

Local Economic Systems

Session 2

The development of successful
eco-social enterprises

Tim Crabtree

Focus of session

- Exploration of the 5 capitals model, and the way in which these can be combined to create economic goods and services:
 - The environment as a provider of resources & a sink for wastes.
 - Assessing the requirement for physical equipment and buildings.
 - Understanding the motivations and potential roles of the people involved in an enterprise, including the potential for citizens to become active agents within the enterprise (for example as investors or volunteers).
 - Understanding the role of money – including grants, equity, debt and retained surpluses.
 - Exploring the importance of social capital and legal structure and the inter-relationship with finance.
- Exploration of the area of operations, and the potential to create a “circular” model of enterprise which entails recycling wastes, eliminating pollution and being powered from renewable sources.



Cookery workshops

2003



Wessex Reinvestment Trust

2003



Fruit scheme

2004



Soup scheme

2005



Vocational training

2006



School catering

2008



Older People's Catering

2010



Food Festival

1998



Farmers' Markets

1998



Community gardens

1999



Local Food Directory

1999



Food Week

2000



Centre for Local Food

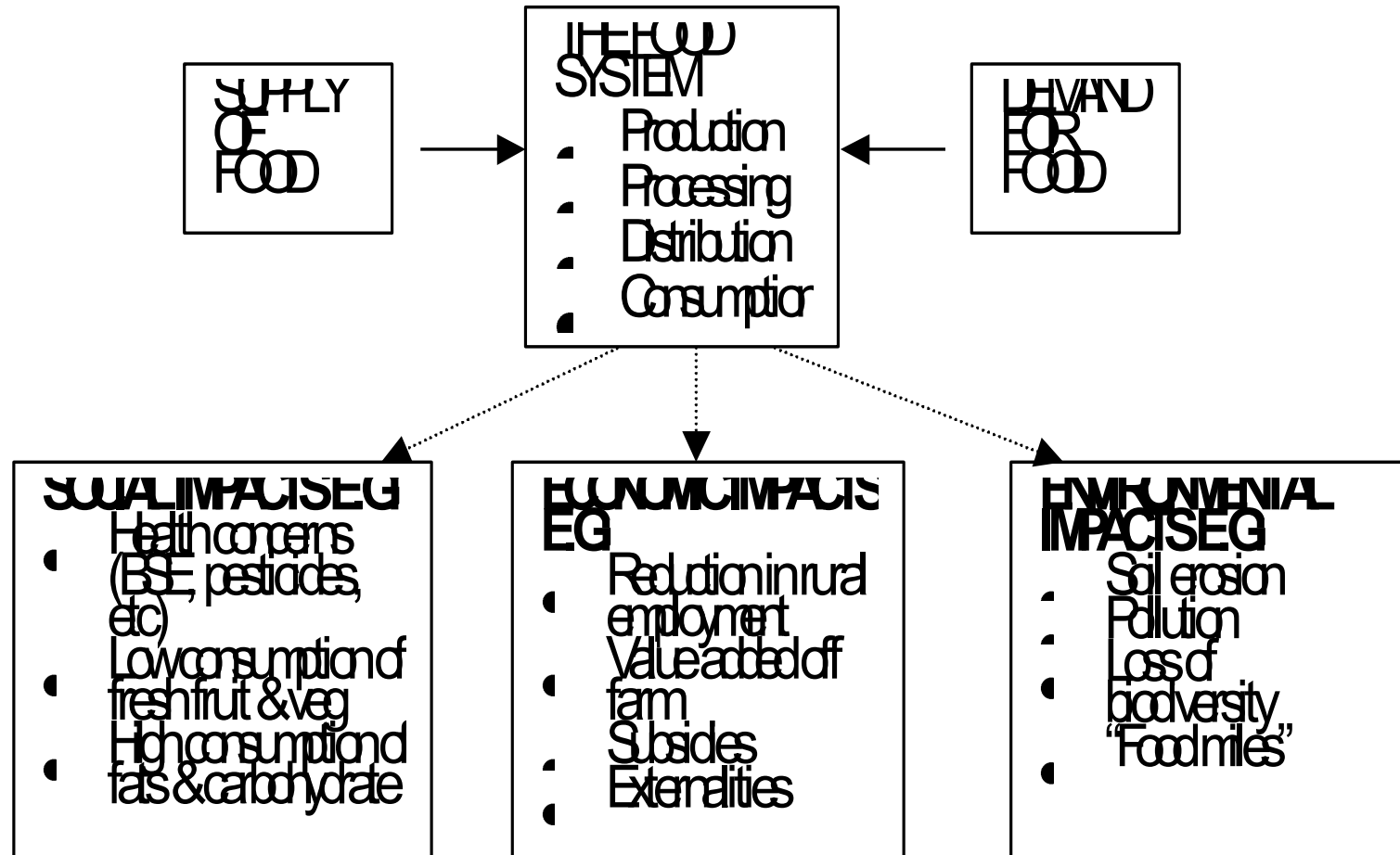
2001



Grow it, Cook it, Eat it

2002

Social, economic and environmental impacts of the prevailing food system



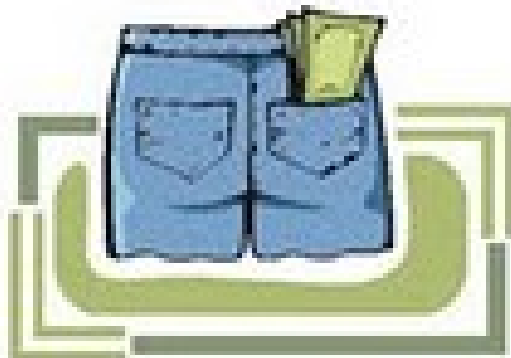
Discussion point 1

	Activity	Outcome
Health		
Social development		
Environment		
Economy		

Framework Outcomes	Need/baseline	Activities	Outcomes for older people	Impacts for the community
Health & well-being	<ul style="list-style-type: none"> -High incidence of malnutrition in older people -High incidence of diet-related ill-health, e.g. cancer & heart disease -Mobility restrictions, e.g. getting to shops -Disability restrictions, e.g. difficulties preparing food 	<ul style="list-style-type: none"> -Local Food Clubs (food co-operatives) established -Supply of prepared fruit & vegetables into Food Clubs -Provision of catering for lunch clubs in community settings -Lunch clubs linked to Cookery workshops, e.g. older people sharing skills with younger people, lessons for single men, etc -Community Kitchen sessions at Centre for Local Food -Produce meals & soups to be cooked in older people's homes -Creation of catering services operating from hub kitchens & satellites - support catering services in day centres and care homes/ nursing homes 	<ul style="list-style-type: none"> -Reduction in malnutrition -Improved health -Improved sense of well-being -More older people feeling they are making a positive contribution -Reduced sense of dependency 	<ul style="list-style-type: none"> -Improvements in health reflected in reduction in costs of malnutrition & diet related ill-health -Older people able to stay at home longer
Community development	<ul style="list-style-type: none"> -Increasing isolation felt by some older people -Sense of dependency felt by some older people -Limited opportunities to get involved and contribute -Pressure on existing carers -Reduced links between the generations 		<ul style="list-style-type: none"> -Reduced isolation through greater opportunities for socialising over food -Inter-generational links created through work with schools -Increase in the number of carers drawn from older people -Volunteering opportunities 	<ul style="list-style-type: none"> -More people volunteering and caring for others -Improved community cohesion -Greater cross-generational links -A more positive food culture, with more people eating together
Economic development	<ul style="list-style-type: none"> -Affordability is a major concern for older people on low incomes -Limited capacity to produce meals for older people in Dorset -Lost opportunities to create local jobs or provide a market for local producers 		<ul style="list-style-type: none"> -Improved affordability of quality food -Improved accessibility through range of initiatives -Employment opportunities -Training opportunities 	<ul style="list-style-type: none"> -Reduction in "food poverty" -Jobs & training opportunities created -Opportunities for local suppliers -Import substitution: local economic activity created -Local multiplier improved -Increase in value added locally (GVA)
Environmental sustainability	<ul style="list-style-type: none"> -Environmental impact of food transportation -Limited sourcing from sustainable food producers -Consequent pollution 		<ul style="list-style-type: none"> -Enhanced understanding of food provenance & the sustainability implications of food choices 	<ul style="list-style-type: none"> -Increase in sustainable food production -Reduction in carbon output has positive impact on climate change

HERE'S THE IDEA

Buying local products at locally owned businesses keeps money circulating closer to where you spend it. This creates a ripple effect as those businesses and their employees in turn spend your money locally. Corporate chains send most of your money out of town.



For every \$1 spent
at a local business ...



For every \$1 spent
at a corporate chain ...



LM3 Analysis of Local Food Links: Eva Kralikova

- LM3 for LFL is approximately **2.11**, which means that every **£1.00** spend by LFL (of the gross project income) can result in the circulation of an additional **£1.11**. in the defined geographic area.
- “LFL is having a considerable economic impact in its local area in terms of increased circulation of money within the local area when compared with a non-localised food procurement system (based e.g. in Nottingham or London)”

Money flows for Local Food Links Ltd.

Money **staying** in local area

Money **leaving** local area

Round 1: **£294,318**
LFL s turnover per annum

Round 2: **£198,887** (*local spend*)
Spending by LFL
LFL spent **£126,496** on **local staff** and contractors and **£72,391** on **local suppliers** of goods and services.

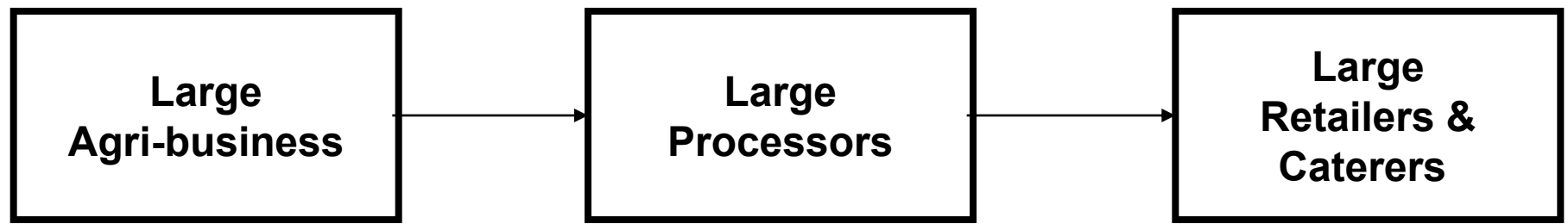
Round 2: **£17,856** (*non-local spend*)
Like most businesses, LFL spent money outside the area on employer's **NI** and **pensions** for staff, **fuel**, **utilities** and taxes. It also spent money on **non-local staff** and **non-local suppliers**.

Round 3: **£126,498** (*local spend*)
Spending by LFL's staff and suppliers
STAFF (**£84,752**) spent this on **local food**, **entertainment**, **rent** etc. SUPPLIERS (**£41,987**) spent money on similar items as LFL in Round 2 – **local staff**, **local suppliers**, goods and services.

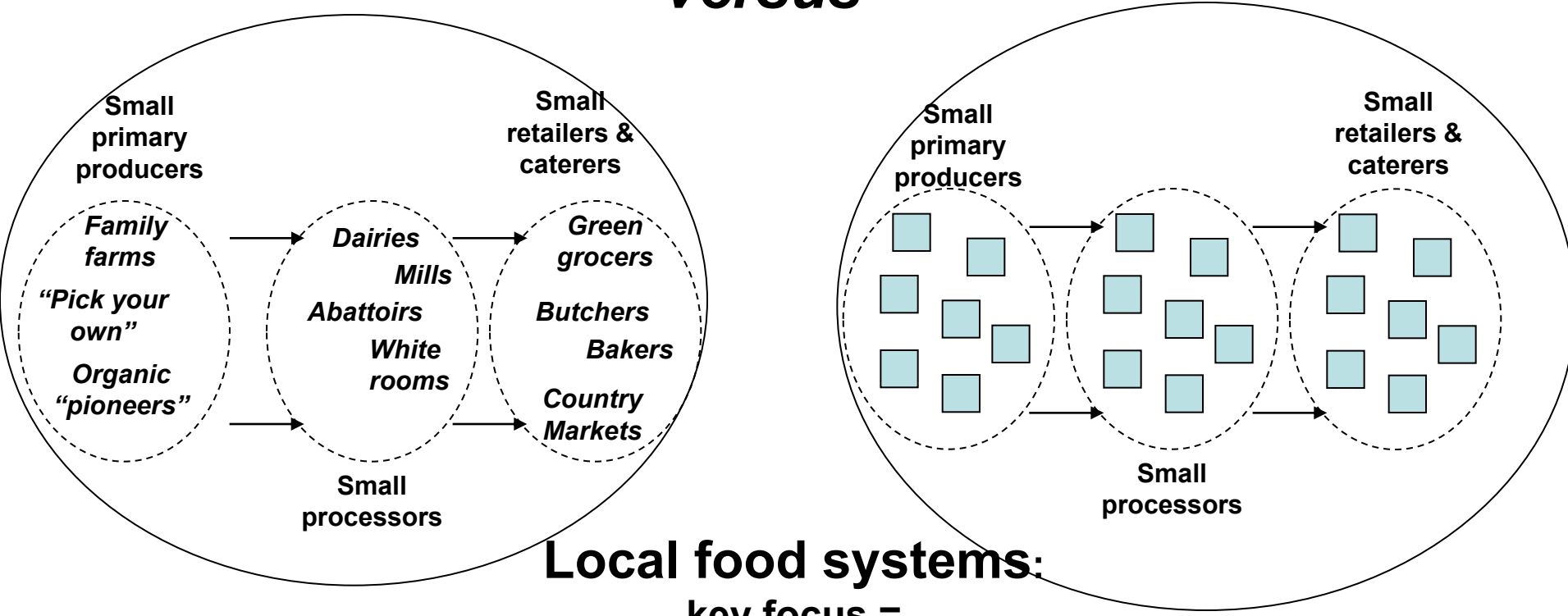
Round 3: (*non-local spend*)
Like all employees, LFL's STAFF spent money outside the area on income **taxes**, home costs etc, non-local goods (**supermarkets**, chains) and services. SUPPLIERS spent money on **non-local staff**, **non-local suppliers**.

1991

Dominant food system



versus



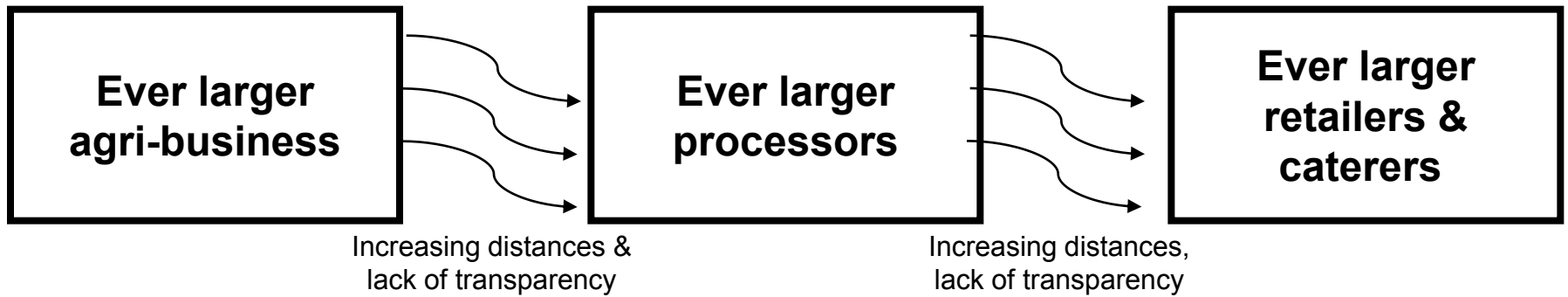
Local food systems:

key focus =

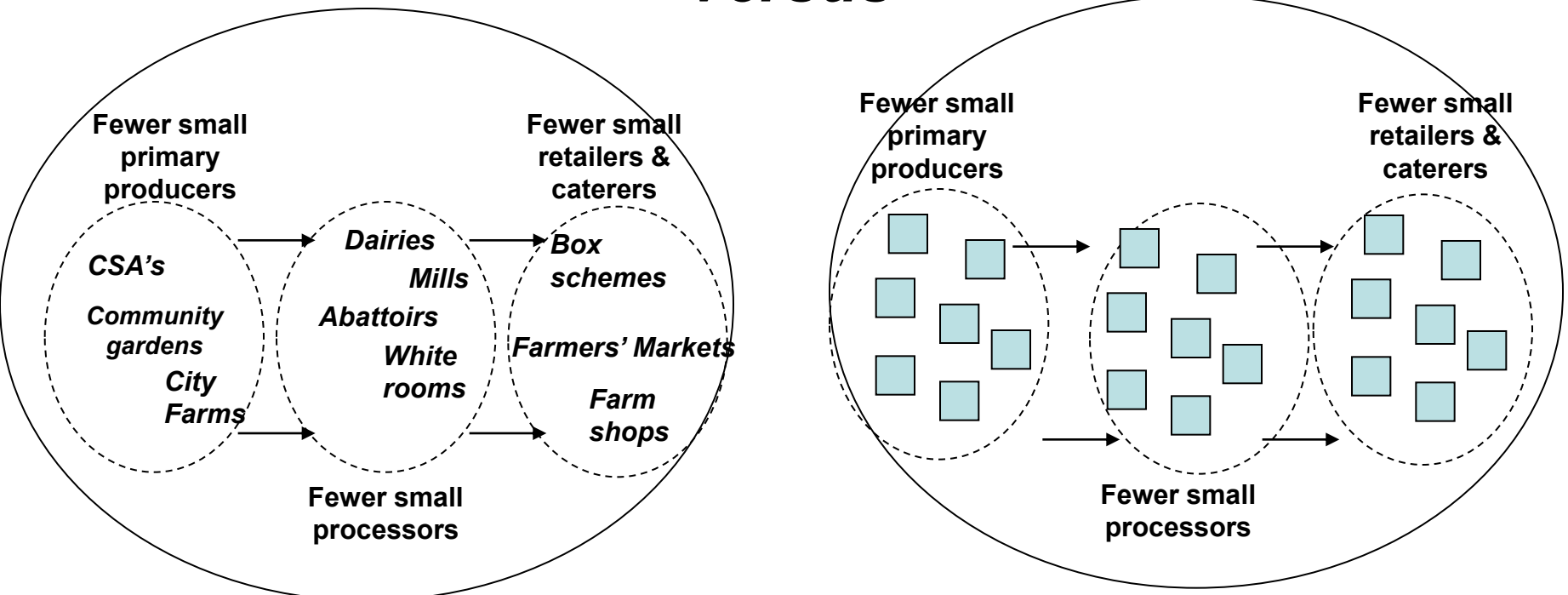
"defending the local"

2001

Dominant food system



versus

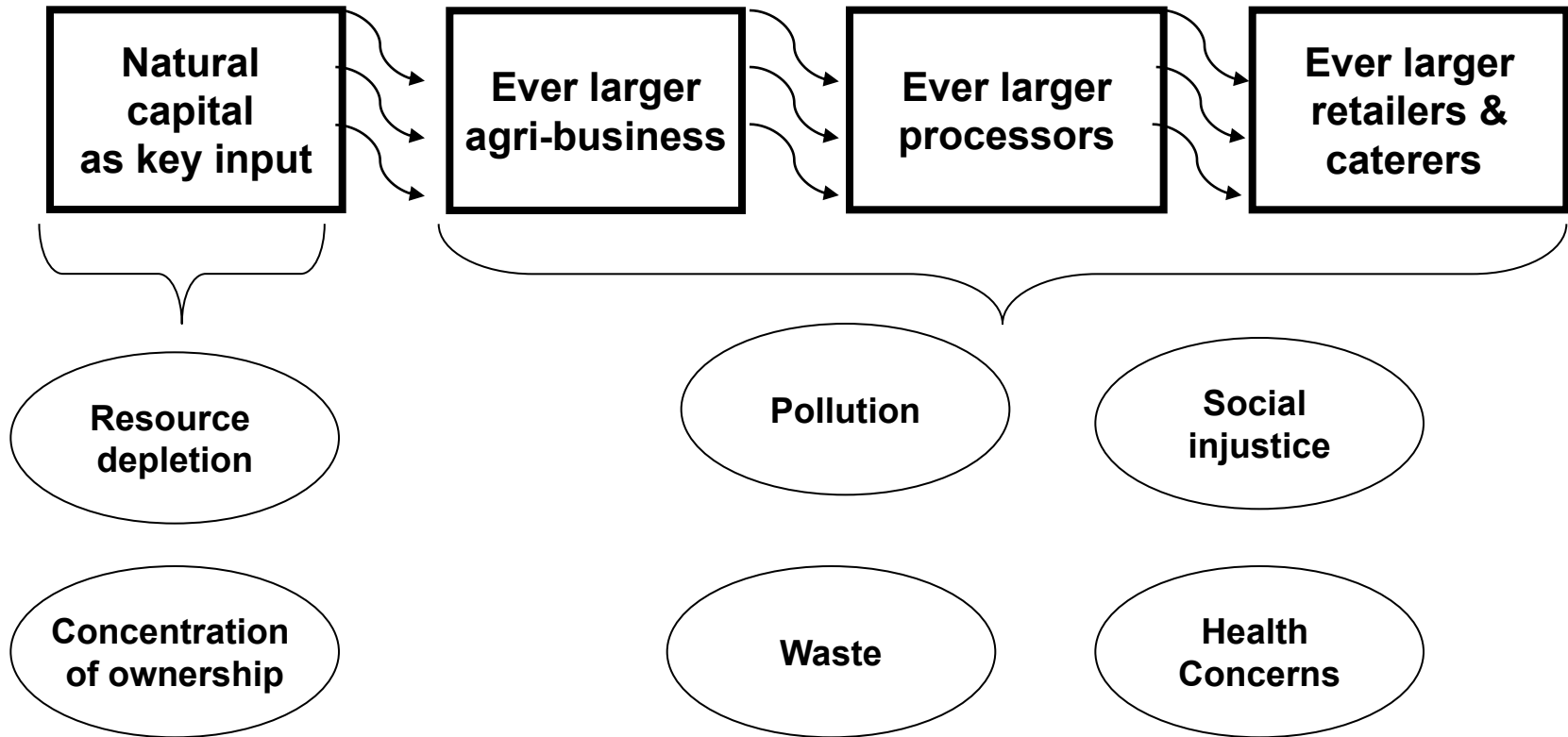


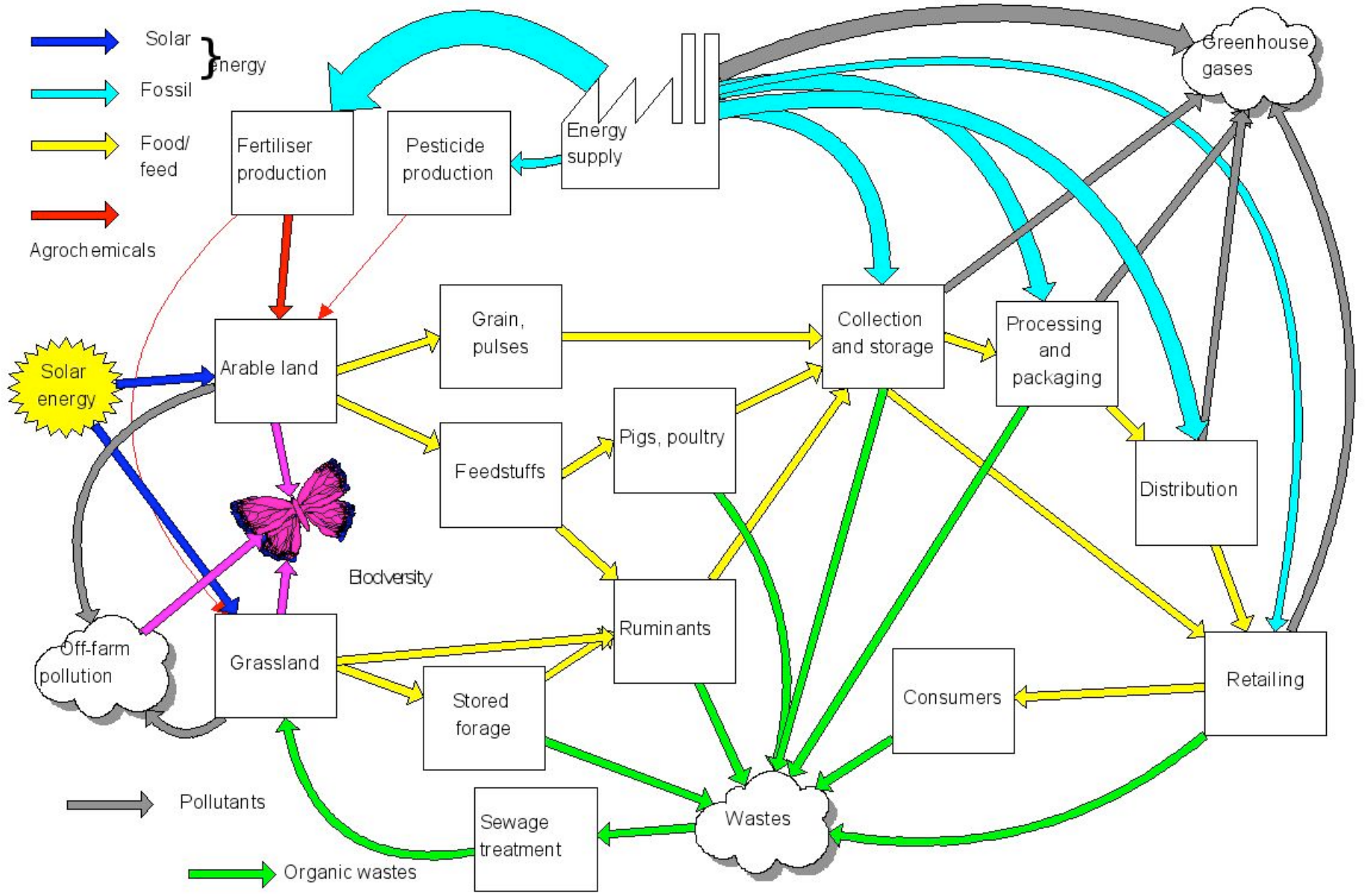
Local food systems:

key focus = food miles & food quality & defending the local

2011: new concerns

Dominant food system





Source: Morris and Martin



Disposable chopsticks = convenience for consumers

Disposable chopsticks instead of durable chopsticks =

higher GNP &

greater profits for chopstick manufacturers

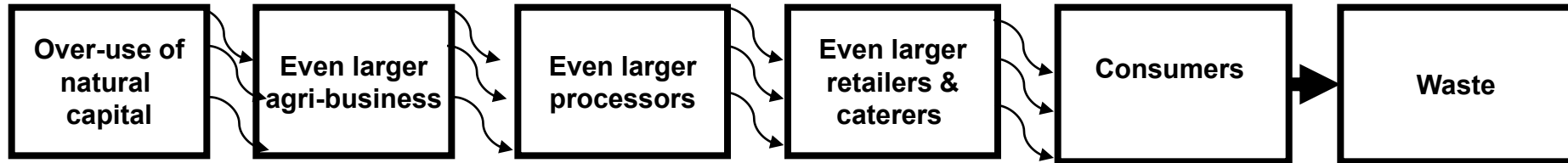
BUT

Disposable chopsticks = de-forestation in the Philippines

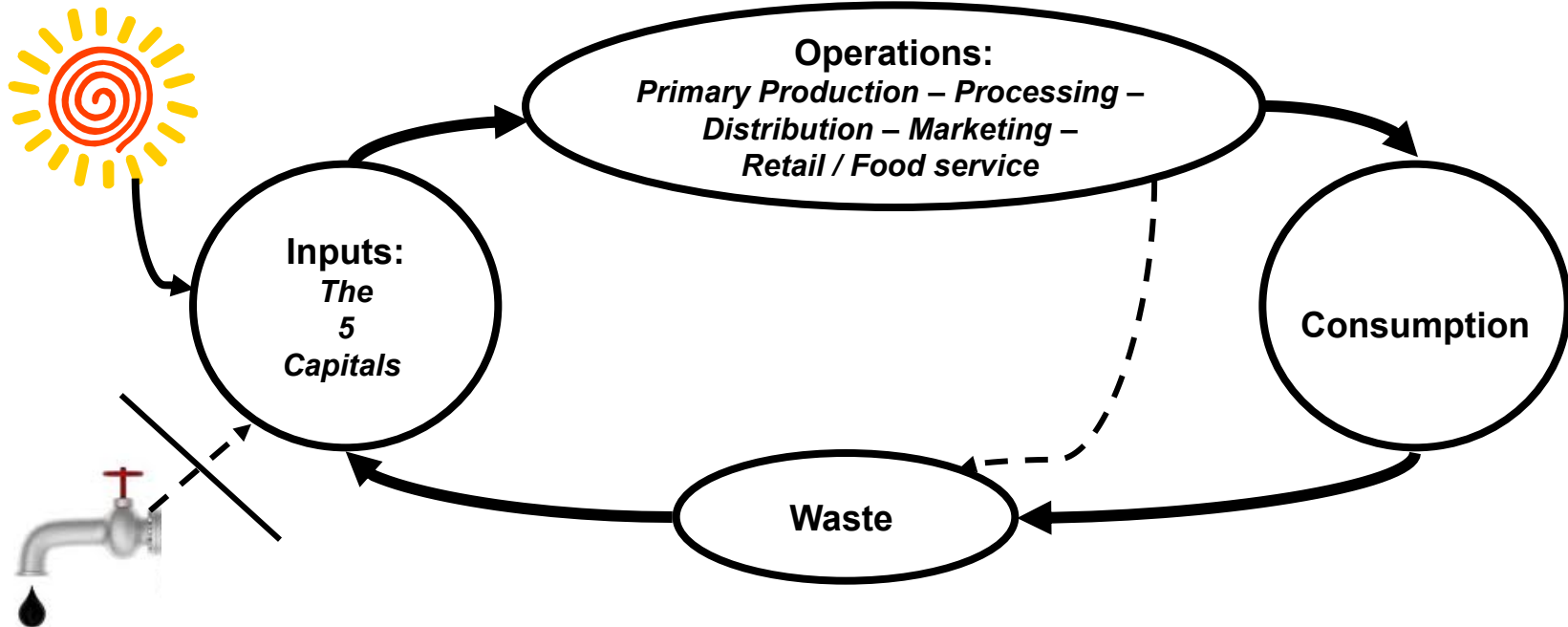


Two types of food system

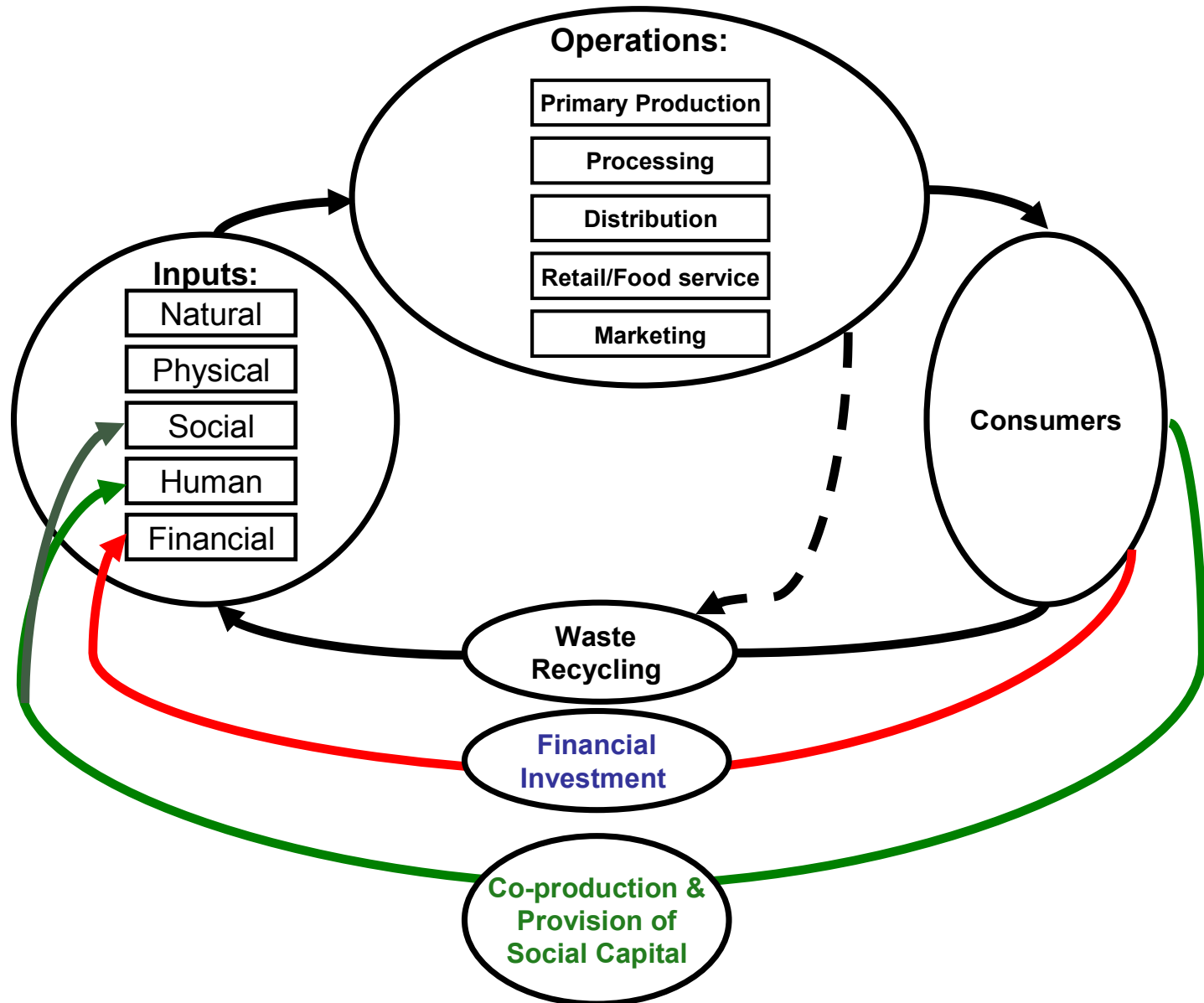
“Linear” food systems



“Circular” food systems



Local food enterprises – an economic analysis



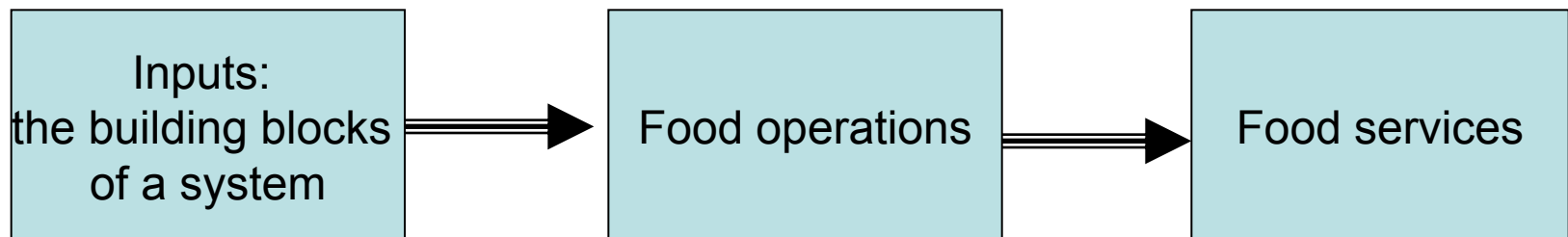
Local food systems

A system is a set of things working together:

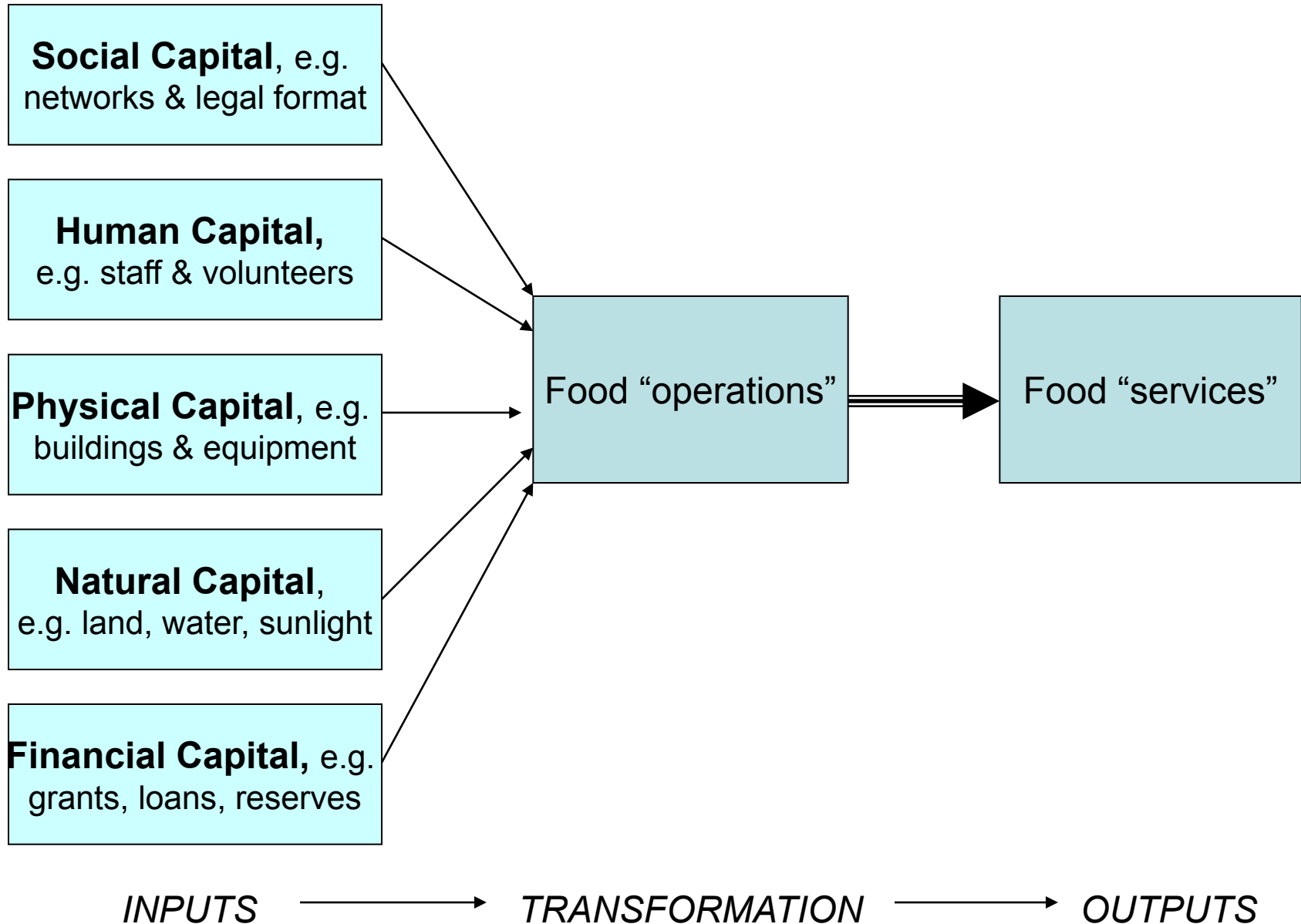
“A system is an interconnected set of elements that is coherently organised in a way that achieves something.....a system must consist of three kinds of things: *elements*, *interconnections*, and a *function* or *purpose*.”

- Meadows, D. (2008) *Thinking in Systems. A Primer* London: Earthscan

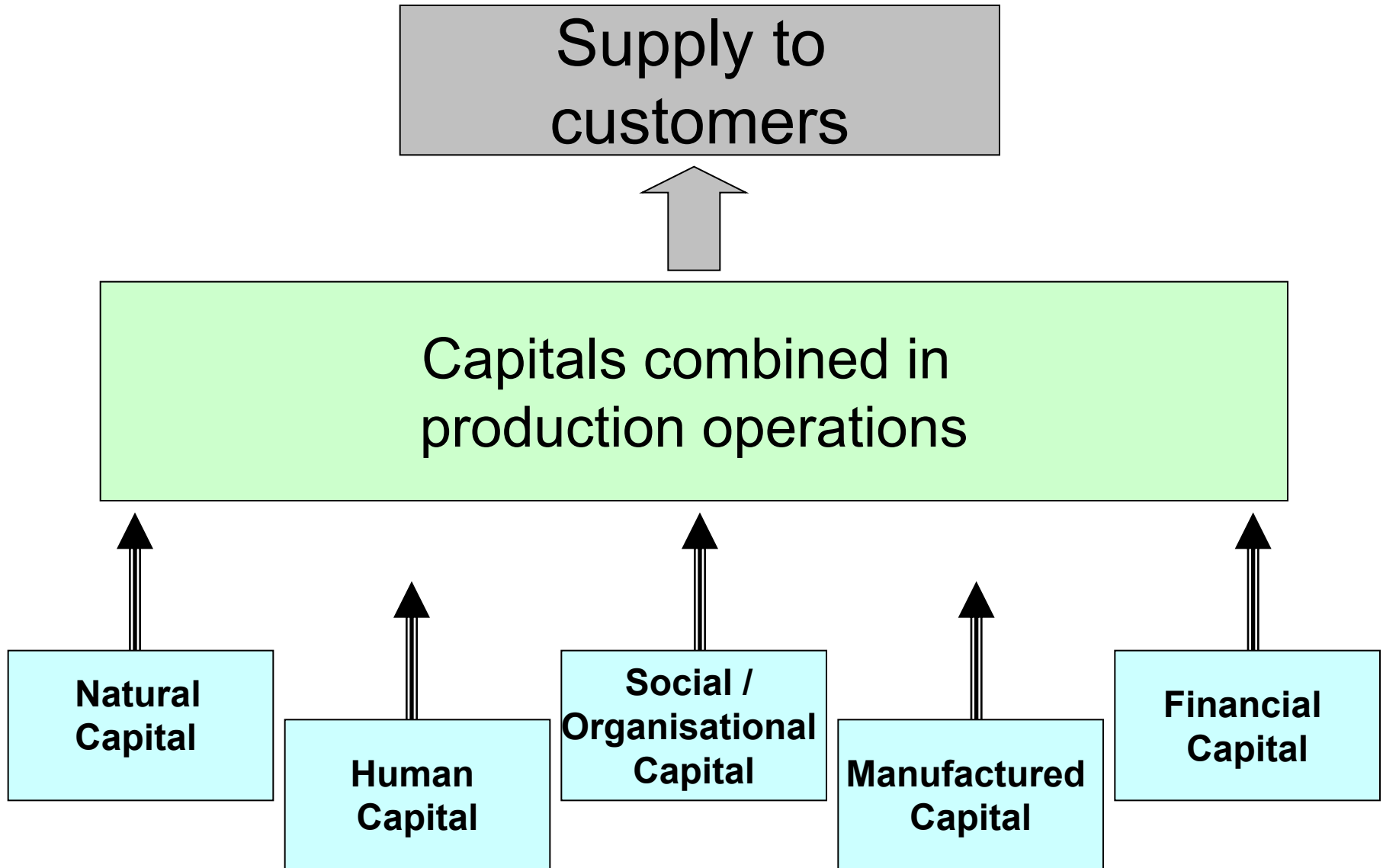
All food systems transform inputs into goods & services



Understanding inputs: the key building blocks



The 5 capitals model



Natural capital

*“Natural capital (also referred to as environmental or ecological capital) is any stock or flow of energy and matter that yields valuable goods and services. It falls into several categories: **resources**, some of which are renewable (timber, grain, fish and water), while others are not (fossil fuels); **sinks** which absorb, neutralize or recycle waste; and **services**, such as climate regulation. Natural capital is the basis not only of production but of life itself.”*

Forum for the Future

Accessing natural capital



landshare

Connecting growers to people with land to share

get involved -

United Kingdom 

Home

About Landshare

Community

Map & Listings

Take action

L

6 0 7 8 0

MEMBERS SO FAR!!

LATEST HELPER

JAMIEB1978 FROM SWANSEA ▶

FIND OUT HOW IT WORKS



Physical capital

“Physical (or Manufactured) capital comprises material goods – tools, machines, buildings and other forms of infrastructure – which contribute to the production process but do not become embodied in its output.”

Forum for the Future

Hostetin Apple Juicing Plant, Czech Republic

- supporting local small orchard owners



Human capital

“Human capital consists of health, knowledge, skills and motivation (all of which are required for productive work), as well as an individual’s emotional and spiritual capacities. Enhancing human capital (for example, through investment in education and training) is central to a flourishing economy .”

Forum for the Future

Manchester Land Army



- Mission - to establish a financially resilient 'land army', which:
- Has the capacity to involve a large 'unskilled' pool of individuals, resulting in potential increases in yields and income for growers.
- Nurtures a small number of committed and trained individuals that growers are able to call upon in times of need.
- Offers progression for potential new growers to meet increased demand.

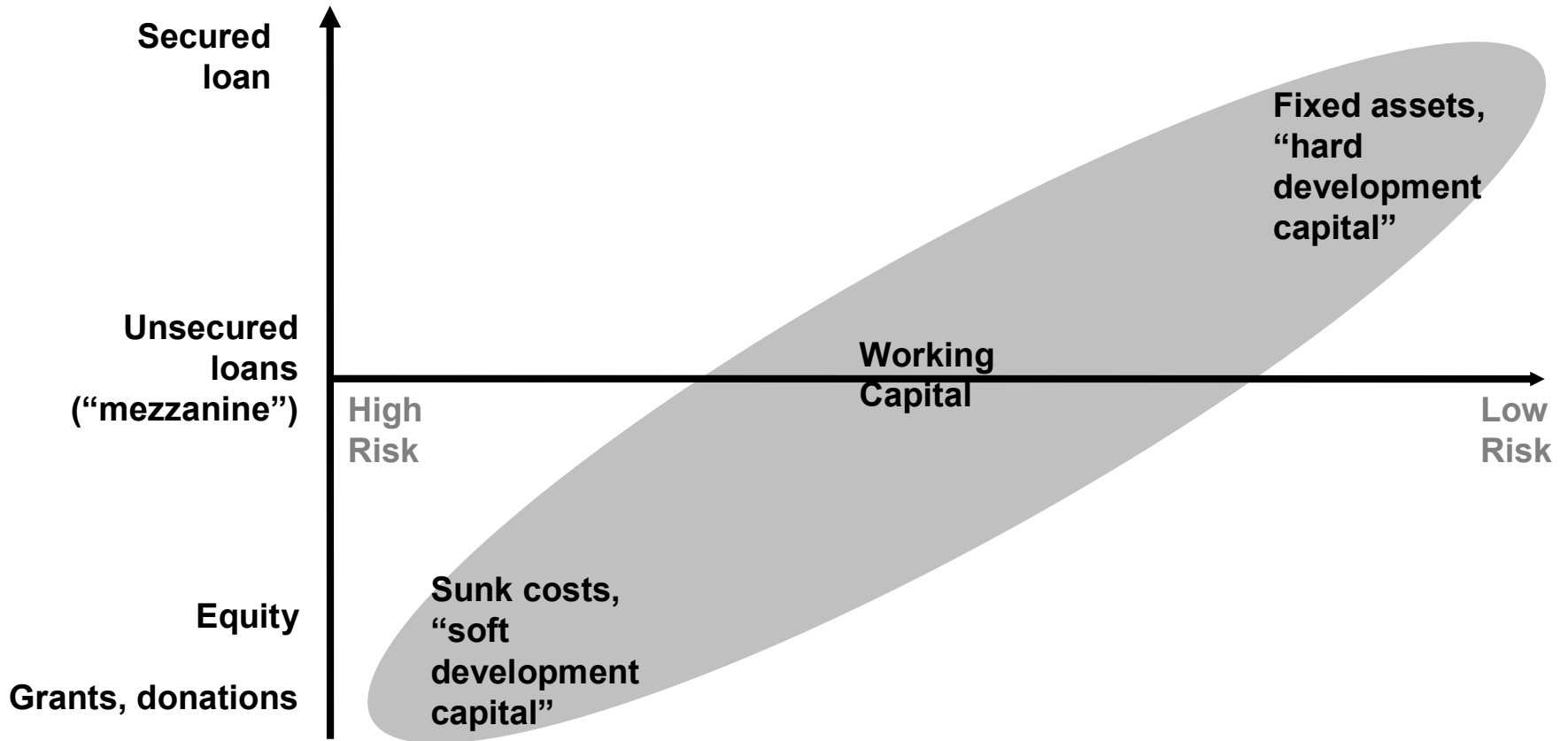


Financial capital

“*Financial capital* plays an important role in our economy by reflecting the productive power of other types of capital, and enabling them to be owned and traded. However, unlike the other types, it has no *intrinsic* value; whether in shares, bonds or bank notes, its value is purely representative of natural, human, social or manufactured capital”

Forum for the Future

The different types of finance



From “fundraising” to “investment”

- Recognition that some community services are best delivered through a business model
- Growing public appreciation that businesses can be run for a social purpose, not private profit
- Historic shift in financing community enterprises: from fundraising approach (events, gifts, donations) to investment in community shares
- Greater autonomy for communities

Wessex Community Assets –

a secondary structure helping communities raise local finance through share issues and loans



The
REAL FOOD
Store

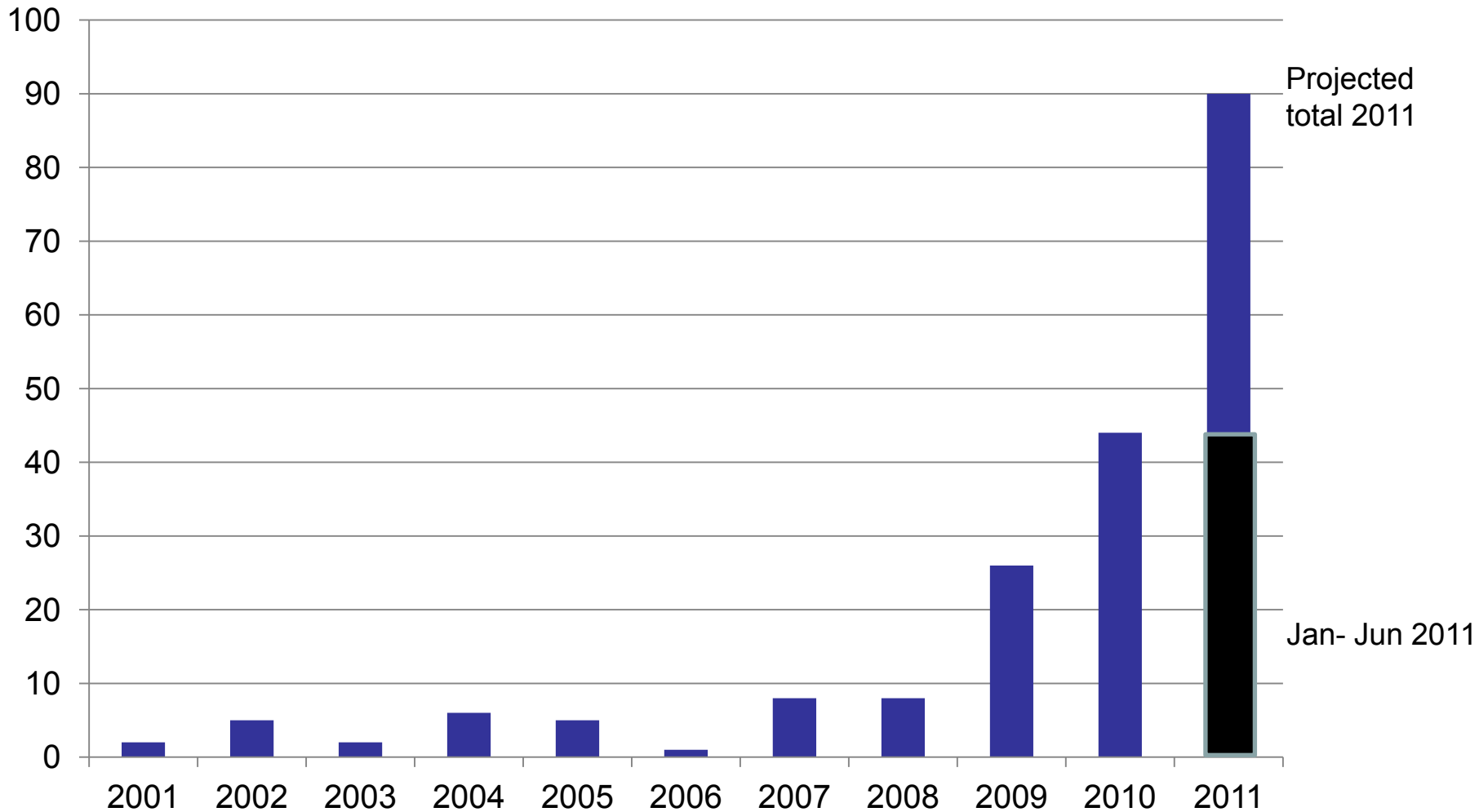
£152,775 raised



the
community
farm

£105,000 raised

Community share society registrations



Community share societies

Trade sector	Post 2009 societies	Pre 2009 societies	Members	Share capital
Renewable energy	34	13	8,831	£15,304,000
Community shops	20	9	2,492	£903,000
Community regeneration	14	9	3,041	£1,908,000
Food & farming (CSAs)	18	4	10,228	£1,171,000
Consumer co-operatives	-	20	8,553,000	£191,275,000
Pubs and brewing	10	2	687	£733,000
Community finance	1	9	1,837	£2,114,000
Community land trusts	7	2	318	£25,000
Fair trade	2	1	9,222	£26,151,000
Other	9	9	38,530	£7,345,000
Total	145	70	13,200,000	£245,853,000

Members improve competitive advantage

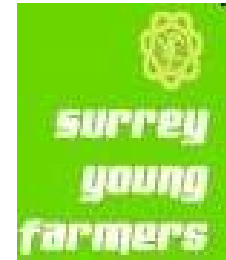
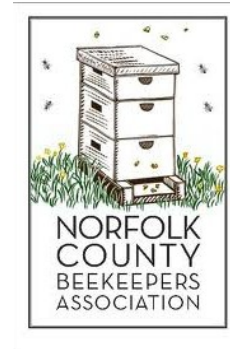
Members roles	How these roles improve competitive advantage
Investor	Lower cost of capital; greater acceptance of risk
Customer	Greater loyalty; accept higher prices & dividend
Service user	Demonstrates support to funders; better feedback
Activist	More engagement; better feedback; better targeting
Volunteer	Lower labour costs; access to specialist skills
Suppliers	Greater loyalty; lower input prices
Workers	Greater loyalty; lower input prices; better feedback
Directors	Access to specialist skills; lower input prices

Social capital

“*Social capital* takes the form of structures, institutions, networks and relationships which enable individuals to maintain and develop their human capital in partnership with others, and to be more productive when working together than in isolation. It includes families, communities, trade unions, voluntary organisations, legal/political systems and educational and health bodies.”

Forum for the Future

Social capital – linking with existing networks



Barriers to developing supply

Natural Capital

High cost of all land
& limited availability in urban areas.

Human Capital

Leadership & management skills.
Absence of incentive structures for entrepreneurs.
Community / volunteer engagement has a cost.

Social / Organisational Capital

Choice of organisational structure & governance.
Big Society fatigue.....
ICT could be powerful tool, but cost / skills barriers.

Manufactured Capital

Access to suitable premises can be difficult –
“food hubs” could be one solution.

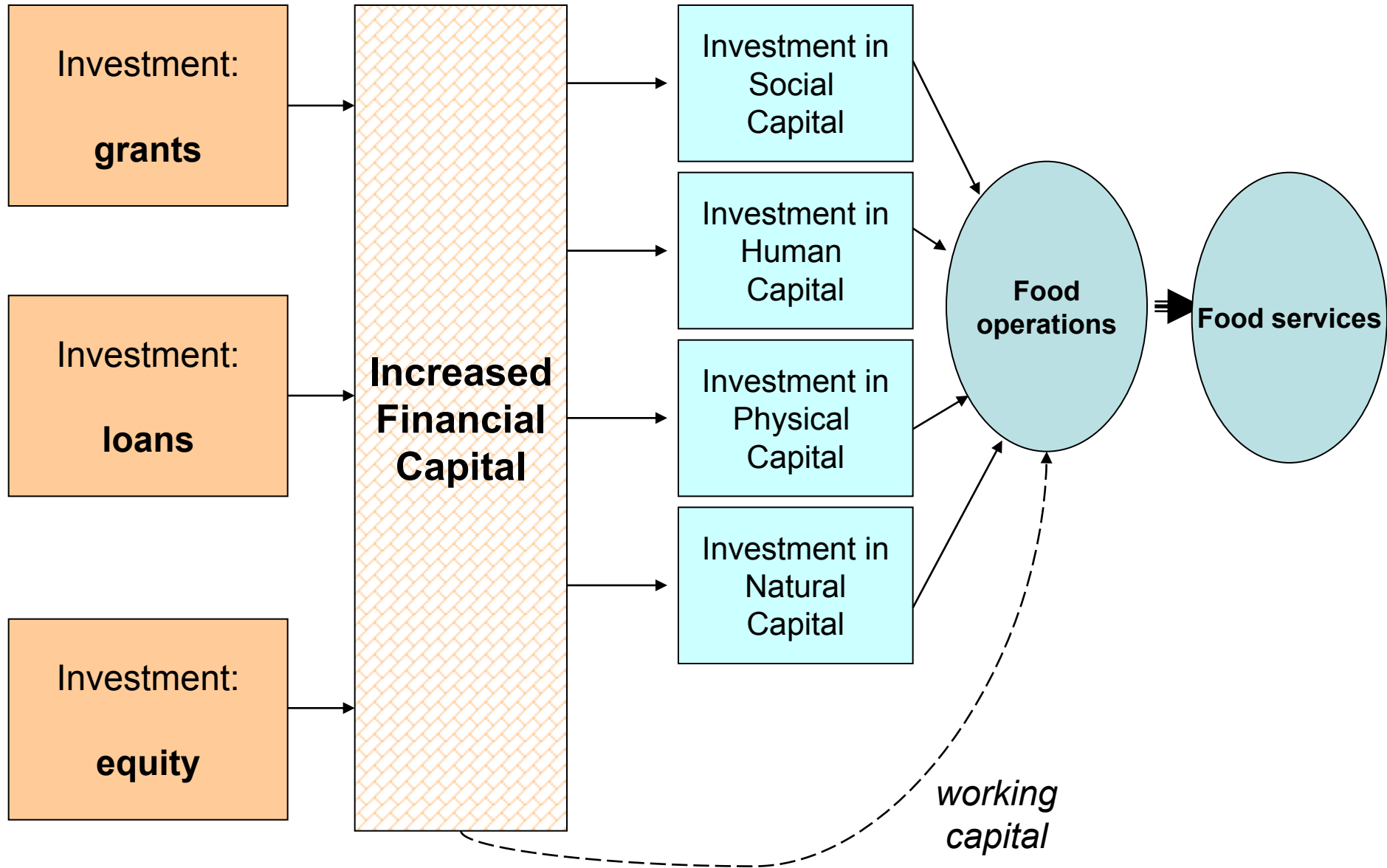
Financial Capital

Cultural barriers: lack of entrepreneurship or understanding
of legal structures & types of finance.
Cost barriers: difficult to pay market rates.

A word of caution

Referring to people as “human capital” of course runs the risk of reducing them to instruments of production, in the same way that referring to “natural capital” can devalue Earth and its wealth of living systems (Ekins, 1992: 50-54). The important point is that capitals should be “appreciated” not just depreciated – hence they require investment if they are not to be treated as a mere commodities to be exploited.

Investing in capital stocks



Discussion point 3

- If a local food enterprise in the Czech Republic wishes to access any of the 5 capitals, what barriers might they face?
- How would your answer differ if you were looking at Taiwan, Spain or Portugal?

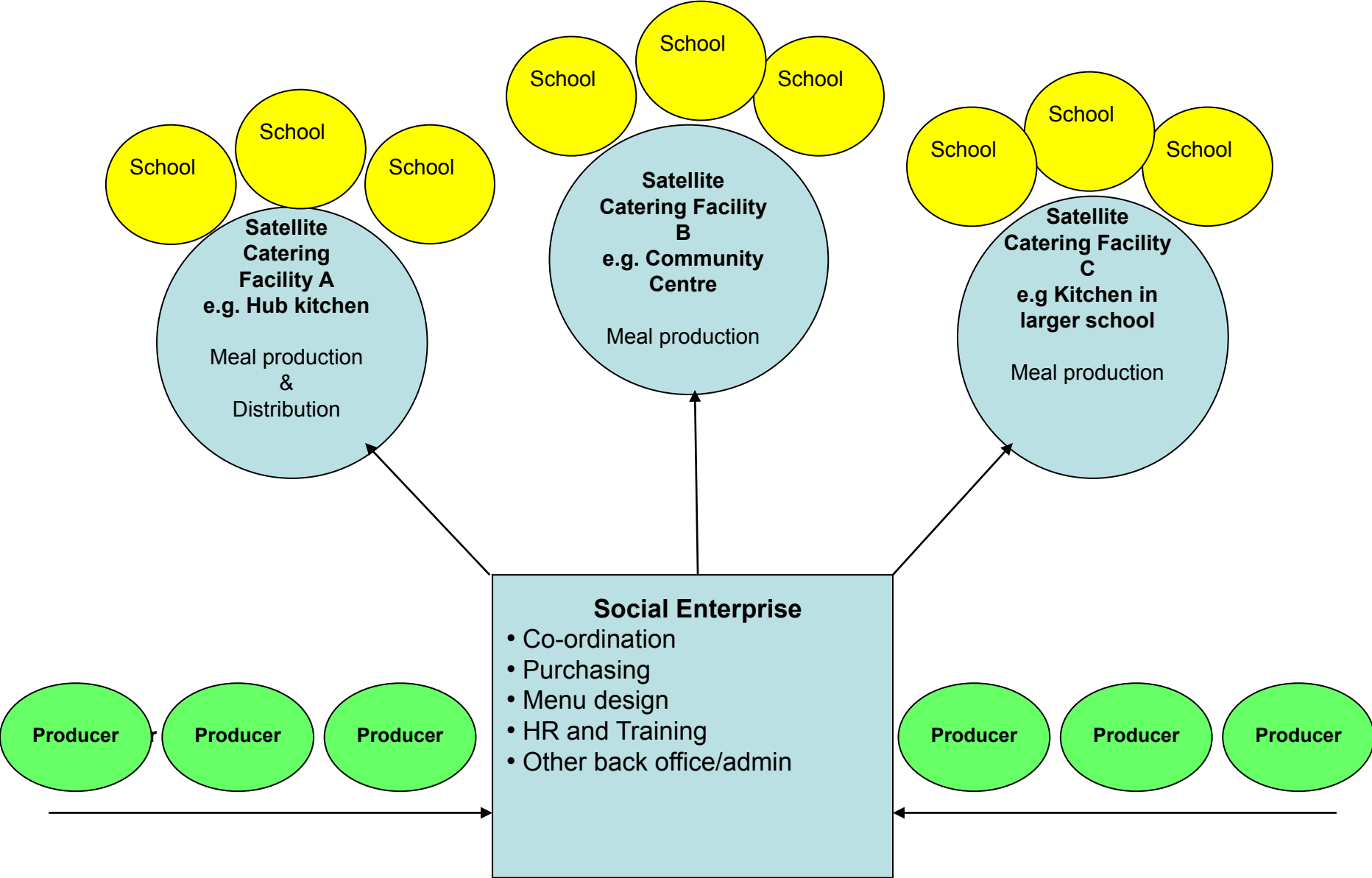
Task 4

- You want to set up a Farmers' Market
- Describe the 5 capitals which you would require

Task 5

- Draw a diagram of Local Food Links' school meals operation, showing key inputs, operations and customers
- Indicate where resource consumption could be reduced
- Indicate where recycling could take place

Operations



Food in



Initial storage



- 1 x Cold room
- 2 x Refrigerator

Initial preparation



- Potato rumbler
- Veg prep machine
- Food mixer

Cooking



- Steam kettle
- 2 x Brat pan
- 6 x Combi oven

Cleaning



- Pass through dishwasher

Final storage

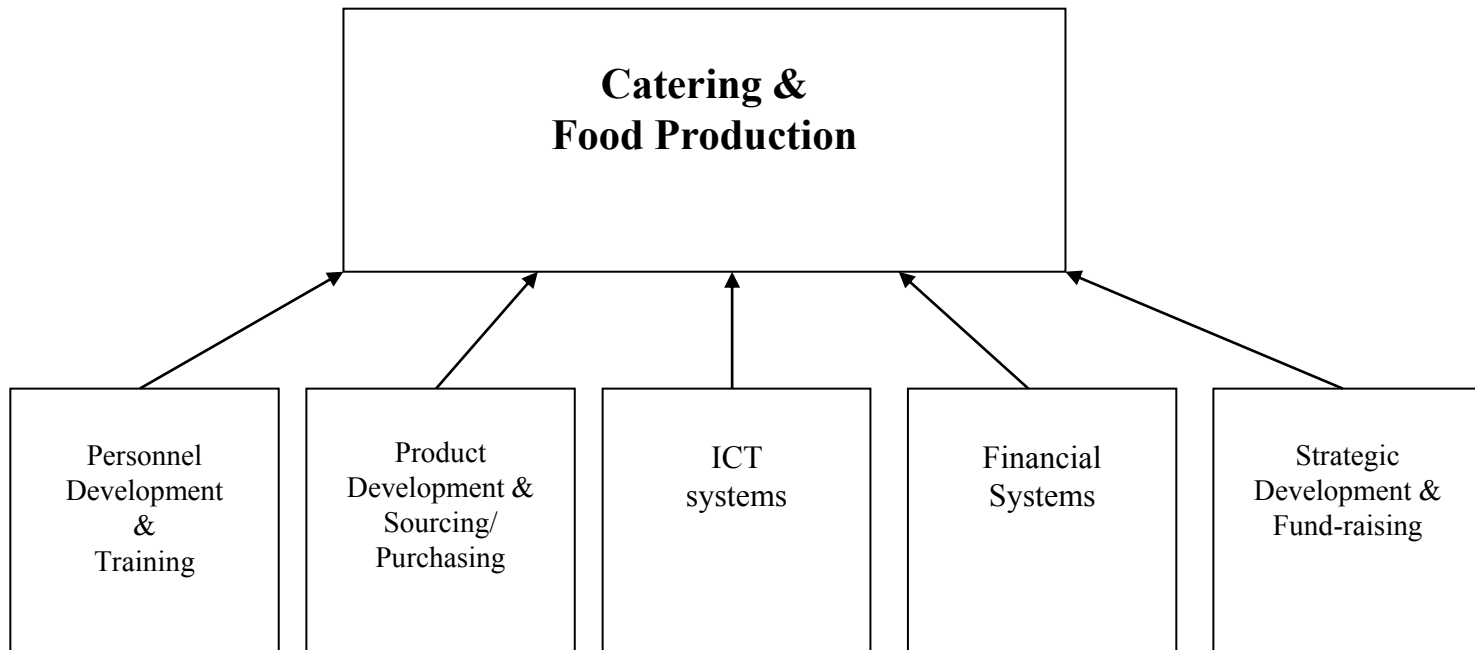
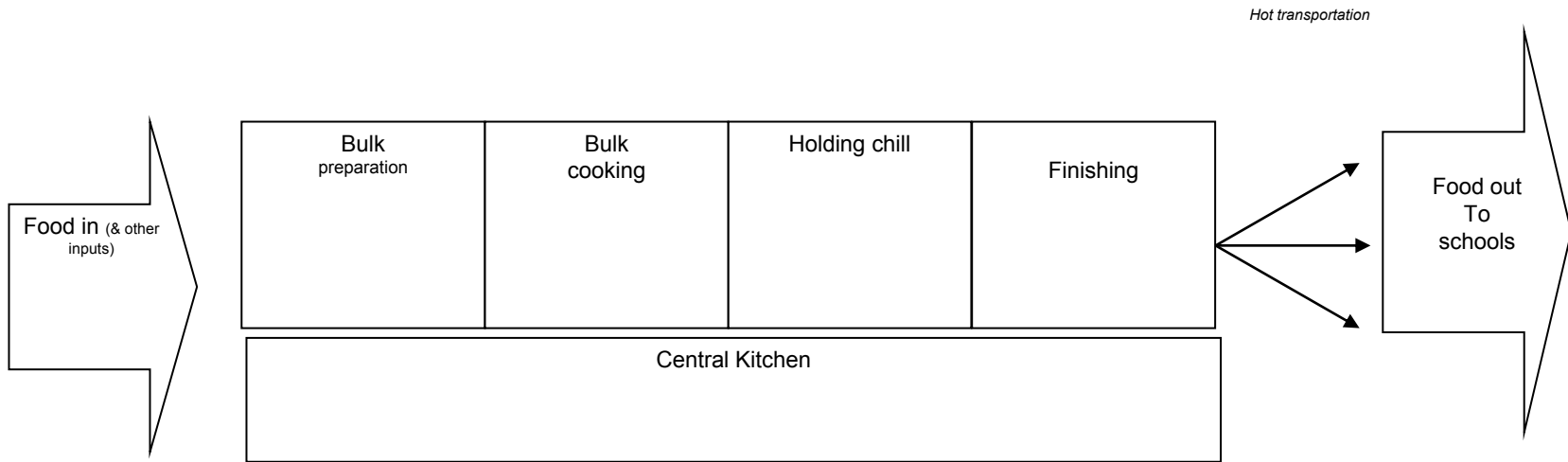


- 3 x Blast chiller
- 2 x Cold room

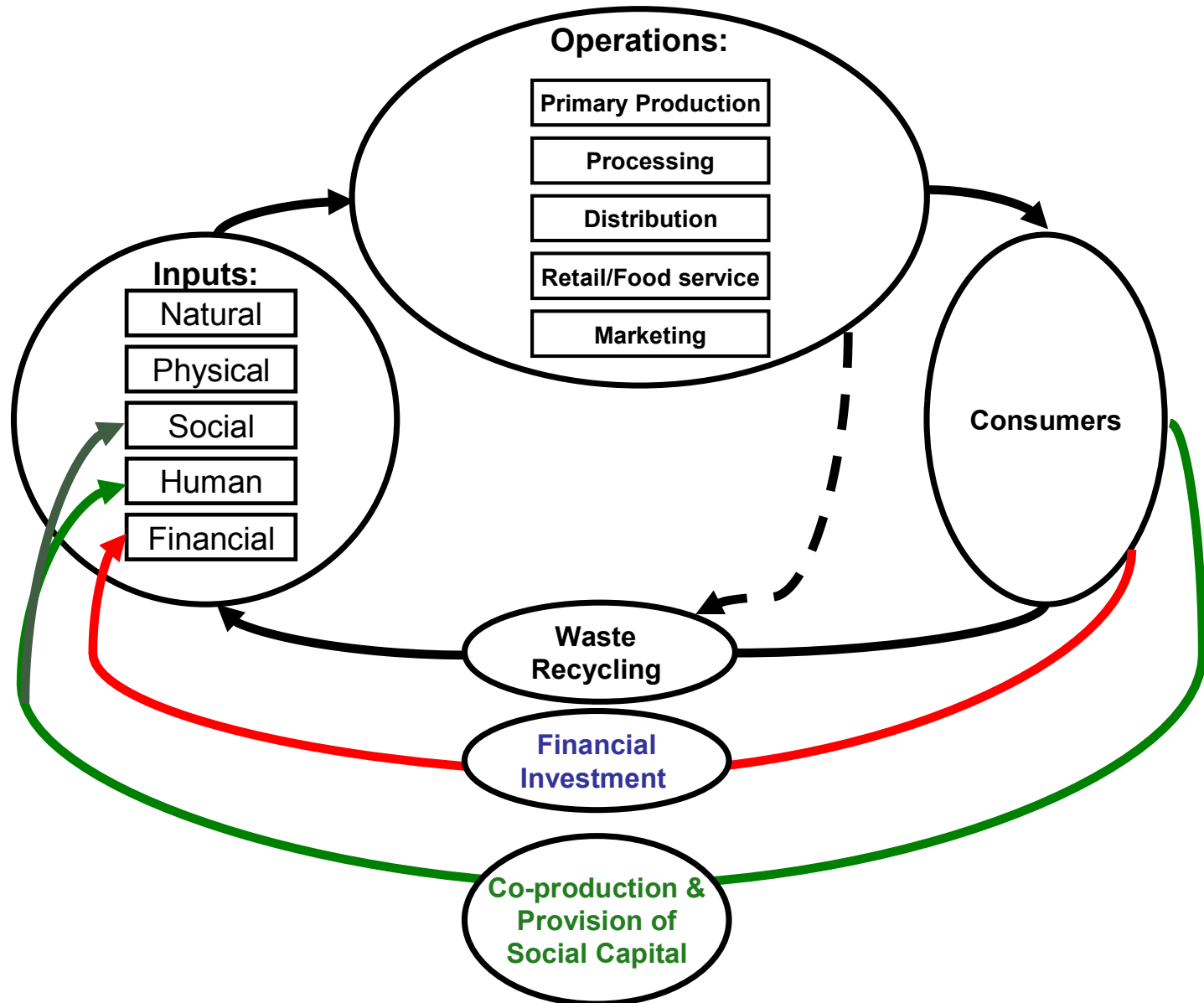
Distribution



- Refrigerated van



Local food enterprises – an economic analysis



Task 5

- Draw a diagram of Local Food Links' school meals operation, showing key inputs, operations and customers
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- Indicate where recycling could take place

Re-solarisation, re-localisation, re-silience

“The only way to avert a sequence of food crises resulting from supply disruptions and price spikes in oil and gas over the next twenty years is to systematically reduce our dependency on stored solar energy (fossil fuels) in favour of real-time solar energy. All farms must therefore become powerhouses of renewable (solar) energy..... Whichever way you cut it, a combination of high oil prices, high input prices, growing demand for food, an additional seventy million or so people every year, and growing pressure on soil, water and biodiversity, compounded by accelerating climate change and the kind of high carbon prices that are inevitably on their way, leads to only one rational conclusion: increased resilience by reducing the length (and vulnerability) of our supply chains. The more high-quality, healthy food we can produce close to the point of consumption, the more resilient our food supply chains are going to be.”

Jonathan Porritt

Schumacher: Small is Beautiful

In *Small is Beautiful*, Schumacher explained that the “modern private enterprise system ingeniously employs the human urges of greed and envy as its motive power”, but then asks: “Can such a system conceivably deal with the problems we are now having to face? The answer is self-evident: greed and envy demand continuous and limitless economic growth of a material kind, without proper regard for conservation, and this type of growth cannot possibly fit into a finite environment. **We must therefore study the essential nature of the private enterprise system and the possibilities of evolving an alternative system** which might fit the new situation.”

Discussion point: Do you agree?

- Is Jonathan Porritt right, in your view, that we need to re-solarise, re-localise and become more resilient?
- Is Schumacher right, and do we need new economic systems which are not based on self-interest and profit-maximisation?

Final task

- Decide on the local food enterprise which you will work on in session 3