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EIP-AGRI Focus Group Innovative Short Food Supply Chain management

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1. Summary

Short Food Supply Chains (SFCs) have potential to improve farm incomes, promote sustainable farming systems and contribute to local economic development. There are many different forms of SFC in Europe, but they share a common characteristic of reduced numbers of intermediaries between the farmer or food producer, and the consumer. Whilst the number of SFCs has proliferated, their collective impact is limited by a number of barriers to scaling up. This report summarises the findings of the EIP-AGRI expert focus group on Innovative Short Food Supply Chain Management. The overall aims of this temporary group of experts were to: identify the main needs or instruments required to implement SFCs which can increase farm incomes; to highlight the factors that currently hamper scaling up and to make recommendations for solutions to the problems.

The report focuses on setting up and getting support for collaborative activities in which more than one farmer, food producer, organisation or individual agree to work together to develop short food chains for mutual benefit. It identifies many benefits of collaboration including:

- ▶ improved product range available to consumers,
- ▶ resource sharing amongst producers and processors,
- ▶ maintaining local food chain infrastructure (such as abattoirs),
- ▶ increased negotiating power for groups of producers,
- ▶ reduced competition between small producers, and
- ▶ mutual support to combat isolation and stress.

It also discusses the challenges facing collaborative SFCs around product development, access to markets, logistics and distribution. It reviews evidence, provides case studies, identifies factors of success, and also barriers. It makes proposals for further research, and for 'operational groups' that can be set up to solve problems facing collaborative SFCs.

The report emphasises that 'scaling up' of SFCs is not limited to individual enterprises increasing their size. Scaling up can also be achieved through the proliferation, co-ordination and connecting-up of many small-scale but complementary initiatives. Such initiatives take a wide variety of organisational forms, including small and micro-sized businesses, social enterprises, community interest companies, co-operatives in various forms, and community-led initiatives, and these can be in rural and urban areas. In fact, the role of urban citizen-led SFC initiatives is highlighted as a particularly important opportunity. The report emphasises that if scaling up through 'proliferation' is to be achieved, there is a strong need for advanced collaborative skills, including trust-building and mediation, as well as a need for new financial models and reduced regulatory barriers to small and micro enterprises. The diversity of SFCs influences the scaling up forms and processes in different countries and regions.

It is important to look carefully at which business models work, and understand the competitive landscape that SFCs are located in; this includes the ways in which some aspects of regulation and market structure work against SFCs. It is also important to be wary of making assumptions that SFCs will *necessarily* deliver improved farm incomes or other benefits: for example, if the supply chain relationships are not structured according to principles of fairness, and if the production and distribution systems are not geared to environmental sustainability and social inclusion, then a short food chain will not deliver the social, environmental and economic benefits that are hoped for. It is therefore important that assumptions are not made about SFCs before the underlying relationships and structures – as well as motivations - of those involved are fully understood. In addition, it is also vital to take into account the different national and regional contexts, including policy support (or lack of), consumer culture, geographical location and natural resource availability. All of these play an influential role on SFC formation.

The report represents the views of the focus group participants, who drew on their own knowledge and direct experience of working with and for collaborative SFCs. Where differences of opinion were evident, these are explained. A limited number of scientific references is included where appropriate but the emphasis is on lessons learned from the practical expertise of the focus group members.

2. Introduction

EIP-AGRI Focus Groups are temporary groups of selected experts focusing on a specific subject, sharing knowledge and experience. Each group explores practical innovative solutions to problems or opportunities in the field, and draws on experience derived from related useful projects. Each EIP-AGRI Focus Group meets twice and produces a recommendations and outcomes report. The EIP-AGRI Focus Groups also discuss and document research results, best practices and identify the implications for further research activities that will help to solve practical problems in the sector. These may be related to production, processing, consumption, transport or other issues (for further information go to

<https://ec.europa.eu/eip/agriculture/en/content/focus-groups>.

The aims of the expert focus group on Innovative Short Food Supply Chain Management were to:

1. Identify and analyse the different alternative food supply chain models existing in Europe.
2. Identify those models that substantially improve farmers' income, and have potential for scaling up in terms of the number of producers involved and volumes traded.
3. Identify the main needs or instruments required to implement these models and the factors that currently hamper the scaling up.
4. Identify existing examples of how these factors can be addressed in Europe, and explore the role of knowledge transfer in addressing them.
5. Explore innovative solutions to address the hampering factors and propose directions for future research work.

The membership of the focus group consisted of entrepreneurs directly involved in running SFCs, representatives of organisations concerned with supporting SFCs, and a limited number of researchers who specialise in SFCs (for a full list, see [Annex 1](#)). The first meeting (Prague, December 2014) addressed aims 1) and 2). It identified the different short food chain models existing across Europe and also refined the working definition of short food chains (SFCs). It provided insights into barriers and opportunities for 'scaling up' and discussed which models substantially improve farmers' income, as well as other economic benefits. The group agreed that whilst it is not currently possible to identify a single model of SFCs which is most appropriate for scaling up and increasing farmer incomes, the idea of 'collaborative' SFCs offers the most potential in terms of increasing the numbers of producers involved and the volumes of food traded. For the second meeting, it was therefore decided to deepen the focus on collaborative forms of SFC, in order to address aims 3), 4) and 5). The group defined 'collaborative' activities broadly as those in which more than one farmer, food producer, organization or individual agree to work together to develop SFCs for mutual benefit¹. On the basis of their practical experience of running and helping to support SFCs, the group decided to address four major 'challenge areas' faced by collaborative SFCs, namely:

1. Setting up and getting support
2. Product Development
3. Access to Markets and Consumers
4. Infrastructure and Logistics

A series of 'mini papers' was prepared which addressed these challenge areas, and these formed the basis for discussions held at the second focus group meeting (Edinburgh, 21-23 April 2015). In addition, 11 detailed case studies were prepared which are reproduced in full in [Annex 4](#) and which have informed this report. At the Edinburgh meeting the group worked on translating the lessons learned from the mini papers and case studies into ideas for operational groups, research needs and recommendations. It also further developed the working definition of short food chains and completed a 'visioning' exercise about the future of scaled up SFCs, which can be found in [Annex 3](#).

¹ It is acknowledged that in many Central European Countries 'co-operative' is a word with many negative associations (it evokes 'collectivization' and memories of soviet-type obligatory co-operatives, much disliked by farmers). In Hungary, for instance, words such as 'collaboration, working together, teamwork' are preferred in order to help overcome the stigma attached to 'co-operation'.



Defining Collaborative Short Food Chains and Scaling Up

According to the European rural development regulation (1305/2013), a 'short supply chain' means a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers, processors and consumers. It is important to note that this regulation recognises the importance of *social relationships* between people involved in the food chain and this point is also very important for understanding how collaborative SFCs operate. A Commission delegated regulation (11.03.2014) stipulates that support for the establishment and development of short supply chains shall cover only supply chains involving no more than one intermediary between farmer and consumer (Article 11).

The focus group members regarded short food chains as much more than simply a tool for improving farm incomes. SFCs can also be seen as a means to restructure food chains in order to support sustainable and healthy farming methods, generate resilient farm-based livelihoods (in rural, peri-urban and urban areas) and re-localise control of food economies. These broader goals, which go beyond the impacts on individual farmers, are seen as vital for distinguishing between initiatives which try to address environmental and ethical problems in food systems, and those that seek to continue 'business as usual' with no potential for radical change. A complicating factor in discussions about SFCs is that the actors involved do not all share the same motivations or seek to achieve the same thing from SFCs. Some people want to build new and 'alternative' food chains in an effort to challenge the 'conventional' food system, which they regard as unsustainable, unethical and unlikely to improve. Others are prepared to work with/in the conventional food system, either for straightforward business reasons (ie. gaining access to bigger markets) or because they believe in improving the food system 'from within' by getting the most powerful actors, such as supermarkets, to change their behaviour. Moreover, the actors involved in SFCs often have to balance their objectives in pragmatic ways in order ensure that their businesses survive.

The definition of SFCs developed by the group is concerned primarily with the nature of the relationships between all the actors involved in food systems. The underpinning idea is that shortening the supply chain can deliver certain beneficial outcomes for environment, economy and society. However, it is important to note that the way in which the supply chain is shortened matters. Not all short supply chains will necessarily deliver the benefits that are aspired to. For example, if the supply chain relationships are not structured according to commonly agreed principles of fairness², and if the production and distribution systems are not geared to environmental sustainability and social inclusion, then a short food chain will not deliver the social, environmental and economic benefits that are hoped for. It is therefore important that assumptions are not made about SFCs before the underlying relationships and structures – as well as motivations - of those involved are fully understood.

² See, for example, the « charte du commerce équitable local » signed in France in 2014.

<http://www.commerceequitable.org/actualites/334-lancement-de-la-charte-du-qcommerce-equitable-localq.html>

Box 1: Working Definition of Short Food Chains

Short food chains have as **few links as possible** between the food producer and the citizen who eats the food. A food producer could be a grower, or a farmer, or a primary processor/artisan such as a cheese maker or fish smoker who uses raw products she/he produced or collected her/himself or bought directly from producers. The word 'citizen' as opposed to 'consumer' is used to reflect the idea that people should be regarded as active participants in food systems. Food citizens have a right to healthy, sustainable food as well as responsibilities for shaping the food system that is made available to them. The number of intermediaries needed between producer and citizen varies for different products; for example, abattoirs are an essential component of the meat supply chain and a distributor may be essential for producers in remote locations. Intermediaries could also be local organisers or animators (e.g. LEADER group) whose role is to help farmers; they could also be a restaurant, hotel or other catering outlet. Nevertheless, the main reason for shortening food chains is to reduce the number of intermediaries in order to achieve the following outcomes:

- ▶ The citizen who eats the food knows exactly where the food comes from, how it has been produced, and ideally, the price paid to the producer. To achieve this, the producer or intermediary is committed to sharing information about the product and production techniques and can easily be contacted by the citizen directly for information. In other words the food chain is **transparent** [*addressing citizen and policy makers' expectations regarding transparency, and capacity to enhance learning about agriculture and food and recover the meaning of food*].
- ▶ The food chain is structured in a way that ensures that the producer retains a greater share of the **value** of the food that is sold [*addressing producer need to sustain or expand their income and societal demands for a more equitable food system*].
- ▶ Intermediaries become **partners** in SFCs, fully committed to sharing information on the origins of the food, the producer and the production techniques and recognised for their role in building SFCs [*ensuring the role of artisans and traders is recognised and supported in terms of building sustainable food systems*].

Whilst SFCs are often part of local food systems (in which food is produced, traded and eaten within a defined geographical area, respecting seasonality and procuring territorial added value), they are not restricted to locally based exchanges. They can also be spatially extended to enable products from different climates to be sourced as directly as possible. SFCs can be built in many different forms, according to circumstances. The concept of SFC is dynamic and evolving as societal actors engage in a range of innovations and experimental food chain structures in their efforts to build sustainable food futures.

The 'scaling up' of SFCs is not only achieved through individual enterprises increasing their size. Scaling up can also be achieved through the proliferation, co-ordination and connecting-up of many small-scale but complementary initiatives. Such initiatives can, or even must, take a wide variety of organisational forms, including small and micro-sized businesses, social enterprises, community interest companies, co-operatives in various forms, and community-led initiatives.

In terms of 'scaling up' SFCs, there are many benefits to engaging in collaborative behaviour, including³:

- ▶ **Improved product range:** the product range can be diversified and/or increased so that more producers can be involved and more jobs can be created through retaining the added value in each territory. More people can be supplied with a greater diversity of products, in more convenient formats. Larger customers can also be supplied (such as public procurement).
- ▶ **Resource sharing:** equipment, tools, processing facilities, transport and logistics can be shared in order to improve efficiency and share costs. Knowledge and skills can also be shared (playing to the strengths of different actors, so that each member of the collaborative SFC, for example, needs not necessarily be an expert in producing, processing, logistics and marketing).
- ▶ **Maintaining infrastructure:** retaining or reinstating local processing facilities such as abattoirs or farmers' shop. The loss of small abattoirs is frequently mentioned as a barrier to SFCs because so many are now concentrated in huge units, that can be reached only after hours of travel.

³ These points summarised and adapted from Poisson and Saleilles, 2012; Chiffolleau 2009; Messmer 2013; French Rural Network and the expert mini papers.



- ▶ **Increased negotiating power:** more weight in contract negotiations, ensuring fair terms and conditions, gaining access to public and larger scale markets. More power to draw decision makers' attention to legal problems as hygiene rules
- ▶ **Reduced competition:** between many small un-coordinated SFCs in a region
- ▶ **Mutual support:** collaboration can combat isolation felt by small-scale producers; it can assist the integration of newcomers into food and farming sectors.

The next sections of the report work through the major challenge areas, identifying key issues, example solutions, success factors and barriers.

3. Setting Up and Getting Support for Collaborative Short Food Chains

3.1 Key Issues

When considering the key issues involved in setting up and getting support, it is important to be aware that there are many different types of collaborative SFC and this will influence the type of support that is needed. Typologies of collaborative SFCs are under-developed but from reviewing several scientific articles and technical reports, combined with expert contributions, a number of elements can be identified which reflect the diversity of collaborative SFCs⁴:

- ▶ Organisational form: informal association, social enterprise, co-operative etc
- ▶ Type of producer-consumer interaction: direct link, subscription
- ▶ Type of collaborators E.g. only farmers/producers, farmers/producers and consumers
- ▶ Initiators of the collaboration: producers, local authorities, consumers or a combination of these
- ▶ Motivations of the collaborators: local economic development, maintenance of a local processing facility, environmental protection, social justice, or a combination of these and others
- ▶ Number of actors involved
- ▶ Age of collaboration: 1-5 years; 5-10 years etc
- ▶ Type and range of products involved: raw or processed; mono or multi-products
- ▶ Production methods involved: organic, conventional etc.
- ▶ Types of markets (including site and location): local, national, international
- ▶ Types of sales channels used: local selling, Internet sales etc
- ▶ Activities and services provided: production, sale, delivery

From a consideration of the key issues proposed by experts, three main issues can be identified, which act as obstacles to setting up and getting support for collaborative SFCs:

Regulatory Barriers

In some countries, either national or EU regulations and tax systems act as a barrier to the development of collaborative SFCs. The focus group confirmed this topic as a major issue regarding SFCs scaling-up. EU hygiene rules were identified as the most important point to address as they pose considerable challenges to small and traditional food production systems in general and this has impacts on collaborative SFCs. It is possible to implement EU rules with sensitivity, by making use of all the exemptions, flexibility and possible derogations on offer. Yet although all European countries have the same regulations they do not all apply the flexibility criteria. A study published by the European Commission DG Sanco (2010) tested how flexibility was applied in the Czech Republic, Austria, Finland, Spain, United Kingdom and Germany in small meat and milk processing establishments. The mission found that whereas the United Kingdom, Austria and Germany had made use of many flexibility provisions, other MS had only made very limited use of flexibility measures. The focus group identified that, in some countries, there is a lack of appropriate national flexibility in the regulations for:

- ▶ Direct supply of small quantities of primary products to the final consumer or to local retailers directly supplying the final consumer e.g. direct supply of small quantities of poultry and lagomorphs (rabbits, hares) slaughtered on farm *or* hunters who supply wild game or wild game meat directly to the final consumer or to local retailers directly supplying the final consumer *or* the supply of food of animal origin from the retailer to other retailers, in accordance with national law (if of a marginal, localised or restricted scale).
- ▶ National measures adapting requirements for the use of traditional methods and/or the construction, layout and equipment of establishments.
- ▶ Provision of instructions/interpretations of the regulations in small establishments, even for low risk products.
- ▶ Costly control of water quality in premises where the use is just for cleaning and it is not part of food production, but nevertheless the water has to be of drinkable quality.
- ▶ Different national services working on primary production control and processing control services within the

⁴ Summarised and adapted from Poisson & Saleilles (2012); Holloway *et al*/2007; Foodlinks, EQUAL-CROC

same country can cause complications for small companies. This is linked to a lack of training of the official auditors on 'craft' models. Moreover, the regulations are generally designed to be suitable for industrial models of food production and processing in which risks are different from the artisanal processes often involved in SFCs.

- ▶ The Agreement on International carriage of perishable foodstuffs (ATP) requires the use of approved high cost equipment for production or maintenance of the cold chain. Dairy, meat, game, ready meals, prepared ready-to-eat vegetables and fish have to comply with the ATP and this generates costs. In France, there are some exceptions, in the case of direct delivering within a radius of 80 km around the farm (up to 200 km in some cases). In Hungary small farmers can deliver their product to Budapest and within a radius of 40 km (52/2010 Ministry of Rural Dev. Regulation)

Examples of Solution

In the Netherlands a simplified procedure has been developed to replace the costly HACCP for small producers; in a cooperation between the research institute on food safety (Rikilt) and various SFCs, with national research funding (Asselt and Spiegel 2013). Although this 'quick scan' method is currently being used by small businesses, the procedure has not yet been approved by the national authority.

Austria applies the European regulations with an innovative, flexible approach, aimed at guaranteeing consumer health through simple but effective procedures for the country's 46,000-plus small-scale food producers. Depending on the product category there are only a few crucial processing steps (in HACCP so called "Critical Control Points"). It is key to teach the limited number of persons who are involved in food processing the meaning of these critical control points (e.g. souring and heating to kill microbes in raw milk) adapted to and understandable for practitioners (e.g. no reference to laws and no legal texts). Austria did this with the financial assistance for training programmes in the national Rural Development Programme. How does it help?

- *Less documentation: Daily documentation of the executed work is unnecessary red tape and does not work in practice. The Austrian authorities agreed to accept a single standard form for each product, already filled in with the standard elements of the respective manufacturing process and completed with tips and tricks in case of non-compliance. These forms were developed by the Chamber of Agriculture together with practitioners and experts and explained in the training courses (so called "hygiene days").*
- *Less laboratory analysis of produce: If a manufacturing process is perfect the product theoretically also must be perfect. To be sure of food safety, a food entrepreneur has to prove through costly laboratory analysis that his products are safe. With reference to the so called "risk based approach" the Chamber of Agriculture developed, with the authorities and experts, risk categories depending on the size and type of manufacturing and the principle that only the "most dangerous" produce has to be analysed. Such formulas reduce the annual laboratory costs – depending on the type of produce – to one tenth in the extreme!*
- *For a real and sustainable improvement of the relationship between authorities and practice it is paramount to be constantly in contact, to install clearing levels for problems or open questions and provide both sides with the same training.*

Access to finance

Whilst it is true that SFCs can often begin with small investment, second hand equipment and limited technology input, it is likely they will need access to finance in order to invest for growth. Like all small businesses, their requirements for finance include **capital funding** to enable the company or collaborative venture to finance buildings, equipment and investment in product development; and **revenue funding** to enable companies to finance operations and their cash flow (e.g. ingredients, staff, personal drawings, interest, utilities and services, trade credit for customers). The problem can be divided into three main subsets:

1. Smaller companies with relatively small assets are generally constrained in their ability to borrow. For example, lenders may charge them a higher interest rate due to a perceived higher risk (some SMEs may also have poor or "atypical" business plans, but there may also be difficulties if bankers are not able or ready to assess these plans due to the lack of indicators). Funding for capital and revenue costs is often from different sources, which can present challenges in aligning funds for both.
2. A second set of problems relates to collaboration between small companies: for example, how to secure investment (and share the rewards) amongst a group of small businesses? A key source of funding for collaborative businesses is retained profits, but some businesses will be keen for these to be shared out immediately whilst others want the funds reinvested for the future.
3. Compared to some farming schemes which can have a large asset base relative to turnover, food companies often have a lower asset base relative to turnover. Despite the potential for SFCs to provide a higher share to the producer (by reducing intermediaries), food processing is therefore often regarded as high risk by banks, making it harder to secure bank finance.

New sources of finance, such as crowd-funding or sponsoring by business angels, appear promising but may be more efficient if associated with tax relief for donors, as applied to other kinds of funding practices dedicated to employment, solidarity or general interest.

Examples of Solutions

Bigbarn: a local food collaborative marketing and distribution project in UK, has raised funds through online crowd funding websites. This has attracted funding from consumers as well as businesses who wish to support this company <https://www.bigbarn.co.uk/>.

Terres de Liens in France: citizens gather money to buy a piece of land to establish a farm or save farms that would otherwise disappear, with the aim of preserving ecologically sensitive production and recreating links between farmers and citizens: <http://www.terredeliens.org/la-fonciere>

New initiatives are now being tested which combine different sources of finance, such as part loan, part grant and part community crowd-funding. An example is the new Just Growth programme, recently launched in the UK: <http://www.feainetwork.org/2015/just-growth-funding-programme-launched>

See also [Case Study 8](#) in this report – the Eindhoven Food Collective

Skills issues

The focus group confirmed that lack of relevant skills is a major challenge for collaborative SFCs but this does not mean that all SFCs stakeholders are low skilled. The issue is more about how to acquire or exchange skills adapted to new and collective projects. For instance, in France, butchers are not trained any longer, during their initial training, to buy animals directly from the farm. One idea that has been tried in France is 'speed dating' or show rooms, which have been organised to facilitate meetings between farmers and caterers. Another example is from Hungary where it has been found that in some schools, the assistants do not know how to prepare some fruits and vegetables (e.g. how to peel, cut, cook, etc.) therefore it is difficult to use farmers' products. Specialised adult training is therefore needed.

Farmers who launch a SFC project effectively enter a new job, or several new jobs at once. Some of them, sometimes coming from other jobs, have no difficulty in mastering different tasks while others are not well

prepared: SFCs call for skills in farming, business planning, marketing, pricing, accountancy, production planning, logistics, and as with all businesses, IT skills are essential. Exchanges between farmers or peer-tutorship are often more efficient than classroom based 'academic' training by an expert or consultant. Training providers must consider that SFC projects are highly time-consuming, and sessions must be adapted to fit in with farmers' and producers' schedules. Regarding collaborative SFCs, skills in mediation or animation are needed, in order to favour cooperation, cross-learning and prevent or solve conflicts. As illustrated in **Case Study 1** of the *Malopolska local food system* from Poland, it is vital to build trust-based relationships and this takes time and investment of human resources. In some circumstances, it may be important to establish mechanisms to manage competition between members. These skills may be found within the group of collaborators, by enabling one member to assume this new task, or external facilitation may be needed. Another aspect is that in some cases, farmers do not have experience of price setting. In Hungarian farmers markets, for instance, it is possible to find 1 kg of goat's cheese priced at between 3 and 10 Euros but without reference to actual product quality. Generally the farmers' products can be considered as expensive, premium products, which each farmer certain that their products are in the premium category (without any qualification/labelling).

Examples of Solutions

The IDOKI sheep farmers' organisation in the Basque region (<http://www.producteurs-fermiers-pays-basque.fr/>) created a common interest group to employ food hygiene specialists who help in cheese making. This collaboration also helped them improve their marketing together.

In various French regions, networks of farmers organise exchange groups through CIVAM. In Brittany CIVAM has focused on SFCs <http://www.civam-bretagne.org/>. The AMAP network in France implements a network of advice to help newcomers. The French rural network also facilitates knowledge exchange and collective expertise building between agriculture, public authorities and other stakeholders: <http://www.reseaurural.fr/gtn/alimentation-agriculture>. The Interval project in France hosted crossed training sessions between farmers and artisans.

The 'disclosure farms' scheme in Italy is an example of how peer-to-peer learning can be organised and supported through local institutions.

In Hungary, 'cellar tours' is a local association that provides information and organises training for their members as they demand it. For example they organised cheese making tours, grape pressing, palinka cooking/distillation days: <http://cdn.intechopen.com/pdfs-wm/34427.pdf>

3.2 Success Factors and Barriers to Setting up and Getting Support for Collaborative SFCs

FACTORS OF SUCCESS	BARRIERS TO SUCCESS
Product Factors	
Product know-how and innovation: Collaborative SFC frequently valorise traditional products or specific know-how in processing (E.g. cider in Brittany). However completely new products can also be developed through collaboration with consumers or chefs e.g. healthy foods, gluten free products.	Difficulties in securing the finance needed to invest in new technology or equipment that could be needed for product innovation or testing. Banks and institutions are often reluctant to invest in collaborative SFCs because of the high level of risk and the lack of techno-economical references on these projects. Failure to pass on traditional know-how between the generations as younger people leave family farming or food businesses (e.g. bakers, butchers).
Process Factors	
Professionalization of work: Cross-learning between stakeholders, collaboration with experts.	Need 'expert' advice, but care is needed to ensure this is not oriented towards large-scale agro-industrial models rather than small-scale collaborative models.
Technological innovations and appropriate skills: e.g. logistics, use of IT systems for financial management.	Lack of specialised knowledge such as IT, logistics and accountancy skills. Lack of financial resources needed for investment.
Governance Factors	
a) External governance / regulatory factors	
Availability of specialised business and organisational support: including advice on hygiene, accountancy, marketing, logistics contractual matters and tax rules as well as support setting the objectives and the values of the group.	Agricultural organizations and local authorities are not always skilled in providing business and organisational support specifically for collaborative ventures. Some local authorities are unwilling to support SFCs which they regard as minor contributors to local economy.
Existence of enabling government policies and regulatory frameworks.	Existence of disabling government policies and regulatory frameworks, especially related to hygiene, planning, tax.
b) Internal governance factors	
Existence of "Group spirit", developed through trust building, knowledge exchange, elaboration of a common project, favoured by mediation/animation.	Some producers are reluctant to join collective initiatives, which – if poorly run - may be associated with a loss of control, a lack of acknowledgement, and/or low/irregular payment.
Presence of a coordinator: often has to act as a mediator/facilitator rather than a leader	Difficult to find funding for such a person, either from within the group, the community or local authorities.

4. Product Development for Collaborative Short Food Chains

4.1 Key Issues

Product development is important for any food business and understanding consumer expectations and behaviour is important so that products can address market demand. In the case of collaborative short food chains, the product development is not only linked closely to the types of product in question, but also to the structure of the short food chain and the values shared by the collaborating parties, including the end consumer. For example, if the structure of the short food chain is a Community Supported Agriculture scheme, the products will be developed in close collaboration between the farmer/grower and the subscribers to the scheme. For a CSA providing fresh organic vegetables, the product development will centre around issues such as environmentally sound production methods, quality, freshness and availability. Because of the shared values operating amongst CSA subscribers, members anticipate, or develop an understanding, that produce will vary according to the seasons, and that the product range may be limited at certain times, and highly abundant at others. In contrast, for a group of farmers collectively supplying products to a large customer such as a school or hospital, then there will be additional issues around reliable quantity, pricing, processing, packaging and possibly additional environmental, safety and hygiene certification. In a collaborative SFC, the product development occurs in the context of a collective agreement about the qualities, ethical frameworks and environmental standards that should be reflected in the products. This is why social and governance aspects, as mentioned in Section 3 of this report, are so important. It is also important to consider pricing in the context of product development. It has to be remembered that price, for most shoppers, is a key determinant of purchase decisions and products from SFCs compete with cheap, industrially produced food. Whilst in some countries SFCs offer a comparatively affordable source of food (especially organic produce), in other countries this is not yet the case.

Two particular issues influencing product development were identified by the expert focus group:

Branding and Labelling

Branding is an important means of communicating values to potential buyers. Collective branding has to reflect the shared values of the participants in the SFC. Efforts to promote collective labels (like regional labels or quality labels) often need special effort from collective or development institutions. Some essential elements in SFCs include, the place of production, the name of the producer and the production methods. An advantage of developing a collective brand is that products can retain their identity when retailed through a variety of routes such as farm shops, during tastings on farms, through e-commerce, and other retail outlets. [Case Study 2](#) and [Case Study 3](#) of the *Landwinkel Cooperative* in the Netherlands and the *Farm Market Cooperative* in Estonia, show how farmer-led co-operatives have developed their own brands through collaborative processes. In addition, if a farm, or group of farms can develop a strong brand, they can also trade with food manufacturers to create new lines of products that use only raw materials that come from the farm, as in the case of *Alberese Farms* in the box below. On the other hand, brands are numerous and their proliferation can confuse consumers (Grunert 2012). New kinds of brands are possible when linked with local participatory guarantee systems (PGS), through which localised SFCs are able to develop strong quality assurance features. Pioneered by the international organic movement, PGS are developed through the active participation of stakeholders in defining the choice and definition of standards, the development and implementation of certification procedures and the certification decisions (Loconto and Hatanaka, 2014);

<http://www.ifoam.bio/en/value-chain/participatory-guarantee-systems-pgs>.

PGS are not restricted to organic systems – they can be adapted for local food systems and short food chains. There has been relatively little consideration of the application of PGS in Europe, compared to other countries (e.g. Bolivia, Brazil) where they are legally recognised. Whilst some question the extent to which PGSs are monitored and controlled, there is certainly interest amongst stakeholders in establishing local/regional alternatives to expensive, international organic certification. The French inter-regional AMAP⁵ network (MIRAMAP)

⁵ Association pour le Maintien d'une Agriculture Paysanne

and European CSA network (URGENCEI) are seeking to develop PGS⁶. **Case Study 4**, reports on the case of *Ici.C.Local*, a participatory labelling scheme in France, that allows consumers to identify products available via short and local distribution channels in their markets and shops, and also encourages partnerships between producers and local retailers.

Labelling can be used to communicate the values of the brand. In addition to featuring the required mandatory nutritional information⁷, labelling is important for SFCs that trade packaged products, in order to ensure that the values embedded in the product are communicated to the consumer. In this way, without being necessarily more expensive than middle-range industrial products, economic value is added to the product, because the consumer understands and is prepared to pay for the qualities of the product, such as its taste, health properties or freshness, or the fact that buying it generates effects which the consumer would like to encourage (e.g. supporting local economies, saving traditional farm breeds or 'heritage' plant varieties). Labelling is particularly important for produce that is not bought directly from the producer. Produce that the consumer picks from a shelf, or orders on line, has to 'communicate' to the consumer and provide guarantees about quality and origin amidst the profusion of initiatives now riding the wave of local food fashion. Some challenges lie in the area of selling raw, loose or unprocessed produce which only has minimal labelling or packaging (e.g. loose fruit sold at the market) even in case of direct selling as new consumers in SFCs often do not dare to ask questions about products. Also, when selling to catering, hospitality or public procurement sectors, it is more difficult to ensure that the origins and qualities of the product are communicated to the final 'eaters'.

Examples of Solutions

- ▶ The Italian Slow Food Association has been working to add value to local products. Some products, with the Slow Food brand are available in supermarkets and have interested many consumers. Slow Food products combine quality, history and culture. For example, in the last few years meat from the Maremmana cattle Slow Food Presidium has become increasingly well known, particularly in the Maremmana Natural Park (Tuscany) where the cattle live wild. The livestock are managed every day by the "butteri" on their maremma horses (Italian cow boys). The visitors to the park can have a complete experience of the place: manage the cattle with the butteri and buy the Slow food maremmana meat.
- ▶ The example of Alberese Farm, Italy: When the farm started, in 2002, the direct selling of farm food was low and there was not a Farm Brand. The farm now sells over one million Euros' worth of Alberese's Brand products. This brand helps to create a strong relationship between the farmer and the customer (*fidelization*). The farms sells packed products such as Morellino Wine, and raw materials such as old varieties of soft and durum wheat which are much sought-after. Using Alberese's raw materials (produced from organic systems), Alberese's bread and pasta are manufactured by agreement with the food industries that guarantee the origin (www.alberese.com).

⁶ And some co-operative farmers shops use it as an additional tool. See http://www.civam-bretagne.org/files/fil_bd/CC/1_29-03%20Brin%20d'Herbe%20fiche%20def.pdf

⁷ For further information see http://ec.europa.eu/food/food/labellingnutrition/foodlabelling/index_en.htm

Technical Support for Product Development

For many producers, their skills and passion lie in production and new product development, yet there is little research related to the technical support required for SFCs to develop a new product. As SFCs can be concerned with a whole range of products, from relatively simple unprocessed foods to more complex processed ones, the technical needs will vary greatly. Many SFCs are experimental and provide innovative new products. Others are concerned with 'traditional' foods and 'heritage' varieties, and producers will seek to preserve their 'hand-made' quality as part of the unique identity of the product. In such cases, the adoption of technical solutions to product development has to be carefully managed so as to maintain the integrity and 'perceived authenticity' of the product. This is not to say that technical support for product development is not important. There are many technical solutions which can be of value to small scale food producers involved in SFCs, in the realms of 'soft technologies', equipment downsizing, traceability, food safety, simplified risk management systems, quality control, packaging and nutritional analysis for example. One of the biggest barriers to technology adoption for SFCs is the relative cost and low availability of small-scale artisanal and flexible equipment. Much technological research has been focused on agro-industrial equipment, which is not always possible or straightforward to 'down-size'. For example, small-scale and traditional food producers involved in SFCs may apply complex methods, capable of responding to the heterogeneity and specificity of local raw materials, whereas agro-industrial tools are designed to deal with standardised inputs and outputs and large volumes.

Example of Solution

Funded by the EU, the TRADEIT project (www.tradeitnetwork.eu) is a collaboration between researchers, food networks, traditional food SMEs, academic institutions, SME clusters, technology providers, food associations and entrepreneurial networks. The main objective of TRADEIT is to strengthen regional economies and the competitiveness of SMEs. The network provides free training across eight countries, for traditional food producers working in the meat, dairy and bakery sectors. Topics covered include entrepreneurship, smart use of IT for traditional food producers, local food branding, marketing and relationship building, hygiene rules, sustainable technology for traditional food production and more.

Additionally, the use of IT can help SFCs to organise their work more efficiently in terms of database management, logistics and close communication with customers. Appropriate IT systems can either generate information or enable information management that can help the entire supply chain to function more effectively. For example, perishable goods require a time-efficient supply chain. Use of IT to improve product monitoring and reduce delivery time cuts the cost of goods expiring in warehouses; IT systems can also be used to generate fuel-efficient delivery routes. IT systems in SFCs, consistent with a responsive chain, can also include scanner data collection and customer loyalty cards, which can help to understand shopping behaviour. This information can also help in the choice of new products for SFCs.

There are cost issues involved in researching and selecting the most appropriate and compatible software and hardware, and also costs of maintenance and problem solving. [Case Study 5](#) of *Whitmuir Organics* in Scotland, provides insight into the 'real life' problems faced by a small business trying to establish internet sales, and based on the experience, it presents a step-by-step guide on 'how to set up an online shop'. A problem is that small businesses that lack IT literacy are vulnerable to IT system problems and reliant on external knowledge to solve them.

4.2 Factors of Success

FACTORS OF SUCCESS	BARRIERS TO SUCCESS
Product Factors	
Product innovation: New and improved products can be developed through application of technology; or production processes can be made more efficient. New products can also be developed on the basis of very traditional (local) products – a kind of revival and validation of old values in the SFC.	SFCs have to be careful not to lose the authentic characters of their products, which in some cases are 'traditional' or 'handmade'. The cost of technology adoption can be a barrier.
Collective branding: to create a strong story and identity of a group of products/producers	Lack of expertise in branding; time needed to develop collective vision and difficulties in reaching agreement; cost.
Effective labelling, especially if supported by the adoption of Codes of Practice: to inform consumers about product origins and characteristics; transparency and control are key in SFCs. Participatory guarantees can be used as a way to reduce labelling costs, and build meaning and trust in a specific chain or place.	Lack of expertise on the part of producers; lack of consumer knowledge to interpret labels; cost; lack of 'standards' behind the label.
Process Factors	
Technological innovations and appropriate skills: e.g. logistics, use of IT systems for financial management.	Lack of specialised knowledge such as IT and accountancy skills.
Availability of food processing equipment suitable for smaller scale operations. Shared social and physical spaces can be important for encouraging knowledge exchange and stimulating innovation (common kitchens, etc.)	Difficulty in downsizing food processing equipment.
Financial Factors	
Investment of time and money is needed for product development.	Farmers involved in SFCs are often time poor so unable to undertake product development. Banks and institutions are often reluctant to invest in collaborative SFCs because of the high level of risk. Farmers sometimes need support to develop business plans.

5. Access to Markets and Consumers for Collaborative Short Food Chains

5.1 Key Issues

This section looks at the challenges and solutions to the development of markets for collaborative SFCs and how consumers can be encouraged or enabled to buy products from SFCs. A general recommendation is that SFC actors need to gain a better understanding of how consumer lifestyles affect the food they purchase and where, when and how they wish to purchase it so that this can inform product development and marketing. This is not necessarily straightforward: accessing market research is very difficult for smaller firms, as the major market reports (e.g. Mintel) are expensive. Systems and training to help SFC actors to access more information and learning on consumer trends would be very valuable. Collaborations with universities and research centres may be one way forward. It is important to recognise that different product categories behave in different ways (e.g. the oil market is different to meat) and that different localities (e.g. urban, peri-urban, rural, sparse) have different dynamics for SFCs. All countries have different food cultures and lifestyles that affect the balance of which SFCs will work best. It is also important to educate and inform consumers so that SFCs can command viable prices: this could include a focus on values, seasonality, the economic and social benefits and local cultural impacts of SFCs. Education also needs to include cooks and caterers so that they can embrace and use SFC products effectively.

One of the most important challenges for any SFC is how to physically reach the consumers – especially if the farm or place of production is not close to a big city. Most citizens live in the cities, far from the countryside. There are many new urban initiatives started by urban communities / collectives who want to purchase food from the surrounding countryside. Remote farms, however, face problems of high delivery costs, and may suffer from poor internet and mobile phone service. Gaining access to consumers is also difficult when stalls on fresh produce markets are limited or expensive to rent. For instance, in France, organisers of public open-air markets often prefer traders rather than producers because they are regularly able to supply food of consistent quantity and quality. SFCs also have to compete with large supermarkets, which may be open 24 hours, 7 days a week in some countries. The expert group agreed that SFCs are stronger when they adopt a mix of market outlets, rather than relying on one alone. Moreover, collaboration between producers and other stakeholders can enable SFCs to deploy a variety of skill-sets which are needed in order to access different markets. Collaborative marketing initiatives were highlighted as key areas that can enable SFCs to flourish. Some farmers and food producers relish the opportunity to interact directly with their consumers, whereas others' main skills and enthusiasm may lie in the realms of production. In the latter case, it makes sense to outsource some tasks to others who are more effective. However the experts stressed that marketing groups should be producer owned and directed and run for profit (as in co-operative models). As long as the profits are reinvested by the SFC owners, the collaborative marketing group will be able to grow its market and open up new markets which individual producers will not be able to access on their own. In general, whilst the public sector has an important role in helping to develop collaborative marketing ventures for SFCs, the public sector should not try to run them because a commercial mindset and drivers are needed for success.

It is important to note that farmers and producers can supply different markets simultaneously (e.g. have a farm shop and an online shop) and this is a good way to spread risk. A highly successful example of this diversified approach to marketing is provided in [Case Study 6](#), *Suffolk Food Hall*, from England. Five main types of markets for the products from SFCs were identified:

Local communities: Access to local communities can be achieved through a variety of small and medium-sized economic units co-operating to enable consumers to buy produce from SFCs either individually or through a group (such as CSAs/AMAPs) and at convenient times and places. A problem for these projects can be the lack of access to land for new entrants who want to set up innovative community food systems, especially in peri-urban areas. [Case Study 7](#) details an innovation by local authorities in Brittany, France, to make agricultural land available to entrepreneurs on condition that they develop collective business plans for SFCs. There are also solidarity purchase groups or food collectives organised by consumers, as documented in several studies (Brunori *et al* 2011; Little

et al 2010) and illustrated by **Case Study 8**, of the *Eindhoven Food Collective* in the Netherlands. Farmers markets, farmer-owned retail outlets, pop-up stalls, box delivery schemes, online sales and sales to artisans, and small retailers are all examples of ways in which local producers can serve local consumers. In many countries, whilst selling at farmers markets generates high margins per unit, these do not offset the low volumes sold. Although direct selling in this way does have other advantages such as contact with customers and opportunities for building customer loyalty and gaining regular feedback on product quality, in most cases, success comes from having multiple outlets in order to achieve scale.

Online customers and consumers: Internet sales are increasingly important and anticipated to grow quickly. Internet sales can stand-alone or be complementary to other forms of sales from farms. A challenge in internet sales is how to preserve consumer confidence in the authenticity of the produce and how to preserve the close relationship between producers and consumers. In order to address this problem, and to facilitate a physical (rather than virtual) connection between producers and consumers, some internet-based SFCs arrange events. For example, they invite their 'city customers' to visit. They provide transport and accommodation and arrange tourist experiences in the region and on their farms. Despite such initiatives, cooperation between agriculture and tourism sectors is generally still under-developed.

Examples of Solutions

Some examples of successful companies in this sector include:

- ▶ **www.aarstiderne.com:** One of the pioneer organic box delivery schemes in Denmark. It is a medium-sized / big -company with well-established consumer-contact and distribution (own wagons). The key to success is their ability to understand the consumer – and this is the key to their product development. They collaborate with farmers, who are not able to sell, and prefer to remain farmers, including farmers in other countries. Target consumers: busy, trendy/educated.
- ▶ **www.økogårdene.dk:** Internet based sales of boxes of meat – directly to the consumers – via public-mail-service. Within a short period of time a few farms established a solid SFC in collaboration with a local butcher. They reach their consumers in different ways and use social media to develop.
- ▶ **www.halkaeraadal.dk:** Ready to eat meals sold directly to the consumers – based on local products from farmers. Developed in collaboration with an 'Organization of interest of older people'.
- ▶ **<http://kitchenbox.hu/>** This group in Hungary delivers local and farmers' products and recipes to cook at home. They are very simple recipes. The key is that they do marketing.

Public sector catering

(e.g. schools, universities, councils, prisons, hospitals, military)

Public procurement is regarded as a powerful strategic tool for connecting growth with sustainability, for investing in local resilience and supporting innovations.⁸ Public food procurement can contribute to food literacy (e.g. understanding the impact of food choices on health, the environment and community), help to reach broader policy goals (health, education, and environmental objectives) and support local producers and employment.⁹ There are various initiatives in EU member states when public authorities manage to overcome hindrances and grant contracts to local businesses thus supporting development of SFC and also organic food (e.g. Denmark, Finland, Italy). After all it must be broadly recognised within the EU that local food procurement is in-balance between free market and social goals. Further examples may be found outside of Europe (e.g. Brazilian National School Meals Programme (PNAE)). Examples show that local food procurement in schools helps to support healthier diets (fresh, unprocessed, seasonal, traditional, organic food), contributes to local economy and rural development, supports employment and encourages cooperation between suppliers. Sonnino (2009) shows how the procurement authorities in Rome have included socio-environmental externalities in their evaluation of bids, and introduced a system whereby 'points' would be awarded to suppliers of school meals able to demonstrate high standards relating to aspects such as labour conditions, environmental impact, provenance; this has increased the supply of organic foods to children (on the basis of health benefits from lack of pesticides), with as

⁸Sustainable Procurement in Public Kitchens. Nordic Seminar and Workshop, held on 23-24.10.2014. in Helsinki, Finland.

⁹ For a list of published research, please see references

much of this as possible sourced locally (on the basis of provenance). The European Commission also encourages 'green public procurement'; for example, the most recent EU Public Procurement Directive (2014/24/EU) states that "It is of utmost importance to fully exploit the potential of public procurement to achieve the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth" and also states that "contracting authorities that wish to purchase works, supplies or services with specific environmental, social or other characteristics should be able to refer to particular labels, such as the European Eco-label, (multi-)national eco-labels or any other label provided." Clearly the specification of particular, verifiable labels of environmental standards may act as a barrier to SFC products which do not necessarily have this certification, but nonetheless, this provision does enable authorities to specify conditions in their tenders which are not only about "the most economically advantageous tender". Another point of relevance is that "Member States should remain free to go further in their efforts to facilitate the involvement of Small and Medium Sized Enterprises (SMEs) in the public procurement market" by enabling smaller lots as this opens an opportunity for SFCs consisting of SMEs, which previously were hampered in responding to contracts for large lots.

Example of Solution

Creating not-for-profit stakeholder owned organisations or support organisations can be a helpful tool for promoting more local food in public canteens. For example, school canteens run by parent committees in Italy and the Latvian Rural Advisory and Training Centre as support organisation for market research and identifying actual local food supply before the tendering process. In France, a new opportunity has opened through "Cooperative societies of collective interest (SCIC)", which associate economic actors, local inhabitants and authorities: several SCIC have been developed to favour local procurement in food catering; <http://www.touleco-green.fr/La-plate-forme-Terroir-Ariege-Pyrenees-des-produits-locaux-pour,15618>

See also the Foodlinks project action plan for public procurement at

http://www.foodlinkscommunity.net/fileadmin/documents_organicresearch/foodlinks/publications/Foodlinks_report_low.pdf

Despite these developments, experts agreed that this is still an extremely difficult market to access. There is usually too much red tape, and because costs still often take precedence over quality, prices and margins are low. Procurement officers tend to see sourcing of local food as a daunting challenge and caterers are rarely involved directly in projects to increase sourcing of food through SFCs. If the customer is a large buyer such as in the public sector or a supermarket, then issues around consistency, quality and quantity of supply are paramount. This is also a key market in which collaborative behaviour can enable small farmers and food producers to work together to provide a more comprehensive and consistent offer for the larger customers.

Hotels, restaurants and commercial (HoCaRe)

The hotel, catering and restaurant market offers much (often underestimated) potential for growth due to changing consumer lifestyles and the rise in popularity of eating out. Many hotels and restaurants are keen to embrace authentic local food as a way of enhancing their distinctive offer and this is a source of potential for many SFCs. The food market in hotels, restaurants and catering contains a very wide range of companies ranging from hundreds of thousands of small independent businesses (cafes, pubs, restaurants) to national and multi-national fast food, restaurants and hotel chains. In this sector there is sometimes a mis-match between supply and demand. For example, in some cases SFCs are not able to meet the requirement for low prices, large lot size and single service that is often demanded by large customers. Large corporate suppliers are often able to provide additional extras such as refrigerators, glasses, dispensers.

Yet in other cases, HoCaRe outlets are too small to service as the volumes of each product they need are too small to make delivery economic. Demand often is not balanced; for instance only special fruits and vegetables and certain parts of the animal are needed (this creates a problem of what to do with the remaining parts). Some SFCs are established to provide prepared foods directly to individuals and workplaces, or for weddings and receptions, such as the *Házikó* example from Hungary, described in [Case Study 9](#). In general it is the smaller independent businesses which are easier for SFC suppliers to access, both due to their interest in having local

distinctive products on their menu and the smaller size of their orders. Nevertheless, even some of the larger companies now want to buy local / SFC products as this can help them to market themselves as respecting local distinctiveness and supporting local economies. It is important, however, to be clear what is meant by 'local' products and SFCs because it is possible that products could be locally sourced, but not through a SFC (hence not necessarily of as much benefit to the producers involved), or that they could be described as a 'local' product when in fact they are merely assembled or processed locally using standard raw materials imported from anywhere. This is one of the reasons why a better general understanding (and possibly) labelling of what is meant by SFCs and 'local' products is still needed.

Example of Solution

SFC producers can invest in their own catering outlets to add more value. Good examples of this from farms which have restaurants are Suffolk Food Hall which is detailed in [Case Study 3](#), and pubs e.g. Bildeston Crown, Suffolk <http://thebildestoncrown.com/> which demonstrate the much higher prices which can be obtained through catering. In other cases SFC companies can develop collaborative projects which add value to local produce through processing to supply catering markets e.g. Woburn Country Foods, which is a retailer, online sales and catering supplier developed by a farming family to market meat produced by 15 farmers <http://www.woburncountryfoods.com/#!about-us/c6qm>

Supermarkets

Few subjects are more contentious in SFCs than whether the sector should embrace supermarket supply chains. It is difficult and some would say impossible, for sales through supermarkets to meet the definition of SFC as described in Box 1. The experts were divided in their views, with some being highly sceptical of the role of supermarkets in encouraging SFC development in the long run and others arguing that they offer real potential for 'mainstreaming' products from SFCs. Many of the individuals and groups involved in setting up SFCs do not deal with supermarkets as they regard this as 'selling out' on the principles which led to the establishment of SFCs: it is important to recall that many SFC actors are motivated by a desire to create a new, ethical and equitable food system and that they see supermarkets as the antithesis of this. Amongst some SFC businesses there is a reluctance to deal with supermarkets due to a real or perceived loss of control over their product, branding and 'niche' status. The requirement of delivery slots and need to service one or more major supermarket distribution centres can challenge smaller companies with limited distribution infrastructure. If a product is successful then a supermarket may require the supplier to expand production rapidly which can lead to a need for major investment, cashflow constraints and challenges in managing growth (infrastructure, people, process and funding). Business risk can be an issue with a few large customers and this is magnified unless the supplier can continue to service other markets to spread their risk. Supermarkets, in common with other wholesale customers, can ask for extended payment terms, which has an impact on cashflow and funding needs. A specific illustration of the difficulties is from Hungary, where VAT on food is 27 % and the margin added by supermarkets can be 15-40 %. This kind of supply chain is therefore not feasible for small suppliers as their products would be far too expensive: only middle and large sized suppliers can negotiate with supermarkets.

Others argue that, despite these difficulties, the SFC sector must embrace supermarkets to grow their share of total food sales and many of the problems identified could probably be solved through effective collaboration. Supermarket sales of 'local foods' have increased over the last decade and supermarket buying schemes that specify a geographical radius are more likely to meet the definition of a SFC. In the UK for example, Waitrose stocks 1,400 local and regional products from 300 producers under its 'Local and Regional Sourcing' programme with local defined as from within 30 miles of its stores. It also publishes a charter that commits to benefit small-scale and regional growers

(https://www.waitrose.com/content/waitrose/en/home/inspiration/about_waitrose/the_waitrose_way/small_producers_charter.html.html).

In Germany over 200 Rewe supermarkets and 'der Vereinigung der Hessischen Direktvermarkter' (Association of direct selling producers of Hessen) are collaborating through the 'Landmarkt' initiative:

<http://www.landmarkt.hessische-direktvermarkter.de/>. The interesting thing is that the producers are owners of the product until the moment of sale to the consumer in the supermarket. Producers set their own prices and are responsible for the shelf (including logistics, waste etc). The supermarket gets 20% of the price at

the moment of sale to the customer. In these supermarkets, sales of 'Landmarkt' products are 5% of the total sales.

In France, all big supermarket chains (e.g. Carrefour, Leclerc, Système U) are now highlighting local products, bought directly, in their supermarkets. However in most cases, local food in supermarkets only represents a very small part of their product range and is more a communication strategy about a marginal practice which has existed for a long-time. According to a study¹⁰, managers said that it is difficult for them to increase such a supply, in the face of reluctance from farmers as well as from their department heads. "Fair contracts" presented in some cases as a local application of fair trade ("Local Alliances" of Leclerc) are in general not signed and do not include a minimum price. This is not to say that farmers are dissatisfied with this arrangement, it can return a higher unit price in comparison to selling to middlemen but it represents a small number of medium to big farms for each supermarket. Some innovative cases go further such as the installation of a farmers' shop in the supermarket itself. In parallel, interesting cases are developed from agricultural cooperatives, implementing little supermarkets of fresh products but still managed by producers and based on a charter: eg. Frais d'Ici, de Midi-Pyrénées et d'ailleurs; <http://www.fraisdici.fr>

5.2 Factors of Success

FACTORS OF SUCCESS	BARRIERS TO SUCCESS
Sales to Local Communities	
Variety of sales outlets and sales routes in order to increase access and convenience. Tradition of on-farm or roadside shops and local open-air markets in several European countries; creation of local markets in several countries.	Cost of stalls and cooling systems at markets; cost of owning or renting a shop space; organisers of open-air markets often prefer re-sellers
Good interpersonal and communications skills required when dealing direct with consumers	Farmers might lack sales communications skills
Affordable agricultural land close to urban population	Lack of affordable land near urban populations (particularly for new entrants to the sector)
Key products that attract consumers (e.g. vegetables)	Lack of diverse local production
Dense network of artisans and shops.	Low level of resource (esp. time, skills) by independent artisans or traders to procure directly, lack of information, connection and partnerships between farmers and artisans/traders
Sales Online	
Reliable internet service	Poor internet service
Effective ordering systems, internet shop and payment systems	Poor systems, lack of affordable or in-house technical support.
Use of social media to make personal contact with customers (Facebook, Twitter etc)	Lack of knowledge in effective use of social media; lack of time to develop skills; data insecurity issues
Reliable distribution	Unreliable distribution
Sales to Public Sector	
Use of social and environmental criteria in tenders for public procurement. E.g. requiring fresh, organic, seasonal food and regionally specific products and service specifications (freshness, delivery responsiveness, minimal packaging)	General lack of awareness of flexibility and possibilities within EU procurement rules on the part of public authorities and potential suppliers.
Public authority does market research and inquires about potential suppliers before drafting the tender.	Skills - on one hand, local public authorities lack skills and knowledge to adjust specifications (division into lots, separating seasonal local food)

¹⁰ Results from the research-development Project 'Interval' on synergies between food economic actors, France (2013-2016).

	that would allow participation of local food growers in public procurements, and, on the other hand, farmers often lack the skills and resources to submit an offer and meet procurement requirements (continuity of supply and consistency in quality).
Procurement division into smaller lots, increase the chance of local producers winning the contract.	With tight budgets and scarce resources local authorities find it difficult to deal with additional administrative burden in procurement processes (and afterwards) when working with many smaller suppliers. The centralisation of purchasing operations and the expansion of buying consortia can limit opportunities for small local producers to participate.
Sales to Hotels, Catering and Restaurants	
For large customers, the ability to provide a large lot size and single service can be a success factor.	A barrier can be when SFCs cannot supply enough produce consistently to meet the demand. Large caterers often unaware of the products SFCs can supply them with.
Capacity to provide premium products: old varieties, local recipes, appetising and tasty fresh produce.	Classical offer without distinctive values.
Special 'meet the producer' or 'brokerage' events.	Poor organization on the part of farmers/producers, compared to professionalism expected by hotels.
Sales to Supermarkets	
Strong and distinctive products with few competitors so that a niche market premium can be obtained. Includes clear provenance linked to locality and producer.	Reluctance of SFC businesses to sell to supermarkets due to loss of control or compromise on principles.
Balance in market outlets to manage the risk of serving single large customers.	Supermarket demands for exclusivity increases supplier risk and constrains sales to other customers.
Collaborative hubs which bring together the supplies from multiple small producers.	Smaller suppliers lack scale to challenge supermarkets in commercial negotiations

6. Infrastructure and Logistics for Collaborative Short Food Chains

6.1 Key Issues

In some SFC structures, such as AMAP/CSA the consumers self-organise their delivery which means there is virtually no cost to the producer. For other types of delivery-based SFCs, distribution and logistics are key for small suppliers. Due to small quantities demanded by the consumer or available from the provider, the relative and absolute cost of distribution is high or higher respectively than for other formats. Use of public postal services can often be costly and difficult for delivering 'ultra fresh' or 'perishable' products in a big region, where all customers have different needs on delivery hours (families where both partners are working, with children and a busy social life are not easy to reach when delivery at home is concerned). Distribution and logistics for SFCs have to be smart: simple, quick, flexible, cheap, transparent, and reliable.

As in the case of manufacturing, the legal requirements for warehousing, transports and internet based information are increasing. Investments in the cold chain, documentation of hygiene parameters during transportation, additional labelling requirements for distance selling (by using the internet) are increasing and a challenge for small structures.

Starting additional distribution channels like a delivery service only makes sense when the established and traditional contacts like selling at the farmgate or farmers' markets are not sufficient to sell the produced quantities or are not generating enough profit. From an economic standpoint the costs saved through reduced face-to-face sales should outweigh the additional costs for this additional service. It is necessary to keep investments manageable, especially in storage facilities. It also has to be remembered that additional human resources are needed:

- ▶ to communicate to the existing customers and to find new ones
- ▶ to take the orders from the customers
- ▶ to transfer them into orders to the producers
- ▶ to organise the distribution (packaging, transportation, handover at the purchaser).

ICT plays a vital role. [Case Study 10](#) of the *Distrikempen* logistics platform in Belgium involves an easy ICT-platform which enables business to business sales, and [Case Study 11](#), of *Bauernkiste* in Austria uses similar techniques to coordinate the flow of goods between the farmers and their customers. The challenge is to develop a user-friendly website, which enables an automatic transfer into orders to the producers and – based on the ordered products and quantities – can assist in organising the best route to the final user in order to save kilometres. In many cases, as in the *Distrikempen* example, using contract or co-operative logistics services is a more viable option and allows the producer to concentrate on scaling up production. In these instances, drivers/delivery staff have to be trained to be consumer oriented and to adapt to individual consumer requirements such as where to leave produce if the consumer is out. In effect they become 'ambassadors' of the SFC.

6.2 Factors of Success

FACTORS OF SUCCESS	BARRIERS TO SUCCESS
Recognise that logistics and distribution are a separate service within the food chain and have to be costed and paid for accordingly.	If the distribution is not costed properly the investment will not be manageable.
Combine deliveries with inviting customers to farms in order to increase awareness and trust.	Poor customer service on the part of the delivery agent can undermine trust.

7. Topics for Operational Groups

Building on the success factors and barriers identified in the different 'challenge points' for collaborative SFCs, the expert group identified a number of topics for Operational Groups. It has to be remembered that SFCs are very diverse in form and context. Any measures to support collaborative SFCs will therefore need to take into account the organisational structure, aims, and activities of the SFC. As such, Operational Groups have to be carefully developed to address the needs of SFCs in the context of different places and different product sectors. As a precursor to setting up an Operational Group, it would therefore be essential to have a very clear understanding of the state of play and the problems to be addressed in the particular region or sector(s). It should also be noted that many of the themes identified below are inter-linked and so it would be wise for interested parties to consider 'bundling' relevant elements together into coherent programmes to support SFCs in particular regions.

Setting up and Getting Support for Collaborative SFCs

The problem: Collaborative SFCs often face difficulties in securing the finance needed to invest in new technology or equipment that could be needed for product innovation or testing. Banks and institutions are often reluctant to invest because of the perceived high level of risk and the lack of techno-economical references on these projects.

Role of Operational Groups: to establish reliable references and indicators that can be used by potential investees to help them make sound business cases, and investors who need a full understanding of risk and returns. Another proposal for Operational Groups dealing with this problem could be to initiate, and evaluate, innovative funding models such as crowdfunding; these are proving quite popular in some places but are not well-established or well-understood in terms of their long term impact and economic viability.

Actors required: farmers, food producers, retailers, logistics experts and business analysts with expertise in cost-benefit analysis, risk management, finance, business planning.

Product Development

The problem: collaborative SFCs often involve a number of small or even micro enterprises which are unable to access technological innovations individually due to costs, lack of knowledge, or lack of equipment suitable for small-scale and on-farm application. The types of technology in question could include processing and packaging machinery, IT or logistics solutions. For some participants in SFCs, environmental impact would be a key criterion for selection of appropriate technology solutions.

Role of Operational Groups: innovation brokerage to match business needs with technology providers or to investigate how existing technological innovations could be better adapted to the needs of the SFC sector (through for example, down-sizing, simplifying, 'soft technologies').

Actors required: farmers, retailers, logistics experts, technology providers, research and development specialists e.g university design and manufacturing departments, business analysts.

The problem: there is a proliferation of products claiming to be 'local' or 'from the farm' but it is currently difficult for consumers to judge the accuracy of these claims, or for genuine local producers and short food chains to protect their added value.

Role of Operational Groups: to set up territorial guarantee schemes suitable for small-scale farmers and producers operating within SFCs. These could take the form of participatory control systems as an alternative to costly third party certification.

Actors required: farmers, food producers, retailers, specialists in guarantee systems and trading regulations, business analysts, local and municipal authorities, consumer representatives, civil society organisations.



Access to Markets

The problem: one barrier to 'scaling up' SFCs is that they often struggle to meet the demands of larger customers, especially in the public sector.

Role of Operational Groups: to set up territorial 'food hubs' or 'one stop shops' which enable groups of farmers and producers to collaborate to serve the needs of large customers. Food hubs could also be used to improve the ability of SFCs to service the local tourism industry. They would need to include facilities for transporting, assembling and processing orders as well as processing payments. Personnel able to negotiate contracts would also be required.

Actors required: farmers, food producers, logistics and IT specialists, contract specialists / legal advisors, local and municipal authorities, tourism authorities, consumer representatives, civil society organisations, large customers or their agents (representing schools or hospitals for instance).

Infrastructure and Logistics

The problem: many small-scale farmers and producers transporting their goods separately to individual homes, shops or markets, when more efficient, environmentally friendly and cost-effective solutions could be found through collaborative logistics and distribution.

Role of Operational Groups: to set up collaborative logistics and distribution solutions. These would include sourcing the most appropriate and energy efficient vehicles (such as those which can combine as overnight storage solutions), using IT to identify the most efficient routes and opportunities for back-filling and joint deliveries. It would also include the development of online portals so that many producers can share the costs of having a sophisticated online presence that can also process orders, deliveries and payments.

Actors required: farmers, food producers, logistics and IT specialists, contract specialists / legal advisors, transport specialists, energy efficiency advisors, university research and development involved in vehicle design, online systems etc.

8. Research Needs

The focus group members proposed that there is a general need to find out how to involve the research community more effectively with SFCs. There is potential to improve links between researchers and the sector, making use of research projects and research students/internships. There is also a need to think creatively about how to connect researchers internationally working on food, environment, health and this should include working with countries outside of Europe, such as Brazil.

Topic	Theme	Goal
Supporting the scaling up of SFCs through multi-actor collaboration	Typology of Collaborative SFCs	To establish a typology of collaborative SFCs, in order to identify the types of models that are most successful according to what context and criteria (e.g. environmental, social, economic) and what principles and conditions are needed. It is also necessary to detail, for each type, the relevant support, management structures and innovations that would favour the success of different models in different contexts e.g. remote rural, peri-urban, different climate zones.
Setting up SFCs	Securing Funding for collaborative ventures	Little research has specifically examined the funding models available for collaborative SFCs. As funding for SMEs becomes more varied, with new models such as crowd-funding, peer to peer lending and venture capital, the range of funding which can be used to support SFCs in addition to the traditional routes of bank finance and grants needs to be studied and evaluated in order to develop understanding of the most effective models for SFCs. It would be important that the results of support and any other financial solution can be traceable and transparent to examine the efficiency of different kinds of support.
	Access for young farmers / new entrants	Research is needed to better understand the role of young farmers in SFCs. Access to land, and credit, are barriers to new entrants, especially in the peri-urban areas that are close to large markets where land is very expensive. Research should investigate what business models are best for fostering access to new entrants, and enabling inter-generational learning for long-term resilience of the sector.
	Technology Innovation for SFCs	What are the barriers to the uptake and adoption of technical innovations to support collaborative SFCs? What is the relationship between traditional processes and innovation? How can traditional equipment, tools, etc be innovative and used in food processing or agri-tourism?
Understanding the Systemic and Territorial Impacts of SFCs	Concepts, Tools and Methods for evaluating the impact of SFCs.	Much research has been done on specific forms (case studies) of SFCs but little has been done to develop tools and data for understanding the effects of the whole sector on a given territory. Such an examination should take into account the economic, environmental and social health of a territory. New concepts and methods are required to evaluate and make visible the dimensions, impacts and possibilities of SFCs. The tools need to be tested in different European contexts in order to develop robust and rigorous methods and data.
	SFCs and the Viability of Remote Rural Communities	To examine the role / contribution of SFCs in sustaining the social and economic viability of remote rural communities facing problems of youth out-migration, ageing populations, loss of services and cultural desertification.

	The contribution of SFCs to resilient food systems	Many actors involved in SFC are motivated by a desire to develop 'alternatives' to the dominant food system. To what extent can SFCs develop a viable, resilient alternative to the current dominant paradigm? How can this be evaluated?
The Economic Impact of collaborative SFCs		There are very few systematic, comparative and large-scale studies of the economic impacts of SFCs at different scales (e.g. on-farm, at territorial scale). Research is needed to assess the full economic impacts of SFCs, including impacts on farm income, employment and multiplier effects in allied sectors such as tourism and hospitality so that a realistic assessment can be made of the place of SFCs in future regional economic development strategies.
Environmental Impacts of SFCs	The relationship between SFCs and pro-environmental behaviours.	Studies are needed to assess SFCs impacts on the environment in different contexts. What are the links between short food chains sales and environmental best practice in agricultural and food production? How does participation in SFC affect citizens' environmental behaviour? What measures would be needed to certify SFCs as 'eco-innovations'?
	SFCs and global environmental challenges	To examine the relationship between SFCs and global environmental challenges including climate change, water stress, and soil erosion. To what extent can SFCs contribute to climate change reduction and mitigation? Many studies focus on transport but this is only one element of the carbon emissions from food chains. To what extent do SFCs support low carbon production, distribution, processing, retail and consumption practices? To what extent do they support low impact and regenerative farming systems suited to different environmental conditions such as drought-affected areas?
	SFCs and food loss / waste	The issues of food loss and food waste are of major importance in terms of ensuring global and local food security, reducing the environmental impacts of food systems and in ethical terms. As SFCs create more direct relationships between producers and citizens, to what extent can SFCs reduce food waste? This could be through behaviour change linked to increased awareness of and respect for food as well as the CSA model which grows food specifically for subscribers and therefore does not produce much surplus which would go to waste.
Public Health	Access to healthy affordable food for lower income citizens.	In some EU countries, it is said, although evidence is limited and poorly documented, that SFCs are "made for the rich". Further research is needed to assess the affordability and accessibility of SFCs to lower income citizens. European funds were a main resource for institutions dealing with access to food by the poor. They are now declining, and institutions now seek alternative ways to ensure that healthy food is available for the poorest. Health issues, such as obesity, are also implicated in food poverty. Research must be led both at local scale and Europe-wide and should focus on the extent to which SFCs can now, or in future (if supported) create better access to affordable, healthy food for the most vulnerable groups in society.
	Nutritional quality of food from SFCs	Little is known about how the nutritional quality of food sourced through SFCs compares to that sourced through conventional retail chains. Comparative studies are needed to investigate the nutritional quality and freshness of foods from SFCs, as well as the inter-relationship with consumer purchase and cooking behaviour, which may also impact on the nutritional quality of meals and diets more broadly.

9. Recommendations

The focus group recommended a number of actions that do not fall into the scope of Operational Groups and Research Needs, but are suited to thematic networks, training programmes or other actions which could be taken up by organisations representing the actors involved in SFCs.

Policy Issues

1. *Enabling access to products from SFCs:* Examine what policy instruments need to be implemented at European and/or national level to make more structured and accessible the supply of products from SFCs.
2. *Protecting the integrity of SFCs:* What are the opportunities and challenges for developing and diffusing participatory labelling schemes for collaborative SFCs?
3. *Public procurement for schools and other educational facilities:* How can a common policy for schools and public catering be implemented to encourage equality of access to fresh, healthy and environmentally sustainable food from SFCs for all children?

Training Issues

The issue of training was raised repeatedly during the focus group discussions in relation to the many different aspects of starting and scaling up collaborative SFCs.

1. Formal educational frames are lacking for the kind of "three in one" jobs that characterise SFCs, but also to "three jobs shared among few farmers" beyond the model of big cooperatives. Work is needed in order to develop curricula for SFC entrepreneurs, share best practices and also to test out the most effective modes of delivery for such training, including peer-to-peer learning.
2. There is a need to assess which types of leadership skills are most needed for collaboration and scaling up of SFCs, and also to understand how public sector agencies can nurture and develop those skills – especially in facilitation, mediation, social inclusivity.

Dissemination of 'best practice'

As can be seen from the examples and case studies provided by the focus group, there are many examples of 'best practice' from many different countries. In general, and recognizing the existing efforts of the European Rural Development Network, there is still a need to further develop the mechanisms for sharing best practice in collaborative SFCs, and to ensure that materials are constantly updated and accurately targeted to the needs of SFC actors. We recommend the EIP-AGRI Network and Service Point to use all the available EIP-AGRI means like website, meeting point, brochures, newsletter, press articles and database to disseminate actively the best practices from many different countries. Some specific areas where best practice already exist and can be shared are:

1. Flexible practices in matters of food hygiene, tax laws and the definition of SFCs.
2. Public procurement opportunities to support SFC within the framework of European regulations and measures to promote environmental sustainability.
3. Collective branding schemes.
4. Collective logistics schemes.

10. Epilogue from the focus group

The group has focused on the important role of collaboration between actors involved in SFCs. It has provided experience-based insights on the opportunities and barriers for collective SFCs to develop and grow, and has also identified many research needs and practical suggestions for Operational Groups to solve the problems facing SFC actors. A key recurring theme is the importance of finding effective ways of sharing know-how and best practice within and across regions, through collaborative efforts. Linked to this, a vital issue which was recognised but not explored in great depth in this report, is concerned with how to develop collaborative processes in which the shared values and ethics of SFCs are sustained and continually reflected upon whilst at the same time ensuring financial viability for the producers and processors involved as well as affordability for citizens.

Whilst the original terms of reference for the focus group were fairly narrow (ie the role of scaling up SFCs in terms of improving farmers' income) many experts stressed from the start that the impact of scaling up should be considered using indicators that go beyond improving farmers' income. For example, whilst ensuring viable incomes for farmers is essential, jobs creation and opportunities for young people to enter farming or primary processing are also crucially important for creating resilient rural communities and local economies. The social and environmental impacts of SFCs are also very important and the proliferation of SFCs surfing on the renewed interest for local food calls for further and open discussions about the minimum standards (a European framework?) which may be required for a SFC. For many people, SFCs are regarded as vectors of social innovations and can help to build food 'democracy' and support food 'rights'. EU policies should act as catalysts for promoting SFC in the Member States.

During discussions about the question of scaling up, many of the experts situated SFCs in the context of the need for transition to sustainable and socially inclusive food systems – this is reflected in many of the research needs identified, which are concerned with developing new understanding of the broader impacts and potential of SFCs. They also emphasised that whilst SFC actors are often motivated by a desire to protect environmental resources and tackle injustice in the food system, business models are needed whereby SFC enterprises can become financially viable and self-sustaining. Grant or loan dependency is not a long-term basis for building a better food system. Yet it also has to be recognised that SFCs do not necessarily find themselves on a level playing field – certain obstacles are built into the landscape and so the landscape needs to change. These obstacles include the regulatory barriers discussed in Section 3.1 and the dominance of large retailers and agro-food industries. Whilst there are examples of supermarkets supporting local producers and short food chains, it is also important to recognise that supermarkets profit from a food system that has pushed farm-gate prices down and externalised environmental costs, and these are problems that many SFC actors would like to tackle. The big picture is highly complex and it is beyond the scope of this paper to paint it in detail, but it is important to put SFCs into this picture in order to understand how best to support them. In terms of policies to support SFCs, new thinking is required which cuts across the different policy sectors: health, agriculture, economy, social security, environment, transport, land-use planning. On the part of SFC actors, there is a need for them to find means of organising themselves in order to enter into more effective dialogue with the authorities.

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Annexes

Annex 1: List of members of the Focus Group

Coordinating expert and lead author

Prof [Moya](#) Kneafsey United Kingdom Scientist

Experts and co-authors

	FIRST NAME	FAMILY NAME	NATIONALITY	BACKGROUND
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Mr	Denis	Carel	France	Farmer
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Dr	Yuna	Chiffolleau	France	Scientist
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Ms	Valentina	Hažić	Croatia	Farm Advisor
Mr	Christian	Jochum	Austria	Expert Agricultural Organisation
Ms	Marion	Krol	Netherlands	Farm Advisor
Dr	Katalin	Kujáni	Hungary	Farmer, NGO
Dr	Marco	Locatelli	Italy	Farmer
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Ms	Tiiu	Ohvril	Estonia	Scientist
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You can contact Focus Group members through the online EIP-AGRI Network. Only registered users can access this area. If you already have an account, [you can log in here](#). If you want to become part of the EIP-AGRI Network, [please register to the website through this link](#).

Annex 2: List of relevant research projects:

Project/consortium name (Funder)	Years
FAANWEB (FP7) Facilitating Alternative Agro-food Networks: Stakeholder Perspectives on Research Needs www.faanweb.eu/	2007-2010
EQUAL-CROC (European Social Funds) Skills, networks, observatory and communication: Sustaining local agriculture through proximity networks www.faanweb.eu/project/equal-croc-project	2007-2013
SUPURBFOOD (FP7) Towards sustainable modes of urban and peri-urban food provisioning (incl short food chains) www.supurbfood.eu/	2012-2015
FOODART (EU 38777) "Developing rural food businesses competitiveness by cross-border artisan food networking" Project under the conditions of the Estonian-Latvian Programme. www.estlat.eu/programme/supported-projects/?project=49	2011-2013
FOODLINKS (FP7) using knowledge networks to promote sustainable food www.foodlinkscommunity.net	2011-2013
SOLINSA – Support of Learning and Innovation Networks for Sustainable Agriculture (FP7) www.solinsa.org/	2011-2014
Sustainable farm systems – Long-term socio-ecological metabolism in western agriculture (Trans-Atlantic Research Consortium) www.ub.edu/histeco/p2/eng/index.php	2011-2016
Foodmetres (FP7) FOOD planning and innovation for sustainable METropolitan REgionS www.foodmetres.eu/	2013-2015
DARE (Gruntvig) Democratizing Agriculture Research in Europe www.agroecologynow.com/democratizing-ag-research/	2013-2015
GLAMUR (FP7) Global and Local food chain Assessment: a MULTIdimensional performance-based approach http://cordis.europa.eu/project/rcn/104328_en.html	2013-2016
INTERVAL (FRCIVAM Bretagne) Synergies between economic actors in SFCs http://www.civam-bretagne.org/civam.php?pj=178&ref_rub=21&ref=59/	2013 – ongoing
TransMango (FP7) Global drivers of change on European and global food demand and on raw material production http://www.transmango.eu/	2014-2018
DIVERSIFOOD (H2020) – Embedding crop diversity and networking for local high quality food systems http://www.diversifood.eu/	2015-2019



Annex 3. What does 'success' look like for collaborative SFCs?

The following text is the outcome of a visioning exercise undertaken by the members of the EIP focus group on Innovative Short Food Chain Management. In the exercise, participants were asked to imagine a Europe where SFCs have been appropriately scaled to maximise their potential to contribute to farm income. The aim was not to dwell on the current obstacles and barriers to SFCs but to visualise what the future could look like. It is reproduced here as a stimulus for further conversation, thought and action...

A galaxy of initiatives is systemically linked in a whole territory, delimited by the consumption habits of the population and the productive conditions and capacity of the supply area. Households spend over 10% of their food budget on food from SFCs and the sector sustains over 15% of the total employment in the food sector. At least 30% of food that can be produced locally is eaten locally. Thriving small-scale farms (with scale defined according to local characteristics) generate jobs and livelihoods in rural and peri-urban areas. Farming is regarded as an attractive and respected occupation.

A wide variety of actors collaborate to deliver food through SFCs. These include farmers, artisans, distributors, retailers, citizens, local authorities, national governments. Producers are fully integrated into the food chain. They use efficient methods in order to meet citizen needs for healthy, tasty and affordable food from an identifiable place which has been produced using methods which regenerate environmental resources and are respectful of animal and human well-being. Where appropriate, producers combine traditional knowledge and skills with technical innovations, which are specifically designed for small-scale operations. They co-operate to share machinery and training costs. There is a multiplication of small/medium sized economic units, such as co-operative shops organised by producers and/or consumers, open-air markets running at different times of the day, and online systems. Where necessary, food is clearly labelled with information including the name and address of the farmer and the production process. Shoppers can easily find products from SFCs in their neighbourhood, place of work or on holiday. Citizens have a high level of awareness of agriculture and food, favoured by new relationships with producers, either directly or through 'involved' intermediaries. Active networks of citizens support SFCs through investment (e.g. crowd-funding) and participation in buying groups and community supported agriculture.

National and local governments are fully supportive of SFCs. SFCs are integrated in local development strategies, including touristic promotion. They provide appropriate technical advice and ensure that a healthy mix of funding and credit is made available under fair and equitable conditions to all parties. They facilitate access to land for existing small-scale farmers and new entrants to farming. They apply measures to encourage co-operation throughout the food chain, including the formation of producer groups. Public procurement rules are oriented towards supporting food sourced through SFCs especially in schools and hospitals. Hygiene regulations are simple, and adapted to the needs and budgets of small-scale food producers and processors, whilst still ensuring the highest levels of food safety. Accessible training is provided which, in addition to general business skills such as planning, financial management, marketing, and risk management, also focuses on: collaborative skills, branding and labelling, contracts and negotiations, IT needs of SFCs, use of technology in production / product development, logistics and best practice in health / hygiene. Replicable governance and logistics models and guidelines for local quality marks are provided. Institutions support the communication of potential benefits of SFCs and the performance of SFCs is monitored so as to develop a complete evaluation of the social, economic and environmental impact of SFCs¹¹. Institutions also maintain databases for putting producers and other food chain actors in touch with each other, thus encouraging new networks and partnerships.

¹¹ In fact, all food chains are comparatively evaluated according to environmental, economic, legal and social aspects.

Annex 4. Case studies

Quick Reference Guide

	Country	Title	Type of Short Food Chain	Collaborators
<u>1</u>	Poland	Local Products from Malopolska: Scaling-up a short food chain system	Farmers' markets, on-farm sales, restaurants, internet sales and other distribution channels	<ul style="list-style-type: none"> • Approx 100 farmers/producers • 15 local NGO, business and public sector partners, including the regional government authorities
<u>2</u>	The Netherlands	The Landwinkel Co-operative of 'Country Shops'	Farm shops	<ul style="list-style-type: none"> • Farmers and farm shops
<u>3</u>	Estonia	Farm Shop Co-operative	Farm shops in the city	<ul style="list-style-type: none"> • Farmers and food processors
<u>4</u>	France	Ici.C.Local participatory labelling system	Open air markets, collective farmer shops, retail shops	<ul style="list-style-type: none"> • Farmers, producers, retailers, research institution, local authorities
<u>5</u>	Scotland	Building up a multi service organic farm shop, restaurant and education centre	Farm shop, online sales, restaurant	<ul style="list-style-type: none"> • Farmer, local community
<u>6</u>	England	Suffolk Food Hall – Scaling up without Reducing Profit Margins	Farm shop, online sales, on site catering	<ul style="list-style-type: none"> • Farmers, food producers, caterers, leisure providers
<u>7</u>	France	Facilitating Access to Land for Agri-Rural Innovations	Local schools, farm shop, open air market, CSA	<ul style="list-style-type: none"> • Local authority, farmers, schools, local communities
<u>8</u>	The Netherlands	Multi-Actor Collaboration and 'Dense Logistics' – Eindhoven Food Collective	Direct delivery	<ul style="list-style-type: none"> • Farmers, local community
<u>9</u>	Hungary	"HÁZIKÓ's fresh treats connect the city and countryside"	Direct delivery	<ul style="list-style-type: none"> • Farmers, urban consumers
<u>10</u>	Belgium	Distrikempen - A B2B logistics platform between farmers and clients	local retail, HoCaRe, speciality shops, farm stores	<ul style="list-style-type: none"> • Farmers, distributor
<u>11</u>	Austria	Bauernkiste	Direct delivery	<ul style="list-style-type: none"> • Farmers

CASE STUDY 1. Poland: local products from Malopolska

Scaling-up a short food chain system



General information

Name of the case: **LOCAL PRODUCTS FROM MALOPOLSKA**

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Short description

Local Products from Malopolska is a local food system through which producers from 10 territories in Malopolska connect with consumers. The focus is on increasing access to locally-produced food by helping agricultural smallholders and small producers to work together to gain market access through farmers' markets, on-farm sales, restaurants, internet sales and other distribution channels. The motivation is to increase smallholder incomes and so revitalise rural economies in ways that combat poverty and social exclusion, while contributing to the protection of natural and cultural heritage values and food security.

Initiated in 2011 by the Polish Environmental Partnership Foundation – an NGO supporting grassroots environmental action - *Local Products from Malopolska* is co-created by a group of approx. 100 farmers/producers and approx. 15 local NGO, business and public sector partners, including the regional government authorities. The ambition is to organise sales of an ever wider range of locally-produced food products directly to consumers, engaging more and more farmers, smallholders and producers through a process of building trust and reputation as a means for creating and maintaining short value chains.

The method or approach involves an ongoing process of identifying local and regional-scale stakeholders (especially producers) aimed at turning them into partners who share in the risks, costs and benefits of building '*Local Products from Malopolska*' as a trademark encompassing local brands, with its own farmer support, quality control, marketing and promotion, sales and distribution and governance. Those participating in '*Local Products from Malopolska*' are also campaigning for a more favourable policy and regulatory environment for local food systems, especially with respect to food safety and tax regulations.

With 142,900 agricultural holdings, averaging 4 ha in size and highly fragmented, Poland's Malopolska region represents an opportunity to turn increasingly socially and economically excluded rural areas into a resource for building food security for rural and urban populations based on access to locally-produced food of known-origin (traceable). The commitment to building and strengthening local food systems is part of the Regional Government's strategy for the years 2014-2020.

1. Setting up

Local Products from Malopolska was initiated by an NGO – the Polish Environmental Partnership Foundation – which has been contributing to Poland's transition to market economy and democracy since 1991 by promoting and enabling grassroots environmental action. In line with the mission, philosophy, experience and expertise of the Foundation, the motivation or driver was to work out market-oriented solutions – together with those affected - to the problem of growing social and economic exclusion in rural economies, which translates into degradation of natural and cultural heritage and threatens local life-support systems.

Based on earlier work on using environmental action projects to build cross-sector partnerships for mobilising social capital at the local or community level, the Foundation developed a project proposal with local partners focused on finding ways of using local food to revitalise Malopolska's rural economies. The aim was to secure long-term funding support for building a trust-based local food system linked to natural and cultural heritage protection. Inspiration and frameworks for action came from a Swiss organization – Reseau Echange Development Durable (REDD) – and its work on origin-based food systems (www.origin-food.org).

A three-year fundraising effort resulted in the Foundation securing funding support from the Swiss-Polish Cooperation Programme (a government-administered grants programme) for a 5-year project to develop a self-financing local food system focused on Malopolska – starting in August 2011.

Lesson learned/implications for scaling up SFCs:

The key to success at this stage was to design a long term project based on bringing together people, organizations and resources sharing a common motivation and philosophy (i.e. commitment to grassroots action, co-creation with those affected, environmental protection, local democracy) but operating through largely unconnected action-oriented initiatives, projects and programmes – mostly not directly related to food. The role of the Foundation was to provide an organizing framework (conceptual and practical) with a vision, a method and a process-oriented programme of work to achieve that vision.

2. Getting support

Initiating *Local Products from Malopolska* as a partnership project, the Foundation had expertise primarily in mobilising grassroots environmental projects through cross-sector partnerships. The Foundation did not have access to specialised expertise related to food systems, farming, agri-processing, food marketing and distribution and so forth. Moreover, the organization was perceived (if at all) as an environmental NGO by local and national government, business, media and other NGOs. In this regard, the Foundation was not associated strongly with agriculture and rural development issues and was largely unknown among public and private agricultural support providers.

In this situation, the Foundation built an alliance with the Malopolska Agricultural Chamber, which formally represents farmers. The Director of the Chamber joined the Foundation's board of trustees and helped shape the *Local Products from Malopolska* project from the very beginning helping the project team engage with agriculture and rural development organizations and networks.

It became apparent at this early stage that the success of the project in building up a functioning local food system would depend on the extent to which the potential of small farmers and smallholders selling directly to consumers – both individual consumers and institutional consumers (e.g. schools, hospitals etc) could be realised. In this regard, an important need lay in understanding better the opportunities, barriers and conditions to direct selling by farmers. This prompted the Foundation to join forces with the Agricultural Chamber and relevant food safety authorities (veterinary service, sanitary inspectorate) to carry out a programme of consultations with farmers operating in Malopolska. In the winter of 2012/2013, a consultation programme involving over 40 meetings, involving over 1000 farmers was completed, building up a picture of the over-regulated realities of direct food sales in Poland, as well as a constituency of support for the *Local Products from Malopolska* initiative.

The key challenge was identified as the lack of clear or well-defined framework for organising short value chain food systems based on direct selling both from the point of view of farmers (who simply lack the legal basis for direct sales of processed food products) and of consumers (who increasingly demand locally-grown food of known origin). The information and insights gathered from local farmers, officials from the food inspectorate, tax offices, local governments, agricultural advisors prompted the Foundation and its constituency of farmers, NGOs and other organisations committed to promoting locally-produced food provided the basis for launching a campaign entitled *Legalise Local Food*. The campaign seeks to bring about regulatory changes in food safety and tax systems to enable the development of local food systems based on shortening the value chain. At present in Poland, farmers can only sell unprocessed food products directly to the consumer. Processed food products can only be sold (legally) in limited circumstances. Thus it is not possible in Poland to legally buy jam, butter, cheese, juices etc. directly from farmers. The result is a growing and vibrant black economy in processed local food products.

Another important outcome at this stage was the inclusion of local food systems as a priority in the Regional Government Strategy for the years 2014-2020 and securing the Regional Government via its Department of Agriculture as a partner co-creating the *Local Products from Malopolska* system. This came with a commitment to work at the policy level to create a more favourable environment for small-scale local production, which included provision for establishing communal kitchen spaces in local communities (kitchen incubators) as infrastructure for increasing and legalising the agri-production of processed food products, which can be made available to consumers (safely, legally).



Lessons learned/implications for scaling up SFCs:

The key to success at this stage was building a constituency and climate of support for locally-produced food not just among farmers, but also among other stakeholders (who often do not see themselves as stakeholders) and most importantly consumers. It takes longer and is highly complicated to build a constituency and secure partners through a partnership-building process, where no-one is in charge as success depends on the interaction of all involved. Trust must be earned, it cannot be manufactured or mimicked. But once trust and reputation is achieved stability and sustainability follow.

3. Product development

A paradox in Malopolska is that there are numerous branding and certification schemes for food products, numerous agri-support and rural development programmes, but there is a lack of ready access to legally-produced local food of known (traceable) origin. There are a number of reasons for this, including:

- Unfavourable regulatory environment for direct selling by farmers both in relation to food safety and tax systems. In Poland, farmers operate under a separate tax system, which separates farmers from markets inter alia by not allowing them to sell processed food products from raw materials grown on their farm unless they register as businesses.
- Emphasis on larger farms and industrial farming in government programming means that small farms and farm-holdings are seen as something that belongs to the past. This translates into numerous programmes and incentives to take people out of farming and so acts as a disincentive for joint action by farmers. Rural development programmes tend not to emphasise or include food production as part of rural futures (!)
- Supermarket culture has come to dominate and shape consumer behaviour with the result that there is little space reserved for locally-produced food. Organically-certified food is increasingly imported but there is a decline in the number of organic farms in Malopolska.
- A growing atmosphere of distrust between NGOs, government, businesses, media acts as a disincentive to joint action of any kind. Labels are also the focus of mistrust. Food scandals support a growing conviction that labelling schemes cannot be trusted among consumers.

Emphasizing a constituency-building function, *Local Products from Malopolska* has sought to regain the trust of consumers by connecting them directly with farmers/producers through generating sales opportunities rather than focusing on labelling or branding schemes. This has meant on the one hand working with farmers and food producers – organizing them into a group with its own sense of identity and self-worth and on the other with consumers to provide them with ready access to locally-produced food.

For the Foundation as the initiator and organiser of *Local Products from Malopolska*, this has meant working with the Agricultural Chamber and other local partners to develop direct contact and relationships with as many farmers, smallholders and small food producers as possible, encouraging them to take an interest in selling what they grow and process and giving them the opportunity to do so. Approx. 400 farmers/small producers have been identified and engaged through this process. Many are unable to sell under prevailing sanitary and tax conditions and so must be encouraged either to register also as businesses or engage with others to participate in joint selling schemes, such as those supplying a growing number of food cooperatives or food clubs.

A key consideration in getting farmers and food producers to work together on a joint selling scheme lies in defining a set of rules, according to which the scheme is to function. This involved a process of consultations and workshops, involving also non-farmer stakeholders and consumers, to work out a code of practice or rule system for *Local Products from Malopolska* – and indeed defining jointly just what the *Local Products from Malopolska* system should be. The result of this process was a code of practice or set of rules developed and adopted jointly as the basis for building *Local Products from Malopolska* as a trademark attesting to the authenticity and traceability of producers participating in the system and products offered for sale through the system. In this way, the system is being grown and developed not as an alternative or competitor to existing brands and certification schemes, but as a trademark of a sales and distribution system that adds value by communicating to consumers the authenticity and traceability of products offered for sale. In this approach, farmers and food



producers are co-authors of the code-of-practice and also responsible for ensuring compliance. The philosophy and method is to ensure that each and every producer participating in Local Products from Malopolska is responsible for quality and authenticity assurance. It is the farmers and food producers who are in charge. But they must take into account the needs, requirements and aspirations of consumers, especially the growing demand for locally-grown food of known (traceable) origin.

Krakow is the main population centre and market in Malopolska. In addition to numerous malls and supermarkets, there are currently 16 markets selling food mostly via intermediaries. Locally-produced food is at the same time pervasive (everyone will tell you that they know a farmer and they buy directly at some point from farmers via friends and family), and yet not available readily in a way that guarantees authenticity and traceability. For this reason – and amid much controversy – *Local Products from Malopolska* initiated a farmers' market in Krakow in 2012 that is exclusive to farmers and food producers. The market has proved a success, engaging over 40 sellers in an active and ongoing way, and more importantly for *Local Products from Malopolska*, this has fuelled a desire among farmers to participate in creating additional and new directly selling distribution channels.

Initially, the farmers' market complied informally with the *Local Products from Malopolska* code of practice. This has become formalised as both farmers/producers have come to adopt the basic message of the code of practice – namely that buying directly from the producer/farmer is the only sure way to guarantee authenticity and origin of the food you are buying. In response to consumer demand, numerous other 'farmers' market' initiatives, festivals and programmes have been initiated. The code of practice builds trust and authenticity as long as it can provide a basis for a culture of joint action and self-organization on the part of farmers/producers.

Lessons learned/implications for scaling up SFCs:

The key to success at this stage is to provide farmers – the key constituent and partner – with the opportunity to participate directly and personally in selling in a situation where they are able to retain the value-added and so increase their profitability. This needs to be organised on the basis of a jointly created and accepted set of values and rules, which provide both the producer and consumer with clear information as to what is being bought and sold. The code of practice must be lived and enforced through a mechanism of mutual trust rather than external policing. Success in this regard has the potential for significantly decreasing costs and increasing competitiveness in the market place. Farmers are essential, but not sufficient to ensure progress.

4. Access to markets and consumers

The main access to market for farmers/producers participating in *Local Products from Malopolska* is the farmers' market, where consumers buy directly from farmers. The Foundation and its partners have organised two such markets in Krakow, operating every Wednesday and Saturday. This caters to approx. 100 farmers/producers who now regularly sell through the markets and use them to build their own customer base – encouraging pre-ordering, on-farm sales etc. Many have undertaken joint selling initiatives of their own, for example supplying jointly shops, restaurants and setting up their own sales points. Several farmers have registered business activities to supplement their farmer status, whereas others have legalised their production by meeting the strict sanitary standards.

Whereas all these activities have been encouraged by the Foundation team in one way or another – they have been self-organizing thanks to the space for such initiatives created by *Local Products from Malopolska* and its code-of-practice. The farmers' market as a joint selling initiative has served to verify, consolidate and turn the code-of-practice into a cultural or living scheme – the intention is for both sellers and buyers to experience an interaction and not to short-cut or substitute this personal relationship by providing a piece of paper or certificate. The personal is key to the trust-building basis of *Local Products from Malopolska*.

The *Local Products from Malopolska* initiatives have inspired others to organise variations on local food in Krakow, which do not necessarily involve farmers from Malopolska (emphasis on organic, local to mean not just Malopolska but Poland etc). There is little doubt, however, that there is now growing demand/interest of consumers in buying healthier non-industrially-produced food, where possible directly from farmers. This is a trend that has embraced not just Krakow, but also all other big cities in Poland.

The direct result of this growing demand is that there are now numerous marketing and sales initiatives aimed at catering to the aspiration of consumers for healthier and safer food. Supermarkets have entered the fray, offering locally-grown food from farmers. For example, Carrefour launched its own brand 'Carrefour from Nature' in an attempt to secure a portion of what is perceived increasingly as a lucrative market. The barrier to achieving scale – at least in Malopolska – to meet this growing demand for locally-produced food lies in the difficulties of sourcing larger volumes from small, dispersed and subsistence-oriented farming, which characterise Malopolska. For Carrefour and others working with subsistence farmers is costly and beyond their capability, yet not engaging with local farmers brings with it reputational risks from potential customers. This is because supermarkets are accused of operating on an industrial scale, which cannot provide healthy, safe and authentic food as they cannot accommodate – at scale - highly-differentiated locally-produced products from a diverse range of producers who produce them in limited amounts due to the high costs of organizing market access. The supermarkets must somehow deal with this dilemma. One way is to open smaller outlets and close the large retail centres that have shaped retail over the past decade. Another is to secure farmers as their own suppliers, also by entering into the food processing (e.g. cheeses and meats) with them.

The implication for *Local Products from Malopolska* is that there is now a need and opportunity to achieve greater scale in term of the number of farmers and products involved and the volumes of sales. This has led to two developments. First, formalisation of the quality/authenticity assurance system and second, scaling up of distribution channels/sales opportunities to cater for a larger number and variety of small producers.

In the spirit of co-creation, the co-creators of *Local Products from Malopolska* (approx. 150 farmers/producers, NGOs, local governments) have pooled their 'market intelligence' and have opted to formalise the code of practice and the quality/authenticity assurance systems, which have been created. This has meant turning the *Local Products from Malopolska* into a trademark for a sales and distribution system that goes beyond Saturday farmers' markets. Practically, this has meant farmers/producers formally going through a certification process for their farms and products based on the code-of-practice, which the Foundation has organised with assistance of a third-party audit company. Approx. 60 producers are now in the process of certification, along with approx. 80 processed products. It is anticipated that these numbers will increase significantly along with sales – as spring and the 2015 season beckons. The important point here is that the move to formalisation has come from the farmers/producers themselves and has not been imposed on them.

Building market value of the *Local Products from Malopolska* trademark will involve a promotion and marketing campaign using the producers/farmers involved as the basis for securing a niche in the market-place for locally-produced food. In this way, consumers will be able to buy products certified as Local Products from Malopolska (in addition to being organic, traditional etc), not just in the project-operated farmers' markets but also in other ways. The emphasis is on on-farm sales or sales in the participating regions of origin and also on an internet-based ordering and delivery system that will be launched in June 2015.

Scaling up of the *Local Products from Malopolska* system is to be achieved also through a physical Local Culinary Culture Centre that is being established in the Nowa Huta Cultural Centre. This comprises a Bistro serving meals, a shop or outlet selling locally-produced food, a collection point for pre-ordered food products and an educational and learning programme aimed at celebrating locally-produced food every day – not just Saturday. For farmers/producers co-creating Local Products from Malopolska, the Local Culinary Centre is a venture that will promote them and their products in the first instance. The function of the Centre is also that of making available expertise and experience gained through the development of *Local Products from Malopolska* to others in Malopolska and in other parts of Poland seeking to organise their own local food systems.

Lessons learned/implications for scaling up SFCs:

The key lesson from *Local Products from Malopolska* is that only farmer/producer operated sales outlets generate additional value-added without the need to accommodate intermediaries. The Foundation in its role of operator of the *Local Products from Malopolska* system acts as a broker serving to respond and to take into account the needs, requirements and aspirations of both producers and consumers. This is a constant balancing act, but is key to the success in accessing and retaining a market share. In this sense, the Foundation acts not as an intermediary, but as a service to participating farmers/producers as the policies, plans and systems of quality/authenticity assurance must be constantly not just co-created but re-created as the system grows.

5. Infrastructure and logistics

The initiator and owner of *Local Products from Malopolska* is the Foundation acting with and on behalf of farmers/producers and other local and regional partners. In line with its mission to promote and enable community-based sustainability, the Foundation acts as a guardian of the fundamental idea behind developing the local food system – combating social and economic exclusion in rural areas of Malopolska as a means of protecting natural and cultural heritage and maintaining life-support systems (clean air, water, soil, biological diversity etc). This mission orientation is key to promotion and marketing of *Local Products from Malopolska* and hence the basis for competitiveness in the market place. The foundation is the owner of the trademark Local Products from Malopolska but its strength and market value is a function of the quality and authenticity of the products provided by participating farmers and producers.

Infrastructure for production processes and logistics-distribution systems capable of accommodating a large number of dispersed producers offering a wide variety of products of limited volume at a cost that is not prohibitive is the challenge here. In theory, the larger the number of participating producers and consumers, the lower the unit costs will be for each participating producer for quality/authenticity assurance, logistics & distribution and sales/marketing. In practice, the key lies in finding an operational formula that will actually generate cost savings and increased sales. The *Local Products from Malopolska* system will achieve this through establishing a trading company, which will be tasked with operating the logistics and distribution system and organising sales of certified products from farmers/producers using a customised IT system. The system is now being tested and will enable customers to select and purchase on line products certified as *Local Products from Malopolska* and collect them from specified collection points in Krakow.

Emphasis on development of an IT system to manage *Local Products from Malopolska* lies in retaining the capability of offering customers a wide range and variety of locally-produced food (the greater the variety the better) at prices set jointly with farmers/producers and taking advantage of logistical capabilities available already through those participating (i.e. using one vehicle to collect products from several producers in a participating region as opposed to each one organising their own delivery). The IT system is designed to enable local NGO and business partners operating at the territory or sub-region level of the *Local Products from Malopolska* system to deal in a systematic and organised way with local producers and help them sell their products by providing access to the distribution channels/sales points organised under the *Local Products from Malopolska* trademark.

To provide local support to farmers/producers seeking access to market for the products, local infrastructure in the form of equipped kitchens with appropriate advisory services are needed. This must be provided by local NGO or locally-organised farmer/producer groups, but in line with changing policies and regulations – especially those relating to food safety and direct selling. The goal and opportunity of *Local Products from Malopolska* is to help local partners motivate local producers to legalise and seek market access by providing a path leading directly to sales opportunities. In this way, local partners will be able to take better advantage of co-financing opportunities related to promoting locally-produced food, which are offered through the Regional Government.

Lessons learned/implications for scaling up SFCs:

Partnerships that focus on sharing risks, costs and benefits are the key to success. Too often partnerships masquerade as arrangements for transferring costs and risks onto others. The key to success in this stage – in an increasingly competitive food market place – is to build partnerships with regional government partners who have an interest and stake in spending public funds for alleviating poverty, combatting social and economic exclusion, protecting environmental values and promoting enterprise in rural areas in ever more effective ways. The focus of such partnerships is to develop models of operation, which can be replicated and adapted to a variety of conditions. An example here is the case of a kitchen incubator investment under way in one participating territory in *Local Products from Malopolska*, which involves resolving a range of institutional, ownership, technical and other issues. It will be a model and resource for other territories, which will be able to draw down funding from Regional Government. There is no compulsion for kitchen incubator users to sell through the *Local Products from Malopolska* trademark. This has to be a matter of choice and capability to collaborate with others. It is worth noting, that at present legal sales opportunities for small producers are almost non-existent, though this may change if public procurement policies, for example, are modified to favour locally-produced food and if regulators seek to limit the grey food economy that is thriving today.



Another key area for partnership relates to working with business. The *Local Products from Malopolska* collaborates with a variety of business partners on working out distribution channels/sales points capable of generating profits. This is the case with respect to developing an IT system combined with a logistical capability where the Foundation is drawing on the expertise and experience of Aspen, which is part of the Sodexo group and specialises in catering and food services for public sector clients, especially hospitals and foods. With an interest in introducing more locally-produced food of traceable origin into hospital and school menus, but with no direct interest in retailing locally-produced food, Aspen is providing Local Products from Malopolska with warehousing, transportation and other related services as needed with a view to working out the business case for how the *Local Products from Malopolska* trading company will deal with distribution and logistics. Access here is to know-how, expertise but also to market intelligence. Such partnerships help to keep the business mission of *Local Products from Malopolska* in the forefront.

CASE STUDY 2. The Netherlands: Landwinkel - A Farmer-Led Co-operative of 'Country Shops'

General information

Name of the case: Landwinkel Coöperatie B.A.

Author (of the case): Anneke Faes

Country / region: The Netherlands

Additional information (contact person or website): www.landwinkel.nl; Jan-Pieter Brandsma

Short description

On January 9th 2006 the Landwinkel Coöperatie was founded. Some existing projects in which farmers with farmshops worked together, were joined by some new farmers. In 2006 there were 39 members and by 2015 this had grown to 93 (farmers with dairy, fruit or/and vegetables). The members choose the management and own the Coöperatie and the brands. It has national coverage, but one farmers shop is not close to the next, depending on the number of inhabitants in the region.

The mission is: **enhance the liveability of the countryside by offering a broad assortment of artisanal farmer and regional products in shop at the farm. Enhance the involvement of citizens with their landscape, farms and produce.**

The products are in the first place the produce of the farmer. S/he can choose what products s/he adds (region-Dutch-organic or not organic). If s/he produces fruit, s/he will probably order more jams and juices, if s/he makes cheese s/he will order more chutneys. That's how each Landwinkel can keep its unique look and feel. The Landwinkel Coöperatie offers a distinctive assortment of farmer-and regional food and craft products, under its own label (soft franchise). The products consist of the produce of farmers that are members. When a product consists of ingredients that are not from the Netherlands, it is part of another brand; "NatuRijk". Nuts, orange juice and apricot jam for example are NatuRijk products. As Landwinkel grew bigger, it became able to realise cross-dock¹² selling and more efficient / cheaper distribution (also better for the environment). For the farmers it is easy to order, there is just one delivery, one invoice.

The sharing of knowledge to professionalise the shops, is very important: workshops and a diversity of activities are organised for the farmers who want to learn. Training, visits to other farmshops, lessons in social media, how to present products in the shop, sales support, etc. As the cooperation has got a lot of members it can quite easily get some subsidy for projects such as "how to develop a webshop".

Landwinkel Coöperatie helps a lot with marketing by developing tools. Off-line (posters, price tags, newsletters, formats, themes) and on-line (farmers blog, farmers family Facebook, professional site)

Main marketing channels: off-line; each shop sells its products, you can find them all on: www.Landwinkel.nl. Each shop can use marketing tools provided by Landwinkel (leaflets, newsletter, formats for price tags, posters, etc). On-line; Landwinkel Cooperation helps to build your webshop, social media (Facebook, blog).

Main customers: "the conscious citizen", minding their health, the environment, the landscape/farmers, looking for pure products, transparency, quality.

Staff: in the beginning there was one secretary/coordinator, now there is a director, 2 secretaries, one sales specialist (advice to the shops), 2 persons for logistics, 6 order pickers, a student helping members with their website, designer for products/promotion. Six farmers form the management. The Netherlands is divided into 5 regions and each region is represented by a member who also represents different types of farms. The director is responsible for the policy implementation.

¹² **Cross-Docking:** Only purchase inventory once you have **sold** it, receive it, touch it once and transport it to the customer.

Turnover 2014: 3.5 million (but the farmers together: 40 million)

1. Setting up

In the start-up it was essential that there was a grouping of already existing groups of farmers. That gave the organisation some body from the beginning. Working together with "Streekwijzer"¹³ (founded by René de Bruin), Streekproducten Nederland¹⁴ and LTO Nederland/ZLTO¹⁵ was fundamental.

Each member pays 2500, to become a member and a yearly contribution (750,-). Depending on the turnover each member builds up a "ledenkapitaal" (membership capital) that stays in the cooperation as long as the member stays in the cooperation. So only in the beginning additional capital was needed (fifty thousand euro "innovation credit" from the bank).



2. Getting support

During the founding process specialists were already working together including René de Bruin and Pieter-Jan Brandsma. Pieter-Jan Brandsma was working at Streekwijzer, until he became secretary/coordinator of Cooperatie Landwinkel and now he is the director.

Government support was accessed from a "multifunctional farming" project, which gives financial support for specific projects, often connected to knowledge enhancement. Growth was also financed by the members, see above.

There were no major problems with the regulatory framework; on a local level farms are allowed to sell their own produce and it was no problem to add other products. If there were problems farmers were assisted by LTO-Nederland ("the guardian of the interests of the farmers").

3. Product development

The branding and development of new products is an essential element of the Coöperatie. It's all about 'pure and honest' food, plus the experience of buying from a farm: you visit the farm that sells its produce, the farmer tells you the story. The farmer can add other Landwinkel products that all have their own story. The Landwinkel products are 100% Dutch, traceable, transparent, sustainable, artisanal and distinctive (NatuRijk for the products that contain ingredients from other countries). On- and off-line tools are developed to communicate. The producers are responsible for following the legal rules on food hygiene and safety.

As the cooperation grew it also became easier to connect projects to those who have the knowledge and funds. For example: development of a drink in cooperation with a school/students, from the product development to the way it looked and the marketing. Funds: governmental "knowledge vouchers", could be used to "buy" knowledge from the High school HAS¹⁶. The European fund for development of the countryside was also used.

¹³ Stichting Streekwijzer: an organisation that promotes regional products, (stichting= foundation, streek=region)

¹⁴ An independent foundation that certifies regional products

¹⁵ (Z)LTO Nederland: (Zuidelijke) Land- en Tuinbouworganisatie Nederland: (Southern) Agricultural and horticultural Organisation. It is not a union, but it serves the interests of agricultural entrepreneurs.

¹⁶ HAS: Hogere Agrarische School University of applied Agricultural Sciences



4. Access to markets and consumers

Using the tools provided by Landwinkel, each farmer shop maximises its potential thanks to a broader assortment, professionalization, and distribution system. Farmers not only sell more in their own shops, but also via other Landwinkels. The project “web shop” helped to professionalise this, although there is a tension with the whole idea of the experience of visiting the farm.

Access to other public and private sector catering, or supermarkets, remains the responsibility of individual farmers and is not a priority for the co-operative.

5. Infrastructure and logistics

In the beginning, the Landwinkel Coöperation office/distribution were located at a farmers place who had some spare room. Soon (as membership grew) the office and distribution were moved to a distribution centre, where they rent an office and rent a part of an existing distribution centre that takes care of the distribution. At the moment they work at enhancing the sustainability of the distribution system (minimizing the km of transportation).

Expensive software/ICT was required for the complex system of ordering from the shops, ordering from the suppliers, trying to have as little stock as possible (cross-dock selling). The website is of a high standard, and members can also, for a reasonable price, buy assistance to develop their own websites and webshops. See www.landwinkel.nl.

CASE STUDY 3. Estonia - The Farm Market Co-operative

General information

Name of the case: Tasty Southern Estonia
 Author (of the case): Tiiu Ohvril
 Country / region: Estonia/ Southern Estonia
 Additional information: Mrs Merle Vall, <http://www.taluturg.ee/>

Short description: The Farm Market Cooperative (in Estonian – Taluturg) operates today as a profit-seeking organisation; however it started in summer 2010¹⁷ as a non-profit association. From September 2012 the founders decided that for their goals the form of a cooperative was best suited. This cooperative, owned by 11 small-scale producers, pools products of small-scale food processors mainly from Southern Estonia; however if there are no offers for certain products the consumers are asking for, the products can be pooled from all over Estonia. The main marketing channels are small shops in two Estonian towns – Tartu (97+ thousand inhabitants), and Pärnu (41+ thousand). There was a guerrilla action of spreading to Narva (64+ thousand), but this channel is now closed due high costs with low turnover. The major customers are individuals seeking healthy food with quality they can trust, and some smaller scale catering firms preferring fresh local food ingredients. The number of staff is rather small: the manager of all the shops (Mrs Merle Vall) and a few sales persons in Tartu and Pärnu (altogether about 15 persons).

1. Setting up

In summer 2010 five Leader groups from Southern Estonia established a not-for-profit organisation called Tasty Southern Estonia. The initial group involved about ten small-scale farmers / food processors who were seeking to promote local food and establish closer relations with their potential consumers. All of them had up to ten years experience of food processing and quite well established positions as processors. However they were not satisfied with the available distribution channels for their products (supermarkets, part-time farmers markets, smaller shops). The supermarkets were not interested in identifying or highlighting the local farm food; these products were exposed amongst all other products without any additional labelling or reference. While negotiating and starting their activities the goal of the core group was to create a network of small-scale producers, to carry out collective marketing and to find new marketing channels.

In August the same year, the co-operative opened a rented shop space called Farm Market in the biggest shopping centre in the second city of Estonia – Tartu. Luckily enough the two initiatives met and had shared interests: the producers were looking for better ways of selling their produce and the manager of this shopping centre turned out to be “fan” of local food and was looking for somebody who could enrich the list of tenants with farm food offer.

The management structure was and still is very simple. The cooperative Farm Market is run by an acting manager and managing board (or the better name is “think-tank”). Only one person gets paid for managerial work. The initial capital came from a Leader group and 5 producers (altogether 12,000 Estonian kroons, or about 797 Euros).

2. Getting support

There were no specialised support schemes implemented; the manager was a member of the initiative group (a visionary), whose work at the very beginning was more like voluntary work. There are no governmental schemes to support this kind of channel; a certain support came via Leader projects and via production support for producers. However the project-based approach cannot guarantee sustainability. The project-based activities are connected with the soft side of business such as training, info-days, seminars. Also the web-page is established using projects. For investments no resources are possible to attract via the projects.

The necessary financing has come purely from the income born by sales. Following the launch in 2010, sales grew more than 4 times in 2011, then 1.8 times in 2012, and in the following two years about 1.4 times per year.

¹⁷ To mark the 5th anniversary there has been published a short promotional paper on Taluturg in the August 2015 edition of National Geographic

It is natural - the bigger the sales the lower will be the growth rate. Also a certain way of crediting is the non-official agreement with core producers about longer payment due terms if necessary (in other words, some of the core group are prepared to wait longer to be paid). The costs of expanding (to Narva and Pärnu) have been made on the account of accumulated sales income and therefore the cash flow currently is not positive.

3. Product development

The specific product we are dealing with in this case is the farm shop. What does it take to build a real shop from your concept? The concept was brainstormed for several months between the initiative group of 10 producers who had collaborated in different projects and under different activities. The mission of the organisation was defined as selling the goods grown in Estonia and the products made from the raw materials from Estonian farms to the consumers caring for their health, for small farms and for environment.

The concept is clear and concise:

- The consumers preferring good products from nearby farms have the opportunity to buy them and to get know their farmers.
- The relations between the producers and consumers have to be established on mutual trust, the farm products' quality is a special quality and it means very high quality.
- The farmers have the opportunity to identify their goods clearly and to get fair prices for their goods. The prices for local products in the Farm Market are higher, and the margins somewhat lower – therefore the farmers can maintain the bigger share of the value.
- The network of producers brings synergy into the whole process of relationship formation and product development.

As to the labelling issue the situation is quite interesting. The label and slogan used by the Farm Market were worked out by the shopping centre – Lõunakeskus. However until now there is no conflict over these - the consumers perceive the label as belonging to the shop and have also accepted the slogan "Straight from Estonian farms to the market". The label is also used in Pärnu and Narva. All this has created a Farm Market (Taluturg) brand which helped the cooperative when expanding to Pärnu and Tartu. Today the brand Farm Market for a consumer is a warrant of fresh and carefully selected farm products.

Today more than 150 producers are listed as suppliers for the Farm Market shops. Around the year there are open indoor counters and seasonally some outdoor counters are also operating. Most of the goods are delivered by the producers from Southern Estonia, however if there are some appealing local goods developed which are not available in Southern Estonia they will be delivered from other regions of Estonia (Pärnu, Saare, West- and East Viru, Viljandi and other counties).

The requirements specific for all food-stores apply to Farm Market on an equal basis: whereby all food products sold in the shops in Estonia are required to have the certificate of recognition issued by the national veterinary office.

The conditions for keeping refrigerated goods have to meet the national requirements, etc. The producers are very interested in supplying foodstuffs of good quality as the customers are very strong judges. The best feedback is sales, of course, and due to small size of Estonia straight contacts and communication work very well. If the quality is perceived not good the deliveries will be stopped and new producers will be invited.

4. Access to markets and consumers

The goal of the cooperative under consideration has always been to grow and to scale up. There were plans for renting new farm shops and to diversify the choice of channels soon after the first shop appeared to be a success. In October 2012, building on the experience in Tartu, a new farm shop was opened in a shopping centre in Pärnu, and at the end of 2013 the same type of shop was opened in Narva. Although the shop in Narva turned out to be a failure the manager considers this action as a lesson. There was a plan to take the Estonian farm goods to St. Petersburg using the same concept – making farmers' goods available in the shopping centres but under the clearly identifiable separate enterprise name. This project is not on the table today however it could be renovated if the circumstances change. Meanwhile the opportunities to expand activities to the capital (Tallinn) have been investigated. Nevertheless it is currently difficult to expand based only on the resources of the cooperative.

In terms of growing online, so far there are capacity limitations. These kind of activities need resources for information system development, probably hiring new people with relevant qualifications and experience. Considering that the current growth has been clearly interconnected with the growing work-load of the acting manager the next steps need more brainstorming and may be changing the principles of financing. The banks would probably say yes to some loan applications but the management board of the cooperative is somewhat conservative and accepts the situation as it is now. There is eagerness to cope with the current difficulties of expansion and then to decide which will be the next step.

As for consumers, the shop has succeeded in developing loyal customers for certain products and feels confident about the market need. There are also business clients – some restaurants, who have found the farm shop on their own initiative and now have become loyal customers.

The farm shops can operate beside the supermarkets as the core client segments are basically different. For supermarket buyers the strongest argument is good price for industrial products but for farms shops' clients the only argument is good quality of the farm products they trust.

5. Infrastructure and logistics

In addition to a new marketing opportunity the small-scale producers/processors have got a good opportunity to participate in the network – to share experience and information, and to learn from each other. Farm Market serves as an incubation centre for them, as important activities are product development, promotion of the produce and raising the marketing ability of the producers.

The logistics of the farm shops network are totally internal. The internal resources of the core farmers are used to get the goods transported. Twice a week the acting manager takes goods from Tartu storage to Pärnu and Narva. No external logistics services are used and the individual producers bear the costs of getting their goods to the shops.

The participants are sure that Tasty Southern Estonia has strongly contributed to rural development by helping to maintain labour and settlements and through the creation of the network of small-scale producers. It is also important for the consumers as the awareness about availability of local food has been growing and certain target segments are steadily growing. The encouragement to use local resources and to make small enterprises viable is highly relevant. Each year, days of training and food festivals are organised with the hope of involving young people in their activities.



Logo and slogan: Farm Market. Straight from Estonian Farms to Market!

CASE STUDY 4. France: Ici.C.Local participatory labelling system



General information

Name of the case: Ici.C.Local (both "here, it's local" and "Innovation for Information and Cooperation in Local Chains")

Author (of the case): Y.Chiffolleau

Country / region: France

Additional information (contact person or website):

<http://www.montpellier.inra.fr/Partenariats/Ici.C.Local-Innovation-cooperation-et-information-en-Circuit-Local>

<http://www.ville-grabels.fr/1622-marches-circuits-court.htm>

Ici.C.Local is a public collective brand created in 2014, after four years of experimentation, which allows consumers, through a coloured labelling system, to identify products available via short and local distribution channels in their markets and shops. Promoting transparent, short and local chains, the brand also encourages partnerships between producers and local retailers. Associated with decentralised and participative monitoring and control, the brand also commits local actors to defining their priorities with respect to sustainable agriculture.

1. Setting up

The brand was first experimented with in an open-air market in Grabels city, a local authority (7.000 inhabitants) anchored in Montpellier metropole (500.000 inhabitants) in the South of France. While mostly based on short chains (0 to 1 intermediary between producers and consumers), this open-air market faced mistrust from consumers regarding the origin of the products. At the end of 2010, the local elected representative of the City proposed to indicate the origin of the products to consumers through a coloured labelling system, applied to each raw product proposed on the market stalls. This system also appeared as a way to better acknowledge the present resellers on the market, practicing mostly direct procurement – a characteristic not so common in France.

2. Getting support

Involved since the creation of the Grabels market in 2008, the National Institute for Agricultural Research (INRA) supported the implementation of the system in order to build trust in it: coordination of the collective redaction of a charter for the use of the labelling system, and of the organization of the control through a specific committee made of representatives of sellers (producers / resellers / artisans), consumers and local authority. But the most important support came from the sellers themselves, agreeing to apply the system. Their agreement has been favoured by a previous period of discussion (over a few weeks) about the advantages (and the limits) of the system. The official organism in charge of labelling regulation and frauds control has been asked to assess and validate the system. The City paid for the new labels (about 2 euros per label) and lent them to the sellers. At this step, those ones were not allowed to use the labels in another market or shop. The logos of Grabels City and INRA have been affixed on the labels to indicate that the experiment was controlled by the two institutions.

3. Product development

The labelling system relies on three colours, indicating the origin of the product: green for local (< 150 km) raw products coming directly from the seller; orange for products bought by the seller to a local producer (< 150 km) he/she knows personally and can vouch for; mauve for products coming from more distant areas or more intermediaries. Moreover, according to the charter for the use, green and orange labelled products have to respect the principles of 'sustainable agriculture': rather than a top-down definition, in a context where 'sustainability' is still a fuzzy notion, this one has been defined, in a temporary perspective, by the committee in charge of the monitoring and the control. In Grabels, the committee chose to ban GMOs, industrial techniques of production (warmed greenhouses, battery farming), to require at least 'reasoned agriculture', 'small farms' and to limit green and orange products to seasonal products. As far as some criteria are difficult to measure, the committee, with the help of INRA, visited all the farms implied in the market through green labelled products and some of the farms procuring products labelled in orange on the market.

4. Access to markets and consumers

During its four years of experimentation (end 2010- mid 2014), the system has been presented in international, national and regional conferences, newspapers, TV shows, as a 'socio-organisational innovation in short chains'. In mid 2014, Grabels City and INRA decided to protect the labelling system, with its committee of monitoring and control, through a public brand, registered in the National Institute of Intellectual Property. Three main reasons motivated this decision: the system had been replicated by a local association applying it without control; several actors (sellers, local authorities...) in France asked to replicate it in their market or shop; it was an opportunity for INRA to show its contribution to social and organisational innovations beyond technological ones.



The brand has been named Ici.C.Local, both to indicate "here, it's local" and "Innovation for Information and Cooperation in Local Chains": indeed, beyond giving information to consumers, the system, through orange labelling, promotes the creation or the

strengthening of exchanges between producers or between producers and resellers. It is thus a way to restore the reputation of re-selling: in these cases, re-selling means local cooperation and contributes to the regional economy. Sellers' feedback about their procurement areas led to a definition of the distance of 'local' as 200 km: the area has been specialised in wine production in cooperatives and vegetable intensive production for export for a long time. The brand gets its own logo, which replaces INRA and Grabels City ones. INRA and Grabels City paid 2 000 euros each to register the brand in July 2014, and are their co-owners for 10 years. The new labels (2 euros each) with the new logo have been paid by public funds from INRA and given to the producers.

In Grabels market, at the request of the artisans, the system of labelling is being extended to processed products (delicatessen, jam...), through a still experimental tool based on the previous one: the label is divided in two parts in order to indicate, through the same system of colours, who made the products and where do the 'discriminating' ingredients come from.

Regular assessments of the impacts of the brand in Grabels market showed: i) the positive impact on sellers, by favouring products diversification, ecologization of practices and creation/strengthening of networks; ii) the positive impacts on consumers, by favouring, by most of them, purchase of green and orange products (and rejection of mauve ones), new or increased attention to seasonality and origin even in supermarkets (until the rejection of no local nor seasonal products) and, by some of them, the suppression of purchase of fresh food in supermarkets and the wish to participate in their food system (through the committee or by promoting the brand, etc).

5. Infrastructure and logistics

The use of the brand is free of charge, except for the cost of the labels (still about 2 euros per label but decreasing cost according to the number). They are made by an enterprise in the North of France, specialised in labelling equipment. In Grabels, a big board has been placed on the market place in order to present the labelling system. The board is fixed, to provide the information to local inhabitants all week long (the market takes place on the Saturday). The board includes a part on which inhabitants may write their feedback, questions, suggestions, etc.

The charter for the use of the brand is available on Grabels City and INRA websites. People who want to use the brand have to ask for authorization from INRA and Grabels City. Several entrepreneurs, producers' networks and local authorities in France are preparing the implementation of the brand: the first step is to establish a local monitoring and control committee, and to define the criteria of 'sustainability' required at least for the green and orange labelled products, and possible derogations regarding the distance (200 km) for products labelled in



orange. The local committee has to be composed, at least, by one representative of the brand users, one representative of consumers and one representative of the brand partners (which could be a local authority but also a local development association). The establishment and functioning of the committee requires a coordinator. INRA and Grabels City remain responsible for the respect of the charter, and thus keep in touch with the local brand committees, supporting them at least at the beginning and may visit them or control some users if needed. Depending on the success of the brand in the coming years, a specific collaborative website may be created and the ownership may evolve.



CASE STUDY 5. Scotland: building up a multi service organic farm shop, restaurant and education centre

General information

Name of the case: Whitmuir Organics Ltd
 Author (of the case): Heather Anderson
 Country / region: Scotland
 Contact: heather@whitmuirtheorganicplace.co.uk
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Whitmuir Organics is 140 acres of working organic farmland in the Scottish Borders, rearing beef cattle, pigs, sheep, hens and turkeys and growing vegetables, salad leaves and soft fruit. In 2006 an organic butchery and small farm shop was built on site, and the farm supporters club was established, a form of CSA, where people pay a monthly sum in exchange for food.

In late 2009 the business expanded and a much larger, ecological building was opened, hosting what became an award winning farm shop (best UK Organic Retailer) and licensed restaurant. In 2012 an online shop and home delivery service was launched and in 2014 an organic food truck was launched, bringing the farm's food into the city and national festivals.

Depending on the season, Whitmuir employs between 20 and 27 people, equivalent to a minimum of 15 full time posts. All staff have proper contracts of employment and most are paid the living wage or above.

The farm grows around £100,000 worth of meat and vegetables (at wholesale prices). All produce is sold direct through the shop, online shop, restaurant or to a limited number of retail outlets (independent food shops, restaurants and box schemes). The annual turnover of the retail and catering business is in the region of £800,000. 10% of this total is sold wholesale, with nearly 10% being sold online.

Over 280 people have accounts with the farm and some 60,000 people visit the farm every year. Some 355 events, courses and talks have been organised on the farm over the last 5 years. School visits alone have involved over 1,500 children and Whitmuir also runs a 5-day course entitled Growing Global Food Citizens on sustainable food and farming for teachers. Some 367 people have purchased shares in the community buy in share issue, which aims to transfer the farm into community ownership and develop the 140 acres as a **Living Learning Space** on sustainable food and farming.

1. Setting up

Pete Ritchie and Heather Anderson bought the farmland and buildings in 2000, without any previous experience of farming. For the first 5 years we sold cattle and sheep through the wholesale supply chain, put them onto someone else's lorry, received a cheque in the post and got our food from the supermarket. In 2006 we heard about Teiki, the Japanese Organic Agricultural Community Supported Agriculture scheme, where ordinary people team up with farms who grow their food for them.

Thinking this was a brilliant idea, in the summer of 2006, we constructed a new entrance road to the farm, converted the bull shed into a shop, the dilapidated grain store into a purpose built butchery and erected the first polytunnel. This development was privately financed with 25% support from the Farm Diversification Scheme.

The business operated as a trading partnership with the husband and wife team being the directors and investing their private funds.

In 2009, with £330,000 support from the EU Rural Development Programme, we put up the much larger, fully accessible, purpose built shop/ café/ gallery building with fully kitted out kitchens, toilets and car parking. This £800,000 project involved significant capital investment and bank borrowing. Whitmuir Organics Ltd (WOL) was established to operate the commercial arm of the business and employ staff. Heather and Pete were directors and shareholders and continued to run the farm as a trading partnership. The farm sells all of its produce to



WOL and the Ltd Company structure gives staff and customers some security in terms of employment, health, safety and hygiene, and public liability.

The business grew with a very strong core of “farm supporters”, the people who paid monthly standing orders in exchange for food. When first consulted about why they had joined the farm, farm supporters were very clear that trust was critical – they could walk round and see exactly what was going on, they knew where their food was coming from and how it was reared or grown. This group has continued to be crucially important, with over 280 people now holding active accounts.

To date the two directors have carried all the financial risk and secured all debts against the capital in the buildings and farmland. Over the last couple of years 5 individuals have purchased shares in the company, but staff are financially protected from financial stresses on the business.

2. Getting support

No specialised business support was available for this initiative. For example, it is very difficult, if not impossible, to obtain benchmarking figures (stock level to turnover, industry norms for cost of sales, staffing ratios, average figures for turnover in relation to scale, etc), so entrepreneurs have to rely entirely on their own experience and guess work. We had previously run a commercial business and developed all the project management, human resources, marketing and retailing business systems currently in use. We work with accountants and the bank and produce detailed management accounts and projections for consideration. However, we had no prior knowledge of operating a catering outlet and now know we were significantly over staffed for the first few years.

The financial support secured through the RDP (2008) and previously the Farm Business Diversification Scheme (2005) was essentially secured through our own efforts. Government policy on SFCs is negligible in the UK so there has been an absence of a regulatory framework to take advantage of. Government funding for the organic sector in Scotland is directed towards the certification bodies and virtually no support is given to developing collaboration within the sector, creating new routes to market or creating an infrastructure to support small and medium scale food producers and processors and build trade. We have only recently created a lobbying group for agritourism, which is the first sign of support for the rural sector. We would perhaps have been better spending our considerable certification fees on becoming members of more generic lobbying groups.

If no generic support or infrastructure is developed, the sector will continue to remain small and dominated by idiosyncratic pioneers who work essentially as sole traders and carry all the risk personally. It is impossible for new entrants to come in unless they have capital behind them, access to land and buildings to offer as security for lending and a willingness to take very high risks with their own money.

While we have used organic certification and labelling as a core part of Whitmuir’s brand, the lack of effective support for organic food by Scottish Government, combined with the negative public perceptions of organic food in the UK have meant that we have been pushing water uphill for the last five years. The commercial aspect of the business (growing and selling food direct) operates on very low margins (and sometimes non-existent margins as resistance to price is very high in the UK) and all the value added aspects – access to land, education, ecological farming, high animal welfare, space to question and learn – are unfunded.

Being able to go and visit other businesses to see what they have done could be an enormous help to new entrants to SFCs – either physically or even on skype. In terms of horticultural production, for example, there is a significant shortage of small/ medium scale kit for growers in the UK. We could be more efficient if we shared intelligence more about appropriate scale kit.

3. Product development

We have designed our own labels and comply with organic standards, which do not necessarily support short supply chains (for example, our sausages made from our own meat, reared and butchered on our own farm, have to say ‘product of EU/ Non EU’ because the seasoning for the sausages contain spices from outwith the EU). There is not currently any generic branding to support SFCs in Scotland, but we use the Scottish flag as part of our design.

We comply with generic quality control systems, none of which specifically support short supply chains. No specific technical support has been received for product development. We are fully aware of the organic production standards, but have had to build up our knowledge of all the catering industry specific requirements and organic processing regulations. Keeping up to date is also demanding, as we are not part of a national network of small scale catering or processing businesses.

4. Access to markets and consumers

We built our own farm shop and café so that people could come and see the farm for themselves and see where the food they were eating came from. We have attended many local events (stalls, mini-markets) and we have given many talks in and around the local community to promote the farm. As noted above, online sales account for about 10% of sales. There are some considerable challenges to developing access to consumers through other routes, as follows:

- No Scottish city has a covered farmers' market. Markets generally happen only on Saturday, making it impossible to generate a living from this outlet alone – and underlining the assumption in the UK that farmers' markets are for special treats rather than buying everyday food. Stalls are prohibitively expensive (£100/day) at the inadequate facilities located in city car parks without power supply (meaning that meat for example has to be sold out of polystyrene boxes rather than being properly displayed). There is no policy to prioritise local producers, and many stalls sell products such as cakes and chocolate rather than local farm produce. The market operators see this as a revenue generator rather than a support to SFCs. This lack of supportive infrastructure and enabling culture significantly holds back the development of SFCs in Scotland.
- There are presently no routes into public sector catering and we have been advised by Food for Life, a Soil Association certification body, that we are not included on their public sector supplier list as "there is no requirement for organic food at bronze or silver levels of the award scheme".
- In terms of commercial catering, we have managed to attract a chef from a 5 star hotel in Edinburgh because he lives locally and had come to the farm and met the butcher. They state on their menu that the food comes from our farm. For us this is an endorsement of the quality of the product.

We refuse to deal with supermarkets.

5. Infrastructure and logistics

Key Equipment Needed:

- **Shop** – chilled cabinets for meat display, electronic till system, hand washing and sink facilities and shelving units.
- **Café** - significant investment in terms of a working kitchen (all cooking and dish washing requirements, baking and chilled storage requirements, staff facilities, ice machines, chilled cabinets, coffee machines, service systems)
- **Butchery** - We required a 3-phase electricity supply, which meant we had to upgrade the local electricity supply at a cost of some £20,000. Also specialist equipment – temperature controlled cutting room and chill, hanging space, mincers, sausage maker, vacuum packer, label machine.
- **Distribution** - a chilled delivery van.

In terms of infrastructure, we had to build a fully kitted out butchery, adapt a shed to create our first shop, build a new entrance road with parking facilities, construct a poly tunnel and then make a very large scale capital investment in a new 600m² purpose-built shop/restaurant/gallery. This created a significant debt burden for the business, representing over 30% of fixed costs. We had to work out what we needed ourselves, as there was no specialist support. We had to find contractors for the butchery fit out and take their advice about what was required. We were lucky and found a good contractor who helped us think through the design element and select the equipment we required.

When we built the much larger shop/restaurant/ gallery, we needed the support of architects and the builder to make the plan work. Much of it was based on our personal knowledge.

Regarding logistics and distribution, we have had to create our own infrastructure. As we are the only farm in the district working through SFC, it has not been possible to develop any collective approach to distribution and infrastructure. Attempts to secure funding for this on a Scotland-wide basis were unsuccessful due to the lack of a coherent support policy for SFCs. Our rural location means we have very slow broadband and lack of public transport (the nearest public bus stop is 4 miles away). The local authority resisted requests for signage and marketing. The lack of public transport has a huge impact on staff recruitment as ALL staff must have their own cars (difficult when we are paying minimum wage).

Our online presence is central to increasing sales. In 2006 we launched our first website - a magazine format with a lot of information about the farm which did not have an online shop facility. Unbelievably, this operated for some 6 years on the basis of emails, hand written notes and phone calls, with customers ordering food based on their knowledge of what we had in stock. We were able to operate an accounts system on the till to enable us to track purchases and payments and produce statement, which we sent out in the post every 2 months.

In 2012 we developed our online shop – this involved an enormous amount of preparatory work as shown in Annex 1 below. We are now on our third version of the website and each stage has demanded considerable private investment. The most recent change was to develop a site with better buying procedures and the ability to operate from a tablet or smart phone. This website is now smart enough to support a much higher sales volume which could be achieved through co-operation with other producers (Eg Organic Scotland online) but again it has not been possible to establish the mechanisms for co-operation.

In conclusion: while turnover has increased significantly from the £25,000 or so which the farm generated from wholesale supply of lambs and cattle in 2005, profit has been more elusive. We would have been less indebted if we had continued to supply wholesale to the commodity market. However, we have managed to:

- sustain 20+ jobs in a rural area for more than 5 years
- return by way of VAT, local business rates and income tax significantly more to the public purse than we have received in CAP payments (€7,000 pa) and RDP grants
- welcome 60,000 visitors a year including 1,500 schoolchildren
- convert a private farm into a public asset
- increase on-farm biodiversity significantly
- helped three other businesses to get started on site
- created a space where people engage with issues of sustainable food and farming

Supplement 1: How to set up a webshop

Step 1 – Designing the system

- Find an online shop programme that is compatible with your electronic till and stock management system. After a considerable period of investigation, we had to commission bespoke programming to make our E-pos till system fully compatible with our Magento online shop system.
- Categorise all shop stock (some 3,000 items) into departments and categories (ie Drinks, Alcohol, Wine, etc), matching the till and online shop structures. Identify product attributes for search purposes (gluten free, dairy free, country of origin etc)
- Ensure that every product had a high quality image – may involve hiring a photographer with proper equipment and lighting.

Step 2 – Getting all the products online

We had to employ someone for a few months to create each product online – writing the product description, highlighting any important attributes, categorising the products into departments, uploading the image etc

Step 3 – Stock management

As we sell our own meat and a large amount of fresh produce, we had to design new methods for stock management.

- **Dried goods**, sold at a unit cost are easy – the till and online shop system need to be linked and prices and stock levels can be electronically updated every night. We call these products “managed stock” and we simply have to add and delist these products on a weekly basis. We agree minimum stock levels to ensure that the online knows when items are “out of stock”.
- **Fresh produce** is much trickier, as it is sold by weight and price per kilo in the shop, but requires a unit price online.
- We had to agree approximate weight descriptions and calculate unit prices for all products sold by weight – for example in the shop the price per kilo for beef mince is £13.20 per kilo; online we need to know that a pack of beef mince can either weigh 500g and cost £6.60 or 250g and cost £3.30. A roast will be available in 1.5 kilo, 1 kilo or 0.5 kilo sizes. Sausages come in a pack of 6, each sausage generally weighs 60g so a pack costs £3.76; a pork chop on average weighs 150g so the price for one is £2.72.
- Similarly with fruit and veg, you have to calculate how many apples you will have in half a kilo, or the average weight of an aubergine, and what cut weights you will sell cheese in. All of this is very time consuming. We have only now streamlined our system to enable the online shop to do all the calculations based on an excel spreadsheet we send them with the price per kilo and country of origin detailed.
- We do not “stock manage” these products as they are cut or prepared to order, so the online shop is set to display these items as always available. We have had to work out all of this from experience and we have overhauled the online shop 3 times in the last 2 years. It is now accessible to tablets and smart phones.

Step 4 – payment methods

- We offer paypal, credit card and account options. Our account holders have their purchases charged at the actual rate (the real price based on the price per kilo and weight for example) and this purchase is allocated to their account. No funds change hands at this point. We do however have to manage the accounts and make sure each customer is within their credit limit.
- Others pay by card in advance of supply – so we have match their purchases as closely as possible to their order and match the price, over supplying rather than under-supplying. This requirement to over deliver cuts into margins.

Step 5 – Delivery systems

- We have designed a post-code checker and delivery day system so that people know if they are eligible for home delivery and when they will receive their order.
- We have a separate database, which manages the delivery run-sheet (about 20% of our customers still phone in, email or have repeat orders and don't use the online shop and they are included on this database).
- Once the order has been picked and put through the till, we attach receipts for the purchase to a copy of the order, which is included in the delivery box, for the customer's information.
- We detail on this run sheet where the products to be delivered are stored to enable the driver to put the order together (we can be combining ambient, chilled, freshly baked and frozen produce in one order).
- We have a brilliant delivery driver who remembers important details about our customers and focuses on good customer service. Home delivery accounts for around 10% of our sales. We are averaging 150 home deliveries per month with an average sale value of £40.

Challenges to be aware of;

- An electronic stock management system is needed, with all products allocated a 'sku' number. When dealing with artisan producers who are working on a small scale, you have to create all these numbers.
- You have to work out how to deal with fresh produce (sold by weight) to enable an online purchase to proceed on the basis of an average weight. You have to match what you actually have to the online price – you may have much larger pork chops this week, but you have to sell them for the unit price you described online.
- Good quality photography is required, and considerable support to set up the system.
- Staff need to regularly update and maintain the online shop in parallel with the actual shop.
- Someone who can work the technology, speak to the programmers and take on content management is needed. The online shop has to be regularly updated – both in terms of stock, pricing and content. These are different skills from shop selling.
- You have to compete with every one else selling online – and you don't have their budget. The "add to cart" procedure and payment procedures must be as easy to use, because online shoppers are impatient and unforgiving.
- Creating an online shop is an expensive investment and it is very easy to spend money unwisely – you need to know more than the programmers in order to design the brief you ask them to cost for. You need to know what capacity the programme has, as you are often trying to make an undercapitalised investment compete with the global companies.
- You need to work out what you will do with pricing. We sell at the same price as the shop price and add on a delivery charge. This is because a high percentage of our online customers also come to the shop. When you are making up and delivering an order online, you have absorbed a lot of the mark-up/ margin in staff time and delivery costs, but you are not necessarily receiving any more from the sale.
- You need to maintain a friendly and encouraging customer relationship with some customers who have never been to the farm and make mistaken assumptions about your business operations.



CASE STUDY 6. England: Suffolk Food Hall – Scaling up without Reducing Profit Margins

Name of the case: Suffolk Food Hall

Author: Martin Collison

Country / region: Suffolk, England

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Follow: [Facebook](#), [Twitter](#), [Blog](#), [Pinterest](#), [Instagram](#)

10 year Champion of Champions for Local Food (Countryside Alliance Rural Oscars)

Suffolk Food Hall Ltd, Wherstead, Ipswich, IP9 2AB

The Suffolk Food Hall opened in 2007 and has endeavoured to take the proposition of a farm shop to a new level. Co-Founder and Director Oliver Paul's ethos is that 'Ultimately, small-scale short supply chains should be more manageable with higher margins.'

The business is now a thriving mix of direct on site sales, web based sales, food processors, events and on site catering which has won numerous local, regional and national awards. In its first seven years the business:

- Determined to be the Champion of Champions in 2015 from all the previous winners of the Countryside Alliance 'rural oscars'. Judged to be the Best UK Restaurant on a farm in 2013 by a group of its peers. It was also voted Britain's Best on-farm Butchery (as voted by the national farm shop association, FARMA, in only its 3rd year of operation). The butchery is based on defined supplier relationships with a small number of farmers and using one meat logistics company.
- Established an artisan baker producing a broad range from scratch seven days a week using local flours all with different stories, for example a stone ground watermill flour.
- Established an 800 square metre general market hall and greengrocer, buying on 'quality first', then a 'what is the most local' basis. The Suffolk Food Hall offering is comprehensive, all year round, so it has to balance its ethical positions on seasonality, localness and premium products with consumer convenience and value.
- Featured a 7m wet fish counter, combining fish landed on the East coast of England with exotics from Billingsgate Market in London.
- Established a range of other operations include a Restaurant, Delicatessen, Wine & Beer Merchant, Garden Centre, Pilates Studio, Café ... with more ideas being developed each year.

By the end of year 7 (2014) there were over 95 people working on-site and the venture had been operationally profitable in every month since opening. Turnover in year 7 grew by around 12%, to £3.2m. The business is entering its 8th year and now attracts over 250,000 people per year (in total it has had over 1,000,000 customer visits in its first 7 years). It now employs over 100 staff and continues to add new services such as the refurbished 'Hut' for tea and ice cream in spring 2015 and a growing events programme. Since it was established the business has generated sales of £20m and with 100 staff now employed is an important and growing feature of the local rural economy.

1. Setting up

The business is run by cousins Oliver and Robert Paul whose family have farmed in the local area for five generations with the main Food Hall being based in a former cattle building.

The Food Hall still features beef from the farm's own pedigree Red Poll cattle and pork from the farm's own pigs. As the business has grown the staffing structure has evolved and, with over 100 staff, the business now has a well-developed staffing structure with managers for the main business units and specialist functions such as compliance, media and marketing.

The business is family owned, but some of the concessions are operated as businesses in their own right owned and operated by the local entrepreneurs who established them.

The approach of the Pauls to doing business with suppliers was based from the start on a collaborative approach and is **predicated on a balanced relationship between the farmer, food processor and the Food Hall team.**

Commercial relationships are built on simple contractual terms with established prices which smooth open market fluctuations, on a straight 'buy and deliver/collect' basis. The business uses straight forward legalities, pays suppliers promptly and uses an "open retail margin" structure. This is the term the business itself uses to describe how it works with suppliers – in effect what it means is that the suppliers know exactly how the wholesale price they are paid relates to the retail price (inc VAT etc allowances) so that they have faith that the food hall is working with and for them and not trying to squeeze them on price. So the 'retail margin' which the food hall is targeting on their food is 'open' and transparent to their local suppliers.

The business believes in investing time and thought into helping its suppliers develop products, improve branding (including trading standard requirements), refine order processing systems, gain customer feedback etc.

The business was based on the desire to create a new paradigm in the food chain in which small is more manageable, enabling larger gross margins for both suppliers and the Food Hall, with lower overheads than in longer supply chains. In contrast, scaling up the business in the pursuit of economies of scale would be capital intensive and higher risk, normally for smaller margins. The Food Hall has thus sought to grow steadily whilst trying to maintain sensible margins for all the local businesses involved.

The business believes there is greater resilience in a shorter supply chain with smaller transport distances, higher product quality, provenance and clear traceability. The shorter chain also requires less transport and storage, which delivers added environmental benefits.

2. Getting support

The growth of the business has largely been financed privately by the family and other businesses involved in the Food Hall. Being profitable from month one has facilitated this and allowed borrowing where required. In addition some larger developments, such as the Cookhouse (completed in 2012) have been supported with EU grant aid.

Arguably the most important support has come from the savvy consumer who recognises that local independent suppliers can provide higher quality at an affordable price and, particularly when in season, the best price. The Food Hall also provides a different experience to supermarket shopping, with the ambience, intimacy, the ability to talk to the producer, learn something new and try something different all having helped to build customer loyalty and support.

Competitive prices can be achieved because the shorter supply chains and simpler supply models lead to smaller overheads and better margins.

Suffolk Food Hall interfaces with 27 local and national government agencies. Regulatory details are often complex and are a burden to a small business. Ultimately pragmatic support from officers, as opposed to a dogmatic approach, is the greatest benefit. The Food Hall's compliance officer and the directors spend considerable resources on food safety, health & safety, trading standards, fire risk, young worker regulations, waste disposal licenses, cross-compliance, feed licenses, advertisement consents, traffic management, entertainment permissions, equipment certification, countryside and environmental benefits.

3. Product development

The business is inspected by the Local Authority for food hygiene and has achieved level 5 – Very Good (the highest level possible) in the UK Food Standards Agency rating system. From the start the business has focused on quality both in the products it sells and in terms of customer service.

Whilst the Suffolk Food Hall itself has now become a well-established brand, the business has also been pleased to promote the other business brands on site and stocks a range of local food and drink brands whose ethos is similar to the Food Hall. In doing so, it is a Member of the Suffolk County Council Farm Shop Charter.

The business has worked with its business partners to help them develop their own products. In every case the focus has been on telling the story of where the food comes from, how it's been produced and what has been done with it – in essence the journey from field to plate.

The business has benefited from the renaissance in food interest in the UK, helped by celebrity chefs. It has also benefited from increased interest in personal health and in the link to food welfare standards and the assurance that comes with food provenance. With a clear and growing impact on the local economy the business has actively promoted how its products can respond to consumers' aspirations to support the local economy through



supporting local artisan food shopping. It also promotes food as a good value leisure activity notably through its growing catering outlets and events programme.

4. Access to markets and consumers

The business has focused on developing its markets so that it sells directly to the end consumer, both through the onsite retail outlet, directly from the food production businesses on site, through its own catering outlets and through online sales. The diversity and range of products attracts a broad range of customers and offering the online service allows those who live further away to also purchase its products. Food service customers have the opportunity to purchase food to take home and many of those who visit primarily to purchase food and drink products will also use the catering facilities.

The Food Hall runs an increasing number of events, for example in May 2015 it has:

- 2 bread making workshops;
- 'Outrageous Cake Company' workshop;
- Adult Truffle workshop with Petite and Sweet;
- The Suffolk Walking Festival is starting and finishing an event at the Food Hall;
- Indian Cookery with Badu Thonbhani, winner of the Great Taste Award;
- DrawEast Art Class;
- Children's Chocolate Making Workshop with Petite and Sweet.

These events increase footfall, attract new local customers and provide the opportunity for the businesses at the Food Hall to raise their profile.

6. Infrastructure and logistics

The main food hall is in a converted cowshed and as the business has grown new buildings have been added or converted. The business has been profitable in its operations since its launch in 2007 and this has allowed continued reinvestment and growth.

The largest single development in recent years was the Cookhouse which opened in July 2012. This 800 square metre building contains ten food grade food production units to host artisan food producers on site. The concept behind the Cookhouse is that customers can visit the production units to see how food is produced and then purchase these products themselves. The Cookhouse project also has function rooms, an auditorium and demonstration kitchens for complementary land-based educational activities, linking the whole food chain together for the consumer. The Cookhouse was supported with a grant from the EU Rural Development Programme for England.

The Food Hall's website has grown as the business has expanded and as well as providing information on the extensive facilities and activities on site, also provides a full online shopping platform to enable products to be purchased on line by both local customers and those from further afield.

CASE STUDY 7. France: Facilitating Access to Land for Agri-Rural Innovations

General information

Name of the case: **Setting up 4 farms using SFCs through public intervention**
 Author (of the case): Gilles Maréchal
 Country / region: France / Brittany / city of Bruz
 Additional information (contact person or website):
<http://www.ville-bruz.fr/Agriculture-biologique-innovations.html>
<http://www.natura-sciences.com/agriculture/maraichers-bio717.html>
<http://www.reseaurural.fr/files/contenus/1945/portagefoncierf.pdf>

Through organised attention to local real estate transactions, the municipality of Bruz (near Rennes in Brittany) learned that a farm with 23 hectares was on sale in 2009. It had an excellent location, just 1 km away from the town and near to natural areas. With the help of other local authorities, the farm was acquired through pre-emption. All the partners gathered to fulfil the most critical requirements to set up a local SFCs scheme for vegetables.

- access to land was guaranteed since it had come under supervision of public power. The farm was divided in 4 lots of 6 hectares each;
- the municipality published a tender for the 4 lots, including the condition that the selected group of 4 "winners" would have to imagine together a collective business plan, in order to avoid competition effects that would occur if they produced the same products and to provide the food required for school canteens all year long;
- the municipality opened markets to the potential newcomers : public catering for the canteens, and a specific organic market (the town already had one) that was opened according to a new schedule (17.00-20.00, for people coming back home from work);
- with such facilities and the trust granted by reliable sources, the banks were convinced to fund the project.

The 4 farmers began their projects in 2011. They now employ 13 persons, equivalent to 10 full time jobs. There is now a high diversity of customers:

- shoppers at the weekly market
- involved citizens buying through neighbouring CSAs/AMAPs
- local schools in which organic procurement now reaches 80 % for bread (local), vegetables and fruit (local), milk and dairy products (local) and dry products

1. Setting up

The involvement of public authorities was crucial in the development of this SFC. In fact, the route to creating a local network of SFCs suppliers was provided by the local Agenda 21. The municipality's desire to procure local organic vegetables for schools, converged with an opportunity to buy land. The motivations/drivers were:

- to build a chain in order to be able to feed local pupils with fresh, healthy and diverse vegetables
- to optimise employment in a small area

Several local authorities had a critical influence:

- the municipality - by observing the land opportunities and creating the market for the producers (weekly market, schools, facilities for the CSAs/AMAPs ; it also restored the access road in order to serve the 4 farms)
- Rennes Métropole - for legal support
- the County Council of Ille et Vilaine - that had the legal power and the budget to have the 23 hectares bought and keep them unused during the time required for the tender
- the regional council - that helped realise the analysis of the project and disseminate the tender

But specialised associations also played a critical role:

- for technical advice about the quality and fertility of the soil
- to achieve a satisfactory business plan
- for advice about sustainability issues (biodiversity, protection of water,...)

The management structure was built with the help of associations dealing with farmers settlement. There are 4 independent farms with 5 owners. They have created a co-operative structure for sales and a real estate company for a 1.2 hectare area which has an ecological building for a farm shop, a pedagogic room and toilets. Pupils from local schools regularly use those facilities, and thus learn where their meals come from, how raw material look like, the care it requires,...



The financing was really favourable for the farmers because they obtained a price negotiated by public authorities, with a higher bargaining power than they had.

The overall management and the relationships between the farmers remains the most unsatisfactory factor. The tender was published under the conditions of an agreement between the candidates to avoid destructive competition effects. But they had little time to prepare it, and they did not really know each other. Even the sharing of machinery can prove conflictive.

2. Getting support

The specific conditions of the project, that gathers local authorities and associations made it possible for the candidates to have all the support they needed, both in technical training and economic advice. Each of the 4 farmers had guaranteed access to supply local schools. They had to manage their own budget but this was facilitated because:

- public intervention made the costs lower in this peri-urban area where land is expensive
- the location of their activities on the same site allows machinery to be shared (although this also creates some tensions)
- banks were convinced quite easily because the project had gathered a lot of support

3. Product development

To date, relatively little product development has been undertaken. The only labelling, for instance, is the 'organic' certification, which was a condition for the municipality to buy the products and also open the weekly market. The aim was not really to develop new products, because the project had been designed to encompass a range of products, with each farm specializing in a particular product range.

4. Access to markets and consumers

As well as supplying to local schools and farm shop, the farmers have access to local consumers through the new weekly organic market. Three of the farms also provide products for CSAs/AMAPs.

5. Infrastructure and logistics

There is

- a co-operative building for common use of the 4 farms
- a 7,500 m² greenhouse has been built for the use of one single farm

The co-operative structure bought some equipment because the needs of the farmers are quite similar. They shared the costs of specialised equipment that would have stayed partially unused otherwise.

CASE STUDY 8. The Netherlands: Producer and Consumer Collaboration

General information

Name of the case: Food Collective Eindhoven
 Author (of the case): Marjon Krol
 Country / region: Eindhoven region, the Netherlands
 Additional information (contact person or website):
<https://www.rechtstreex.nl/>
<https://www.facebook.com/rechtstreexeindhoven?fref=ts>
 Contactperson: Bart Kraaijvanger: bart@kleingemaakt.nl.
<https://www.linkedin.com/in/bartkraaijvanger>

Short description

Consumer initiatives to source local food collectively, are increasing. We see several examples in the country such as <http://www.rechtstreex.nl/>; <http://www.groenteclub.nl/>; <http://www.degroeneschuurzeist.nl/>; <http://www.goeieete.nl/>; <http://www.boerschappen.nl/>.

All of these food collectives work together with a group of farmers who provide fresh local produce; and all of them have a combination of paid and voluntary workers. Most of these food collectives are founded in the (peri)-urban parts of the Netherlands; with urban residents often taking the initiative.

The Food Collective Eindhoven is a recent example of these food collectives which began with great promise and faced several problems. It was started in April 2014, as a result of the initiative of the founder, Bart Kraaijvanger. Bart had recently started his own business 'Klein Gemaakt' to provide lunches with local products, to institutional places such as offices, nurseries etc. In February 2014 he launched a question on facebook, to see if residents of the Eindhoven area were interested in participating in a local food initiative. Within two weeks he got over 2500 positive reactions. Crowd funding was organised for the first investments, whereby 800 'members' invested a small sum of money (€ 20 pp). Co-operation began with several local institutions such as GGzE (a local care institution) providing facilities for storage and distribution etc.

The legal status of the Food Collective is a Foundation. Consumers can be 'members' and are divided into small resident groups of 10 – 30 households living in the same neighbourhood. The consumers can order local food on a weekly basis from a list of local products (mostly organic) available in that week. To make this list, the participating farmers provide information on available food per week with current prices. The orders of the different consumer groups are collected and purchased from the farmers. All ordered food is delivered to a central distribution point where the 'boxes' for the consumer groups are prepared. Consequently these 'boxes' are transported to a local distribution point per consumer group (often in private homes of consumers). At this point volunteers of the local consumer groups take care of distribution according to the individual orders. Each local consumer group has a coordinator.

At the end of 2014 only 4 of 40 interested consumer groups could order local food (total about 100 consumers/week). Lack of funding was limiting faster growth. The initiator (Bart) was looking for partners/investors. When the first explorations for partners/investors failed, Bart decided to stop his activities for the Food Collective (April 2015). However, some months later he came to an agreement with a similar initiative in Rotterdam: Rechtstreex. Rechtstreex, the initiative of two young urban guys (Arthur Nijhuis and Maarten Bouten) started about a year earlier than the Food Collective Eindhoven. They have a similar system: they also work with small resident groups (about 25 households), each with a group coordinator. The start of Rechtstreex Eindhoven is planned for 1st September.

Rechtstreex started its activities in Rotterdam and recently expanded to Utrecht, and from September on in Eindhoven. In Rotterdam Rechtstreex is delivering to 14 resident groups (300 consumers) and in Utrecht they started with 6 resident groups (about 120 consumers).



Rechtstreex has funding to invest in the growth of the system; from a private investor and a subsidy from the DOEN Foundation (funding charities). With this money they are able to invest in a more professional system, with a professional (paid) coordinator (1 fte) and with a small remuneration for the coordinators of the local resident groups.

Logistics by the Food Collective were organised in 2 stages:

- Stage 1: sourcing at the participating farmers and deliverance to the central distribution point. This was done in cooperation with a specialised 'dense' logistic service who also provided the financial services (invoices, administration).
- Stage 2: transport from the central distribution point to the local consumer groups: using a van and staff of the local care institution GGzE.

Rechtstreex will organise the logistics all by themselves. Rechtstreex has purchased a van to collect the products from the farmers and deliver to the central distribution point; and from there transport the selected products to the local consumer groups.

- Products: complete food basket.
- Marketing channels: facebook, local events
- Main customers: residents of the Eindhoven region: main within the city of Eindhoven, but also many persons from surrounding villages (peri-urban Eindhoven).
- Staff: 1 person with growth perspective (1 fte) + driver of the van (0,5 fte); and small remuneration for coordinators of local consumer groups
- Planned turnover after restart: 100 persons ordering food on a weekly basis at the end of 2015; growing to 400 persons at the end of 2016

This case study is a good illustration of collaboration between different SFC initiatives, as well as local organisations, consumers, and donors. It highlights the importance of initiators with perseverance and the capability to cooperate and attract funding/resources.

1. Setting up

The project was initiated by Bart Kraaijvanger who already had a small enterprise to distribute local food for lunches to offices etc. He received so much positive feedback on this that he launched the collective and began the transition from a B2B initiative to a B2C initiative.

The support of the customers was critical in setting up this initiative. Within 2 weeks 2500 persons showed interest in the joint purchase of local food and 800 went on to provide crowd funding for the first investments.

The support of local institutions and volunteers was also important. From the start many persons wanted to help in kind; for example making a website, providing some labour, making pictures and films of all farmers to put on the website etc. The local GGzE (care institution) provided a venue for storage and distribution.

After the overwhelming amount of positive reactions (over 2000) Bart Kraaijvanger realised that a special structure was required, so as not to lose the enthusiasm of the consumers. So from those 2000 persons he identified all of those who were interested to do voluntary work. And then the idea of a Food Collective was born. The Food Collective unites the consumers and volunteers. To organise the food collective a foundation was created, with a central board and various working groups (for different tasks, such as 'distribution', 'communication', etc). The sourcing and delivery to the central distribution point would be done by Klein Gemaakt, the micro enterprise of Bart.

Most investments have been done by Klein Gemaakt, the micro enterprise, on the basis of crowdfunding. Lack of finance was one of the reasons why delivery to the various consumer groups was organised in phases. In 2014 only 4 of 40 consumer groups could order local food for this reason.

2. Getting support

The Collective needed and obtained support for the following aspects:

- Organisation structure: how to organise the Food Collective and the cooperation between this large group of volunteers and consumers with a private enterprise, in a sound legal way?
- Development of web-based ordering system
- Logistics: the sourcing of this kind of small volumes from many different farmers in the wide Eindhoven region, was much more time consuming and costly than anticipated. Therefore cooperation with a specialised 'dense' logistic service is currently being explored.
- Finding small producers that make a good fit with the idea of the Food Collective and that can provide enough volume.
- Food safety regulations, management of responsibility and risks

Government policy did not play a particular role apart from the general framework on food safety regulations. Crowdfunding was secured from consumers along with some small grants from local subsidy programmes. However, more funding was needed and found in the cooperation with RechtstreeX.

3. Product development

At the time of writing, little product development had taken place. The producers were using their own labels and branding and quality control systems. They do not deliver bad quality. A second check is at the central distribution point and a final check is at the local distribution point. Experience until now is that delivered quality has always been good and check 2 and 3 did not need to be executed. A recent investigation/evaluation amongst the members, also showed that the consumers are very satisfied with the quality of the delivered products.

4. Access to markets and consumers

All ordering is done online and frequent use is made of social media, especially facebook. The potential market is believed to be much larger than what is actually served. For example, due to lack of time, sales to public and commercial sector catering could not be developed, even though a market exists.

5. Infrastructure and logistics

In terms of infrastructure, the main need was for a central distribution point with storage and cooling facilities. Local distribution points are organised at a voluntary basis to minimise costs. The sourcing of small volumes from many different farmers in the wide Eindhoven region, was much more time consuming and costly than anticipated. Therefore cooperation with a specialised 'dense' logistic service was explored.

Also, at the beginning the idea was to source local products from very small producers, most of them selling their products directly in a farm shop or on a farmers market, thus receiving the consumers' price for their products. They also need this consumers' price to make their business profitable. However, providing products to the Food Collective means that transport/logistic services are needed, which need to be paid for, as well as communication/marketing etc. As a result, the smallest farmers did not fit well into the Food Collective; they were also unable to supply the larger volumes that are often needed. So a shift had to be made to producers that could provide larger volumes (still small producers, but not very small) and this caused a lot of discussions.

In terms of equipment, the project needed a van, boxes, trolleys, cooling facilities (for transport and for storage at the central distribution point), storage facilities, specialised software for online ordering of products and financial administration. The website was developed partly by professionals and partly by volunteers.



CASE STUDY 9. Hungary: "HÁZIKÓ's fresh treats connect the city and countryside"

General information

Name of the case: HÁZIKÓ

Author (of the case): Gabor Bertenyi

Country / region: HUNGARY/SEE

Additional information (contact person or website): www.haziko.farm, www.agrikulti.hu, Gabor Bertenyi, bert@agrikulti.hu, +36202180154

Short description:

HÁZIKÓ (Házikó means small house) is designed and operated as an *agricultural social enterprise*, which has well-defined social and environmental objectives and uses clear business tools to achieve these goals. The essence of the model is to build a one-step transparent link between the highest quality food products of small-scale/family farms and the committed consumers of cities: farmers' products are collected from contracted partners in the rural countryside. Házikó guarantees to purchase the products from the farmer every year but they do not fix the price. The farmer has to guarantee the quality and origin. The products are processed and several types of food produced, which are delivered by cargo-bikes to townspeople.

HÁZIKÓ offers fresh, ready-to-eat sandwiches, pastry goods, salads and soups – 'grab and go' foods which national gastronomy usually treats very badly. In the world of street food (which is by the way the most significant market segment in Hungarian gastronomy), it is very difficult to find products that are healthy, have a monitored source and a small ecological footprint.

HÁZIKÓ's operation is comfortably embedded in everyday market mechanisms, takes current consumption patterns into account and requires no special consumer-effort to look for the product and its rural development components. It offers easy-going options for city dwellers to get engaged with rural life and local food-systems.

- year of launch: 2014
- products: fresh food and drinks
- main marketing channels: mailing lists, facebook, website
- main customers: HÁZIKÓ's target group is twofold: the input side targets small scale farmers and agricultural entrepreneurs in the countryside, the output side aims at health conscious city dwellers with moderate income and higher environmental sensitivity.
- no of staff: 12
- turnover: no reliable data yet (new enterprise) , approx. EUR 100.000-150.000/year

1. Setting up

The initiators of this project did not have any particular support to set it up. The owners/managers have personal backgrounds in business, research and education within the agro-food domain, i.e: 5 years of organizing farmers markets, teaching sustainable rural development and carrying out many different projects targeting sustainable urban-rural relations.

The main goal/dream was to implement a functioning model of a no-compromise type of clean and conscious short-food supply chain. The initiators saw how the farmers suffered from price bargaining and they knew farmers who sold their products on markets and they would like to help them. As teachers at University they conducted some studies about sustainability of farmers and they tried to prepare farmers to sell directly. They also recognised the demand in Budapest from consumers' side. Above all they were totally environmentally friendly and committed to using less fuels. It was driven by private enthusiasm based on private capital. It took around six months to set up, from idea to implementation. By synchronizing the demand and supply side, virtually and materially, HÁZIKÓ works by ensuring the simultaneous presence of key ingredients: producers, quality products, purchasing power, and adequate markets.



The management structure consists of:

- Owners (2), acting as CEOs
- Managers (2), coordinating purchase, production and stuff
- Designer (1), packaging, web-site, flyers and events
- Catering+ PR (1)
- Bakers (2)
- Cook (1)
- General kitchen-works (2)
- Delivery (1) /and 2 external/

Some of the farmer partners are pre-financed, due to the common planning mechanism. Otherwise, this is a simple market model.

2. Getting support

This initiative had no specialised support or special access to finance. The regulatory framework in Hungary does not include any special rules for small-scale catering, and the business follows the standard hygiene requirements.

3. Product development

Full transparency of the food chain is a key element in this project: behind all the ingredients there are flesh-and-blood producers (each of them indicated on product labels) who assume responsibility for their farming methods and products. There is a strong emphasis on the fresh and delicious quality of the produce. The origins of all ingredients are clearly visible on product labels and the consumer is encouraged to check information about the respective farm with one click on his/her smart phone while sitting in a café and eating a HÁZIKÓ product. Only Hungarian ingredients are used and organic and traditional methods are supported as much as possible (e.g. sourdough bread).

Credibility and transparency are guaranteed by an independent certification system (i.e. the ecological monitoring of partner farms based on HÁZIKÓ's criteria). Products are also free of additives or preservatives. All packaging materials are strictly biodegradable including packaging made from corn starch. Environmentally friendly cleaning methods are used at the bakery. By buying a HÁZIKÓ product, the consumer automatically contributes to a rural development concept, in addition to purchasing healthy and fresh food.

No particular technical support has been accessed for this enterprise. IT solutions, for example, are developed and financed by the enterprise itself.

4. Access to markets and consumers

The main customers at the moment are in the commercial catering sector. HÁZIKÓ caters for business meetings, weddings, receptions and also delivers lunch boxes to work places. The main way of increasing sales in this sector is currently through 'word of mouth' or the 'snowball' method, whereby guests of catering events recommend the service to companies known by them. Through personal contacts and networks, the enterprise has explored potential to sell to public sector catering, but with little success to date because most institutions already have their own catering services or contracts. Online sales are being developed through web-shop creation, and a small shop is also being created in the building of the processing workshop in downtown Budapest. In Hungary there is no chance for small farmers to supply to supermarkets.

5. Infrastructure and logistics

HÁZIKÓ has rental access to a food processing unit (200 m²) in Budapest and a storage and cooling capacity (150 m²) in the countryside. The logistics and distribution are still being developed and are constantly improving based on the experiences and feedback from suppliers and customers. They work with a company that delivers by cargo bikes in order to distribute their produce, and have also bought a small van.

CASE STUDY 10. Belgium: Distrikempen - A B2B logistics platform between farmers and clients

General Information

Name of the case: Distrikempen

Author (of the case): Patrick Pasgang – Innovatiesteunpunt

Country / region: Belgium, Antwerp region

Additional information (contact person or website): www.distrikempen.be (temporarily website)

First year: 67 clients, average spend 80€, monthly turnover 10,000€

Second year: 185 clients, average spend 135€, monthly turnover 20,000€

Short Description

Distrikempen is a B2B logistics platform, with which a range of producers from a region enter into a collaborative agreement to sustainably bundle their logistics flows (goods and administration). In a structured way, all B2B orders are consolidated, sent through to the individual businesses, prepared, collected, picked up and delivered to the end customer in the region (Circle Concept). Participating producers' administrative and financial flows are also consolidated. The system operates sustainably, because both collection and delivery are dealt with on the same round, thus reducing kilometres, stocks and risks. Food wastage through distribution is reduced to almost 'nil'. All the work is managed by an independent profitable distributor, working exclusively for them on a fixed cost percentage. This distributor is also the 'ambassador' for the total partnership.

History

It started in April 2013 with a partnership between 5 producers & 1 independent distributor:

1. De Polle: goat farm with cheese production www.polle.be
2. De Ploeg: dairy farm with cheese, dessert, ice-cream production www.hoevedeploeg.be
3. Belfru: cultivation apple & pears, own juice production www.appelenroes.be
4. Franken Agro: cultivation potatoes, fresh French fries, cutting vegetables and preparing mixes www.franken-nv.be
5. Wolkenhoeve: pig farm with cutting & production facilities www.wolkenhoeve.be
6. Distrego: independent distributor

Each producer had experience with B2C relationships through their own farm store. Some of them had made limited sales B2B.

The service cost for the distributor is 20% on sales. The proportion of sales through each route to market is:

- 35% local retail
- 31% HoCaRe
- 21% speciality shops
- 10% farm stores

The initiative has attracted an increasing number of producers including:

1. Zwaluwhoeve: dairy farm with ice-cream production www.de-zwaluwhoeve.be
2. Claasse: strawberry producer
3. Gabriëls: beef farm with cutting & production facilities www.hoeveslagerijgabriëls.be
4. Van Roey: asparagus production
5. Tuinderij Joosen: blackberries, cucumbers
6. Romberama: red berries & amaryllis flowers www.romberama.be
7. Koffie De Maan: regional coffee <http://www.huismanendonckx.be/koffie-de-maan>

1. Setting up

Everything started out of a European Interreg Programme called 'Fish & Chips' www.projectfishandchips.eu

Distrikempen received support from several different organisations:

- *Rurant*: supporting regional craftsmanship & entrepreneurship. Helping them in professionalizing their business and guiding them in working together.
- *Innovatiesteunpunt*: supporting and inspiring farmers for innovation and strategic business changes. They did a market study on 'how to market local products' and developed the logistic concept of 'Pick, Drive & Deliver', making it possible to solve the distribution problems. They developed a simple, effective and low budget ICT platform to be used by the independent distributor. This distributor receives consultancy and help in making his business plan. Product & marketing support is given to the producers in helping them getting into the market and the right customers.
- *Coopburo*: experts in cooperative models. Helping producers in legal affairs.

Partner costs were financed as:

- *Rurant*: 50% Interreg, 50% province of Antwerp
- *Innovatiesteunpunt*: 50% Interreg, 50% structural partners e.g. Belgian Farmers Association.
- *Coopburo*: 100% financed through a reward received after entering the project in a regional contest.

ICT costs are financed as:

- 10,000€ license cost is paid through Interreg Programme (50%) & Province of Antwerp (50%)
- 2,500€ annual rent fee is paid by independent producer

Transport is financed by:

- 10,000€ (second hand refrigerated truck) by distributor
- House style, labelling is paid by Interreg Programme

Marketing material / brochures were developed and paid through the Interreg Programme (50%). The independent distributor is a one-person enterprise.

2. Getting support

To convince the managers to start the partnership, some barriers had to be removed:

- They all think that doing everything by themselves is better.
- They didn't know what their real logistic cost was. They thought it was a negligible cost.
- They fear losing the direct contact with their customer.
- Working together for the same goal and not as competitor is a learning experience.
- Marketing tools, packaging tools, business plans all needed support.
- How to set prices in a B2B environment.

Therefore some guidance was provided by:

- VIL (independent organisation financed by regional government & specialised in logistics problems) did a study on the individual logistics trail from each producer, showing them how many kilometres they drove, how un-economically they worked, how they all crossed each other in the same region and how time consuming it was for all of them. This study was a real eye-opener for most of them.
- Innovatiesteunpunt develop an excel file showing them all the costs involved in a distribution chain and calculating for them the real cost (% of sale) for their company. It showed them that a 20% service cost was less than what they were spending themselves.
- Innovatiesteunpunt provided them with training in pricing and cost-calculating.
- Pick, Drive & Deliver is based on an existing platform (Distreko) from Holland, which had already been operating for 12 years. The manager of that company was present at a workshop, sharing his experience and showing his figures. They all were able to ask and discuss freely their fears and uncertainties.



Government policy support was more negative than positive. For them, SFCs can only supply final customers through a maximum of 1 intermediate partner. Because we sell B2B, this customer is the intermediate partner. Nevertheless, because the distributor takes care of the invoices, the government decided that this was a change of property. So the distributor was considered as a 2nd intermediate partner. From that moment on we were not a SFC but regular food business. All rules helping SFC were not applicable, which obliged producers to start investing, changing way of working, having more controls and paperwork. In the end, the gain of participating together for the same goal, was not positive at all. Therefore the 'Innovatiesteunpunt' started a discussion with the federal agency of health, that just making an invoice did not change risks concerning health. The producer was responsible for packing and labelling, and the distributor was only a service provider. In the end they agreed and gave us a green light. The distributor in our case is not seen as an additional partner, as long as no packing or stocking is done in between. This also provides us with a competitive advantage compared to a regular wholesaler.

The access to Interreg subsidies and regional government finance made it easy for producers to join. The risk was low (except for complaints from existing clients if it didn't succeed). The starting cost and risk for the distributor was also minimised.

3. Product development

All individual producers use their own labelling and house style. Guidelines are available on the use of the name and colours from the label 'Distrikempen'. No extra quality system was installed on top of those already present by the producers themselves, and legally needed.

4. Access to markets and consumers

The main and most efficient marketing effort was a 'taste fare' to which all existing and potential new clients were invited in February 2014. 600 invitations were sent, of which 190 visitors (31% response) attended. They all had the possibility to talk with the individual producers and could taste their products. At the same time the distributor was present to talk about the new possibility of direct delivery. After the fare sales really boosted which resulted in doubling of turnover.

Concerning the supermarkets, we first had a separate meeting with head of local sales, giving all information on the producers and their products and discussing rules for ordering and invoicing. After those discussions, all managers of individual supermarkets were invited to the taste fare.

5. Infrastructure and logistics

The main item involves an easy ICT-platform which coordinates the flow of goods between the producers and their customers. Twice a week orders are assembled and delivered to the concerned producers, who in their turn prepare the order per customer in standard reusable boxes. The logistics partner collects the orders and sorts them out in his truck. When passing in the neighbourhood of a customer he will drop off the goods immediately. He picks, drives and delivers goods in his refrigerated truck during the same transport round. That way total kilometres driven are lower than a standard pick, stock, order picking and delivery system.

The total investment cost for the distributor is kept to a minimum: refrigerated truck, ICT equipment, renting ICT programme & invested time.

Success factors:

1. Good cooperation between the producers is needed. They must see each other as a way to maximise strength and market penetration. They all bring in their existing B2B customers within the region and in this way guarantee a minimum transport volume when starting the system. They will always and only use the local logistics partner for transport to existing and new customers in the region. If they use ingredients available from a partner-producer, they will prefer to buy from him. They must trust their partners and must be open to share business figures.

2. A commercial and dedicated independent logistic partners will be the main key for success. Choosing this partner must be done with 100% acceptance of all producers concerned. S/he must be commercially inspired, needs to have product expertise, offer administrative reliability and must be convinced of the potential sales for 'local4local' products. S/he must detect market opportunities for new customers and/or new products. S/he is the

first contact with both producers and customers and will be the first line ambassador. S/he is much more than a simple truck-driver. When starting the system and to make sure the system can start up slowly but efficiently, we prefer an entrepreneur who is willing to start it up on a part-time basis with potential to grow.

3. Making sure that producers know their own logistic and administrative costs. They must be conscious that their proper logistic system is not a free or nearly free system.

4. The system has a good chance for success when starting with Fast Moving Consumer Goods (FMCG). Those products need to be ordered at least one or twice every week or two weeks, which makes it economically viable. If concerned only with special regional products (e.g. jams, beer, mustard, specialities) the system only runs with lows and highs, which makes planning much more difficult. They can easily support the system, but FMCG will turn around the system.

Advantages:

1. Commercially independent and economically durable system at a low and efficient cost.
2. Goods travel short distances and hence transfer times are short: Fresh can really be fresh!
3. Producers decide on the prices charged to customers. The logistics partner gets a fixed % (average 20%) for his total service delivered.
4. There is no minimum order volume. The producer decides which will be the smallest volume he wants to prepare per customer/per product. This can be 1 full box, half a box or even less.
5. One-to-one relationship with the customer. Each box shows the name of the producer and the name of the customer. When quality problems are detected, they can be solved quickly and in direct contact with both parties concerned. The customer knows the producer and can pay him a visit if needed.
6. No intermediate stock and risk involved within the system. The producers only prepare what is ordered and available. After each transport round the truck will be empty. All goods loaded will be delivered between 1 and 36 hours later. The truck itself is used as a temporary storage room at a controlled (by logger) temperature.
7. All administration (online sales platform, order assembling, order transfer to producer, invoicing and collection money) is done by the independent partner. The producer only makes 1 invoice each week for the total shipment.
8. The independent driver is the 'ambassador' of the project. He does the first quality check when loading the goods, talks to the end client and eventually looks for new clients and product opportunities.
9. Open and transparent system. All producers can control products/prices/volumes
10. If there is more than one producer for an identical product, there will be no price competition.

Practical details:

Two rounds a week, one on Monday/Tuesday, one on Thursday/Friday. For example:

- Tuesday morning: ICT-platform is synchronised with new prices, products and available volumes. New list of products is sent to all customers depending on their product requests. A newsletter is issued.
- Tuesday evening: orders are collected from all customers and consolidated information is sent to the producers.
- Wednesday: orders are prepared.
- Thursday: orders are collected and during the same day delivered to the final customer.
- Friday: a second round is driven making sure all orders are delivered and the truck is empty.
- Friday evening: correction of weights (eg for cheese). Invoices are raised and sent out.

6. Additional Information

Benchmark:

We have been benchmarking Distrikempen with Distreko (a similar system in the Netherlands), with whom we meet and discuss on regularly basis. Their figures:

- 100% organic
- Customer base: 50% farm stores, 40% local organic stores, 10% HoCaRe.
- Started 2001: 7 producers & 25 customers
- In 2011: 20 producers and 50 customers, turnover 800,000€
- Drop/customer: 120-300€

- Km driven each week: 1200-1500km
- Commission on sales: 20%

Independent distributor:

- ICT package:
 - License agreement : 10.000€ ones which gives him exclusivity within the region. Paid by Rurant (province Antwerp) with a guarantee that this is transferable to a new distributor in case of emergency (e.g. distributor wants to stop, bankruptcy,...). This also minimises risk for producers and ensures there is always a backup of the system.
 - Renting cost (& free upgrades): 2.500€/year
 - Training and follow up included by start
 - Platform makes B2C possible if using service/collecting points.
 - B2B web shop included (in testing phase)
 - Hardware (+/- 1,000€)
- Refrigerated truck & logger (10,000€ - 40,000€). 2nd hand can be used by startup minimizing cost.
- Time.
- Shareholders equity needed (depending on form of company).

Producers:

- Reusable packaging (rent or buy)
- Labelling used
- Time for preparing orders.
- Average 20% commission on sales
- Contribution for organising marketing events (e.g. taste fare)

Start-up steps used:

- General presentation of system to producers in certain region. If possible followed by a concrete testimonial (Distrikempen used Distreko for this).
- Written confirmation of interest by individual producers.
- Meetings on getting to know each other, looking at the products and possibilities, discussions on possible interests or problems to be faced. Guidance by Innovatiesteunpunt.
- Formalization of cooperation.
- Identification of existing customers and possible turnover when starting up.
- Looking for independent entrepreneur (= most critical success factor)
- Formalise cooperation between producers and distributor.
- Installing ICT platform, information gathering, training
- Information of change to existing customers
- Press release, customer event, taste fare
- Follow up (determine new customers & products, additional marketing)

CASE STUDY 11. Austria: Bauernkiste



General information

Name of the case: Farmers' Crate

Author (of the case): Ms Therese Fiegl

Country/region: the Tyrol, Austria

Additional information (contact person or website): www.bauernkiste.at

Short description

The project Farmers' Crate was started in 1997 and since then has continuously developed. The idea came from an agricultural engineer (housewife at that time), who convinced a group of farmers to cooperate in a consumer direct delivery pilot. The personal motivation was the family of this woman with three young children and a diploma thesis which she wanted to apply.

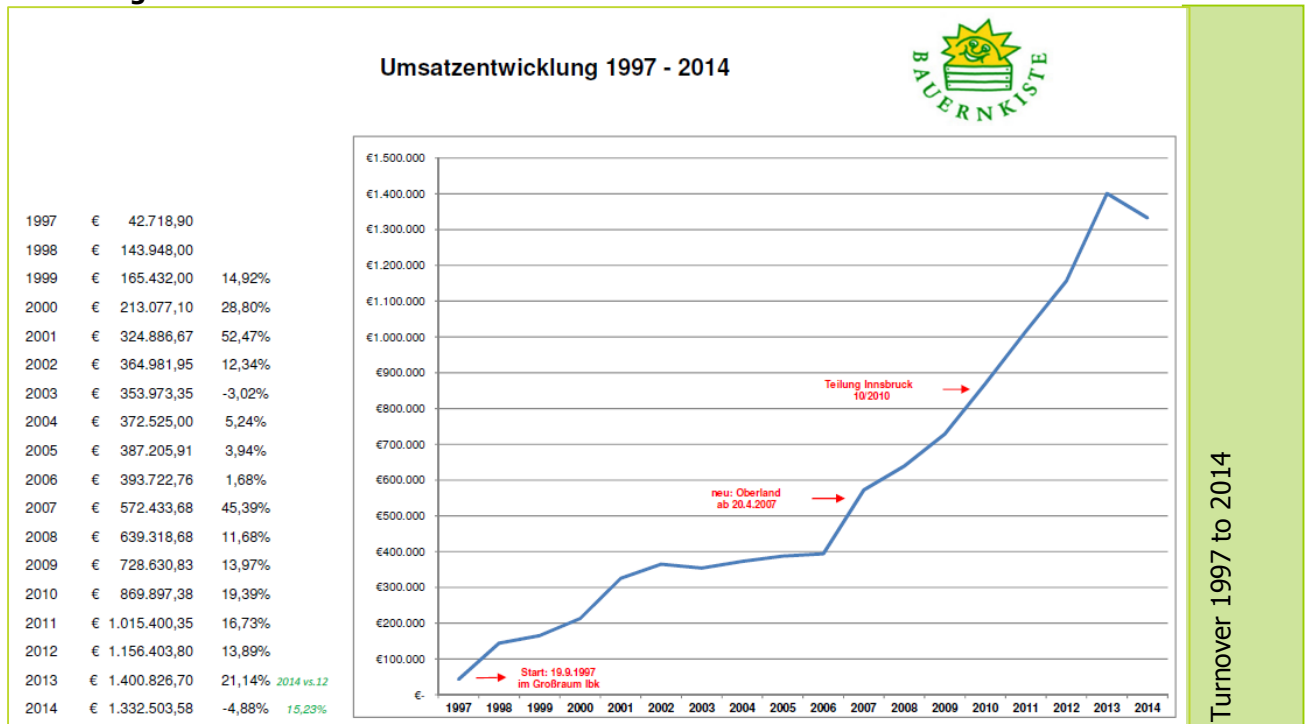
The principle is simple: Consumers order on a weekly basis out of a good assortment of typically farm made products, like bread, meat, sausage, ham, cheese, fruit and vegetables etc. Some of them are only available in the season. In the meantime there are also some additional traded goods like asparagus from other Austrian regions (asparagus does not grow in the Tyrol) or organic oranges from Sicily.

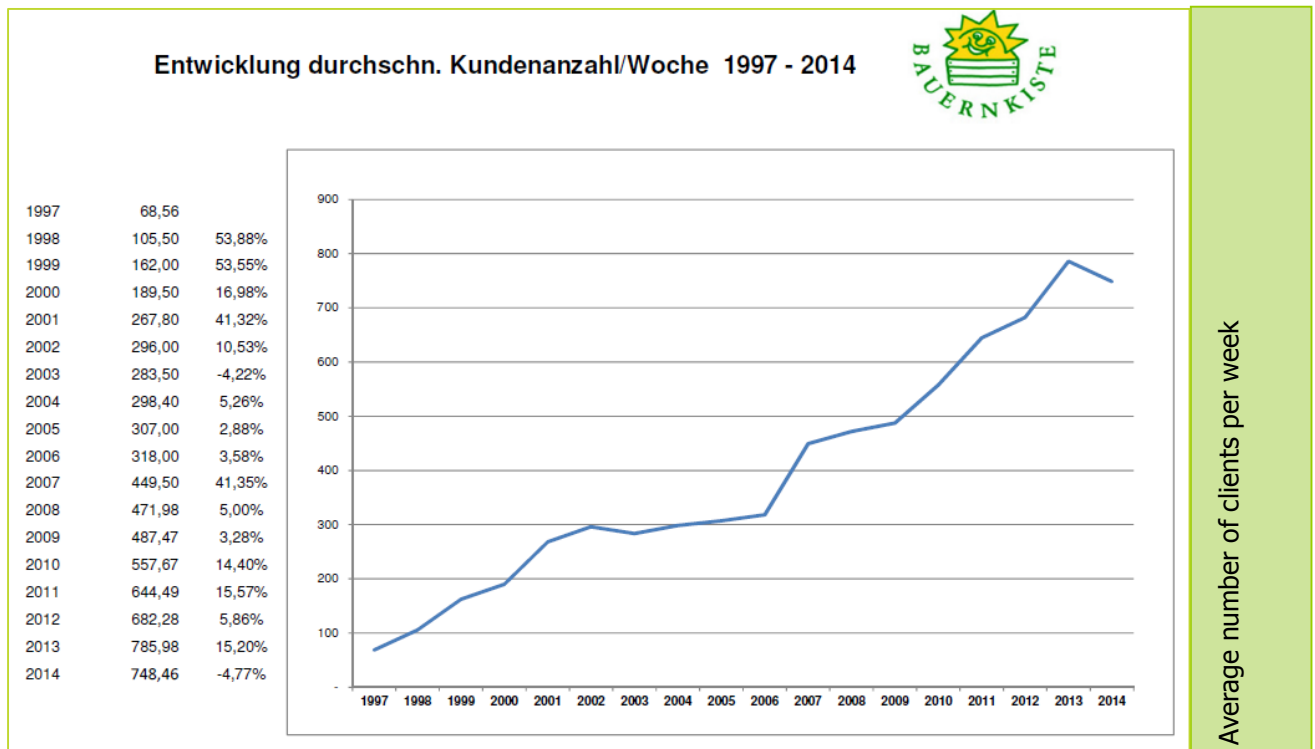
90 % of the orders are done by a webshop. The delivery radius is well calculated to have as many stops in one route as possible to reduce the transportation costs per unit. As demand grew in the past, new centres for delivery were established in other regions, but all based on the same principles. Meanwhile five clones run with the same rules, farm products of the respective region, but a central management and web tool.

From the beginning quality assurance to avoid complaints (which are costly) and automatic cashing (to avoid cumbersome cashing) was introduced.

The delivery scheme is accompanied by recipes and actual information on farmers' activities or seasonal news.

Facts & figures





1. Setting up

The project started as a private initiative of a housewife, mother of three young children, with the wish to have regional and seasonal fresh produce. As an agricultural academic she developed a concept, where several regional farmers should bring a special part of a broad assortment to a central place to fill the crates and deliver them to the households.

After developing the idea a survey was done with the consumers and the farmers. Of 1600 questionnaires to consumers 220 were sent back. These addresses were invited to an information event and a product tasting. A second questionnaire was distributed to potential suppliers. It took 8 meetings with the prospective suppliers to finalise the details. Then an office was found and the distributors were selected. After that preparatory work the delivery service started. The first delivery was done in September 1997 to 77 customers.

2. Getting support

At the very beginning the regional government provided regional public money to invest into the plastic crates (about 15.000 €). In 2007, when the IT was completely renewed a further 10.000 € support was granted. All other investments were paid from yields of the coordination work, as 8 % of turnover goes to the woman who developed and started the initiative and is still the mastermind and CEO of the Bauernkiste.

3. Product development

Due to permanent and easy contact of the participants at the consumer side and additional activities (recipes, product tasting) the management of the Bauernkiste has a good overview of what is demanded by the consumers or what would be needed.

4. Access to markets and consumers

The model works with permanent clients, who order week by week the same type of crate. Completed by recipes, tips für new vegetable varieties or new producers, the customers can choose and vary within a broad range of food, starting from fruit and vegetables, meat and poultry, meat products, bread and bakery, dairy etc. Meanwhile gifts and imported products like tea and coffee are also offered.

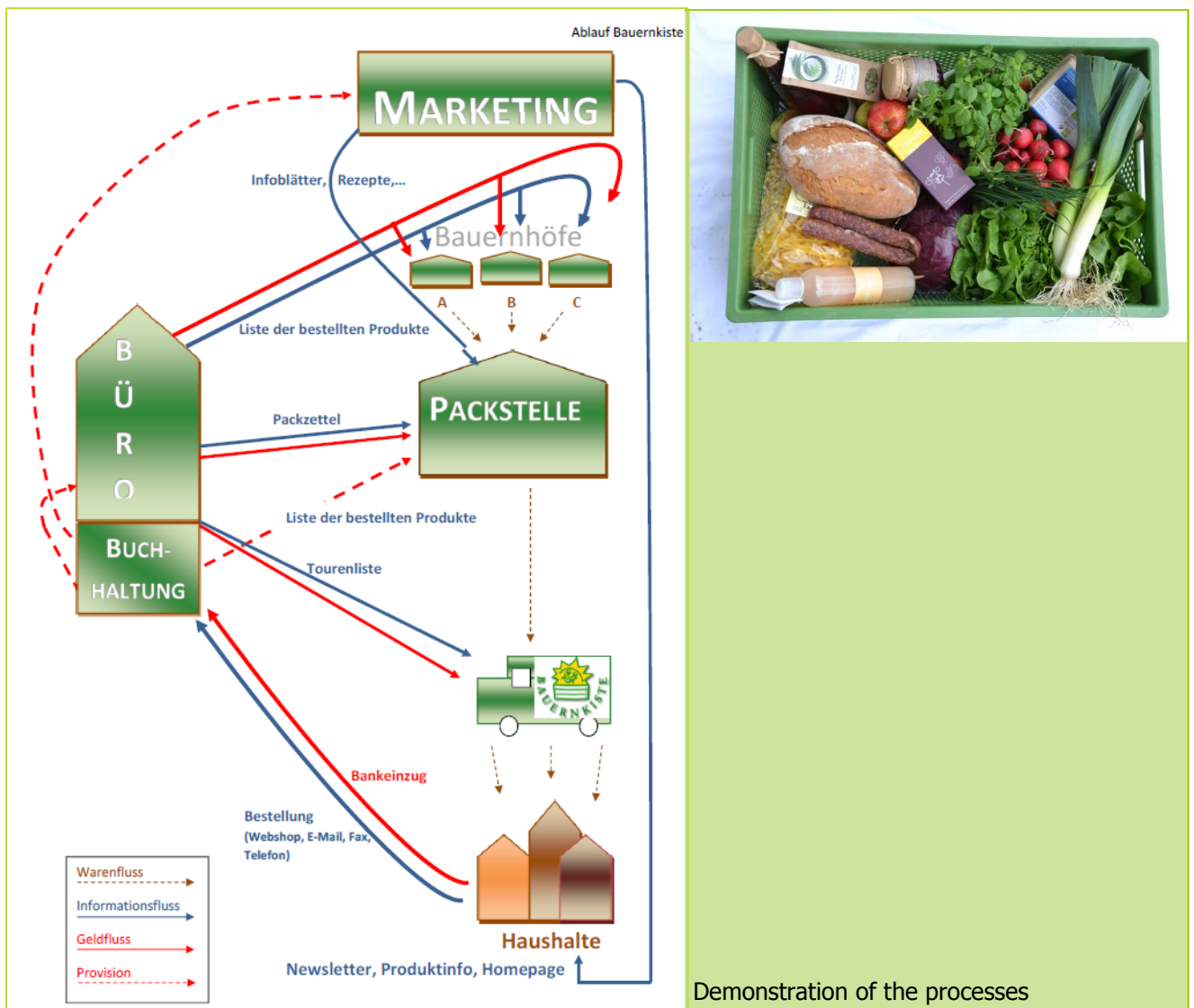
A strict quality control constantly guarantees the promised qualities and satisfies the clients. The payment is done by bank collection on a monthly basis.

5. Infrastructure and logistics

The efficient organisation of the steps between ordering and delivery is core for the Bauernkiste.

The steps in words:

- Until Monday 7 p.m. at the latest, the orders arrive at the office (by fax, phone or email – in practice 97 % by email)
- The farmers take their orderlists from the internet (access by PIN code)
- In the Bauernkiste office the orderlists of the customers are printed and brought to the packing centers.
- The farmers bring the ordered quantities to the packing centers.
- On the basis of the orderlists the crates are filled.
- The crates are delivered to the households (primarily early in the morning or in the evening) and directly handed over to the recipients or left at a defined place in the entrance area.
- The knowledge, where exactly ring the door bell or leave the crate in case of non-presence of the clients is essential, economically and in terms of product quality to guarantee a good quality even if the consumer comes home three hours later.



Annex 5: Published research and other references

Published Research

How policies can help collaborative SFCs

- ▶ JRC SCIENTIFIC AND POLICY REPORTS: "Short Food Supply Chains and Local Food Systems in the EU. A State of Play of their Socio-Economic Characteristics". (2013)
- ▶ Agricoltura civica e filiera corta Nuove pratiche, forme d'impresa e relazioni tra produttori e consumatori – Gruppo 2013 (2014).
- ▶ Agricoltori e filiera corta Profili giuridici e dinamiche socio-economiche a cura di Francesca Giarè e Sabrina Giuca, 2012 INEA.
- ▶ Agricoltura e competitività in chiave di filiera – Pubblicazione delle Rete Rurale Nazionale – Magazine RRN n.5 del 2012.
- ▶ Agricoltura civica e filiera corta Nuove pratiche, forme d'impresa e relazioni tra produttori e consumatori – Gruppo 2013 (2014).

Product development in SFCs

Pride of the place (2008). The EU protected food names scheme. Making the most of Europe's local food culture. Editor M. Whitworth.

The Guild of Fine Food Local food systems in Europe (2010) Case studies from five countries and what they imply for policy and practice. IFZ

Slow Food association have available a rich library (www.slowfood.com)

Access to markets

- AMEMIYA H. (dir.), *Du teikei aux AMAP Le renouveau de la vente directe de produits fermiers locaux*, Presses Universitaires de Rennes, 2011
- CHIFFOLEAU Y., *Circuits courts alimentaires, dynamiques relationnelles et lutte contre l'exclusion en agriculture*, in *Economie rurale* n° 332, 2012
- DELFOSSÉ C., PLUVINAGE AYATS (coord.), *Revue POUR: Alimentation et territoires* [L SER] n°215/216, Novembre 2012
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- VENTURA, F. and MILONE, P (2000) *Theory and Practice of Multi-Product Farms : Farm Butcheries in Umbria*, *Sociologia Ruralis* 40 (4) : 452-465
- HERAULT-FOURNIER C., PRIGENT-SIMONIN A. H. (dir.), *Au plus près de l'assiette , Pérenniser les circuits courts alimentaires*, éditions Quae 2012
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- MORUZZI-MARQUES P. E., FERREIRA NOBRE DE LACERDA T., *Agriculture biologique et agriculture familiale au Brésil. Pour une inscription territoriale des agriculteurs écologistes*, in *Économie rurale*, 313-314 | Septembre - décembre 2009
- MUNDLER P., *le prix des paniers est-il un frein à l'ouverture sociale des AMAP ? Une analyse des prix dans sept AMAP de la Région Rhône-Alpes*, in *Économie rurale*, 336 , juillet-août 2013
- SERVIGNE P., *Nourrir l'Europe en temps de crise Vers des systèmes alimentaires résilients*, étude réalisée à la commande du groupe Verts/ALE du parlement européen, <http://www.institutmomentum.org/wp-content/uploads/2013/12/2013-Servigne-LES-VERTS-Nourrir-leurope-en-temps-de-crise.pdf>
- TRAVERSAC JB., *La contribution des circuits courts alimentaires au développement régional*, Educagri, Dijon, 2010
- RENTING H., MARSDEN T. K, BANK J., *Understanding alternative food networks: exploring the role of short food supply chains in rural development*. *Environment & Planning*, vol. 35, n. 3, p. 393-411, 2003

Brazilian national School meals programme (PNAE):

<http://www.internationalschoolmealsday.com/share-practice/2014-national-education-development-fund-brazil/>

Access to catering markets

Centre for International Hospitality Management Research (2008), Consumer Perception of Organic, Ethical and Local Foods Served in Restaurants in the Sheffield Area, Sheffield Hallam University

About Chefs as prescriptors of local procurement: Hattori A., 2011. Un chef gastronomique peut-il être prescripteur du concept de proximité ? Master of Research, Agroparistech, Paris.

A survey of restaurants in South of France: http://draaf.languedoc-roussillon.agriculture.gouv.fr/IMG/pdf/PEIno5rapportdef-2012_cle481877.pdf

Access to supermarkets

Brown H, John A Geldard FRAgS (2008), Supplying Local Food to Mainstream Customers

Chiffolleau Y., Héreau S., 2014. Dynamique et plus-values des circuits courts portés par les acteurs des circuits longs. Projet Casdar Interval

GENERAL:

Co-operative research - Co-operative research, supported by local, national and European budgets (FP7 "science in society") has proved efficient to improve the overall knowledge of what's happening in Europe and analyse the facts. Examples of European projects include:

- COFAMI : <http://www.cofami.org/publications.html>
- FAAN : <http://www.faanweb.eu/arts> and <http://www.faanweb.eu/pubs>
- CREPE : http://crepeweb.net/?page_id=433
- Softagri : <http://www.grundtvig.org.uk/casestudy.asp?itemid=543&itemTitle=SoftAgri§ion=000100010039§ionTitle=Projects+Around+the+UK>
- Foodlinks <http://www.foodlinkscommunity.net/1188.html>
- Purefood : <http://purefoodlinks.eu/>

Examples of National / regional projects:

- *Loccaterra* : <http://www.pnr-armorique.fr/Acces-directs/Actualites/Croquer-le-territoire-quand-les-circuits-courts-se-racontent>
- Liproco : <https://www.zotero.org/groups/circuitscourts/items>
- *CROC* : <http://psdr-coxinel.fr/spip.php?rubrique57>
- SALT : http://www.civam-bretagne.org/civam.php?pj=132&ref_rub=21&ref=59
- INTERVAL: <http://www.pardessuslahaie.net/uploads/sites/4f70d928e6ed96d444eda8387ba3cd79ec022a2e.pdf>
- ▶ Public Policies for Food Sovereignty: Barriers & opportunities, European, national & local analysis: http://vsf.org.es/sites/default/files/docs/politicas_publicas_para_la_sa_analisis_europeo.pdf
- ▶ The slaughter in SFC in France: http://www.chambres-agriculture.fr/fileadmin/user_upload/thematiques/Consommer_autrement/Circuits_courts/Etude_abattoirs_cc.pdf
- ▶ Commission staff working document on the understanding of certain provisions on flexibility provided in the Hygiene Package

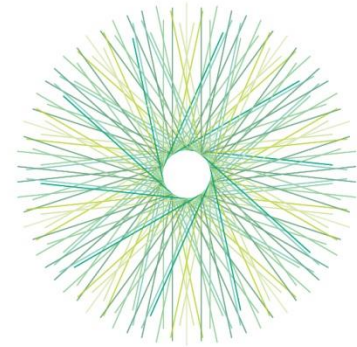


http://ec.europa.eu/food/food/biosafety/hygienelegislation/docs/faq_all_business_en.pdf

- ▶ Practical instructions regarding the production and processing of animal product at the farm in Rhône-Alpes (France): <http://draaf.rhone-alpes.agriculture.gouv.fr/Fiches-reglementaires-production>
- ▶ Official document regarding selling through purchase groups in Belgium: http://www.favv-afsca.be/denreesalimentaires/circulaires/documents/2014-07-03_Circulaire_distribution_circuit_court_FR.pdf
- ▶ Land use planification and farming in Spain: <https://drive.google.com/open?id=0B2UOmlzuBzRakNJT0hINEdZX1k&authuser=0>

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eip-agri
AGRICULTURE & INNOVATION

The European Innovation Partnership 'Agricultural Productivity and Sustainability' (EIP-AGRI) is one of five EIPs launched by the European Commission in a bid to promote rapid modernisation by stepping up innovation efforts.

The **EIP-AGRI** aims to catalyse the innovation process in the **agricultural and forestry sectors** by bringing **research and practice closer together** – in research and innovation projects as well as *through* the EIP-AGRI network.

EIPs aim to streamline, simplify and better coordinate existing instruments and initiatives and complement them with actions where necessary. Two specific funding sources are particularly important for the EIP-AGRI:

- ✓ the EU Research and Innovation framework, Horizon 2020,
- ✓ the EU Rural Development Policy.

An EIP AGRI Focus Group* is one of several different building blocks of the EIP-AGRI network, which is funded under the EU Rural Development policy. Working on a narrowly defined issue, Focus Groups temporarily bring together around 20 experts (such as farmers, advisers, researchers, up- and downstream businesses and NGOs) to map and develop solutions within their field.

The concrete objectives of a Focus Group are:

- ✓ to take stock of the state of art of practice and research in its field, listing problems and opportunities;
- ✓ to identify needs from practice and propose directions for further research;
- ✓ to propose priorities for innovative actions by suggesting potential projects for Operational Groups working under Rural Development or other project formats to test solutions and opportunities, including ways to disseminate the practical knowledge gathered.

Results are normally published in a report within 12-18 months of the launch of a given Focus Group.

Experts are selected based on an open call for interest. Each expert is appointed based on his or her personal knowledge and experience in the particular field and therefore does not represent an organisation or a Member State.

*More details on EIP-AGRI Focus Group aims and process are given in its charter on:

http://ec.europa.eu/agriculture/eip/focus-groups/charter_en.pdf



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