



Photo: Lauren Baker

Policy pointers

1. To feed growing cities in a sustainable way, both public and private actors need to speed up design and implementation of innovative food system strategies at a city region scale.
2. Business opportunities exist in traditional food services (production, processing, retail), and increasingly also in resource recycling, development of new products and services, and technological innovations. This generates new opportunities for urban- and rural-based water, energy and other non-food sectors.
3. Small and medium-sized enterprises (SMEs) seem to have the highest potential for supplying city region markets and providing or sourcing city region products, while at the same time ensuring local job creation and social inclusion.
4. Local small-scale farmers and SMEs need to be supported in adopting specific business strategies to be competitive, through product aggregation, sharing of infrastructure and resources, pooling of consumer demand, and/or integration of their products into mainstream distribution channels.
5. Interventions and policy instruments by governments and the larger and international private sector can vary from direct technical and financial support to creating favourable business environments in the city region. Local/regional sourcing and procurement possess potential for support. These interventions should address environmental and social sustainability criteria.
6. The greatest impact is achieved when a food system approach is advocated and support is provided to the entire network of city region producers, wholesalers, processors, caterers and shopkeepers. Integration with other sectors (logistics, recycling, urban planning) and various innovations in food production and marketing will drive the biggest change.

The Role of the Private Sector in City Region Food Systems

Increased recognition of the role that food can/does play in responding to various urban sustainability concerns provides new market and engagement opportunities for the private sector. Private sector players can fulfil an important role in speeding up and implementing scalable urban food system innovations. Because of their large consumer markets, more direct consumer relations, and close collaboration between various players in the food supply chain, city regions offer traditional and new private sector players some unique opportunities.

This policy brief reports on a recent study, implemented by RUA Foundation and supported by the Food & Business Knowledge Platform (F&BKP) and the CGIAR Water, Land and Ecosystems Research Program (WLE/IWMI), on the role of the private sector in building more sustainable and resilient city region food systems.

Ecuador's largest meat processor, PRONACA, sources 80% of its total annual procurement budget (USD 866 million) from national suppliers. Local suppliers close to operation centres near larger cities account for 45% of the procurement. In this way, the business contributes to 'the development of these territories' (PRONACA'S sustainability report from 2015).

RUA Foundation



LED BY
RESEARCH PROGRAM ON
Water, Land and
Ecosystems



International agendas

Increasingly, the need for sustainable urban food policy is featured on the agenda of cities. Over 160 cities have signed the [Milan Urban Food Policy Pact](#) committing to urban food security and nutrition, development of short food chains, sustainable food systems and inclusive rural-urban linkages. The [New Urban Agenda](#) (2016) emphasises the need for cities to 'strengthen food system planning' and recognises that dependence on distant sources of food can create sustainability challenges and vulnerability to supply disruptions. The Agenda commits to: 'Support urban

agriculture and farming, as well as responsible, local, and sustainable consumption and production, and social interactions, through enabling accessible networks of local markets and commerce as an option to contribute to sustainability and food security'. Private sector has a role to play in building more sustainable and resilient city region food systems, but it is also understood that public goods will not be delivered by market forces alone and that greater transparency and public participation in the food system are required.

Private sector engagement

Traditionally, a wide range of private sector agents have been and are involved in the food system, including production, processing, retail and catering companies based in and around city regions. More recently, for various social and economic reasons, new players engaged in the circular economy, technology providers, housing and real estate have also started to support production innovations such as commercial greenhouse production, vertical farming and urban agriculture, local processing, procurement, direct marketing, and food waste reduction.

Waste-to-energy business cases

Recovering energy, nutrients and water from domestic and agro-waste streams is gaining momentum while a new agenda for promoting sustainable development shifts focus from a waste disposal-oriented approach to a business-oriented one. The sanitation and waste management sectors in many cities are still dominated by public sector actors, and the role of the private sector is only gradually emerging. Most initiatives for resource recovery & reuse depend heavily on subsidies and remain small, often not surviving beyond their pilot phase. New approaches and PPPs are needed to implement viable solutions at scale that support livelihoods, enhance food security, support green economies and contribute to cost recovery in the sanitation chain.

The International Water Management Institute (IWMI) has identified and analysed over 150 business cases for transforming waste into nutrients, energy and/or water, and defined promising business models with the potential to be scaled up in a range of contexts (<https://wle.cgiar.org/rrr-business-model-profiles>).

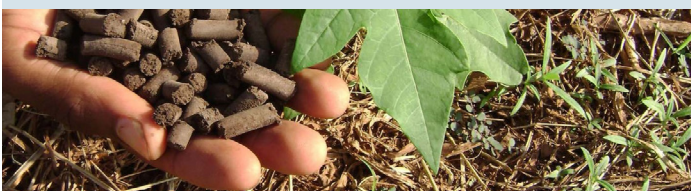


Photo: IWMI/WLE

Rotterdam, The Netherlands

The city region food system (CRFS) of Rotterdam is characterised by a high dependence on national and international trade, and a more centralised food supply chain with reduced reliance on local production. At the same time, a growing local food movement is developing various short supply chains and new local consumer products.

A specific innovative feature of the Rotterdam CRFS is the role played by a variety of new, non-traditional food players. Motivated by social and economic reasons (increasing real estate value and reducing tenant turnover), social housing and real estate companies are supporting urban agriculture, and facilitating access to land and building stock for cooking and training activities.

The importance of these new players lies not so much in the scale of their interventions but in their contribution to a supportive environment for food initiatives in the city region.



Motivated by social and economic reasons, social housing and real estate companies support local urban agriculture.

Photo: Menno Leutscher

Business behaviour

Private sector players can enhance their engagement in sustainable and resilient City Region Food Systems (CRFS) by:

- Applying local/regional procurement and sourcing criteria
- Targeting city region markets (establishing direct relationships with buyers and consumers, providing new product concepts, innovations and specific urban services)
- Aligning Corporate Social Responsibility strategies and resources with a sustainable and resilient CRFS vision
- Pioneering innovations with social inclusion criteria
- Innovating financing and public-private partnerships
- Developing business relationships and networks with both mainstream and other CRFS business partners, customers and public-sector stakeholders.

Challenges for smaller and medium-scale private enterprises generally lie in volume (bulk) requirements and price settings, product quality and standards. Economies of scale can be created by grouping consumer demand (e.g. through internet buyer groups) and producers/SME networks (sharing infrastructure/resources and product aggregation). Collaboration among SME and mainstream private sector players may allow local food players to integrate their products into mainstream distribution (e.g. supermarkets). Product and market innovation, direct producer-consumer relations, and local guarantee, accreditation and catering mark schemes are strategies for required product provenance, traceability and quality guarantees.

Mainstream business models can include innovative and more sustainable food system strategies at a city region scale. These include examples of large-scale retail and catering, such as airport food shops, national and international hotel chains (such as Accor) and supermarket chains, involved in (food) waste reduction, local/regional sourcing and on-site food production for reasons of social and environmental responsibility and marketing and in response to consumer demand.

Business characteristics

Businesses with the highest potential for supplying city region markets and providing or sourcing city region products seem to have certain characteristics:

- Most are SMEs
- Seem to do best: run by family, small partnership or sole owners
- Affinity with the region; pride and passion in running the business
- Retail control of their markets
- Balance found between sufficient supply volume and cost
- Access developed to both local and mainstream markets
- Wide range of skills, including flexibility and telling the story to consumers
- Transparency and traceability.

This does not dispute the potential of large-scale processing, retail and catering – because of their scale of operation and financial resources – to drive change.



The Food for Life Catering Mark is used by a significant number of public sector buyers (hospitals, schools and universities).
Photo: North Bristol Health Trust

Quito, Ecuador

In Quito, many small and medium-scale producers, local markets and traders still exist alongside a rapidly growing modern and globalised food system dominated by a small number of larger processing and retail businesses and greater consumption of processed food. Because there are small-scale producers and intermediaries in the city region, and because small and large food processing and retail enterprises are still connected to a local supplier base, there are real opportunities to develop a more sustainable and resilient CRFS in the Quito city region. This is supported by the Ecuadorian government, which is very concerned about both social inclusion aspects and support for local producers and SMEs.



The Ecuadorian government stimulates local supply. National policy stipulates the inclusion of small-scale producers in supermarket distribution channels. Photo: El Herald

Policy support

Public policy supporting private sector engagement and behaviour in building more sustainable and resilient CRFS is driven by interest in mobilising private sector investment and resources, enhancing environmental, social and economic development and advancing innovations.

Support mechanisms include legal and regulatory instruments, setting of procurement standards and targets, zoning and agricultural land protection. They also include financial instruments (public or public-private investment funds, taxes, subsidies). Communication and education, direct implementation or support to CRFS projects (like urban farmer markets) and provision of business support services (granting access to land, markets, infrastructure; offering training and advice) are complementary strategies delivered by many governments and larger (inter)national private sector.

Governments and the larger private sector can also generate large buyer demand for city region products through their own public procurement. Further business support would need to evolve around the setting up and improving of separate or shared processing, storage centres or food hubs, ICT services, commercial and logistics training. Up-to-date information on food supply sources, retail market and consumption trends is necessary. Businesses also need better knowledge of the

availability of local products, the businesses that can help them with sourcing and support for these practices.

Consumer awareness and education are also needed on the benefits of city region food supply. Catering certification schemes are proven mechanisms for driving systemic change. In order to enhance impact in various domains, it is important that – beyond provenance criteria – emphasis is given to aspects of health, social justice and inclusion, regional and youth employment and environmental sustainability.

Bristol, UK

A huge range of food is produced and available in the Bristol city region, yet only a small proportion is labelled and sold as such to consumers in the city region. Existing networks of community groups and entrepreneurs, all of whom are interested in good, sustainably produced food, form a basis for a more sustainable and resilient CRFS. Driven by strong public pressure for improvements to school and hospital meals, a novel (national) catering mark proves to be an effective tool for driving qualitative change in public sector catering while providing unique opportunities for city region producers, processors and other suppliers. The catering mark is a voluntary accreditation scheme with a focus on provenance and traceability. North Bristol NHS Health Trust prepares 3000 meals a day.

This policy brief was developed by the RUAF Foundation (Netherlands) in partnership with the Food & Business Knowledge Platform and with IWMI and CGIAR Water Land and Ecosystems Programme. **Authors:** M. van Veenhuizen, M. Dubbeling (RUAF Foundation) and Katharina Felgenhauer (IWMI). **Design:** F. Hoekstra (RUAF Foundation). **Date of publication:** January 2018. The full study report and three city region reports can be accessed here: www.ruaf.org/projects/role-private-sector-city-region-food-systems.