Prospects and Prosperities:

exploring the potential of the Cornish food and drink industry

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1. Introduction

This report is part of a project undertaken by Cornwall Taste of the West and Cornwall Agricultural Council, to ascertain where the Cornish food and drinks industry sits within the UK market, in order to assess its strengths and weaknesses and its prospects for future growth and prosperity.

Between them, Cornwall Taste of the West and Cornwall Agricultural Council undertake the role of helping to support, develop and promote the whole of the food and drink industry in the Objective One area of Cornwall and the Isles of Scilly, from primary agriculture and horticulture, through to food processing, manufacturing and retailing. The value of the area's food economy is currently estimated to be in the region of £1bn, and agricultural production and food processing alone support at least 12,500 jobs.

This project is evidence of the understanding between Cornwall Agricultural Council and Cornwall Taste of the West that all parts of the food production chain are inextricably linked. Examining them together in a study of this nature is the only way to obtain a complete overview of the industry. The aim of this project is to provide vital and up-to-date information to help ensure that the strategies the two organisations adopt and the work they subsequently undertake are both appropriate and effective, as well as providing reference and guidance for participants within the area's food and drinks industry and their observers and advisers.

Two separate strands of research have been carried out for this project. The first is a review of the UK food market, which examines the size and scope of the various production sectors within the whole of the UK market, but also looks at consumer buying and eating trends and the catering sector. The second is a study of food production and processing within Cornwall and the Isles of Scilly, carried out by the University of Exeter's Centre for Rural Research. It attempts to quantify how much food the area produces and processes, which routes are taken to the market place - and why.

For those interested in the detailed facts and figures, the full findings of both these studies are published in separate documents (Huxley, 2003 and Reed et al, 2003), available free of charge to any business in Cornwall and the Isles of Scilly. This report summarises those two separate parts and draws them together, analysing the combined data, considering the implications of the findings and, where possible and appropriate, providing recommendations.

It is thought to be the first time a study of this nature and scale has been undertaken in the area and its objectives are ambitious. The project has relied on the goodwill of its many contributors and participants, for which we thank them. However, participation has not always been forthcoming and this, together with the financial and time restraints of the project, has meant that the portrait of the industry which had hoped to obtain is not entirely complete. However, it has obtained more data than we have ever had before - and of sufficient quality and quantity to enable some interesting and timely observations to be made.

Furthermore, it was never intended that the study would provide a complete audit of the Cornish food industry. Since the private sector is not obliged to divulge information about its business activities, and since there is no definitive list of food producers (registration as a food business is not a legal requirement), it would be impossible to achieve. It would also be out of date before it were completed and published. The objective of this project was to provide sufficient data to produce indicators, which can be used as a guide to, and for, the industry.

Note: The content of the report is intended to be of relevance to the Objective One area of Cornwall and the Isles of Scilly. For ease of reading, the terms 'Cornish' and 'Cornwall' are used extensively, but are intended to apply to the products and the industry of the whole area, including the Isles of Scilly.

2. The Market and the Industry

The most significant change within the UK food industry in recent years has been the process of mergers and acquisitions that has led to the gradual development of fewer and fewer players of increasing size. This has happened on a global scale, and most of the key participants in the UK industry are part of multinational organisations. These participants, through the multiple retailers, have a strong influence on the food market within Cornwall although, possibly due to its remoteness and its strong local identity, Cornwall retains many small, independent food businesses.

Food prices have increased above the rate of general retail price increases recently, but food accounts for a smaller proportion of the nation's spending, as increasing affluence allows people to spend more on luxuries and leisure.

The food industry has become incredibly competitive. Multiple retailers drive down prices in order to attract customers, and this pressure on price filters back down the food production chain. Often the primary producer, at the end of the chain, is left to bear the brunt of this effect.

The food industry operates on a global scale nowadays and UK producers therefore compete with producers throughout the world, including those from other countries whose cost of living is so much lower than our own that the price of their produce easily outcompetes UK domestic production. The strength of sterling has also made UK produce uncompetitive within the EU.

The competitiveness within the industry has also created a keenness to develop constant new initiatives and trends. Food has become a fashion industry.

3. The Food Consumer

Whether consumers lead the market or the market leads consumers is debateable. Clearly people will always need to eat and drink and socio-economic factors, which determine lifestyle and fashion, dictate how, where, when and what the nation consumes to a certain extent. However, the industry and, in particular, market leaders, frequently shape habits simply through marketing and advertising activities that influence consumers, often sub-consciously.

Whatever the reasons, eating and drinking habits have changed a great deal in the post-war period. Current socio-economic and market trends of significance to the food industry can be summarised as follows: -

- The number of single person households is increasing.
- The population is becoming increasingly elderly.
- Birth rates are declining.
- Affluence is increasing.
- More women are working.
- Families eat together less and less.
- Eating and drinking out of home is increasing, both in restaurants and on-the-go.
- Consumers want food in a hurry, both in and out of home.
- The three meal day is being eroded as people snack through the day instead.

- Consumers want constant variety, choice and availability.
- There is a demand for healthy, luxury, premium quality, different and exotic products.

The combined effect of these trends is a population that is incredibly demanding of the food industry, but the demand for convenience overrides all others. However, the term convenient is applicable to many aspects of buying and consumption. It no longer means simply ready prepared, it means taking *all* the hard work and time consumption out of eating and drinking. Nowadays, convenience therefore might mean, for example, ready cooked; in a convenient packaging format; in single/family serve sizes; near (or delivered) to home or work; year round availability; round the clock opening hours.

Neither does it apply exclusively to packaged or processed foods. It might apply to a fresh, natural, primary product that offers convenience in some way over alternatives. The banana, for example, the ultimate in convenient fruit, is the nation's favourite; and vegetables and cuts of meat that require minimal preparation, skill and cooking time are those whose market shares are growing at the expense of others.

Convenience is demanded alongside other trends too. Whilst, for example, organic foods, locally produced foods and luxury, indulgent foods have all recently been popular, those who can provide foods that are both organic *and* convenient, local *and* convenient, or indulgent *and* convenient (better still, all three *and* convenient), will win over others in the longer term.

The importance of branding to the UK consumer cannot be understated. Figures indicate that recognised brand names are always market leaders. Reaching that point of recognition is therefore key to success in the wider UK market place, yet Cornwall's food industry currently has probably only one or two players who have a brand that is recognised in other parts of the country.

There are some specific socio-economic factors which shape consumption trends in Cornwall. Its Objective One status is indicative of the general low level of wealth in the area. However, its popularity as a holiday destination means that, for many food retail and catering outlets, meeting the needs of holidaymakers is more important than meeting the needs of the local population for much of the year. Holidaymakers have been revealed in the study as likely to want to drink alcohol, buy traditional, regional and speciality foods, and eat out much more than at home.

One of the more recent trends in tourism in Cornwall is the popularity of the county as a destination for shorter, out of season breaks. This will not only extend the season for those who tailor their offering to the tourist, but will also produce an overall increase in annual demand for food and drink. These tourists, and perhaps those drawn by such things as the Eden Project and the National Maritime Museum, are also a different type of tourist than the traditional bucket and spaders, and are likely to be more discerning about their choice of food and drink.

In recent history, Cornwall has had a relatively elderly resident population, due to its popularity as a place to retire. Young people have tended to leave the county to find work or higher education. However, the creation of the Combined Universities in Cornwall will affect the population mix, by encouraging more young people to remain in the county, and also by bringing more young people into the county to attend courses, along, of course, with the necessary academic staff.

Inward migration is also increasing and changing the resident population. The advent of technology that has enabled more people to work at home has meant that Cornwall is not the remote place it once was, and those wishing to get away from it all no longer always have to wait until retirement to do so.

A significant number of Cornwall's properties are owned as second homes, increasingly by the rich and famous. This also affects the county's population profile.

All these changes affect the demand for food and drink in the county. The extension of the tourist season will help those food businesses that currently find it difficult to cope with the huge fluctuations in demand between peak and low season. Inward migrants are increasing the county's proportion of middle aged, middle class residents and this is the group most likely to be interested in locally produced foods and organic foods.

In fact, inward migration, coupled with the opening of the university, is likely to mean that Cornwall's population trend becomes the reverse of the rest of the country and actually tends towards an increase in numbers below retirement age. Consumption trends in the area, which lean towards traditional foods and traditional cooking and eating patterns at present, may well change accordingly.

Capturing the interest of the young adult market is something of a challenge for the local food and drink industry. This is the group least interested in the origin of their foods, least likely to buy traditional foods and also least likely to have any food preparation skills or knowledge. Students are also likely to be living on a tight budget, within which food competes with other, more important priorities such as a social life. However, the opportunity presented by the creation of the university is significant, especially in view of the longer term benefit to be had by encouraging a new sector of the population to enjoy their regional food and drink. For those prepared to rise to the challenge, there are bound to be rewards.

4. The Catering Industry

The lifestyle trends that shape what, how, when and where people eat, also shape the catering industry and what, how, when and where it serves food and drinks. The increase in out of home eating in the UK has inevitably led to opportunities for the catering sector, which it has exploited. Key recent market trends in the catering sector are: -

- A decline in popularity of fast foods and takeaways, due to competition from retail outlets offering hot and cold prepared food and drinks.
- A decline in the number of pubs, but an increase in the number of pubs offering food.
- Some difficulties for middle market restaurants, due to competition from both budget and premium sectors.
- Budget hotels taking market share from middle market hotels.
- Contract catering performing well.
- Catering for the tourist market not taking advantage of sufficient opportunities.

Cornwall's catering industry has traditionally made the most of its heritage foods - the Cornish pasty and the clotted cream tea - and there is inevitably still a place for these foods both within the county and beyond. However, although there are excellent restaurants throughout the area, there is great scope for the catering industry to update its offering in the snack and fast foods sector and in catering for tourists, both in the offering itself, its method of delivery and its marketing.

The study reveals mixed messages from wholesalers about the demand for local foods from within the catering sector. That in itself is indicative of an industry not in tune with itself. This needs further clarification, but it should also be borne in mind by those who supply the catering trade, that much is currently being made of the need for the public sector to purchase food requirements locally. In Cornwall there is significant impetus behind this move, but it will not come to fruition if there is insufficient or inefficient supply. There is considerable potential for partners within the industry to devise local supply lines as an initiative.

5. Dairy Products

The dairy industry is the biggest single agricultural production sector in Cornwall, worth over £92m, which is over half the combined total value of all agricultural and horticultural production in the county. The landscape and climate lend themselves to dairy farming, as the longer grass growing season helps keep feed costs down and leads to the production of good quality milk, whilst cattle graze upland pasture for which there is otherwise little use. Recent trends have followed national trends, however, with the number of dairy holdings declining whilst those who remain become bigger, attempting to create economies of scale in order to remain competitive.

The Cornish dairy industry must be regarded as something of a beacon to other parts of the food industry in the area. Close links between primary milk production and processing exist and, generally speaking, both the primary and processed products are of fine quality. This is likely to be due to the short chain between production and processing and the well developed distribution infrastructure for milk.

However, alongside one of Europe's major players, using state of the art technology and producing (award winning) cheddar cheese for the mass market, sit small artisans who produce cream, cheese and other dairy produce from their own herds and those of neighbouring farms. Small scale production of regional and speciality cheeses is one of the current growth areas in the UK market, which even the smallest of these producers is able to take advantage of.

Some of the cheeses produced in the county use the milk of goats and other animals, even buffalo. Not all these milks are produced in the county and, even though the county is a higher than average producer of goat's milk, it does not produce sufficient quantities to meet the needs of local goat's cheese production.

Ice cream production takes place on a considerable scale and also makes use of Cornish milk and, although the largest manufacturer uses no Cornish milk in production, virtually all of the smaller producers do so.

The production of liquid cream concentrates on traditional Cornish clotted cream, the only Cornish food product protected by the EU Protected Designation of Origin status and the basis of the Cornish cream tea. However, cream is a difficult market because its high fat content is associated with unhealthy eating and because the occasions on which cream is traditionally used in the home - on puddings or in baking and cooking - are themselves dying out. The irony is that consumers willingly buy processed, chilled, dairy desserts and even ready meals, in which the cream content is used as a marketing tool, encouraging consumers to treat or indulge themselves.

This is one part of the dairy industry in which Cornish participation is not well developed and offers considerable scope for development. Yogurts and chilled desserts are the fastest growing area of the dairy industry, currently growing at about 5% a year. Correct product development and targeted marketing is essential in order to compete successfully, but with a market valued at over £1bn it is worthy of serious investigation. Likewise the potential for the development of dairy-based drinks, such as drinking yogurts, smoothies and those fortified with apparently health enhancing ingredients.

The dairy industry in Cornwall is one in which a number of medium sized enterprises have developed, able to supply the national market and larger contracts, whilst remaining independent and committed to the use of genuine Cornish milk in their production process. The study revealed this to be unusual in the area, with most other sectors consisting of either small or large producers, and displaying a significant lack of medium sized operations.

Scope exists for dairy production to increase substantially if all existing processors are to reach their production capacity. Evidence suggests, however, that even in a well developed and co-ordinated industry such as this, the farmer still receives the smallest reward.

6. Meat

The Cornish meat industry has suffered the various traumas of the past fifteen years or so along with the rest of the UK meat industry. Beef, which dominates meat production in the county, was badly affected by the loss of its export market, and the strength of sterling and the consequent cheap price of imported meat have doubled the blow. There are signs of a recovery now and there is room for cautious optimism. Sterling has weakened slightly and the proposed relaxing of the over thirty month rule is in sight.

The strength of the dairy industry in Cornwall has an indirect negative effect on the area's beef industry, because roughly half the beef herd consists of dairy animals. These animals will never develop the conformation that will enable them to produce meat of the same quality or quantity as beef cattle and this is likely to account for the huge discrepancy in efficiency - about 30% - between the most and least efficient producers. However, variations in husbandry and production techniques are also likely to account for some of this variation, because it occurs to a similar extent in the lamb producing sector.

Major meat processors operate in the county and supply beef and lamb to the multiple retailers. Estimated amounts of up to 11,500 tonnes of beef, worth around £5.5m, and up to 2,000 tonnes of lamb, worth around £4m, are sold out of the county each year. This does not include those animals that are brought into the county for finishing. Some of this supply is produced by farmers working co-operatively in producer groups.

Other farmers prefer to retain their independence and supply local butchers or sell direct to customers through farm shops, farmers' markets and mail order. Some of these concentrate on the production of rare breeds or speciality meats such as venison and wild boar. A large amount of goat meat is produced in the county - over 4.5% of the total national supply - but its route to market is unclear.

Pork production in Cornwall has suffered drastically in recent years and has declined by almost half. Cornish pork production has traditionally been small-scale and therefore unable to respond to large scale demand or make economies of scale. The average number of sows per farm in Cornwall is 18, whereas the national average is 92.

Pig farmers in Cornwall are also handicapped by the county's remoteness. Pigs, unlike sheep and cows, cannot live on grass, and the cost of transporting feed as well as bedding into the county, cuts into the already small returns producers receive for their meat (due to tough competition throughout the EU) to the extent that it becomes unfeasible.

Even if all pork produced in the area were sold locally, it would only meet half the local demand and there is evidence of a shortage of pork for processing and for sale to the retail and catering trades. The feasibility of local production of feed and bedding suitable for pigs would seem to be one avenue worthy of investigation if this situation is to be remedied.

Overall consumption of red meat is growing slightly within the UK (the population is growing), but the best growth in demand has been seen in the poultry meat sector. The nation now consumes twice as much poultry as beef, and five times more poultry than lamb. It has been difficult for Cornwall to keep up with this trend, as no hatchery exists in the county to provide a cost-effective supply of broiler chicks. One major poultry processor exists and Cornish poultry meat production is estimated at 3 million kilos per annum. This is equivalent to only about 20% of Cornish consumption and almost £9m of poultry meat is estimated to be brought into the county each year.

The major consumer trend in meat is the decline in the purchase of carcass meat and a corresponding increase in the popularity of prepared meat products, in line with the trend towards convenience. Where carcass meat is purchased, current preferences are for easy and quick to prepare cuts.

The increase in the consumption of prepared meat products creates a major difficulty for UK meat producers, in that the origin of the meat that is used in prepared foods is very rarely declared, and it is not a legal requirement to do so. It is therefore possible for processors to use the very cheapest imported meats in products which might subsequently be marketed as premium products, whilst consumers appear little concerned.

7. Eggs

It has been very difficult to estimate the true extent of egg production in the county as many small scale producers exist and the large concerns are reluctant to disclose potentially sensitive data. However, it is thought that Cornwall is, or could be, virtually self-sufficient in eggs. The UK egg market is relatively stable but has never fully recovered from the decline brought about by the Salmonella scares of the late 1980's and early 1990's.

8. Fruit and Vegetables

Consumer demand for convenient, new, luxury and exotic products, and year round availability and choice, have impacted on the UK horticultural industry, which has increasingly lost out to imports over the past decade. This is unfortunate for the UK industry, not least because it has lost out on the increased consumer spending on fruit and vegetables that has been seen, with prices rising at a much greater rate than general retail food prices.

Cornwall is particularly unfortunate in being a large producer of cauliflowers and potatoes. Cauliflowers can probably be singled out as the worst performing vegetable in the UK market and the potato market has been greatly affected by the consumer's increasing preference for processed potatoes.

Cornish growers have responded to this change in consumer habits by increasing the area of potatoes grown for processing and currently the greatest area is given over to growing potatoes for crisp manufacture.

The Cornish early new potato is, of course, renowned in the UK and is an example of Cornwall making the most of its mild climate and long growing season, which sets it apart from most other parts of the UK. Market figures suggest that the first two weeks' liftings of early potatoes attract by far the highest prices, so it is important that Cornwall maintains this comparative advantage.

However, despite the attention they attract, new potatoes are not the most valuable part of the Cornish potato market. Salad potatoes, for which there is clear consumer demand, attract prices not much below the prices paid for new potatoes, yet produce a yield of about 50% more than earlies. Consequently, the estimated value of Cornish salad potato production is almost £4m compared to £2.2m for earlies. This has to be balanced by the fact that earlies are in the ground for a shorter time than other potatoes and therefore allow more time for other crops to be grown in the same ground.

In the horticultural industry in general, good opportunities exist for those who either grow the right product, or process or package it in some way that meets the demands of the consumer. Salad leaves and herbs are a current favourite with consumers, as are vegetables that are washed and part prepared, or vegetable mixes such as stir fry mixtures.

There is also scope for Cornwall to make more of its climatic advantage by growing semi-exotic varieties of fruit and vegetables (another main growth area) and thereby compete with imports. This would be possible if a greater area of land were given over to production under glass or plastic. Despite the capital investment required, there are good returns to be made from growing protected crops. For example, the area of Cornish soft fruit production currently under protection is about 1% of the total, yet it accounts for 9% of the total market value of the area's soft fruit.

An anomaly highlighted by the study is that an area of 114 hectares, over half the total area of Cornish fruit production, consists of non-commercial orchards, whilst apple juice and cider manufacturers bring considerable quantities of apples into the county to meet their needs. Their reason for doing so is that Cornwall is not suited to apple production because of the damaging affect of sea winds. However, it would be worth investigating the foundation for this argument (does it apply to the whole of Cornwall? How is it substantiated?) since it appears that an existing, potentially valuable asset is currently unused.

9. Fish

Surprisingly for an island population, fish consumption in the UK is the lowest in Europe. It has risen in the last five years and prices have also risen in that time. The best growth area is the fresh fish market. However, the new tastes that are developing are for the more exotic varieties, which are not caught in local waters.

Fish farming has resulted in salmon, once a luxury, becoming the most commonly bought fish for household consumption.

The frozen fishfinger is declining in popularity. Once the height of convenience, consumers are now buying complete fish-based, chilled, ready meals as their route to convenient fish.

Fish and chips lost out to fast foods such as burgers, as their market developed. However, fish and chips have also lost ground during the recent decline in interest in fast foods and takeaways.

Cornwall and the Isles of Scilly are the most important producers of fish in the South West, and parts of the area, such as Newlyn, are heavily dependent on the fishing industry. However, little value is added to fish within the area; as much as 80% of fresh fish landed in Cornwall being exported from the UK. Fish merchants find that there is more demand in other European countries, although a survey of local consumers undertaken by Cornwall Taste of the West in 2002 indicated that fresh, local fish is one of the main items local residents would like to buy more of, but are unable to find in the shops.

10. Organics

The growth in the market for organic foods was at its height in the late 1990's and, although it continues to grow, the growth rate is lower than predicted at that time.

Cornwall has a relatively high number of small, organic primary producers and a study of primary organic production in the Objective One area is due to be published shortly. One organic processor (and not producer) could be identified in the county and an interesting revelation from the study was that, due to the slightly different routes that organic produce takes to market, i.e. much of it marketed direct by the producer and the remainder sent to the wholesale market, it is considerably difficult for organic processors to locate local supplies.

11. Processed Foods

The market for processed foods has grown in line with the demand for ready prepared products which meet the need for convenience. Ready meals, pizza, sauces, soups and baby and toddler foods are all growing markets. In areas where processed foods are more of a commodity item, such as bread, the growth areas are the new product ranges and product extensions which appeal to the consumer's desire for change and innovation in food.

Chilled products are growing at a better rate than frozen products. Tinned products are showing a decline, but the greatest decline is in dried, packet, processed products. These trends are in line with the consumer's demand for greater authenticity in the taste and texture of processed foods.

Confectionery and savoury snacks are both very popular in the UK throughout all social groups. In confectionery, the nation prefers the established major brand names, whereas in savoury snacks the creation of premium products - such as hand cooked crisps - has been the most significant development in recent years.

The processed foods market is a fast moving one, in which players need to keep in touch with developments.

Food processing in Cornwall tends to feature a handful of major companies and a host of small companies, with very few medium sized players. Processing tends to be based either on the area's main primary food products, such as dairy produce and beef, or the traditional Cornish products such as pasties, scones, saffron cake and fudge.

One of the main findings in attempting to establish how much locally produced food goes into local food processing, was the discovery that, as a general rule, those who market the Cornishness of their product most aggressively tend to be those who use the least (if any) Cornish ingredients in production, whilst some of those with a genuine Cornish product do not necessarily market it as such. Some processed products, such as bakery items, use ingredients not obtainable from local sources, and generally, willingness was encountered to use more local produce if it were available.

There is potential for closer and new links to develop between the county's producers and processors. In the confectionery industry, a need for processed milk products was expressed; there is potential for fruit producers to link up with ice cream producers; and a need for pasteurised, processed egg products was also expressed. Primary Cornish products sold to processors out of the county are not distinguished as such in the finished product, which indicates that there might be more overall benefit to the county's producers if a greater local processing capability were developed.

There is some evidence that local processors tend to reach a level at which they exhaust the local supply capability; at which point they turn to supplies from elsewhere to fulfil their needs. In other words, primary production does not always keep step with processing demand. It is, of course, very difficult to do so without a lot of mutual forward planning, since the development of a new source of primary product can take several years - whether it be the need for more beef, or more grapes for wine production.

12. Drinks

The drinks market in the UK has experienced enormous growth and development in recent years, to the extent that the nation's drinking habits have changed greatly. Bottled water, carbonates, fruit juices and other soft drinks are growing markets and can often fulfil the need for drinks on-the-go. Non-alcoholic soft drinks for grown-ups have developed alongside alcoholic soft drinks designed for the younger market. Traditional dark beers have lost out to lager and wine drinking. Wine is drunk much more with meals in the home and the UK is developing a taste for red wine rather than the sweet white wines it once preferred. Drinks that offer health enhancement are one of the latest developments.

The drinks industry in Cornwall and the Isles of Scilly can perhaps be said to be more in tune than the area's food industry with the need to develop, expand, and create new products and tastes. Many fine products, both alcoholic and non-alcoholic, are produced in the area. There are a number of breweries, vineyards, cider makers, mead producers, spring water bottlers and juice producers.

It is clear from the study that not all of them are able to source their raw materials locally and there is a need for some investigation into the scope for more collaborative working between producers and processors, as suggested in Section 8 above.

Whilst the Cornish drinks industry is demonstrating a general capability of keeping in touch with market trends, there is no evidence of any participants taking account of recent developments in health-enhancing drinks.

13. Conclusions and Recommendations

The UK food market, and the Cornish food market within it, is complex. This report has attempted to deal with those complexities in a very simplified and concise way. A great deal more information is available in the full reports on which this summary and analysis is based.

The project set out to establish where the food industry of Cornwall and the Isles of Scilly sits within the UK food market and has examined the different parts of the industry and the market place in which it operates. Some opportunities have been identified and have been provided throughout this summary. The following conclusions and recommendations consider the Cornish food and drinks industry as a whole.

Primary horticultural and agricultural production in Cornwall and the Isles of Scilly has successfully exploited its natural landscape and climate in the past. However, overall, this study indicates that each of the markets for Cornwall's principle primary products - red meat, dairy produce and potatoes and cauliflowers especially - is experiencing difficulty to varying degrees. Conversely, the markets that are buoyant - snacks, processed and prepared foods, yogurt and chilled desserts, cereals and baked goods, for example - are under-represented in the area or perhaps not represented at all.

Even in the fish and horticultural sectors, where it would seem there is an opportunity for two of our most important local industries (particularly in West Cornwall) to capitalize on market growth, consumers' needs are being met by imports rather than the domestic supply, because the popular species or varieties are not produced in quantity in this country, or indigenous species and varieties do not meet consumers' requirements for convenience, choice and year round availability. In fish, we export most of the domestic catch and import other species to satisfy the UK consumer.

Consumers are demanding of the food industry, and not always logically so. Consumers want convenience above all else and will pay extra for it, especially if convenience is combined with all the other qualities consumers are currently looking for in foods - luxury, premium, new, different, or exotic, to name a few. However, consumers are reluctant to pay premium prices for commodity products, even if higher quality is on offer, yet will pay a premium for ready prepared products, or to eat out in a restaurant with no knowledge of the origin or quality of the ingredients used in the food they are served. Quality, when used to refer to prepared foods, tends to be interpreted as the overall image of the product rather than the standard of the individual component ingredients.

Time does not stand still and fashions change in food as much as anything else. Foods that were once luxuries have become mainstream and foods once thought of as ordinary have become luxuries. Foods first developed for children have been adapted to the adult market and trends in the adult market copied in the children's market. By and large, even though the Cornish food industry has some shining examples of innovation and good practice, and food processors are finding success and growth, there is little evidence of the Cornish food industry seriously taking these issues on board, in either production or processing. If the industry is to meet its full potential, it must become better aware of the needs of the market place and better placed to meet them.

There are many opportunities the industry can take advantage of and scope for development is enormous. To do so effectively it needs to work on two principles. The first is that of raising public awareness. Ironically, the various disasters to hit the food industry during the 1990's have made consumers more aware now than at any time since the 1940's, of issues surrounding the production of their food. However, those who are not only aware of the issues but also prepared to alter their shopping and eating habits, are currently confined to certain socio-economic groups and represent a minority of the population. One of the most important challenges to the industry is to find particular ways of working with younger people - those who will be the consumers of the future and parents of the next generation - who currently show markedly little interest in the quality or origin of their food.

Of particular importance is the need to make people more aware of the origin of ingredients in ready prepared foods, both in the catering and retail sector. These markets are growing rapidly and it is an area in which people appear to pay scant regard to the origin of their food. There is no legal requirement for people to be made aware of the origin of the ingredients used in prepared foods and realistically this is unlikely to change in the near future. However, positive marketing of processed or prepared foods on the basis of their origin is one way of raising awareness of this issue. This is already happening in the catering industry in Cornwall, where restaurants, for example, are becoming aware of the beneficial effect a statement confirming the local origin of the items on their menus has on their sales, but there is a long way to go.

The second principle for the Cornish food industry to work on is that of ensuring that the foods it produces match the buying trends of consumers. For those who sell within the local market, this means taking account of the changes that are taking place in the local population and the visiting population.

The potential for the production of different horticultural crops, or for growing more crops under protection has already been mentioned. There also needs to be closer alignment between primary production and processing. Both sectors need first to identify how best they can match consumption trends and then how best they can work together. Existing processors have identified a number of ingredients they are currently unable to obtain locally and for which there would seem to be production potential. It is also feasible that primary producers (or others) might identify processing opportunities for their produce. If those opportunities were to be contained within the area, then not only would the overriding consumer demand for convenience products be met, but a share in the most profitable part of the food chain would also be retained locally.

There will, of course, always be a place in the consumer shopping basket for basic foods such as meat, dairy produce and greengrocery. However, the trend towards ever more convenient foods is unlikely to be reversed, and primary produce will fulfil an increasingly small percentage of consumers' needs. A foothold in the processing sector will help some primary producers combat this potential disaster within their industry.

Those who enter the processing sector, and those who currently operate in it, must not only correctly identify trends, but also ensure that the products they produce match those trends. Correct and accurately targeted product development is essential.

All these suggestions - and they are just a sample of the many opportunities that exist - are based on the need for food producers to keep pace with change in order to meet their potential. Even better is to work proactively rather than reactively; anticipating and even leading changes in habits. There is a preoccupation in the marketing world these days with meeting demand. A careful look at successful new products, however, shows that they actually *created* their own demand. Hand-cooked crisps or yogurts served with a separate portion of fruit were not developed because people asked for them, but because their creators understood the market and identified an opportunity.

Equally important of course is to let people know what is on offer. New products or concepts do not become successful if they have to wait for people to find them and even existing household names recognise the importance of reinforcing their message and bringing their products to people's attention on a regular basis. Few of Cornwall's food businesses are sufficiently active in developing their brands and marketing them outside and even inside the county, yet there is no reason why more small Cornish businesses should not become household names in the UK.

The content of this report should illustrate to readers that for the Cornish agricultural and food industry, the status quo is unlikely to be sustainable in the long term. If Cornish food is to hold its own in the 21st century, then there are fundamental issues that this project has identified and which need to be addressed. There is ample opportunity for the industry to develop in many exciting ways, but it must grasp the nettle and begin to take action now.

References

Material information in this report is drawn from the two studies that produced the data for the project. They are:

Huxley, R (2003) **A *Review of the UK Food Market*** Cornwall Agricultural Council and Cornwall Taste of the West: Truro

Reed, M., Traill Thomson, J., Barr, D., Thompson, S., Winter, M., and Metcalf, R. (2003) ***A Study of Food Production, Distribution and Processing in Cornwall and the Isles of Scilly*** University of Exeter: Exeter