

**Cambridge** Centre  
for Housing &  
Planning Research

# **Economic analysis of the Wisbech travel to work area**

## **Summary report**

March 2014



**UNIVERSITY OF  
CAMBRIDGE**

## **1) Introduction**

The University of Cambridge was commissioned to undertake an economic analysis of the Wisbech travel to work area in order to help address the current and future challenges facing Wisbech and to maximise the opportunities available to the town and its surrounding area as set out in the Wisbech 2020 Vision (Cambridgeshire County Council and Fenland District Council 2013).

One of the key action points set out in the Vision statement was to produce a report providing a steer on which key economic sectors the Wisbech area should focus upon and to analyse the competitive strengths as well the potential constraints to the growth of these sectors.

The aim of the research was to analyse:

- The current economic profile of Wisbech travel to work area (TTWA);
- The sectors of the local economy most likely to have potential for future employment growth and higher productivity levels under different macro-economic scenarios; and to
- Make recommendations on ways to support a high value-added growth strategy.

The research was funded by the University of Cambridge, Cambridgeshire County Council and Fenland District Council.

## **2) Wisbech TTWA economic sectors**

For each of the sectors listed below, the report considered the constraints to growth that the individual sectors face, specific to the Wisbech TTWA, and also began to identify ways to overcome these challenges and deliver measured growth.

1. Agriculture/horticulture and food manufacturing sector (agri-food)
2. High value manufacturing sector
3. Logistics and storage sector
4. Construction sector
5. Retail sector
6. Business administration and support services
7. Tourism sector – cultural industries
8. Role of the port in relation to retail, leisure and tourism
9. Creative industries sector
10. Clean-tech renewables sector
11. Public sector

### 3) Analysis of the economy

A detailed data analysis of the Wisbech economy showed that the largest industrial sector in terms of employment was manufacturing, of which food manufacturing was the largest sub-sector with 48.6% of manufacturing workers. The analysis produced location quotients (LQ)<sup>1</sup> for the Wisbech TTWA and compared these with those of the district, county, region and nationally. A LQ which is over 1 indicates that the industry's labour force is proportionately larger in the area compared to the national proportion. The largest LQ was observed in agriculture (5.05). Manufacturing was the second (2.33), within which food manufacturing had a very significant LQ of 8.19. The change in LQ by industry over the inter-census (2001-2011) period was also analysed. The share of agriculture saw the largest growth (1.37). Manufacturing showed the second largest growth (0.90).

### 4) Potential for economic growth

A number of different sectors were analysed for their future economic potential. Detailed growth scenarios were then developed for the agriculture/horticulture, food-manufacturing and retail sectors in the Wisbech TTWA due to the stronger economic potential for these sectors based on existing data. Key findings showed that:

- In 2010 the agricultural gross value added (GVA) in the WFA was estimated at around £19 million – an increase by £6 million from 2001.
- The latest GVA for the food-manufacturing sector was £54 million, increasing by £11 million from 2001.
- The GVA in the retail sector was £45 million in 2010, which suggests a recovery from the nation-wide recession in 2009 and an increase from £32 million in 2001.

An estimate and future projection of GVA was made for each sector. GVA measures the contribution to the economy of individual producers, industries or sectors. The analysis showed that there is potential for strong GVA growth in the agriculture/horticulture and food manufacturing sectors. In the robust macro-economic scenario (which seems more likely to be achieved now that national economic growth forecasts have improved), if a high value-added growth strategy is adopted then the combined GVA of the agri-food sector could be £139 million by 2030, compared to £73 million in 2010. This sector can therefore make a considerable contribution to the local economy and this highlights the benefits of continued investment in the sector.

The analysis shows that the likely GVA contribution from the retail sector is weaker than agriculture/horticulture and food manufacturing. In consultation with the project steering group, the retail sector was not taken forward for specific stakeholder consultation, based on its weaker growth potential.

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<sup>1</sup> A location quotient (LQ) is a way of quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a particular area or region as compared to the nation. It is a ratio that compares the chosen area to a larger reference region according to some characteristic or asset.

The research identified the agriculture/horticulture and food manufacturing sectors – collectively called the agri-food sector – as the part of the local economy most likely to achieve future growth.

From the other sectors analysed, there was economic potential within these, although the analysis suggested the agri-food sector had the greatest economic potential. However, there are still potential opportunities for smaller economic gains to be made in particular sectors such as the clean tech renewables sector and its associated supply chain, the logistics and storage sector based on its direct relevance to the agri-food sector and construction sector based on investment in niche markets which is detailed on pages 5, 6 and 9 within the appendices. Although it was not explored in the research, FDC is optimistic that the clean tech sector has potential to be a growth sector, particularly with the growing national interest in energy security, but potential supply chain opportunities would need further investigation.

## **5) The agri-food sector**

The agriculture/horticulture and food manufacturing sectors are highly interrelated and form a mature and well-established cluster in the Wisbech TTWA. Its strength has been an important source of stability for the Wisbech local economy, particularly through the recession, with the number of jobs across the sectors remaining broadly constant between 2001 and 2011. In addition to quantifiable contributions to the local economy, the agri-food sector is also more embedded within the economy than other sectors because of the diverse range of businesses it supports across the entire food chain.

In the Wisbech TTWA, the agri-food sector supports a large number of farmers and producers growing arable crops and traditional vegetables, such as potatoes, onions and sugar beet, as well as ornamental plants. It also supports a large and diverse range of other businesses relating to areas of food, drink, manufacturing, storage and distribution, including hauliers, packers, wholesalers and merchants, food and drink manufacturing as well as financial, legal, construction and tourism enterprises. The majority of businesses are inter-related, also sourcing a high percentage of their produce from local farmers and growers. When induced impacts of spending by those employed in the sector are added to the indirect effects in other industries, the overall contribution to the local economy is significant.

However, the sector also faces major challenges to which businesses need to respond in order to sustain growth and productivity. These include rising global demand and food prices; a growing UK food trade deficit; increased input costs; intensified competition from emerging markets; changing domestic consumer behaviour; intensified retail competition and issues relating to climate change and environmental sustainability.

## 6) Strengths of the Wisbech TTWA

The research identified a number of competitive strengths in the agri-food sector in the Wisbech TTWA, including:

1. High quality land in terms of soil.

*“The quality of the land is the main thing. There is strong demand for what we grow. For potatoes this area is renowned for their keeping ability. There is a known brand name for our produce”. (Agriculture business)*

2. A strategic location for food production, storage and logistics.
3. Numerous agri-food related businesses and engineering supply chains already operating in the local area.

*“This is a key centre for growing produce and all the support industries you need are here too. For machinery and chemical inputs, there are local companies to provide all the inputs needed on tap”. (Agriculture business)*

4. A relatively low cost base, including relatively low labour costs and land costs.
5. An easily available, well organised supply of largely migrant labour for seasonal work.

*“A key strength of the location is being able to pool labour locally, especially for the seasonal work, around half our season workers are Eastern European migrants living locally and half are British born locals who return each year”. (Horticulture business)*

6. Regional funding opportunities e.g. the Eastern England Agri-Tech Growth Initiative.
7. Support for business growth through established supply chains in the engineering and agri-food sectors.

## 7) Constraints on growth in the Wisbech TTWA

The research also identified a number of constraints on the growth of agri-food businesses in the Wisbech TTWA, including:

1. The location is perceived to be disadvantaged being on the edge of the county.
2. The perceived quality of the living and working environment acts as a deterrent for incoming professionals to locate in the TTWA.
3. Weaker infrastructure, such as poor transport links, affects its connectivity.
4. The competitive threat from the growth of neighbouring agri-food clusters, such as Spalding.
5. Low birth rate of new business enterprises and 'move-on' space.
6. Dependency on multinational companies which is a risk if they divest from the area.
7. Issues related to a shortage of certain skills in the local labour market e.g. technical skills.

*“The job becomes more technical every year. For example, all the machines are computerised. But the average age of employees is 50 or over. We need local technical knowledge to increase and support in this would be useful. If we could manage to employ someone with the IT skills we need it would be useful. Agriculture teaching has to include IT and technology. We desperately need skilled labour for these machines. For example, I have been trying to buy a sprayer for £240,000. But we need a trained man to use it. Someone with the technical knowledge to use the satellite control etc. There is a desperate national shortage of trained machine operatives”. (Agriculture business)*

8. Difficulty attracting young people into the agri-food, manufacturing and engineering sectors.

*“For agriculture there is a stigma in education, even though food production is the biggest manufacturing industry in the UK. But it is not seen as attractive to young people”. (Agriculture business)*

9. A weak business network and lack of knowledge of local developments.

## 8) Business strategies for growth

The research identified the range of agri-food business strategies already being implemented in the Wisbech TTWA to build on the strengths and respond to the challenges. These include:

### 1. Adopting innovation and new technologies

In the Wisbech TTWA, interviews with food producers and growers found that investing in precision farming techniques and adopting new process technological innovations includes, for instance, investing in the latest innovations in chemical inputs such as fertilisers and pesticides, and plant breeding capabilities.

*“We have also focused R&D on ways to prolong the growing season through introducing autumn bedding plants, selling Christmas trees, mail ordering and extending their packaging facilities. This also offers longer term employment and greater job security to our employees”. (Horticulture business)*

The stakeholder consultation found that there is also a constant focus on upgrading agricultural equipment and growing facilities, including investing in state-of-the art equipment and facilities.

#### **Case study - large scale high value grower – horticulture produce**

The independent company was founded fifty years ago and relocated to the Wisbech area from Long Sutton in 2006, with the site covering 14 acres. The company specialises in the production of quality young plants, having over 2000 varieties of plants to satisfy customers’ needs and stockholdings throughout the season. It constantly works with plant breeders to develop new varieties. When the company relocated, it invested in state-of-the-art glass houses which have the latest computer controls and equipment including underground and above ground heating, lighting, shades, sprinklers and automatic ventilation to provide optimal growing conditions and increase efficiency and productivity.

#### **Case study - large international food and drink group – low value canning production**

An international food and drink group specialising in sourcing quality products and ingredients from around the world. They manufacture food and drink products across state-of-the-art manufacturing sites and deliver products to retailers, wholesalers, foodservices and industrial customers through an international supply chain, employing over 6,000 people and operating 14 major food and drink production sites. The company completed acquisition of a competitor’s canning operations in 2011 at Wisbech and Long Sutton which collectively employs over 1,000 people. They are committed to investing in their newly acquired factories and sustaining their supply chains in general to achieve greater vertical integration and economies of scale. The acquisition of the Wisbech site significantly expands the company’s portfolio of branded and customer own label products in the canned foods sector to respond to consumer demand.

## **2. Achieving economies of scale**

Growers interviewed said that they look for economies of scale and ways to increase yields and efficiency. It is a highly technical and professionalised industry. Smaller growers often join cooperatives to market their produce.

## **3. Targeting customers to develop product innovations**

Agri-food companies need to anticipate and meet new consumer preferences so that they retain and or increase their share in the segment of the market that is growing e.g. convenience and healthier products.

## **4. Moving business further up the supply chain**

There is scope for businesses to move up the supply chain in order to increase profit margins. Some farmers and growers who were interviewed add value to their output and receive greater income through primary food processing. The interviews found that food manufacturers and secondary processors equally add value through introducing food wholesaling and distribution to their operations.

## **5. Looking for security in the supply chain**

A range of strategies are used to increase security for growers and producers, including joining cooperatives.

### **Case study - low value arable farmer-owned co-operative for storage, marketing and distribution**

This farmer-owned co-operative markets and stores grain on a large scale for around 1,200 farmers. They act as an intermediary for farmers and food manufacturers to achieve economies of scale in storage and marketing and provide market information to farmers. Investment costs are high and several million pounds has recently been invested in storage facilities at a Wisbech site.

## **6. Focusing on local provenance and reducing import penetration**

Focusing on self-sufficiency and locally known provenances not only helps to mitigate pressure on business margins but also supports local producers and manufacturers. Food localism and encouraging local food networks to reduce food miles is therefore a growing trend for businesses to capitalise upon.

*“We only buy in from other Cambridgeshire growers so we support local businesses. It states on the label that the apples are grown and pressed in Cambridgeshire”.*

## 7. Diversifying into new activities

A number of strategies can be pursued to diversify agri-food businesses in order to add value to the business, increase incomes and sustain growth. With regard to farmers and producers, these options include for instance, renting out buildings and service provisions, setting up shops, catering and accommodation facilities as well as developing tourism activities. Farmers and employees, in effect, supplement their income as well as find employment alternatives in-situ through these means.

*“The livery income helped the farm through hard times in the winter months”. (Agriculture business)*

## 8. Developing skills, training and opportunities for new employees

As the industry becomes more sophisticated and traditional labour-intensive farming work declines, the demand for higher level and technical skills are needed, for instance, in mechanisation, quality control, ICT and production science as well as higher levels of management skills able to run increasingly large and complex business operations.

*“We are committed to investing in employee skills, launching a range of training apprenticeship schemes in-house, which also includes a paid internship scheme and extension of our on-going graduate training scheme which Wisbech employees can benefit from so that they can update their skills as required”. (Food processing business)*

### **Case study – large high value input supplier**

The company employs 300 across 26 depots nationally, of which 30 staff are specifically in its HQ in Wisbech. Half of its total employees work in customer services and agronomic relationships. Training is carried out in-house as the industry is highly skilled, with relatively unique technical and scientific specialisms required. The company recruits from a strong and growing national labour pool, particularly of young professionals who perceive agri-tech sector to be a highly respected profession. There has been no issue recruiting locally, although the higher earning professionals working in the HQ do not necessarily live locally.

## 9) Recommendations

The research shows that there is potential for growth in the agri-food sector in the Wisbech TTWA. However, relying on strong overall macro-economic growth alone will not generate the added value to the local economy that the sector has the potential to deliver. Businesses need to further develop high value oriented strategies, particularly if the macro-economic environment remains weak. This means innovating and developing business strategies that will increase skills and invest capital and labour in producing higher value products e.g. through technological innovation and economies of scale.

Capitalising on the fact that agri-food is already Wisbech's dominant sector is recommended, focusing on opportunities to scale-up its economic potential, which can be completed in a shorter timescale than creating the environment for developing new specialisms in emerging sectors where it is currently underrepresented, such as green tech, renewable energy and marine engineering. However, FDC are optimistic that a longer term strategy delivered through the Fenland Enterprising in Education and the LEP Skills Service projects to improve higher end skills and utilise assets such as the port could derive economic gains, albeit smaller in scale to that of the agri-food sector. Although this was not explored through the research, this would reduce the town's vulnerability to dependence on multinational companies based in the agri food sector. The research suggests that Wisbech TTWA would find it difficult to compete against other well-established clusters where strong forecast employment growth is anticipated nationally, such as business and professional services. Strategies based on creating high value-added economies with anticipated growth of sectors linked to the knowledge economy may be unrealistic for a local economy like Wisbech TTWA.

Focusing on high value-added sectors tends to require higher skills levels and at the moment there is likely to be a mismatch between the skills required to meet the demands of these new sectors and the skills currently available in the Wisbech TTWA labour market. A strategy designed to address this issue needs to be in place. In the meantime, to reduce economic inactivity and raise employment rates, a local economy also needs to provide significant numbers of jobs at lower skill levels. The agri-food sector is ideally placed to provide these jobs. Horticulture production is particularly labour intensive, employing large numbers throughout the year to sow, harvest and process crops. At the same time, there are opportunities to up-skill its existing workers and recruit new employees at higher remuneration levels where required.

The agri-food sector is progressive, with businesses adopting strategies to improve growth in productivity in response to emerging global trends. Attracting and supporting investment required to enhance this growth needs to be a priority at all strategic levels of government.

Many of the recommendations focus on the need to strengthen networks for business, for innovation, with research and with other industry clusters.

## 1. Skills development

There is a need to develop labour force skills in different ways. For example, to attract higher skilled workers to locate in the TTWA rather than commute through place making and investment in housing, retail and education; to increase skills of the existing labour force in the area e.g. through in-house training programmes and wider collaborations; and more generally to promote the agri-sector as a viable career path.

Business-led skills development can be supported to develop opportunities to meet demand through tailored apprenticeship schemes. It will remain important to continue working in collaboration with the College of West Anglia to deliver programmes to meet the needs of local businesses and to support local employment opportunities in the agri-food sector, particularly with a focus on stemming the out-migration of school leavers.

The College of West Anglia has collaborative initiatives with local businesses to identify problems and work through solutions to improve business growth potential, focusing, in particular, on management skills, ICT and marketing/selling skills. A distinction needs to be made, however, between small and medium sized companies, focusing on their specific issues. A one-size-fits-all approach, e.g. in relation to training and business advice, would not work.

Particular skills are needed in the agri-food sector (CCC 2012). For example:

- Young, highly skilled operators for large, complex and computerised machinery;
- Managers with a balance of technical and management skills to promote growth and efficiency;
- Scientists and professionals wishing to specialise in this sector e.g. engineers, bankers, accountants and solicitors;
- New leaders and entrepreneurs to drive the sector forward, create new products and enterprises and support growth needs of existing entrepreneurs.

To compete, the agri-food sector needs to demonstrate the career potential it has to offer, particularly by focusing on 14-16 year olds as they make career choices, and demonstrating innovative ways to attract the young e.g. through schools, offering diplomas, vocational training, apprenticeships, internships, mentoring, attracting career changers by explaining how transferable skills are valuable to sector and through retraining opportunities e.g. flexible postgraduate provision in mechanisations and supply chain management. This requires sending positive messages to influencers e.g. careers services; and making sure conditions of employment are competitive and rewards to potential new entrants attractive. It also means collaborating in national initiatives to develop skills and career paths in agri-food so that Wisbech employers can tap into a higher skilled national labour pool.

As businesses innovate and focus on strategies of higher value processing and products, it will require up-skilling both for managerial and the elementary labour force, albeit in different ways. Firstly, managers need to improve skills of product selection to work out what kind of product portfolio optimises their business output, and need the skills and knowledge to subsequently plan the optimal allocation of labour and capital input. Marketing skills to sell a

newly introduced product or promote a new area of the business will be also required. Even elementary workers need to learn new routines in the introduction of new high-valued products – for example, new ways of cultivating, fertilising, watering, using pesticides, harvesting and/or feeding new kinds of animals and there needs to be awareness of training opportunities. In addition, the government/EU subsidies that can be received by participating in various environmental protection schemes might increase the agricultural GVA, although this requires skills and knowledge in examining the costs and benefits arising from the schemes.

## **2. Business support**

The Wisbech TTWA would benefit from a stronger business network and greater support for local business development. The existing business network for agri-food is weak but if strengthened would help to disseminate funding and investment opportunities, to share knowledge and innovation, and to signpost businesses to support and advice on business issues such as marketing.

Business networking could be strengthened through FDC, the Chamber of Commerce and representative bodies such as the Agricultural Industry Confederation, the Agriculture and Horticulture Development Board and representatives of small businesses. In order to innovate and grow, businesses need advice and support on practical farming and manufacturing solutions and an awareness of available opportunities.

There are also opportunities to develop mutual economic benefits with agri-food businesses in neighbouring districts and to engage and work more effectively together. Wisbech requires better branding and national networking to promote the area as a suitable location for multinational companies and nationals. A focus on establishing a stronger brand image of the agri-food sector and in particular the competitive strengths of the Wisbech area is recommended. But there also needs to be support for small and medium enterprises which can provide sustainable growth and employment without the risk of future large scale disinvestment.

Non-agricultural business development by farms should also be encouraged for a sustainable agricultural sector in the Wisbech TTWA, such business includes, among others, tourism related to wildlife/greenery, machinery rental, renewable energy and bio-science related particularly hybrid agricultural products. Business activity within one traditionally categorised sector can perhaps only achieve limited growth. Multi-sectoral activities may be important, for example, agriculture and tourism; food-manufacturing and other manufacturing/tourism; and retail and service/tourism.

## **3. Support for innovation**

More could be done to share and disseminate the latest innovations. Knowledge and research generated through developments supported regionally e.g. through The Eastern England Agri-Tech Growth Initiative or nationally e.g. through the Agricultural Technologies Strategy, needs mechanisms to ensure it reaches businesses in the Wisbech TTWA. This information can be disseminated through existing channels e.g. the Agriculture and Horticulture Development Board and by engaging with cooperatives which reach a large

number of growers. CCC/FDC could act as network brokers to develop and promote these existing methods of knowledge dissemination and to make sure they are aware of new developments.

#### **4. Engaging with wider government initiatives**

Support is needed to ensure that businesses in the Wisbech TTWA are engaged in wider initiatives such as the Eastern England Agri-Tech Growth Initiative, particularly with an agri-tech centre locating to the area. Few stakeholders consulted during the research were aware of it. There is a need to raise awareness and to ensure that there is a strong local voice so that the area is represented within it and therefore can benefit from the initiative.

The initiative will bring together leading agriculture, research, science and technology assets in the East of England with the aim of strengthening a nationally significant new cluster that brings a global reach and impetus to the emerging UK agri-tech sector.

The initiative aims to boost growth by:

- Supporting the development, application and commercialisation of new technology in the food and agriculture industry, through new market and supply chain development.
- Enabling essential skills development.
- Establishing a new cluster that puts the UK at the forefront of global challenges facing the food and agriculture sector.
- Providing loans for local small and medium sized enterprises (SMEs) in specialist food-related sectors and industries.
- Creating innovation support for micro-enterprises that are currently unable to access support via existing schemes, such as the Growth Accelerator.
- Reviewing opportunities to create a private sector network for the agri-tech cluster in the East of England to help broker investments.

The national Agricultural Technologies Strategy (DEFRA, 2013b) sets out a range of key actions, including:

- A £90 million government investment in world class Centres for Agricultural Innovation with additional investment from industry. The centres will support the wide-scale adoption of innovation and technology across key sectors, technologies and skills in the food and farming supply chain. This includes up to £10 million for a Centre for Agricultural Informatics and Metrics of Sustainability which will use data from farms, laboratories and retailers to drive innovation.
- Creating a £70 million Agri-Tech Catalyst to help new agricultural technologies bridge the so called 'valley of death' between the lab and the marketplace. Co-funded with industry, the catalyst will specifically support SMEs. The investment includes £10 million to support the transfer of technology and new products to developing countries.
- The creation of an industry Leadership Council to unify the agriculture technology sector and make the UK more internationally competitive.

- The recruitment of a new UK Trade and Investment (UKTI) agri-tech team to boost exports and overseas investment in the UK's agricultural technologies.

Businesses in the Wisbech TTWA need to be linked into a network of information and knowledge exchange to ensure they are aware of developments through such initiatives and others such as those emerging from the national Agricultural Technologies Strategy and changes in legislation.

## **5. Providing the best environment for investment**

Continued lobbying for investment in infrastructure provision e.g. to upgrade the A47 and install a rail link to March is important as it underpins economic growth, enabling better access to markets for both businesses and employment opportunities for local residents. This is a matter for the public sector (not only at the local authority level but also the national level). But the private sector could engage in collective campaigning or lobbying for investment/redevelopment.

There needs to be continued investment in social infrastructure provision. These place-making strategies to improve the quality of the living environment include providing a strong residential offer in order to attract and retain a skilled workforce. If the economy is to continue to grow then investment in retail, hospitality and leisure industries is essential not only to help support the economy but also to create vibrancy which will attract talent and further investment.

There is a need for a greater variety of employment space to accommodate a range of new businesses as a way to diversify the local economy. This may require an increase in the allocation of employment land to help support future growth opportunities. A supportive flexible planning approach can be encouraged through identifying and providing suitable land and premises and fast tracking planning applications for large scale development.

## 10) Contacts

This research was conducted by the Cambridge Centre for Housing and Planning Research, University of Cambridge.

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