



European Commission



THE FIFTH FRAMEWORK PROGRAMME 1998-2002



QUALITY OF LIFE AND MANAGEMENT OF LIVING RESOURCES

**“Marketing Sustainable Agriculture:
An analysis of the potential role of
new food supply chains in sustainable
rural development”**

SUS-CHAIN

QLK5-CT-2002-01349

**COOPERATIVA AGRICOLA
FIRENZUOLA**

Case study report

By
Gianluca Brunori
Raffaella Cerruti
Stefania Medeot
Adanella Rossi

SUS-CHAIN deliverable no. 16.4b

Organic beef of the Cooperativa Agricola Firenzuola (CAF)

Case study report

By

Gianluca Brunori
Raffaella Cerruti
Stefania Medeot
Adanella Rossi

Dipartimento di Agronomia e Gestione dell'Agroecosistema
Sezione di Economia agraria e ambientale



TABLE OF CONTENT

LIST OF FIGURES, BOXES AND TABLES	v
1. INTRODUCTION	1
2. THE CONTEXT	3
2.1 THE CONVENTIONAL BEEF SECTOR IN ITALY	3
2.1.1 Primary production	3
2.1.2 Processing industry	4
2.1.3 Distribution system	4
2.2 MAIN ISSUES AND DYNAMICS	4
2.2.1 Reorganisation of farming and market competition	4
2.2.2 Regulatory system	5
2.2.3 Consumers' attitude	6
3. OBEJECTIVES AND STATE OF THE ART	7
3.1 OBJECTIVES OF THE INITIATIVE	7
3.1.1 The aspects the initiative aims to address	7
3.1.2 The sustainability problems emerging from it	7
3.2 STATE-OF-THE-ART OF THE TYPE OF INITIATIVE	7
3.2.1 The organic beef chain	7
3.2.2 Consumers' attitude	8
4. STORY OF THE PRINCIPAL CASE	9
4.1 BACKGROUND	9
4.1.1 The territory	9
4.1.2 The local conventional chain	9
4.1.3 The story of the initiative	10
4.2 THE STARTERS	11
4.3 BUILDING A FOOD-CHAIN FOR LOCAL ORGANIC BEEF	11
4.3.1 Problematismation	11
4.3.2 Interesement	12
4.3.3 Enrolment	12
Establishing new chain relations and growth of the initiative	12
4.3.4 Mobilisation	14
Emerging contradictions from the extended network	14
4.4 SEEKING NEW PATHS OF VALORISATION AND MARKETING	15
4.4.1 Problematismation	15
4.4.2 Interesement	15
5. DISCUSSION	17
5.1 SUSTAINABILITY PERFORMANCE INDICATORS: OVERVIEW	17
5.2 SCALING-UP	18
5.2.1 First phase of scaling up	18
5.2.2 Second phase of scaling up	18
5.3 COMMERCIAL PERFORMANCE AND MARKETING SUCCESS	19
5.3.1 Rate of growth, profits and price differential	19
Price differential	20
5.3.2 Market share and competitiveness	21
5.4 THE ROLE AND THE TYPE OF PUBLIC SUPPORT	23
5.5 THE CHANGES OF THE ORGANISATION ALONG THE PROCESS OF SCALING UP	24
5.6 THE EFFECTS ON RURAL DEVELOPMENT	24
6. COMPARATIVE ANALYSIS	29
6.1 COMMERCIAL PERFORMANCE	29
6.1.1 Ability in generation and maintenance of added value for producers	29
6.1.2 Alternative approaches to create extra added value: direct selling	29
6.1.3 Other alternative ways to create extra value for producers: valorising a local beef breed	32
6.2 NATURE OF THE ORGANISATION	33

6.2.1 <i>Changes induced in the nature of the organisation along the initiative</i>	33
6.2.2 <i>Organisation of the chain and the relationship with consumers</i>	33
6.3 MOBILIZATION OF DIFFERENT TYPES OF PUBLIC SUPPORT	34
6.4 CONTRIBUTION TO SUSTAINABLE RURAL DEVELOPMENT	34
7. CONCLUSIONS	35
REFERENCES	37
WEBSITES	39

LIST OF FIGURES, BOXES AND TABLES

FIG. 1 OVERVIEW OF THE ITALIAN BEEF SECTOR (ISMEA, ISTAT, 1999)	3
TAB. 1 - ORGANIC BREEDING ACCORDING TO THE ANIMAL TYPE (SALVINI, 2004)	8
TAB. 2 - NUMBER OF FARMS AND THEIR CATTLE CONSISTENCY IN THE PROVINCE OF FLORENCE (CENSUS DATA)	9
FIG. 2 THE CONVENTIONAL NETWORK ESTABLISHED BY THE CO-OPERATIVE	10
FIG. 3 MAP OF THE CO-OPERATIVE SELLING POINTS (2004)	11
FIG. 4 EVOLUTION OF THE NETWORK	13
FIG. 6 - INTERRELATION AMONG THE ISSUES BASED ON THE SUSTAINABILITY PERFORMANCE INDICATORS	17
TAB. 3 - SUSTAINABILITY PERFORMANCE INDICATORS FOR THE ANALYSIS OF THE IMPACT OF THE INITIATIVE	17
BOX 1 - CENTRAL HYPOTHESIS	18
FIG. 5 FRAMEWORK RELATED TO THE CENTRAL HYPOTHESIS	18
TAB. 4 - VOLUME OF ORGANIC MEAT PRODUCTION AND PROFITS	19
BOX 2 - SUB-HYPOTHESIS 1	19
TAB. 1 VOLUME OF ORGANIC MEAT SLAUGHTERED IN THE <i>CENTRO CARNI</i> OF VICCHIO	19
TAB. 2 NUMBER OF ORGANIC FARMS IN CAF	19
FIG. 6 PROFITS TREND OF THE CO-OPERATIVE (1000.000€)	19
TAB. 3 AVERAGE OF THE PRICES OF TO THE FINEST CUTS OF MEAT (FILLET STEAK, TENDERLOIN, <i>FIorentina</i>) (JUNE,2005)	20
TAB. 4 KNOWLEDGE OF CONSUMERS ABOUT CAF ORGANIC MEAT	21
TAB. 5 FACTORS AFFECTING MARKET ATTRACTIVENESS	22
TAB. 6 FACTORS AFFECTING COMPETITIVE POSITION	22
FIG. 7 MC KYNSEY MATRIX	23
BOX 3 - SUB-HYPOTHESIS 2	24
BOX 4 - SUB-HYPOTHESIS 3	24
TAB. 7 ASSESSMENT OF CAF ORGANIC MEAT CHAIN PERFORMANCES INDICATORS FOR SUSTAINABLE RURAL DEVELOPMENT IN COMPARISON TO CONVENTIONAL MEAT	25
TAB. 8 EMPLOYERS OF CAF SINCE 2000	28
BOX 5: OVERVIEW OF ITALIAN SATELLITE CASES	29
BOX 6 - COMPARATIVE ANALYSIS OF DIRECT SELLING (ITALY)	30
BOX 7 - COMPARATIVE ANALYSIS OF DIRECT SELLING (THE NETHERLANDS)	30

BOX 8 - COLLECTIVE INITIATIVES CREATING EXTRA VALUE FOR PRODUCERS	32
BOX 9 – ORGANISATION AND COMMUNICATION WITH CONSUMERS IN DIRECT SELLING OF ORGANIC MEAT	33
BOX 10 - ESTABLISHMENT OF A LOCAL NETWORK FOR THE CREATION OF A COLLECTIVE BRAND FOR VALORISATION LOCAL BEEF BREED	34

1. INTRODUCTION

There is a growing consensus over the fact that organic is undergoing a process of changes — as long as it is integrated into food chains, and concern is growing on the weakening of its transformational role with regard to the environment, to rural development, to production and consumption patterns and its philosophical and ethical foundations (Guthman, 2000; Buck et al., 1997). Recent researches have been mainly revolved to investigate the appropriation of the economic benefits associated with the organic food production by “dominant” actors within the conventional agro-food chain (Buck et al. 1997) with the consequence highlighted by Smith and Marsden (2004) of ‘...a real danger ... that retail-led organic supply chains will exhibit many of the long standing features of the conventional food chains, particularly the operation of a farm-based cost-price squeeze’ (p. 355).

The case study wishes to contribute to the more general question of to what extent alternative food supply chains are able to scale up by maintaining their original values *such as, quality, regard, trust, reputation and place*, as they represent the meaning of sustainability. The analysis will focus on the hypothesis that scaling up of an AFSC changes the nature of the organisation and these changes could provide different sustainability performances¹. On this light we will look into the story of a group of beef producers, belonging to a well established cooperative, who decided to turn to organic farming in the second half of ‘90s. The case shows how the growth of production and trade of organic beef was not accompanied by an effort to define an appropriate marketing strategy. Having overlooked the need to look for alliances ‘external’ to commercial agents, when demand dropped the cooperative found itself isolated and unable to find alternative outlets.

Drawing on an actor-network methodology, the case analyses the evolution of the initiative by focusing on the relational configurations built by the involved actors. To this purpose, we have compared the ‘organic’ chain created by the cooperative with the ‘conventional’ one within the cooperative itself. Although the conventional beef does not have any certified quality label, the cooperative has been able to create trust and reputation among local consumers by retaining control on its commercial network and by transforming nature and place into a unique, non-standardised product which contributes to the life and livelihoods of the local community.

¹ See SUS-CHAIN methodology , WP4 Deliverable 13

2. THE CONTEXT

2.1 The conventional beef sector in Italy

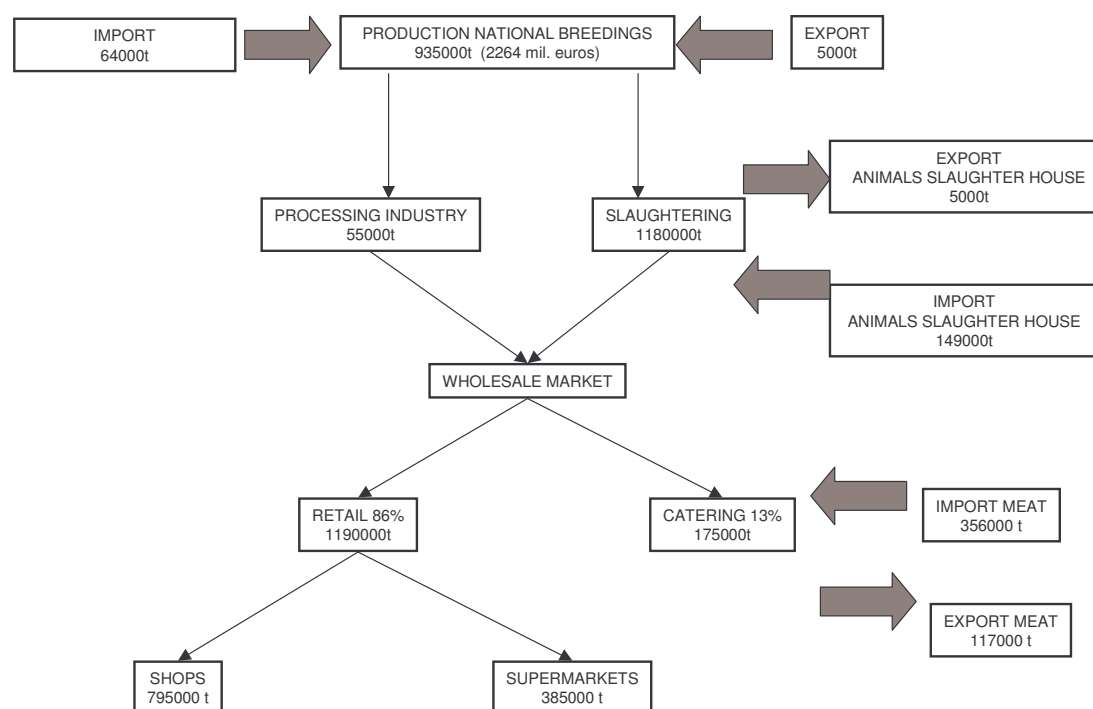
2.1.1 Primary production

The bovine meat sector represents an important component of the meat food-chain in Italy, with approximately 135.000 farms, a gross added value equivalent to 24% of gross domestic product, around 320.000 workers (half of which employed in the stables), and a strong interdependence with the dairy sector. There is a great distinction between the North and the South: 70% of the cattle is localised in the North, 10% in the Centre, and 20% in the South.

Furthermore, it is represented by a high percentage of small size farms and few big size farms with industrial production: the biggest farms, with intensive breeding, are concentrated in the North and the Centre part of Italy, and particularly in the Lombardia, Piemonte, Veneto and Emilia Romagna regions, with 60% of cattle heads, while the rest is spread in other regions, mainly based on extensive breeding.

The first type of breeding implies a high concentration of heads per farmed land, and an open production cycle, with the external purchase of the calves and of the other inputs, while the second type usually has a close production cycle, where the inputs are produced within the farm, the calves are born in the farm and grow in the wild (Guglielmi, 2003).

Fig. 1 Overview of the Italian beef sector (Ismea, Istat, 1999)



The most important organisations of the sector are:

- A.I.A. (Breeders Italian Association) and the A.P.A.s (the provincial sections of the national organisation) were created in 1947, with the support of the Ministry of Agriculture, for the preservation and the support of breeding. The association currently groups most of the breeders of the Italian territory, providing them through the provincial associations bureaucratic and technical assistance for animal productivity, breeding and milking techniques.
- Assocarni (*Associazione nazionale industria e commercio carni e bestiame*): it constitutes the main representative centre of the Italian industry of bovine meats (slaughter and transformation), supplying technical and legal assistance to its members.
- UNAZOO: *Unione Nazionale Associazioni Zootecniche*
- UNICAB: *Unione Nazionale delle Associazioni dei Produttori della Carne Bovina*.

2.1.2 Processing industry

The slaughter phase significantly affects the processing sector, and in Italy it is characterised, as the primary production, by a high number of small structures with a scarce productivity. On the other hand, the bigger structures slaughter around 70% of the Italian meat and are mainly situated in the North (75%), only marginally in the Centre (10%) and in the South (15%).

The modernisation process in this sector has been very difficult (see below, 2.2.1), and transformed, in the last years, the typology of the structures: abattoirs diminished from 5,000 in 1990 to 2,200 in 2000, and public abattoirs from 1,000 to 400 (Ismea, 2002): a large part of public abattoirs closed down, and nowadays they manage only 20% of butchery in Italy (the percentage is 60% in the South). Among the current 2.200 abattoirs, 87% have a limited capacity and only 13% can afford the EU mark (Ismea, 2002): the latter are only 300 on the Italian territory, but butcher 50-60% of the meat in the country, they are usually private and are localised mainly in the North, particularly in the Lombardia, Piemonte, Veneto and Emilia Romagna regions. Most of the abattoirs (73%) furnish a mix production (different type of meat), while 27% are specialised in bovine butcher (Guglielmi, 2003).

The main product of the sector is meat of primary processing (75%), while the more elaborated processing produce represent only 9%, because most of the Italian abattoirs don't comply with the regulations for this kind of activity (Nomisma, 1999). Here as well the most innovative production is concentrated in a few private structures, because only 4 abattoirs manage 50% of the production of fresh elaborated meat, and therefore imported produce are very competitive, particularly fresh and frozen meat from EU countries. The restricted production of processed meat can be also explained with the higher cost of the beef meat in relation to other kind of meat, as pork or poultry, which allow a higher degree of innovation in the processing industry (Guglielmi, 2003).

The Italian equipment in this sector, with a high percentage of small structures, a scarce production capacity (2,000 heads/year) and a difficulty in the processing phase, strongly contrast with other European countries, such as France, with 247 abattoirs and 18,000 heads/year, and The Netherlands, with 40 abattoirs and 110,000 heads/year (Ismea, 2002).

2.1.3 Distribution system

Starting from the '90s on the distribution system has shifted from the traditional, non-specialised shop, to the large distribution system, and to high specialisation of the distribution channels. Differently in the bovine meat sector, because of the vulnerability of the processing and conservation phase, traditionally bovine meat was sold in specialised butcher's shops, and therefore it was more difficult to convert the system into the large distribution system (Ismea, 2002). As a consequence, butcher's shops preserved their privileged trust relationship with consumers, which became even more important with the BSE crisis, and pushed the shops to build direct relationships with the processing industry (Guglielmi, 2003).

Nevertheless, butcher's shops are progressively decreasing in the last years, particularly in the South, where there was a bigger lack of supermarkets, which are now fast expanding; so the relation between the two different types of distribution channels has significantly changed: while in 1989 butcher's shops distributed 80% and supermarkets 20% of meat produce, in 1998 the former managed 40% and the latter 50% of the meat market.

The change of the trend in marketing and distribution of meat can be explained by the larger variety of produce offered by the large distribution system and the higher degree of innovation and services that it can offer.

2.2 Main issues and dynamics

2.2.1 Reorganisation of farming and market competition

The Italian bovine breeding sector is facing in the last years a crisis that determined a strong reduction of the bovine Zootechnical sector: compared with 1990, bovine breeders farms reduced of 35%, with a reduction of cattle heads of 21%. Nowadays around 3,000 breeders (around 2,2%, see 2.1.1) manage 50% of bovine cattle heads, while a large part of breeders still hold very small cattle (around 7% of bovine cattle is dispersed in 50% of little farms with around 10 heads each). The same situation can be observed for the profit of the farms: 30% of the revenue of the sector is produced by 500 farms among the bovine specialised breeders (Guglielmi, 2003).

The reduction of bovine breeders is due to different factors. The first is linked to the new regulations introduced by the EU in order to guarantee more safety (e.g. in the case of abattoirs, see 2.2.2), to support European farms in market competition (e.g. the case of premium given by the CAP,

see 2.2.2), and to give more reliance to consumers in relation to the origin and breeding of the cattle (e.g. the Regulation 1760/2000, see 2.2.3)

The second important factor explaining this crisis is the increasing competition of the market, more and more demanding and requiring quality, differentiation, low prices, fresh produce, etc. In this concern it is possible to observe the increased power of modern distribution, which is able to affect the organisational and managerial politics of the breeding enterprises, because industrial enterprises of big dimensions generally introduce an elevated vertical integration.

Among the large distribution companies the offer of products with commercial brands is spreading also in the meat sector, rendering necessary the organisation of a control system of the Food Supply Chain. At the contrary the companies organised with small outlets operate on the basis of the decentralisation of decisional power, through operators who guarantee a certain flexibility in relation to the contracts with the suppliers, aimed at determining the characteristics of the products, the respect of the time of delivery and the selling price. Furthermore, the contractual power of fodder firms is increasing, determined by an elevated degree of specialisation and concentration of this industry. Finally, the purchase of animals and meat from the foreign countries, with competitive prices, renders even weaker the contractual position of the breeders.

The third important factor is related to the change of the consumption trends (see 2.2.3): when, in the '70s, the demand was growing, some big farms started to diversify their supply, buying the young calves abroad; with the decrease of the demand in the '80s this habit remained, so to put in crisis the self-sufficiency of the system in the '90s with the liberalization of the market (Guglielmi, 2003).

Finally there is another important factor, specific to the Italian market, which is the tradition of linking the breeders to the abattoirs and the market through an intermediary, who in the past helped them in the communication between areas and actors far from each other, but with the time gained more and more power in relation to the breeders, who were in that way limited in their possibilities to have free access to the market.

All the factors here described forced Italian bovine breeders to remodel their farms, concentrate their market power and operate at a larger scale. Nevertheless, the length and the fragmentation of the chain and the strong competition of other actors of the market hampered the capacity of many Italian bovine breeders to react, so that many small farms closed down.

Within this complex arena some strategies appear more spread in this food-chain: on the one hand there is a process of growing of the scale of firms operating in the sector, with a process of intensification of the different phases of the chain and a control over the whole process; on the other hand there are efforts in integrating the different phases of the chain (fodder production, breeding, butchery, processing, distribution and consumption) at local level, with the creation of quality circuits (Guglielmi, 2003).

2.2.2 Regulatory system

In the last years the meat sector in Italy has encountered some important difficulties related to the standards imposed by the regulatory system, particularly EU regulations. The EU Directives 497 and 498, delivered in 1991, and absorbed in Italy with the Decree 286 in 1994, entirely modified the previous regulations of EU countries about butchereries and abattoirs, creating enormous troubles for the Italian system, characterised by a high percentage of small and public abattoirs with very low hygienic conditions.

The new regulations, in fact, introduced a distinction between two main types of abattoirs: on the one hand the abattoirs which, respecting the new structural and hygienic standards, received the EU recognition (the EU mark), were allowed to butcher any quantity of heads and to sell their meat in the whole Europe; on the other hand the abattoirs which were not able to comply to the new standards, and therefore were allowed to butcher a maximum of 1,000 heads/year and to sell the meat only within the national territory. Because of numerous extensions of the delay, the latter are still largely spread on the Italian territory, even if they had to remain temporary (Guglielmi, 2003).

Nevertheless, in the last years there has been a high reduction of the abattoirs, and particularly of those of small dimension and low capacity of adaptation to the hygienic rules, because of their weak link with the production system; on the other hand in the big abattoirs there has been an increasing investment for technologic improvement, production costs reduction and quality control.

Another problem is related to the "*Mc Sharry reform*", put in place within the EU from 1992 on. t. That reform favoured extensive breeding, and as a consequence the Italian system, mainly characterised by intensive breeding, was penalized in relation to the countries based on extensive breeding, as Spain and Ireland. In fact, the EU support given to the Italian bovine production passed from 12% of the total in 1991 to 3,4% in 1995 (Nomisma, 1999).

The constraints posed by the new EU regulations to the meat sector, and particularly to the beef production, can in part explain the reduction of the farms dedicated to bovine breeding and the number of bovine heads present on the Italian territory in the last years (Guglielmi, 2003).

2.2.3 Consumers' attitude

The consumption trend of bovine meat in Italy shows a constant growth from the second post-war period up to the '70s (around 25 kg/person), a stabilization in the '80s, and a decrease from the '90s on, with a rising gap between production and consumption. The latter was due partly to the economic crisis of that period, partly to a deep change in consumption habits of Italian consumers.

The changing trend of the early '90s worsen in 1996, with the first BSE crisis, which weakened the market of bovine meat, creating a difficulty in regaining the trust of consumers. That pushed the EU to look for new means to support consumers' trust, and then put in place the regulation 1760/2000, imposing the obligatory labelling of bovine meat with information about the place of birth and breeding of the cattle, even if consumers distrust risked to render useless those new tools (Guglielmi, 2003).

At the end of 2001 the consumption trend started to increase again, even if a decrease remained in comparison with the quantity sold before the BSE crisis. In the meantime consumers deepened their attitude to change their habits: consequently to the deprivation of bovine meat, they shifted their choice to other fresh meat, as poultry and pork, but also to other food produce, such as fish, bread, pasta, cereals, fruits and vegetables, reassessing the importance in Italy of the "Mediterranean diet" (Pozzi, 2002; Zani, 2002).

In fact, the alarm created by the BSE produced new expectations in consumers, starting to be particularly sensitive about the safety and the quality of food in general and about meat in particular: in the last years food security has become one of the main concerns of consumers, even long after BSE crisis, and consumers increasingly evaluate criteria such as "natural", "genuine", "local" and "quality". For that reason they more and more trust label and quality marks which pretend to guarantee those factors, in relation to which the large distribution system has been very persuasive, gaining great success with marketing strategies of certification and labels (Guglielmi, 2003).

It follows that the obligatory label imposed by the Regulation 1760/2000 represents an action to gain again trust, with which the consumer delegates to the supermarket or to the controlling organisation the responsibility of ensure quality and safety of what he buys (Guglielmi, 2003).

3. OBEJCTIVES AND STATE OF THE ART

3.1 Objectives of the initiative

3.1.1 *The aspects the initiative aims to address*

The *Cooperativa Agricola Firenzuola* (CAF) was created in 1972 in order to solve the problem of marketing local beef, because at that time all commercial agents bought the beef from the North of Italy, where the breeding was intensive. In fact, by that time the relationship between local breeders and the distribution system, at a large scale, was mainly managed by people playing the role of intermediary, which significantly limited the power of producers (see above, 2.2.1).

With the time new problems emerged, and the cooperative tackled the new circumstances to develop various initiatives. The one we focus on in this study rose at the end of '90s, when subsequently to the BSE crisis CAF managers start thinking that organic meat could be a viable answer to the problems of market instability and consumers distrust. The requirements of the market, the parameters and subsidies imposed by law and the objective of the CAF managers to give their quality products visibility, were the factors that gave substance to the new project of building an organic food-chain for meat production within the cooperative.

Therefore it is possible to state that the initiative aims to address the need of aligning breeders, feed companies, certification bodies, abattoirs, quality assessment, retailing system and communication tools around an organic chain controlled by CAF. In that way CAF organic breeders and managers undertook the management of an organic food-chain as a way of searching an added value in quality production, in order to reach a larger market, and therefore to achieve a more significant economic outcome.

3.1.2 *The sustainability problems emerging from it*

- ⇒ Re-positioning local production through strategies of valorisation
- ⇒ Overcoming consumers' biases in beef consumption
- ⇒ Supporting local breeders in dealing with the market

3.2 State-of-the-art of the type of initiative

3.2.1 *The organic beef chain*

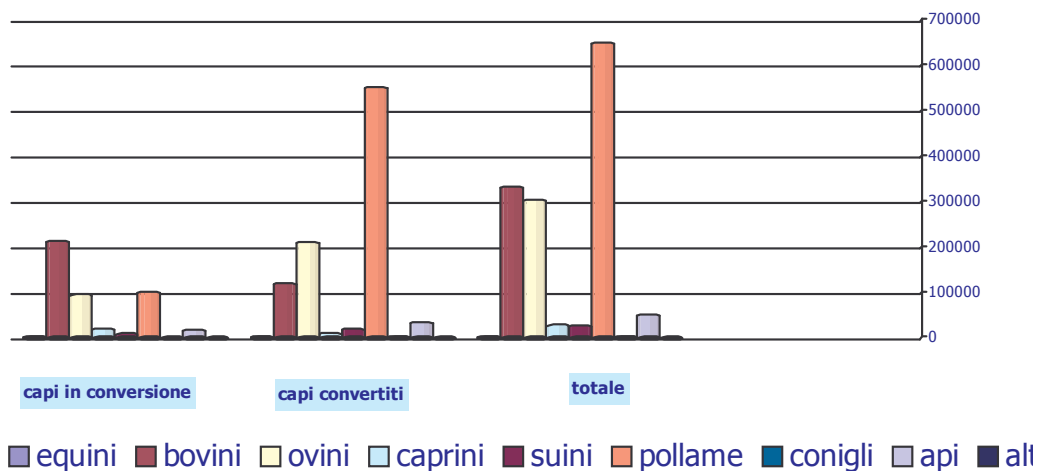
During the last years the Italian bovine meat sector, as in many other countries, has undergone strong changes, as a consequence of the CAP impact and the contemporary evolution of the final demand. Following the scandal of BSE the sector is passing through a hard crisis. A strong consumption shrinkage has been recorded, considered by many to be "structural" and from which alternative products (white meat and pork) are gaining benefit.

In order to face the crisis, it was necessary to provide measures to gain the consumers trust back, by making the origin and the path along the chain clear and evident. The respect of the norms for quality production (hygienic-sanitary, PDO and PGI norms) has become part of this new way of production. The introduction of the certification systems, which assure the traceability of the product (Reg. CE 1760/2000 and National Decree 30 August 2000) is another fundamental step in that direction. Furthermore, the extensive breeding of local breeds represents an important opportunity for the development of marginal areas, particularly the mountainous areas, which have a strong vocation for that because of their environmental and social conditions.

In that context, organic breeding, which still appeared a young sector, found new opportunities for growing. As a matter of fact organic breeding has developed in recent years, particularly after the adoption of Regulation 1804/99: in 1999 organic breeders were 500, in 2001 1,500, and in 2002 around 4,100, with 1,3 millions of heads, of which 330,000 bovines. The latter represent approximately 4% of the national assets, with 53% dedicated to meat production, 28% dairy and mix breeding (Salvini, 2004).

Organic breeding presents then good chances in the market, both in the dairy sector, where organic consumption took easily place, and in the meat production, for the safety of the production process, the low environmental impact and the higher guaranty of animal welfare (Salvini, 2004). Furthermore, in the last years organic meat find more various commercial channels, including small specialised butcher's shops, some franchising chains specialised in organic produce, few super-markets that started to sell with their label organic meat..

Tab. 1 - Organic breeding according to the animal type (Salvini, 2004)



Compared to other European countries Italian organic breeding presents a certain delay, mainly due to two reasons (Salvini, 2004) hereafter described.

1. scarce ability of producers to keep the power in the chain: large commercial channels require to their suppliers continuity in supplies and satisfactory quantity, both conditions very difficult to reach for small producers. For that reason organic breeders are usually forced to choose between two possibilities: engaging in the GDO, or selling directly their meat at the farm, through a farm store. In this concern, according to the last general census of agriculture in Italy (2000) 38% of farms markets its products through direct selling. As a consequence of this situation a further problem is the negotiating power of the distribution system, so that usually high prices at the retail level don't correspond to a high profit at the production level.
2. Competitive prices of imported meat. The problem in this case is not only the hard competition, but also the difficulty of guaranteeing the homogeneity of produce coming from different countries. The latter brings about problems of competition distortion, as in the case of calves born from dairy cows in France, where powdered milk is allowed, which are then bought by farms "in conversion", becoming organic in spite of the previous path of the chain (AZ Bio, 2003). As a matter of fact, Austria, Germany, East European countries and South America are the main suppliers of Italian GDO. Because they can ensure high quantities, stable supplies, high qualitative standards and competitive price.

3.2.2 Consumers' attitude

As underlined above (2.2.3) during the '90s consumers' trend for bovine meat changed considerably, in relation to the past, so that when the BSE crisis appeared it caused a very strong cut of meat consumption. As a consequence, consumers were even more motivated to change their consumption habits, diminishing their consumption of meat, but also starting to choose different kinds of products, even within meat consumption, in favour of pork and poultry, but also of organic meat. The latter, in fact, better responded to the growing need of "natural" and "safe" food, and therefore when the second BSE crisis took place in Italy in 2001, organic meat consumption increased of 40%. The increased consumption of organic meat in turn pushed numerous farms to convert to organic production: in 2001 just in three Italian regions (Lazio, Emilia Romagna and Sicily) around 500 farms converted (Salvini, 2004).

According to recent surveys, the type-consumer of organic meat has medium-high social rank, purchases mainly at the GDO, is between 30 and 50 years old, searches for safe and controlled food (www.nielsen.it). He/she is able to catch the synergy between satisfactory appearance and taste and the safety of the product, therefore he/she is willing to pay a higher price for the guarantee of safety and quality given by certified products. Finally, it is possible to state that consumers generally attribute higher organoleptic characteristics to organic produce, compared to conventional meat, in terms of taste, nutrient, digestibility, while organic meat often presents problems related to its higher toughness, because of the breeding techniques (Salvini, 2004).

As a consequence of what stated above, organic meat represents an answer both to a nutritional need and to ethical and ecological values, which are usually not related to conventional meat (Salvini, 2004).

4. STORY OF THE PRINCIPAL CASE

4.1 Background

4.1.1 The territory

The study area is the hilly and mountainous region of Mugello in the North-East part of Tuscany, which is characterised by two main sub-regions: a mountainous and more marginal part, and a lower and hilly part, closely connected with the city of Florence .

Between 1950-1970 a strong depopulation process has occurred in the whole territory, mainly due to both the lack of employment opportunities and the economic growth in the Florence urban area. However, starting from the '70s, and especially during the '80s and '90s, the area has experienced a significant repopulation trend, as an effect of the urban sprawl together with the emerging new needs of healthier lifestyles showed by a growing group of citizens (source: *Piano di sviluppo economico 2000-2004 Comunità Montana Montagna Fiorentina*)

Today, the higher part of Mugello is strongly represented by small scale farms, where the 6 % of the economically active population is employed, and farmers have closely social connections, whereas the lower part of Mugello is characterised by bigger and more modern farms, without neither social nor cultural proximity between farmers (Guglielmi, 2003),

The particular climatic, hydrographical and orographic features of this territory create an optimal area for the agro-zootechnical activities centred on quality production. That led bovine breeding, traditionally part of the local economy, to become an important and profitable production sector. Besides bovine breeding, other important economic activities linked to agriculture production are: silviculture, viticulture, olive-growing and sheep breeding.

4.1.2 The local conventional chain

As said before, one of the distinguish feature of the mainstream agriculture sector of the area, is the importance played by the livestock in maintaining the competitiveness of the beef sector over time, in terms of number of livestock farming (66,6% of the total breeding in the whole Province territory) and of number of cattle head (83,7%) (Census data 2000). However, during the last two decades, a strong decrease in the number of livestock holdings has occurred, especially of those specialised in milk production, whose number has dramatically fallen from 60 at the beginning of '80s up to 12-13 in 2003 (Census data, 1980, 1990, 2000). The main reason of this negative trend has to be ascribed to the fragmented structure of the sector, made up of small scale farms, many of them are not able to comply with the new and stricter hygienic rules regarding the dairy sector. As a result, some of them closed and others converted to the beef production, which required less investments (Guglielmi, 2003).

Nowadays, in Mugello there are 256 breeding holdings and 10.300 head of cattle. The average size of holdings is about 100 heads, but there are also smaller breeders with 20-30 heads, especially those sited on sloping lands (Guglielmi, 2003). Most of the breeders are specialised in beef production, which is traditionally extensive livestock farming, based on natural grass systems of production. As matter of fact, traditionally, the cattle is raised from Spring to Autumn in mountain pastures, and the calves are weaned at 6 to 8 months and are slaughtered at 18 to 20 months of age.

Tab. 2 - Number of farms and their cattle consistency in the Province of Florence (Census data)

Geographical areas	Bovine			
	Farms	Heads	% farms	% heads
Total of the Province of Florence	473	14.193	100,0	100,0
Mugello	256	10.300	54,1	72,6
Florence area	35	279	7,4	2,0
Empolese-Valdelsa	79	1.084	16,7	7,6
Valdarno Superiore	33	700	7,0	4,9
Chianti	11	254	2,3	1,8
Valdisieve	59	1.576	12,5	11,1

It is worthwhile to observe the large variety of bovine breeds including Limousine, Charolais, Romagnola and Chianina (the two last ones are autochthons breeds). Chianina breed, which was very widespread in this region in the past as a draught animal, over time was replaced by more productive

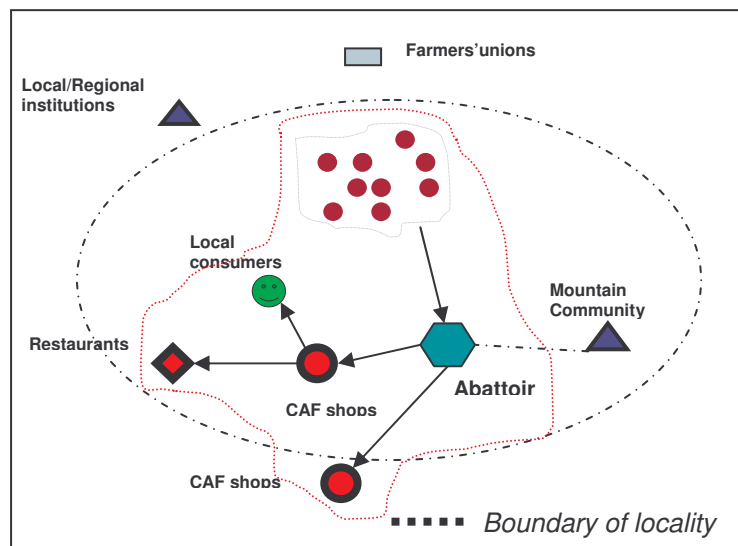
French breeds, such as Limousine. However, during the last years, the demand for Chianina has significantly grown, thanks to the strong effort of its valorisation and promotion made by producers, local and regional authorities, which have obtained the European PGI certification (Salvini, 1997, Nomisma-Coldiretti, 1999).

4.1.3 The story of the initiative

The dynamics of the local production system are deeply intertwined with the evolution of the **Agricultural Co-operative of Firenzuola (Cooperativa Agricola Firenzuola CAF)**, which was created in 1972 by a group of breeders belonging to the higher part of Mugello. It was established in response to the weakness of producers on local beef markets. At that time, there was a large proportion of milk farms, and the local calves were considered as by products of the milk commodity chain; therefore wholesalers preferred to buy beef from the specialised and intensive livestock farming of the North-Eastern regions of Italy. The purpose of the co-operative was then to improve the collective strength of farmers in the supply chain in order to avoid the dependence on middlemen, by creating the possibility for slaughtering and directly marketing the local beef.

Since then, the cooperative started to seek to retain the control over the whole meat production chain. In the previous phase, the co-operative managers indicated to the farmers the abattoir where the animals were brought by the co-operative trucks. After weighted, graded and slaughtered, the animals were transported to the co-operative to be cut and packed. In 1997, the co-operative started to manage a public abattoir, so directly controlling the phase of slaughtering. As it set up also some selling points in the area, the beef was sold in a short time, and the farmers would have been paid within one month.

Fig. 2 The conventional network established by the co-operative



From the beginning, the volumes retailed by the co-operative and the number of involved members rapidly increased. On one hand, farmers were willing to join to the cooperative, as it solved many of their problems; on the other hand, consumers were pleased by the possibility to 'buy local' and therefore reacted very positively to the initiative. With the increasing demand, it became necessary to open new selling points. Nowadays, the outlets are ten, mainly in the Mugello area, although some of them are located in Florence, and the total production retailed through the co-operative is almost 19.200 kg per year. Beef is sold under the "CAF Le Mugellane" brand name, whose reputation among local consumers is very high, on the basis of the extensive livestock farming based on grass systems of production, the high eating quality of the meat and, more recently, the complete traceability of the product. As matter of fact, in 2001 the co-operative has undertaken the project of voluntary traceability of the beef, according to Reg. (UE) 1760/2000, thanks to the definition of a code of practices, recognised by the Ministry. In this way, through the CAF label the co-operative succeeded in differentiating his products as origin guaranteed.

Fig. 3 Map of the co-operative selling points (2004)



Thus, since its establishment, the co-operative has focused its efforts into securing a constant and profitable outlet to its members and strengthening its reputation in the territory. In addition, differing to other cooperatives in Tuscany, which had a very poor financial performance, CAF has had one of its distinctive points of strength in its financial solidity.

For all these reasons, farmers developed a strong sense of cohesion and belonging to the co-operative, not easy to find in other cooperatives in Tuscany.

4.2 The starters

Starting from 1997 some members of the co-operative belonging to the more marginal area of Mugello decided to convert to organic production, mainly fostered by the available subsidies under the Rural Development Plan scheme, which could assure the profitability for producers since the level of payments covered the loss of income caused by lower yields and higher costs. Moreover, at that time, turning into organic farming seemed to farmers to imply a set of minor changes in their system of production, as they used to have a low-impact breeding even before.

First of all, organic farming means for us the maintenance of high nature value ecosystem. "The healthy of our environment": without putting fertilizers the soil is more healthy and the positive effects will be evident in 5-6 years (Piero Galeotti, president of the co-operative)

Converting into organic has been just a formalisation of the previous farming way methods. In fact, my parents used to have a low impact breeding even before the conversion; the features of our territory were not in tune with intensive systems (Laura Trotta, organic breeder)

4.3 Building a food-chain for local organic beef

4.3.1 Problematisation

The belief that organic could be an opportunity to be taken into consideration at the co-operative level was prompted by the BSE alarm which had showed the fragility of the beef market, particularly for small breeders. As matter of fact, at the end of the '90, the BSE put in deep crisis the conventional meat production system, as in the first six months after the alarm beef consumption dropped even to 40% below the average. On the opposite, the co-operative was affected by the crisis in a far lesser proportion than other conventional anonymous beef: the consumers' trust built in the previous years granted a safety belt to all members of the co-operative. At the same time, it became clear that quality production, would be the only viable mean of keeping the industry alive.

However, the creation of a food chain for organic beef would have required an important set of organisational and structural adjustments; for example, according to the organic standard, in fact, organic and non organic products cannot enter into contact in any of the step of the process.

Milestone: agreed definition of the problem

CAF organic members and managers agree that BSE alarm has showed the fragility of the meat market, particularly for small breeders, which represent, by that time, the biggest part of the co-operative. Therefore they become aware that the organic production could represent a great market opportunity.

4.3.2 *Interessement*

The original project was very ambitious: the promoters planned to involve all members into organic production, so that the product would have been characterised by the link with the territory, and the territory would have improved its image by magnifying the specific characteristics of the area, such as the nature, the pastures, the traditional farming techniques and the high quality of the meat. In other terms, the vision they launched was to make Mugello as 'the organic beef valley'. Furthermore, the project would have also removed the problem of the 'coexistence' between conventional and organic marketing systems.

Although conventional breeders showed interest in the project, most of them, especially those located in the lower part of Mugello, decided not to convert, being afraid of the possible risks, and namely of the higher production costs. Thus, at the moment of decisions, only twelve producers decided to adhere to the project.

The construction of the organic line of marketing has had a bundle of organisational and structural obstacles. At production level, organic certification leads to new costs, new fulfilments, need for new skills. In fact, even if most producers already managed a low-impact breeding before conversion, organic production standards imposed specific constraints, including administrative ones. On this respect turning into organic implies the entrance of a very important player in the farmers' network, the certification agency. In the case of CAF, especially at the beginning, auditors had a pedagogical role, being available to give free advice in addition to their institutional role.

At processing level, the need to separate the products generates an increased complexity in the organisation of the structures and of the personnel. From the technical point of view, the activation of two independent lines of beef production within the same co-operative (conventional and organic) was possible thanks to the presence of a new abattoir built in 2000. In the preceding years, in fact, the new European hygiene regulations had caused the closure of many small abattoirs in the area. As a consequence, the "Mountain Community" financed the building of a modern slaughterhouse complying with the European rules and requirements, endowed with a laboratory for the cutting and preparation of meat products, and with a capacity of 70 heads per day. Then the Mountain Community made an agreement with the CAF giving to it the exclusive concession to operate.

At marketing level, the most critical issue was related to the positioning of the two products. Given the high reputation of the conventional beef, within the cooperative there was the concern that introducing organic would have get this reputation in danger. For this reason, the board of the cooperative decided to find separate markets for the organic beef.

Milestone: objectives around which actors align

CAF organic breeders undertake the project of building an organic beef chain under CAF leadership, although the initial project of creating an organic district fails.

4.3.3 *Enrolment*

Establishing new chain relations and growth of the initiative

As the organic meat production started to be accepted and consolidated within the co-operative, CAF was legitimated to undertake organic production as a viable way for reaching new markets. This was made possible by the alliance with Esselunga, a national retail chain. The agreement with Esselunga specified that organic beef would be sold in Esselunga stores in Firenze and Milano, in vacuum packed under the organic CAF label. The first weakness of this new market channel was that in these supermarkets there was not a special corner for organic meat: as a matter of fact, conventional beef and the CAF organic beef were placed side by side.

The alliance with Esselunga had a strong impact on production structures. The number of slaughtered organic calves passed from less than one per week in 1998 to 10-15 in 2003. Given the increasing demand of organic beef, CAF decided that the moment was favourable for a growth.

The main factor driving the growth of the co-operative has been the booming demand for organic meat from larger retailer, after soon the BSE alarm (Piero Galeotti, president of the co-operative).

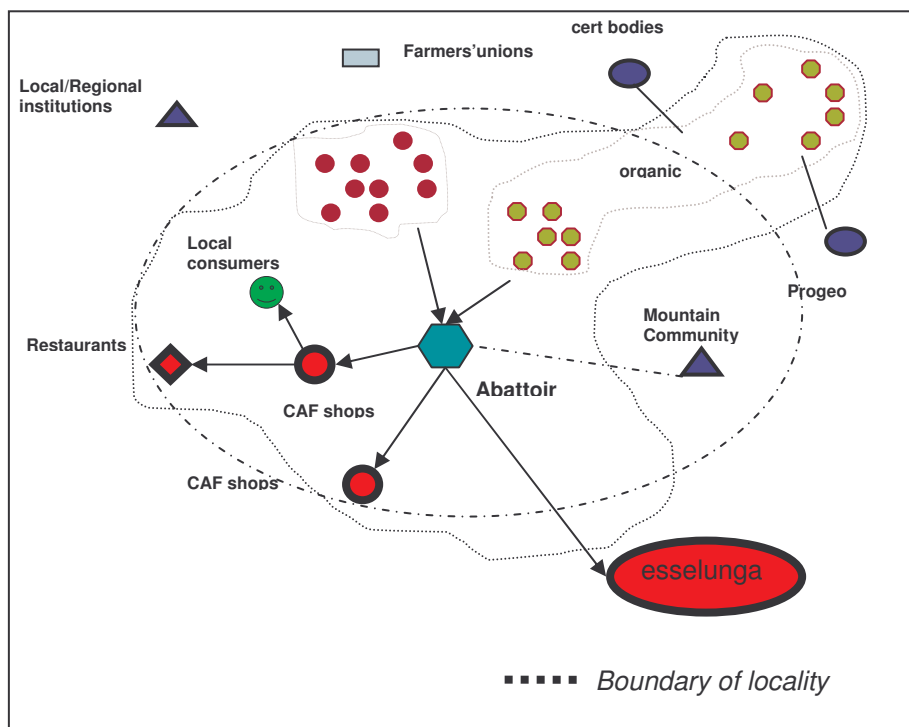
Seen on another perspective, growth was also a need generated by the fear to lose the partnership with Esselunga if the cooperative was not able to fulfil its requests. On the basis of these considerations, the board of the cooperative decided to accept the application for new memberships, even if most of the applying farmers operated outside Mugello, and their size was on average bigger than that of Mugello farms.

Then, during the 2003, there was a strong requirement by external organic breeders to sell their beef within the co-operative (co-operative's director)

The co-operative policy has been to increase the production, by enlarging to new members, even not belonging to the original area of production. And I don't agree because we are losing the opportunity to valorise the local organic beef, with the risk to foster the farmers to choose production practices aimed at costs reduction rather at improving the quality of the beef (Adriano Borgioli, organic breeder)

The alliance with Esselunga implied also a stricter quality control. In order to ensure alignment among organic farmers and avoid free-rider behaviour, the cooperative decided to put the procurement of organic feed, a critical point of the process, under control. In Italy, in fact, a large number of scandals had interested the feed sector, and many feed producers had been charged and condemned for adding hormones or other illegal substances. To avoid all this, the agreement made by CAF and Progeo implied that Progeo would supply CAF members with certified feed and technical support. However, Progeo feed prices are consistently higher than other organic feed. At the end of this phase, then, CAF organisation appears like in the following graph: conventional beef has been sold mainly in the CAF stores to local consumers, and organic beef in outlets to far away consumers.

Fig. 4 Evolution of the network



With the link to certification bodies, and Progeo the 'closure' of the organic network was done. The sustainability promise could be maintained and demonstrated. From then on, CAF organic beef could clearly be identified and signified to external observers. The organisational arrangement was satisfactory for both organic and conventional within the cooperative: both of them enjoyed a premium price. Conventional CAF beef could leverage on local consumers' trust, and organic on the demand for ecological processes of production.

Milestone: formalised outcomes

Formalisation of the organic food-supply chain within CAF management, which comprises all phases and involve both internal actors, as CAF producers and managers, and external actors, as a public abattoir, a feed company and a large distribution company.

4.3.4 Mobilisation

Emerging contradictions from the extended network

During 2003 organic beef market had a worse performance than the years before, both for effect of the increase of production and for the reduced willingness to pay by consumers in a time of economic crisis. As a consequence of this new market trend, CAF reduced prices paid to farmers, from 1,5-1,8 €/kg, (25-30% more then the conventional one) in 2000-2001 to about 1 €/kg (less then 20%) in 2003-2004. Organic farmers strongly complained for this decision, as they claimed that production costs of organic production were higher, especially because of certification costs and high quality feed. Some of them, and first of all the outside farmers, claimed the right to a free choice in purchasing their feed, instead of being constrained by Progeo. More in general, the price-cost squeezed induced farmers to choose an approach aimed at cost reduction rather than at improvement of quality, or even, some of the smaller producers will be forced to abandon the organic certification.

If the opposite market trend does not change, we will forced to stop to sell our meat certified as organic. I perceive the crises of the sector when I notice that the price paid for my cattle is constantly decreasing . However, there is a lack of coherency...because at consumers level prices are too high. I can say that the organic business is profitable only for the retailers. In this situation, to be an organic farmer is a Calvary. (Laura Trotta, organic breeder)

Nowadays, the premium price we received for organic meat is only 1 euro per kilo...Not enough to cover the higher production costs, at all! (Valeria Bruni, organic breeders)

Another increasing claim was related to the chance to directly manage the selling. The prohibition of independent, direct selling by producers was an old co-operative rule, motivated by the need to maintain solidarity among members in face of big buyers. Moreover, in the case of the organic beef, it was aimed at avoiding the competition with the conventional beef sold into the local CAF shops. The need of a greater autonomy was already felt with the growth of the opportunities to have a direct contact with consumers, but it became even more urgent in the face of the worsening of the co-operative marketing

The actions taken by CAF organic breeders, and afterwards by CAF managers, the project of building a beef organic chain provide the following **outcomes**:

- a. Creation of an reliable outlet for its members and for other organic outside farms.
- b. Lack of consolidation of a specific organisational structure, what could have helped in dealing in a flexible way with the strategic choices of the organic sector.

The reliance of the sale of organic meat only on a big retailer company has brought about many difficulties in managing the marketing of the organic product, which has become uprooted from the territory, the local market and the direct relationship between consumers and producers. Furthermore this mode of marketing organic meat has been perceived more and more by the producers themselves as unfair, both on the economic and organisational point of view.

4.4 Seeking new paths of valorisation and marketing

The emergence of new organic market trends and of a different organisational asset within the co-operative are the pre-conditions and the starting point for a new *translation cycle* (Callon, 1986; Forster and Kirwan, 2004).

4.4.1 Problematization

In the second half of 2004 the CAF organic beef demand fell dramatically. On one hand, consumers were not willing to pay a premium any more, and on the other hand Esselunga was not interested in promoting organic beef, as it could extract higher margins on private label beef. As a consequence, *Esselunga* dropped organic beef from the shelves in its stores in Milano, while the one of Florence first cut the selling of 40%, then broke the agreement in June 2005.

As a result of these associated factors, the organic food-chain within CAF co-operative was put in a difficult position, and the problem of finding alternative channels became urgent among CAF organic breeders and managers. The crisis imposed organic farmers a strategic dilemma: furthering the process pursued so far, by looking for other alliances with other retail chains, or finding other ways?

Milestone: agreed definition of the problem

The long standing CAF organic breeders, partly with CAF managers, agree on the problem rose by the reliance on only one big company for marketing organic meat, and on the fragility of the network built around the organic food-chain managed by CAF.

4.4.2 Interestment

As a result of the uncertainty about the future strategic choices of the co-operative, CAF organic breeders, which can be considered the *core part* of the co-operative, start thinking about new possible paths for the promotion and marketing of organic meat

At the moment, the choice seems related to relocalisation. In particular, they:

- have tried to achieve an agreement with a wholesaler for selling their products in several organic shops at national level;
- have participated to organic fairs at national level, setting up links with the organic producers' national network;
- have planned to set up a purchase group;
- have agreed on the necessity to open new direct sale points specialised in organic beef, which should be located in urban areas, such as Florence.

Furthermore, they have started to involve various local actors, as producers of other organic products, local institutions, researchers and technicians, to revitalise the link with the territory. Within this emerging network, the idea of creating a local outlet for selling the local organic produce (including different food products), promoted on a territorial basis, is taking off. In the meanwhile, there is a growing consensus on the need to allow farmers to look for direct selling arrangements.

Organic farmers now agree about the fact that the only way to enhance their produce could be realised through the mobilisation of the resources of the territory. Therefore new factors emerge as crucial for exploring new development paths, such as: the support offered by the local community, the non-human resources peculiar to the Mugello territory, both on the natural and cultural point of view, the interplay among farmers and other local actors.

But will this strategy pay? As a matter of fact, the initial choice to separate local from organic is put into discussion, as organic farmers try to relocalise, and this may create the conflict between local and organic production that CAF management had tried to avoid.

Milestone: objectives around which actors align

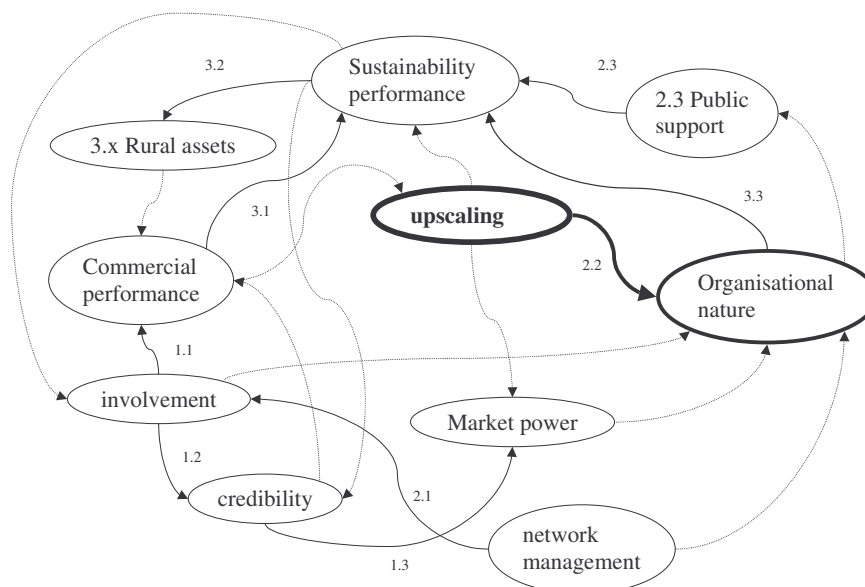
CAF organic breeders and CAF previous leadership are interested in saving the organic production within CAF co-operative, and therefore aim at finding new ways of valorisation for their produce within the co-operative and on the territory, as well as new marketing opportunities.

5. DISCUSSION

5.1 Sustainability performance indicators: overview

Fig. 6 - Interrelation among the issues based on the sustainability performance indicators

(From SUS-CHAIN Case Study Methodology)



The following table synthetically shows the results of the analysis which we discuss hereafter.

Tab. 3 - Sustainability performance indicators for the analysis of the impact of the initiative

Aspects to assess	Indicators	Results
the occurring of scaling up	- Rate of growth	Two phases of development process: <ul style="list-style-type: none"> - at the first stage the initiative has deeply scaled up, by expanding the volume of organic meat production and market size - the second phase of the initiative is characterized by a drastic downscaling, seen as a consequence of the emergence of new and opposite market trends.
the commercial performance and marketing success	- Market attractiveness and competitiveness - Brand loyalty	<ul style="list-style-type: none"> - profitability related to the pricing trends is positive: at consumer level, the organic beef prices are very high in comparison with the conventional beef prices (even if comparable to those of high quality beef) - the competitive intensity is very strong: strong presence on the national market of organic meat produced in foreign countries (in particular, the main competitors for the lower prices are meat from North Europe or France) and conventional meat with other quality specificities (in particular, the meat of local breeds, such as the Chianina one). - Brand loyalty: low at local level (on the contrary, strong loyalty towards the brand of the conventional quality meat); lower among no local consumers
the role of public support	- Type of public support granted	no active involvement of regional or local institutions around the collective project
the changes of the organisation along the process of scaling up	- Mapping of networks at different stages - Narrative of network creation	lack of consolidation of an appropriate organisational structure, which could have helped in dealing in a more strategic view the choices related to the organic chain.

the effects on rural development of the area	- Summative evaluation	Not relevant direct effects on rural development, mainly related with the role played by the whole cooperative. Potential positive effects deriving from the recent initiatives to find new commercial patterns, particularly by shortening the commercial circuits and by integrating with other local organic producers.
---	------------------------	---

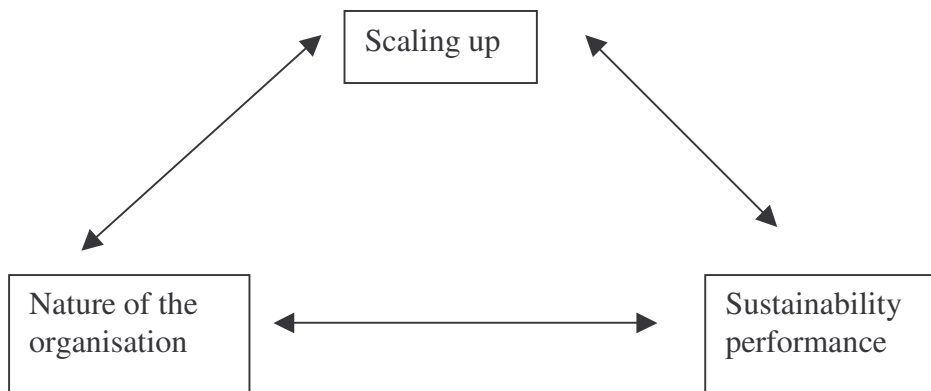
5.2 Scaling-up

Box 1 - Central hypothesis

Scaling up an initiative in the field of new food supply chains changes the nature of the (chain) organisation (network structure, rules, values etc) and its sustainability performance.

Fig. 5 Framework related to the central hypothesis

(From SUS-CHAIN Case Study Methodology)



In order to assess the interrelation between changes in the nature of chain organisation and sustainability performances, it is needed to take in account the fact that the overall development of this initiative is characterized by two difference phases.

5.2.1 First phase of scaling up

At the first stage, the initiative has deeply scaled up, by expanding the volume of organic meat production and market size.

This initial growth has been driven by the market opportunity, due to the strong increase of organic meat demand after the BSE alarm. The scaling up followed mainly the strategies pursued by the supermarkets, in terms of the requirements of constant supply. As a consequence, the alliance with the large distribution system pushed CAF managers and breeders to reshape their sustainability conception: because of marketing strategic choice they give up selling the organic meat at local level and they enlarge their network, by involving in the co-operative new organic farmers, even they are not located in the original area of the co-operative, in spite of their initial project of enhancing local and quality meat production of the whole Mugello area. The crucial aspect of this scaling up process has been the lack of consolidation of an appropriate organisational structure, which could have helped in dealing in a more strategic way with the choices related to the organic chain.

5.2.2 Second phase of scaling up

The second development phase of the initiative is characterized by a significant downscaling, as a consequence of the emergence of new market trends, characterized by a decreasing of organic meat demand, since the BSE effect is almost over. As a consequence of the strong cutbacks in sales in the supermarket chain (in June 2005 the cutbacks are total), the organic breeders start to connect with other organic networks. That new alliance is searched in order to find new possible paths for the promotion and marketing of the organic meat production, which should be realised trough the mobilisation of the all resources of the territory.

The following table put in evidence the recent downscaling trend in organic meat sales:

Tab. 4 - Volume of organic meat production and profits

	2003	2004	% variation
Volume of production (kg)	109.266,7	92.804,217	- 15,07
Net income	1.066.168,57	877.779,07	- 17,67

5.3 Commercial performance and marketing success

Box 2 - Sub-hypothesis 1

Scaling up depends on commercial performances and appropriate public support

From a conventional marketing perspective and considering as indicators the rate of growth, the profits, the price differentials and the brand loyalty, the initiative shows the following performances.

5.3.1 Rate of growth, profits and price differential

Tab. 1 Volume of organic meat slaughtered in the *Centro Carni* of Vicchio

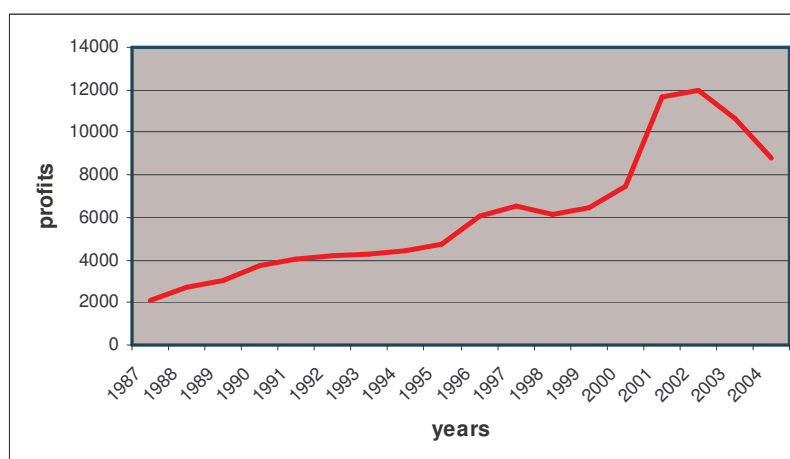
	2000	2000	2003
Number of veal	1 occasional	1 per week	10-15 per week

Tab. 2 Number of organic farms in CAF

	1998	2000 BSE ALARM	2003
Number of organic farms	2-3	3-4	13 + 7 organic farms not belonging to CAF but supplying of CAF

The development process, described above, it is clearly represented by the analysis of the profits of the co-operative. The profit trend gives an idea of the fact that the strong growth has been largely dependent upon the booming selling of organic beef (starting from 2000 up to 2002)

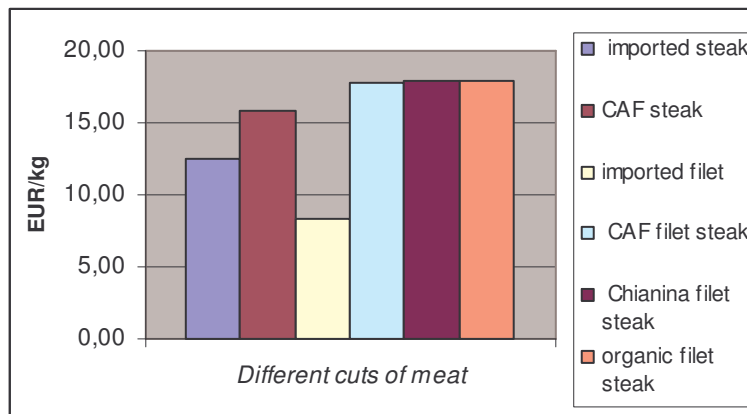
Fig. 6 Profits trend of the co-operative (1000.000€)



Price differential

Tab. 3 Average of the prices of to the finest cuts of meat (fillet steak, tenderloin, fiorentina) (June,2005)

Organic CAF meat	(EUR/kg)	Conventional meat	(EUR/kg)
Organic fillet steak	17.90	- imported steak (Holland, Germany, France)	12,44
		- CAF steak	15.90
		- foreign fillet steak	7.99-8.74
		- CAF fillet steak	17.80
		- Chianina fillet steak	17.90



Regarding *brand loyalty*, it emerges that the conventional CAF beef is positioned in the consumers' eyes as a product with a strong regional identity. Conventional local beef is produced and retailed in the region of production and consumers are made aware of the ecological nature of the product through the personal interactions and the high level of trust with the co-operative network. Consumers perceive production systems in the area as less intensive than others outside of the region, and therefore don't need certification to trust it.

Conversely, external consumers, with whom CAF hardly can communicate, only perceive the 'ecological' value of the organic beef, which they increasingly insert into daily purchasing routines and consider the product as one among many. In other words, the alliance with Esselunga made the product lose its identity and connection to the area of origin and product's embedded features.

As the result we can state that the organic labelling has not been strong enough to create an alternative food chain. In the opposite, conventional CAF beef producers, with their localised chain, have succeeded in building a quality image linked to the territory without having to pay the costs of organic production and certification. The capacity to retain control of the chain allowed also for a step towards a strengthening of its local identity while trying to introduce some 'ecological' elements into its production system, and the most important tool in this sense has been the CAF label ("Le Mugellane"), through which the co-operative succeeded in differentiating its products and to ensuring consumers that the whole cycle of production is performed in Mugello. As a matter of fact, local consumers trust the local product and attribute to it a high quality status, and actually perceive a higher 'eating' quality. On one side this is because they are not allowed to compare between organic and conventional, and therefore the option left to them is simply between 'local' and 'anonymous conventional'.

Furthermore, the aspects related to organoleptic quality should not be underestimated. In fact, there is a general agreement within the cooperative that organic standards don't allow to reach the same levels of eating quality that conventional production in Mugello could reach. Basically, the common idea among consumers is that the colour of the organic meat is darker and its consistency is stronger than the conventional one, due to the high development of the animals' muscles, as the organic regulation imposes a longer period on the pastures.

This is a rather debated issue among organic beef producers, and in some of the cases the answer to this critique is that consumers should be educated to a different concept of quality. But how to educate consumers in a food chain dominated by the retailer?

Tab. 4 Knowledge of consumers about CAF organic meat

Do you know or eat the organic meat of CAF?	
1/15	YES
9/15	NO

The data have not a statistical relevance, but they put in evidence the fact that CAF had not fully exploited its reputation as a potential to improve communication to consumers. CAF products appeared on the shelves under CAF label, but without any other specification than the one contained into the label, since the cooperative did not invest much in communicating the product. In other words, Esselunga was firmly in control of the link with consumers.

5.3.2 Market share and competitiveness

An overall assessment of the commercial performance is possible by considering as indicators the *attractiveness of the market* and the *competitive position of the initiative*.

Even the market size of the organic initiative is not relevant in relation to the conventional reference market (less of 1% in terms of volume of sales) the co-operative represents one of the biggest supplier of organic meat market of the area. Furthermore, the profitability related to the pricing trends is positive, due to the fact that, at consumer level, the organic prices are very high in comparison with the conventional meat prices.

However, the competition is very strong, due to the relevant presence on the national market of organic meat produced in foreign countries (in particular, the main competitors for the lower prices are meat from North Europe or France) and conventional meat with other quality specificities (in particular, the meat of local breeds, such as the Chianina one).

Regarding the *competitive position of the initiative*, the situation of the co-operative is quite weak, because of the scarce ability of the organisation to define a specific marketing strategy for the organic chain: as matter of fact, they manage the organic sector as a conventional chain, without developing specific commercial strategies or communication activities.

Related to this aspect and also conditioning the profitability, an important weak point has been the concentration of the organic meat in only one big retailer, which has caused the cooperative to lose negotiation power . Furthermore, the promotion of the organic meat has been carried out only by the big retailer company: the organic meat start to become uprooted from the territory, and this marketing strategy has been perceived more and more by the producers themselves as unfair, both on the economic and organisational point of view.

This situation can be better explained if we look at the ability of the initiative of generating added value within the region: from this point of view, the premium price received by the organic producers is 20% more than the conventional price. In fact in 2004 the price recognised to organic breeders was 1€/Kg more than the one paid to conventional breeders butchered at the same abattoir, but that was not enough to cover the higher production costs of organic farming.

We take into account as relevant market the large retailer chain, so the main competitors are:

- Conventional meat
- Organic meat produced in other places (in particular, the main competitor for the lower prices is the meat produced in the North Europe or in France)
- Conventional meat with other quality specificities (in particular, the meat of local races, such as the *Chianina* one).

The *McKinsey matrix* provides to correlate the two dimensions above described: the attractiveness of the market with the competitive position of the initiative.²

² To build a MacKinsey matrix a system of scores and weights of the relevant parameters of competitiveness is needed. In our case, weights have been set by the research team on the basis of the answers of the people interviewed (for a presentation, see www.valuebasedmanagement.net/methods_ge_mckinsey.html).

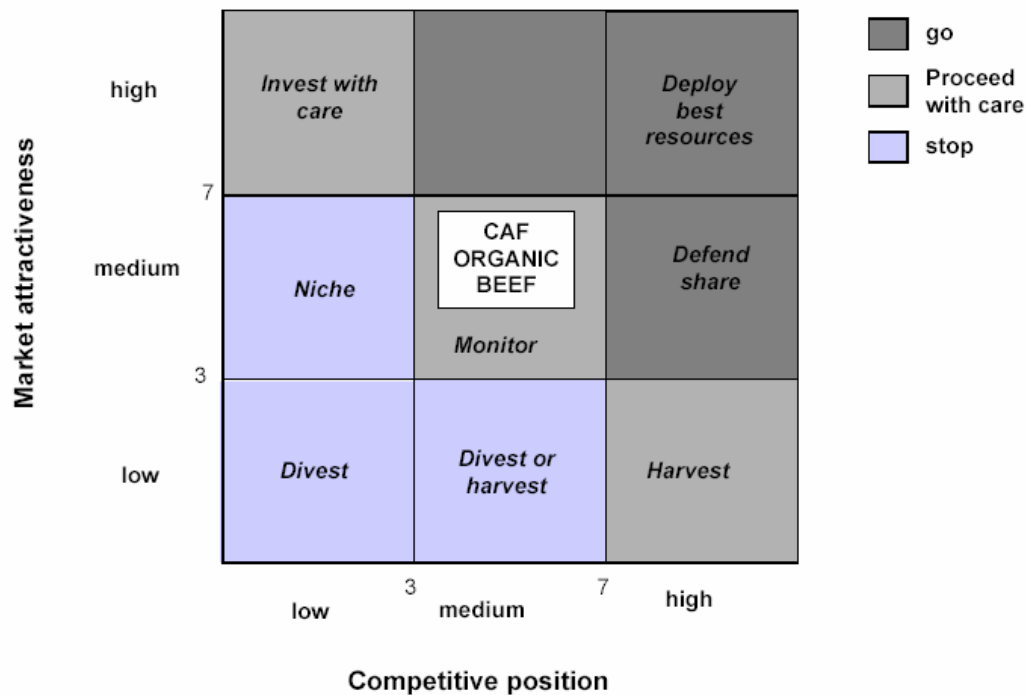
Tab. 5 Factors affecting market attractiveness

Indicators		weight	grade on 10
Market size and growth rate	The co-operative is the biggest supplier of Italian organic meat; negative potential growth rate	25	5
Market profitability and pricing trends	Comparison of the competitors meat prices at the consumer level: very high- price	10	8
Competitive intensity /rivalry	Other quality meats, even if few of them are organic or produced in Italy	10	5
Product image and Products quality	good (health recommendations,... high quality product	12	7
Opportunities to differentiate the product and services	- processing the meat in order to make sauces and other products which can be differently used - potentiality for increasing number of agri-tourisms	8	6
Distribution structure and negotiation power of the clients	Long channel (supermarket), where consumers (above all, no-local consumers) are not able to negotiate prices	35	4
Total		100 %	5,27

Tab. 6 Factors affecting competitive position

Indicators		weight	grade on 10
Production volume and growth rate potential	109.266,7 kg/year, but there is not a growth potential, due to the decrease of organic meat demand.	15	5
Ability of the organisation to co-ordinate the commercial strategy towards the consumers	There is not a real commercial co-ordination, they manage the organic sector as a conventional chain, without developing specific commercial strategies (an important weak point has been the concentration of the organic meat in only one big retailer)	35	4
Ability of the organisation to negotiate with retailers	The co-operative has a weaker power of negotiation in relation to the big retailer	8	4
Product quality	Basically the consumers' idea of quality relies on the origin of the meat; parameters such as the taste or the breed (local races) are considered important; the common idea is that, the organic meat has a colour more dark and its consistency is stronger than the conventional one.	10	7
Image of the territory	Very good, but it's different from the common Tuscany representation and so it's still a place to be discovered by tourism.	8	5,5
Potential of innovation		2	0
Customer loyalty	Low: indeed on one hand consumers claim to be concerned about food safety, especially after the last scandals, but on the other hand, when they have to choose, the price is what makes the difference.	8	5
Relative brand strength	Very low	8	5
Ability to promote the product	Very low, the promotion has been carried out only by the big retailer company	10	5
Total		100 %	4,91

Fig. 7 Mc Kynsey Matrix



According to the conventional marketing perspective, the CAF organic meat is a product which have already reached a good competitive position (good market share), but at the moment, its position is threatened by the negative market setting which is able to affect the potential growth rate of the initiative. In this case, it is suggested to adopt an active strategy of defence of the market position, which should be shared among all the stakeholders involved. As matter of fact, Until now, the organic chain has been managed according to conventional marketing strategies, by privileging relations with commercial partners and pure economic performance. On the contrary in order to maintain the value added within the region, together with to build an agro-food network coherent with the value they want to transmit a broader approach has to been taken. This approach is based on the understanding of the role that the other actors could play in the construction and communication of quality, and synergies between organic beef production and other local resources that could be also mobilised in order to enhance the social cohesion, the involvement of consumers and, more generally, the integration between these kind of production activities and the local community, on the basis of a more stable and intense local network.

5.4 The role and the type of public support

In this case study the relevance of public support is quite scarce, and it is mainly related to the European funding for organic farming and to the Regional policies of the Tuscany Region, which provided, from 2002 on, technical assistance to organic farmers through the regional extension services (Regional Act 34/01), and the reimbursement of certification costs as a contribution to organic farming (Art. 4.Regional Act.49/97). Besides, in the last *Rural Development Plan of the Tuscany Region 2000-2006*, important measures in support of organic farming were established:

- Measure 6.1 of Agro-environmental Measures: in the RDP the conversion to the organic breeding is supported with an additional premium inside the Measure 6.1; this additional premium is calculated on the basis of the number of UBA and of the surface for which the premium is requested.
- Measure 6.3 about Breeding of local breeds in risk of extinction: according to the preference expressed by the EU Regulation about the to breeding autochthonous breeds in organic farms, this measure recognise an additional premium for breeding breeds in threatened of extinction, such as the Caldana, Romagnola, Garfagnina.

The role played by local institutions is more related to the management of the European funding than the promotion of territorial development through specific strategies, even if public support has been crucial for building the new abattoir and the decision of giving its management to CAF (based a

contract with the local institution “Mountain Community”, which decided to allow a private management of a public structure).

5.5 The changes of the organisation along the process of scaling up

Box 3 - Sub-hypothesis 2

Nature of organisation changes with scaling up as an effect of growth in market power and of the increased pressure of economic constraints and logics

The resources at the basis of the initiative raised from the strong alliance among the old farmers, located in the mountainous area, who showed a strong sense of cohesion and belonging to the co-operative. These breeders are the same who first converted to organic farming: they used to have a low-impact breeding (all the farms used pastures) even before the conversion, because the features of the territory and the traditional techniques were not in tune with intensive agriculture.

The initiative of building an organic chain for organic meat managed by CAF is characterised by a rapid and strong growth from 2000 to 2003, due to the emergence of different internal and external factors, which occurred more or less at the same time. The most important of them are:

- the opportunity offered by the market, and particularly the request of organic meat by a big retailer chain;
- the availability, by that time, of organic meat produced by the first organic farmers who decided to convert, mainly following the regional political directions in support of the organic production;
- the management of the new abattoir which provided the possibility to create an organic line separated from the conventional one.

Because of the changes induced by the growing organic production, CAF members were obliged to revise their way of production and marketing, traditionally closely linked with the Mugello territory, and to transform their conception of sustainability. In fact, the organic chain they started to manage was sustainable as far as the chain could be "closed" by an important marketing channel, represented by the retailer company, while no organic circuit of marketing was created at local level. Furthermore, in order to guarantee a constant supply to the big retailer new and bigger organic members were accepted within the co-operative, even if they were not from the traditional production area of CAF.

Focusing on the organisation assets, in this stage the development of the initiative has not been followed by an appropriate organisational structure for the management of the organic meat chain. As a matter of fact, all strategic and operative choices of the cooperative were still managed by only one person, the president, who played the role of the charismatic leader, enough able to align different and sometimes contrasting perspectives and needs arising from the difference background and origin of the two main groups of breeders within the co-operative: the conventional breeders and the organic breeders. This centralistic management of the cooperative has however represented an obstacle for a broader participation in the initiative by the organic breeders and for the strengthening of their motivations.

If we focus on the currently organisational changes within the co-operative, as a consequence of the external market pressures, the conflict between conventional and organic members within CAF have become stronger, resulting in a change in the leadership in favour of the first ones, who are less interested in the promotion and development of the organic sector. As a consequence, the case clearly illustrates that the emergence of new and opposite market setting indicates the fragility of the chain, which has been organised without establishing a more robust and reliable network around the organic production of the co-operative.

This network is currently in a process of setting, by activating new alliances within the local community, in order to find some strategic solutions which are able to define in a more clear and convincing way their image, by linking the value of organic production with the authenticity of the product, the high quality meat specificities and the strong regional image.

5.6 The effects on rural development

Box 4 - Sub-hypothesis 3

New FSCs have a positive effect on rural sustainable development

In relation to the contribution to rural development, it's important to underline that it's very difficult to split the contribution of the conventional beef chain from the organic one.

As matter of fact, the cooperative itself represents a strong and reliable reality for the economy of this rural area, with a very relevant impact on the rural economy, because it gives its members, who are in large part conventional farms (150), the opportunity of marketing their produce through direct selling in its stores, and to promote their local products based on the link with the territory.

Tab. 7 Assessment of CAF organic meat chain performances indicators for sustainable rural development in comparison to conventional meat

- * Conventional meat production (intensive breeding systems)
- **The quality conventional CAF beef production is considered as the existing alternative

Indicator group	Conventional equivalent*	Existing alternative**	Key factors determining performance (with respect to that variable)	Scaled up alternative	Room for manoeuvre to improve performance (= scope for scaling up)
Economic	--- -- - 0 + + + + + + + + +	--- -- - 0 + + + + + + + +		--- -- - 0 + + + + + + + +	
NVA in region	0	+++	The main contribution in extra value generation at regional level rises from the direct marketing of the conventional meat, which is managed by the cooperative. The relevance of the organic meat chain is strictly dependent on the <i>belonging to the co-operative</i> .	+	The activation of organic marketing activities within the area of production or in the close major cities should be a suitable pathway in order to increase the NVA.
Direct, indirect and induced employment in region	+	+++	The scaling up of the organic meat chain has provided great returns for the cooperative, which became able to increase its processing and marketing activities: the number of employers involved in the cooperative activities rises from 24 in 2000 till 50 in 2004	++	by activating direct selling at farm level (which is not in compliance with the co-operative commercial strategies)
Transaction costs of establishment	-	+++	Very low , since the organic meat supply chain has been built on the pre-existent cooperative organisation. As matter of fact, the development of the organic supply chain has not been followed by the establishment of an organisational structure.	--	Emerging exigencies of establishment organisational arrangements in order to better manage the external market pressures (decrease of organic meat demand)
Transaction costs of maintenance	---	+++		---	
Dependence on public sector support	0	+	Dependence on the European funding for organic farming. No involvement of	+	In this case, more sensitiveness showed by local institutions around the organic project should be desirable. (the organic producers)

Indicator group	Conventional equivalent*	Existing alternative**	Key factors determining performance (with respect to that variable)	Scaled up alternative	Room for manoeuvre to improve performance (= scope for scaling up)
Economic	--- -- - 0 + +++++	--- -- - 0 + +++++		--- -- - 0 + +++++	
			regional or local institutions around the organic project; since the role played by the local institutions has been only the management of the European funding, without never promoting the territorial development through specific strategies.		perceive the lack of public support as the main bottleneck to improve sustainability)
Displacement effects within region (which must be clearly specified)	0	+++	Not displacement effects, <i>because the organic meat marketing has been managed</i> without creating competition with the conventional local meat. Indeed, synergic effects: the increasing profits risen from the organic chain are available for the conventional sector of the cooperative	+++	
Halo effect	0	++	No relevant effects	0	The initiative should be based more on the activation and mobilisation of the local resources
Social					
Self organisational capacity increased	0	+++	Until now, no self organisation capacity has been observed, even the bonding capital among organic farmers is very high. Furthermore, decision making power is more concentrated in the supermarket, as the dominant retailer.	0	The network is currently in a process of setting, by consolidating the alliances among organic producers within the co-operative
Bridging capital increased	0	++	Bridging capital is still very low, since the lack of intensive connections with other networks	+	By activating new and stronger alliances within the local community, and other organic networks
Learning & knowledge enhanced	0	++	The certified organic production has imposed precise skills and knowledge, which the farmers had to reach	+++	
Enhanced trust/faith in food system	0	++	The Organic certification,	++	Trust should be increased by linking the value of

Indicator group	Conventional equivalent*	Existing alternative**	Key factors determining performance (with respect to that variable)	Scaled up alternative	Room for manoeuvre to improve performance (= scope for scaling up)
Economic	--- -- - 0 + +++++	--- -- - 0 + +++++		--- -- - 0 + +++++	
			together with more strict rules related to the traceability system.		organic produce with the authenticity of this meat, the high quality specificities and the strong regional image
Enhances social inclusion	0	++	All strategic and operative choices of the cooperative has been managed only by the President (role of charismatic leader); Very low involvement of the breeders in decision making processes	+	
Yields job satisfaction	+	+++	The stable prices obtained are an advantage stressed by the farmers, even if at the moment, they do not perceive prices enough fair compared to the high costs of organic production.	--	By finding alternative commercial channels By stimulating more the participation of the members in the decision making process
Encourages succession	0	+++	In order to reduce these costs, some of them are forced to return to the conventional systems	---	By finding alternative commercial channels By stimulating more the participation of the members in the decision making process
Environmental					
Increases biodiversity	---	--	widely used of autochthonous beef breeds in the farms located in the less favourite areas;	+++	
Reduces negative external effects	--	++	organic methods of production, even before their farming ways fit more to sustainable ways than to intensive ones.	+++	
Increases positive external effects	+	++	- organic methods of production - progress in animal welfare, according to European Regulation on organic farming.	+++	
Enriches cultural landscape	0	++	Maintenance of pastures in the mountainous areas No particular attention is paid in order to re-discover and preserve the cultural heredities and resources of the area	++	

Indicator group	Conventional equivalent*	Existing alternative**	Key factors determining performance (with respect to that variable)	Scaled up alternative	Room for manoeuvre to improve performance (= scope for scaling up)
Economic	--- -- - 0 + +++++	--- -- - 0 + +++++		--- -- - 0 + +++++	
Reduces road miles	--	+++	At the moment, the distance over which the organic meat is transported is quite relevant: from Toscana till Milan	--	Emerging necessary to shorten the commercial channels for the organic meat

There is a high relevance of the whole co-operative to generate NVA in the region, as said above, In addition, the generation of employment is link to the presence of more than 10 direct stores within the territory, involving about 50 employers.

Tab. 8 Employers of CAF since 2000

	2000	2001	2003	2004
Employers	23.5	26.28	41.95	46.51

However, the impact of the organic initiative on rural **economy** is marginal and difficult to assess, even it has been the driver for the increasing profit of the whole cooperative in terms of sales during the period of the booming demand for organic beef.

With regards the effects on **social** dimension, it is relevant the recent effort to create new relationships around organic produce, within the external “organic network” (hampered in the past because of the lack of a specific management for the organic production line and the choice of the unique commercial outlet) and also in the territory with other agents interested in promoting the local organic or quality produce. Together with the implementation of specific marketing strategies for the organic sector, that could strengthen the organic breeders’ sense of identity and motivations. More generally, it could contribute to create synergies among local resources and to enhance the social cohesion and the integration between these kind of production activities and the local community.

Finally, it is possible to conclude that the **environmental** performances of the organic meat chain are expressed in the following aspects:

- reduction of negative externalities, due to the organic methods of production, even before their farming ways fit more to sustainable ways than to intensive ones;
- progress in animal welfare, according to European Regulation on organic farming;
- increasing distance over which a product is transported (increasing food miles).

6. COMPARATIVE ANALYSIS

Box 5: Overview of Italian satellite cases

National satellites cases	Salvadori farm	Pizzolo company
Food-Chain	Organic meat	<i>Chianina</i> meat
Problem addressed	Linking up with the consumers: ⇒ re-generation confidence among consumers. ⇒ education to consumption of meat	Linking up with the consumers: ⇒ complete control of the chain (traceability system)
Sustainability "promise"	<ul style="list-style-type: none"> ▪ high quality production•preserving a local breed (<i>Mucco Pisano</i>) ▪ organic breeding 	<ul style="list-style-type: none"> ▪ guarantee for the origin of the meat ▪ breeding of pure breeds for the genetic selection
Aspects to be compared	<ul style="list-style-type: none"> ▪ Marketing strategy of direct selling ▪ Creation of a collective brand for the valorisation of local breeds 	Breeding of a local breed, <i>Chianina</i> : <ul style="list-style-type: none"> ▪ intensification (10.000 heads) ▪ <i>de-territorialisation</i>

6.1 Commercial performance

6.1.1 Ability in generation and maintenance of added value for producers

With respect to the extra added value based on producers premium price for organic farming, the cooperative pays to its members a premium price of above 20% more than the national reference prices for beef (Modena market). Furthermore, organic breeders receive from the co-operative an extra price for organic farming. However, starting from 2003 organic beef market had a worse performance than the years before, both for effect of the increase of production and for the reduced willingness to pay by consumers in a time of a general economic crisis. As a consequence of this new market trend, CAF reduced prices paid to farmers, from 1,5-1,8 €/kg, (25-30% more then the conventional one) in 2000-2001 to about 1 €/kg (less then 20%) in 2003-2004. Organic farmers strongly complained for this decision, as they claimed that production costs of organic production were higher, especially because of certification costs and high quality feed.

Furthermore, the scarce ability to maintain the value added for producers is mainly due to marketing strategies followed by the cooperative: the fact that the growth in organic selling has been largely dependent upon one form of retailing has increased the vulnerability of the organic network. The big retailer has been able to keep power in the chain for its capacity to influence marketing choices at all levels of the chain, and in particular for its ability to retain the control on the communication of the products' values.

Finally, the concerns regarding the fulfilment of demand was also one of the issues at the basis of another important organisational choice: not allowing the direct selling by producers. Given the increased tourist flow in the area, and giving the increase of number of consumers willing to have a direct contact with farmers, several farmers had considered direct selling as an opportunity to diversify the risk, and this rule has started to be considered to strict. This situation has worsen with the crisis of the relation with the retail chain.

6.1.2 Alternative approaches to create extra added value: direct selling

The experience of the cooperative in the conventional field shows, through its direct selling, that the realization of a premium price could be obtained by shorten the marketing circuits. Nevertheless, from the beginning it was difficult to manage the organic chain at the local level without creating conflicts with the conventional chain. But, on the basis of the need to find new strategies for consumers involvement, some organic members started to activate direct sales within the farm or through their agri-tourism, not following the co-operative marketing strategies. In doing so, those farmers aimed at improving the identity of the product, the social embeddedness, the sense of belonging of local consumers and the direct involvement of no local consumers.

The choice of direct selling at farm level has not been supported by the co-operative, because that choice was perceived as a competition of the single CAF member with the CAF local stores, selling also the meat of CAF members in the same local market.

Box 6 - Comparative analysis of direct selling (Italy)

The commercial strategy of direct selling carried out by an individual farm: Salvadori

Background of the farm

The Salvadori organic farm is located in Coltano, a village close to Pisa. The farmed land is about 300 ha and the primary production is based on cereals. The history of the farm can be traced back to '60s when the farmer's father started to rent some parcels and buy some others from people who were leaving the countryside, as it was the period of the so-called "rural exodus".

Until 1975 they used to have only crops, and then they started to breed cattle, opting for double-purpose breeds in order to produce both milk and meat. However, as those breed were not very demanded and well paid by the butcher shops, they decided to specialize in meat production. As a consequence they replaced all the double-purpose breeds with Limousine, which is one of the most demanded breed by the shops and supermarkets, allowing higher prices at producer level. In addition, around 1990 they bought some cattle of a local breed called *Mucco Pisano*, which, being threatened of extinction, is supported by regional subsidies.

Starting point: consumers distrust towards conventional meat

With respect to the initiative of direct selling the point of departure was the alarm of BSE in 2000, which led to the crisis of the beef sector as a whole and to consumers' distrust towards beef products sold in supermarkets.

In 2001 the farm became organic. This step didn't involve any problems because they adhered already to the EU Regulation 2078 /1992. Indeed the first demand came from a group of relatives and friends willing to consume beef meat at any cost. As a result Salvadori's farm gained more and more consumers, so that the supply was not sufficient anymore to satisfy the demand.

Activating direct selling

In 2001 Salvadori built a butcher shop within his farm, by re-building a pre-existing one, what allowed him to respect E.U. regulations for hygiene while avoiding the problem of the high costs of such an investment.

After the first period of extraordinary demand, at the moment the frequent customers are about 40, obtained partly by word-of-mouth advertising, partly through advertising with signs on the road, brochures and taking part to fairs with public tasting, special events for the promotion of local products and even radio programmes.

Since the beginning the sale strategy has been based on booking and on big packages of around 10 kg containing a broad assortment of meat cuts, as the farmer aimed at avoiding all the problems related to wastes. With respect to the price the average is around 6-8 €/kg so that the price for a package is comprised between 60 and 80 €, which, as mentioned by the farmer, may be seen as a problem by some consumers who cannot afford such a price at only once. For what regards the commercialisation the 30% of the meat is sold through direct selling on the farm and the remaining 70% through external channels, namely a butcher shop and the supermarket.

Salvadori is convinced that, in spite of the certification, his customers appreciate the fact that they know the farmer and he can give them information about quality. With respect to the strategies specifically addressed to communication with consumers, he aims at teaching them to appreciate the real taste of meat and for this reason the meat is not hanged but they only keep it vacuum packed for four or five days and after that it is ready to be consumed.

Box 7 - Comparative analysis of direct selling (The Netherlands)

The initiative of direct selling of organic beef in The Netherlands

In The Netherlands there is a rise of new short food supply chains, fostered by farmers trying to realise more value added. The strategies involved can be different, involving the differentiation on the farm level by breed, feed and origin, answers to societal demands regarding landscape or animal welfare, the achievement of the right market segment.

Due to the low prices paid by the slaughterhouses there is an increasing trend of selling meat directly from the dairy farm or from farms specialised in high-quality meat breeds.

Emergence of the problem and formulation of the initial project

The initiative takes origin from organic small-scale breeders, who decided to become organic in 1990s, due to the crisis of conventional agriculture related to environmental pollution, as high-input agricultural practices started to be under accuse for the negative effects on the landscape. Besides, owing small farms, they thought organic was a good chance to obtain a higher value added for their products. As a matter of fact, they are forced to adopt the strategy of “multifunctionality”, conceived as implementation of a broad range of activities on the farm, since the only primary production is not sufficient to survive.

Aside from strategic decisions the farmers involved in the initiative share a common critical aptitude towards the mainstream production and consumption model, with particular respect to the little attention to quality of most Dutch consumers as well as to the increasing products’ standardization imposed by big retailer chains, which aim at providing consumers with a big assortment at cheap prices.

Furthermore, the problem of the traceability of meat products, reinforced by the emergency of food scandals, is perceived by small beef producers as a good chance to gain new market opportunities and to obtain a better recognition of the prerogatives of their production system. As a result producers become aware of the fragility of the conventional market and they decide to take advantage of the new market opportunity by building-up a new and alternative and short food supply chain based on the production of organic high-quality meat.

The first step has been the promotion of the initiative, which started asking to neighbours, relatives and friends if they are interested in buying the meat directly from the farm. Once they have obtained a positive answer the second step has been the implementation of the initiative, based on the attempt to sell the entire animal in order to avoid any waste. For this reason they only sell big packages containing all the different meat cuts, also the less demanded by consumers. Hence, it was necessary to develop a solid dialogue with the customers in order to explain that they should start changing their purchase habits, being more open to a broader variety of food products and not just to the cheapest and easy-to-prepare ones.

At that moment, the principle obstacles to the fulfilment of their goals can be identified as the following:

- The low number of organic certified slaughterhouses in the Netherlands, which implies long-distance transportation and then more stress upon the animals.
- The European Regulation HACCP imposes severe hygienic rules which imply high structural compliance costs in order to build a farm-shop not affordable by a small farm.
- The purchasing behaviour of most consumers who look for cheap, easy-to-get and convenient food products.

Closure of the network

With respect to the necessity to grow, the positive reaction of the first consumers led to the diffusion of the news of the initiative in the local area so that they can gain new customers. In this way they base their strategy on creating a strong link with the consumer, which is achieved through the communication of their idea of quality together with their opinions related to issues such as the critique to the modern consumption style, especially for what concerns the low level of quality and the lack of variety. By getting consumers close to their ideas they are able to build a trustful relationship with them and to obtain a broader group of frequent consumers. Furthermore, by the implementation of direct selling, they can gain the access to other alternative market channels such as organic restaurants and small farmer markets, which also offer new opportunities for promotion.

With respect to the provision of single cut they have to modify the initial strategy in order to meet the consumers’ demand, although not all of them are disposed to sell single cuts but they rather prefer to become more flexible and offer the possibility to consumers to choose some meat cuts that they would like to eliminate from the package.

Furthermore, for what concerns the organic certification, most producers keep on selling the meat as conventional, since they are convinced that consumers considers the organic certification as a reason of secondary importance, being focused on the possibility to check personally where the meat comes from and to have a direct relationship with the producer. In addition, the organic label at the entrance of the farm is sufficient to show that the production system is in compliance with the European organic regulation.

A remarkable outcome of the continuous dialogue with consumers is the achievement of a “more public” image of the farm. As a matter of fact producers realise that more and more consumers are demanding for a new relationship with the farmer, which for example implies the possibility of visiting the farm, seeing how the animals are raised or asking advices about different ways to prepare a certain meat cut. Thus, they are somehow obliged to become more open towards visitors, who want to experience new feelings related to the need of being closer to the origin of their food. In practical terms producers have to guide the visitors through the farm, giving them explanation about the way they breed the animals, they have to plan public room where to receive visitors and, if they have the possibility, they organise special events like tasting, that is also a good chance for promotion.

Finally, for what concerns the compliance with hygienic rules, they still sell the meat in a sort of “illegal way”, meaning that they only have a certain number of freezers where they keep both single cuts and big packages, as the building up of a regular shop would imply unaffordable costs for small scale farms. The existence of such a situation is possible because, even if the compliance with the hygienic rules is rather strictly checked in the

Netherlands, in case the public authority find out that a farm shop does not comply with the European Regulation, a period of one or two years is given to the farmer in order to fulfil the entire set of rules.

To conclude we could state that the organic producers succeed in selling their meat by mean of direct selling as well as in gaining a fixed group of regular customers, with who they establish a trustful relationship based on direct communication, although the meat is still sold as conventional, since the organic processing is not affordable by most producers and the number of organic slaughterhouses is still too low in the Netherlands.

In addition the organic farmers are not able to link up with the Public Institutions in order to gain access to new resources, probably due to the lack in compliance with the hygienic rules which make their initiative somehow "bordering on the illegal", which could be also be a reason for the low involvement in promotion initiatives.

6.1.3 Other alternative ways to create extra value for producers: valorising a local beef breed

CAF has focused large part of its strategic choices and marketing strategies on the enhancement of local resources: its social basis stands on local breeders, cattle is usually born and grown in Mugello area, the meat is butchered at a local abattoir, and then sold in the local CAF shops.

As it was described along the story of the initiative, this system has been less satisfactory for organic meat, because of marketing choices of CAF managers and organizational problems. Because of that, other kind of meat, with a strong link with the territory, have become more and more competitive with CAF organic meat, putting in crisis the organic production of part of CAF organic breeders. These alternative initiative are relevant for both their capacity of creating extra added value for producers (Box 7), and for the public support they are able to activate (see 6.3).

Box 8 - Collective initiatives creating extra value for producers

The valorisation of local breeds

The Consortium of Producers of High Quality Bovine Meat of Italian Breeds (*Consorzio Produttori Carne Bovina Pregiata delle Razze Italiane*, C.C.B.I), was created in 1982 and recognised by Italian law in 1984, with the purpose of protecting the breeders of rare bovine Italian breeds, and controlling the distribution of that meat through specialised shops located in Centre and South Italy.

In order to reach its goal, the Consortium promotes the Protected Geographical Indication (PGI) mark *Vitellone Bianco dell'Appennino Centrale* (Central Apennines Baby Beef), the only quality mark for fresh bovine meat produced in Italy recognised by the EU. The Code of Practices established by the Consortium C.C.B.I. oblige the producers who ask for the quality mark to produce the meat exclusively with the *Chianina*, *Marchigiana* and *Romagnola* breeds, with cattle born in Italy, inscribed in the National Genealogical Book, fattened on the Italian territory, with local fodder, and finally butchered in Italy. The meat that obtained the mark *Vitellone Bianco dell'Appennino Centrale* can be sold in specialised shops, where it is separated from other different kind of meat, so that to give it visibility.

This initiative started with the purpose of protecting local breeds on risk of extinction, and enhancing local biodiversity, but with the quality mark introduced in 1999 it gained a larger impact on local bovine meat production. In fact, even if imposing a strict code of practices, the Consortium was able to activate important local resources, and to integrate with other local initiatives. Furthermore, the good marketing choices put in place by the Consortium allowed to obtain a good price in the shops, and therefore to guarantee and extra added value for producers.

This initiative represents an attractive choice for many breeders located in the Apennines, as CAF members. In fact, for a large part of CAF breeders complying to the Code of Practices of PGI *Vitellone Bianco dell'Appennino Centrale* is not a problem, considering their traditional breeding techniques, and the recognition of the PGI mark generally is not in contrast with CAF membership. But, on the other side, this possible alternative choice can represent a problem for CAF organic breeders, because organic certification has higher costs and less revenue, if compared with the PGI mark, because of marketing choices of CAF. As a consequence, for some CAF organic breeders giving up with organic certification, even if maintaining organic production, and asking for the PGI mark can be a choice that gives them an important added value.

In conclusion, it is important to underlie that the valorisation of local breeds is not always a choice that mobilise local resources and gives an extra added value to producers strongly rooted at local level, enhancing more sustainable breeding techniques. In fact there is also the possibility of breeding a "rare bovine Italian breed" with intensive techniques, and with a de-territorialisation of the resources. A significative example is given by Rizzoli, a big firm holding 10.000 cattle heads with intensive breeding, 30% of which is represented by the *Chianina* race, the same included (and protected) by the *Consorzio Produttori Carne Bovina Pregiata delle Razze Italiane* described above in the PGI mark. The *Chianina* is considered a typical and rare race of Centre Italy, and because of that the C.C.B.I. focused on its protection and its breeding at local level. At the contrary, Rizzoli firm use this race with

intensive breeding, in very large farms located in diverse places of Centre and North Italy, so that the local and typical race is de-conceptualised and disconnected by local breeding techniques and local breeders revenue.

6.2 Nature of the organisation

6.2.1 Changes induced in the nature of the organisation along the initiative

The main changes in the nature of organisation occurred during scaling-up process and their impacts on sustainability performance are the following:

1. During the first cycle of the story a rapid growth of the organic sector under the cooperative leadership has occurred, mainly due to the initial high organic meat demand. The effect has been the necessity to sell in the supermarket chain.
2. The decision of enlarging the organic network responded to the necessity of satisfying the increasing demand of organic meat by the big retailer, and therefore new organic farmers, coming from outside the traditional area of reference of CAF, entered the cooperative. The involvement of these new breeders displeased the older CAF members, located in more marginal areas, who felt not supported enough by CAF managers and that the original CAF's goal of enhancing local produce was in this way disregarded.
3. The development of the organic supply chain has not been followed by the establishment of an organisational structure, with the potential to deal in a flexible way with the strategic choices of the organic sector; at the contrary, CAF seemed to manage the organic sector as a conventional food-chain. That showed the weakness of the organisation in managing the new needs and the external changes. In fact the decrease of organic meat demand has been the pre-condition for the starting of a second *translation cycle*.

6.2.2 Organisation of the chain and the relationship with consumers

If we look at the whole co-operative, we can say that it succeeded in building an effective chain organisation by directly managing both the slaughter and the market of the meat of all its members. As a matter of fact, the co-operative was founded in order to solve the problem of marketing local beef, and it achieved this purpose by opening some stores of local meat. As a result producers showed trust to the cooperative, because it was able to guarantee the stability of the whole chain, and then it represented a benchmark for the productive system of the whole area.

At the same time the setting up and the consolidation of short local marketing circuits represented for the co-operative a privileged position in fostering consumer involvement and trust. In fact, CAF has linked the quality value of its produce to the breeding of high quality and selected races, such as *Limousine* and *Charolais*, to the skills of the breeders and to the use of traditional livestock systems. As a result, local consumers has showed a growing trust towards the quality of CAF conventional meat, but their demand of CAF organic meat has remained low.

The difficulty in gaining consumers interest for organic meat has been worsen, as already underlined, by the fact that no organic marketing circuit has been created at local level and, until now, the decision making power has privileged the retailer side. As we said above, the marketing strategy of selling all the organic produce to a big retailer has been related to the fear to create a negative competition between organic and conventional breeders within CAF. But, if that agreement has assured to the organic members a constant sale of their produce in the supermarkets, located in the North of Italy and in the Centre, on the other hand it rose problematic issues related to the risk of loosing the link with the territory and the local market, due to the increasing distance between production and consumption sites.

Box 9 – Organisation and communication with consumers in direct selling of organic meat

The initiative of direct selling of organic beef in The Netherlands

In the initiative of organic meat selling in The Netherlands, described above (Box 7), it was demonstrated how direct selling can be a viable way of improving communication with consumers about the inner value of organic produce, and to consolidate a relationship with consumers also at local level.

In fact, in that case a remarkable outcome of the continuous dialogue with consumers has been the achievement of a more "public" image of the farms: producers realised that more and more consumers demand a new relationship with the farmers, which implies the possibility of visiting the

farm, seeing how the animals are raised or asking advices about different ways to prepare a certain meat cut. Thus farmers are somehow obliged to become more open towards visitors, who want to experience new feelings related to the need of being closer to the origin of their food.

6.3 Mobilization of different types of public support

Others initiatives show a more significant support by local institutions, as it is the case of the valorisation and marketing promotion of a local beef breed, *Mucco Pisano*, made by the Province of Pisa by integrating the products in a circuit of various local quality products (see Box 8).

Box 10 - Establishment of a local network for the creation of a collective brand for valorisation local beef breed

Valorisation of local beef through a local network and public support: the case of Mucco Pisano

In 1994 the *Associazione Provinciale Allevatori* (Provincial Association of Breeders, APA) and the Province of Pisa supported the creation of a collective mark called "*Carne bovina della Provincia di Pisa*" ("Beef meat from the Province of Pisa"), aiming at preserving local and ancient breeds such as Mucco Pisano and Chianina.

The recognition of the quality mark has a cost of around 15 €/year per head, because of the different controls required, but it allows also to have the recognition of the EU regulation 1760/2000 on the traceability system, that gives to consumers higher guarantees.

At the moment fifteen farmers from the province of Pisa and two slaughterers, in San Miniato and Pietrasanta, are involved in the association, allowing the establishment of an alternative circuit of high quality beef meat. Among these fifteen farmers there are also some of them who raise Limousine and not Chianina or Mucco Pisano as, due to a demand that was rapidly increasing, the association had to face an initial shortness in supply and decided to enlarge the participation to all the breeders of involved in the "vacca-vitello" line, with the precondition that the animals had to be born in Italy and raise in the province of Pisa for a period not lower than six months.

This initiative shows as public organisations can strongly support the enhancement of local breeds, what facilitates the creation of a local circuit of producers, but can produce some problems of sustainability in the long term of the organisation. A part the weak link between the product and the territory, in fact, this case is quite different from the case of C.C.B.I. seen above, because in that case the creation of the PGI *Vitellone Bianco dell'Appennino Centrale* has been approved in 1999 directly by the Italian Ministry for Agricultural and Forestry Policies, and the certification is given by an external institution, in order to guarantee the impartiality.

6.4 Contribution to sustainable rural development

The most important aspects of the initiative that can be compared, are hereby indicated (see 5.6):

- scarce ability of the co-operative to maintain the added value within the region;
- lack of a set of values linked to the product, and enabling the consumer to make connections with the place of production;
- these two disadvantages could be overcome by shortening the commercial channels, by creating outlets for organic produce in the territory and at the same time, by highlighting the authenticity of the product values and on their link with the territory;
- distance over which a product is transported (increasing food miles).

7. CONCLUSIONS

The depth analysis of the case study has provided the fine-tuning of a methodological framework, as a tool to assess the sustainability performance of alternative food supply chains.

The starting point of the analysis has been the statement that *scaling up of an initiative in the field of alternative food supply chains could change the nature of the organisation and its sustainability performance*: as matter of fact if, on the one hand, it is well known that AFSCs are able to play a key role in enhancing the development of rural areas, on the other hand it is still no clear which should be the directions and the ways of their development paths, so as to gauge whether they are economically, socially, and environmentally more sustainable over long time.

From the main starting hypothesis which links the scaling up with the consequently organisational adjustments, it rises that the development of AFSCs should be drawn on the following concerns:

- scaling up depends on commercial performance and appropriate public support;
- nature of organisation changes with scaling up as an effect of growth in market power and of the increased pressure of economic constraints and logics;
- alternative food supply chain have a positive effect on rural sustainable development.

If we assess the performance indicators of sustainability, which are related to the research hypotheses above mentioned, we can conclude that:

1. the relevance of the commercial performance can be assessed with reference to the contribution in extra value generation at regional level but also to the ability to involve and link up with consumers, on a basis of common values and meanings attributed to food. In this case, the commercial performance of the product is strongly conditioned by the unadequacy of marketing choices, with relation to commercial channels and communication activities, which have hampered the creation of a direct and close relationship with consumers. In turn that depends on organisational problems, related to the inability to create a specific management for the organic line of production, as stated below.
2. regarding the organisational assets, the case shows how the growth of the organic chain is not accompanied by an effort of the management to define a specific marketing strategy, by linking up with consumers, by creating a strong image of the product and diversifying the outlets. In fact, the cooperative doesn't develop a communication on organic produce to not contrast it with the conventional produce; because of the big demand of organic beef it enlarge its area of activity outside the territory, including also not traditional breeders; moreover, organic producers become wholly dependent on the strategies of an outside big retailer, so giving up a direct relationship with consumers and the valorisation of the product in the territory. Only in the face of the emerging problems in selling organic meat in supermarkets, the organic producers mature the awareness of the weakness of their commercial strategy and of the need to build alternative patterns, based on a closer relationship with consumers and more integrated in the territory. In turn that has a lot of organisational implications, both within the co-operative, in the relationships with the conventional members, and outside, because of the need to integrate with the "organic network" and, locally, with all the other actors involved in the promotion of the local quality (organic or not) products.
3. Even the contribution of the initiative is quite relevant to significantly add value to local production systems (mainly in terms of positive economic and environmental impacts), synergies between organic meat production and other local resources could be mobilised to enhance also the social cohesion, the involvement of consumers and, more generally, the integration between these kind of production activities and the local community, at the basis of a more stable and intense local network.

In conclusion the case shows a situation of 'deadly embrace' between organic and retail chains, which could be explained by the appropriation of both the alternative values and the economic benefits associated with the organic food production by a "dominant" actor within the conventional agro-food chain (Buck at al. 1997). In order to fulfil the last one's requirements, the co-operative was forced to grow beyond the limits that it should have had to maintain to stick to the initial mission, which was to give farmers of Mugello a greater autonomy in the chain and to point on quality as the key of to this strategy. Having chosen an exclusive relationship with the retailer, the cooperative has lost the ability to retain economic values within the region of production and it has given up the possibility of communicating to consumers the values upon which the project was initially defined: the territory of origin and the small-scale farming reality. Moreover, the entrance of new producers into the cooperative has reduced the possibilities of a clear local identification and made the product very similar to other organic products from elsewhere. Furthermore, the increased economic pressure on the farmers caused by the declining of the premium price and by the imperative of growth has led to a

technical approach which stresses the possibilities offered by the organic standards (for example, reducing the quality of the feed as much as possible) more than trying to improve the eating quality, or even, some of the smaller producers will be forced to abandon the organic certification, in order to reduce the production costs.

The case seems to confirm the importance for the organic sector to find innovative organisational patterns in order to face the process of scaling up while preserving the authenticity of the values embedded in the production system and the link with consumers. In other words, place - setting of the material and immaterial elements of the production process – shall become the source of the fundamental component to reconfigure producer-consumer relation, by sharing of a common set of values and meanings attributed to the product (Goodman, 2003).

In conclusion the case seems to confirm the importance for organic sector to find innovative organisational patterns in order to face the process of scaling up while preserving the authenticity of the values embedded in the production system and the link with consumers.

REFERENCES

AZ Bio, luglio-agosto 2003

Buck, D., C. Getz, and J. Guthman (1997) 'From farm to table: the organic vegetable commodity chain of Northern California'. *Sociologia Ruralis* 37 (1) pp 3-19

Callon, M. (1986), *Some Elements in a Sociology of Translation*, in Law, J. ed. (1986), *Power, Action, Belief: A New Sociology of Knowledge*, Routledge and Kegan Paul, London

Foster, C. and Kirwan, J. (2004), *Applying Actor-Network Theory to SUS-CHAIN*, SUS-CHAIN working paper, University of Gloucestershire, Cheltenham

Goodman, D. (2003) The quality "turn" and the alternative food practices: reflections and agenda. *Journal of Rural Studies* 19 (1) pp 1-7.

Guglielmi, S. (2003), *Qualità e certificazione della carne bovina: le iniziative di valorizzazione della carne bovina del Mugello*, Degree Thesis, Facoltà di Economia, Università di Firenze, anno accademico 2002-03

Guthman, J. (2002) Commodified meanings, meaningful commodities: re-thinking production-consumption links through the organic system of provision. *Sociologia Ruralis*, 42 (4) pp 295-311.

Guthman, J. (2004) The trouble with "organic lite" in California: a rejoined to the conventionalisation debate *Sociologia Ruralis*, 44 (3) pp 301-316.

Lunati, F. and Bertino, R.M. (2004), *Mense bio in Italia. Il Biologico in cifre - 2004* Informatore zootecnico, 2000

Ismea-Osservatorio latte (2002), *Il mercato della carne bovina: rapporto 2002*, Franco Angeli, Milano

Ismea (2001), *Filiera carni*, Il Sole 24 Ore, Milano

Ismea (1999), *Filiera carni*, Il Sole 24 Ore, Milano

Nomisma-Coldiretti (1999), *Politica industriale e sviluppo della filiera: una prospettiva per la carne bovina italiana*, Nomisma, Bologna

Pozzi, M. (2002), *Allarme sulla fiducia*, in *Largo Consumo*, 2002, N. 9, Editoriale Largo Consumo, Milano

Salvini, E. (2004), *Analisi del contesto. Agricoltura e zootecnia biologica: analisi di scenario e questioni aperte*, working paper for the project "L'agricoltura biologica e biodinamica toscana finalizzata all'attività agro-zootecnica: analisi dei vincoli e delle opportunità tecniche, gestionali, imprenditoriali per la valorizzazione della carne biologica", ARSIA, DAGA, University of Pisa

Salvini, E. (1997), *Sviluppo rurale e percorsi di successo nell'Alto Mugello*, Università degli studi di Pisa, Pisa

Smith, E. and T. Marsden (2004) Exploring the "limits to growth" in UK organics: beyond the statistical image. *Journal of rural studies* 20 pp 345-357

Zani, P. (2002), *Torna in tavola la carne fresca*, in *Largo Consumo*, 2002, N. 11, Editoriale Largo Consumo, Milano

Web Sites

<http://www.aiab.it/nuovosito/>

<http://www.biobank.it/it/indexBIO.asp>

<http://bionet.stm.it/home.htm>

www.coldiretti.it

<http://www.ctpb.it/italian/notizie.php>

http://europa.eu.int/comm/agriculture/index_en.htm

<http://www.fiao.it/italian/index.php>

<http://www.greenplanet.net/index.html>

<http://www.ismea.it/>

<http://www.inea.it/>

www.nielsen.it

www.nomisma.it

<http://www.politicheagricole.it/>

<http://www.rete.toscana.it/>

<http://www.sinab.it/>

<http://www.vglobale.it/>

Laws and Regulations

EU Directives 497/1991

EU Directive 498/1991

EU Regulation 2078/1992

Italian Decree 286/1994

Tuscany Region Law 49/1997

EU Regulation 1760/2000

Tuscany Region Law 34/2001

