional sourcing and on-site food production, for reasons of social and environmental responsibility and marketing and in response to consumer demand. Among these are airport food shops run by Autogrill and HMSHost, international hotel chains such as Accor hotels, which include Pullman, Sofitel, Novotel, Mercure and the Ibis chains, local hotels in Rosario, Argentina and some supermarket chains in Brazil, Ecuador and the Netherlands.

A growing role is also played by technology companies (including companies like Philips, Sharp and Panasonic) engaged in urban food growing for urban markets (such as vertical farming, rooftop or indoor greenhouses) or in supplying technologies to urban food production companies. They do so to increase asset value (for example of unused production facilities), to benefit from incentives offered through building certification schemes and to create new revenues (for example LED light or hydroponic plant growing systems).

The development of more sustainable and resilient CRFS also offer opportunities for waste and electricity companies (including documented examples from Brazilian, French,
Ghanaian and Swedish enterprises), as large volumes of food and organic waste are generated in the city region food supply chain. Their engagement is driven by environmental and economic values (recycled waste products like compost or fertiliser briquettes and new energy products like biogas may have a market value and job creation potential). New financing models such as carbon credits (as applied in Brazil and Quito) may be used to recover investments.

Promising examples of policy support mechanisms

Whether at local, regional or national levels, public policy support to private sector engagement and behaviour in building more sustainable and resilient CRFS is driven by interest to mobilise private sector investment and resources, as well as to enhance environmental, social and economic development objectives and to advance innovations.

Support mechanisms include legal and regulatory instruments, such as setting of procurement standards and targets (as done in Rome, Malmö and Ecuador), and ‘green’ building regulations, zoning and agricultural land protection (as done in Toronto, Rosario and Belo Horizonte). They also include financial instruments (like public or public-private investment funds as developed in Quito, Linköping and Ontario, as well as taxes and subsidies). Many of these governments also deliver complementary strategies including communication and education, direct implementation or support to CRFS projects such as urban farmer markets or urban agriculture projects and provision of business support services including granting access to land, markets, infrastructure and resources, but also encompassing training and advice.

Governments and public institutions can also generate large buyer demand for city region products through their own public procurement, for example in offices, schools, hospitals and prisons. In order to enhance impact in various domains, it is important that, apart from provenance criteria, emphasis is given to aspects of health, social justice and inclusion, regional employment and environmental sustainability.

Business characteristics supporting city region food system engagement

The cases shed more light on the specific characteristics of food businesses located in the city region that seem to have the highest potential to supply city region markets and provide or source city region products. A set of business characteristics that are common to many of these private sector players emerges:

- City region markets make best economic sense for small to medium-size enterprises (SMEs) that have relatively low levels of overhead and low levels of profit extraction. These also offer flexibility and a wide range of skills enabling engagement in different production, processing, marketing and other services.
- Regarding ownership and behaviour, businesses that are family run, run by a small partnership or have sole owners that keep labour costs low (family labour) appear to drive human-scale operation and affinity with the region and take pride and passion in connecting to local suppliers. Such businesses are often based on long-term relations that motivate them to offer good quality food to their consumers with whom they also may have more personalised relations.
- They make efficient use of capital inputs such as by sharing infrastructure and accessing suitable processing and distribution facilities (i.e. in terms of distance, volumes, quality, equipment, skills, and specialisations). Businesses do this either individually or through collective ownership, or where they are offered by other private sector partners or the government.
- They access both local and mainstream markets, which requires amongst others the ability to supply sufficient volume and offer proof of traceability.
- They have retail control of their own markets, for example through short supply chains, internet platforms, or by offering both production and catering services at the same location.
- They can innovate and respond to quickly-changing consumer demands and needs.

These observations do not deny the potential of large scale processing, retail and catering businesses such as supermarkets, hotels and restaurant chains to drive important change due to their scale of operation and financial resources, as earlier examples have demonstrated. However, the observations seem to show that their impacts on other sustainability and resilience areas, such as local job creation and social inclusion, are more limited. Although such larger enterprises could generate impact by offering supply and job opportunities to local farmers and SMEs, this often requires government regulation or incentives, as well as consumer demand and business awareness.

Advocating a cooperative and food supply chain approach

Challenges for smaller and medium-scale private enterprises generally lie in volume (bulk) requirements and price settings, product quality and standards. Economies of scale can be created by consumer cooperatives or other pooling of consumer groups as done by some community supported agriculture (CSAs) or internet buyer groups. Product aggregation can also operate through producer cooperatives or other intermediaries, while collaboration among SME and mainstream private sector players is another strategy documented in some of the case studies. Examples include
alternative, value-driven local food players integrating their products into mainstream distribution (like supermarkets) or mainstream companies (such as Catering Mark award-holding caterers or national and international chains such as Santa Maria supermarkets in Ecuador, Autogrill airport caterers and Accor Hotels). This increases their procurement of locally-sourced products.

Product and market innovation can be a solution to address affordability by both addressing (higher-end) niche markets as well as lowering production costs. Examples for reducing costs include changes in packaging material, creating specific input supply channels for SMEs as done in Brazil or sharing infrastructure and resources as done in Rotterdam.

Direct producer-consumer relations based on trust, local guarantee schemes and accreditation (see Quito and Rosario examples) and catering mark schemes (e.g. Bristol) are strategies to deal with required product provenance, traceability and quality guarantees.

The impact of private sector contributions to sustainable and resilient CRFS seem to be highest if a food supply chain approach is advocated, where support is not provided to individual businesses but to the entire network of city region producers, wholesalers, processors, caterers and shopkeepers.

Further business support would need to evolve around the setting up and improving of (shared) processing, storage centres or food hubs, ICT services, commercial and logistics training. Up-to-date information on the food system (food supply sources, retail market and consumption trends) is required. Businesses also need to better understand the options available under contract specification and contract management, the availability of products, and the other businesses that can help them with sourcing and supporting the case for doing it. Consumer awareness and education on the benefits of city region food supply are also needed. Catering certification schemes are proven mechanisms to drive systemic change.

**Business behaviour**

Private sector players themselves can also take various steps to increase their engagement in sustainable and resilient CRFS. These include:

- Applying local or regional procurement and sourcing criteria (retail and catering businesses)
- Targeting city region markets: establishing direct relationships with retail buyers and consumers in the city region, providing new product concepts and innovations and specific urban services
- Aligning CSR strategies and resources with a sustainable and resilient CRFS vision by promoting or directly engaging in local sourcing, own production, food waste reduction and management, links with small-scale producers, SMEs and social enterprises
- Pooling production, sharing infrastructure or resources and grouping consumer demand
- Pioneering innovations that include social inclusion criteria
- Innovating financing: for example use of carbon credits (see Quito experience) or public-private partnerships
- Developing business relationships and networks with both mainstream and other CRFS business partners, customers and public sector stakeholders.

City regions offer some unique opportunities to traditional and new private sector players given the presence of large consumer markets, opportunities for more direct consumer relations and close collaboration between different players in the food supply chain. The increased recognition of the role that food plays in responding to various urban sustainability concerns also offers new market and engagement opportunities.

Mariëlle Dubbeling
RUAF Foundation
m.dubbeling@ruaf.org