

Cost of living & sustainable food enterprises

Impact and recommendations for policy makers

In October 2022, Sustain surveyed sustainable food enterprises in our networks to find out the impact that inflation and increasing energy costs are having on them. We asked what support they are already receiving and what additional national and local policies or other measures would more effectively support them.

We received 89 responses from small and medium enterprises (SMEs) across the UK, including box schemes, farms, community supported agriculture schemes, shops, coops, markets, community pantries, cafés and restaurants. This briefing summarises the findings and recommendations for national and local policy makers.

Findings

The surge in demand many enterprises experienced during the pandemic is drying out. Coupled with high energy prices and inflation, lack of infrastructure to support local food businesses and high rents, this is creating a 'perfect storm'. Most of the enterprises who responded are experiencing reduced sales, difficulty in recruiting staff and volunteers. They are also changing ingredients, inputs and menus to cope with increases in operating costs. A smaller number are adjusting opening and closing times and reducing the number of days operating. Many are already reducing donations or other support they provide to their local communities.

The worst of the storm is still to come, however. In the next six months to one year, the majority expect to reduce the number of staff and volunteers, which will have a knock-on impact on local employment and training opportunities.

This significance of these changes is high, as many of these enterprises are operating at high standards; almost one in three are certified organic, one in four follow agroecological values, with a smaller proportion sourcing British or local (within a certain radius), participating in quality assurance schemes such as Fairtrade or LEAF Marque or not using pesticides.

These findings echo studies of SME bakeries; the top three threats for bakery owners identified in a [study conducted by the Open University](#) were cost of ingredients, rising energy costs, and cost of living pressures on customers. Responding to a [Real Bread Campaign survey](#) in September 2022, some bakery owners said that they are under threat of imminent closure.

Recommendations for national government

Most enterprises surveyed are not receiving any emergency support from Government (national or local), funders or other organisations. Some felt Government policy should do more to support SMEs in the food sector – which is justifiable given that SMEs account for 78% of businesses, 26% of employment and 17% of turnover and 1 in 7 workers is employed in the agri-food sector in the UK.

Only one in four of the enterprises who responded said the government's Energy Bill Relief Scheme is helpful or very helpful. This is perhaps because the majority are small farmers and fruit and veg box producers with small energy bills compared to enterprises such as bakeries and others in the hospitality industry. The Real Bread Campaign continues to call on the Prime Minister for confirmation and details of support beyond the initial six months of the Energy Bill Relief Scheme. The Campaign is also calling for grants over the long to medium-term to assist with energy reduction, efficiency and de-carbonisation are essential to help bakeries stay in business.

The national measures that would make the most difference to local food enterprises in our survey (ranked by number of responses) are:

- More investment in local food infrastructure and enterprises through Levelling Up funding
- Further reduction in energy prices (beyond the initial six months of the Energy Bill Relief Scheme)
- An emergency fund for SMEs and local food organisations
- Large scale investment in renewable energy
- Reduction in VAT
- Raising the small business rates relief threshold.

Some respondents highlighted that the long-term solution is raising the minimum wage, benefits and pensions to reduce the number of people living in poverty and enable everyone sufficient income to buy good food. Others have mentioned the unfair competition created by large retailers and the need to create a level playing field, for example through the creation of a national marketing campaign encouraging people to buy from local businesses. Finally, several mentioned that small horticulture enterprises should be eligible for agricultural financial support.

Recommendations for local government

In the absence of emergency support, some businesses are seeking local support including applying for grants, delivering projects supported by the Household Support Fund or Holiday Activities and Food programme, encouraging donations or organising crowdfunding.

The local measures that would make most difference (ranked by number of responses) are:

- More promotion of local businesses and 'buying local' campaigns
- Favourable treatment in access to land and/or premises

- Financial support in the form of an emergency fund
- Schemes run by local authorities or employers that provide vouchers people can spend with local businesses, rather than supermarkets
- Investment in local infrastructure and support for buying collectives/shared infrastructure
- Grants, support and advice to become more energy efficient as well as to switch to renewable energy
- Encourage local fruit and vegetable businesses to accept Healthy Start Vouchers and/or Rose Vouchers
- Preferential buying from SMEs in the local area by large buyers.

Final remarks

In our concentrated food system (almost 95 per cent of groceries are sold through the top nine retailers in the UK, leaving only 5 per cent of the market for alternatives), the future of local sustainable food enterprises matters. They helped maintain the UK's food supply, supported communities during the Covid-19 pandemic and often support small scale growers and farmers with a route to market. For every pound of turnover, local food businesses create roughly three times as many jobs as a supermarket. For every £1 spent in a veg box or farmers' market there is £3.70 in economic, social and environmental returns.

Now is the time to invest in this sector, otherwise we risk reducing the little diversity left in our local food system and losing enterprises that are more likely to produce to high sustainability standards and create value and food resilience locally.

If we were to invest and grow the market share of local SME food retailers to 10 per cent, this would create 200,000 new jobs across the UK. Investing in sustainable local food infrastructure and skills should form a strategic objective to 'level up' regions and create jobs, skills and wealth in every local area in the UK.

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Sustain is a powerful alliance of organisations and communities working together for a better system of food, farming and fishing, and cultivating the movement for change. www.sustainweb.org

Sustainable Food Places is a partnership programme led by the Soil Association, Food Matters and Sustain www.sustainablefoodplaces.org