



Llywodraeth Cymru
Welsh Government

Doing Better Business

Opportunities for Welsh food and drink manufacturers
in responsible & green growth

“Green growth is economic growth that ensures the careful use of our considerable wealth of natural resources so they can continue to sustain us in a socially equitable way, for the benefit of the people of Wales”

The business of becoming a sustainable nation
Welsh Government

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Market drivers

Green growth is an excellent opportunity for food and drink companies to generate more sales, reduce costs, improve profits and increase market share creating unique selling points. Green growth can secure long term business growth and success. Crucially it is also about making the best use of resources, and minimising waste in manufacturing, thereby reducing costs and further improving profitability.

Research shows that while 81% of consumers say they are more likely to buy from a brand with a positive approach to sustainability, almost half say they are unaware of the sustainable practices that brands have adopted.¹

The challenge for food and drink businesses is to demonstrate and communicate their sustainability credentials to consumers through their marketing, brands, products and services.

Trade buyers have CSR obligations to meet and will seek out suppliers that support these ends.

Corporate Social Responsibility (CSR) is widely used by retail, wholesale and foodservice buyers to evaluate their impact on society and the environment. For many it's about being a good business and being seen to be responsible.

Every organisation's approach is different. CSR normally goes way beyond reducing environmental impacts, it also helps organisations consider their contribution to local communities, their employment practices, their relations with suppliers and customers.

By delivering on CSR objectives, retailers, wholesalers and foodservices can promote their positive actions to customers to generate brand value, to differentiate from their competitors and to demonstrate a return on investment to shareholders. These buyers will actively seek out suppliers that can help them meet their CSR objectives.

Food and drink manufacturers that can demonstrate their sustainability credentials will have a commercial advantage when selling to wholesale, retail and foodservice buyers.

¹ Marketing Week, New demand driving sustainable food growth (29 May 2015) Available online: www.marketingweek.com/2015/05/29/new-demand-driving-sustainable-food-growth [6 March 2017]

The public sector in Wales spends over £70m on food, £20m of which is spent on the procurement of fresh food²

Currently 63% of public sector spending on food and drink in Wales is on procuring goods and services from Welsh producers and distributors³. The Wales Procurement Policy Statement aims to bring about positive change by making it easier for smaller companies to supply the public sector.

Public procurement is governed by EU and UK Procurement Law and all Welsh public bodies need to show that they follow a fair and open process when choosing suppliers. In Wales, public bodies must consider the community benefits that their decisions may have and how this will affect future generations.

A National Procurement Service (NPS) has been established to harness the buying power of the public sector and make it accountable for its spend on goods and services from Wales. Welsh Food and drink manufacturers that satisfy procurement demands and demonstrate their contribution to communities and future generations will be in a better position to compete for new tenders.

nps.gov.wales

² National Assembly for Wales, Sustainable Public Sector Food Procurement (Oct 2012) Available online: www.unpcdc.org/media/409470/wales-public-sector-food-procurement-2012.pdf [6 March 2017]

³ Survey of Public Sector Food Purchasing in Wales 2013, cited by Strategic Marketing, Public Sector Food Purchasing in Wales Welsh Government (FMDD) May 2013



Working with their entire supply chain, Puffin Produce are making their operations more sustainable, efficient and profitable. From field to fork, sustainability is central to their values, with the company implementing several schemes and working practices to create a sustainable business, as well as employing a dedicated sustainability executive.

As a grower-owned business, they provide a guaranteed sales platform and a fair price for all produce supplied. In August 2016 Puffin Produce joined the Cool Farm Alliance and began using the Cool Farm Tool alongside a major retailer. The tool enables growers to understand their individual carbon footprint and how they compared to other sectors in the industry.

The company is also a 'no waste' site, with all rejected produce being sold as stock feed to local farmers, ensuring the produce grown enters the food chain eventually. Continuous reduction in recyclable and non-recyclable waste on site is reported as part of the Puffin Produce environmental policy. Energy is also measured and monitored on site, with a proactive aim to reduce energy use.

Puffin Produce are signatories to the Courtauld Agreement 2025, which sees the company working together with

major food retailers and production companies in the supply chain, to reduce waste in the food and drink industry by 20% over ten years.

As well as internal changes, the company has developed consumer-facing changes, such as reducing waste at store level by changing packaging, working with WRAP on the Your Workplace Without Waste and the Love Food Hate Waste schemes to encourage staff and consumers to reduce their household waste, and taking part in the Big Butterfly Count to encourage bio-diversity.

The company supports local food banks and youth award schemes, such as the Radio Pembrokeshire Commitment to the Environment Award and hosts 'Open Farm Sunday' annually to encourage consumers to learn where their food comes from.

The company has benefited from Welsh Government support through the European Agricultural Fund for Rural Development from the Welsh Government Rural Communities – Rural Development Programme 2014-2020, through the Food Innovation Wales programme, received bespoke trade development support and undertaken the Sustainable Business Review.

www.puffinproduce.com



GIG
CYMRU
NHS
WALES

Partneriaeth
Cydwasaethau
Shared Services
Partnership

NHS Wales, through agreements let by the NHS Wales Shared Services Partnership (NWSSP) spend around £20million on the procurement of food and drink each year.

During the procurement tender process suppliers are required to provide assurance that they meet specific sustainability ambitions which supports NHS Wales in complying with legislation and guidance including the Well Being of Future Generations (Wales) Act, the Environment (Wales) Act and the Chartered Institute of Purchasing and Supplies (CIPS) guidance on tackling modern slavery in the supply chain, in accordance with Modern Slavery Act.

NWSSP's procurement services team use tools to assess and evaluate specific criteria including the Sustainability Risk Assessment, the Sell2Wales portal (including the Supplier Qualification Information Database) and the Welsh Government Community Benefits toolkit. Using these tools ensures that due consideration is given to sustainable sourcing and responsible procurement when evaluating criteria for the awarding of contracts, including

how suppliers contribute to the local economy, fair pricing arrangements for farmers, animal welfare considerations and ethical trade. For example, NWSSP has signed up to the Sustainable Fish Pledge which means that all fish purchased complies with the Marine Stewardship Council's standards.

Public procurement in Wales is developing rapidly in response to the need to work collaboratively, achieve process efficiencies and achieve better outputs from constrained budgets. NWSSP work in partnership with the National Procurement Service (NPS) who were set up to enable the Welsh public sector to collaborate more closely in procuring goods and services, and collaborative working between NWSSP and the NPS enables combined leverage and scale to ensure sustainable, ethical and responsible sourcing for the whole of NHS Wales.

The organisation has benefited from Welsh Government support by undertaking the Sustainable Business Review to review their dairy supply chain.

Policy, legislation and delivery programmes

The food and drink supply chain in Wales employs 223,100 with a turnover of £16.8billion⁴

Food and drink is a key sector for Welsh Government which has set out an ambition to grow the Welsh food and drinks sector by 30% in 2020, increasing industry turnover to £7billion.

This is not about growth at any cost. Towards Sustainable Growth, The Welsh Government Action Plan for the Food and Drink Industry 2014-2020, envisages businesses that are both environmentally and socially responsible, and producing quality and safe food to secure improvements in the health and vitality of the people of Wales.

The recent introduction of the Well Being of Future Generations (Wales) Act 2015 makes it legally binding on the public sector to ensure that current and future generations benefit from a prosperous economy, a healthy and resilient environment and vibrant, cohesive communities. Whilst the Environment (Wales) Act 2016 ensures management of its use of natural resources and low carbon technologies.

Overall emissions in post farm-gate activities of the food chain are estimated at 10% of Wales' carbon footprint⁵

Food manufacturing involves several stages: taking raw materials from farms, processing, storage, packaging and distribution. Natural resources, such as energy and water, are used at every stage and food and packaging waste arises throughout the process. This can generate harmful greenhouse gases that contribute to climate change.

Adapting to climate change and reducing greenhouse gas emissions are essential to conserving natural resources that enable Wales' food and drink sector to function. The Welsh Government has stated its intention to progress towards a goal of reducing greenhouse emissions by at least 80% by 2050 and to continue to promote Green Growth as key priorities in Taking Wales Forward 2016-2021.

But Green Growth is about much more than environmental issues alone. The food and drinks sector forms a central pillar of the rural economy of Wales, bringing jobs to rural communities and having a critical role in Welsh culture.

⁴ ONS Crown Copyright, cited by Brookdale Consulting, Welsh food and drink sector's economic performance 2016. Available online: businesswales.gov.wales/foodanddrink/sites/fooddrink/files/The%20Value%20of%20Welsh%20Food%20and%20Drink%20-%20Sub%20Sector%20Sheets_en.pdf [6 March 2017]

⁵ Towards Sustainable Growth, The Welsh Government Action Plan for the Food and Drink Industry 2014-2020, p.33

THE WELSH WHISKY COMPANY
PENDERYN
FAMILY

The majority of businesses operating in the food processing and manufacturing sector in Wales are classed as SMEs, with fewer than 10% of businesses classed as large companies (250+ employees)⁶

Micro, small and medium sized companies (SMEs) make up over 90% of the food and drinks sector in Wales. For many small companies being responsible and green can seem like a burden on top of the day to day challenges of running a business.

A barrier for many food and drink SMEs is accessing the finances, skills and resources to assess, act and communicate their environmental and social value through their marketing, brands, products and services.

A unique combination of forward thinking Welsh Government policies, legislation and delivery programmes that reward sustainable business and green growth are already helping Welsh food and drink manufacturers, with many more poised to take advantage.

- Food and Drink Wales is the first point of access for food and drink business to a wide range of support, including bespoke trade development support and signposting to capital and revenue grants. businesswales.gov.wales/foodanddrink/
- Food Innovation Wales provides technical and operational support for food manufacturers from 3 food centres of excellence located in Cardiff, Ceredigion and Anglesey. They provide a unique

service within the UK, on a range of new product development issues including meeting British Retail Consortium (BRC) standards, Safe and Local Supplier Approval (SALSA), labelling, shelf life and packaging. foodinnovation.wales

- Sustainable Business Review (SBR) an online self-assessment tool for SME food and drink businesses to set goals and track progress towards being responsible and green, and for trade buyers to monitor their suppliers. Development was funded by Welsh Government through the Rural Development Programme 2007-14 Supply Chain Efficiencies Scheme. sbreview.co.uk
- Business Wales provides a common gateway to support and investment for companies. Including signposting to environmental programmes such as Courtald 2025, an industry agreement to reduce food waste in the grocery supply chain, and; the Sustainable Development Charter, currently pending a Welsh Government review this is a voluntary agreement for all Welsh organisations in Wales to encourage responsible and green practices. businesswales.gov.wales

A new Wales Business Fund supported by the Welsh Government and European Regional Development Fund (ERDF) is being created that will offer £136m worth of flexible funding solutions to businesses based in Wales, helping them to accelerate their plans for investment and growth. This will be complemented by the establishment of the Development Bank for Wales which will ensure improved access to finance for SMEs and significantly drive up investment in Welsh business.

⁶Welsh Government Food Strategy for Wales: Food for Wales, Food from Wales 2010 2020, p.22

Bangor Mussel Producers is made up of three fisheries (Deepdock Ltd, Myti Mussels Ltd and Extramussels Ltd) that collaboratively harvest 10,000 tonnes of mussels every year from the Menai Strait and Conwy Bay European Marine site – making up more than 50% of the UK's farmed production and boasting the most productive mussel farming area in the country.

Mussels have been collected here since Roman Times owing to its highly productive marine environment. But it is much more recently that the area was awarded conservation status and controlled access to the seabed enabling the mussels to be commercially cultivated in environmentally sound ways. Crucially sustaining the livelihoods of 20 fishermen in a challenging industry.

In 1962 a fishery order was secured for a defined area of 703 ha, providing a specific property right on the seabed that allows for shellfish to be cultivated rather than gathered. In 2004 the fishery area was encompassed within the Menai Strait and Conwy Bay European Marine site, a recognition of innate sustainability of the activities within the Order, but it also provided for a different set of criteria to assess

this against, demonstrating that the mussels can be commercially cultivated in environmentally sound ways.

In 2010 this was the first enhanced fishery in the world to be awarded Marine Stewardship Council (MSC) accreditation giving them global recognition for a sustainable and well managed fishery. They bring juvenile mussels from areas where they would not survive, back to the Menai Strait, where they are laid on the sea bed for 18-24 months supporting their natural growth until they reach optimal size and quality for the market.

Over 90% of their catch is exported to European consumers but in the past 18 months some of this production has been orientated toward supplying the domestic market within Wales and beyond and this is expected to increase.

The company has benefitted from Welsh Government financial support through the European Maritime and Fisheries Fund, and received bespoke trade development support.





Tŷ Tanglwyst Dairy is a family run dairy farm that produces milk, cream and butter and sells to customers across South Wales.

Significantly, they're one of a few remaining independent dairy farms in Wales that bottle and sell their own milk. They produce around 1 million litres of milk every year. This is processed in their on-farm state of the art dairy and sold directly to the public through doorstep delivery rounds, via a fleet of milk vans and, to a range of retail, wholesale and foodservice customers.



Operating this way since 2006 has meant that they no longer rely on their milk being processed by others. This means that tankers no longer collect their milk, reducing costs and eliminating the need for bulk transport on the roads. This shortens the supply chain and increases the shelf life for the customer.

Additionally, they have developed new markets for Ty Tanglwyst cream, a by-product of their milk. This prevents food waste and maximises value from their manufacturing process. Heat is provided by a biomass boiler and they have recently installed onsite solar, actively reducing their reliance on fossil fuel derived energy.

Promoting these sustainable practices and food provenance is critical to them building brand loyalty and communicating their story to customers. These efforts are paying dividends with the company recently winning several valuable contracts to supply local Nurseries and achieving 7% growth in their door step delivery between 2016 - 2017.

The company has benefited from Welsh Government support through the Food Innovation Wales programme, received bespoke trade development support and undertaken the Sustainable Business Review.

tytanglwystdairy.com

Business Opportunities

Food and drink manufacturers that can demonstrate and communicate their responsible and green credentials can capitalise on the growing demand for sustainably produced food and drink.

Buyers from retail, wholesale, foodservice and the public sector increasingly need suppliers that can help them meet their CSR and legislative objectives. Whilst ethical consumerism continues to drive growth.

Companies that promote responsible and green practices will often be scrutinised by customers, consumers and employees so it is critical to be able to back up any claims made. This is done by setting goals, tracking progress and keeping a record of achievements.

Welsh food and drink manufacturers can achieve commercial advantage in a variety of ways, including:

- Provenance – knowing where food originates is a unique selling point for Welsh suppliers that offer traceability, for those businesses trading locally or offering local food made with traditional ingredients and recipes. Recent food scares have highlighted risks inherent in global food supply chains. This provides opportunities for healthy food that is sustainably sourced.

Protected Geographical Indication (PGI) is a status awarded by the European Commission that protects and promotes named regional food products that have a reputation or noted characteristics specific to that area.

PGI status was awarded to Welsh Beef in 2002 and to Welsh Lamb in 2003. This guarantees the authenticity and integrity of the brand. The benefits of the natural landscape are maximised with tried and tested traditional farming techniques to produce lamb and beef to a high standard.

PGI assures consumers that Welsh Lamb and Welsh Beef have full traceability, recognising the origin and unique qualities of the product. Only PGI Welsh Lamb and PGI Welsh Beef are guaranteed to be sourced from lambs or cattle born and reared in Wales and have been slaughtered and processed in HCC-approved abattoirs or cutting plants.

Source: Meat Promotion Wales, hccmpw.org.uk

- Waste – increasing consumer interest in food waste prevention will be a global trend in 2017⁷. Process and packaging innovations that extend shelf life, making use of unavoidable food waste and selling low cost misshaped produce are examples where sales growth is forecast. But waste has much wider implications. The growing number of food banks serves a stark reminder of why we must not waste food and it is likely that initiatives, such as redistribution, that tackle food poverty will be well received.

⁷ Mintel, Global Food and drink trends 2017



- Eco innovation - as utility bills continue to rise companies that use resources efficiently, such as water and energy, or invest in new technologies and renewables, will benefit from cost savings in their processes. Measuring carbon and water footprints to monitor pollution can enhance a businesses reputation. Sourcing from producers engaged in positive management practices and co-operating with other businesses to bulk buy, share production or logistical resources can also lead to mutual benefits.
- Social innovation – businesses with a purpose are those that look beyond profit alone. This can be attractive to consumers with shared values. Participating with local communities, supporting people facing difficult circumstances and working with responsible suppliers are ways Welsh food manufacturers can make this happen.
- Ethical labels - labels such as Marine Stewardship Council, Fair Trade, Soil Association and Red Tractor indicate accreditations and standards in seafishing, sourcing, organics and animal welfare respectively. Accreditation through The Living Wage Foundation also indicates a business is committed to paying the independently-calculated Living Wage.



fruitapeel Juice Limited

Manufacturers of Fruit Juices and Smoothies

Employing 100 staff from their fresh juice manufacturing plant in Llantrisant, South Wales, Fruitapeel has doubled in size in the past year to reach a turnover of £17million, creating 50 new jobs.

This award winning company offers a new high pressure juicing process that eliminates bacteria resulting in an extended shelf life of packaged fresh juice by around 100%. A longer shelf life brings inherent environmental benefits by preventing food waste, and using less energy when compared with pasteurising that uses more energy to heat the juice. By not heating the juice it retains much more of the healthy vitamin C from freshly squeezed juice.

Zero waste is produced from the processed fruit that is sent as a by-product for use in the bakery industry or as animal feed. Fresh juice packaging is difficult to recycle and they are currently working with a partner, on a fully recyclable juice carton, which would significantly reduce packaging waste.

Key to their success is their in-house R&D capability that develops new juice products for international customers across retail, wholesale and the foodservice sectors. Underpinning this is a £5million investment in cutting edge technology that they received £328,000 of financial support from the Welsh Government's repayable business finance scheme. This has enabled them to make and package almond milk, vegetable and fruit juices under one roof.

The company has benefited from Welsh Government support through the Food Innovation Wales programme and received bespoke trade development support.

THE PARSNIPSHIP

The Parsnipship has been pioneering vegetarian food for over 10 years.

Operating from a production kitchen in Ogmere Vale, the company is experiencing a period of substantial growth that has already resulted in a 150% annual increase in their sales to wholesale customers since February 2016. This is forecast to increase by a further 75% in 2017.

Being recognised as an ethical business is central to their brand strategy. Creating a dialogue with their customers based on their sustainable practices has been critical to winning new wholesale contracts.

With larger more regular orders being placed the company has been able to introduce resource efficiency measures in their production line that has in turn led to cost savings and environmental benefits by reducing energy and food waste.

The company is continuing to innovate and are developing environmentally friendly packaging for a new retail range, whilst diversifying into online

sales and maintaining their presence at festivals and farmers' markets.

The company has benefited from Welsh Government support through the Food Innovation Wales programme, received bespoke trade development support and undertaken the Sustainable Business Review.

