

Local Economic Systems

Session 3

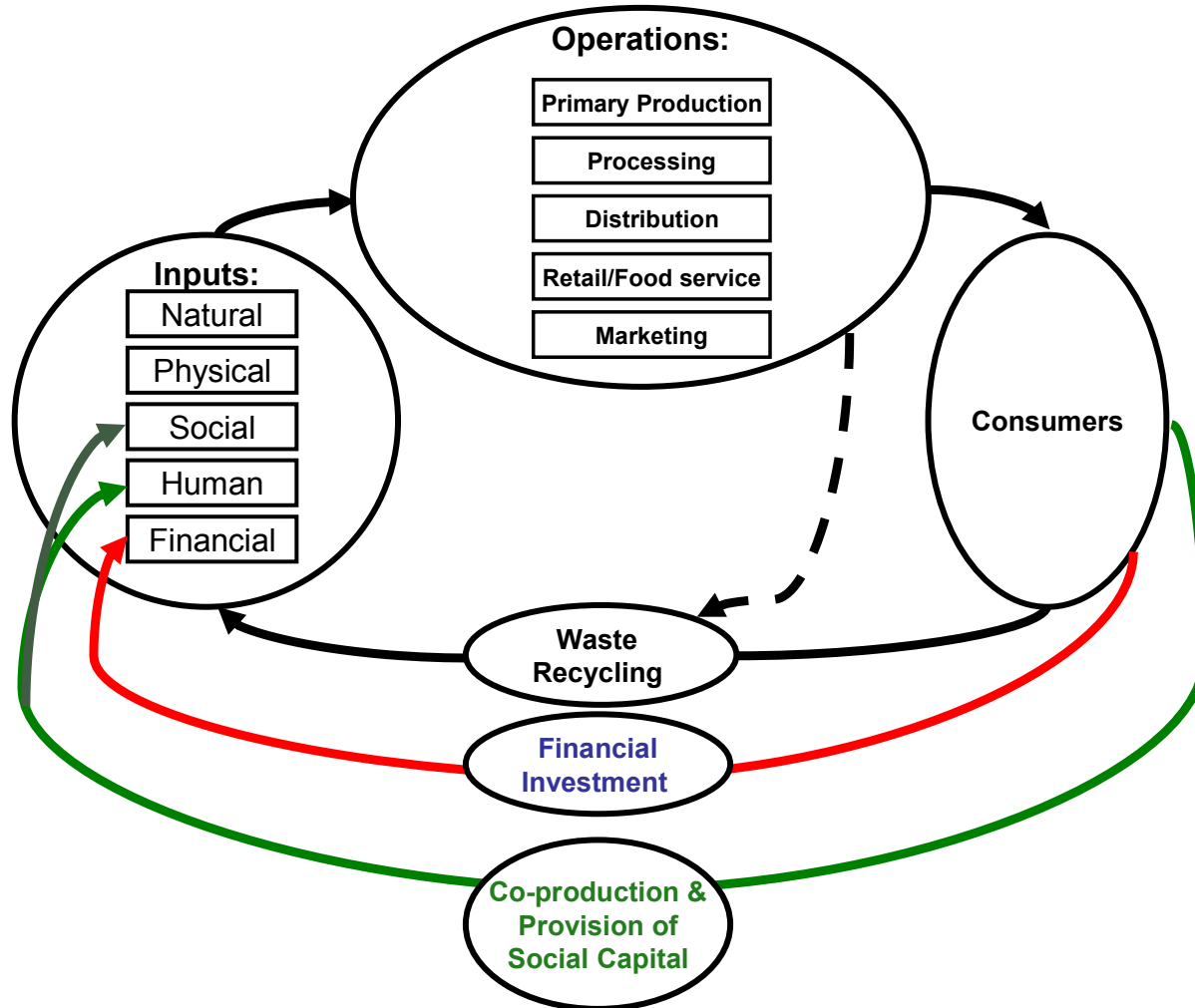
Applying the theory to a hypothetical
eco-social enterprise

Tim Crabtree

Focus of session

- Students will be asked to choose and describe a local food enterprise – this can be real or hypothetical – and describe the key inputs required.
- They will then be asked to describe the key operations of the enterprise and the way in which those operations will be managed.
- Students will explore how outputs will get to consumers, through marketing and distribution.
- They will also explore how waste will be eliminated or recycled.
- Tomorrow, students will explore opportunities for collaboration with other local food initiatives.

Economic systems at the enterprise level



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

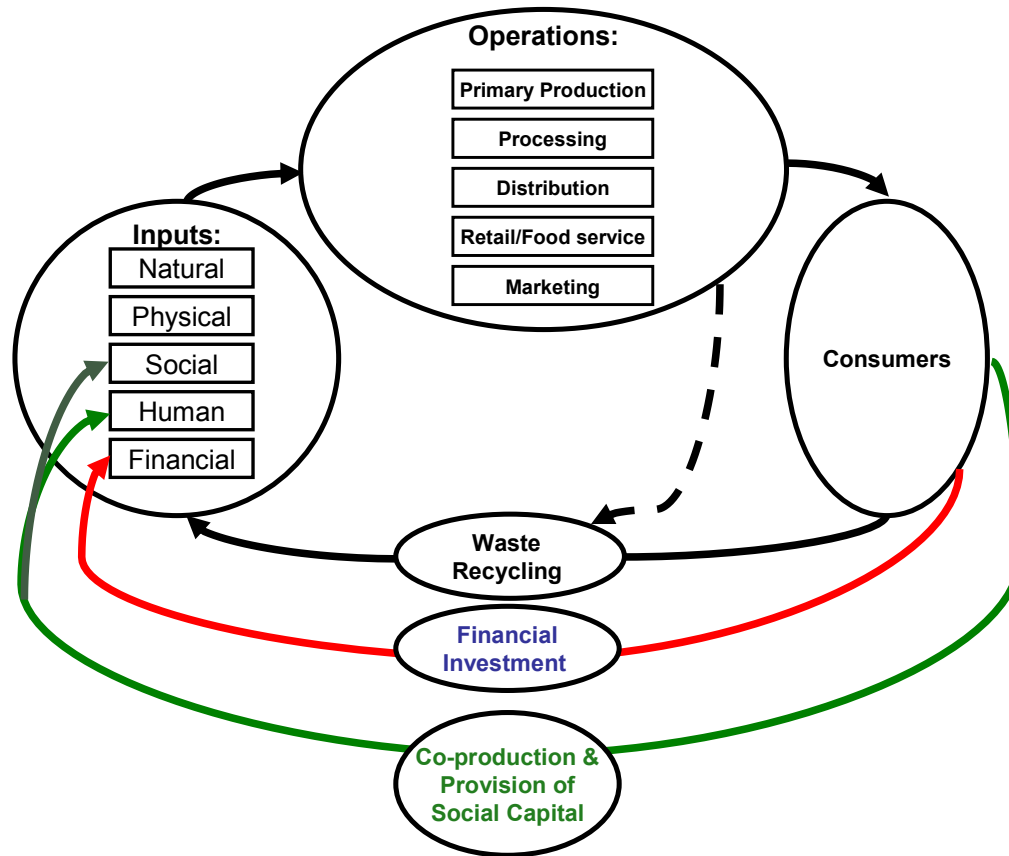
Schumacher: Small is Beautiful

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 1

- Read the quotes with your partners
- How do the ideas being expressed influence the model?

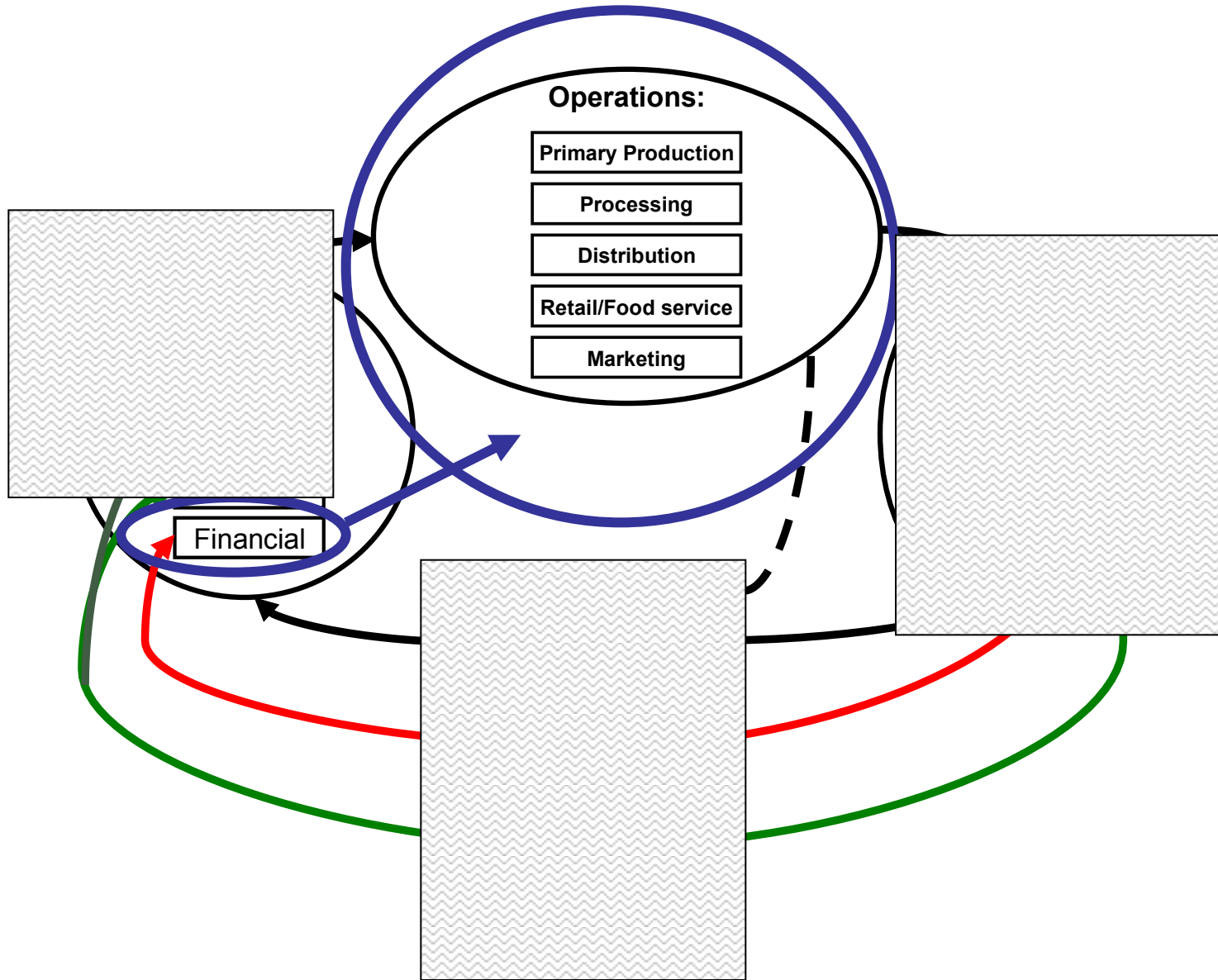
What's inside, what's outside?



What's outside?

- Conventional theory focuses on:
 - Operations
 - Marketing
- Inputs are outside the model:
 - Except providers of financial capital (owners / investors)
- Customers are outside the model
- Externalities, e.g. waste & pollution outside the model

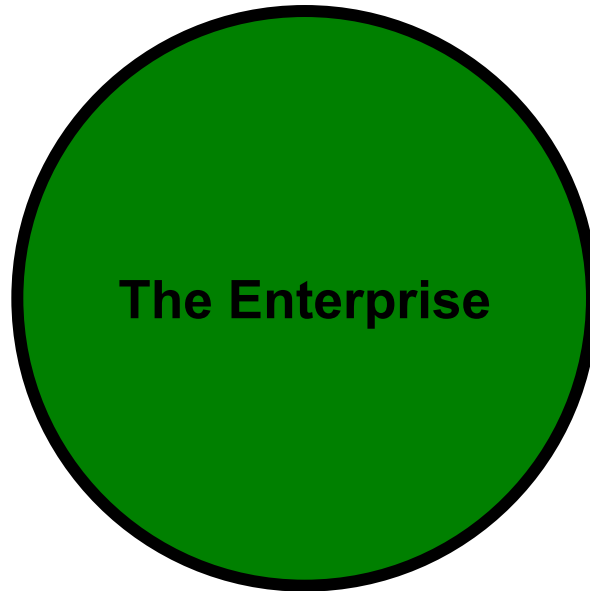
“Conventional” economic theory



What's outside?



Economic impacts
e.g. unfair labour
conditions



Social impacts e.g.
rising levels of obesity



Environmental impacts
e.g. climate change

Kenneth Boulding

Anyone who believes exponential growth
can go on forever in a finite world is either
a madman or an economist”

In the social economy:

- The way we utilise inputs becomes part of the model
- The way we operate is part of the model
- Customers can become part of the model
- Creating low input, low pollution, low waste processes becomes part of the model

What's inside?

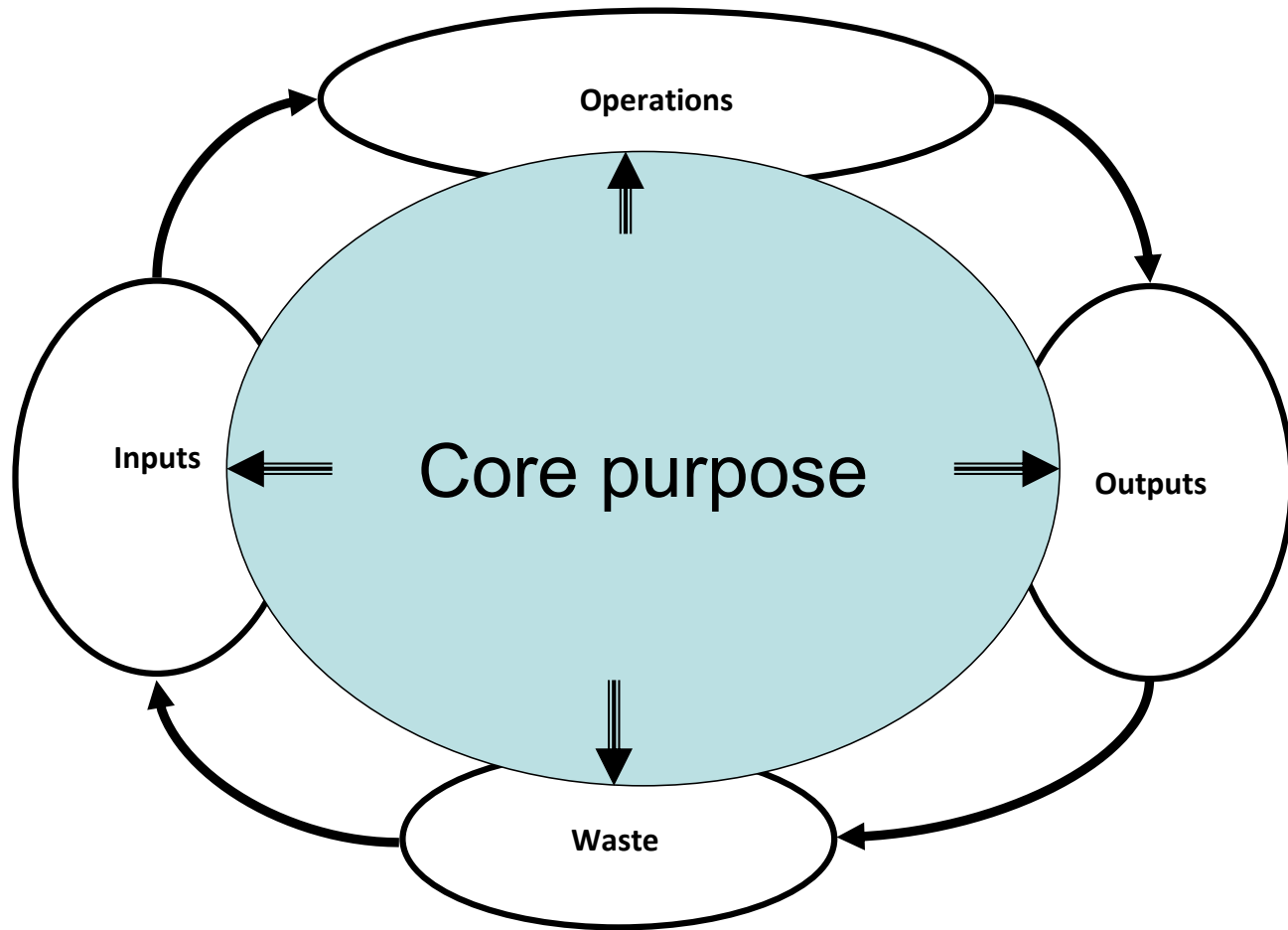
- Conventional theory & practice:
 - that self-interest, profit-maximisation and growth (of a company and its market share) is in the best interests of society
 - It will lead to a “pareto optimal equilibrium” (!)

What's inside?

- In the social economy, enterprises seek to define different purposes
- They seek a “triple bottom line”:
 - Economic outcomes, e.g. they must cover their costs
 - Social outcomes, e.g. they may employ people disadvantaged in the labour market
 - Environmental outcomes, e.g. they may produce or process organic foods

What's inside?

- Social economy organisations have different **members**:
- Conventional enterprises limited to owners / investors
- Social economy organisations may have different members:
 - Staff
 - Customers
 - Suppliers
 - Investors (but returns limited)



According to Meadows *“the least obvious part of the system, its function or purpose, is often the most crucial determinant of the system’s behaviour.”*

In any system, identifying the purpose or goal is critical

“A system isn’t just any old collection of things. 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*.”

The economic spectrum

Maximum
public benefit

Maximum
private benefit

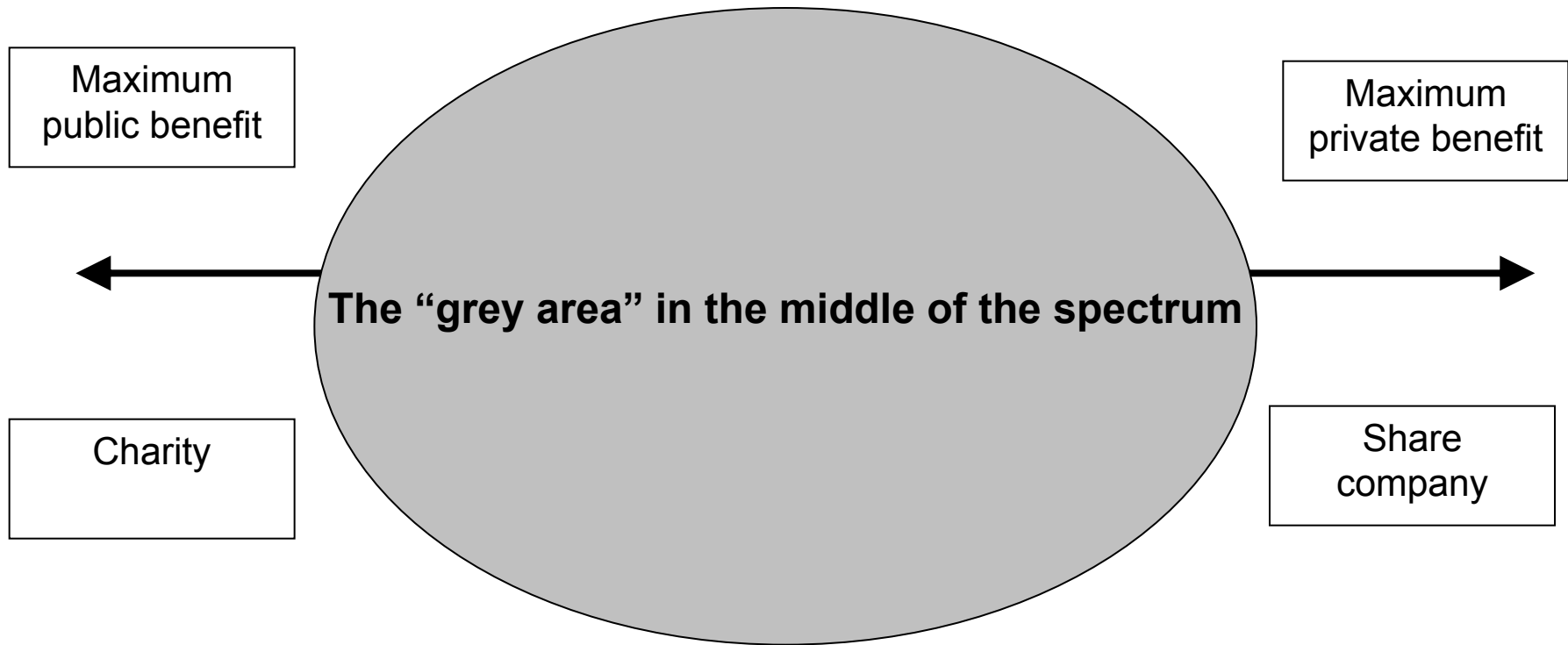


Charity

Share
company

E.g. World
Wide Fund for
Nature

E.g. British
American
Tobacco



**is where social economy
organisations operate**

High social return

High financial return

Charities/vol orgs		Revenue generating social enterprises			Socially driven business	“Traditional” business
No trading revenue	Trading revenue & grants	Potentially sustainable: 50%+ trading revenue	Breakeven – all revenue from trading	Profitable – surplus not distributed	Profit distributing – socially driven/mutual	Profit maximising
West Dorset Food & Land Trust Dorset Food & Health Trust Somerset Community Food Projects Network		Local Food Links Dorset Farmers’ Markets Somerset Local Food Direct			Waitrose Co-op Group Whole Food Markets Green & Blacks (Cadburys) Rachels Dairy	

Exercise 2

- For your enterprise, you will need to start with the purpose or goal
- Describe the purpose of your enterprise, including 3 outcomes:
 - Economic
 - Social
 - Environmental

Customers

– the market for your enterprise

- How could customers be brought into your enterprise?

E.g. Local Food Links:

- Parents, schools and older people could become members
- They could provide investment (equity)
- They could provide volunteer assistance
- They could sit on the board or committees

Exercise 3

- Who are your customers?
- How can they become part of the enterprise?
 - Should they be members?
 - Could they provide;
 - Human capital?
 - Social capital?
 - Financial capital?

Operations

Exercise 4:

Describe the operations of the organisation

Inputs

Exercise 5: Social Capital

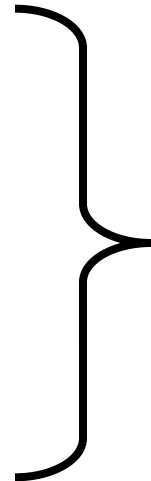
- Start with the RULES of the organisation – the constitution or governing document which sets out the legal structure
- E.g.
 - Foundation
 - Company
 - Co-operative
- Define the MEMBERSHIP

Exercise 6: Financial capital

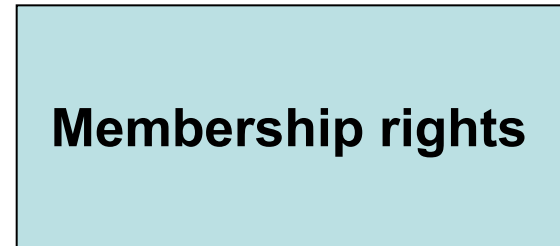
- Who will provide this?
 - Grants?
 - Loans?
 - Equity?
- What rights do they get?

Key principles: rights to control

Voting rights

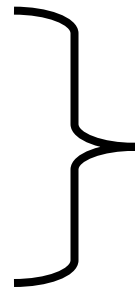


Rights to net income



Membership rights

**Rights to the net value
of the assets**



Property rights

Exercise 7: Natural capital

- What natural capital will you require:
 - Resources
 - Sinks
 - Services

Exercise 8: Physical capital

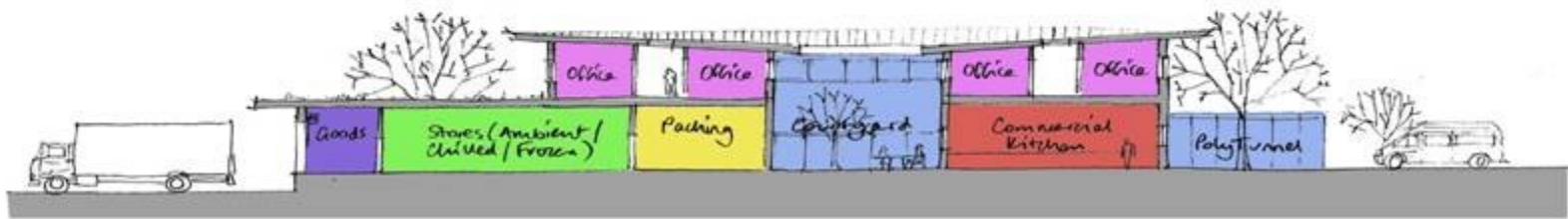
- What is required?
 - Buildings
 - Equipment
 - ICT
 - etc

Exercise 9: Human capital

- What will your enterprise require?
 - Staff?
 - Volunteers?
 - Trainees/apprentices?
 - People disadvantaged in the labour market?
 - Board members?

And finally: creating a “circular”, sustainable enterprise

- **Exercise 10:**
- Think about pollution, waste and resource conservation
- How could you address this?



Responsibility is not accepted for errors made by others or
 scaling from this drawing. All construction information should
 be taken from issued plans only.

A3

05.06.09 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000

 **Stride Treglown**

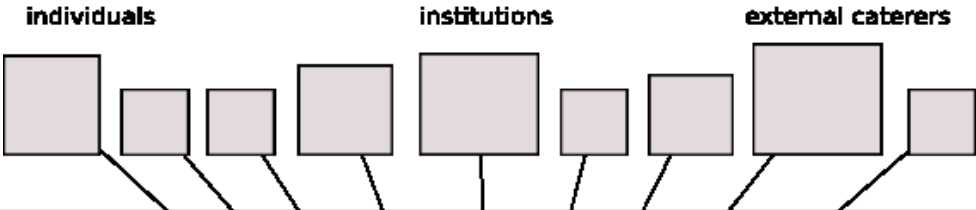
Woburn Court, The Millfields, Plymouth PL1 3G
 T 01752 202000 F 01752 202000 www.stridetreglown.co.uk

PROJECT
**Local Food Links
 Dorset Food Hub**
 0004-12-12

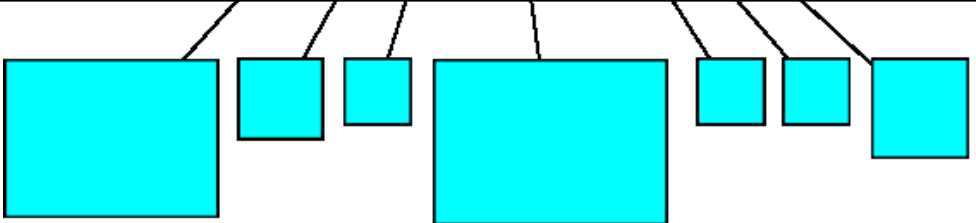
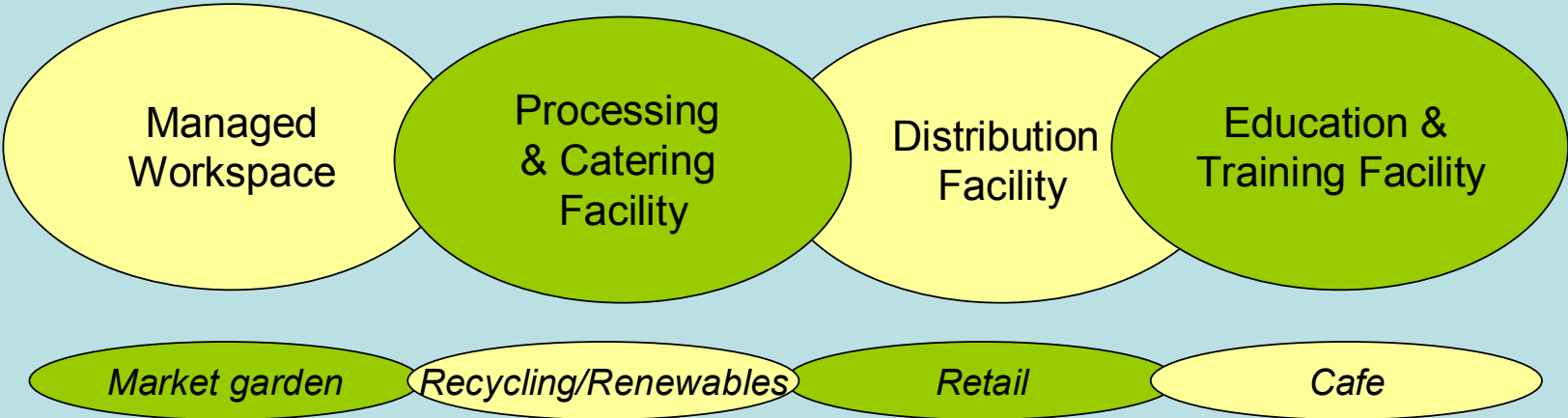
INDICATIVE SECTION

SCALE	DATE	ISSUED BY	CHECKED BY	ISSUE NUMBER	REV
NTS	05.06.09	SKL	DRB	6073_SK02	-

Customers



Key elements of the Local Food Hub

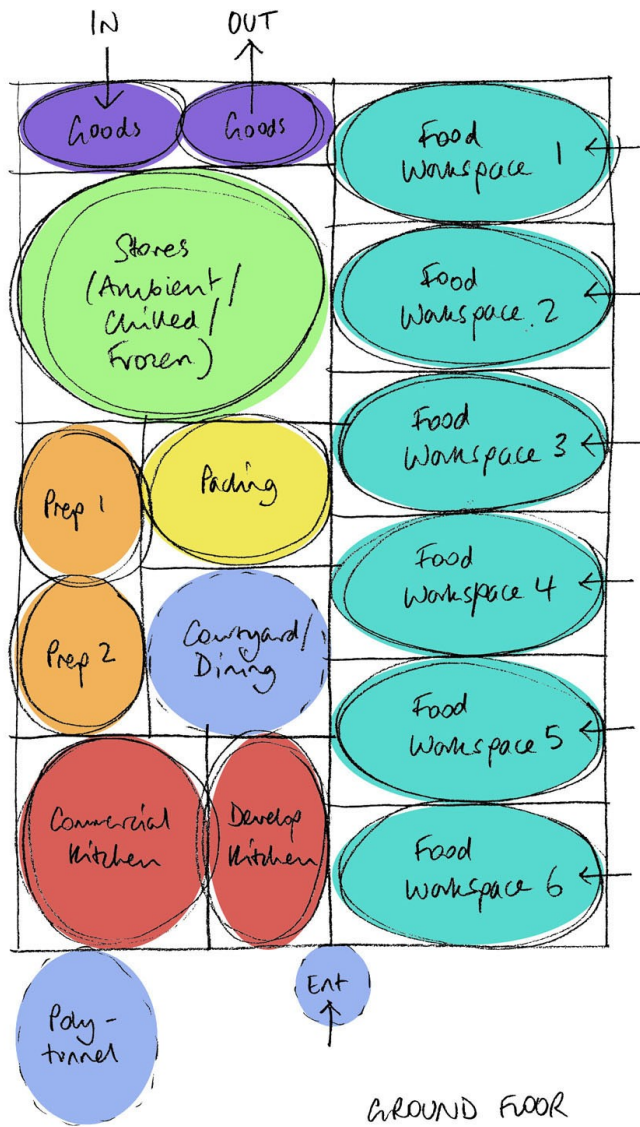


farms

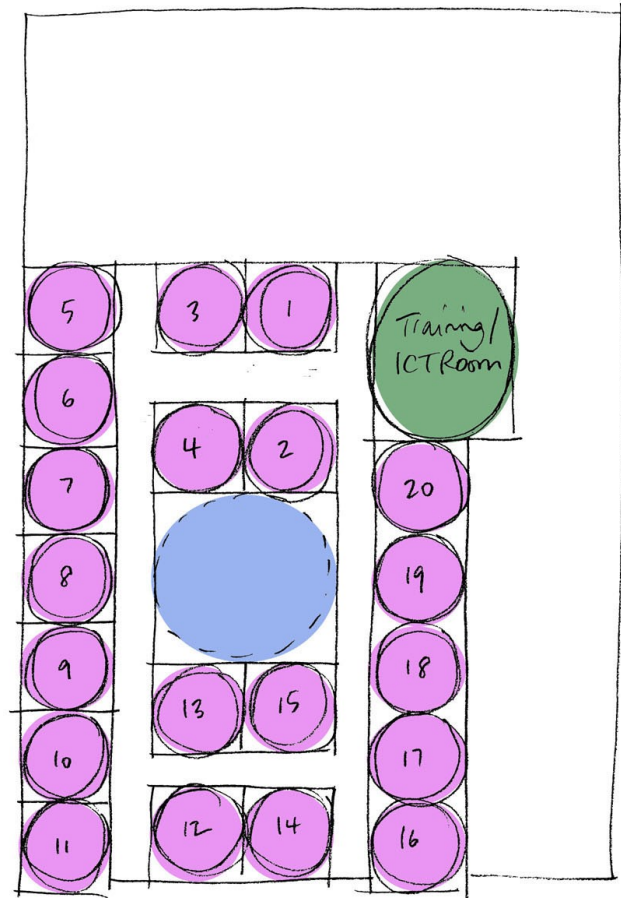
processors

distribution companies

Suppliers



GROUND FLOOR



FIRST FLOOR

Responsibility is not accepted for errors made by others in scaling from this drawing. All construction information should be taken from figured dimensions only.

A3 Original Sheet Size

0mm

50mm

05.06.09
date

rev

SKL
name

DRB
chk

Frst issue for Client comment
note



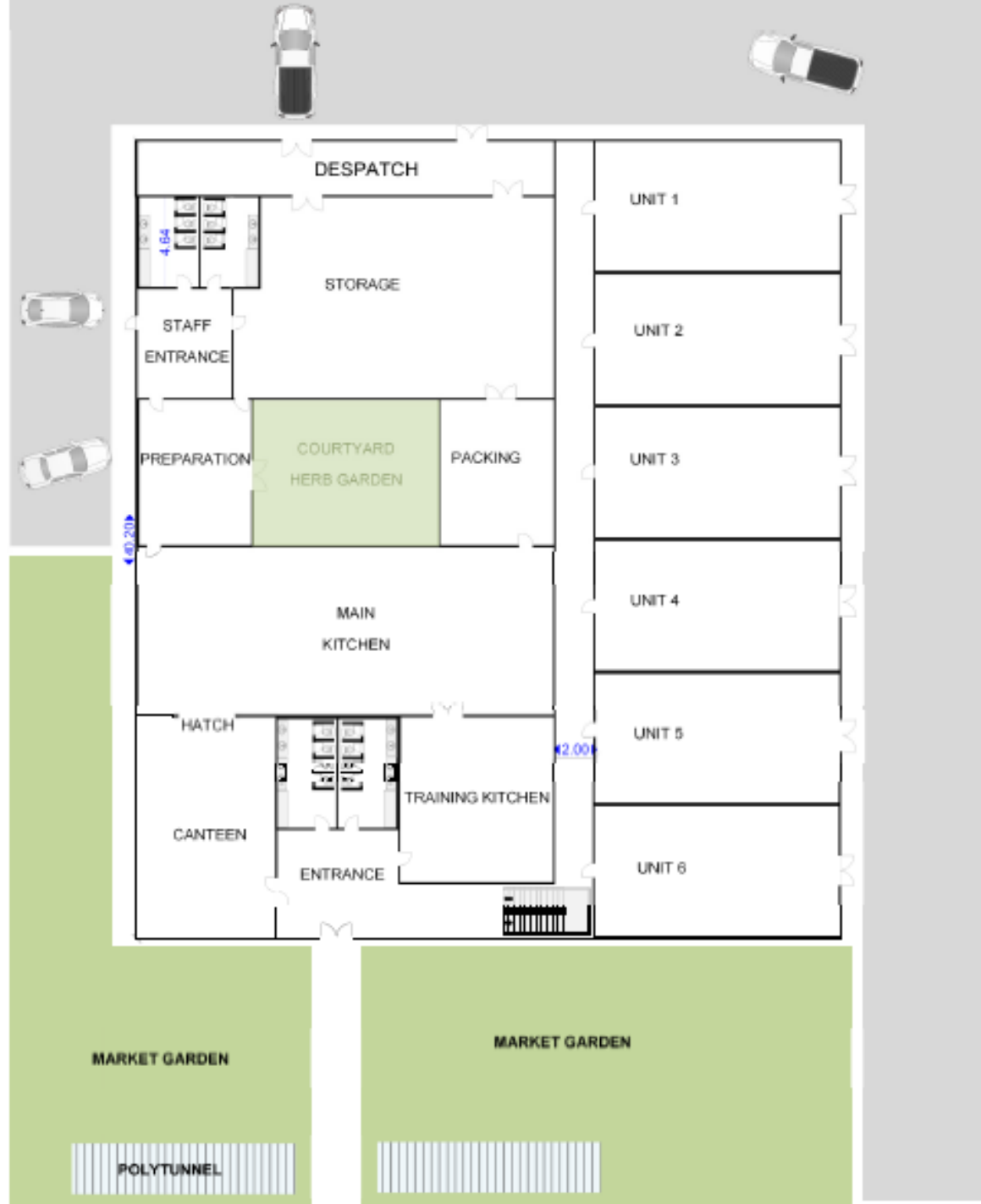
Stride Treglown

Norbury Court, The Millfields, Plymouth PL1 3LL
T 01752 202088 F 01752 202089 www.stride-treglown.co.uk

PROJECT
Local Food Links
Dorset Food Hub

DRAWING TITLE
Indicative Layout

SCALE	DATE	DRAWN	CHK	DRAWING NUMBER	REV.
NTS	05.06.09	SKL	DRB	6073_SK01	-



The potential for collaboration – building sustainable food systems

- Tomorrow we will look at the potential for partnerships, collaboration and secondary structures
- These can help create stronger local food systems