

**Government Office South West and Defra's
Rural Development Service**

**The impact on Cornish primary producers
of Objective One investment in food and
non-food processing businesses in
Cornwall**



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The views expressed in this report are those of the authors and are not necessarily shared by other members of the University or by the University as a whole.

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GLOSSARY

BRC - Better Regulation Commission

BSE - Bovine Spongiform Encephalopathy

CACADT - Cornwall Agricultural Council Development Team

CAP - Common Agricultural Policy

CHE - Cornish Horticulture Enterprises

CTOTW - Cornwall Taste of the West

DEFRA - Department for Environment, Food and Rural Affairs

DGS - Delegated Grant Scheme

EAGGF - European Agricultural Guarantee and Guidance Fund

FABBL - Farm Assured British Beef and Lamb

FTE - Full Time Employee

GOSW - Government Office South West

Mainstream - The distribution of Objective One investment accessed directly through Government Office South West, rather than one of the Delegated Grant Schemes

Primary Producer - Farmer, Grower, Forester, involved in the growing or production of a land based raw product.

Producer Processor - A primary producer who carries out a level of processing to achieve a higher value product.

RBSI - Rural Business Support Initiative

RDCGI - Rural Diversification Capital Grant Initiative

RDS - Rural Development Service

SPS - Single Payment Scheme

VTS - Vocational Training Scheme

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1. Background

The size and shape of the food processing sector and the integration of primary producers and processing businesses has changed in Cornwall within the past decade. A Study of Food Production, Distribution and Processing in Cornwall and the Isles Of Scilly commissioned by the Taste of the West and published in 2003, estimates that 'the food economy is worth in excess of £1 billion per annum'. Moreover, the report identifies that 'the food processing and manufacturing sector is economically the most important sector in the Cornish economy', with an estimated worth of at least £500 million per annum (Reed, Traill Thomson, Barr, Thompson, Winter and Metcalf 2003: 9).

The report goes on to identify the concentration of food processing activity in the County amongst a small group of very large processors, with established national and international markets. These processors are seen to have a major impact in the Cornish food economy 'through sourcing, employment and services' (Reed et al 2003: 9) and according to the authors, 'the majority are embedded in the Cornish and more generally, the regional economy' (Reed et al 2003: 10).

For the agricultural primary producers, the context of their businesses has changed considerably over the last decade with the BSE crisis, Foot and Mouth adding to the challenges of the strength of sterling in international markets. More recently, radical decoupling changes to the support for farmers arising from the Mid Term Review of the CAP, with the introduction of the Single Payment presents for many a turning point. Whilst some will be lost to the industry, others will continue to respond to such pressures with a more positive approach, with strategies including increases in scale of operation and diversification in the use of resources at their disposal (Lobley, Errington, McGeorge, Millard and Potter 2002).

The exhortations of the Curry Commission (Curry Commission 2002) to reconnect the links in the food chain have, thus far, been embraced in Cornwall, with more to be done, as articulated in the report to the Taste of the West, 'We believe that our findings demonstrate a lively and vibrant agro-food sector in Cornwall with considerable development potential' (Reed et al 2003: 6).

Similar pressures have challenged the level of profitability in the forestry sector including increasing levels of imports from Western and Eastern Europe. The need to further diversify the markets for forest products, through processing, or to upgrade existing facilities to meet increased demands in products (eg. fuelwood and sawn timber) is clear in order to retain and improve interest in this sector.

In 1999, Objective 1 status was granted to Cornwall and this has provided the financial resource to continue to effect this development. Under the EU Rural Development Regulation (No. 1257/1999), Chapter VII (Improving Processing and Marketing of Agricultural Products) lays the foundation for the Objective One Measure 1.4: (lately Measure 4.9) Processing and Marketing of

Agricultural Products. This Measure specifically refers to Benefits to Primary Producers arising from Objective 1¹ funding. Article 26 of the RDR, paragraph 2, states that: 'investment must contribute to improving the situation of the basic agricultural production sector in question. It must guarantee the producers of such basic products an adequate share in the resulting economic benefits'.

A Guidance Note issued by RDS in March 2003 notes that, 'The Regulation gives no further guidance as to what constitutes an adequate share in the resulting economic benefits. It is for applicants to make a case and justify funding'. The Guidance Note goes on to identify a number of ways in which farmers and growers may benefit directly or indirectly from such funding.

For the producer processor, the benefits, financial and non-financial, will be direct and potentially include, establishment of processing facilities to add value to the primary product or the development of existing facilities in size or range of primary product used or end product produced. Additional benefits, also potentially available to the primary producers were noted as: security of market through longer term contracts (providing, the opportunity to plan for the future and to reduce the time required to market produce); development of the market for new products or of the market share for existing products (eg, through branded products); additional support provided by the processing company - 'Examples might include free technical advice (including crop walking, and hygiene), laboratory services and assistance with new product development' (RDS 2003;2); better prices for the primary product and any quality improvements or requirements relating to this.

So what has been the impact on primary producers in Cornwall from Objective 1 funding to the food and non-food processing sector in the County?

2. Aim and Objectives

Following meetings of the project team in the autumn 2005, the following was agreed as the focus for the study:

2.1 Aim

To establish the impact on the primary producers of Cornwall of Objective One investment in businesses processing food and non-food crops in the County

2.2 Objectives

1. To investigate the impact of Objective 1 grant aid on processing business in Cornwall of land based products, with a view to

¹ Where funding through Objective 1 is referred to in this report, this should be read as joint funding, along with that from the European Agricultural Guidance and Guarantee Fund and Defra.

understanding how this may impact on their primary producer suppliers in Cornwall;

2. To investigate the impact of Objective 1 grant aid on producer-processor and primary producer businesses in the County, identifying:
 - direct financial impacts
 - additional tangible benefits associated with grant receipt, other than
 - direct financial assistance : e.g. advice and training opportunities;
3. To draw conclusions on the impact of such Objective 1 funding on primary producers in Cornwall.

3. Methodology

This study was a collaborative effort between GOSW, the Cornwall Agricultural Council, Defra RDS and the University of Plymouth, with parties each contributing resources in terms of finance and labour.

In accordance with the agreed objectives and as a result of the experienced contributions from all parties, it was agreed that an extensive literature review was not necessary.

The focus of this research was the extent to which Objective 1 funding, provided to land based product processing businesses in Cornwall, filters down, as benefits or otherwise, to the primary producers in the County. The distribution of funding could clearly take the form of direct grants to primary producer businesses for processing facilities or alternatively, direct funding to processors, in the endeavour that benefits will filter down to the primary producer supplying such processors. The latter strategy relies on the assumption that the strengthening of the processing business will have deeper multiplier effects on the primary producers supplying them.

It is clear that the bulk of Objective 1 funding has been distributed as Mainstream funding to large, mainly food processing businesses, with some producer processor businesses. (Mainstream projects are projects assessed directly by GOSW (with input from Defra RDS) and are generally larger in scale, ranging from £150,000 up to £10,000,000 of grant). The remainder has been distributed through a number of Delegated Grants Schemes including the Cornwall Food and Drink Partnership Scheme, Cornish Horticulture Enterprises, Mainland Marketing, Working Woodlands 2 and the Rural Diversification Capital Grant Initiative. (DGS authority enables grant requests up to £75,000 of total grant, made up of equal portions of EAGGF and Defra funding). Analysis of the distribution of Objective 1 funds relevant to this study (Table 3.1) indicates that 90.5 per cent of the funds have been applied to twenty-four Mainstream projects.

	Projects funded	Total project costs	Grant involved (EAGGF DEFRA)	average grant offered
Mainstream total	24	112,208,188	34,626,475	1,442,770
Cornwall Food and Drink	114	3,784,000	1,311,000	11,500
Cornish Horticulture Enterprises	43	3,459,000	1,381,000	32,116
Mainland Marketing	21	283,000	135,000	6,429
Working Woodlands 2	10	112,000	42,773	4,277
Rural Div capital grant initiative (est.)	16	1,265,178	463,904	28,994
DGS total	204	8,903,178	3,333,677	16,342

Table 3.1 Distribution of Objective 1 grants to Processors

As a result of this, it was agreed that the priority focus of this study would be on the Mainstream processors and producer-processors (businesses that grow a percentage of raw material and then process this product into value added products) and their primary producer suppliers. It was also felt important to include a sample of the DGS grant recipients, to cover the smaller processors and producer-processors. Table 3.2 highlights the relative significance of the Mainstream recipients and the DGS recipients included, with much lower coverage of the latter in this study. The study has, however, included the processing businesses who have received 85.5 per cent of the relevant Objective 1 funding.

Businesses in this study	number of businesses studied	amount of grant involved
Mainstream recipients	20	£31,911,769
Cornwall Food and Drink	11	£385,772
Cornish Horticulture Enterprises	3	£115,416
Working Woodlands 2	9	£41,491
DGS recipients	23	£542, 679

Table 3.2 The Processing businesses included in this study

A two stage approach was agreed, therefore, with the first stage involving 20 face to face interviews with the Mainstream processors and producer processors, carried out by colleagues from the Cornwall Agricultural Council (Roger Metcalf and Will Garnier). Reconciling the number of interviews with the number of projects, it is noted that one of the recipients had ceased trading and so could not be interviewed and two businesses were successful with two applications.

In addition to this, a sample of 23 DGS processors and producer processors were interviewed, this time by their respective DGS staff. Whilst the choice of Mainstream recipients was not an issue (all but one were interviewed), the

selection of DGS recipients was made from a stratified random sample modified as those who could be obtained within the specified time scale. The possibility of a degree of bias here, should not, therefore, be overlooked.

The processor questionnaire (Appendix 1) was constructed by a smaller project team and focused on the nature of the business, the use of the Objective 1 funding and the impact on the primary producer supplier. This included the full range of financial and non-financial benefits or costs, including those mentioned in the Guidance Note by RDS (2003), referred to in section 2 above.

Recognising that a proportion of the processors (in both the Mainstream and DGS samples) were also producer processors, who had taken the opportunity to develop from scratch or expand existing processing enterprises, a separate questionnaire (Appendix 2) was developed to cover not only the information on the processing element of their businesses, but details also of the characteristics of the core business. In this way, the direct impact of Objective 1 monies applied in this way could be indicated, with a caveat covering the small sample size.

The second element of the study was to survey a sample of primary producers in Cornwall, to obtain direct information of any impact on their businesses resulting from the support provided to the processors that they supply, as well as confirming the detail provided by the processors in their own interviews. In view of the time scale and the cost implications, it was decided that this stage could be best achieved by telephone survey and a case study approach was chosen covering six of the Mainstream recipients. The six recipients were selected in order to provide coverage of a diverse range of business and product and to include primary producers of dairy, beef and sheep, cereals, potatoes and other vegetable products. During the course of obtaining contact numbers for the primary producers, it became clear that one of the six, for reasons of commercial sensitivity, would not be made available. As a consequence, this processor was excluded from the survey, leaving the five case study businesses as detailed below:

Numbers of primary producers in survey

Processor	15*
Processor	10
TOTAL	55

*The numbers were increased here to reflect the range of products used by this processor

One major advantage of the telephone survey is the greater control that the team have over the response rate, as compared with a postal survey. This was particularly important where the number of primary producers supplying a processing business was small. In addition, there was the opportunity to

clarify any queries that may have occurred during the survey and to record accurately and fully the responses to open questions, thus providing a rich array of data. The contact numbers provided by the Mainstream processors were selected randomly, where there were sufficient for selection,.

The questionnaire constructed for this purpose (Appendix 3) investigated the characteristics of the business, the background to the arrangement with the processor, the perceived benefits, or otherwise, arising from the relationship with the processing business, any changes to the business as a result of this relationship and perceptions of the future for the business with and without the processor relationship.

After initial checking within the relevant offices of the parties involved in the study, the processor and producer-processor questionnaires were both piloted amongst the identified samples. This process suggested one or two amendments which were made to both questionnaires to ensure clarity of content. The questionnaire for the primary producers was also piloted amongst a small number of the sample provided by the processors. Again, a number of minor amendments were made before launching the survey.

4. The impact of Objective 1 funding on the food processing businesses

The objectives of the face to face interviews with the processor and producer processor businesses, funded by Mainstream or DGS grants, were to discover the nature of the development of which Objective 1 funding financed part and to investigate the changes that may have occurred and the plans for the future. A clear focus here was on the sourcing of raw materials from Cornish producers before and after the development in order to identify the actual or potential impact of the funded development on primary producers in the County.

4.1 The Processing Businesses before receipt of Objective 1 funding

The 43 interviews conducted, covering all but one of the Mainstream processors and 23 of the DGS processors, involved 30 processors and 13 producer-processors, demonstrating a broad range of activity in the processing of food and non-food products in Cornwall, including:

beef, lamb, pork, bacon, sausages, cooked meats, pasties, quiches, pizzas, other savoury products, potatoes, brassicas, real ale, ice cream, sorbets, Christmas puddings, clotted cream, jams, soft and hard cheeses, milk, flowers, firewood, chestnut stakes, sawn timber and charcoal

Table 4.1 provides a further insight into the nature of the businesses included in the study, focusing on the level of turnover and the number of staff employed. Comparison reveals that the businesses to which the bulk of the Objective 1 funding has gone, ie. the Mainstream processors represent businesses substantially different in scale, when compared with the other processing businesses included in this study. Differences between the median

and mean of the two measures reflects the presence of a number of very large businesses in the study.

Position in the year before first receipt of grant	Median turnover '000s	Mean turnover '000s	n	Median FTEs employed	Mean FTEs employed	n
All	426	5728	36*	7	58.5	39
Mainstream	2800	11635	17	28	120	18
DGS	142	442	19	3	5.6	21
Processors	389	8342	23	6.6	80.9	26
Producer-pro	463	1102	13	7	13.6	13

Table 4.1 Business situation before receipt of Objective 1 funding

* this figure is below 43 as four businesses are 'new', not having completed their first year of trading, and three records were not available for turnover

At the other end of the scale are the smaller businesses, who received funding through the Delegated Grant Schemes. Further analysis identifies major differences also between the processor and producer-processor businesses in the study, with a much wider range within the processor businesses than the producer-processors.

The thirteen producer-processors in the study present a different character of processing business, all centred around an existing agricultural business (8 Mainstream recipients and 5 DGS recipients). Using this small sample as illustrative, rather than indicative, of those receiving Objective 1 funding, the analysis in this section provides an opportunity for comparison of these businesses with the other processing businesses. It is perhaps useful to provide, at this stage, a description of the characteristics of these farms. The area of land farmed in these businesses ranges widely from 2.8ha to 1416ha, with a mean of 299ha and a median of 134ha. (These figures are not greatly different from those for the 55 primary producers involved in the second stage of this study, with a mean of 247ha and a median of 176ha). Only five of these farms are wholly owner occupied, suggesting growth in area farmed by occupation of land in some other way than ownership, thereby conforming to the national trend of an increasing proportion of mixed occupation holdings (Whitehead, Errington, Millard and Felton 2002). Over half of the farms are mixed (7), with the remainder specialising: vegetables (3), livestock (2) and dairy (1).

So what of the range of outlets used by the processors? Table 4.2 shows that a wide range of outlets are used, with the farmers markets least prominent. All other outlets feature well as a whole, although, when broken down, it is clear that the 'Mainstream' processors are, perhaps not surprisingly, closely associated with the supermarkets or wholesale, reflecting the difference in scale of these businesses. The 'DGS' recipients are clearly more involved with local outlets and 'other direct sales'. Sub-divided into processors and producer-processors, it is the processors who use 'other direct sales' more, whilst a more even use of outlets is evidenced by the latter.

	Supermkt	Wholesale	Local outlets Shops	Farmers markets	Other direct sales	other
All (n=43)	14	20	18	3	21	7
degree of involvement	57% supplying 85-100%	70% supplying <30%	72% supplying <50%	100% supplying <=10%	38% supplying <50%	71% supplying <50%
Mainstream	13	13	7	1	6	3
DGS	1	7	11	2	15	4
Processors	8	12	10	1	16	4
Producer-pro	6	8	8	2	5	3

Table 4.2 Market outlets

Turning now to the use and sourcing of raw materials in these businesses, the study was keen to investigate how this would change as a result of the Objective 1 funded development, and what impact this would have, by implication, on the primary producers of Cornwall. For the 33 businesses recorded (excluding the four new businesses, the five new enterprises, and one farm producing all its own raw materials), the overall raw material use was in excess of £125 million for the year prior to first receipt of grant and 97 per cent of this was sourced by the Mainstream processors (Table 4.3). (It should be remembered that, whilst all but one of the Mainstream processors were included in this study, only a sample of the DGS recipients were included).

Annual spend on raw materials prior to first receipt of grant '000s		Sourcing of raw materials from Cornwall (% monetary value)					
		n*	0	1 - 25%	26-50%	51-75%	76-100%
All	125559	33	0	10	5	5	13
Mainstream	122209	14	0	6	4	2	2
DGS	3350	19	0	4	1	3	11
Processors	120994	25	0	8	5	5	7
Producer-pr	4565	8	0	2	0	0	6

Table 4.3 Total annual spend on raw materials and sourcing from Cornwall

* excludes the four new businesses, five new enterprises and one that uses all its own produce

Considering the value of raw materials, the Mainstream businesses are clearly more important here, due the scale of their businesses. Perhaps worthy of note, however, is the difference in proportion of businesses sourcing more than 50 percent of their raw materials from Cornwall, with 71 per cent of DGS recipients, compared with 23 per cent of the Mainstream recipients.

In terms of the proportion of total value of raw materials sourced from Cornwall (for the 31 processors with records), thirty-nine per cent of this was reported as sourced from Cornwall before Objective 1 developments, with the Mainstream and DGS businesses differing at 38.5 per cent and 55 per cent, respectively. A major difference in the sourcing from processors and producer-processors was also noticed, with the former sourcing 36.5 per cent from Cornwall and the producer-processors 96 per cent.

The processors were asked to provide figures of the raw materials sourced from primary producers in Cornwall. The complexities of the supply chain do not allow an aggregate to be produced for each product, some processors sourcing indirectly from secondary suppliers. Examples of use by the major processors in each sector are, however, recorded as follows:

	raw material use before development	number of primary producers
Milk	152 million litres	216
Meat	30,000 beef animals	many!
Vegetables Processor	21,000 t caulis 51,000 t spring greens	not given not given
Processor	647ha caulis	21
Timber	1768m ³	23

4.2 The development of the businesses through Objective 1 funding

From the beginning of this section, it should be appreciated that not all the businesses had completed their developments (Figure 4.1), although all were able to provide estimates of the total capital cost and projections forward to the situation three years after completion.

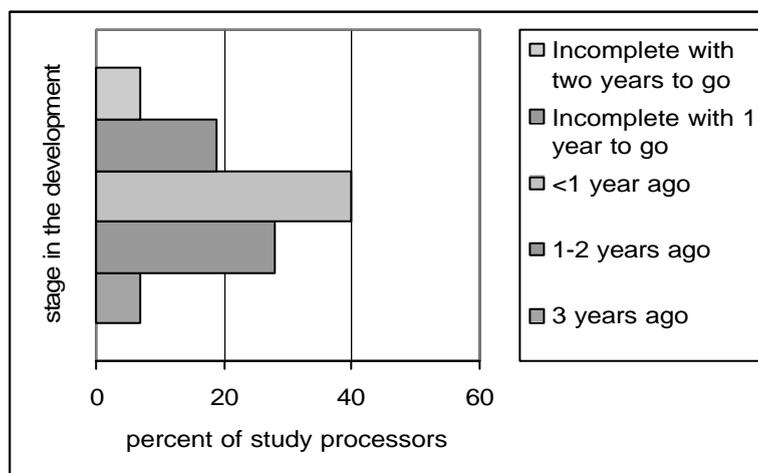


Figure 4.1 Completion of the Objective 1 investment

Development in these processing businesses has varied across a broad range of alternatives (Table 4.4). Recognising the complexity of processor business development, respondents were asked to select the three descriptors that demonstrated the nature of the development, in order of significance.

For over half of the processors, the developments have been focused on the consolidation and improvement of existing products and services, with a further six, concerned most importantly with the increase in productive efficiency. Interestingly, these three descriptors have featured for the majority

of processors at different levels of importance. Fourteen of the study group report the development of new enterprises, products or services as the most important feature of the development that has taken place, although the commercial imperative to develop new products and services features in the development of other processor businesses here.

The nature of the development	n	Start a new processing enterprise	Increasing output of existing products or services	Upgrading / improving quality of existing products or services	Increasing efficiency of production	Marketing initiative	Technical development	New products and services	other
All (1)	43	12	15	7	6	1	0	2	0
(2)	43	3	13	11	9	0	0	7	0
(3)	43	2	6	10	13	4	5	2	1
Most important characteristic									
Mainstream	20	6	8	1	3	0	0	2	0
DGS	23	6	7	6	3	1	0	0	0
Processors	30	8	12	5	3	1	0	1	0
Producer-pro	13	4	3	2	3	0	0	1	0

Table 4.4 Nature of the overall development

As to the development detail, Objective 1 funding has been applied to provide a wide range of facilities and equipment. For the producer-processors, four have established new enterprises, adding value to the primary product. For the others, the development has involved a degree of reconfiguration of the enterprises in the business, the changes in many cases involve some degree of specialisation in the produce to be processed. There is, however, a range of scale of change with, for example, one producer reporting an increase in sow numbers by 70, and an increase in throughput of 39 per cent, another has increased salad potato production by 60ha, whilst one has increased cow numbers by 10. To facilitate such change, extra land has been taken on, or an enterprise has been closed down completely, in favour of the processed product; for example, one producer has ceased milk production, sold the dairy unit and focused solely on producing vegetables, whilst another has reduced numbers of beef and sheep on the farm, in favour of developing direct sales through a new farm shop, with the land released used for vegetables and cereals.

The importance of consolidating and securing the business is clear for most, with development strategies confirmed in Table 4.5, where respondents were asked to indicate the three most important, in order of importance.

The strategic purpose of the development	n	Increasing market share	Developing or growing existing markets	Moving into new markets	Securing the business for the future	Other
All (1)	43	9	14	6	13	1
(2)	41	4	17	9	10	1
(3)	41	9	7	10	11	4
Most important						
Mainstream	20	5	4	1	9	1
DGS	23	4	10	5	4	0
Processors	30	5	12	4	8	1
Producer-pro	13	4	2	2	5	0

Table 4.5 Strategic purpose of the development

The overall cost of development within the 43 businesses is reported as just over £83 million (Table 4.6). Of this, the grant element is equivalent to 35.2 per cent. Interestingly, these figures are in excess of those provided by GOSW for total capital cost and proportion of grant (Table 3.1 on page 6). This is most probably explained by over a third of these figures being estimated by the processor respondents, as well as a degree of overrun of expected project cost. Nonetheless, the Objective 1 grant has clearly contributed to substantial development of the food processing sector in Cornwall.

There is a considerable difference in the scale of the developments between the Mainstream and the DGS recipients. The low median capital cost for the processors compared with the mean for this group, results from 18 out of 30 of these being DGS recipients, with 8 of the 13 producer-processors being Mainstream recipients. The rate of grant received, not surprisingly, is fairly uniform.

Cost of development and proportion of grant	n	Capital cost of development £000's	Mean capital cost £000's	Median capital cost £000's	Objective 1 grant mean % reported
All	43	83260	1936	225	35.2
Mainstream	20	80455	4023	813	38.5
DGS	23	2806	122	82	32.4
Processors	30	75746	2525	120	34.7
Producer-pro	13	7515	578	421	36.4

Table 4.6 Capital cost of the development and proportion received as Objective 1 funding

Providing further affirmation of the importance of Objective 1 funding in the decision to develop the business in this way, the study found a very strong response with almost three quarters indicating that the funding had been 'essential' in the decision to develop (Table 4.7). This response is unanimous for the Mainstream businesses with very slightly less importance attached to

the DGS grants. Whilst the scale of the developments has been much smaller on average, the producer-processors have been apparently more dependent on the grant than the processors, perhaps saying something about a greater shortage of capital in these businesses.

Importance of Objective 1 funding	n	Essential	Very important	Fairly important	Not at all important
All	43	30	13	0	0
Mainstream	20	20	0	0	0
DGS	23	10	13	0	0
Processors	30	20	10	0	0
Producer-pro	13	10	3	0	0

Table 4.7 Importance of Objective 1 funding in the decision to develop

So what would have been the impact on the development if the grant had not been available? Fifteen of the processors would not have gone ahead with the development (Table 4.8) and almost half of the Mainstream recipients, apparently, would have been in this situation. A further two Mainstream processors say that they would have gone ahead with the development but outside Cornwall. Of the remaining processors, eleven would have gone ahead over a longer timescale (largely the smaller DGS projects) and fifteen would have continued but at a reduced scale. Again, the producer-processors have reflected their greater dependence on grant, concerning the decision to develop, with almost half wholly dependent on this. Most of the others would have gone ahead on a reduced scale.

Impact of the development without grant available	n	It would not have gone ahead at all	It would have gone ahead but over a longer timescale	It would have gone ahead but on a reduced scale	It would have gone ahead but outside Cornwall	It would have gone ahead anyway
All	43	15	11	15	2	0
Mainstream	20	8	2	8	2	0
DGS	23	7	9	7	0	0
Processors	30	9	10	9	2	0
Producer-pro	13	6	1	6	0	0

Table 4.8 The impact on the development if the grant had not been available

Adding to this, a sizeable proportion of the Mainstream processors would have developed, but on a reduced scale, thereby, presumably less able to provide the markets for the producers in the County. As a result, the rate of growth would have been lower and, for most, the numbers employed, the profit margin and the overall profitability would also have suffered, as detailed in Table 4.9.

n=15	less	same	more	don't know
Numbers employed	13	2	0	0
Rate of growth	15	0	0	0
Profit margin	10	1	1	3
Overall profitability	12	1	1	3

Table 4.9 If 'gone ahead on reduced scale', how might this have affected the business in the long term?

The impact of non-availability of funding to support to these businesses is referred to later in section 4.3 on page 19.

Finally, to develop a picture of the use of grants by both recipient groups, they were asked if they had applied for grants from other Objective 1 grants. Almost two thirds (62 per cent) had been successful with other applications, from a range of sources and for a range of purposes. Broken down, not surprisingly, it is the DGS recipients who are most active in this regard, with 73 per cent having sought funds from other quarters, compared with 50 per cent of the Mainstream applicants. Further analysis also shows that 58 per cent of the processors, compared with 69 per cent of the producer-processors had been active in this area of business. The other schemes mentioned included the following; RDCGI, RBSI, CHE, SW Tourism, Organic SW and CTOTW.

4.3 The impact of the development on the business

This section of the study endeavoured to investigate the changes to the business as a result of the development and respondents were asked to predict the position three years after the completion of the development. The purpose here was to assess the ways in which the businesses would develop, in order to derive an appreciation of the potential impact of this on primary producers in Cornwall.

The post development position is reported in Table 4.10, with predictions provided for changes in turnover and staff employed. The forecast increase in annual turnover is considerable, with a combined figure of just over £150 million for the 40 businesses, including the new businesses established. For the study businesses existing before the Objective 1 funding, the change in annual turnover is just short of £148 million, with almost £144 million from the Mainstream recipients alone. These two figures are under-estimates as they both exclude Dairy Crest, where figures were not available. From the sample of DGS recipients, it is noticeable that the percentage increase in turnover predicted is significantly lower than that predicted for the Mainstream projects, at just under 50 per cent, compared with 73 per cent for the latter.

Comparing the producer-processors against the other processors existing before Objective 1 funding, the change in turnover here is well in excess of 200 per cent. Further investigation reveals that this is almost wholly due to the

predicted growth of three businesses, all involved in the growing and packing of vegetables.

CHANGE pre and 3 years post development	Change in turnover £'000s	Change in turnover %	n	Change in number of employees FTEs	Change in number of employees %	n
All	+150141	72.8	40*	+1304	57	43
All (excl. new)	+147864	71.7	36	+1251	55	39
Mainstream	+143764	72.7	17	+1183	55	18
DGS	+4101	48.9	19	+68	59	21
Processors	+114201	59.5	23	+1069	51	26
Producer-pro	+33663	234.9	13	+183	103	13

Table 4.10 Change in turnover and staff employed

* includes those with a reported pre and predicted post position and the new businesses to show an overall increase. Estimates not available for 3 businesses, including Dairy Crest.

As the processing businesses grow, so too does their staffing complement, with an expected increase for the 43 businesses of 1304 staff, or 57 per cent. This, again, predominantly occurs in the Mainstream businesses although the percentage increases are similar. Once again, the producer-processors report the highest rate increase.

Not surprisingly, most respondents indicated that the increase in turnover was directly attributable to the Objective 1 investment, with a number of additional comments as follows:

- 'by allowing the business to achieve larger and higher priced contracts'
- 'highly attributable due to increasing capacity to a level attractive to bigger markets (supermarkets)'
- 'the investment has enabled the business to meet demand'
- 'increased capacity and development of products'
- 'smart professional image has increased sales'
- 'the business would have folded but for the Objective 1 grant'
- 'extra vehicles were able to obtain extra trade and new machines enabled us to ensure that we can cope with the new volumes required'

These very positive reflections illustrate the range of benefits resulting from changes in scale, productive efficiency, product mix and professionalism. In this way, the impact of the Objective 1 funding has very much been to strengthen these businesses for the future.

So what of the impact of this on the sourcing of raw materials for these businesses? Table 4.11 shows a substantial increase in the demand for raw materials overall, arising from the Objective 1 developments. It is unfortunate here that two very large businesses are not included in this assessment and the changes represented should therefore be considered as understating the true position.

With this in mind, the impact of the processor developments on the primary producers in Cornwall is, according to those who responded, destined to increase considerably, especially considering that 28 of the processors had either not completed their development or were less than one year from completion. The reported aggregate change, three years after all the developments have been completed, is just over £72 million, a 66 per cent increase on the pre-Objective 1 situation. Of this, just under £54 million of the extra raw materials are forecast to be sourced from Cornwall ie. 75 per cent of the overall increase.

CHANGE in raw materials use and sourcing	n*	Change in annual raw material spend # £000's	Change in annual raw material spend %	n*	Change in raw materials sourced from Cornwall £000's	Change in raw materials sourced from Cornwall %
All	31-38	72380	65.8	31-38	53998	126
Mainstream	13-18	70047	65.6	13-18	52120	127
DGS	18-20	2332	71.9	18-20	1878	105
Processors	23-27	60337	57.2	23-27	43278	112
Producer-pro	8-11	12042	264.0	8-11	10719	245

Table 4.11 Change in raw material use and sourcing

* change data includes the existing businesses and the newly established enterprises. The final numbers exclude five businesses where estimates were not provided (two Mainstream and three DGS, including one where only own produce is used)

making an assumption for milk use by the major milk processor in Cornwall, that the price per litre is the same as in the year prior to first receipt of grant

Whilst the DGS recipients show a slightly higher rate of change, higher still for sourcing from Cornwall, the overall change is small in contrast with almost the same number of Mainstream businesses. Once again, the producer-processors record the highest predicted rate changes in raw material use, overall and for sourcing in Cornwall.

Once again, the complexities of the supply chain do not allow an aggregate to be produced for each product, some processors sourcing indirectly from secondary suppliers. However, the following examples of the predicted use by the major processors in each sector (Table 4.12) provides very clear evidence of the impact of Objective 1 in terms of the sourcing of particular primary products from Cornwall (each line represents a response from a processor).

Raw materials from Cornwall	Before	producer numbers	After	producer numbers
milk	152 m litres	216	300 m litres	353
milk	900,000 litres	3	8 m litres	8
milk / cream	291t	NA	715t	NA
meat	30,000 beef cattle	NA	47,000 beef cattle	NA
	1885t beef	NA	2600t beef	NA
	37.5t	NA	1167t	NA
	258t pigmeat	2	639t pigmeat	2
milling wheat	110t	1	3300t	8
potato/swede	1200t	NA	2313t	5
	780t	1	2000t	1
brassica	0	-	14,000t	35
cauliflower	21,000t	NA	28,915t	NA
	648ha	21	1619ha	22
spring greens	51,000t	NA	60,143t	NA
organic veg	2t	NA	22,488t	NA
flowers	15,000 bunches	1	26,000 bunches	1

Table 4.12 Examples of forecast increases in raw material sourced from Cornwall

Interestingly, and most probably relating to product line changes, one processor predicts a decrease in the Cornish sourcing of milk and cream from 1050t to 630t.

For most of the producer-processors, the development has enabled them to increase the proportion of home produced raw material in their processing enterprise, many predicting the processing of all their own produce.

Looking back to the importance of Objective 1 funding on the decision to develop, 15 processors said that they would not have developed without the grant and two said that they would have gone ahead but outside Cornwall. It is important to remember that these are statements of likely action rather than actions themselves. Notwithstanding this, it is perhaps worth reflecting on the loss of demand for raw materials, had this been the case. Based on the data for the development of existing businesses and the four new businesses in this group, the increase in annual raw material sourcing was predicted to rise by £30.6 million, or 79 per cent. Of this, the processors predicted that £26.8 million per annum, or 39 per cent would have been sourced from Cornwall. These figures illustrate the loss of sourcing from Cornwall, had funding not been available to support the development in these businesses. Moreover, in terms of employment, it is interesting to reflect that without these developments, 758 jobs would potentially not have been created in Cornwall, amongst the seventeen businesses alone.

In addition to this, there were other businesses who had indicated a slower rate of development or development of a different scale, had funding not been available. This would have only added to the very different picture in these businesses and those of their Cornish suppliers.

Turning back to the reasons for sourcing from Cornwall, the processors, whilst presenting a strong regional focus, also indicated the need to source certain raw materials outside Cornwall where they were not available, articulated as follows:

'It is the nature of the business'

'we have an established relationship with a local supplier'

'weather fluctuations and contract alterations may demand some European imports'

'other than flowers grown on the farm, raw materials are not available in Cornwall'

Building on the increasing Cornish supply in terms of proportion and quantity, resulting from the Objective One developments, the processors are, not surprisingly, using the distinguishing attributes such as "Cornish", "organic", British, Local in marketing the final products (Figure 4.2)

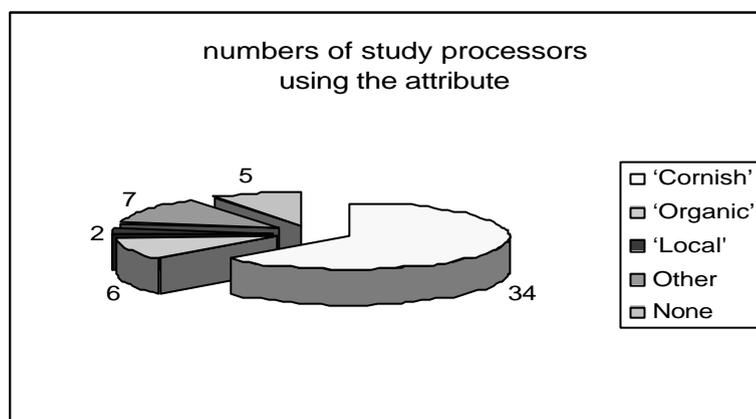


Figure 4.2 Marketing attributes

*multiple responses possible

An array of brands relating to the Cornish origin is used by 34 of the processors, including, 'Cornish', 'Cornwall's Pride', 'Kelteck', 'Cornish Indulgence', 'Cornwall's best from Crantock' and 'Cornish Patisserie', 'Heligan' for products wide ranging, from ice cream, cheese and pasties, to potatoes and timber products.

Others were focusing on the 'Organic' nature of their products (14 per cent), with an additional 21 per cent using attributes such as 'Local' and 'Handmade' and 'suckler bred'. Those who were not pressing the 'Cornish' origin fell into two categories, first, products sold with the supermarket own brand and, second, those selling locally under their own name.

The greater quantity of raw materials sourced from Cornwall will inevitably draw additional producers into the arrangements with processors, leading in some cases to rising quality expectations. Table 4.2 above shows that a high proportion of the processors are supplying supermarkets and, or making direct sales. These supplies will inevitably be closely tied to quality standards, requiring, in turn, high standards of supply from primary producers.

In addition to this, there is a possibility that the processors had changed the quality specifications required of their suppliers as a result of the development. Of the 42 processors who responded to this question, 14 (33 per cent) had made changes. These changes reflected the movement into new markets, which the development had enabled, including, Chain of Custody certification, BRC Accreditation and other higher specifications required from the supermarkets. From this analysis, it would appear that the relationship, itself, between the primary producer and the processor, as well as the Objective One developments, have increased the level of production quality. This increase has been in both depth, in terms of specification stringency, and breadth, in terms of the numbers of supplies and farmers affected.

The processors were asked whether they had changed the price offered to Cornish suppliers of raw materials, as a result of the development. Excluding those who produced their own raw materials, 28 of the 38 (74 per cent) said that they had not changed the price. There was no discernable difference in this respect between Mainstream and DGS processors (Table 4.13). Of the 10 saying that the price had changed, 8 said that they were paying or going to pay a premium price and two said that they were paying less!

Changes in price offered, as a result of the development	Count (<i>n</i> =42)	%
No	16	38
No: have to pay market prices	12	28
No: do not buy in raw materials	4	10
Yes: paying a premium price	8	19
Yes: paying less	2	5
	42	100

Table 4.13 Changes in price offered for raw materials in Cornwall

The processors were then asked what form of purchasing method/contract they had with the suppliers of Cornish sourced raw materials (Figure 4.3). Only 15 per cent purchased on formal contracts with their supplier. The largest group, 41 per cent, bought supplies largely on a day to day or week to week basis, depending on requirements. A further 21 per cent had informal / verbal agreements or contracts. This includes the vegetable processors, where the producer and processor agree on the growing of a particular crop before it is planted, on the understanding that they will then take the produce when it is ready. (This was confirmed in the survey of the primary producers and most seemed very satisfied with this trusting the processor to take the produce when it was ready.)

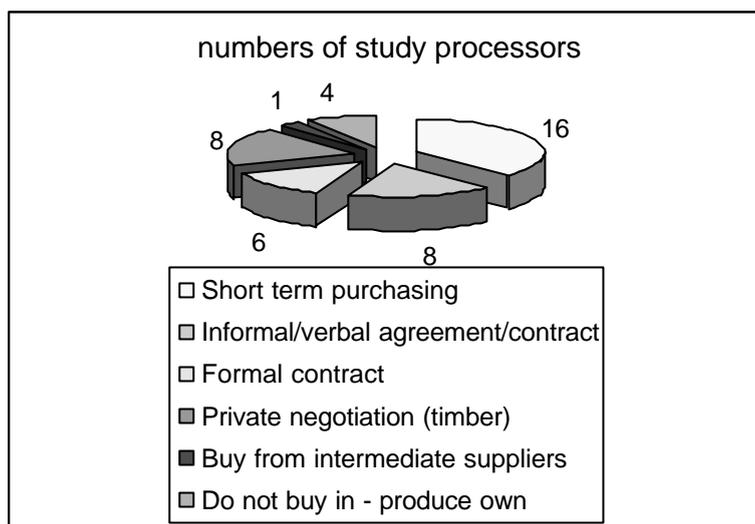


Figure 4.3 Purchasing arrangements for raw materials

A further 21 per cent purchased by one off private negotiation; these were, in the main, the Working Woodlands grant recipients who had particular woodland owners from whom they sourced timber.

The contractual arrangements between producers and processors cannot be described as tight, although there is a degree of evidence in about a third of cases that verbal or written contracts are entered into, indicating a closer arrangement permitting a planned approach to production for a particular supply.

The study then investigated what evidence there was for a change in the 'closeness' of relationship between the processors and their suppliers in Cornwall since they had expanded (Table 4.14).

Changes in the relationship with suppliers, as a result of the development	Count (<i>n</i> = 42)	%
Yes	22	52
No	11	26
Nobut always was close	8	20
Relationship has deteriorated	1	2
Total	42	100

Table 4.14 Changes in the relationship with suppliers

Over half of the respondents (52 per cent) said that there had been a positive effect on their relationship with the primary producers. A number of very encouraging remarks were used to support this:

'a stronger tie with purchasing from Cornish companies',
 'cows milk supplier is now an investor in our company',

'we are a new business so relationship growing is the key to success',
'increased relationship and communication is needed to satisfy the increase in turnover',
'if we had not been awarded Objective One funding we would not have radically increased production and therefore not developed the relationship with our supplier',
'the new arrangement will allow us to get much closer to our farmer suppliers and to talk to them direct about the milk hygiene and compositional quality'.
'greater understanding of operations achieved'.

Two of the largest processors said that relationships were being improved by the training days and open days that they were putting on for growers. All of these comments indicate a perceived cementing of better relationships as a result of the Objective One investment. In addition, a further eight of the processors said that they had good relationships with their producers already. Included in the latter group were the timber processors with the following comments recorded: 'the Cornish timber industry is close knit' and 'no change, always a close relationship'. It was acknowledged that Working Woodlands initiatives such as Woodmeet and Woodcafe were ensuring that this continued and developed.

Only one processor said that the relationship with a local small pig producer had deteriorated because they were unable to keep up with the processor's post expansion demand, resulting in them having to go to big wholesalers for supplies instead.

The finding that just under half of the group registered no apparent improvement in the 'closeness' of relationship with their suppliers is perhaps not so surprising. What is encouraging is that the other half of the processors have actually identified improvements in supplier relationship directly as a result of the developments.

'Closeness' of relationship can develop in a variety of ways, one of which is the provision of advice and training. This study reveals that 14 of the 43 processors (32 per cent) said that they did offer some form of training or advice to their suppliers. Not surprisingly, most of these (13) were Mainstream recipients (of a total of 20 in this study) and only one was a DGS recipient. Interestingly, five of the 14 offering such support are producer processors.

On detail, much of the advice and training offered is related to technical matters and achieving the quality standards, with such schemes as Crop Assured, as well as the exacting quality requirements of the supermarkets. One processor has set up a Forum whereby farmers meet to discuss topical issues and producer benchmarking enables them to identify efficiency improvements in their businesses.

The processors concerned with organic produce provide advice for technical auditing of crop quality, to achieve Soil Association standards. Networking through Organic South West and other organisations was also mentioned. One vegetable processor also offers agronomist advice to organic growers as a result of their development of Organic facilities.

As well as employing a technical manager to visit suppliers, one other processor holds five annual grower meetings to give technical advice and, interestingly, texts growers with pest and disease updates throughout the year.

Another provides a service for farmers to improve their understanding of the processing and grading issues and they also offer grading and killing sheets. However, they say that, 'very few farmers will take up the offer of seeing their animals processed and graded'. With the latter, they comment that there is, apparently, little interest shown once the animals have been delivered.

For the balance of the 43 processors, 47 per cent replied that they were not involved in advice or training provision for primary producers with a further 9 (21 per cent) saying that it was not applicable to them. This latter group were all in the timber processing business.

4.4 Future Plans

Finally, the study was interested to identify how the processors viewed the longer term impact of the Objective 1 funding, in terms of development potential. The response is almost unequivocal in terms of positive impact and 39 of the 43 processors said that there had been a significant or substantial impact on the future development potential of their businesses (Table 4.15).

Effect of Objective 1 funding on future potential development of the business	n	Negative impact	No impact on future potential	Marginal impact on future potential	Significant impact *	Substantial Impact #
All	43	0	0	4	33	6
Mainstream	20	0	0	1	15	4
DGS	23	0	0	3	18	2
Processors	30	0	0	3	21	6
Producer-processors	13	0	0	1	12	0

Table 4.15 Effect of Objective 1 funding on the future development potential of the business

* significant impact in moving the business to a new level of productive scale and efficiency
 # substantial impact in moving the business to a completely sustainable level (able to finance future developments independently)

Only four of the processors felt that the Objective 1 funding had had a marginal impact only, one of these a producer-processor Mainstream recipient and the other three DGS processors. These results provide further encouragement from the processors that the Objective 1 funding has helped to secure these businesses for the foreseeable future. With the level of sourcing of raw materials from Cornish primary producers, this can only be described, within the prevailing conditions in the farming sector in this country, as excellent.

The processors were finally asked if there was anything else that they wished to add concerning the contribution that the Objective 1 investment had made, or any improvement suggested for the future. Impressively, three quarters of the processors were moved to comment further, including all of the producer-processors (Full list in Appendix 4).

Confirming the benefits to their businesses, the processors referred to a range of improvements and achievements that the funding had allowed them to secure, all worthy of repeating verbatim below.

Mainstream recipients:

- ✎✎ O1 has been a significant factor in assisting the business to become a household name throughout the UK
- ✎✎ More Please! The efficiency levels of *this processor* have been greatly improved allowing a step up in the business
- ✎✎ Enormous benefit to the company and without it we would not be achieving the projected growth.
- ✎✎ The extensions given to enable the project to complete have been very beneficial to our business.
- ✎✎ The increase in volume has enabled the business to move from selling to cheese factors/wholesalers to supplying supermarkets direct – this has cut out a cost to the business and allowed us to develop according to retailers needs.
- ✎✎ Increased capacity has allowed the company to absorb some of the losses incurred at other companies.

DGS recipients:

- ✎✎ O1 grant has played a major part in establishing my business and, without it, I would not be in such a strong to build and develop
- ✎✎ The grant aided project has improved the facility and working conditions.
- ✎✎ It has been a significant assistance to the development and maintenance of our business and enables us to do things much bigger and certainly much better and more professional than we could have done alone.
- ✎✎ O1 helped to develop the capacity which fashioned the catalyst to develop new marketing opportunities. Without the capacity expansion, the brewery would have been closed.

Turning then to the impacts on the producer businesses supplying them, a range of very positive views were also expressed. First, some reflection from the processors:

- ✎✎ As a result of O1 it has been easier to source our raw materials locally and our suppliers have been more willing to invest in their business.
- ✎✎ A growing number of milk suppliers are sharing the benefits of the combined processor and O1 investment at Davidstow.
- ✎✎ O1 has helped our business become the main producer of chicken in Cornwall in a relatively short period of time and can hopefully benefit other future chicken growers in the very near future.

The producer processors were also keen to comment on the impact on their own farms and Cornish farmers generally, as follows.

Mainstream producer-processors:

- ☞☞ The funding has enabled long-term sustainability of the farm, provides in excess of 20 jobs in a small rural community and impacts positively on the environment.
- ☞☞ O1 grant has enabled us to develop the organic processing capacity and access new markets.
- ☞☞ We thought O1 was not available for our kind of business, but when it did become available we were able to completely restructure our business.
- ☞☞ The O1 investment has enabled Cornish growers to compete effectively and to supply quality produce to national supermarkets.
- ☞☞ Thank you very much. Everyone involved in the O1 process has been really flexible and helpful in making the project come together. We would never have had the confidence to do this without O1 assistance.
- ☞☞ It was very generous of O1 to stand in the belief that we could expand our business. Lots of help available from CACDT and GOSW.

DGS producer-processors:

- ☞☞ O1 has speeded up the rate of growth in our production and sales as well as increased employment in a very rural area. The introduction of heat recovery and Bio diesel recovery has demonstrated good environmental benefits.
- ☞☞ The contribution to the development of my business has been very significant. The rate of growth through the enhanced capacity and the new professional image has been very exciting. With this step up to a higher level come the challenges of extra workload, stress, health, responsibility to family and staff. The paperwork involved seemed daunting. We would not have done the projects without the first rate support of all the staff at CHE from beginning to end, especially during the faint hearted moments.
- ☞☞ The O1 investment has maintained our competitiveness in a difficult market and given us the confidence to expand our potatoes.
- ☞☞ The O1 investment has made this business more efficient and having modern machinery more pleasant for the operators.

With this level of positive feedback, the relative paucity of respondent suggestions as to improvements to the Objective One initiatives is not surprising.

Mainstream recipients:

- ☞☞ Capital investment is only a part of the project & more emphasis should and must be placed on the marketing and selling phase of projects. Investors are not always good marketers and salespersons and guidance and help should be provided.

- ✍✍ O1 has had a positive effect on the business and that of suppliers in Cornwall. Final audit statement should be more prescriptive. Streamlining of process/auditing would be beneficial.
- ✍✍ More publicity by GOSW and others thus informing both suppliers and purchasers of the investment. Regular advertorials about each projects progress in local and trade press.

DGS recipients:

- ✍✍ Higher rates of grant for worthy causes and small and new businesses
- ✍✍ Would like more assistance in selling out of the county.

A number of issues are highlighted here which will no doubt form the focus of attention in future.

5. The impact on the Primary Producers in Cornwall supplying Objective 1 aided food processing businesses

The following results are derived from a telephone survey of 55 farmers across the County. These farmers were selected as producers of one of five of the major processors receiving Objective 1 money in the County. This approach was designed to provide an indication of the impact on the primary producers of grant monies placed with the respective processors.

5.1 The farm businesses

Excepting one respondent who was not prepared to divulge the size of his farm, the study covered an overall area of 13,328 ha of agricultural and horticultural production in Cornwall, just over five per cent of the total agricultural and horticultural area in the county. It is interesting to note that those supplying the five processors in this study were large, for Cornwall, with a mean of 247 ha (610 acres), a median size of 176 ha (435 acres) and a range of 40-1093 ha (99-2700 acres). Categorised, (Table 5.1) these figures show the concentration of large farms in the sample, perhaps suggesting a linkage, immediately, between size of operation and association with processing businesses. What is also noticeable, however, is the spread of farms across the smaller farm size categories.

		Size of farm				Total
		< 100ha	100-199 ha	200-299 ha	= >300 ha	
Processor Supplied	Processor	1	6	1	2	10
	Processor	6	3	0	1	10
	Processor	0	3	2	10	15
	Processor	3	2	1	4	10
	Processor	5	2	1	2	10
Total		15	16	5	19	55

Table 5.1 Size of study farms

It is interesting to note the range of farm sizes supplying these five processors; such supplies are not the preserve of large producers alone, as might have been expected.

The spread of farm type (Table 5.2) is as would have been expected considering the business of the respective processors. 44 per cent of the farms had some form of diversified enterprise that was part of the current business. This is lower than the recent Defra study (Turner et al 2003) which reported a figure of 57 per cent for farms in England. It was noted, however, that there were a number of respondents who had diversified enterprises run as completely separate businesses and this figure may therefore be an underestimate.

		Farm Type				Total
		Dairy (wholly or mainly)	Cattle or sheep	Mixed -Stock and arable.	Arable inc. Pots. and Veg.]	
Processor Supplied	Processor	2	6	2	0	10
	Processor	0	0	5	5	10
	Processor	0	0	8	7	15
	Processor	10	0	0	0	10
	Processor	0	0	6	3	9
Total		12	6	21	15	54

Table 5.2 Farm type of study farms

The 55 farms produce a total of 79 products to their processor purchasers, ranging from milk, beef and lamb to milling wheat, potatoes, swedes, onions, cauliflower, spring greens, purple sprouting broccoli and courgettes. Twenty one of the farms supply multiple products, with common mixes including lamb and beef, wheat, potatoes, swedes and cauliflower, spring greens and courgettes.

Turning to farm tenure, all tenure types, from wholly owner occupied to various degrees of mixed tenure and then the wholly tenanted farms, are represented in the sample (Figure 5.1).

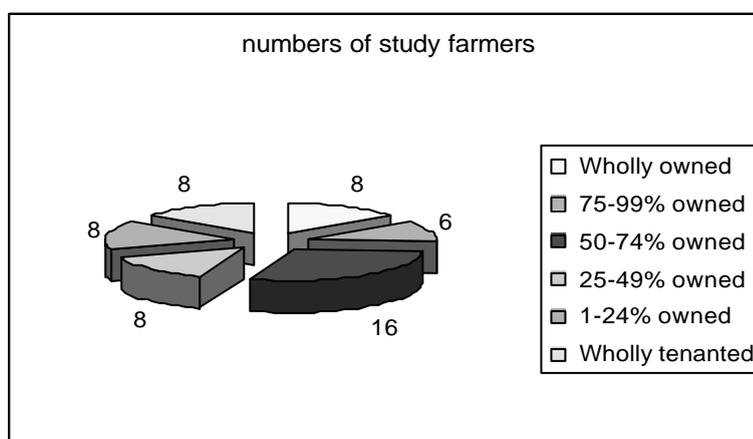


Figure 5.1 Tenure of study farms

In terms of employment, the farms employed 222 employees (FTEs), with a further 119 family members (FTEs) involved in the businesses, a mean overall of 6.32 FTEs per business, with a median of 3.5 FTEs per business. Over half of the businesses had a total complement of less than four (Table 5.3).

Total FTEs	number	per cent
1-3	29	53
4-7	15	28
>7	10	19
Total	54	100

Table 5.3 FTEs of study farms

5.2 Impact on the business resulting from supply to the processor

In this section the analysis is based on the product supplies by the 55 farms in the sample. Just under half of the supplies (46 per cent) have been made to the processor for five years or less, whilst 17 of them (22 per cent) have involved much longer associations, in excess of ten years. The longer associations are largely in the meat sector, with several also involving cauliflower, spring greens and potatoes.

So what were the reasons for these farmers becoming involved with the processors in the first place? Recognising the complexity and potential difficulty during a telephone survey, of farmers ranking their reasons, the respondents were asked to rate the importance of a number of potential reasons for supplying the processor, where 0 = not at all important and 5 = most important.

	Per cent of product supplies						Mean score
	0	1	2	3	4	5	
Location	0	4	1	8	28	59	4.38
Personal contact	3	3	3	6	43	43	4.13
Premium price	3	3	4	21	23	47	4.00
To keep it Cornish	5	5	6	10	28	46	3.87
Regular feedback	1	1	4	22	41	31	3.87
Contract security	25	3	5	8	32	28	3.01
Contract flexibility	32	8	6	23	27	5	2.20

Table 5.4 Reasons for supplying that product to the processor

It is clear that a number of factors contribute to the decision to supply the relevant processor (Table 5.4), with location as the most important factor. For 87 per cent of the producer supplies, the location of the processor is 'very important' or 'most important' in determining sale to that processor. This is perhaps not surprising in view of the primary nature of the products being supplied, the cost of transport and, in some cases, a high risk of deterioration before stabilising or marketing. This highlights the great importance that these farmers attach to the availability of local processing outlets.

Only marginally less important than the location of the processor is the strong feeling that the farmers have for the personal contact derived from the supply direct to the processor. The value attached to regular feedback from the end user is also relevant to this issue of supply chain relationship. So this group of farmers are relating the closeness of processor relationship, which for some will have existed for many years, but for under half will be relatively new.

The perceived presence of a price premium is clearly very important for most of these supplies and, as will be seen later, this attaches, in many cases, to the adherence of particular quality standards. Notwithstanding this, the response concerning contract security and flexibility is bipolar with many valuing these aspects, although others attaching much less, if any value to them, presumably evidence of lack of contractual obligation on the part of the processor.

Finally, almost three quarters of the farmers attached a good degree of importance to the 'Cornish' processing of their primary products. This might have been expected reflecting, perhaps, the 'inherent Cornish pride and distinctiveness', secondly, on the increasing awareness, demand for and value attaching to 'local' food supplies. Table 5.5 indicates a degree of differential importance in this regard, perhaps more associated with what is being processed and the location of the processor rather than the individual processor characteristics.

To keep it Cornish	per cent of product supplies					
	Not important	1	2	3	4	Most important
Overall	5	5	6	10	28	46
	number of supplies					
Processor	1	2	0	1	4	2
Processor	2	0	3	4	5	4
Processor	1	0	1	1	5	13
Processor	0	2	1	1	3	6
Processor	0	0	0	1	5	11

Table 5.5 The importance of 'keeping it Cornish', by processor supplied

So what proportion of the produce is sold to the processor? Strong commitment to the processors is evidenced, with 72 per cent of the products solely supplied to the processor and a further 18 per cent, mostly supplied (75-99 per cent) to these relevant processors. Such commitment to a single market could be seen as rendering the primary producers vulnerable to business decisions made by the processors. However, it perhaps equally confirms the perception of benefits derived from such supplies. It also goes further, to illustrate the strength of such connections within the food chain including the high level of trust by primary producers.

So what of the contractual relationship between the two parties? Details of the supplier sample for the five processors provides some insight into the answer to this question but it should be remembered that the contractual

arrangements may vary more widely outside this study group. A variety of arrangements between farmer and processor are reported (Table 5.6) and it becomes immediately obvious that this issue is sector specific, with a striking difference between the livestock purchases, where the bulk are on a one off basis, the longer term contracts for the supply of milk, and the shorter, seasonal contracts for most crop products. Forward contracts feature also, however, for some crop supplies. Notwithstanding these differences, it is clear that some degree of contractual obligation and, therefore, ability to plan, is present for most supplies to these five processors.

	One off	Forward	Short term	Longer term
Overall (no.)	20	13	32	13
Overall (%)	26	17	41	16
	number of supplies			
Processor	-	-	-	10
Processor	15	2	-	-
Processor	-	7	12	2
Processor	5	-	10	-
Processor	-	4	12	1

Table 5.6 Purchase arrangements

Contractual obligation is commonly two sided, with the security of market and the issue of price premium balanced by the cost of achieving any quality standards required by the purchaser. So first, what is the situation over price premium? Excluding the three products, where the producers were unable to decide whether a price premium was being received, 71 per cent of the remaining products were noted as being supplied at a premium over the wider marketplace. Again, processor differences were noticed as detailed in Table 5.7 below, with those supplying vegetable processors reflecting less positively when compared with the rest.

Price premium	numbers of supplies	% yes
Overall	79	71
Processor	10	80
Processor	18	78
Processor	21	86
Processor	13	31
Processor	17	59

Table 5.7 Perception of a price premium for the product

A large proportion of these supplies are being supplied with the perception, at least, of receipt of a premium price. This tightens the linkage between producer and the processor but may not always be achievable without cost to the farmer. The maintenance of quality standards was noted as being necessary for 95 per cent of product supplies in this study, with the positive argument that such quality requirements enhance the production standards of

those involved with the processors; constant feedback aiding maintenance, and in some cases, improvement of standards.

The producers were well versed as to the specific quality requirements for their products. For milk, respondents referred to payment based on quality, something that has been with them for many years; butterfat, protein and cell count levels, all of importance. For the beef and lamb, producers referred to FABBL and a 'very detailed' Waitrose specification. The producers of potatoes, swedes and onions referred similarly to their processor's own quality specification, relating largely to size and finish, with milling wheat producers referring to Assured Combinable Crops requirements, and concentrating on Hagberg and protein levels and moisture content and admixture. Finally, the growers of cauliflower, spring greens, courgettes and purple sprouting broccoli were clearly tied to detailed supermarket-derived specifications, building on the Fresh Produce Assured Scheme requirements and, one mentioned, 'getting stricter all the time'.

To achieve such standards potentially requires additional cost and this was reported by the farmers for 59 per cent of their supplies (Table 5.8).

	Quality standards? YES %	Extra cost? YES %
Overall	95	59
Processor	100	50
Processor	78	64
Processor	100	71
Processor	100	62
Processor	100	41

Table 5.8 Requirement for quality standard adherence and extra costs

Once again, differences are observed, with the production standards for milling wheat and onions seen, particularly, as incurring extra cost, whereas lower costs are associated with other products.

In order to establish the net effect, financially, of the association with processors, the farmers were asked to consider the overall impact on the profit of their businesses from this linkage (Table 5.9).

	Numbers of supplies	Don't know %	Little difference %	Marginally better off %	Significantly better off %	Price Premium YES%	QS Extra cost? YES %
Overall	79	4	19	47	30	71	59
	number of supplies					per cent	
Processor	10	0	0	5	5	80	50
Processor	18	0	4	11	3	78	64
Processor	21	3	1	10	7	86	71
Processor	13	0	5	7	1	31	62
Processor	17	0	5	4	8	59	41

Table 5.9 Impact on the profit of the business from supplying the processor

In excess of three quarters of the producers reported that they were better off as a result of supplying their respective processor with around one fifth unsure or noting little difference in business profit. Amongst respondents there is a degree of variability; for the producers of milk, 50 per cent perceive their situation to be significantly better as a result of supplying the processor. This is confirmed by the perception of a price premium by most with relatively fewer producers perceiving additional cost in achieving the required quality standards. In contrast to this are the producers of milling wheat, where all ten producers note that the price premium is achieved at significant cost.

By way of summary to this section, the following points reflect on the impact of involvement with these processors, per se:

- ✍✍ A wide range of different farms involved – spread across size and tenure categories
- ✍✍ Noticeable differences across the product sectors
- ✍✍ Strong commitment to the processor through 100% supply
- ✍✍ Little use of longer term contracts beyond a production season (except milk)
- ✍✍ A combination of reasons for supplying that processor that go beyond mere perceived price advantage
- ✍✍ Producers are almost without exception tied to tight quality conditions, affecting price and /or acceptance of goods
- ✍✍ The majority of producers report financial advantage arising from their arrangement with the processor; over 75 per cent say that they are marginally or significantly better off. There is a degree of variability in response, varying largely by product.

What seems clear is that there are a number of factors attracting producers to a processor and a range of benefits, not all of them financial, which are derived, by many, as a result. The next section of the report investigates the extent by which these benefits are enhanced as a result of Objective 1 funding to the processor, on the one hand, for existing suppliers and on the other hand for new suppliers.

5.3 Impact on the farmer suppliers since the Objective 1 funding

The previous section has concentrated on the perceived impact on the primary producers from supplying this group of processors. This section addresses the degree by which the farmers have changed their businesses in response to the grant-enabled development of the processor. This section, therefore, focuses on the suppliers who were supplying pre development, 40 farmers in total, with 55 of the total 79 product supplies.

For many, the processor development had impacted on the quantity of produce supplied to them - for two thirds of these product supplies (67 per cent) changes had been made in the quantity of produce supplied to processors (Table 5.10). The interpretation of these results needs a little care as the time since completion of the development may vary between processors. Notwithstanding this, there is evidence here that a considerable

proportion of the farmers across the board have increased the supply since the respective processor development took place.

Quantity supplied has changed since development	Number of supplies	Per cent
Overall	55	67
Processor	6	50
Processor	17	47
Processor	7	100
Processor	11	64
Processor	14	86

Table 5.10 Change in quantity of supply by producer since processor development

Analysis of those who had changed the quantity supplied, since the development, reveals that only one producer was planning a reduction in supply, which he says was not due to the processor but a problem with cutworm. The nature of the increase varied between producers with 69 per cent indicating a significant increase related to the development of the processor. The degree of increase is most noticeable for the crops, with reports ranging from 10 per cent over 3 years and 40 per cent since the expansion, to much more significant increases of 150 per cent increase in 5 years; from 16 hectares to 40 hectares in 3 years; from 53 hectares to 81 hectares in 6 years; and from 250 tonnes to 850 tonnes this year.

For completeness, 11 per cent said that there had been a very minor increase, whilst 20 per cent noted that the increases were a continuation of a medium / long term trend rather than specifically related to the development. The producer – processor arrangements have also been affected in terms of quality, although, perhaps not surprisingly, to a lesser extent (Table 5.11); 41 per cent noted a change in the quality of product supplied.

Quality supplied has changed since development	Number of supplies	Per cent changed
Overall	54	41
Processor	6	33
Processor	17	59
Processor	7	29
Processor	11	9
Processor	13	54

Table 5.11 Change in supply quality by producer since processor development

Of those who commented on the nature of the change in quality that they had made, approximately half referred to quality improvements to meet increased specifications from the processor. It should be said that, in large part, these specifications were being passed down from the supermarkets. The rest of the producers referred to a constant striving to increase the quality of the product,

as a matter of course using improved varieties where available. One producer referred to the desire to improve the quality of produce in order to supply other markets, rather than the processor!

Tracking further changes of the 40 farm businesses who were supplying them before the processor development, 58 per cent had made changes to their production systems, apparently triggered by the processor development (Table 5.12).

Production system changed since development	Number of producers	Per cent changed
Overall	40	58
Processor	6	50
Processor	10	40
Processor	6	83
Processor	9	56
Processor	9	67

Table 5.12 Change in production system since processor development

A wide range of production system changes were reported and these have initially been divided into two categories, first resource changes and second enterprise changes. Of the 24 responses, 19 (80 per cent) had made resource changes concerning land and labour complement, buildings, fixed and field machinery and breeding livestock such as:

- 'bought more land in 2003 to expand'
- 'the purchase of the (tenanted) farm'
- 'more staff employed (4 FTEs) to handle increased quantity'
- 'new packhouse and grading line' (CHE grant on packhouse)
- 'converted packhouse to grading shed'
- 'upgraded machinery for washing and growing'
- 'increased on-farm milk storage capacity to increase the volume bonuses and reduce energy costs of cooling'
- 'changed bulk tank to bigger one'
- 'because caulis have gone up and beef reduced I have invested in new machines to produce a better crop'
- 'improved cutting of cauliflower and loading machinery'
- 'put in a better grader and the contractor has invested in a better harvester that does the job better'
- 'expanded on bigger harvester rig'
- 'bought better bulls and rams for better stock'

Most of these changes reflect the increasing scale of their businesses and the desire and / or requirement to improve the quality of produce supplied. In addition to this, changes in enterprise were also made including:

- ~~change~~ change in enterprise system
- 'changed lambing time to produce early lambs for Waitrose requirements'; 'raises own modular plants now';

change in enterprise balance

'expanded potatoes from 100 to 150 acres'; 'increased sheep flock from 750-950 ewes'; 'expanded milk and reduced beef'; 'lamb increased because of Waitrose contract'

enterprise substitution

'now started growing courgettes'; 'started growing purple sprouting broccoli'; 'started growing milling wheat and onions';

So, for many, the quantity and quality of product supply have been enhanced by the Objective 1 enabled processor development. What also seems clear is that, during a period where many farmers have been waiting for policy decisions and then the details of implementation, these farmers have had the confidence to make, in some cases, substantial changes to their businesses.

The study was keen to investigate any other changes that had occurred since the processor development. This might include changes in the relationship with the processor and any other benefits that might have arisen, including training and any benefit from other Objective 1 funded initiatives resulting from increased involvement with the processor.

Of the 40 farmers involved pre and post development, Table 5.13 shows that for over half of them (55 per cent) their relationship with the processor had improved since the development, with a further eight reporting a marginal improvement.

	No difference	Marginally better	Much better and closer	Very close working relationship
	%	%	%	%
Overall %	25	20	40	15
n=40	producer numbers			
Processor	3	0	3	0
Processor	3	2	4	1
Processor	1	2	3	0
Processor	3	0	5	1
Processor	0	4	1	4

Table 5.13 Relationship with the processor since the development

As for any other benefits, this time considering all the farmers, a quarter (15) had been involved with other Objective 1 initiatives as a direct result of their relationship with the processor (Table 5.14). Most of this involvement had been through VTS training courses ranging from nutrition and foot trimming, cattle breeding and carcass grading to agronomy and spraying courses. One producer obtained assistance for a waste management plan and in two other cases, capital grants were obtained for potato and onion equipment and a packing shed and yard, respectively.

Interestingly, in addition, it was apparent that a number of producers had also been involved with other Objective 1 schemes, although not directly as a

result of their relationship with the processor. Again, there is a noticeable difference here, with one of the vegetable producers much more active in this pursuit.

Involvement with other Objective 1 initiatives	Number of producers involved	Per cent (n=55)
Overall	15	27
Processor	2	25
Processor	2	25
Processor	2	13
Processor	1	10
Processor	8	80

Table 5.14 Producer involvement in other Objective 1 initiatives as a result of their involvement with the processor

Producers were then asked whether there were any other benefits from supplying the processor. This was asked of all producers including those who had only started supplying the processor after the expansion. The perceived benefits are categorised in Figure 5.2.

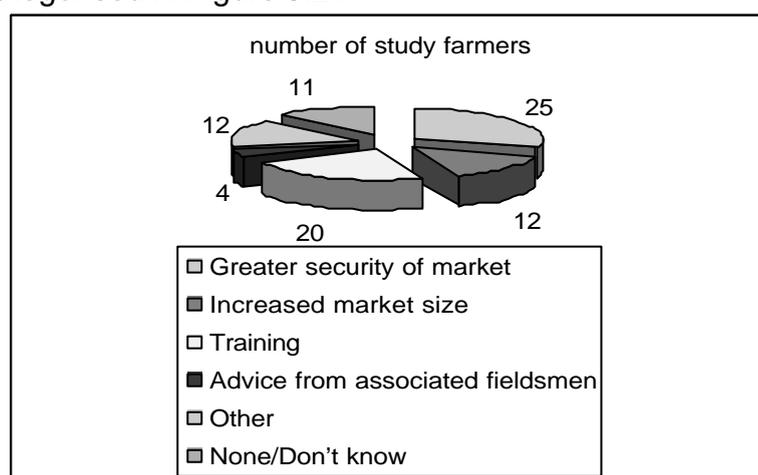


Figure 5.2 Other benefits of supplying processor

Not surprisingly, the focus from the farmers is strongly on the market which reflects, inevitably for some, the volatility that has been experienced in most agricultural product sectors in recent years. The relationship with the processor, enhanced through the Objective 1 enabled development, is quite clearly resulting in much appreciated reduced levels of risk in the businesses of this sample of farmers articulated by one as, 'the brands of Davidstow and Cathedral City offer a significant comfort zone.'

Significant also are the 36 per cent of producers who saw the training provided by the processor as being of benefit. This training was usually in quality control, grading and spraying and other field operations. 12 of the 19 who had benefited through training had received this through an Objective 1 funded VTS, as a result of their relationship with their processor.

Other forms of benefit were quoted by 22 per cent of producers, with some interesting comments. Four producers saw supplying the processors as

enabling them to reduce food miles and/or transport costs, thereby resulting in environmental or cost advantages. Others said that they were less likely to be left with produce on their hands and that the close proximity of the processor meant that any problems were 'easily sorted'.

Other benefits		Greater security of market	Increased market size	Training	Advice from fieldsmen	other	None/Don't know
Overall % mentioning		45	22	36	7	22	20
Processor	10	6	4	3	0	0	2
Processor	10	3	2	6	2	0	2
Processor	15	9	2	2	1	0	4
Processor	10	2	2	1	1	0	2
Processor	10	5	2	8	0	0	1

Table 5.15 Other benefits of supplying processor, by processor

When the other benefits are cross tabulated with the processor supplied (Table 5.15), the picture emerging is more complex, illustrated by the variable importance of security of market, ranging from between 20-60 per cent of producers depending on the processor and the product supplied. What is interesting, however, is that almost all of the benefits are mentioned in the responses for each of the five processors.

5.4 Future impact on the primary producer businesses as a result of the recent expansion of the processor

This section of the interviews focused on the future changes planned within the primary producer businesses as a result of the processor development, recognising that the processor development was recent in many cases. Interestingly, for 72 per cent of the supplies (57 of the 79 product supplies), the producers intended to make changes in the supply to the processor within the next five years (Table 5.16).

	Number of product supplies	Future changes to quantity supplied % of product supplies (n=79)	Number of producers	Future changes to production system % of producers (n=55)	Future 'other' changes % of producers (n=55)
Overall	79	72	55	69	22
Processor	10	80	10	80	20
Processor	18	50	10	50	10
Processor	21	100	15	73	13
Processor	13	62	10	70	30
Processor	17	65	10	70	40

Table 5.16 Future plans of producers concerning their supplies to the processor and related changes to their production systems

With further analysis (Table 5.17), it is clear that a small proportion plan a decrease, with almost a third undecided. For those who were planning an increase in supply, these quantity changes are not all inevitable, with a proportion of them conditional on a range of factors including, most commonly, the availability of land for growing, the demand from the processor and the terms of the supply.

Response	per cent of product supplies (n=79)
Definite increase intended	37
Increase, if possible	17
Probable increase if contract available	3
Increase if we can get more land	9
Intend to decrease quantity supplied	6
No increase intended or Don't know.	28
Total	100%

Table 5.17 Changing supplies in the future

For the suppliers of Processor 3, the planned increase was conditional on a number of factors including, the rate of growth of Processor 3 themselves, the offer of new contracts and the price and profitability of production. In the case of dairy processor, six out of the 10 producers were firmly resolved to increase the amount of milk supplied, with projected increases varying from 20 to 60 per cent over the next two or three years. For a further two producers the desired increase would be dependent on price or the availability of additional land.

For the two vegetable processors, 62 and 65 per cent of product supplies, respectively, were likely to change in the future. In the case of the former, it was very much a case of 'maybe' or 'marginal increase only', with only one supplier that would definitely increase, 'if asked to do so'. In the case of supplies to one of these processors, four out of the eleven possible supply increases would be dependent on the availability of land on which to grow vegetables. This could be due to the lack of land or access to Fruit Vegetable and Potato entitlements or land that is not registered under the Single Payment Scheme (SPS).

The suppliers of one of the processors recorded the lowest rate of change, with only 50 per cent predicting change. Of these, three were talking of reducing the amount of beef supplied and only two were looking to increase supplies, one of whom would only increase the supply of beef and lamb if he had a firm forward contract. One producer of beef and lamb said that his production to the processor would fall, as a result of constraints from cross compliance and the newly introduced SPS.

It was noted that of the 16 producers (22 product supplies) who said that they were not going to increase the quantity supplied to the processor, four said

that this was due to their production being fully up to capacity; the rest did not elucidate as to why the quantity supplied was not increasing.

The farmers were also asked whether they intended to make changes to their production systems over the next five years, as a result of the processor development. The response, once again, reflects the positive experience that most have had with their processor, 69 per cent saying that changes were planned. Many of these plans were, perhaps not surprisingly, couched in terms of 'possible changes' rather than a *fait accompli*. As seen earlier in section 5.3, the responses have been divided into resource changes (58 per cent) and enterprise changes (38 per cent).

A substantial majority (64 per cent), of the 22 producers who were going to make resource changes, planned to buy new, larger or better field machinery, although, for some, this was noted as normal capital reinvestment – 'to keep up to date'. In addition to machinery investment plans, 32 per cent were planning to invest in buildings and fixed equipment such as grading/packing sheds and machinery and milk parlour improvements.

Of the 14 producers planning changes to the enterprises in their business:

- ✎✎ four would involve enterprise substitution i.e. reducing beef production in favour of increased milk production or changing the arable/livestock balance.
- ✎✎ four were considering the introduction of entirely new enterprises such as poultry or new vegetable crops.
- ✎✎ three were planning enterprise system changes, such as altering lambing times (to suit the Waitrose contract) or, the use of new production techniques.

and finally,

- ✎✎ three were considering converting to organic farming - one supplying vegetables, another potatoes and the third, a large scale specialist milk producer (a definite decision driven by perception of a premium organic milk price)

One or two producers mentioned other, less specific changes, one wanting to "*improve technical efficiency*" and another who felt that any future changes depended on 'what the supermarkets wanted'. Three other comments are worthy of note indicating a level of concern for their own business development, first over their level of specialisation in supply (perhaps driven by the processor arrangement), second, over a problem with processor response and third over the funding constraints for development of their own business.

'I need to find another small sideline away from farming; I am too dependent on potatoes and cauliflower for the farming and the engineering.' (They were already diversified into agricultural engineering);

'There is a chance we will not be supplying Processor 1 in future.' (Large farmer wanting to go organic who was having a big problem obtaining an organic contract from Processor 1);

'I am looking at Objective 1 for improving farm access and a bigger bulk tank but can't find the other 50% I would need.'

These issues are important for the producers' own businesses and are likely to be common to other members of the study group, although not articulated here. On the contrary, when the farmers were finally asked if they had any other comments to make concerning the impact on their businesses of the expansion of the processor, 47 of the 55 (85 per cent) were moved to comment. Much of the response reiterated the very positive contribution that the processors, along with their recent expansion, have made to producers in Cornwall and their own businesses (a full list appears in Appendix 5):

Benefits to Cornwall:

'I am delighted that they are there – they have made a real difference. Since these packhouses have developed, money stays in Cornwall rather than going to Lincolnshire, as it used to.'

'if it wasn't for Davidstow, I don't know what the state of the milk industry in Cornwall would be'

Professionalism and reliability of the processor:

'they are good and understand their business'

'the reliability of the purchaser and income are fundamental factors in our decision to sell to him.'

'they go out of their way to maintain good relations with suppliers.'

'he has done a very good job for us as growers in expanding and opening up new markets – and he has put us growers in a better position to go forward in the future.'

Specific impact on their business:

'we would have gone out of potato growing without them'

'Processor 3 is the only reason that we can grow onions'

'the expansion has been a good move and there's no way we could move the amount we do without the expansion at Processor 4. The whole thing has come together.'

'we feel more confident in growing more cauliflowers if he is expanding.'

Overall impact on their business:

'we have got security because of the Objective 1 money spent'

'expansion has enabled us to go ahead with some confidence, especially on the sheep side.'

'Processor 1 have given us the potential to improve profitability considerably over the market place in general'

'Objective 1 has encouraged us to expand'

Proximity and keeping it Cornish:

'it is important to have something like this on our doorstep'

'direct to the supermarkets saves on foodmiles.'

And one or two more negative points:

'his hands are tied by the supermarkets – all packers are controlled by the supermarkets.'

'we wish that they would pay more – we've just had another price cut. We do have a little bonus because of the Objective 1 money but not enough'

'the expansion is only good for them but most of the greens go to Clement's pack house which is nearer to Tesco.'

'Will they stay with the Cornish producer once the Objective 1 money has run out?'

'economic impact is minimal and there is a need to generate extra margin from the regional nature of the product and feedback to farmers – not happening really'

'having problems with night collections'

The comments above provide almost unequivocal support for the processors, and this attaches further weight to the means by which Objective 1 funding, under the processing Measure, has been effected. Moreover, what is interesting is that at no stage during this study did the primary producers suggest that rather than providing the funding to the processors, it would have been more appropriate to have made it available directly to them, as producers. This clearly reflects the advantage that they see in supplying processors who are well placed in the market.

There is a clear realisation, however, that the processors are dependent on the direction and control of the supermarkets and there is a degree of concern that the wide ranging benefits to all, of supplying Cornwall from Cornwall, may be challenged and stretched when the Objective 1 money ceases. Amongst other things such as rising fuel costs, this will be dependent on the relationships that have been built up in the interim.

6. Conclusions on the impacts on primary producers in Cornwall

This study has allowed the project team the privilege of reviewing the developments of a number of major processing businesses, some considered as leaders not only in Cornwall but across the country as a whole. In a sector that is identified as 'the most important sector in the Cornish economy' (Reed et al 2003), how have these businesses been encouraged to develop further? Similarly, at a time of continued uncertainty in the farming industry, the study has provided a valuable opportunity to seek the views of a particular group of farmers on the future for their businesses.

The findings of the study reflect a refreshingly buoyant sector of the economy in Cornwall, previously referred to by Reed et al (2003) as 'lively and vibrant'. Before considering the impact on the primary producers, it is worth remembering that the grant aid to these processing businesses has encouraged an overall reported capital spend of £83.26 million (Table 4.6) in the 43 businesses. For many of these businesses such a scale of development could not have been contemplated and, in fact, fifteen of the processors say they would not have gone ahead at all. The processors talk of improvements in efficiency levels, greater ease of sourcing raw materials locally, heightened degrees of professionalism, and refer to Objective 1 as the

catalyst for the development of markets including direct supply to the supermarkets.

A major impact of Objective 1 has been to increase the predicted turnover by in excess of £150 million (three businesses not included in this figure) or 73 per cent of that before Objective 1. Additionally, the Cornish economy is predicted to benefit from the creation of 1304 FTEs, three years after completion of all aided developments. These figures establish, therefore, the wider context of impact on the primary producers that is, the further strengthening of the most important sector in the Cornish economy. Objective 1 funding has clearly provided the incentive for the processing businesses, large and small, through Mainstream and DGS provision, to engage in a rich variety of activity, involving an extensive range of products from the land. Thus enabled, the processors have responded to untapped demand, moving their businesses to new levels in terms of their position within the sector. The presence of what might be best described as 'vicarious' satisfaction or benefit arising from the raising in significance and profile of the Cornish food industry, whilst not easy to measure, should not be ignored.

With 91 per cent of the Objective 1 funding under this Measure of the Rural Development Regulation having been awarded to 24 projects, the question arises, 'what impact has this had on the primary producers in Cornwall?' Four key areas of consideration present themselves in providing an answer to this question:

1. What are the direct financial impacts on existing farmers supplying processors?
2. What are the other direct impacts on existing farmers supplying processors?
3. Are there any other indirect impacts on existing farmers supplying processors?
4. What is the potential for others to be associated with the processors in the future?

It should be remembered that the producers were selected as the suppliers of five particular processors, chosen to cover the range of primary products in Cornwall.

1. The direct financial impacts of Objective 1 funding on existing producers supplying processors?

The study has revealed a range of beneficial impacts on the producer businesses. Perhaps one of the most important is the presence of a new market for their produce. Much of this benefit has been derived from the Objective 1 developments, as evidenced by the predicted increases in raw material sourcing from Cornwall (Table 4.11). The establishment of four new processing businesses in the study group has, in itself added demand for Cornish primary products ranging from cow and goats milk, butter and eggs to chicken and vegetables.

In financial terms alone, over three quarters of the producers said that they were better off selling to the processor, including 30 per cent who said that they were 'significantly better off' (Table 5.9). For the producer-processors, four new enterprises have been established adding value to their primary products. For the others, the grant has provided a proportion of the capital for existing processors to develop their processing business. As a whole, the turnover from the thirteen businesses is predicted to increase by in excess of 200 per cent (Table 4.10). For ten of the thirteen in this group, the grant was seen as essential to the decision to develop and six would not have gone ahead without it.

Moving to more specific evidence, 71 per cent of the producers thought that they were obtaining a premium (Table 5.7) and 70 per cent said that they were supplying the processor because of this (Table 5.4). A small number of producers interpreted the existence of a premium more broadly in terms of the proximity of processor and the net return after costs of delivery to them. Eight of the 42 processor respondents said that the price premium was the result of the Objective 1 aided developments.

In terms of direct financial impact, the producers saw the security of market as the most important additional benefit derived from supplying the processor (45 per cent mentioning it), with the increased size of the market (22 per cent) also highlighted (Table 5.15). Some see the arrangement as a form of cooperation to supply a much larger market, such as supermarkets, without the direct contact and the problems experienced by other producers who have dealt direct with these purchasers.

Although the arrangements vary between sectors, there is little direct evidence of the use of medium or longer term contracts (Figure 4.3). What is clear, however, is that, although the contractual relationships may be seen as loose, the common perception is that this is cemented by an inherent trust between the parties (especially amongst the vegetable suppliers). Moreover, 58 per cent of the producers have changed their production system, as a result of the processor development, suggesting a good degree of confidence in the future. Continued evolution of their producer businesses, as the processors complete their developments is clear, with well over a third of the producers planning to increase imminently and almost a third again keen to increase if asked to or if extra land is available (Table 5.17).

In terms of cash flow, the producers were also keen to highlight the regularity and reliability of payment, whilst in terms of capital grant, over a quarter of the producers had been encouraged to seek grant assistance for their concurrent business development (Table 5.14).

2. What are the other direct impacts on existing producers supplying processors?

Evidence of a close relationship between processor and producer has already been mentioned and this has, according to the producers,

apparently been improved as a result of the processor development (Table 5.13); this is confirmed by the processors (Table 4.14). The producers talk of a keenness to be 'producing for a market' rather than 'producing for the sake of producing'. The regularity of feedback from the processor is mentioned as important, as well as the availability of training and advice. Over a third of the producers identify the provision of training as an important benefit, helping them to achieve the exacting target quality standards (Figure 5.2). Almost all are producing to quality standards and it is evident that this is raising the level of production performance. Without these expanded markets 'on the doorstep', such improvements may have been longer coming.

For some, the training has encouraged them to improve their own facilities, be that in fixed equipment and/or field machinery (Table 5.12). For others, the strengthened relationship and training has encouraged them to grow new products, new to them and, in some cases, new to Cornwall.

Although the availability of training and advice is evident across the major sectors, there is some degree of frustration by the processor providers, in some sectors, over the level of uptake by their suppliers.

3. Are there any other indirect impacts on existing producers supplying processors?

Much evidence is available to support the direct impact on the existing producers but there is additional evidence of indirect impacts resulting from the strengthening of the processors, through development. The 'vicarious' benefit to producers from the raised profile of the Cornish food industry, with its impact on the economy and employment, has already been mentioned.

In addition, there is the indirect benefit that the producers will derive now or in the future from the maintenance and development of the market brands of the processors, particularly the 'Cornish' brands. The importance of this is shared by processors and producers alike (Figure 4.2 and Table 5.5) who see the national and international profile developing.

Perhaps in contrast to this, a number of producers also see their processor's development as helping to broaden the range of local products supplied in Cornwall, thereby reducing food miles. The supply to local processors is seen as enabling the response to the growing market for local food and the increasing awareness of environmental issues.

4. What is the potential for others to be associated with these processors?

It is as well, at this point, to reiterate that the focus of this study has been on farmers currently associated, through direct supply, with the study group of processors. So what of the others?

Before dealing with this, it is perhaps right to remember that of the processor study group, fifteen said that they would not have gone ahead with the development without the Objective 1 funding and a further two said that it would have gone ahead but outside Cornwall. The estimated impact of this alone, reported on page 19, is a loss of £26.8 million per annum in raw materials sourced from Cornwall.

With the developments complete, the processors estimate increases in the sourcing of raw materials from Cornwall in the region of £54 million (Table 4.11). This will be satisfied by the expansion of existing producer supplies but it will also draw in new suppliers. As to the number of suppliers, this is difficult to predict but Table 4.12 provides some evidence for this, across the major production sectors.

In addition to the developments already Objective 1 funded, 39 of the 43 processors said that the funding had had a 'significant' or 'substantial impact' on the future potential for the development of their businesses. The funding has therefore not only, in many cases, helped to move these businesses to a new level, it has helped to provide the potential for future development, with further future positive impact on the primary producers of Cornwall.

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**Appendix 1
Processor Questionnaire**

Interviewer:

Name of Business:

Name of Objective One funded Project(s):

Person Interviewed:

Position of the Interviewee within the Company (job title):

Address of the business:

Phone Number:

Notes to interviewer are in *Italics*

Please make a verbatim note (in inverted commas) of any comment made by the representative of the business, that you feel is appropriate to answering the purpose of the study.

Face to face interviews of Processors

We are conducting research on the role of Objective 1 investment into the processing businesses in Cornwall. We are primarily interested to see how your business has changed as a result of the grant ie change in scale, product range, sourcing of raw materials and so on.. We will, therefore, be asking a number of questions, firstly, concerning the nature of the business before receipt of grant monies, secondly, discussing the ways in which the grant has been used in the overall investment and development of your business and, finally, consideration of the future development potential enabled as a result of such grant funding.

Section A: The business **BEFORE RECIEPT** of Objective 1 grant

If possible as much of Section A should be pre-filled before the interview, using information from the business plan, but please check information is correct.

- 1) Could you, please, give a brief explanation about the nature of your business, detailing:

a) Number, type and range of product lines?	
<i>Please be sure to include the Annex 1 status of the products</i>	
b) What proportion of the final products from the business (by sale value) are sold through the following outlets?)	
Supermarkets / multiple retailers	
Wholesale	
Local outlets / village stores etc	
Farmers markets	
Other direct sales, please specify:	
Other, please specify:	
d) <i>please use this box to elaborate on any detail concerning the marketing of the products before receipt of grant.</i>	

2) From the information provided in your application, we understand that the turnover of the business in **the year prior to first receipt of grant** was...

Is this correct? If not please amend?

3) From the information provided in your application, we understand that the profit of the business in **the year prior to first receipt of grant** was...

Is this correct? If not please amend?

4) From the information provided in your application, we understand that the number of employees (FTEs), **in the year prior to first receipt of grant** was.....

Is this correct? If not please amend?

6) **In the year prior to first receipt of grant**, how much did you spend per annum on raw materials?

7) **In the year prior to first receipt of grant**, what percentage of these raw materials (*in monetary value*) originated from Cornwall?

What was the main reason for this degree of sourcing from Cornwall?
.....
.....

8) Please specify the main raw materials and amounts which originated from Cornwall **in the year prior to first receipt of grant.**

Raw material	Amount	Kg/L/T	Number of primary producers supplying this from Cornwall

Section B: The development of the business

15) Again, from information provided to us in your application, it was intended that the Objective 1 monies were to finance the following:

(Please complete a brief description of the project)

Is this what eventually happened? If not, please specify changes made.

16) Have other applications for Objective 1 grants been made direct, or through a delegated grant scheme?

Please provide details (dates, grant received % and totals).

17) What is the nature of the overall development? *(please select **the three most important**,. indicating the level of importance 1 – 3 with 1 being the most important.)*

Start a new processing enterprise	
Increasing output of existing products or services	
Upgrading / improving quality of existing products or services	
Increasing efficiency of productivity	
Marketing initiative	
Technical development	
Introducing new products or services	
Other	
Other	

18) What was the strategic purpose of this development? (please select **the three most important**, indicating the level of importance with 1 being the most important.)

Increasing market share	
Developing or growing existing markets	
Moving into new markets	
Securing business for the future	
Other, please specify:	

19) How recently did you complete your Objective 1 investment ?
(please tick one box)

Three years or more	
One to two years	
Less than one year	
Incomplete with one year remaining	
Incomplete with two years remaining	

20) What is the total capital actually, or the current forecast total capital, to be invested in this development?

(Please note that this may exceed the original application estimate – further applications to any Objective 1 source should be included. Be sure to obtain the actual total investment figure.)

please tick if an estimated figure is provided.

£

21) What proportion of this total figure was Objective 1 grant?

22) How important was Objective 1 grant in the decision to develop the business in this way? (please tick **one box only**)

Essential	
Very important	
Fairly important	
Not at all important	

23) What would have been the impact on the business development if the grant had not been available? *(please tick **one box only**)*

It would not have gone ahead at all	
It would have gone ahead but over a longer timescale	
It would have gone ahead but on a reduced scale	
It would have gone ahead as it is anyway (without grant)	
It would have gone ahead but outside Cornwall	

24) If '**gone ahead but on a reduced scale**', how might this have affected the business in the long term?

	Less	Same	More	Don't know
Numbers employed				
Rate of growth				
Profit margin				
Overall profitability				

Section C: Impact of the development on the business

In this section we would like you to provide answers that relate to the position **three years after the completion of the development**. The purpose of this timescale is to enable a consistent response from all business involved in the study. Whilst this, in some cases, will be a hypothetical position, we would like you to examine your forecasts into the future in this section.

25) What is, or is likely to be the increase/decrease in turnover of the business three years after completion of the development?

26) In what way is this change in turnover attributable to the development in processing capability enabled by the Objective 1 investment?

27) What is, or is likely to be, the profit of the business three years after completion of the development and how has the development contributed to this change?

28) Three years after the completion of the development, how will the total number of employees (FTEs) have changed as a result of the development?

23) Three years after the completion of the development, how much do you forecast to spend per annum on raw materials?

24) Three years after the completion of the development, what percentage of these raw materials (in monetary value) will originate from Cornwall?

What is the main reason for this degree of sourcing from Cornwall?

.....

25) Please specify the main raw materials and amounts which you forecast will originate from Cornwall, three years after the completion of the development.

Raw material	Amount	Kg/L/T	Number of primary producers supplying this from Cornwall

26) Have the quality specifications for raw materials changed since the receipt of grant? If so, how? *(Again, be sure to note detail over changes in specifications that may impact on the producers' need to increase produce quality including involvement in FABBL and LEAF, traceability etc)*

27) As a result of the development has there been a price change offered to your supplier of products originating from Cornwall, if so, how much and what are the reasons for this?

28) What is the form of purchasing method/contract with suppliers of these raw materials (*Again, please specify detail for each of the major raw materials*)

29) Please note and detail any changes in 'closeness' of relationship with primary producers in Cornwall resulting from the development.

31) Are your final processed products marketed with any particular distinguishing attributes such as 'organic', 'Cornish', 'British', 'local', breed specific, branded? If so, what is this?

32) Do you offer any advice, training or other assistance to other producers supplying your business? If so, what form does this support take?

(Please note the full range of potential assistance such as: crop husbandry advice, fieldsman practices, courses or advice concerning productive efficiency.)

Section D Future Plans

33) How has the receipt of grant for this development affected the future development potential for the business?

Negative impact, please specify:	
No impact on future potential	
Marginal impact on future potential	
Significant impact in moving the business to a new level of productive scale and efficiency	
Substantial impact in moving the business to a completely sustainable level	

(We are looking here at the benefit that the grant has given (if at all) to allow the business to move onto a different plane or into a different area of product range or production potential/efficiency, the result of which will be a business which can finance future developments independently, thus drawing in additional supplies from primary producers.)

34). Is there anything else that you would like to say about the contribution that the Objective 1 investment in your business has made or any improvements that you may suggest for the future?

Section E

Primary producer suppliers in Cornwall

35) We are keen to talk to a number of your suppliers in Cornwall to allow us to develop a picture of the impact that this grant has had on their own businesses. This is the second element of this study which will take the form of a telephone survey. Please would you let us have names, addresses and telephone numbers of such suppliers from Cornwall.

(Please be sure to ask for a complete list of existing primary producers. This may require the processor to track back via another supplier (say of meat or flour) to find the original producers to be sampled.)

**Appendix 2
Producer-processor Questionnaire**

Interviewer:

Name of Business:

Name of Objective One funded Project(s):

Person Interviewed:

Position of the Interviewee within the Company (job title):

Address of the business:

Phone Number:

Notes to interviewer are in *Italics*

Please make a verbatim note (in inverted commas) of any comment made by the representative of the business, that you feel is appropriate to answering the purpose of the study.

Face to face interviews of Producer Processors

We are conducting research on the role of Objective 1 investment into the processing businesses in Cornwall. We are primarily interested to see how your business has changed as a result of the grant; ie change in scale, product range, sourcing of raw materials and so on. We will, therefore, be asking a number of questions, firstly, concerning the nature of the business before receipt of grant monies, secondly, discussing the ways in which the grant has been used in the overall investment and development of your business and, finally, consideration of the future development potential enabled as a result of such grant funding.

For the purposes of this interview, we have assumed that the production and processing arms of the business are run as a single entity.

2) **Prior to the receipt of grant** what crops and livestock did you produce? *(Please tick as appropriate)*

Livestock		Crops	
Milk	<input type="checkbox"/>	Cereals	<input type="checkbox"/>
Beef	<input type="checkbox"/>	Other arable crops	<input type="checkbox"/>
Lamb	<input type="checkbox"/>	Fruit	<input type="checkbox"/>
Pork	<input type="checkbox"/>	Vegetables	<input type="checkbox"/>
Poultry	<input type="checkbox"/>	Horticulture	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>	Industrial crop, please specify	<input type="checkbox"/>
.....		Other (specify)	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>	
.....			

3) What is the total area of this farm? _____ hectares (or _____ acres)

4) What is the total area owned you? _____ hectares (or _____ acres)

5) From the information provided in your application, we understand that the turnover of the business in **the year prior to first receipt of grant** was...

£	
---	--

Is this correct? If not please amend?

6) From the information provided in your application, we understand that the profit of the business in **the year prior to first receipt of grant** was...

£	
---	--

Is this correct? If not please amend?

7) From the information provided in your application, we understand that the number of employees (FTEs), **in the year prior to first receipt of grant** was.....

--	--

Is this correct? If not please amend?

8) **In the year prior to first receipt of grant**, how much did you spend per annum on raw materials?

£

9) **In the year prior to first receipt of grant**, what percentage of these raw materials (*in monetary value*) originated from Cornwall

%

What was the main reason for this degree of sourcing from Cornwall?

10) Please specify the main raw materials and amounts which originated from Cornwall **in the year prior to first receipt of grant**.

Raw material	Amount	Kg/L/T	Number of primary producers supplying this from Cornwall

Section B: The development of the business

11) Again, from information provided to us in your application, it was intended that the Objective 1 monies were to finance the following:

(Please complete a brief description of the project)

Is this what eventually happened? If not, please specify changes made.

12) Have other applications for Objective 1 grants been made direct, or through a delegated grant scheme?

Please provide details (dates, grant received % and totals).

13) What is the nature of the overall development? (please select **the three most important**,. indicating the level of importance 1 – 3 with 1 being the most important.)

Start a new processing enterprise	
Increasing output of existing products or services	
Upgrading / improving quality of existing products or services	
Increasing efficiency of productivity	
Marketing initiative	
Technical development	
Introducing new products or services	
Other	
Other	

14) What was the strategic purpose of this development? (please select **the three most important**,. indicating the level of importance with 1 being the most important.)

Increasing market share	
Developing or growing existing markets	
Moving into new markets	
Securing business for the future	
Other, please specify:	

29) How recently did you complete your Objective 1 investment ?
(please tick one box)

Three years or more	
One to two years	
Less than one year	
Incomplete with one year remaining	
Incomplete with two years remaining	

30) What is the total capital actually, or the current forecast total capital, to be invested in this development?
(Please note that this may exceed the original application estimate – further applications to any Objective 1 source should be included. Be sure to obtain the actual total investment figure.)

please tick if an estimated figure is provided.

£

31) What proportion of this total figure was Objective 1 grant?

32) How important was Objective 1 grant in the decision to develop the business in this way? *(please tick **one box only**)*

Essential	
Very important	
Fairly important	
Not at all important	

33) What would have been the impact on the business development if the grant had not been available? *(please tick **one box only**)*

It would not have gone ahead at all	
It would have gone ahead but over a longer timescale	
It would have gone ahead but on a reduced scale	
It would have gone ahead as it is anyway (without grant)	
It would have gone ahead but outside Cornwall	

34) If '**gone ahead but on a reduced scale**', how might this have affected the business in the long term?

	Less	Same	More	Don't know
Numbers employed				
Rate of growth				
Profit margin				
Overall profitability				

Section C: Impact of the development on the business

In this section we would like you to provide answers that relate to the position **three years after the completion of the development**. The purpose of this timescale is to enable a consistent response from all business involved in the study. Whilst this, in some cases, will be a hypothetical position, we would like you to examine your forecasts into the future in this section.

35) What is, or is likely to be the increase/decrease in turnover of the business three years after completion of the development?

36) In what way is this change in turnover attributable to the development in processing capability enabled by the Objective 1 investment?

37) What is, or is likely to be, the profit of the business three years after completion of the development and how has the development contributed to this change?

38) Three years after the completion of the development, how will the total number of employees (FTEs) have changed as a result of the development?

25) Three years after the completion of the development, how much do you forecast to spend per annum on raw materials

26) For your home produced raw materials, what proportion of the output from your farming business **was used** in the processing business prior to receipt of grant?

27) For your home produced raw materials, what proportion of the output from your farming business **will be used** in the processing business three years after completion of the development? *(please insert in table above)*

28) **As a result of the development**, have you changed the enterprise mix of the farming business? If so, how?

Enterprise	Change in area / number	Change in output	% change in output

29) Three years after the completion of the development, what percentage of these raw materials (in monetary value) will originate from Cornwall?

%

What is the main reason for this degree of sourcing from Cornwall?

.....

30) Please specify the main raw materials and amounts which you forecast will originate from Cornwall, three years after the completion of the development.

Raw material	Amount	Kg/L/T	Number of primary producers supplying this from Cornwall

31) Have the quality specifications for raw materials changed since the receipt of grant? If so, how? *(Again, be sure to note detail over changes in specifications that may impact on the producers' need to increase produce quality including involvement in FABBL and LEAF, traceability etc)*

--

32) As a result of the development has there been a price change offered to your supplier of products originating from Cornwall, if so, how much and what are the reasons for this?

33) What is the form of purchasing method/contract with suppliers of these raw materials (*Again, please specify detail for each of the major raw materials*)

34) Please note and detail any changes in 'closeness' of relationship with primary producers in Cornwall resulting from the development.

35) Are your final processed products marketed with any particular distinguishing attributes such as 'organic', 'Cornish', 'British', 'local', breed specific, branded? If so, what is this?

36) Do you offer any advice, training or other assistance to other producers supplying your business? If so, what form does this support take?

(Please note the full range of potential assistance such as: crop husbandry advice, fieldsman practices, courses or advice concerning productive efficiency.)

Section D Future Plans

37) How has the receipt of grant for this development affected the future development potential for the business?

Negative impact, please specify:	
No impact on future potential	
Marginal impact on future potential	
Significant impact in moving the business to a new level of productive scale and efficiency	
Substantial impact in moving the business to a completely sustainable level	

(We are looking here at the benefit that the grant has given (if at all) to allow the business to move onto a different plane or into a different area of product range or production potential/efficiency, the result of which will be a business which can finance future developments independently, thus drawing in additional supplies from primary producers.)

38). Is there anything else that you would like to say about the contribution that the Objective 1 investment in your business has made or any improvements that you may suggest for the future?

Section E

Primary producer suppliers in Cornwall

35) We are keen to talk to a number of your suppliers in Cornwall to allow us to develop a picture of the impact that this grant has had on their own businesses. This is the second element of this study which will take the form of a telephone survey. Please would you let us have names, addresses and telephone numbers of such suppliers from Cornwall.

(Please be sure to ask for a complete list of existing primary producers. This may require the processor to track back via another supplier (say of meat or flour) to find the original producers to be sampled.)

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Are any of these produced organically? Yes No

If yes, please specify in the table above (O=organic)

Are any of your products accredited in any way ie FABBL, LEAF etc Yes No

If yes, then please provide detail (F=FABBL; L=LEAF etc.)

4. Are there any non-farming enterprises currently run as part of your business? *(Do not ask if the business is not a farm).*

If yes, then please provide detail

5. How many people are working in your business, including yourself and members of your family (Full time equivalents)?

	Full time	Part time
Employees		
Yourself and family		

Section B

Impact on the business to date

We understand that you are a supplier of to and this section, therefore, deals with a number of issues concerning your sales made to this organisation. *(Please use a separate sheet for each product supplied to this processor – where there is more than one)*

6. How long have you been selling your..... to them?

0-12 months	
13-24months	
Longer than 2 years	

7. What are the main reasons for supplying this organisation?

Please score each of the following depending on how important they were on a scale of 0-5, where 0 is not at all important and 5 is most important.

	Score
Premium price	
Local location	
Contract security	
Contract flexibility	
To keep it Cornish	
Personal contact	
Regular feedback	
Other benefits	

8. How does the processor purchase your product?

One-off purchases	
Forward contracts	
Short term contracts (up to 1 year)	
Short term contracts (1-2 years)	
Longer term contracts (please specify)	

If on contract, what are the details of this? (ie. term, price security, quality and rejection arrangements).

9. How much per annum do you sell to.....*(this processor) ?*
(Please indicate appropriate quantity units ie kgs, tonnes, litres)

10. What proportion of your total production of..... do you supply to.....(*this processor*)?

0-10%	
11-30%	
31-50%	
51-70%	
71-90%	
100%	

11. Do you perceive there to be a premium price over the market price for the product supplied to this processor?

If yes, what premium over the market rate does this represent?

12. Are you required to meet any particular quality standards for this product, in supplying this processor?

If yes, what are these?

13. Do you incur any significant additional costs in consistently achieving the quality and quantity requirements of.....?

If yes, please provide the detail of this.

(PROMPT: additional equipment required (ie. combining, storage, drying); labour costs for grading sheep, grading potatoes; additional variable costs such as pesticide/fertilizer use, drying costs, sorting costs, packaging costs, transport costs;)

14. Overall, what is the effect on the profit of the business through supplying to this processor?

Much worse off	
Marginally worse off	
Little difference to supplying anyone else	
Marginally better off	
Significantly better off	

Filter question:

Had you supplied this processor before the Objective One funded expansion? Yes

No

The next set of questions refers to any changes that you may have made as a result of recent expansion by this processor.

15. Have you changed the quantity ofsupplied to the processor since its recent expansion?

If yes, please could you say what changes you have made and why you have done this?

16. Have you changed the quality ofsupplied to the processor since its recent expansion?

If yes, please could you say what changes you have made and why you have done this?

17. Concentrating on any wider impact to your business, have you made any changes to your **production systems** since the processor's recent expansion?

ie. enterprise mix, machinery investment etc?

If yes, please could you say what changes you have made and why you have done this?

18. Have you changed **anything else** in the business in response to this?

If yes, please could you say what changes you have made and why you have done this?

19. How do you view your relationship with the processor **since the time** of their expansion?

Worse relationship	
No difference	
Marginally better	
Much better and closer working relationship	
Very close working relationship with regular feedback	

20. Are there **any other benefits** that arise directly from the supply of this product to the processor?

PROMPTS:

Greater security of market

Training

Advice from the business centre

Advice from associated fieldsman

Other

21. Have you been involved in any **other Objective 1 funded initiatives** such as the Vocational Training Scheme, Rural Progress, Grassland Challenge, Organic South West, Cornwall Food and Drink Marketing Grant Scheme etc, directly as a result of your association with the Processor?

If yes, please provide detail on which and how you were encouraged.

Section C

Future impact on your business

Finally, a short section asking about any future changes to your business that may arise as a result of the recent expansion of the processor's business.

22. Do you intend to change the **quantity of**supplied to the processor over the next five years?

If yes, please could you say what changes you will make and why you will do this?

23. Do you intend to make any changes to your **production systems** over the next five years ie. enterprise mix, machinery investment ?

If yes, please could you say what changes you will make and why you will do this?

24. Do you intend to change **anything else** in the business in response to this?

If yes, please could you say what changes you have made and why you have done this?

25. Is there anything else that you would like to say about the impact on your business of selling products to this processor? (*PROMPT: single payment scheme; food chain linkages and reliability of purchaser*)

Thank you very much for your time and patience. Can I finally reassure you that the information provided in this survey will be treated confidentially, together with that collected from other primary producers and that none of your individual information will be disclosed independently of this study.

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Appendix 4

Processor interviews

Question 34 Is there any thing else you would like to say...?

Processor responses

1. O1 has been a significant factor in assisting the business to become a household name throughout the UK
2. More Please! The efficiency levels of *this processor* have been greatly improved allowing a step up in the business
3. As a result of O1 it has been easier to source our raw materials locally. Our suppliers have been more willing to invest in their business, given the O1 funding.
4. The extensions given to enable the project to complete have been very beneficial to our business.
5. Increased capacity has allowed the company to absorb some of the losses incurred at other companies.
6. A growing number of milk suppliers are sharing the benefits of the combined processor and O1 investment at Davidstow. They are helping to grow the cheese market.
7. Without objective 1 funding, the business would not have started.
8. Enormous benefit to the company and without it we would not be achieving the projected growth.
9. We would not or could not have attempted this development without O1. Flexibility from GOSW/O1 has allowed continued development of the business plan.
10. O1 grant has played a major part in establishing my business and without it I would not be in such a strong situation to build and develop
11. I am very happy with the O1 process and the benefits it has brought to the business.
12. The grant project has improved the facility and working conditions.
13. It has been a significant assistance to the development and maintenance of our business. Enables us to do things much bigger and certainly much better and professional than we could have done alone.
14. Would like more assistance in selling out of the county.
15. O1 has had a positive effect on the business and that of suppliers in Cornwall. Final audit statement should be more prescriptive. Streamlining of process/auditing would be beneficial.
16. O1 helped to develop the capacity which fashioned the catalyst to develop new marketing opportunities. Without the capacity expansion, brewery would have been closed.
17. Graham Woolcock has provided good advice and been flexible. Also the business advisor, Mark Norton was excellent.
18. O1 has helped our business become the main producer of chicken in Cornwall in a relatively short period of time and can hopefully benefit other future chicken growers in the very near future
19. More publicity by GOSW and others, thus informing both suppliers and purchasers of the investment. Regular advertorials, about each project's progress, in local and trade press.
20. The increase in volume has enabled the business to move from selling to cheese factors/wholesalers to supplying supermarkets direct – this has cut out a cost to the business and allowed us to develop according to retailers needs. Any future funding programme must take a more flexible

approach, have a workable payment system from the onset, and be able to meet changes in the market place

Producer-processor responses

1. The O1 investment has made this business more efficient and having modern machinery more pleasant for the operators.
2. The funding has enabled long-term sustainability of the farm and provides in excess of 20 jobs in a small rural community and impacts positively on the environment"
3. O1 Grant has enabled us to develop the organic processing capacity and access new Markets.
4. Higher % grant for worthy causes and small and new businesses.
5. Thank you very much. Everyone involve in the O1 process has been really flexible and helpful in making the project come together. We would never have had the confidence to do this without O1 assist.
6. O1 has speeded up the rate of growth in our production and sales as well as increased employment in a very rural area. The introduction of heat recovery and Bio diesel recovery have demonstrated good environmental benefits.
7. The contribution to the development of my business has been very significant. The rate of growth through the enhanced capacity and the new professional image has been very exciting. With this step up to a higher level come the challenges of extra workload, stress health, responsibility to family and staff. The paperwork involved seemed daunting. Would not have done the projects without the first rate support of all the staff at CHE from beginning to end, especially during the faint hearted moments.
8. Capital investment is only a part of the project & more emphasis should and must be placed on the marketing and selling phase of projects. Investors are not always good marketers and salespersons and guidance and help should be provided.
9. It was very generous of O1 to stand in the belief that we could expand our business. Lots of help available from CACDT and GOSW.
10. The O1 investment has maintained our competitiveness in a difficult market and given us the confidence to expand our potatoes.
11. We thought O1 was not available for our kind of business, but when it did become available we were able to completely restructure our business.
12. The O1 investment has enabled Cornish Growers to compete effectively and to supply quality produce to national supermarkets.
13. The project has been very successful and we are now looking to expand this enterprise further and regret having not built a second shed into the original project. We have the land to extend seed production and are seriously considering progressing project into the next phase.

Appendix 5

Telephone survey of primary producers

The perceived benefits to primary producers in Cornwall of the Objective One investment in processing

Benefits to Cornwall:

1. I am delighted that they are there – they have made a real difference. Since the packhouses have been developed, money stays in Cornwall rather than going to Lincolnshire, as it used to.
2. If it wasn't for Davidstow, I don't know what the state of the milk industry in Cornwall would be.
3. It is good that they are prepared to pay a premium for some Cornish produce – it is what this Objective 1 is all about.
4. Objective 1 has helped very much in Cornwall.
5. Processor 3 are vitally important in the area.
6. David is out for Cornwall, instead of the Lincolnshire people, who were just out to make money from Cornish farmers.

Professionalism and reliability of the processor:

1. They are good and understand their business.
2. They are just very good.
3. They are a good straight forward family business.
4. Looked at the processor's shed and it looks really good.
5. The reliability of the purchaser and income are fundamental factors in our decision to sell to him.
6. They go out of their way to maintain good relations with suppliers.
7. He has done a very good job for us as growers in expanding and opening up new markets – and he has put us growers in a better position to go forward in the future.
8. The feedback is better than the others and this shows great expertise.

Specific impact on their business:

1. We would have gone out of potato growing without them.
2. The processor is the only reason that we can grow onions.
3. The expansion has been a good move and there's no way we could move the amount we do without the expansion at Processor 4. The whole thing has come together.
4. I like to grow things for a market and they have come forward with a good market at a sensible price.
5. We feel more confident in growing more cauliflowers if he is expanding.
6. Consistency of trade is good - it avoids peaks and troughs of the wholesale market.

Overall impact on their business:

1. Has probably made the business less dependent on the subsidised sector.
2. We have got security because of the Objective 1 money spent.
3. Expansion has enabled us to go ahead with some confidence, especially on the sheep side.
4. Being a direct supplier to one of the better markets is a great benefit.
5. Processor 1 has given us the potential to improve profitability considerably over the market place in general.
6. Objective 1 has encouraged us to expand.

Proximity and keeping it Cornish:

1. The expansion is only good for them but most of the greens go to Clement's pack house which is nearer to Tesco.
2. It is important to have something like this on our doorstep.
3. Saved transport costs are an important factor.
4. Saved haulage and a local outlet are important factors.
5. We are only four miles from the factory.
6. Direct to the supermarkets saves on food miles.

The more negative points:

1. Controlled by the supermarkets - 'his hands are tied by the supermarkets – all packers are controlled by the supermarkets.'
2. We wish that they would pay more – we've just had another price cut. We do have a little bonus because of the Objective 1 money but not enough.
3. Will they stay with the Cornish producer once the Objective 1 money has run out?
4. Economic impact is minimal and there is a need to generate extra margin from the regional nature of the product and feedback to farmers – not happening really.
5. Having problems with night collections'