



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

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Comparative Case Study Analysis

by

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1 Introduction: Goals of the comparative case study analysis

In each of the seven countries participating two case studies were carried out. The outcomes of the transversal analysis of these case studies is presented in this report. The overall aim is to identify common features of food supply chains (FSCs) and to derive recommendations for economic actors, policy makers and the institutions concerned. Emphasis is on patterns, underlying trends and trajectories concerning the socio-economic structure and dynamics of sustainable food supply chains.

After a short overview of the case studies (Chapter 2), the results of the comparative analysis are presented, structured by the six core issues identified during the Martigny meeting:

- Factors that constrain an improved commercial performance (see Ch. 3.1).
- Forms of communication and mechanisms of horizontal and vertical coordination within food supply chains (labelling, codes of practice etc.); an assessment of mechanisms in terms of their effectiveness in creating cohesion and supporting a collective action between different actors in the chain (see Ch. 3.2).
- The policy environment associated with sustainable food supply chains, and an analysis of particular policy interfaces in different types of food supply chain (see Ch. 3.3).
- Organisational forms and structures of different food supply chains and the question of changes during the scaling up of initiatives (see Ch. 3.4).
- Impact of alternative FSCs on rural economies and rural assets and, more generally, the sustainability performance of food supply chains (with a particular focus on socio-economic aspects) (see Ch. 3.5).
- Socio-economic dynamics of different food supply chains, both in time and in space, with a particular focus on the questions of embeddedness, local networks and locality (see Ch. 3.6).

The analysis is based on a review of case study reports (executive summaries) and comparative analysis; the identification of key factors influencing the performance of each type of FSC; and an attempt to identify critical points in food supply chains regarding the further dissemination and scaling up. Wherever possible and useful cross-references are made to the analyses presented in individual case study reports, including the work related to national and international satellite cases.

In Chapter 2 an overview of the 14 core case studies is given, followed by a brief profile of each of 14 core cases studied. The Annex (Chapter 5) gives a tabular overview of the 14 core cases, the key issues studied and the national and international satellite studies.

All case study reports are available at the website of the project: www.sus-chain.org.

2 Overview of the case studies

The following table gives an overview of the core case studies in the seven countries participating and of the key issues studied.

Table 1: Core case studies and key issues studied

Country	Case study	Core issues studied
Belgium	Biemelk Vlaanderen (organic milk in Flanders)	<ul style="list-style-type: none"> ▪ commercial performance and marketing competence ▪ self-governance
	Westhoek farm products (marketing of regional products)	<ul style="list-style-type: none"> ▪ nature of organisation ▪ impact on rural development and rural economy ▪ support (it wasn't mentioned in the case study, but it turns out to be important)
Germany	Uplaender dairy (dairy sector; organic milk; co-operative)	<ul style="list-style-type: none"> ▪ public support (kind, significance) ▪ nature of organisation (and changes during scaling up) ▪ impact on rural economy / rural assets / connections with rural development
	Tegut supermarket chain (conventional food retailers)	<ul style="list-style-type: none"> ▪ commercial performance, distribution of value added ▪ marketing (actions) and communication (e.g. labelling) ▪ social embeddedness, self-governance
Italy	CAF (co-operative of beef cattle breeders)	<ul style="list-style-type: none"> ▪ producers' co-operative and appropriate organisational arrangements ▪ scaling up and retailers' strategies ▪ overcoming consumers' bias towards beef consumption ▪ strategies of valorisation
	Raw milk sheep cheese	<ul style="list-style-type: none"> ▪ legitimisation of traditional production techniques ▪ building dense local networks and an alliance with consumers (marketing strategies and communication, labelling) ▪ impact on the rural economy

Country	Case study	Core issues studied
The Netherlands	<p>De Hoeve BV (chain organisation for selling sustainably produced pig-meat: scale 1000 pigs per week)</p> <p>CONO dairy co-operative (dairy chains in the Western Peatland Region)</p>	<ul style="list-style-type: none"> ▪ nature of chain organisation and changes during scaling up ▪ public support (kind, significance) ▪ commercial performance, distribution of value added ▪ nature of the organisation and history of the scaling up process ▪ role in the FSC, commercial performance, marketing ▪ critical events, milestones in organisation, production and market and consequences for the nature and form of organisation ▪ sustainability indicators used by the co-operative
UK	<p>Cornwall Food Programme (CFP) Sustainable food procurement in the National Health Service:</p> <p>Procurement of local food by UK supermarkets; The Co-operative Group in the High Weald of SE England</p>	<ul style="list-style-type: none"> ▪ network development and stability; ▪ nature of organisation (and changes during scaling up); ▪ role of public support and funding; ▪ impact on rural development (mostly economic, but also environmental and social); ▪ social embeddedness and self-governance ▪ realities of implementing local procurement policies within a centralised distribution system ▪ role of consumers' expectations towards 'local' food ▪ commercial performance, impact on RD in the region ▪ opportunities for local / regional government support ▪ barriers, constraints, limitations and lessons for scaling up

Country	Case study	Core issues studied
Latvia	LAMCB (beef production / Latvian Association of Meat Cattle Breeders)	<ul style="list-style-type: none"> ▪ introduction and development of a new type of beef production ▪ commercial performance ▪ marketing and communication ▪ nature of organisation ▪ organisational structures
	Rankas dairy	<ul style="list-style-type: none"> ▪ process of scaling up ▪ commercial performance ▪ marketing and communication ▪ nature of organisation
Switzerland	Rye bread of the Valais Pain de seigle du Valais AOC (typical product; quality certification)	<ul style="list-style-type: none"> ▪ commercial performance (from the regional to the national market) ▪ nature of organisation (and changes during scaling up)
	NaturaBeef nationally certified bovine meat	<ul style="list-style-type: none"> ▪ commercial performance (search for new outlets) ▪ marketing (actions) and communication

2.1 Profile of the core case studies

2.1.1 Biomelk Vlaanderen (BE)

Biomelk Vlaanderen is a farmer co-operative founded in 2002 by 25 organic dairy farmers of the Flemish region. It was founded as an answer to a crisis situation when a collection round for organic milk was stopped after a year and a half. Several producers had converted to organic agriculture because of this collection round and were threatened in their existence. The producers decided to take their future into their own hands and found a dairy themselves.

The co-operative only organises a collection round for the organic milk in the region. It collects 5 Mio litres of milk yearly. Producers are spread all over the Flemish region and the collection of the milk is very inefficient and thus expensive. The milk is afterwards sold to local organic processors, but about 20 % of the milk (2004) has to be sold on the conventional market. There is a price premium for the organic milk, but the price paid to the farmers depends on the amount of milk sold organically.

The co-operative is entirely run by its members (farmers). When founded, the co-operative intended to grow rapidly, as the sector did in the years before, but until now, there was no growth since there were no dairy farmers converting to organic production. One of the reasons for this is a general standstill in growth of organic production and consumption in Belgium since 2001. Another reason is certainly that a sufficient price premium can not be guaranteed to the producers.

The case study, in comparison with other initiatives, makes clear that a similar initiative needs a bigger scale or a different strategy in order to have significant positive effects on sustainable rural development. The initiative has the potential to create positive economical, social and ecological effects, but therefore it either has to grow in order to lower the costs and to get a better negotiation position with processors or to invest in processing and marketing high value products.

2.1.2 Farm products of the Westhoek (BE)

Direct selling of products at the farm is one of the oldest examples of alternative food supply chains. Direct selling comprises a multitude of different product groups (meat, fruits and vegetables, dairy), different degrees of processing, presence of farm shops, etc.; but they all have in common that the farmer becomes the price-setter and there is high degree of interaction with the consumer of the produce. This case study investigates a collective initiative for the sales of farm products in a particular region of Belgium, the Westhoek. The initiative is called 'De Westhoek Hoeveproducten'. The aims addressed by the initiative are the following: improving farmer's livelihood, open or enlarging new markets for sustainable products, a fair distribution of added value within the system and at the same time improve the farmer's power in the chain, protection (creation) of positive externalities to (re)build rural resources and building and improving local capital.

Initially, the farmers in the region sold their products individually to the consumers, but a 5b-project submitted by KVLV-AGRA (an organisation for farmers' wives) initiated collaboration between the organisation and a dozen of farmers. The initial objective of the project was "to create, stimulate and commercialise farm products in the region". With the project proposal, the initiators also aimed at higher sales and creation of added value through collective action and the development of a regional brand.

In 2001, while the 5b-project was still active, the stakeholders decided to continue and formalise their cooperation through the formation of a non-profit making association or "vzw". Initially, 14 farmers and KVLV-AGRA were member of the "vzw", which is lead by a board of directors that meets at least twice a year. The objective of the organisation is to bring together producers of farm products who will join forces to enhance the quality and the acknowledgement of farm produce in the Westhoek and who will jointly promote these products. Therefore, the statutes prescribe that producers of farm products can enter the organisation if they subscribe to the quality handbook and if they are located in the administrative district Veurne – Ieper – Diksmuide or in the municipalities Middelkerke and Staden. In a later phase of the initiative, the farmers added the objective to organise actions to promote a more sustainable type of agriculture.

Over time, the initiative has grown and scaled up in two different ways. The number of participating farmers went up to 23. This concerns mainly dairy farmers (12), while 8 farmers sell fruits and vegetables. Only three participants sell meat and this is mainly due to the strict legislation and requirements. But the initiative was also replicated in other regions in the same and other provinces. The concept of those replications is very similar to "De Westhoek Hoeveproducten": direct selling of farm products with a common label that refers to the geographical area.

2.1.3 Uplaender dairy (DE)

The Uplaender dairy is considered to be an outstanding example which built up a successful strategy in producing and marketing of regional dairy products. The dairy was founded in 1996 when a co-operative of 18 organic dairy farmers (dairy farmers' co-operative Hessen w.V.) searched for a suitable processing site for their milk. At this time, only a small part of their premium organic milk was processed and could be sold as organic. Firstly, the farmers worked with a small private dairy that took over the processing of the organic milk, whilst the marketing of products was done by the farmers' co-operative itself. However, the product

quality deviations and deficiencies led the farmers to think about new processing alternatives, coinciding with the occasion to buy the local Uplaender dairy, which was closed down by its mother-company 'Wuppertal/Koeln e.G.' in 1996. The Uplaender dairy was idle but fully equipped at that time. Several governmental and non-governmental organisations were activated and committed in the implementation of the project.

After successful take-over and start-up, the dairy could increase continuously the processing bulk of organic milk. Due to the increase of the distribution of dairy products through organic food wholesalers and supermarket chains the dairy's organic production grew from 1 million (in 1996) to 14 million kilograms in 2004. Meanwhile, 80 regional farmers supply organic milk. Nevertheless, the Uplaender dairy still buys conventional milk in order to reach the full plant utilisation (in 2004: processing of 5 million kg conventional milk per year). The amount of conventional milk has decreased since 1997 – one aim of the dairy is to continuously decrease the processing of conventional milk and to increase the amount of organic milk.

The company built up a remarkable regional alignment and regional 'affiliation', establishing a high quality, regional and organic assortment in the market, the regional origin of the products is clearly communicated to the consumers. Through a continuous product innovation the dairy became able to distinguish from competitors.

There are also many efforts in marketing the organic assortment. Besides, the company sets value on a continuous consumer's information about the product quality, origin and transparency. In business processes the company wants to co-operate as good as possible within the company and with other organisations.

The dairy is an unusual example of success in Germany, which has objectives orientated according to the sustainable basic principle. In this context, the relevant aspects are the promotion of sustainable production of food, the rural development, but also the development of an efficient organisation structure and consolidation of network, which had contributed to the economic success of the dairy.

2.1.4 Tegut supermarket (DE)

The foundation of this food retailer leads back into the year 1947. The successful family-business *Tegut* has two main particularities: at first, its strong quality-orientated policy, secondly, its strong position in a specific region in the very middle of Germany. Tegut is ranked 22nd on the list of Germany's biggest food retailers.

The Tegut-philosophy is based on high quality food, reflected in the slogan 'Tegut... gute Lebensmittel' (Tegut – good food). The most recent example of this quality-orientated integrating policy was the development of the brand Rhoengut and the creation of a new production site, where the products of this brand, special meat and sausage products, are processed. Rhoengut links organic produce with a special, innovative and typical processing (dry cured hams and sausages from beef and meat). The brand is exclusively available in Tegut Supermarkets and in Alnatura Organic Food Stores. Rhoengut is foremost addressing to support the rural economy through defending and conserving employment and income. It improves the sustainability and the attractiveness of the rural areas. The slogan 'Rhoengut – Naturgereift in Rhoener Hoehenluft' (naturally ripened in the mountain air) embodies regional identification, natural production and the healthy environment. The brand Rhoengut uses territorial and local resources. It represents particularly well the main values of Tegut with regard to regional commitment and sustainable development.

The success of Rhoengut is illustrated by 40% growth rates, a new production plant and a rising number of farmers that produce for the initiative. Rhoengut is a commercial project of Tegut and relies upon the commercial performance and professionalism of the company. There is no public support for the activities of Rhoengut. On the contrary, public administration hindered the development of Rhoengut because of difficult and length of the accreditation processes with regard to processing and building permits.

The scaling up of Rhoengut will lead, most likely and in the near future, to more formal and reciprocal linkage with farmers. This might strengthen farmers' position and render Teguts engagement in the region more compulsive. The initiative Rhoengut supports the rural economy because it ensures and creates new jobs and increases farmers' income, foremost of organic farms that, before Rhoengut was put up, had no sales options in the region. Additional value added is created within the region. The initiative Rhoengut indirectly strengthens local and regional capacity to self organisation and self governance by investing in a local meat processing plant and by forming farmers in quality production. Furthermore, through the special extension service, Tegut contributes to strengthen farmers' competence in production, resource management and marketing in the Rhoengut initiative. Rhoengut incites farmers to take up organic farming and animal friendly husbandry. It varies the production by the introduction of new breeds or by the compulsory use of traditional breeds. By rendering more attractive traditional grazing practices, the initiative contributes to the maintenance of typical landscape by adapted husbandry systems.

2.1.5 Co-operative of meat cattle breeders, CAF (IT)

The well established non-organic beef-producers' co-operative, 'Cooperativa Agricola Firenzuola' (CAF) in the region 'Mugello', decided to turn to organic farming in the second half of the '90s. Within the already existing co-operative, a new group of organic farmers was created.

The organic branch of CAF started in 1995 and 1996 with 2-3 organic farmers, slaughtering one calf per week. In 2003 CAF counted already 13 organic farmers. Due to the acceptance of buying meat from other 7 farmers (not belonging to CAF and outside of the region Mugello), 10-15 calves per week could be offered.

The sale of the non-organic beef has been supported over the past years by CAF through promotional actions linking the product with the territory and direct selling in specialised CAF stores. Concerning the organic beef, the first idea of the management board was to sell the organic beef also in the CAF stores. But as many members of the co-operative doubted that a 'good' distinction of the organic and the conventional beef would be possible, new outlets for the organic beef were searched.

Because of the BSE crisis and the increased concerns of consumers, CAF was able to find a supermarket chain ('Esselunga') that was willing to sell organic beef. All organic beef was sold via this marketing channel. This 'new type' of outlet opened up new perspectives to reach larger markets e.g. in Central and North Italy and to potentially provide higher incomes. Unfortunately in 2004 the big retailer (supermarket Esselunga) made big cutbacks of organic beef because of a general crisis of organic products demand. So this only outlet broke down and the organic beef producers of the co-operative were forced to think about new possible paths for the promotion and marketing of organic beef.

The case shows that the efforts to increase production and retail of organic beef were not accompanied by an appropriate marketing strategy. Having ignored the need for 'external' alliances with commercial agents, the cooperative found itself isolated and unable to find alternative outlets when demand dropped. 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 to communicate to consumers the values on which the project was initially defined: the territory of origin and the small-scale farming reality. To sum up, the case confirms 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.

2.1.6 Raw sheep milk cheese of Pistoia mountains, Tuscany (IT)

In the mountainous region of Pistoia province in the north of Tuscany, shepherds still breed a local sheep race (*Massese sheep*) which has a dual output, milk and meat, and is particularly suitable for extensive breeding, with high altitude grazing during spring and summer. They produce a local raw milk cheese at various stages of ripening: the soft cheese (7-20 days of maturing), the 'abbuciato' (at least 35 days of maturing) and the 'asserbo' (from 2-3 months up to 1 year of maturing). All the kinds of cheese have a round shape and a white paste. The colour of the rind changes from yellow to dark brown according to the length of the maturing period.

Over the last years, the shepherds had to face the increasing constraints posed by the health authorities, in order to comply with the European hygienic rules. At the same time, in Italy, the attention on food quality was developing, associated to the origin of the product, raw material use and artisan process, as shown by the Slow food movement success. Through the *Ark of Taste* project, set up in 1996, the Slow food association started an activity aimed at saving typical and traditional products, which are bound to disappear because of industrial standardisation, environmental degradation and hyper hygienist regulations. The project operational units are the presidia, through which the association provides technical and promotion support to the initiatives aimed at saving specific products. The initiative of valorisation of raw sheep milk cheese in Pistoia mountains was started in 2000 by the Director of the Pistoia A.P.A. (Associazione Provinciale Allevatori) and by the local Slow food representative. The objectives which these actors align with were: a) adapting traditional production techniques, b) enlarging the shepherds' commercial circuit (mainly direct selling) and c) linking product valorisation to local development.

In 2001, by writing a code of practices the Director of A.P.A. succeeded in defining technical arrangements allowing the shepherds to use raw milk. This technical step resulted in the creation of a Slow Food Presidium, with the financial support of various institutions, such as the Chamber of Commerce. Later on, the Director of A.P.A. promoted the creation of the 'Consortium of Pistoia Mountains and Valleys', whose members are shepherds. The shepherds who entered the consortium are supported in marketing activities. Through that they can participate in local fairs as well as in Slow Food events (about 50 fairs per year). By distributing the cheese in restaurants and in agri-tourism units and by developing national and international commercial circuits it was possible to give continuity to the traditional direct selling.

This case-study presents various similarities with the Swiss case study 'Rye bread of Valais': survival of a traditional product in a mountainous area, problematisation by external actors with a low involvement of the producers at the beginning of the initiative, necessity to aligning techniques to build a common code of practices, answering to a consumer demand outside the region pushed by an external organisation ('Slow Food' in Italy, the 'association for the promotion of the PDO-PGI products' in Switzerland), enlarging commercial circuits to connect to national markets. The Italian initiative - with the support of the Slow Food association - seems to be very efficient concerning promotion aspects, to develop notoriety and symbolic capital outside of the region.

2.1.7 De Hoeve BV pig-meat (NL)

De Hoeve is a newly built and still small scale pork supply chain which includes (in 2004): 'De Hoeve' Ltd. owned by the two initiators, 16 pig producers organised in an association, a slaughterhouse, a meat cutter and wholesaler and 26 high quality butchers, operating under the *Keurslager* hallmark, in the province of Brabant. 'De Hoeve' functions as chain director and is responsible for the overall management of the supply chain. This entails among other things commercial transactions: the weekly purchase and sale of 900 pigs produced according to the criteria of the *Environmental certification label*. Setting up a short regional supply chain for certificated fresh pork that meets specific requirements (logistics, technical quality)

of *Keurslager* butchers, has not only resulted a more transparent FSC but also in a more efficient one. The extra value added generated by cost reduction, with consumers prices equal to conventional FSC, is redistributed among all chain members. All chain members profit from the new FSC.

De Hoeve pork supply chain has emerged in response to negative side effects of the conventional marketing strategy: the weak position of farmers, environmental pollution and increasing legitimacy problems. In a bottom up and step by step approach, starting with a range of connected technical innovations developed by a farmer that reduced environmental pollution significantly, the initiators developed a new supply chain for environmental certified pork. Subsequently they extended the strategic alliance with chain partners and created a *new market outlet* for this certified pork, implying a *new division of roles* and *new agreements* with regard to pricing, logistics and production.

The capacity to mobilise a strong support network, a shortening of supply chain and mutual sharing of knowledge, information and experiences turned 'De Hoeve' into a successful initiative. All partners benefit from the created efficiency and extra value added what results in a more stable supply chain. Societal legitimacy and support for the initiative was created by mobilising societal organisations and have them involved in the development of sustainability indicators and better environmental and animal welfare performances in comparison to the conventional pig-meat supply chain.

The 'De Hoeve' pork supply chain is however still rather small in terms of volume and sales. 'De Hoeve' is also vulnerable because of a *conventional bypass*. Substantial part of the pigs produced by the associated pig farmers is dependent on the conventional market outlet. Furthermore, consumer involvement is still limited. Only the environmental certification of the pork is communicated to consumers, not its origin or special consumer's values.

2.1.8 Dairy co-operative CONO (NL)

The CONO is a cheese co-operative in the North Western region of the Netherlands marketing 'BeemsterKaas'. As medium sized cheese factory (producer co-operative) the CONO developed a niche market strategy as a respond to decreasing cheese sales and returns in the mid nineties. With a new marketing director as leader, the CONO shifted from a production led marketing strategy and high price competition towards a niche market led strategy and branding. 'BeemsterKaas' is their main dairy cheese brand.

In 1995 the CONO started to move from away from a bulk market towards a niche market for high quality cheese. In doing so, it started to influence directly the demand by engaging in marketing activities that address directly towards consumers. Furthermore the CONO established a variety of labels with specific claims and images (grazing cows, the Beemster polder as a UNESCO world heritage) and diversified the outlets for their cheese (from specialty shops to supermarkets). Recently CONO has concentrated on sustaining its market and to explore new innovations in marketing, packaging and quality control, for instance to find a scientific basis for ensuring milk quality.

Currently (2005), 650 farmers are members of the cooperative. Most of them are based in the Province of North Holland of which some are in the Beemsterpolder. The other farmers are based in the Province of Flevoland and Overijssel. The farmers deliver 280 million kg of milk per year which will be processed into 27 million kg of cheese. The milk from the farmers outside North Holland is processed into butter. The total turnover was € 130 million in 2003. Compared to other dairy companies in The Netherlands, CONO is a small player.

The potential for creating added value or a premium price at consumer level has increased significantly after CONO has taken up BeemsterKaas as its main label and started to control marketing activities themselves. They succeeded to create a price differential with factory processed Gouda cheese of almost 20%. The value added at producer level becomes evident in the yearly comparisons and analysis of milk price listings of Dutch dairy cooperatives.

These listings show that for the past five years CONO was able to pay the highest milk price to its members. Although in terms of turn over and production CONO is one of the small players in the Dutch dairy sector, they demonstrate that active chain involvement, quality production, higher profit margins and high producer prices can be obtained in a market that is under strong pressure by international competition.

2.1.9 Public sector food procurement (Cornwall Food Programme, CFP) (UK)

The start point of the network that was to develop into the Cornwall Food Programme (CFP) can be traced back to 1999, when the then catering manager of the Royal Cornwall Hospital (RCH), Mike Pearson, began to problematise the issue of hospital food provision within Cornwall. He believed in the high quality of Cornish food and was concerned to retain the potential benefits associated with 'localising' hospital food procurement within the county of Cornwall, in order to help counter its geographic peripherality and economic marginalisation. Concurrent with these early ideas, were catering capacity considerations at the RCH, huge seasonal fluctuations in the demand for local food produce associated with tourism, and a patient writing indignantly about eating sandwiches from the north of England. This led to the commissioning a feasibility study (FS) to explore the options for future catering needs at the Royal Cornwall Hospital Trust (RCHT) with the possibility of extending this to all five Cornish New Health Systems (NHS) trusts. The FS recommended building a Central Food Production Unit (CFPU) on a dedicated site. This proposal appealed to a range of external stakeholders to get engaged.

The next phase of network building revolved around how to take the outcome of the FS forward, which involved two main issues. First, developing a local food supply chain. Second, generating support for the investment needed to build the CFPU. The appointment of a Sustainable Food Development Manager in 2004, with a brief to identify sources of local and organic produce and to facilitate collaboration and the linking up of existing supply chain actors in the region, has considerably increased the supply of local and organic produce to the CFP. At the same time, the CFPU had to be planned. As funding has now been secured for the CFPU, it hopefully will for open in April 2007.

Critically, the two main strands of the CFP are completely interdependent: one cannot work without the other, at least not on the scale proposed. If funding is not forthcoming for the CFPU, the CFP will be unable to extend the RCHT model to include the whole NHS in Cornwall. Similarly, if it proves impossible to get sufficient producers and suppliers to participate in the network, they will be unable to source the volumes required, and will need to continue sourcing the majority of their food supplies from outside the county.

The main *positives* of the CFP are: it has widespread support at a local, regional and national level; access to Objective 1 funding; enthusiastic, dynamic and charismatic individuals involved in the initiative; with the large-scale funding now a realistic possibility, it has the potential to provide a large-scale boost to the sustainable rural development of Cornwall. The main *negatives* of the CFP might be: an over dependence on dynamic and charismatic individuals, as well as on Objective 1 funding; it has considerable potential, but is highly dependent on the successful completion of the CFPU.

2.1.10 Procurement of local food by supermarkets (UK)

This case study is built around a local sourcing initiative of one particular UK retailer — the Co-operative Group. It is centred on an area in South-East England where the development of local food initiatives has lagged behind many other regions in the UK, despite the area's reputation as the 'Garden of England'. The key question that the case study seeks to address is 'how important are UK supermarket initiatives in the procurement of local food for the sustainable development of rural economies?'

The objective of the Co-op' local sourcing initiative was to find an efficient and effective process for sourcing an initial target of thirty local or regional products. Whilst the objective is devoid of any reference to sustainable rural development or benefits to any stakeholders other than the Co-op and its shoppers, it is important to note that the Co-op's overall retail strategy has a strong emphasis on ethical retailing, responsible sourcing, and corporate social responsibility in general.

For national procurement and distribution networks, the new challenge of local sourcing reveals the contradictions and strains inherent in creating local embeddedness. In the case of the Co-op supermarket, there was a predisposition to interpret 'local sourcing' as the stocking of a limited range of retail-ready local products – mostly highly processed niche 'craft' products such as preserves – rather than localise the infrastructure of bulk procurement of mainstream meat, fruit and vegetable categories. Cooperative Retail in the UK (in common with all multiple retailers) has a centralised buying policy. The tensions of localising a national procurement structure were obvious.

The result of the strong limits and the centralised buying policy were that Co-op failed to find the aimed 30 local products. Comparing this initiative with other national initiatives but also international examples from Italy, it has to be stated the following.

To develop a local and regional food offer which goes beyond a low-level 'catch up' exercise, and which re-establishes Co-operative Retail as a locally embedded national retailer, it could be necessary to regionalise parts of procurement, and empower store managers, through devolving some responsibility to them at regional and store level. It should be taken into mind, that supermarkets should complement rather than replace Farmers Markets and other existing channels for local food.

2.1.11 Latvian Association of Meat Cattle Breeders (LAMCB) (LV)

Latvian Cattle Breeders Association (LAMCB) was founded in 1998 uniting 64 members – among them the state farm 'Vecauce' (study farm of Latvia University of Agriculture), organic farmers co-operative 'Zaube', a biological slaughterer, a number of small farms (3-4 suckling cows), as well as larger farms (about 20-40 suckling cows). The total number of farm animals within the association LAMCB exceeds 2500 cattle. Objectives of the initiative were among others to produce high quality beef for the local market, to acquire new export niches, to create new employment opportunities for rural population and to organise an environmentally friendly beef production in order to stop the depopulation of the rural areas.

In 2001 LAMCB became member of the Co-operation Council of Agricultural Organisations (LOSP) and started in 2002 to purchase animal measurement equipment and scales on their own. In 2002 and 2003 the Latvian Ministry of Agriculture (MA) and the Danish Ministry of Foreign Affairs funded an association's project devoted to the elaboration of a pedigree cattle register in accordance with EU regulations. This project enables the association to keep pedigree cattle records and control respective operations. The Ministry (Ma) also subsidised the operation of the association. So pedigree related services of LAMCB can offered for half of the price to its members. In 2005 the association counted 102 members.

To support the sales of beef of the members, in 2004 LAMCB founded the co-operative 'Laidars G'. The main tasks of the co-operative are to organise meat cattle purchasing and the export of animals and beef.

LAMCB and also the new founded co-operative 'Laidars G' started their activities in a quite difficult environment. Cattle breeding in Latvia is still very traditionally with breeds that are used for dairy as well as for meat. Special meat cattle breeds have not been usual. The consumption of beef is very low. Consumers are more used to the (even cheaper) pork. Beef has mostly been processed into sausages. And, extensive cattle breeding technologies are quite new in Latvia.

Against this background, it is understandable that the co-operative 'Laidars G' still has to struggle to increase the amount of sold animals and beef, to achieve the objectives of their initiative.

2.1.12 Rankas dairy (LV)

The case study of Rankas Dairy illustrates the performance of regional dairies as they try to scale up and to consolidate in the dairy chain. In particular, it investigates the adjustment of regional dairies to the transformations in the dairy sector which is determined by market pressures and enforcement of EU regulations. As such, the case focuses on transformative processes in food supply chain from the perspective of processors.

The dairy Rankas Dairy was established in 1993 when the state owned milk company Valmieras Dairy, of which Ranka dairy was a branch, was privatised within the general privatisation process in the country. The joint stock company Rankas Dairy was founded by 69 dairy farmers from the nearby municipalities and employees. Rankas Dairy became the seventh largest dairy in Latvia.

In the beginning of the 1990s at its start up, there can be identified four major up-scaling adjustment strategies manifested in the case: (1) product development - including 'healthy', 'organic', 'sustainable', 'quality labelled' products, marketing – (2) development of new distribution channels and communication to consumers, organisational consolidation – (3) accumulation of resources and, lastly, reshaping of local connections – (4) strengthening of local networks and bonding capital.

Although the dairy stresses and incorporates sustainability elements in its performance, still there are the economic elements of sustainability - like technological modernisation, investment, concentration of production, and new market channels - that dominate its up-scaling strategy. This situation reflects and corresponds both to the limited understanding of sustainability among the food chain members and the limited market for sustainable products.

However, social and ecological aspects are present. Especially, there is demonstrated the role of social links and social embeddedness in company's development. Rankas Dairy is a regional dairy and quite rooted in the local situation – it continues the regional milk production tradition, develops links with regional rural development actors and contributes to local social life.

The case illustrates the necessity for changes in the organisational nature during up-scaling process. Rankas Dairy has implemented a power consolidation strategy where the leader is keeping and expanding control over the whole organisation and production processes, whereas farmers – especially the small and medium ones – have not a great influence on decision-making process. The scaling up process of the dairy has been accompanied by an effective use of available public support – financial, consultancy or legitimation – which has been especially crucial at the start-up of a new initiative. It also allows the introduction of innovative elements in former conventional performance. Such a support reduces the related risks and shapes a more favourable environment for the initiative. The case illustrates that besides the availability of public support it is also the capacity of organisation – embracing its financial and human resources, infrastructure, social links etc. – that matters to make use of it.

All together the case illuminates the crucial milestones of sustainable chain development during transition processes in post-socialism transition country.

2.1.13 Rye bread of the Valais (CH)

The Valais region is a mountainous Swiss region, which is very well-known for its sunny climate, the diversity and the beauty of its landscapes and its quality of life, linked to a basket of typical artisan food products (such as wines, cheese, dry meat, fruits). The valley of the

Rhône forms the central axis of the region, which is enclosed by mountain ranges at an altitude of more than 4000 metres. Tourism is nowadays the first industry of the region.

For centuries, the valaisan peasants lived in virtual self-sufficiency. Bread was made from rye, the only flour-bearing cereal adapted to the rigours of the alpine climate. The peasants could take the great loaves with them on their migrations with their cattle from the valley to the mountain pastures. Those days are gone but the rye bread of Valais is enjoying a revival, which is linked to changing fashions in eating habits and the importance attached to whole traditional cereals in a healthy and balanced diet but also to an exemplar construction of a regional collective organisation.

The initiative was launched in 1997 by a discussion group that gathered the two regional mills, two bakers of the Valais region (delegates of the regional bakers' association), the director of the Chamber of agriculture and a high rank officer of the Ministry of agriculture of the Valais canton. At this first stage, there were no producers in the discussion group. The objectives of the initiators were quite different. The bakers were looking for a differentiation from the big retailers' supermarkets (which have important bakery departments and a high market share in the sector). The mills, which are producing different types of flours for the national market, thought that diversifying to special rye flour would improve their competitive position against their main competitors. The regional institutions were eager to help the regional enterprises to survive and were also worried by the quick decrease of the rye production in the region, with a high risk of decline and disappearing of the traditional production of rye bread. An inter-professional association was built-up in 2001.

The initiative was a success and currently counts 40 producers, 2 mills and 48 regional bakers. It was registered as a PDO in 2004, despite strong oppositions from competitors who are selling industrial versions of the product. It is now facing a crucial scaling-up challenge, due to a high demand from consumers outside the production region. The entrance in the PDO alliance of the retailers' regional bakery units may change the spirit of the initiative and lower strong positive effects on rural development.

2.1.14 NaturaBeef (CH)

The case study of 'NaturaBeef' demonstrates an initiative that already exists for more than three decades. In the 1970s, there were regular problems with an oversupply of milk, a research project was initiated to introduce the suckling cow system, as a way of taking grass land out of the milk production. A group of 30 farmers started producing cattle with meat as the primary production 'objective' through the suckling cow system and was followed by a research team. This led to the development of the ASVNM (or Suisse Association of sucker cow breeders) in 1977, whose primary objective was to develop exchange between its members, maintain a common herd-book and find marketing channels for this type of production. Until now, ASVNM was able to maintain the position of unique organisation for the trade of suckling beef in Switzerland.

The initiative has considerably scaled-up with presently 3775 producers members. In the 1980s, the initiative recognised the need for a label to find its place in the market. The name NaturaBeef was chosen and more or less concurrently a strong partnership with the Swiss retailer COOP was established. At COOP the beef is sold with the retailer's private label Naturaplan. All partners in the initiative (producers – traders – meat companies – abattoirs) must be approved and respect a specific code of practices. Assets specificity is very high for producers, because the production process leads to higher production costs.

In the beginning of the 1990s the sales of beef through COOP came into a "consolidation process", but the number of producers in the association was still increasing. This pressed for developing new marketing channels. In 1996 the ASVNM decided to invest in a new market for higher quality beef. They created a partnership with five local "artisan" butchers to develop a production standard that could respond to higher quality needs of the consumers. On this basis, the label "SwissPrimBeef" was developed.

Finally it can be stated, that the initiative has a long history and many successes over the years. It has reached a national dimension and has had a strong growth until now. Therefore it is a good example for other cases, how initiatives may develop over a long period.

3 Comparative analysis following six core themes

The comparative analysis of the 14 case studies concentrates on six core themes that have been defined at the Martigny meeting in Switzerland (November 2004). The themes are:

1. Commercial performance and distribution of value added.
2. Marketing (actions) and communication.
3. Public support (kind, significance) and other types of intervention.
4. Nature of organisation, self-governance and changes during scaling up.
5. Impact on the rural economy and rural assets: connections with rural development.
6. Embeddedness, local networks and locality.

Each core theme is presented in three to five sections, each of them describing one aspect of the theme by a particular indicator. Each indicator is influenced by several factors. The key factors will be discussed and depicted by examples from the case studies. The factors are in most cases no single factors that only influence one indicator. They have interrelations with other indicators and also with other themes. Already at this point it has to be mentioned that linkages between themes exist; if an initiative is not well embedded, it has in general also no commercial success. On the basis of this comparative analysis recommendations for future initiatives can be derived.

3.1 Commercial performance and distribution of value added along FSCs

The success of a sustainable food supply chain can, among other things, be measured by means of commercial performance and the distribution of value added along the FSC.¹

Particular questions arising in this context are:

- Has market power been a hurdle for successful development and commercial performance of sustainable food supply chains, e.g. because it has reduced the initiative's credibility among consumers?
- How has the distribution of market power changed along with the initiative? Which kind of relation exists between changes in market power and credibility (loyalty, involvement etc.) among consumers?
- What are the strengths (and weaknesses) of the FSC in terms of commercial performance and distribution of value added along FSCs? Are there common patterns?

There is consensus in the case study reports that the commercial performance of FSCs is strongly influenced by the size and the marketing position of an initiative. Classic indicators for the characterisation of commercial performance are the relation to the reference market, the size and growth of the initiative, the attractiveness for the market and the competitive position of the initiative.

¹ The value added is defined as the difference between the performance or output of an economic unit and the goods and services necessary for its production (value added = performance - intermediate inputs). Performance is the valued output of production (sales revenue +/- change in stock). Intermediate inputs are goods and services from external sources which are consumed during production, including materials delivered and services obtained, except the factor 'work'. The latter is, together with the factor 'capital', subject of the value added.

In order to answer the questions raised above in a more structured way, the following indicators characterising the commercial performance and distribution of value added were identified:

1. Potential for creating value added (VA)
 - a) Price premium at consumer level
 - b) Variation (Δ) of the value added (VA) at producer level
2. Market share
3. Degree of market differentiation

3.1.1 Potential for creating value added

In most of the case study reports questions are raised regarding the generation of value added, its distribution and related issues:

- Who pays for an increased value added and how is this negotiated, fixed and communicated?
- Who pays for intermediary costs and how is this negotiated, fixed and communicated?
- Who pays for the coordination between consumers, producers and commercial organisations (transaction costs)?
- Who carries the (economic) risks of the initiative?
- Which kind of effect does scaling up of the initiative have on the influencing factors and the generation of value added, its distribution and related issues?

Information is available from individual initiatives.

- a. The price premium expressed in % of the retail price of conventional products indicates whether the initiative is able to actually sell a higher value product in the market place (as compared with similar conventional products).
- b. The variation of the Δ value added (VA) at producer level is preferably assessed in quantitative terms, e.g. as price premium per product unit. A higher VA can be reached by higher consumer prices or by improving chain efficiency.

The difference between the price premium at consumer level and the price premium at the level of the producers can serve as an indicator of how VA is created. The question of the redistribution of value added along the chain can be examined along the same lines.

a) Price premium at consumer level

As the case studies show, it is necessary to have a well-conceived marketing concept to achieve a price premium at consumer level. Examples of cases where the marketing concept aims, among other things, at the appreciation of the region and/or the production methods ('code of practice') are the case studies of the CONO dairy (NL), the Raw milk sheep cheese (IT), the Rye bread of Valais (CH) or the Uplaender dairy (DE).

In the case of CONO dairy (NL) the BeemsterKaas produced has a price premium which is about 10-20% above the price of regular Gouda type cheese. Consumers are willing to pay more in order to maintain the 'Beemster polder' region (UNESCO world heritage) and to support the grazing cows production system and because of the 'semi-artisan' processing which is not completely automated and industrially standardised.

Consumers of the Rye bread of the Valais (CH) pay about 45% more than for basic white bread. They are disposed to pay the premium because of fashion for whole flour breads. Buying the artisan processed bread, a local food product with a strong identity, they also back up the local industry (two mills and more than 30 bakeries)

As the consortium of the Raw milk sheep cheese (IT) producers was able to organize and open up new marketing possibilities (e.g. higher consumer price achieved by sale at fairs) they can realize a premium. Compared to the conventional (traditional) chain, where the cheese is sold directly on farm or through the local retailers, the premium price within a fair or 'manifestation' could reach a premium up to + 58% (+ 3,50 €/kg).

Consumers pay 0,89 € for one litre of milk from the Uplaender dairy (DE). The mean price difference between conventional and organic milk (and other milk products) is about 41%. Consumers are willing to pay the higher price because by purchasing Uplaender milk they contribute to a fair payment of farmers and thus support the maintenance of the cultural landscape of the 'Upland', a region characterised by agriculture (especially grassland).

Also in the cases of NaturaBeef (CH) and the Tegut supermarket chain (DE) with its sub-company 'Rhoengut' (organic beef production), the 'philosophy' of production and retailing is recognised by the consumers in the form of paying a higher price. This was achieved by long term and efficient marketing (see also Ch. 3.2).

The NaturaBeef (CH) initiative profits from an integration into the well-known and well-marketed 'Natura-Plan' brand of COOP Swiss. The NaturaBeef label is owned by the producers, a fact recognised by the consumers by paying a price premium. The alliance with COOP created access to the national market.

The Rhoengut (DE) company can sell their organic meat products at a price 20% higher than for comparable organic products sold by other conventional retail chains and 90% higher than for comparable conventional 'Tegut' products. This is the success of excellent marketing and understanding of consumers' demands. In the communication for the product, three arguments are used jointly: organic, regional, delicacy.

Initiatives where an appreciation of the product (or the idea / concept) predominates (product differentiation) and paid with a premium are, e.g. the case of CAF (IT) (organic beef), the Tegut supermarket chain (DE) with its sub-company Rhoengut as well as the cases organic milk production of Biomelk Vlaanderen (BE) and Uplaender dairy (DE). This is because consumers highly value the environment-friendly production methods and the expected sanitary and nutritional benefits.

In the case of CAF (IT) the price premium is about 27% above the price of national conventional meat and up to 53% above that of imported conventional meat. Compared to imported organic meat the price difference is about + 30%. A comparable situation was already introduced with the German Rhoengut company. For Biomelk Vlaanderen (BE) it is stated that the average price for organic milk is about 1,10 € whereas the average price for conventional milk is about 0,75 €, and for the organic products of Uplaender dairy (DE) consumers pay a mean price difference of + 41%² in comparison to conventional products.

Cases in which there is no price premium at consumer level, but where a 'win-win-situation' is created between two different actors, are the case of De Hoeve (NL), the Cornwall Food Programme (CFP, UK) and Westhoek farm products (BE).

In the Cornwall Food Programme (CFP, UK) products have been made marketable that otherwise are of no or very low retail market value, e.g. because they are not conforming to weight and shape standards. Such products now find an outlet in the CFP hospital kitchens. Both sides profit from the situation: The CFP is able to buy products at an affordable price, and producers are able to sell products that would otherwise have no commercial market outlet (and indeed might even end up as waste). In addition, relatively longer term contracts are negotiated.

² Average prices for the broad range of conventional German milk products vary widely. E.g., the price for one litre of milk ranges from 0,45 €/l to 0,89 €/l. The price of the organic milk of the Uplaender Dairy is also 0,89 €/l.

The Dutch pig-meat case also profits from a win-win-situation. The initiative is based on the capacity to create alliances and make good arrangements between chain partners. The food supply chain in this case is very short so that it is possible to have a consumer price without a premium but a premium at producer level instead. As the speciality butcher shops compete with supermarkets, their strategy is to bind consumers by freshness, quality and trust in the product.

The direct sale of farm products in the Belgian Westhoek region is also characterised by a very short chain (only producers and consumers) allowing to forgo a price premium.

In the cases of the Rankas dairy (LV) and the LAMCB beef meat (LV) there is no price premium. On the contrary, the products face a highly competitive market situation in their country and demarcation against national and international competitors is lacking. At the moment it is more important to get market access at all than to have a price premium. The situation is even more severe in the beef case as beef is a less popular consumer good in Latvia and consumers' purchasing power is relatively low³.

b) Δ value added at producer level

One of the factors creating a higher value added is an 'improved' chain particularly in terms of efficiency. As is demonstrated by De Hoeve (NL) and Westhoek farm products (BE), shorter chains encompassing a smaller number of actors are in a more favourable position because it is simply easier for them to create an internal coherence.

In the case of De Hoeve (NL) efficiency could be improved by shortening the chain. This resulted in saving costs, a better coordination along the whole chain and in having a surplus of 0,04 € per kg fresh meat at producer level. In case that butchers' quality criteria are met, additional payments can be achieved.

Direct sale from farmers to consumers, as for instance in the case of Westhoek farm products (BE), often means that the farmers get a higher price for their products than they would have reached by selling them to a wholesaler. But as mentioned before, farmers have to calculate their costs properly in order to assess if their activity is cost-covering or if there is a need to increase consumer prices.

An elaborate strategy may lead to functioning and diversified channels of distribution allowing to pay a price premium to the producers. This situation can, for instance, be found in the cheese cases of CONO dairy (NL) and Raw milk sheep cheese (IT), the cases of Rye bread of Valais (CH) and Tegut supermarkets (DE).

CONO dairy (NL) producing the BeemsterKaas has established a well-functioning distribution system, mainly delivering to speciality shops. Another very important pillar of distribution is export (mainly to Belgium and Germany), and a recent development to additionally sell in supermarkets compensates for decreasing sales in the speciality shops. The solid distribution channels allow the CONO dairy to pay a price premium for milk to the farmers (compared to larger dairies like Campina or Friesland Coberco).

As the consortium of the producers of Raw milk sheep cheese (IT) was able to organise and open up new commercial possibilities (e.g. higher consumer price achieved by sale at fairs) they can realise a premium. Compared to the conventional chain, where the cheese is sold within the traditional commercial channels (at farm level or to the local retailers), the premium is + 58% (+ 3,50 €/kg).

The channels of distribution of Rye bread of Valais (CH) are quite solid with regard to small local bakeries which participated in the establishment of the PDO rules. The distribution channel existed before the introduction of the product. A price premium for local rye (compared to the conventional bakery wheat market price) was necessary to motivate farmers to change to rye production.

Marketing competence and chain control are factors of the Tegut supermarket chain's (DE) market success, enabling the retailer to pay a price to producers which is on average about 20% above the conventional price.

³ Meat is still a relatively expensive food.

Another strategy is to build a strong network which leads to a powerful marketing and finally to a high degree of recognition of the product or the brand. This can be observed, for instance, in the cases of Uplaender dairy (DE) and Raw milk sheep cheese (IT).

The strong network, together with a powerful marketing strategy (attractive package design, a clear reference to the region of production and compensating for lacking financial resources for conventional advertising, e.g. by gaining public attention for sponsoring regional events), which was constructed around the Uplaender dairy (DE) (shareholders are the farmers' co-operative, NGOs and private regional investors) gives the dairy a stabilised and self-confident position in negotiation with retailers and wholesalers. The good name recognition which was achieved through effective marketing now facilitates market access.

Also the network around the production of Raw milk sheep cheese (IT) is able to build new marketing strategies, by connecting to larger networks, which give new opportunities to the local production system to maintain their specificities and, at the same time, to improve their commercial performance. As matter of fact, selling the product at particular fairs like the local "Show of Pistoia Shepherds' Products" the "Shepherds' Fair" and the international "Hall of Taste and Cheese" (organized every two years by Slow Food in Turin, Italy), has provided the possibility to increase price paid to producers and to valorise the value capitals at the basis of the cheese production.

An increased value added at producer level can also be the simple result of a reliable and well-functioning chain. A continuous delivery of 'raw materials' to the processing unit and of products to the retailer in such cases often corresponds with a more continuous payment for the goods through processors and retailers. Positive examples are the case of the Cornwall Food Programme (CFP, UK) as well as the dairy cases of Rankas dairy (LV) and Uplaender dairy (DE).

Within the Cornwall Food Programme (CFP, UK), it is important to develop reliable networks of producers that can supply the year-round demands of the hospitals.

As already mentioned, the producers delivering milk to the Rankas dairy (LV) do not receive any premium, but for them it is already a big advantage to get paid regularly at all which is not the case with other dairies collecting milk in that region – even if they promise a higher price.

In the case of Uplaender dairy (DE) with the milk-delivering farmers as shareholders of the dairy it is important to have transparency and an efficient task sharing in order to keep up trust in the chain established and the network created.

The VA at producer level obviously relates too to the product itself. Producers are likely to benefit from compliance with quality requirements in the form of higher producer prices, as is demonstrated by De Hoeve (NL) and Tegut supermarkets (DE), for example.

Similarly, compliance with production standards is likely to be remunerated with a price premium at producer level. This could be observed in particular in cases of organic production like at Biomelk Vlaanderen (BE), at Uplaender dairy (DE) and supermarket cases or PDO products like Rye bread of Valais (CH) and Raw milk sheep cheese (IT). But also with less strict standards, like in the case of BeemsterKaas (CONO dairy, NL), producers may obtain a price premium. Important in this context is the surveillance or the control of the compliance with the productions standards. Only then consumers may trust in standards.

One case where the accession to the European Union has led to a higher producer price is the LAMCB (LV) beef case. Since the country started its preparations to join the EU, many economic and political factors have changed. This resulted, among other things, in higher producer prices in the agricultural sector.

3.1.2 Market share

The market share expressed as a percentage of the national volume supplied (alternatively as a percentage of total sales) can be related to the following aspects:

1. size of enterprises and growth in number of producers and/or volume supplied or
2. relative market share of the type of food product examined

In the following it is tried to summarise the key factors influencing these aspects.

A strong relationship between the producers and other actors within the food supply chain seems to play an important role regarding (increases in) market share. This type of 'strengthening of the chain' can be observed, in particular, in the cases of CONO dairy (NL), NaturaBeef (CH), the Raw milk sheep cheese (IT) and Westhoek farm products (BE).

CONO dairy (NL) was able to register a growth in turnover of approx. 10% (up to € 130 million/year) in the years 2000 to 2003. In 2003, the production volume was 280 million kg milk or 27 million kg cheese. CONO has the advantage of a very good relationship to the wholesaler selling the cheese to speciality shops.

In the case of NaturaBeef (CH) the co-operation with the national COOP Swiss supermarket paved the way to increase the number of farmers participating as well as the amount of meat produced. Within 25 years the number of farmers keeping suckling cows went up from 30 to 3500 NaturaBeef farmers plus 1800 SwissPrimBeef farmers. The annually produced 5.500 tons of meat amount to 12% of the total national home consumption of beef (and 6% of the total beef market).

The Raw milk sheep cheese (IT) is traditionally retailed within the region of production (accounting for about 80% of its distribution). The motivations of why consumers buy the cheese directly from the producer because of taste and pleasure (42,5%⁴), but also because of the wish to maintain the tradition and character of the territory (25,0%). Besides that, for consumers, it is the opportunity to actively engage in a more direct relationship with the food they buy, which includes having a human-level relationship with the producers. On the other hand, thanks to the Slow Food activities, producers have enhanced their skills to talk about the production methods employed, and more in general, about the values beyond their cheese. Usually the development of such relationship based on trust with producers gives consumers more confidence in the food they are buying.

Also in the case of the Westhoek farm products (BE) direct sale implies a positive and strong relationship between farmers and consumers. The number of farmers participating in the initiative has increased from 12 to presently 22 farmers. Although it is very difficult to estimate the market share (as it is only marginal in comparison with the national food market), it can be stated that the number of products and the amount sold have increased substantially since the start of the initiative.

The creation of new distribution channels is another important factor influencing a product's market share. In the case of Uplaender dairy (DE) the quantity of organic milk processed could be increased regularly by gaining new trading partners (organic production grew from 1 million in 1996 to 14 million kilograms in 2004). The most important trading partners for conventional milk and milk products are the German Rewe retailer (number two in the top 30 ranking of German retailers) and regional milk self-collectors (regional gastronomy).

Factors concerning the activities within the initiative are a coherent management conception (e.g. the Dutch pig-meat case, the Swiss beef case, the Latvian dairy case and the German dairy and supermarket cases), the prominence and degree of 'familiarity' of the brand (e.g. the Swiss beef case and the Italian cheese case) and a clear profile and clear commitments, for instance, linked to a region (applying to the two German cases).

A coherent management conception starts with common objectives that are formulated jointly and communicated clearly to all chain actors. Shared objectives are likely to create cohesion among actors from different levels of the chain (e.g. producers, wholesalers, retailers).

⁴ The percentage refers to a survey carried out within the framework of the case study.

A coherent management conception can be found in the case of the De Hoeve pig-meat (Netherlands), where the butchers' objective, certain product quality standards, was successfully translated to all other actors (among them the management board of De Hoeve Ltd. and the producers).

In the Swiss beef case the COOP supermarket agreed upon common objectives with the association of suckling cow breeders. This agreement (creating cohesion of the chain) allows producers to meet the (quality) demands of the supermarkets.

Both in the case of the Latvian dairy and in the case of the German supermarket chain, there are strong leaders with clear visions of how to succeed who were able to establish a chain management with specific objectives accepted by all other chain actors.

In the case of the German Uplaender dairy a coherent management conception can be found as well, but not because of the vision of one leading person, but more because of a well-planned strategy which was the result of discussions among several chain actors (including the farmers, who are members of the co-operative).

Prominence and degree of 'familiarity' of the brand can be reached when the promotion of the product, e.g. bread in Switzerland and cheese in Italy, is integrated into the overall marketing strategy. Thus, the products reach a relatively high 'familiarity' among consumers, as surveys about the 'familiarity' of brand names reveal.

A clear profile and clear commitments - for example milk from the German 'Upland' region and products from the 'Rhoen' region sold by the Tegut supermarket chain - as part of a marketing and communication strategy also remarkably contribute to market share.

This likewise applies to the differentiation of the product (like in the Swiss case of rye bread, the Dutch case of BeemsterKaas, the Belgian farm products of Westhoek and the German case of Tegut supermarkets). Only if an initiative is able to create a clear product differentiation making it more interesting or increasing its utility for the consumer it will be bought. The support of an environment-friendly production system, for instance, can be such a factor to motivate consumers to choose a certain product. In most of the cases product differentiation was successfully created.

The market share can be positively influenced by the product itself, by fulfilling quality requirements (like in the Dutch pig-meat case of De Hoeve, the Swiss case of NaturaBeef, the Latvian dairy case of Rankas Dairy and the two German cases, Tegut supermarkets and Uplaender dairy) and by a permanent and reliable supply of high quality (UK: CFP; CH: beef). Only if the quality expected by the consumer or the processor is delivered there will be a continuous demand. This can for instance be observed in the cases of the Dutch pig-meat production, the Swiss beef production, the Latvian and the German milk production and the German supermarket case. These factors are particularly crucial in the case of the Cornwall Food Programme because of hospital kitchens' need of reliable supply.

Another factor, not mentioned explicitly in the case studies but also of importance for the development of the market share, is a solid policy framework. It is a precondition of the realisation of long-term strategies and encourages chain actors to develop new ideas (see also Ch. 3.3).

Besides factors having a positive impact there are factors negatively influencing the market share which will be described in the following paragraphs.

High production costs – with respect to comparable products – combined with a weak market position are likely to result in a product's low or shrinking market share. In the Belgian case of organic milk production the collection of the milk is very cost-intensive due to great distances between the individual farms. Imported organic milk can be bought at a lower price by the processors. The Italian organic meat production case in Italy has to compete with conventional meat production within the own co-operative. Organic production is more cost-

intensive, but as the conventional meat is already sold as a high quality product, it is difficult to find consumers who are willing to pay another price premium for the fact that it is 'organic'.

The Italian example leads over to the factor of very low (or missing) product differentiation. From the angle of the consumer the Italian organic beef does not differ much from local labelled food produced within the same co-operative as both are high quality, animal friendly products. There are similarities to the case of conventional beef production in Latvia regarding the problem of convincing consumers of the product's benefits making it worth a higher price. The organically produced milk in Flanders (Belgium) actually does not differ from imported organic milk. This problem could be solved by finding an appropriate outlet where the fact that the milk is produced in Belgium, respectively the Flanders region, will be recognised by a price premium.

A factor specifically found in the new EU member states like Latvia is the lack of purchasing power. Consumers there spend a much higher percentage of their income on food than in the other countries looked at in the case studies.

Latvian producers have to face the situation of an insecure governmental support which makes it difficult for them, but also for processors and retailers, to develop long-term strategies to improve their market position.

3.1.3 Degree of market differentiation

The degree of market differentiation is a key factor for commercial performance and also for the distribution of value added along FSCs. It is characterised by the type of market the initiative is operating in. We need to distinguish at least between: a) the highly competitive market for mass products (no differentiation), b) the medium competitive market segmented by branding (medium differentiation) and c) the low competitive market protected by certification like PDO / PGI (high differentiation). For each of these types, different factors are influencing the degree of market differentiation.

In the following table the 14 case studies are categorised according to their competitiveness in the market.

Table 2: Cases by degree of differentiation of their market environment

Highly differentiated market (certification like PDO / PGI)	Medium differentiated market	Low differentiated market
CH: rye bread IT: raw milk sheep cheese	BE: Westhoek farm products CH: beef meat from suckling cows DE: dairy (Uplaender) NL: pork NL: CONO cheese	BE: bio-milk IT: beef meat (organic) LV: Rankas dairy LV: beef meat UK: Cornwall Food Programme (CFP) ⁵ UK: supermarkets DE: supermarket

Source: Own compilation

⁵ "Assessing the commercial performance of the CFP is problematic, in that it is not primarily concerned with commercial outputs. Although the provision of hospital food takes place in a highly competitive market, the CFP is developing a system of provision that is sufficiently distinctive from the norm, that in a sense it has no direct competition: as least, not yet".

By PDO registration, the Swiss Valais rye bread as well as the Italian sheep cheese obtained a high product differentiation in the market. Only producers conforming to the specific PDO rules are allowed to use the corresponding label.

By using own production standards (like the 'Green label' in the case of the Dutch pig-meat production) or by co-operative production and sale (e.g. the Belgian 'Westhoek' farmers, the 'Uplaender' dairy farmers, the Swiss suckling cow farmers or the Dutch dairy farmers) initiatives reached a certain level of product differentiation in the market. The brands established by the co-operatives distinguish their products from comparable products in the market.

The German Tegut supermarket chain has also reached a remarkable position of differentiation in the market for their products. Tegut was able to differentiate from other supermarkets by listing a high percentage of organic products and by emphasising the regional sourcing of many products.

Some of the initiatives are only at the beginning of their development making the assessment of their future market position speculative. The survival of the initiatives is depending on their capacity for finding a 'niche', as can especially be observed in the cases of the Belgian organic milk and the Latvian and Italian beef producers. Although they are associated in a co-operative they have so far not been able to find adequate strategies to make their products more successful (e.g. by finding suitable outlets or by increasing consumers' demand). The Latvian Rankas dairy is in transition to a certain market differentiation due to the fact of 'new' products. An example of a speciality, the dairy tries to enhance its profile with its 'rye bread yoghurt', produced with rye bread from organic agriculture.

3.1.4 Conclusions

Before going into detail of the conclusions, the following table shall give a short overview about the present⁶ commercial performance of each of the 14 case studies.

Table 3: Case studies and their commercial performance

Good commercial performance	Medium commercial performance	Low (or poor) commercial performance
DE: Uplaender dairy DE: Tegut IT: raw milk sheep cheese LV: Rankas dairy NL: De Hoeve pig-meat NL: CONO cheese (Beemster-Kaas) CH: Rye bread of Valais CH: NaturaBeef	BE: Westhoek farm products	BE: Biemelk Vlaanderen IT: CAF organic beef LV: LAMCB (beef production) UK: CFP ⁷ (local food in Hospitals) UK: supermarkets (local food)

Source: Own compilation

⁶ The comparative case study analysis was carried out during Mai and September 2005 on the basis of data that was collected mainly in the year 2004 but also in 2005.

⁷ See footnote Nr. 5.

Cases where it is explicitly stated that significant new or additional value added is created and remains in the region are the following:

- In the De Hoeve pig-meat production (NL) the pig farmers receive a higher margin per kg meat. This higher margin is covered by a cost reduction reached by shortening the chain (sale to butchers directly or only through one wholesaler) and is related to better meat quality. At the same time consumer prices can be kept at the level of that of conventional meat.
- Another case where a significant proportion of the value added directly goes to the farmers is the German case of the 'Uplaender dairy'. One of the marketing activities for its organic milk of regional origin is the so-called '5 cent project' in which 5 cent of the retail price are directly paid to the regional dairy farmers. A more detailed analysis of the regional level socio-economic impacts using the LM3 method is available for this case (GOUNTARAS, 2005).
- The case of the Westhoek farm products (BE) shows that with direct sale at the farm or through farmer shops the value added stays in the region or on the farm. As the chain is very short, distribution along the chain is an issue less relevant. The grouping (classification) into the FSCs (see Table 3) with only a medium commercial performance is because of the undefined profit margin. Farmers have a greater return due to direct selling, but they also have higher efforts which are not always calculated correctly⁸.

Cases with difficulties to overcome regarding value added are:

- The second Belgian case, 'Biomelk Vlaanderen' (BE), is an example where there still is no or only very limited value added. The commercial performance is described as very poor as there is only a small market for organic milk. The problem is aggravated by the fact that there is only a relatively small number of organic producers and the costs of processing organic milk separately from conventional milk are therefore relatively high. The price paid to farmers depends on the amount of milk which is actually sold as organic. Scaling up is considered vital to the initiative, it is a major objective of the 'Biomelk Vlaanderen' actors.
- In the case of CAF (IT) (co-operative of beef cattle breeders) a decreasing premium to organic producers goes along with losses in demand. The most important outlet, a supermarket chain, stopped selling the co-operative's organic meat, making marketing very difficult. In 2004, the price premium received by farmers was still 1 € per kg above the price of conventional meat, but did not cover the higher production costs of organic farming.
- Distribution of market power is not a relevant question in the case of direct marketing (where the farmers hold market power, value added stays on the farm and there is no further distribution as there is no long chain). One example are the farm products of the Westhoek: The chain of the Westhoek farmers is very short, so the value added stays directly at the farmers.
- Various strategies to maintain or increase market power can be found: Gaining new market partners is one of them, e.g. by using of different distribution channels such as direct sale, wholesale, retail, gastronomy, etc. like the Uplaender dairy. In the De Hoeve case market power has increased because of improved know-how, increased trust in the organisation and acceptance of additional functions in the chain. Still dependence on wholesalers and butchers is relatively high. In the Italian raw milk sheep cheese case

⁸ Remark: It is certainly profitable for the farmers (higher price compensate the higher costs), but the main problem is the remuneration of the labour.

producers control the marketing of the cheese and hold decision-making power regarding prices due to direct sale. At the same time they are not able to influence retail prices.

- The farmers' position is clearly strengthened by the delimitation of the area of (the product's) origin and could be further improved by the creation of a corresponding producers' association such as 'Rhoengut'. This is an option for the future for the well-managed and commercially well-performing Tegut supermarket chain to demonstrate the overall philosophy of the enterprise and FSC.
- Producer price premiums: CAF (IT), for instance, pays 20% more to its members than the reference prices for beef. The price differential in the Raw milk sheep cheese (IT) case has not been significant in direct sale since the consortium was constituted, while in the shops outside the area or at fairs it can reach 58%.
- NaturaBeef (CH) is considered a commercial (and lobbying) success and has scaled up considerably. State support is no longer essential as the majority of costs is covered by the association's returns. State support through above-average direct payments to the producers heighten their influence on pricing considerably.
- De Hoeve BV (NL) producers realise better margins by efficiency and meeting the demands of the butchers, but margins along the chain are under extreme pressure from the side of wholesale. Consumer prices can be kept at the conventional level. The 'Green label' is more relevant for the organisation of the chain than for improving commercial performance.⁹ CONO dairy (NL) shows that there is a strong relationship between marketing and performance.
- The Rankas Dairy (LV) dairy provides an example of continuous innovation (in terms of marketing, investment, quality control and product development) improving commercial performance and contributing to scaling up. The development of new and specialised products with potential for high value added (in order to move from mass production towards 'quality' and industrialised niche production), quality control and marketing are considered crucial for commercial success.
- Risk reduction is an important issue e.g. for CAF (IT). The co-operative of meat cattle breeders ensures its members constant distribution of their produce, even if, at the moment, the risk is that the meat may not be sold as organic certified.
- Scaling up of FSCs depends on certain factors as building authority and trust, finding adequate partners (demand led), realising an efficient chain that leads to a strong network or using the 'accumulated' knowledge of a chain. The realisation of synergy effects because of all the above mentioned factors can be very good demonstrated in the De Hoeve (NL) case.
- The commercial performance of the UK supermarket case (procurement of local food in supermarkets) is described as very poor. This fact is explained with the following factors: supermarkets have centralised decision-making, promotion, and distribution – there is little local embedding, such as empowerment of store managers to contact local producers; there is little push from the central government; and supermarkets are looking at 'local' products as value-added (mainly processed) niche products and are not 'thinking outside of the box' to regionalise large amounts of commodity procurement. The local food offered by COOP is probably only a 'reaction' to their competitors rather than a proactive move for competitive advantage.
- Unfavourable market conditions and inconsequent government policy are factors that have a negative impact on scaling up in the case of the LAMCB (LV). This results in a

⁹ The 'Agro Chain Knowledge' foundation (AKK) financed a project on 'Value added in pig-meat chains' in 1999 which was focused on marketing pig-meat with a green label.

lack of financial resources for necessary farm investments and only small scale and irregular marketing activities with insignificant impact.

3.2 Marketing conception, marketing measures and communication

Marketing conception, marketing measures and the communication among all actors involved play an important role for the success of an initiative.

Questions arising in this context are:

- Has an appropriate marketing competence been the key to building consumer involvement, stimulating participation, realising 'food citizenship' and creating demand for sustainable food products?
- Are there other key factors?
- What are the strengths (and weaknesses) of the FSC in terms of marketing conception, marketing actions and communication? Are there common patterns?

Marketing describes the market oriented business management where all measurements are oriented versus the distribution and controlled about their effectiveness.¹⁰ Marketing obviously is more than just 'putting in the market', 'enhancing sales' or 'advertising', but part of the successful management of an enterprise. Recent concepts of marketing aim to assess an enterprise including all aspects from the market's angle.

According to marketing theory the success of an enterprise depends on its capacity to permanently understand, anticipate and adapt to market development. Since the 1960s, most industry sectors have included marketing theory in their management philosophy, the food sector being among the last ones to follow this development.

Marketing management divides up into two spheres: strategic marketing (analytical market observation and formulation of the enterprise's objectives) and operational marketing (defining strategies and applying measures). There are four fields of marketing measures (the so-called 'marketing mix'): Product, Price, Place (Distribution) and Promotion / Public Relations (Communication).

The main levels of a marketing conception are:

1. Analysis (of the market and the framework conditions etc.).
2. Objectives (fixing the goals the enterprise attempts to reach, e. g. market share, turnover, but as well ethical or ecological goals, values, philosophy).
3. Strategies (by which the objectives are to be realised: market segment, distribution channel, positioning).
4. Application ('marketing mix'): Policies about products, prices, distribution and communication.

There is a strong and consequent interaction between the different levels: the analysis determines the objectives, the objectives are the framework for strategies, strategies define the applications.

¹⁰ From: www.pr-komplett.de/glossar/m.html. Other relevant sources are: Meffert, H.: Grundlagen marktorientierter Unternehmensführung. Konzepte - Instrumente - Praxisbeispiele. Wiesbaden, 1999. Hopfenbeck, W.: Umweltorientiertes Management und Marketing" Konzepte - Instrumente – Praxisbeispiele. Landsberg. 1994. Becker, J.: Marketing-Konzeption. 6. Auflage. München, 1998. Kotler, Ph.: Marketing-Mangament. 7. Auflage. Stuttgart, 1992. Ritson, C.: Food marketing and Agricultural Marketing. The scope of the subject of Agro Food marketing. In: Padberg, D. I., C. Ritson and L. M. Albisu: Agro Food Marketing, Zragoza, 1997.

Since the 1980s, marketing theory has tried to allow for ecology and sustainability challenges and to provide guidelines for enterprises and FSCs to integrate these requirements. Two factors are often named as preconditions of successful ecological marketing:

- Ecological, sustainable or ethical criteria are taken into account to a high degree within the marketing conception: at best, these questions are included in the analytical process and form an integral part of the enterprise's objectives. They will, consequently, be translated into the strategies and actions of the enterprise.
- At the level of measures, any action is following the '4 C' principle (competence, coherence, commitment and co-operation) to be introduced in more detail later on in this report.

Marketing and communication

Enterprises can opt for implementing imparting values or messages, like ethical ones, into their marketing conception and, thus, into any level of decision-making and action within the enterprise. They can even chose to use ethical criteria as central part of their positioning on the market.

A key term of positioning is the 'unique selling proposition' (USP)¹¹, a set of items that renders the enterprise (or the FSC) and its products unreplaceable with respect to particular features in the perception of consumers. Cues like ethical and ecological correctness and/or sustainability can well be part of the USP of food supply chains (FSCs).

The communication policy will be in charge to present the ethical / ecological cues, that are realised within the enterprise, to the audience the enterprise is targeting (the universe of food consumers or parts of it).

Against this theoretical background indicators concerning marketing and communication were identified.

Indicators relevant for all of the case studies are:

1. Joint communication effort
2. Unique Selling Proposition (USP)
3. Ownership of the brand and significance for performance
4. Degree of vertical coordination and consequences for marketing
5. The 4 Cs (competence, coherence, commitment and co-operation) related to the implementation of marketing measures

Each indicator is influenced by several positive or negative key factors which were identified and are introduced in the following sections.

¹¹ Definitions for 'Unique Selling Proposition' can be found under: Rosser Reeves, "Reality in Advertising", New York 1961 (Reeves founded the USP theorie). Al Ries/Jack Trout, „Positioning: The Battle for Your Mind“, 3rd Ed. New York 2000 (today's role of USP). Kirchgeorg, M., Marktstrategisches Kreislaufmanagement - Ziele, Strategien und Strukturkonzepte, Wiesbaden 1999. Kirchgeorg, M., Meffert, H., Marktorientiertes Umweltmanagement - Grundlagen und Fallstudien, 3. erw. Aufl., Stuttgart 1998. Kirchgeorg, M., Ökologieorientiertes Unternehmensverhalten - Typologien und Erklärungsansätze auf empirischer Grundlage, Wiesbaden 1990. Fuller, D.: Sustainable Marketing: Managerial - Ecological Issues. Thousand Oaks (USA), 1999.

3.2.1 Joint communication effort

The positive factors influencing the joint communication effort can be divided into factors inherent in the FSC, those related to a network around the FSC, those related to special actors within the chain and, finally, factors based on the 'social environment' of the FSC.

A strong vertical coordination is very important for the joint communication effort in terms of transparency, common decision-making, systematic, constant and bidirectional flow of information, fair arbitrating between the 'producing level' and the 'selling level'. In the Dutch case of CONO (BeemsterKaas) and the German dairy case (Uplaender dairy) the dairy farmers' strong connection with the dairies (as shareholders) contributes to a convergence of interests.

Vertical coordination by mutual agreement is represented by the Dutch case of pig-meat production and processing. A well-conceived 'business to business concept' which is accepted by both sides of the very short food chain is the basis for reciprocal promotion of producers and processors. Such a business concept may lead to mutual dependence (with its positive and negative effects) as can be observed in the Swiss NaturaBeef case where the COOP supermarket has fully integrated the 'NaturaBeef' brand into its own 'NaturaPlan' label.

In two cases it can be observed that product quality-management was the main factor of maintaining a strong vertical coordination. The CONO co-operative in the Netherlands was able to adjust its strategy from a supply driven approach to delivery on demand, finding a niche market for high quality cheese. In the Swiss 'rye bread' case the product was similarly able to reach a very good image and high popularity throughout Switzerland, mainly due to the support of public institutions. The success, vertically shared along the FSC, contributes to the chain actors' motivation and cohesion.

Joint communication does not only refer to actors from within the chain (vertical dimension). In case of common interests, joint communication also includes other actors within a wider network. This could, for instance, be observed in the case of raw milk sheep cheese (Italy) where the 'Slow Food' organisation had great interest in promoting traditionally produced cheese. In the British example of procurement of local food in supermarkets, regional food groups¹² aim at supporting the delivery of more local / regional food to supermarkets. The creation of a joint brand name is expected (co-branding).

When non-economic values become important for actors within the chain-surrounding network the joint communication effort is likely to increase. In the case of the CONO dairy values like solidarity, respect, mutual support and an attitude of rebellion against other bigger dairies are factors of the different actors' cohesion. A strong identification of the product with its region of origin is another positive factor as can be observed in the case of German Uplaender dairy and the Italian raw milk sheep cheese from Tuscany.

In most cases the joint communication effort has been influenced by a single strong (charismatic, visionary) chain actor. That person must be able to convince others of his/her vision motivating them to take part in joint communication. From a more practical point of view, a person able to invest the time necessary to fulfil the tasks related to communication and marketing is needed.

In the Cornwall Food Programme there was specific person employed to enhance communication between the initiative's organisers and local producers and suppliers, known as the Sustainable Food Development Manager.

¹² Regional Food Groups (RFGs) are private companies that were set up with governmental funding channelled through Food From Britain (FFB) and the Regional Development Agencies (RDAs). RFGs typically provide a range of market development services including the preparation of trade directories and advertising material, public relations activities, information exchange and the organisation of participation in fairs and exhibitions.

Charismatic persons with a vision for the development of the FSC have been important in the German Uplaender dairy case and also in the case of Tegut. Such key persons can play a vital role in the initial phase, but it is equally important to establish a system ensuring the continuity of the communication effort (and the communication flow) independent of particular persons. Strong individuals tend to centralise communication, while it needs to be decentralised/ multidirectional.

In case of the strong position of a single chain actor (e.g. through ownership of a brand) the joint communication effort may be very successful as could be observed in an early phase of the Swiss NaturaBeef initiative. The beef farmers as owners of the brand had a high interest in communicating with other chain actors (mainly COOP Switzerland). In the other Swiss case, rye bread of Valais, the brand is owned by the association (of two mills with a strong leadership and more than 30 bakeries). In the case of the Italian raw milk sheep cheese the producers' consortium is the brand owner. Because of its considerable joint communication effort, the consortium is directly involved in all promotion events.

Factors negatively influencing the joint communication effort can also be observed.

Missing vertical coordination because of a lack of adequate partners was detected in the Italian case of organic beef production. The co-operative which includes organic farmers, but is mainly formed by conventional cattle breeders, guarantees a basic price for all producers but does not put much effort into specific communication within the co-operative concerning organic meat. The existing brand does not receive resources for advertisement or promotion and communication towards retailers is very weak. This might also be evaluated as a lack of appreciation or recognition within the own co-operative. In the Latvian beef meat case joint communication has not been established yet as adequate partners have not been found so far. This may be due to a lack of clearly defined state support for producers but also due to a lack of producers' marketing know-how.

One case particularly shows that joint communication between producers is not always necessary. In the Belgian case of Westhoek farm products each farmer is marketing independently and it seems as there is no big need for joint communication¹³. Communication (of varying intensity) mainly takes place between farmers and consumers buying directly at the farm shops.

A weak position of producers (because of very small quantities of produce) and a lack of communication know-how may also result in a low communication effort, like in the cases of the Belgian organic milk farmers, the Latvian cattle breeders and the farmers delivering products to Tegut.

One aspect already mentioned as a positive factor, the strong position of a single chain actor, may also be evaluated as negative: In the Latvian Ranks dairy case the strong dairy management pursues a selective vertical coordination according to its own interests, not allowing for farmers' participation.

The distance of an initiative from consumers (and other regional or local societal entities) may often contribute to the already existing situation that consumers do not know much about production and processing of food and therefore are not able to valorise 'alternatively' produced goods.

¹³ The fact that the organisation has established the brand proves that they want to be recognised as a group. All farmers use this brand for their products, but the joint communication on the brand is rather limited because of the higher costs. Next to that, farmers communicate individually to the buyers of the products because they have this opportunity of direct contact.

3.2.2 Unique Selling Proposition

The 'unique selling proposition' (USP) is, in an economic sense, the term for an unique combination of clues that can satisfy best at target groups needs and wishes. USP can only be attributed to products or to enterprises, and not to market situations or competition patterns. USP can only be described from the target groups point of view.

A unique selling proposition (USP) can substantially contribute to an initiative's success. Attributes that are describing the USP of particular products or initiatives are listed below.

De Hoeve (NL) and the Uplaender dairy (DE) name a short chain / closeness to farmers as USP factor. Short chains facilitate the maintenance of a strong network and a functioning communication in these cases.

Tegut supermarket chain (DE) substantiates its USP by factors as freshness, high quality and regional linkage, social commitment and price competence. The management board understands consumers' needs and wishes very well. This ability is used efficiently in their marketing strategy, contributing to a strong position in the highly competitive environment of supermarkets.

The Raw milk sheep cheese association (IT), together with Slow Food, was able to communicate that the sheep cheese is a unique credible and coherent product because it incorporates regional, tasty, traditionally and rural attributes. Thanks the promotion received by Slow Food (the support of a strong partner), the farmers' association (the Consortium) was able to build strong symbolic capital around the product linking its qualitative attributes to local natural resources and traditions, and to promote it widely.

BeemsterKaas distinguishes itself from conventional Gouda cheese by milk quality, artisan production, taste and the grazing cows farming system. For the Valais rye bread a PDO regulation with a credible code of practice has been established. Tegut was able to distinguish itself by offering a large range of organic products (accounting for 10 % of total turnover), and the Uplaender dairy focused on the development of specialities such as sour cream (*Schmand*) and a special kind of cheese (*Handkaese*).

The Swiss beef case provides another example as the farmers' NaturaBeef association is the only organisation offering a speciality product in Switzerland. The specialty in this case is beef of suckling cows within a production systems that contributes to maintain grassland in the mountainous regions. The co-operative was able to communicate this fact to consumers in a clearly formulated and simple message.

In the Dutch pig-meat case, the constant high product quality and product freshness are the attributes that characterise the credible and coherent product. And additionally this products is offered at an affordable consumer price (the same as in supermarkets).

There are also obstacles to the creation of a USP. The main factors are listed and described below.

The Italian sheep cheese was described as a product with an USP, but this applies mainly to the local market. In the 'external' market outside Tuscany the product has a weak competitiveness in relation to other high quality products. The above mentioned attributes like regional, tasty, traditionally and rural are difficult to communicate to consumers as unique attributes. There may be similar products that also argue with those attributes (coming from different regions). So how will a consumer be able to know the difference between those 'similar' products. Another factor going along with this is consumers' low brand 'loyalty'. Consumers tend to change easily between different brands.

An USP can not be achieved in case of a lack of appreciation through the selling organisation. As already mentioned earlier, this can be observed in the case of the organic cattle breeders of the Italian CAF co-operative. The organic sector of the co-operative is managed similar to the conventional chain, without developing any specific commercial strategies.

Those initiatives so far not able to create a qualitative differentiation of their products consequently were not able to reach a USP. Because of the situation described this applies to the Italian organic cattle breeders and could also be observed in the case of the Latvian Rankas dairy. The USP is moderate as the product range mainly consists of common milk products. To change this unsatisfactory situation, constant search for innovative elements within the 'conventional' milk FSCs like new products, new packaging, distinct ways to approach consumers is done. In the case study report it is stressed that as long as the dairy is not 'best' with those new ideas, the USP will not develop properly¹⁴.

It is misleading to think of the Cornwall Food Programme as having a USP, at least in any commercial sense, or indeed a label. However, it is effectively a brand in that it is unique, and its name is underpinned by a reality that potential partners can relate to and understand.

The other British case, the procurement of local food by supermarkets, questions the 'USP' argument – strong differentiation versus a commitment to adjust mainstream procurement. The 'local is not enough' argument is hindering the development of more localised mainstream procurement systems.

3.2.3 Ownership of the brand and significance for performance

As not all of the initiatives have their own brand, only few factors were named regarding ownership of the brand and its significance for the (mainly commercial) performance.

Table 4 provides an overview of the brand names existing. It also indicates which initiatives 'explore' a brand / label and which ones do not use it in their communication for marketing purposes.

Factors influencing the ownership of the brand and significance for performance in a positive way are described below.

- The NaturaBeef (CH) initiative was founded with the aim of marketing and promotion (in the year 1977) as well as integrating strategic partners into the decision-making process. Part of the strategy was to build up a brand and label for the beef of suckling cows ('a product without name does not exist'). Although the name 'NaturaBeef' (for calves ready for slaughter) was already established in the year 1980, the name and logo were not protected until the year 1987.
- An active marketing and a clear communication strategy resulted in the creation and success of a label for the CONO dairy's cheese specialities. BeemsterKaas is the best known brand and is sold in several varieties. The CONO marketing concept uses product features (low salt, taste) and positive aspects of production (animal welfare, landscape, artisan production) in order to position the product in the market. A similar strategy can be observed in the case of the German Tegut supermarket chain and its sub-company Rhoengut.
- Uplaender dairy (DE) had the chance to be supported by a project manager and a consultant from an external agency. The principal tasks were the launch of products in the market through the development of a brand and corresponding marketing measures.
- The Rye bread initiative (CH) benefits from a well-known name and a legally protected PDO label, but as a public sign, it can not really be compared with other private-owned labels and brands. Due to the effort of two mills, delegates of the regional bakers' association, the director of the Chamber of Agriculture and a high rank officer of the Ministry of

¹⁴ But it has to be taken into consideration that Ranks Piens may have a USP for their direct clients (supermarkets) with the following attributes: local or national production, standard product, good service, professional distribution, good prices.

Agriculture of the Valais canton the strategic choice of a PDO registration was made already at an early stage of the initiative.

Table 4: FSCs exploring a brand / label and those without a brand / label

<p>Initiatives with an own brand / label and significance for performance</p> <p>(Initiatives in bold letters are the ones that really use their brand / label)</p>	<p>Initiatives without brand / label</p>
<ul style="list-style-type: none"> - Farm products of the Westhoek. The brand is not really used for communication, but for showing group membership. Consumers trust in their individual farmer. - Uplaender dairy (dairy). The brand communicates the dairy's philosophy. - Tegut supermarket. Tegut is a brand, but within Tegut there is also the brand of Rhoengut ⇒ one of Germany's biggest initiatives to market organic meat. Coherence and recognition through 'gut' – good- quality and regional element (Rhoen). Good visibility for consumers, self-explaining. - Italian raw milk sheep cheese. A producer-owned brand has been defined, but is less important regarding consumers at the moment. ⇒ The trust in single producers or retailers is more important than brand loyalty. - Rye bread of the Valais. The PDO as a public sign leads to legal protection of the name. An operator within the geographical limits producing according to the code of practice is allowed to use the name and PDO label. - De Hoeve BV (pig-meat). The brand is more or less a licence for pig farmers to produce pig-meat. It has limited value from the consumers' point of view. - Dairy co-operative CONO (BeemsterKaas). The brand is used as central element of an active communication policy (part of an active marketing strategy). - Rankas dairy. There is a need for the dairy to distinguish itself in the saturated milk market. By using the brand the dairy tries to position its products as products for healthy life style. - NaturaBeef. Producers are (still) owners of the label, but as the product is mainly marketed through COOP where it is attached to the label NaturaPlan, the power of the producers has decreased during the last years. 	<ul style="list-style-type: none"> - Biemelk Vlaanderen - Italian CAF (organic farmers within a cooperative of meat cattle breeders) - Public sector food procurement (Cornwall Food Programme) - Procurement of local food by UK supermarkets - Beef meat production (Latvian Association of meat cattle breeders) - Rye bread of the Valais. The PDO as a public sign leads to legal protection of the name. An operator within the geographical limits producing according to the code of practice is allowed to use the name and PDO label.

Source: Own compilation

Factors negatively influencing the development and maintenance of a brand or label are described below.

- In the British case of procurement of local food by supermarkets where it is tried to introduce 'local food for local people', so far an own brand does not exist. But it can be said that a wide ownership is using the term 'local' already as a brand. The interpretation of the term 'local' through those people is very broad. On the other hand side, some of the 'interpreters' are of the opinion that marketing local food can only happen in small local shops or on farm. They see the marketing of 'local products' by supermarkets as diluting the image of the local brand.
- In the CAF (IT) case, an own brand was created by the co-operative, but without a complete promotion strategy for organic meat being implemented. The meat which is retailed with the supermarket's brand resulting in the CAF co-operative's brand losing its 'visibility'.
- Biemelk Vlaanderen (BE) has to face the problem of the quantity produced being too low / insufficient to create a popular brand and that there are still no marketable products making it worthwhile creating a brand.

3.2.4 Degree of vertical coordination and consequences for marketing

The aspect of vertical coordination was already named in Chapter 3.2.1 as a key factor influencing the joint communication effort. Vertical coordination is a basic requirement for effective communication outwards. This requirement is even more important with 'challenging' products and chains. In this section the key factors influencing the degree of vertical coordination and its consequences for marketing are summarised.

First, factors that contribute to a strong vertical coordination are mentioned, followed by factors contributing to a low or lacking vertical coordination.

- A strong vertical coordination can be reached when chain actors take over important tasks within the chain. In the case of De Hoeve (NL) the director of the De Hoeve BV has taken over trading and negotiation functions from an intermediary and from the slaughterhouse. In NaturaBeef case (CH) the producers' association controlled the coordination of its beef into the COOP supermarket's range of products. The Uplaender dairy's management board (DE) made collective decisions together with the farmers in terms of a marketing strategy. Regarding those strategic decisions there was no involvement of other chain actors besides the dairy's shareholders / farmers.
- A clear strategic vision and a coherent management within the chain are factors highly related to the factor listed above. The cases of De Hoeve (NL) , NaturaBeef (CH) and Tegut supermarket chain ¹⁵ (DE) illustrate their importance.
- Strong leadership, like in the cases of the CONO dairy (NL) and the Rankas dairy (LV), can be another positive factor contributing to a high degree of vertical coordination, but it has to be considered that the strong position of a single actor is likely to be at the cost of other chain actors' participation¹⁶.

Negative factors contributing to a low vertical coordination are described below.

¹⁵ In the case of Tegut (Germany) it has to be considered that the vertical integration is strong between processors and the retailer, but the integration of the producers has not been envisaged in the initiative so far.

¹⁶ In the Latvian Rankas Piens dairy case, the strong leadership of the executive director and the low involvement of the farmers in the company's strategic work results in centralised communication and marketing.

- Vertical coordination might be lacking or very low because of missing networking among producers as can for instance be observed in the Cornwall Food Programme (UK) and in the Tegut case study (DE).
- If the food supply chain is very short, vertical coordination is an issue less relevant considering the type of sale. Directly sold farm products of Westhoek farm products (BE) are one example¹⁷.
- Insufficient communication between the different actors is a factor of low vertical coordination in the case of the LAMCB (LV) cattle breeders¹⁸.
- The case of Biemelk Vlaanderen (BE) is an example of a lack of power (due to the lack of processing capacity) to gain access to existing larger food chains. The initiative is still too small to act with more strength in their corresponding market.

3.2.5 The 4 C's related to the implementation of marketing measures

There are very few sources on marketing communication regarding regional or sustainable products. Thus, already in other projects (e.g. DOLPHIN¹⁹) it was tried to formulate recommendations for the communication regarding sustainable products. The approach of the so-called 4 C's introduced here is based on HOPFENBECK (1994). The 4 C's are:

- Competence: Line out the enterprise's competence regarding its field of activity and the environmental topics associated.
- Coherence: Coherence between the different elements of the entire marketing strategy.
- Commitment: Prove one's readiness to continuous improvement of solutions regarding ecological issues. Highlight the own ecological policy as wide ahead of legal requirements.
- Co-operation: Engage suppliers and retailers to participate the own environmental policy. Jointly communicate this co-operation.

The following table gives an overview of the performance of the case studies concerning the 4 C's, competence, coherence, commitment and co-operation.

Table 5: Performance of the initiatives studied concerning the 4 C's

Country	Case study	Competence	Coherence	Commitment	Co-operation
BE	Biemelk Vlaanderen (organic milk in Flanders)	-	+	++	-
BE	Westhoek farm products (marketing of regional products)	5	6	4	4
DE	Uplaender dairy (dairy sector; organic milk; co-operative)	7	6	5	7 (farmers) 4 (partners)
DE	Tegut supermarket chain (conventional food retailers)	6	6	5	4

¹⁷ On the contrary, a short chain can be seen as a very good vertical integration!

¹⁸ It is difficult to say what causes what: Does communication cause integration or is it vice versa?

¹⁹ DOLPHIN: Development of Origin Labelled Products; Humanity, Innovation and Sustainability. Concerted action QLK-2000-00593 (Burkhard Schaefer)

Country	Case study	Com- petence	Coherence	Commit- ment	Co- operation
IT	CAF (co-operative of meat cattle breeders)	1	1	1	1
IT	Raw milk sheep cheese	5	6	5	3
NL	De Hoeve BV (sustainable produced pig-meat)	5	6	5	5
NL	CONO dairy (dairy chains in the Western Peat-land Region)		3	5	5
UK	The Cornwall Food Programme (CFP) (food procurement by the National Health Service)	4	4	6	5
UK	Procurement of local food by UK supermarkets; The Co-operative Group in the High Weald of SE England	Low	Low	Low	Low
LV	LAMCB (beef meat production/Latvian Association of Meat Cattle Breed-ers)	5	4	5	3
LV	Rankas dairy (Ranka dairy chain)	5	5	3	4
CH	Rye Bread of the Valais - Pain de seigle du Valais AOC (typical product; quality certifica-tion)	5	7	5	7
CH	Natura Beef (a national certified bovine meat)	5	6	6	7

Source: Own compilation

Note: The numbers in the table give a ranking from 1 (poor) - 7 (very high / good performance).

It can be stated that most of the initiatives that show a low or a very heterogeneous performance concerning the 'marketing C's', are the same FSCs as those classified as having a low commercial performance (see Table 3). Those were the cases of CAF (IT), LAMCB (LV), the two British cases (local food procurement in supermarkets and in hospitals (CFP) and Biomelk Vlaanderen). The last mentioned case (BE: milk) is evaluated as very heterogeneous.

The only FSC that was classified with a medium commercial performance (see Table 3), the case of Westhoek farm products (BE), also in the marketing sense it presents itself with a rather medium performance.

Most all of commercially successful initiatives (see Table 3) show a high or good performance in terms of marketing-communication. Concretely it is the case for Uplaender dairy (DE), Raw milk sheep cheese (IT), De Hoeve pig-meat chain (NL), and the two Swiss chains (Rye bread of Valais and NaturaBeef). Comparing this results of marketing performance with commercial performance, it may be assumed that both performances are strongly linked. But actually it can not be said if marketing performance provokes commercial performance (or vice versa) or if they develop at the same time on the same level.

3.2.6 Conclusions

FSCs incorporating sustainable aspects into their business philosophy, their strategies and their communication, have to deal among other things with the following aspects in order to be successful:

1. They have to formulate a clear, convincing and appealing claim ('promise'): The product's attributes (such as organic or artisan production methods, particular territorial origin, outstanding taste) have to be communicated clearly to consumers.
2. The coherence and reliability of the claim should be allowed for in order to gain and keep up consumers' trust. The claim should be in line with the FSCs field of competences.
3. Should the major claim be adopted by the 'mainstream', e.g. through adjustment of product prices or decreasing differences in quality there is the risk of loss of the USP. Accordingly, continuous efforts need to be put in innovation. A strong extension of marketing structures going along with scaling up might result in a loss in credibility and authenticity.
4. Initiatives should strengthen their capacity to create alliances with other stakeholders outside the chain in order to promote the product and/or the brand (co-operation and vertical linkage throughout the FSC, from producers to consumers).

The following examples show where initiatives have been successful and where they have failed in terms of fulfilling, respectively not fulfilling, one or several of the factors mentioned.

Aspect 1: Formulating a clear, convincing and appealing claim

- Although organic products seem to meet these requirements, the relative complexity of organic farming and food processing remains a problem: Even though clear legislative criteria exist, consumers' knowledge about and trust in organic production is limited and the communication related is often complex and referring to unpleasant topics such as toxic residues or pesticides used in agriculture. The ability to clearly and pleasantly communicate 'organic' is an important success factor.
- Regional products have the important advantage of a simple message: 'Origin' does require a much lower communication effort than e.g. organic farming in order to be understood even by less interested consumers. Organic FSCs able to integrate references to the region into their communication strategy are more likely to be successful in creating linkages to consumers.
- Strong initiatives link simple, positive messages to their image or name ('Tegut: good food', Rhoengut: tasty organic specialities from the region, Uplaender dairy: authentic products from a well-known farming region)
- The weakness of initiatives is often resulting from difficulties to define their image (by referring for instance to 'regionality', 'rurality' or to ecological or ethical 'correctness') and find their position.

Aspect 2: Coherence and reliability of the claim

- Strong initiatives: In the case of CAF (IT) local consumers trust in the co-operative and in the 'CAF' brand. But, outside of the region of production, communication measures are mainly realized by the supermarket and the producers themselves having little influence. The Swiss 'Natura beef' brand is remarkably well known among and trusted by consumers. It is still owned by the producers but according to an agreement with the major retailer (COOP), the brand is actually mainly promoted by the supermarket. One result is that the market power of the farmers has substantially diminished.

- Weak initiatives: The case of the Latvian Association of Meat Cattle Breeders shows that there is a lot of communication within the network and association, but a severe lack of communication towards consumers.

Aspect 3: Scaling up and loss in credibility and authenticity

- Strong initiatives successfully scale up by permanently linking with their fundamentals. The Tegut supermarket's organic meat offer was not specifically regional from the beginning: The assortment of goods was extended in order to reinforce authenticity, credibility and to highlight the image as a regional retailer of high quality food. Refraining from using possibilities of growth offered often characterises strong initiatives, e.g. they carefully consider the radius of distribution, and clearly communicate this as part of their business philosophy in order to maintain credibility.
- Weak initiatives get caught between opposite market trends. Even the relatively well-performing Tegut supermarket chain has to face the severe competition of discounters. In spite of Tegut's reference to 'cheap' and 'correct' products (ensured by internal labelling) in addressing consumers, these products and discount products are shelf-neighbours. The wide range of qualities and prices of the supermarket's range of products renders the company's policy less visible.

Aspect 4: Alliances with other stakeholders

- Strong initiatives are characterised by clear co-operation structures and exchange between FSC actors. They actively integrate existing or form new regional and local networks of stakeholders from different sectors, societal groups or institutions. Uplaender is one positive example. Large actors can succeed without explicit alliances with other stakeholders. Tegut, for instance, seems to be independent of the direct support of other actors and refuses to get involved in formalised vertical interdependence, but nevertheless seems to be part of a more subtle 'network' of regional interests.

Additional issues raised in the case studies

- Collective action to promote the brand (such as participation in fairs or sponsoring public events) is often considered vital. For the Italian raw milk sheep cheese a collective brand was created certifying safety and quality to consumers. Shepherds are actively involved in building marketing strategies, and good co-operation with local health authorities is another success factor.
- Good public relations can contribute significantly to the growth of an initiative (for example by developing a corporate identity and implementing marketing measures communicating a clear regional alignment and by gaining new distribution partners in retail and wholesale). The Uplaender dairy's '5 cent project' already introduced in Chapter 3.1.4 is one example of a successful marketing initiative.
- Well conceived consumer information can be an important success factor. Tegut, for instance, regularly publishes a consumer journal linking background information on farming, region and environment with 'quality of life', recipes and products. Intrinsic production features and milk quality features are used in the CONO dairy co-operative's marketing strategy. It is tried to connect a special 'atmosphere' and lifestyle to the cheese's image, and external features such as the region's status as 'UNESCO world heritage' and cows grazing in meadows are used to link the product with the countryside and a rural environment. The question arises whether linking sustainability to lifestyle marketing and directed at particular target groups is a fragile combination or a key to success.

3.3 Public support

External networks play an important role regarding business support. Financial as well as non-financial support can derive from the public sector. Other potential providers of support are private actors or non-profit organisations. The following types of support have to be distinguished:

- Financial support, e.g. as investment or as start-up financing;
- Marketing support, information and public relations, public legitimisation of the initiative, brokering²⁰;
- Training and consulting;
- Support of innovative and experimental approaches (The Tegut case study provides a negative example: Public administration at first constrained the development of 'Rhoengut', a new and meanwhile very successful product line because of restrictions on natural air-drying of meat products).

Questions arising in the context of public support are: Has public policy been successful in terms of supporting the coordination and making of strategic decisions (regarding prices, volumes, product differentiation etc.) within the initiatives studied? How have public policies affected strategic decisions? What kind of public policies hampered the development of the initiatives? Which kinds of support have been efficient? Are there common patterns? What are the strengths and weaknesses of the FSC in terms of efficiently utilising the different kinds of support available?

In order to cover the theme of public support and the above questions as thoroughly as possible the following indicators were identified and are applied in the comparison of the 14 case studies:

1. Importance of public financial support (as a proportion of total investment).
2. Reduction of constraints.
3. Targeting and phasing of support.
4. Importance of non-financial support.

3.3.1 Importance of public support

In the present food system and market situation, which is characterised by processes of concentration and price-based competition, support provided by public institutions plays a particularly vital role for establishing and developing *new* or *alternative* marketing initiatives. Corresponding examples are described below. Besides this 'positive' effect of support, the provision of public financial means also implies the risk of (over-)dependence on public support systems.

In the following we will illustrate the interrelations between public (financial) support and the development of FSCs. We start with activities that could only be implemented by means of financial support.

- In the case of the De Hoeve pig-meat (NL), the initiative was able to set up a new short chain connected to the production under an environmental label. Starting the new system caused high transaction costs. Banks and other chain partners were not willing to finance the initial 'risky' development phase until a critical mass would have been reached. Public

²⁰ An example for 'brokering' are the UK Regional Food Groups in the case study of the British supermarkets.

support reduced the high risk and transaction costs²¹ and it allowed room for (technical and organisational) innovations and significant structural changes.

- Similar effects were observed in the Cornwall Food Programme (CFP, UK). Public support in form of Objective 1 funding²² allowed for accumulating the know-how necessary for rearranging the chain and adapting the new arrangements to existing regulations.
- By means of public support it was possible to appoint an FSC manager in the case of the initiative of Rye bread of Valais (CH). This kind of external help may be essential especially in the initial phase.

Another measure of importance for the initial phase is support for the realisation of often cost-intensive marketing measures (like participating in fairs). In the Raw milk sheep cheese case (IT) the Consortium of Pistoia Mountains used financial support to present cheese products at all the most important eno-gastronomic events, among them the 'Hall of Taste', a food fair organised by Slow Food every two years in Turin.

Public support was also essential for the realisation of the following particular measures:

- advisory services helped get partial financing for technical equipment (Uplaender dairy, DE)
- to elaborate a joint label (farm products of Westhoek, BE)
- to modernise production and improve product quality (Rankas dairy, LV)
- registration and certification of pedigree cattle (beef meat production, LV)

A lack of public financial support was stated in at least two cases, among them the study about Biemelk Vlaanderen (BE) and the study about CAF organic beef meat farmers (IT). Both studies evaluate the support provided at beginning of the initiative as insufficient for facilitating the initial development.

In the Belgian case, support allowed to pay an adviser to provide the farmers with organisational advice, but there were no means for additional advisory services concerning marketing issues. Support over a longer period of time would have allowed a better start.

The case study reports demonstrate that the importance of different kinds of public support received during the starting up and further development of the individual initiatives varies widely (see Table 6).

²¹ Transaction costs can be divided into ex ante costs (for the provision of information via specialised agencies etc.), for getting into contact or for making agreements with other actors, and ex post costs (for realisation, controlling or modifications). They can comprise costs for research, initiation, information, negotiation, decision-making, implementation, controlling, adjustment and finalisation. A high level of transaction costs can inhibit the realisation of transactions.

²² Objective 1 is targeted at adding value to the Cornish economy – the initiative is regarded as having great potential to do so and has therefore successfully attracted this kind of funding. The European Objective 1 funding supports an economic development of the most disadvantaged regions. In the UK three regions (among them Cornwall and the Isles of Scilly) are benefiting from the funding.

Table 6: Overview of the importance of public support for the FSCs studied

no or very little public support / public support of limited importance	support has been important
<ul style="list-style-type: none"> - Biomelk Vlaanderen (BE): only very little support was received - Tegut supermarket (DE): no public support was received - CONO dairy co-operative (NL): the only support is publicity for the grazing cows issue 	<ul style="list-style-type: none"> - Uplaender dairy (DE): support of governmental and non-governmental organisations / institutions was received - CAF - Co-operative of meat cattle breeders (IT): no involvement of regional institutions with financial support; but the abattoir was built with public investment support - Raw milk sheep cheese (IT): formal support incl. financial occurred in the enrolment and mobilisation phase (but there was also informal support prevailed in the interessement phase). - De Hoeve BV (NL): support from provincial and national government and the EU was received. - Latvian Association of Meat Cattle Breeders (LV): only a small number of stakeholders received premiums and SAPARD funding. - Rankas dairy (LV): public financial support has been used from EU SAPARD and Structural Funds programmes for modernising production or improvement of quality control systems. - Farm products of the Westhoek (BE): started as an EU-co-funded rural development project and receives regional support (mainly non-financial) - NaturaBeef (CH): there was a lot of public support in the initial phase (1973-1980); state support is no longer essential for the organisation, as costs are now mainly covered by the associations incomes; indirect state support remains in the form of direct payments to the producers (higher on average than for other production methods) - Rye bread of the Valais (CH): support from regional authorities and the Chamber of Agriculture has been decisive from the beginning; the initiative's costs are still covered partly with institutional support - Cornwall Food Programme (UK): Public support and funding has been crucial to the development of the Cornwall Food Programme (UK), most notably Objective 1 funding. The funding levels have been quite significant in terms of personnel, the commissioning of a feasibility study, and infrastructure. - Procurement of local food by supermarkets (UK): public support was received through the Regional Food Groups (RFGs). The RFGs play an important role in ensuring that the products farmers bring to market match the needs and wants of consumers.

Source: Own compilation

The first column summarises those FSCs that did not receive any or only very little public financial support. The quite successful Tegut supermarket chain (DE) and CONO cheese BeemsterKaas (NL) could establish a successful performance without any public financial support. The two other cases (Biomelk Vlaanderen (BE) and procurement of local food by UK supermarkets) still have difficulties to stabilise their performance. But it always has to be taken into account (as already discussed in other chapters), that the poor performance has several reasons²³.

The second column lists those FSCs that received support. As already mentioned before, the type of support differs among the initiatives. But it can be stated, that in 7 of the 9 initiatives that received public financial support, support was made available to the initiators during a starting phase. Most of them also mentioned in the case studies, that support (funding) was crucial for a good start of the new FSC activities. Relatively often it seems clear that public support is particularly important in the initial phase if the establishment of a new FSC.

It is important to note too, that public support 'activities' are not only evaluated as a positive factor. Especially administration and administrative burden was criticised. In the case of Tegut (DE) (and *Rhoengut*), health authorities showed reluctance with regard to a product innovation²⁴, this being only one example where administration seemed incompetent with regard to non-standard solutions and accordingly tended to inhibit them.

Additionally, it can be stated that access to public financial support is often time-consuming and limited by high transfer costs²⁵, which makes advice regarding possibilities of funding and support during the often complicated application process even more important.

Positive examples are provided by the two Swiss case studies where initiatives could benefit from a positive political atmosphere. Agricultural policy in the country is based on direct payments to farmers in order to promote multifunctionality and a product quality orientation which substantially eases access to public funding.

3.3.2 Importance of non-financial support

Besides financial support, several aspects of non-financial public support should be mentioned. Public support is not always expressed in flow of financial resources. Non-financial support may even be critically important for the successful development of a new or alternative FSC.

Alternative, non-financial forms of support may be illustrated by the following examples:

- In the Raw milk sheep cheese case (IT), the director of the farmers association A.P.A. interacts with local health authorities, representatives of the Tuscany region and the University of Florence in order to find suitable technical arrangements. Furthermore, he sensitises the shepherds of the Pistoia Mountains regarding compliance with new production rules. So the support that is given to the initiative is not financial support, but support in

²³ In the Belgian case (Biomelk Vlaanderen) it was stated, that a more intense public support would have been very import for the initiative to develop more successful.

²⁴ Tegut had the idea to add dry-cured, air-dried products (like ham and sausage specialities from southern European countries, Parma ham or salami from Italy, Serrano ham from Spain) to their assortment. But the German health authorities did, at first, not accept dry-curing as a suitable way of processing, as it is not a traditional practice in Germany. Rhoengut and Tegut put considerable effort in analyses and legal advice in order to overcome the administrative obstacles. A Tegut manager travelled to southern European countries in order to gather product samples and information from dry-curing practised there. Due to this information and the application of European law the initiative finally succeeded.

²⁵ Providers of subsidies assume an abuse of money, therefore they introduce a lot of reporting and controls which are causing high administrative (transaction) costs. In other words, organisational and financial rules imposed by the providers of subsidies are sometimes difficult to connect with the step by step or trial-and-error-approach typical of young initiatives.

terms of collaboration to overcome administrative constraints and should be more flexible, to reduce the transaction costs between actors or to apply new suitable techniques.

- In addition to the financial support for the Cornwall Food Programme (CFP, UK), a range of public bodies (local, regional and central government institutions) as well as NGOs have backed the initiative at different stages of its development in terms of information, advice and advocacy. This has played a vital role in bringing the CFP to the attention of a wider community and has greatly contributed to its high profile in the National Health Service (NHS), as well as national, regional, and local government circles.

The following key factors determining 'non-financial support' can be listed:

- Capacities and competences (and strategic vision) of the initiators are essential to mobilise (non-financial) support (De Hoeve pig-meat production, NL).
- A high degree of conformity between aims of chain actors and other actors outside the chain (e.g. NGOs) lead to a strong integration and involvement of those other actors. New ideas can be developed (like in the cases of De Hoeve pig-meat production, NL, and Uplaender dairy, DE) or advocacy for the initiative²⁶ may be obtained (like in the case of Raw milk sheep cheese (IT) or the Rankas dairy case (LV)).
- Political interest or in other words a change in agricultural policy may lead to public (non-financial) support. In the case of NaturaBeef (CH) there was an oversupply of milk at national level in Switzerland. So the government firstly asked for research on suckling cows. Starting from that situation, the successful story of NaturaBeef was able to develop. Also in the other Swiss case (Rye bread of Valais), the political interest induced the initiative. The overall aim was to develop a basket of typical products including the reinforcement of the sustainability promise (ecological and social concerns).
- A basis for organising non-financial support is the performance of an initiative in terms of networking. In two cases it was observed that an enlarging network was very important in bringing non-financial support. The non-financial support in the cases of Westhoek farm products (BE) and the Rankas dairy (LV) was e.g. commitment to long term collaboration, access to information and non-financial resources (advisory services etc.).
- A type of 'private' support was documented in the case of NaturaBeef (CH). As there are dependencies between the two main actors of the FSC (COOP Swiss and the suckling cow breeders), each of them gives support to the other partner. The cattle breeders provide services to the members of their association with the aim to obtain good quality meat (a support for COOP) and COOP Swiss supports in promotion and communication to advance the sales of meat.

The above factors contribute considerably to the positive effect of non-financial support, and they can significantly reinforce financial support. The phase in which non-financial support is needed most, could not be extracted precisely from the case studies.

3.3.3 Reduction of constraints

In many of the case studies constraints on the part of public institutions and administrations are described. For instance, the De Hoeve pig-meat initiative (NL) had to face the problem that the government showed a lack of flexibility regarding official regulations. Farmers participating in the De Hoeve system are obliged to carry out their production according to the rules of the environmental label system, including monitoring and control. The Dutch government also controls a set a national rules and regulations. De Hoeve unsuccessfully tried

²⁶ The advocacy may result in obtaining advice on brand management / labelling or on how to organise a local fair.

to avoid double administrative checks by implementing a system that would meet the requirements of both sides. Additionally, it was of disadvantage that there was no 'risk capital' available from the side of the government, which would have been helpful in a certain phase of the initiative, e.g. for special marketing activities.

The organic beef producers of CAF (IT) and the organic milk farmers of Biemelk Vlaanderen (BE) report a lack of interest of public authorities in the initiative. In both countries, the interest in organic farming and organic products is relatively low.

As food safety is an important issue in Belgium, in the Westhoek initiative farmers had to implement HACCP-like measures, meaning a high burden for the individual farmer. There are similarities to the above-mentioned case of Rhoengut (DE), where hygiene regulations at local level at first obstructed product innovation.

Besides hindrances on the part of public institutions there were also other constraints:

- Social pressure: Difficult relations between actors taking part in the initiative and colleagues not participating in the initiative (bad standing, loss of reputation) can be illustrated with the example of NaturaBeef (CH). In very beginning those farmers transforming their cattle breeding from milk production to beef production had a bad reputation among other farmers who did not convert their production system. This caused enormous social pressure and hold some farmers off, taking part in the new initiative.
- Dependence on a large retailer: The retail of the organically produced beef of the cooperative CAF (IT) was mainly dependent on one large retailer (supermarket). As this supermarket stopped buying the organic meat, the initiative got into serious financial problems. Until now, the price premium for organic meat could only be paid because of the stable returns of the co-operative (through the direct selling of conventional high quality meat).
- Conflicts about production standards: The production standard for organic products at members states level are often higher than the EU-standard for organic products. Processors of organic milk in Belgium prefer to buy organic milk from abroad, produced according EU-standard and therefore cheaper than national organic milk. This fact creates dissatisfaction on the producers side as they have to fulfil the national standards. Conflicts between producers and retail about production standards appear relatively often.

Key factors that effectively contribute to a removal or reduction of constraints are:

- Communication: A better communication and network building among producers, technicians, researchers (and local health authorities) was essential to make raw milk accepted (Raw milk sheep cheese, IT)
- Legislative measures: Legal protection of 'real farm products' as a brand name and of their points of sale can be very helpful. This was already prepared by the previous minister of agriculture, but never implied. Several Belgian NGOs have started a petition to demand for a particular legal framework (Westhoek farm products, BE)
- Research and information: Research revealed that the processing techniques desired are legal (Tegut supermarkets, DE)

3.3.4 Different motivations

Those who are providing support, not important whether providing financial or non-financial support, have very own interests that motivate them to provide support. Those interests differ significantly between different actors like European Union, national government, local authorities or NGOs.

Governmental support: The interest of the EU to develop agriculture, rural economies and the 'modern' processing of food in new member states, was the aim of which the Latvian initiatives could benefit from. The interest of the government in supporting the national and, in detail, local agriculture and rural development could be observed in Switzerland, Belgium and the UK. Among all other countries, Switzerland is the one where agriculture has highest significance in governmental policy. This is one of the reasons, why the studied cases (NaturaBeef and Rye bread of Valais) received significant public funding. In the case of NaturaBeef it was noted that a change in the production system (from milk production to suckling cow breeding) would be necessary. So a lot of public support was offered in the initial phase from 1973 till 1980. In the case of the Rye bread, support from local authorities (from the canton Valais) together with the Chamber of Agriculture has been decisive. In the Belgian case of Westhoek farm products, a small initiative within a rural development project was the start of the now grown up new FSC of Westhoek farmers. It may be, that the non-profit organisation would not exist without the rural development funding and the activities set up during that phase.

Situations where non-governmental organisations (NGOs) have had a particular interest could be observed with the Uplaender dairy (DE) and with the Raw milk sheep cheese in Tuscany (IT). The interests of the NGOs (Slow Food in Italy and the BUND²⁷ in Germany) had great interest in supporting small or medium scaled agriculture in the region in order to maintain the landscape and traditional knowledge.

From the side of the beneficiaries of support it is very important to illustrate to potential supporters why a particular initiative is worthy to be supported. A good example is one of the UK cases, the Cornwall Food Programme, where the initiators were able to positively illustrate the initiative's potential for adding value to a certain region. As this aim actually is highly valued from part of the government, the initiative was able to attract funding.

3.3.5 Targeting and phasing of support

Several case studies show that the support received from the public sector is most important in the starting phase of an initiative as elaborating new models often requires external support. This can be seen, for instance, in the case of the Raw milk sheep cheese initiative (IT) which received support from many actors (as well as the public sector) at the beginning, allowing for continuing the use of raw instead of pasteurised milk.

The De Hoeve pig-meat initiative (NL) was able to mobilise financial support at different stages of development. In the first stage technical support for defining criteria and norms for the 'Environmental Label' was obtained. In the second and third stage funding for chain development, management and marketing tools was received. And in a fourth stage, experiments with new criteria for animal welfare and dissemination of knowledge were supported.

3.3.6 Conclusions

Overall, it can be seen in various cases that well-targeted support provided in the initial phase of an initiative tends to be very effective and often more cost-efficient than support provided at later stages.

It can also be stated that the availability of funds tends to stimulate the motivation of actors to creatively develop new ideas and models. At the same time it has to be taken into account that in the case of quickly developed ideas or projects that are primarily targeted at the acquisition of public funding often developments are less sustainable. A good indicator of that is that well-conceived business plans with long-term perspectives are lacking.

²⁷ BUND is the German branch of Friends of the Earth (Bund fuer Umwelt und Naturschutz, Deutschland). BUND has its origins in the nature conservation movement. Today, the organisation is one of the most influential environmental organisations in Germany.

In later phases – scaling up, dissemination or expansion – initiatives ought to become (more) independent of external public support. Where further support is still needed, it is more and more likely to come from the private sector, or at least a public-private sector partnership. A good example is the case of the NHS Cornwall Food Programme.

The following conclusions regarding more effective support schemes can be drawn from the case studies:

- Support programmes that are more holistic and facilitate linkages between different actors and projects tend to be more effective.
- The capacity of initiatives to mobilise support is vitally important. Actors need to be clearly informed about the amount of time and the knowledge needed in order to deal with applications.
- For the success of an initiative it is very important that there is a minimum level of convergence of objectives and agenda between the recipients and the (potential) providers of support.
- For the new member states it must be noted that SAPARD and similar programmes have been very important for the constitution and further development of FSC initiatives.

The following aspects characterise the particular situation of Latvia which may in some respects be typical of the challenges faced in the new member states:

- A new set of regulatory / economic framework conditions has been introduced within a relatively short time period: a) change of hygiene standards, environmental requirements etc., and b) a change of information required by economic actors.
- There is a tendency towards insufficient capacities to lobby for rural and FSCs interests. Often the interests of larger farms and processors predominate.
- It can be expected that for some time there will be significant differences in subsidy levels between EU member states resulting in an unfair competition and increasing food imports, i.e. a particularly high pressure on local FSCs.

3.4 Nature of organisation, self-governance and changes during scaling up

The nature of an organisation formation, legal form etc., its ability to govern itself independently and changes regarding both aspects that may occur during a scaling up process, are the themes that will be highlighted in this section. Questions arising in the context of organisation, self-governance and scaling up are the following:

- Did the FSCs studied positively strengthen the local and regional capacity to self-organisation and self-governance?
- Is there a broad participation of the local population? Was there a large diversity of stakeholders involved at the local level (embeddedness) and was this an important aspect?
- Have there been new institutional forms developed? How has the nature of the organisation changed along with the process of scaling up? What are the strengths (and weaknesses) of the FSC in terms of nature of organisation and self-governance?

Indicators that were identified as relevant (for answering the above-mentioned questions) for all case studies are:

1. Presence of growth (scaling up).
2. Ability to choose the most adequate type of organisation.
3. Ability to control the organisation and the process of scaling-up.
4. Outcomes of growth (scaling up).

3.4.1 Presence of growth or scaling up

Some of the initiatives studied have registered growth or scaling up, while no growth or scaling up was noted in other initiatives. The following paragraphs will try to identify the influencing factors related.

Scaling-up is different from growth. During growth, partners do not change their strategy (except light adjustments) that was elaborated during the problematisation phase of the first translation cycle. During the mobilisation phase, new partners arrive but they just follow the strategic line that was defined before. During scaling-up, there is a major change in the strategic vision, because of new outlets, and / or new investments, and new partners etc.. These major changes in general open up a new translation cycle²⁸.

Growth implies a more intense use of existing resources, scaling up implies a different organisation of resources (e.g. from informal to formalised, from artisanal to industrial, from local to national or international markets). Accordingly, the indicator ('presence of growth or scaling up') is built by using several other indicators such as growth of volumes and prices, number of participants and technological change (from artisanal to industrial production).

The presence of growth and scaling up is regarded as an indicator of success. Therefore it was chosen as an important aspect within this core theme. In order to provide an impression of which of the initiatives studied show a certain growth or scaling up at all, Table 7 summarises the effects of extension.

Table 7: Type of growth or scaling up in the cases studied

	Case study	Growth	Scaling up
BE	Biomelk Vlaanderen (Organic milk in Flanders)	no growth	No scaling up
BE	Westhoek farm products (Marketing of regional products)	12 farmers were involved in the initial 5b project. There were 14 farmers when the collaboration was formalised. Presently there are 23 farmers participating.	There are replications of the concept (sale of farm products) in other regions.

²⁸ This new translation cycle again comprises the four phases problematisation, interestment, enrolment and mobilisation.

	Case study	Growth	Scaling up
DE	Uplaender dairy (Dairy sector; organic milk; co-operative)	The process of expansion can be noted as an effect of growth in market power: Turnover increased steadily from 7.8 million € (1998) to 10.8 million € (2004). Amount of organic milk processed increased continuously from 8.7 million kg (1998) to 13.9 million kg (2004). Also the number of partners for distribution increased permanently.	
DE	Tegut supermarket chain (Conventional food retailers)	Tegut chain was continually expanding and is, today, a well-managed supermarket chain of high commercial performance. In 2002 Tegut had a turnover of 980 million EUR and was 23 rd in the ranking of German retail chains. In 2004 it had 310 outlets.	Through regular 'spin offs', new companies, as there are KFF, Al-natura, Herzberger and Rhoengut, were founded. Rhoengut has a 40 % growth rate, a new production plant and a rising number of farmers producing for it.
IT	CAF (Co-operative of meat cattle breeders)	CAF develops a local labelled beef in the production region with good success.	Diversification : new products (organic beef) are sold on markets that are new to the cooperative. 1998: 2-3 organic farmers; 2000: 3-4 organic farmers (1 calf per week). 2003: 13 organic farmers ²⁹ (+ 7 organic farms not belonging to CAF but supplying CAF) (10-15 calves per week)
IT	Raw milk sheep cheese	Since the Consortium was founded (2000) there has been an increase of livestock of about 10%. The number of farms has not increased. So there was no real growth, but rather a consolidation of an existing food chain. The volume of the sales of all producers has increased and within the last two years the production of cheese has increased by 14%.	(Other actors became interested in establishing own similar initiatives within the same region. This is a type of scaling up, but also means 'dangerous' competition ³⁰ .)
NL	De Hoeve BV (Sustainably produced pig-meat)	Growth did take place during recent years.	Scaling up might be realised by developing similar market niches in other regions through the creation of new strategies.

²⁹ Growth was mainly a need generated by the fear to lose the partnership with *Esselunga* if the cooperative was not able to fulfil its requests: 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. Furthermore, the alliance with *Esselunga* implied also a stricter quality control: the cooperative made an agreement with Progeo which would supply CAF members with certified organic feed and technical support.

³⁰ The recent project of PDO certification for the Sheep Milk Cheese of Pistoia Appennines would imply: a) enlargement of the territorial area of production; b) lowering of production standard imposed to producers members, as the geographical limit of the area defined with the PDO covers the whole province, and so, it is foreseeable an extension of participation to new members (potentially including also cheese-maker firms).

	Case study	Growth	Scaling up
NL	CONO dairy co-operative (Dairy chains in the Western Peat-land Region)	The growth of CONO cheese makers is related to the development of the marketing strategy (to produce high quality and to market the cheese in a higher market segment) and the different outlets.	In 1998 it was decided to market the cheese independently using the label BeemsterKaas. CONO turned from producer to marketer / trader. The annual production is limited to 28 million kg of cheese per year. This limits the scale on which CONO can operate.
UK	The Cornwall Food Programme (CFP); Sustainable food procurement in the National Health Service	The initiative started with a single local supplier of sandwiches in 1999. The appointment of a Sustainable Food Development Manager in 2002 has considerably increased the number of local producers supplying the CFP. His post has now been extended until 2008, specifically to further increase the number of both local and organic producers supplying the initiative.	Currently, it is difficult to say that the initiative has 'scaled up', it has simply increased the range of local producers supplying the initiative. However, the proposal to develop a Central Food Processing Unit has now gained 3.65 million £ of funding, subject to the submission of a full business and planning permission. It is anticipated that it will be operational in April 2007, at which point the initiative will scale up considerably. It is also being used as an example of best practice, whereby elements of the initiative will be 'rolled out' elsewhere.
UK	Procurement of local food by UK supermarkets; The Co-operative Group in the High Weald of SE England	Full implementation delayed	No scaling up
LV	LAMCB (Latvian Association of Meat Cattle Breeders)	The initiative is slowly growing. Unfavourable market conditions and inconsequent government policy have a negative impact on growth. The number of association members and their market power has increased (from 64 in 1998 to 102 in 2005). Therefore the association gradually begins to fulfil the tasks initially defined.	
LV	Rankas dairy	The initiative has grown economically: volume of production has increased, product range has been diversified, and marketing channels have been broadened. In the meantime initiative has seen concentration of shares and some reduction in farmers' membership.	

	Case study	Growth	Scaling up
CH	Rye Bread of the Valais Pain de seigle du Valais AOC (typical product; quality certification)	Rye production has increased from 230 tons or 46 ha (in 2000) to 423 tons or 94 ha (in 2003). Presently half of all regional bakeries are involved. It is intended to associate $\frac{3}{4}$ of them. (But: the scale of the initiative is still too small to take charge of all of its costs; the initiative is not profitable yet without institutional support.)	Very soon, the organisation will have to take strategic decisions about whether it is aiming at scaling up or not. The main problem of scaling up is 'connecting to the global markets'.
CH	Natura Beef (ASVNM) a nationally certified bovine meat	The association has grown from 42 members in 1977 and 118 members in 1980 to 750 members in 1990. As meetings were getting more difficult to organise, already in 1983 it was decided to create 9 regional groups. 1986: the ASVNM was recognised as the fifth official herd-book association.	NaturaBeef has scaled-up two times : the first time when they decided to buy to Bell and some regional units of COOP; the second time when they signed an exclusive contract with Coop. Since 2003, their main outlet COOP shows saturation (together with the claim that new producers have to produce according to organic standards). Accordingly, the association has to look for new markets (e.g. a new label programme).

Source: Own compilation

As key factors influencing the 'presence of growth' or 'scaling up' in the initiatives in a positive way the following were identified:

- The existence of strategic alliances, which can be observed in the pig-meat case of De Hoeve (NL), in the NaturaBeef case (CH) and in the Uplaender dairy case (DE), creates commitment between actors. Through this commitment knowledge but also risks will be shared. This is a good basis for FSCs to grow or scale up. De Hoeve (NL) has created a very strong alliance between farmers and butchers with the intermediate slaughterhouse. NaturaBeef has a strong partnership with the retailer COOP Switzerland which is marketing about 95% of its total beef produced.
- A short and efficient chain was a very important success factor in the cases of De Hoeve (NL) and Westhoek farm products (BE). In the case of Westhoek with direct sale and in the case of De Hoeve with only the slaughterhouse between the producers and the butchers, producers are able to increase their value added without raising consumer prices. This attracts other producers to join the initiative (growth) or to cope (scaling up).
- An appropriate legal framework stimulates other producers to join an initiative, as happened in the case of Rye Bread of Valais (CH).
- A clear strategy regarding management and marketing allows a more efficient coordination of all processes along the chain. It is often combined with a strong and convincing marketing concept. Initiatives where this can be observed are the case of De Hoeve (NL), Tegut (DE), Rankas dairy (LV), the Rye Bread initiative (CH) and also the cases of CONO dairy (NL) and Uplaender dairy (DE).
- A more efficient coordination within the chain is also very important for growth or scaling up. It can be achieved through a coherent chain management like in the case of De Hoeve (NL) or in the case of the Tegut supermarket chain (DE).

- The capacity to translate retailers' demand to all other FSC actors is another key factor influencing growth or scaling up. This capacity was obvious in the case of De Hoeve (NL) and in the two German cases (Uplaender dairy and Tegut supermarket chain). The capacity to translate needs to function in both directions: from the retailer to the farmer and from the farmer to the retailer.
- Continuous innovation is also a factor that may be important for growth or scaling up. Rankas dairy (LV) and Uplaender dairy (DE) are in a permanent process of looking for new ideas (new products, new technology etc). Without doing so, it would be much more difficult for them to keep their continuous growth rates. Initiatives which have 'fixed' their production methods in statutory rules (e.g. PDO regulations) can not use the aspect of continuous innovation for growth. They have to concentrate on other aspects.

Other factors that were mentioned in the case study reports as important for growth or scaling up are:

- A strong not only vertical but also horizontal network. Examples are Rye bread of Valais (CH) or the Uplaender dairy (DE).
- A well-defined USP³¹ to put the product on the market. A good example is BeemsterKaas of CONO dairy (NL).
- A certain extent of public (financial but also non-financial) support³². This factor was important in the cases of NaturaBeef (CH), Rankas Dairy (LV) and Uplaender dairy (DE).

Beside the positive factors supporting the growth and scaling up of initiatives, there are also negative factors that inhibit growth and scaling up. These factors are:

- Two initiatives that have not been successful in growing or scaling up yet are Biomelk Vlaanderen (BE) and LAMCB (LV). Both of them have to face uncertain distribution channels. On this basis it is difficult to find new producers willing to join the initiatives³³.
- Biomelk Vlaanderen (BE) is not able to guarantee a price (premium) that is either fixed to a certain volume or includes a fixed premium for organic milk above the price for conventional milk. As long as this problem can not be solved, it will be difficult to convince new farmers to convert to organic production and join Biomelk Vlaanderen. And as the initiative is not growing (in terms of milk produced or collected), it is not able to deliver the quantities needed, e.g. by wholesalers.
- LAMCB (LV) has to face a situation of unstable prices and demand. For both Latvian initiatives it can be stated that the lack of an effective marketing strategy is another factor that hinders growth or scaling up. As the consumption of beef has no tradition in Latvia, consumers' demand is still low.
- A totally different factor that inhibits growth could be found at RMSC (IT). The association of cheese producers has limited the number of producers in the statutory rules of the consortium. On this basis, the only possible growth could be by improvement of the overall organisational efficiency.

³¹ USP: Unique Selling Proposition

³² As public support was already discussed in ch 3.3 there will be no further explanations in this chapter.

³³ In the case of Belgium organic milk the situation appears as a vicious circle. The uncertainty of distribution channels does not attract new farmers to join the initiative and convert to organic production. And as there is no growing quantity in supply, processors and retailers are not really interested in establishing firm relationships with the co-operative.

3.4.2 Ability to choose the most adequate type of organisation

Food supply chains, as they were described in the 14 case studies, can be organised very differently. The types of organisations found are co-operatives, private and individual enterprises, consortiums (or associations) or umbrella organisations promoting a basket of products like 'Slow Food'. Which are the key factors enabling an initiative to choose the type of organisation most adequate for the concrete food supply chain with its particular aims?

In order to provide an impression of the different types of organisation existing in the 14 case studies, an overview is given in Table 8.

Table 8: Type of organisation of the food supply chains (FSC) studied

	Case study	Type of organisation
BE	Biomelk Vlaanderen (Organic milk in Flanders)	Co-operative (23 farmers) was founded in Feb. 2002 out of a 'farmers' group' (no legal / formalised status). The executive board is composed of 5 farmers.
BE	Westhoek farm products (Marketing of regional products)	23 farmers collaborate in a non-profit organisation; with participation of KVLV-Agra and a representative of the provincial authorities. The presence of external members (non-farmers) in the board is stipulated in the statutes.
DE	Uplaender dairy (Dairy sector; organic milk; co-operative)	Private limited company (Ltd) was chosen, because it accepts several non-identical partners (e.g. non-farmers). The producer organisation Hessen w.V. (farmers) is recognised as one shareholder of the dairy. In total there are 4 shareholders.
DE	Tegut supermarket chain (Conventional food retailer)	Tegut is a 'family-run' enterprise which was founded in 1947. During the last decades, Tegut created a series of 'spin offs' of subsidiary companies (KFF, Alnatura, Herzberger, Rhoengut).
IT	CAF (Co-operative of meat cattle breeders)	Within the already existing co-operative CAF (Cooperativa Agricola Firenzuola) a new group of organic farmers was created. To answer to the demand for organic meat, bigger organic members were accepted, even if they were not from the traditional production area of CAF. The former leadership was not enough interested in the organic chain. It was replaced by a new one.
IT	Raw milk sheep cheese	Consortium of Pistoia Mountains and Valleys was established in 2000. In the consortium the following actors work together: Municipality of Cutigliano, Pistoia Mountain Association, Province of Pistoia, local breeders. Recently there is the idea to introduce a PDO label for the Sheep Milk Cheese of Pistoia Appennines.
NL	De Hoeve BV (Sustainably produced pig-meat)	De Hoeve BV (limited company with two persons as main shareholders). De Hoeve established a well-functioning surrounding network.
NL	CONO dairy co-operative (Dairy chains in the Western Peatland Region)	Independent co-operative with currently 650 associated farmers as members. They are represented by a board (9 members, elected every seven years). Two directors are responsible for management. Besides the board, there is a committee of commissioners and a 'panel of young farmers' also giving advice to the management.

	Case study	Type of organisation
UK	The Cornwall Food Programme (CFP); Sustainable food procurement in the National Health Service:	The Cornwall Food Programme (CFP) has the support of all five National Health Service (NHS) Trusts in Cornwall, and is hosted by the Cornwall Partnership Trust. It is managed by a project manager under the direction of a project director. The project also employs a Sustainable Food Development Manager whose task is to explore opportunities for local food producers to supply the CFP. A project board has been set up to oversee progress on the Central Food Production Unit and it is responsible for delivering via Cornwall Healthcare Estates and Support Services (CHESS) which represents the interests of Cornwall NHS. The board includes representatives from the executive level of all five trusts, as well as the Chief Executive of the NHS Purchasing and Supplies Agency (PASA).
UK	Procurement of local food by UK supermarkets; The Co-operative Group in the High Weald of SE England	The Cooperative supermarket group comprises 1800 stores and 3 % market share. They are part of the CRTG buying group, which has a 6.5 % market share.
LV	LAMCB (Latvian Association of Meat Cattle Breeders)	The association LAMCB was founded in 1998 uniting 64 members (in total: 2500 cattle). In 2004, the co-operative 'Laidars G' was founded by the association's members to organise beef meat cattle purchase and export.
LV	Rankas dairy	Rankas Dairy was founded as joint stock company by 96 dairy farmers of the nearby municipalities of Ranka. Actors involved in establishing the dairy were dairy employees, milk producers and the former production-manager of the old dairy (Valmieras Piens). But to a large extent the initiative can be seen as the personal business project of the former production manager. Rankas Dairy includes a council, general meeting of shareholders (396), the board and the executive director. The council was created in order to facilitate decision-making processes as there are many shareholders. It is in charge of meeting strategic decisions. Rankas Dairy has been established on the basis of dairy producers' co-operatives (including milk producers and milk processors). They have different interests concerning the price.
CH	Rye Bread of the Valais Pain de seigle du Valais AOC (typical product; quality certification)	The organisation is an inter-professional association with a common centre of operations (it operates as a strategic vertical alliance ³⁴ : producers, mills, bakers). It was founded in 2001. There is a board of six members, two elected persons per actor.

³⁴ According to a European case studies analysis, this organisational pattern is very common and efficient for PDO and other high-quality origin labelled products. According to the New Institutional Economics, this PDO alliance is an "hybrid form" which associates co-operation and competition among its members (see Rye bread case study, ch 4.3).

	Case study	Type of organisation
CH	Natura Beef (ASVNM) A nationally certified bovine meat	In 1977 the Swiss association of breeders of suckling cows (ASVNM) was created. The main services rendered to its members were 'political' services (they had to assure recognition of this new form of production). In 1980 the name NaturaBeef was selected (it was protected only in 1987). In 1980, BELL (an independent butcher chain with its own trademark and shops in several Swiss towns) started selling the meat of the association under the name NaturaBeef. Since the beginning of the 1990s, in particular once COOP Swiss had integrated BELL (1993), the dependence on COOP has increased (they imposed a level of exclusivity on the label). Through a licensing system, ASVNM assured that they remained united in their negotiation position.

Source: Own compilation

As key factors in choosing the most adequate type of organisation the following were identified in the case studies:

- De Hoeve (NL) with its short chain and organised as a limited company (Ltd) with two persons as main shareholders, mentioned a balanced decision-making power between the FSC actors as very important for deciding on the 'right' type of organisation.
- Uplaender dairy (DE) is organised as a private limited company (Ltd) which is a type of organisation that is still not very common in Germany. A key factor that determined their decision was the efficient advice of a tax consultant.
- A strong and professional leadership (management), which is, e.g. represented by a charismatic person, was an important factor to choose the type of organisation in the cases of CONO dairy (NL), NaturaBeef (CH) and Rankas dairy (LV).
- A wide network which includes not only chain partners but also other actors, was a determining factor for choosing the type of organisation for NaturaBeef (CH), the initiative of 'Raw milk sheep cheese' (IT) and for Uplaender dairy (DE). The Italian initiative, e.g. integrated the organisation of 'Slow Food' into its network. Through this circumstance the farmers are able to take profit from the symbolic capital 'Slow Food' provides. Besides that, local public institutions are also integrated into the network. NaturaBeef has on the one hand a well-structured association of producers with selected partners (traders, butchers and the retailer COOP Switzerland). On the other hand, as the association itself is divided into several regional groups, a strong institutional network was established.
- The idea of the Uplaender dairy (DE) was, farmers themselves taking charge of management. Accordingly, the initial idea was to organise the dairy as a cooperative. However, as this type of legal form does not permit the admission of non-farming participants, the form of a limited company (Ltd) was chosen. Through this, important 'non-agricultural' shareholders could and still can be integrated as partners. Those shareholders have the function of 'capital providers'.

In several case studies there was no concrete factor determining the choice of the organisational form. But it is mentioned that the type of organisation chosen is the most suitable one for the type of product or its special way of sale. Examples are Biomelk Vlaanderen (BE), Westhoek farm products (BE), LAMCB beef (LV) and Tegut supermarket (DE).

These factors do on the one hand determine the ability to choose the type of organisation, but on the other hand they have an influence on the type of chain or network the initiative is

working in. So with De Hoeve pig meat (NL), e.g. the two initiators decided to found De Hoeve on the basis of the legal form of a limited company. But more important than this is the way the chain actors (pig farmers, slaughterhouse, butchers) work together. The factor of a 'balance of decision-making power between chain actors' seems more important than the legal form of De Hoeve.

Something similar can be stated regarding the factor of a 'wide network'. The wide network in cases like NaturaBeef (CH) (mainly in the very beginning), Raw milk sheep cheese (IT) or Uplaender dairy (DE) seems again more important than the legal form of each of these initiatives.

Initiatives which are not very successful at present or which show wide discrepancy between legal type of organisation and real 'performance' of 'operating mode' named the following influencing factors:

- no own strategic vision (e.g.: CAF organic beef (IT); LAMCB beef (LV), UK supermarkets);
- official type of organisation does not correspond to the actual performance of the organisation because of the strong leader and the weak board of management (e.g. Rankas dairy, LV);
- no independent organisation within the co-operative (e.g. CAF organic beef, IT).

These are again factors rather concerning the organisation of the entire chain than of the initiative itself.

3.4.3 Ability to control the organisation and the process of growth or scaling up

Using this indicator, it can on the one hand be demonstrated how all participants of an FSC work together most efficiently. On the other hand, it can be demonstrated how volumes of sale are managed and preferably increased. A strategic vision is often the basis for a well-functioning organisation and for successful scaling up.

The key factors that enable to control the organisation and the process of scaling up in an efficient way are:

- Establishing sales licences is one factor allowing control over the quantity of a certain product sold. NaturaBeef (CH) permits the trading or selling of its beef only with sales licences. Only two trade companies have the right to sell the meat of NaturaBeef. Doing so, the NaturaBeef organisation has much more control over the product flow and quantities. Additionally, the two trading companies assist in controlling quality as well.
- Introducing a clear 'code of practice'. A 'code of practice' clearly defines the rights and duties of certain chain actors. The two initiatives that work with PDO regulations, Rye bread of Valais (CH) and Raw milk sheep cheese (IT) are examples. On the basis of the PDO regulation the entry of new producers to the association is limited. Producers have to be located in the delimited geographical area. Through this limitation the organisation itself can be controlled rather easily.
- A more or less obvious factor that determines efficient control of an organisation is a small size. A small organisation has advantages regarding communication and also better possibilities for control. Associations like Biomelk Vlaanderen (BE) and LAMCB beef (LV) still profit from their small size in this respect.
- In the case of Tegut supermarket (DE) the determining factor allowing for control over the organisation is the 'omnipotent chain captain'. The manager of Tegut is

the main initiator and investor who has a clear strategy of how to run the enterprise. He is able to control all chain actors as well as the process of growth and scaling up which has taken place already.

- A clear organisational structure seems important in the Uplaender dairy (DE) where management is 'team based' with a clear structure of tasks for each member. With this method they are able to control the organisation efficiently.

Neither of the UK initiatives have currently grown or scaled up to any significant extent. However, it can be assumed that both of them have considerable potential to do so, meaning that they should prepare to control the process of growth and scaling up.

Factors that constrain the process of growing and scaling up were also mentioned for several case studies:

- The Dutch cases, De Hoeve pig-meat and CONO dairy as well as the Biomelk Vlaanderen (BE) mention that the volumes sold are dependent on the demand of the retailers. This makes it quite difficult to initiate a process of growth. De Hoeve, as first of the three initiatives mentioned, would have the possibility to scale up by realising their idea / strategy in other regions as well.
- As already mentioned, the producers of organic meat within the CAF co-operative (IT) will have problems to increase their amount of meat sold as organic because the co-operative itself does not really appreciate organic production as an important branch of their whole initiative.
- In Rankas dairy (LV), farmers that are associates in the co-operative only have a very low ability to control the dairy's organisation. As the dairy manager holds a very strong position, farmers and the board of management (still) appear very weak. They don't have much influence on the overall strategy of the dairy and therefore can not influence growth and scaling up.
- PDO regulations have many advantages for all actors in a food supply chain, but are at the same time restrictive. They do not allow, for example, to choose new partners that are not mentioned in the regulation. This is the case with Rye bread of Valais (CH) and the Raw milk sheep cheese (IT).

3.4.4 Outcomes of the process of growth or scaling up

It ought to be noted first that the information that could be obtained for this section is rather similar to that of Chapter 3.4.1 (see in particular see Table 7).

Obviously, the process of growth or scaling up does not happen without any 'internal' or external changes in FSCs. Changes may concern the distribution of power, the objectives, the way marketing is carried out or even the product itself (e.g. product quality). Using this indicator relevant outcomes of the process of growth or scaling up will be reflected.

Relevant factors that are influencing the existence and the outcomes of growth (scaling up) were already mentioned in the chapters preceding. Factors that allow a good commercial performance, successful marketing conceptions and communication and efficient public support also contribute to the growth and scaling up of initiatives. In order to avoid repeating the same factors as mentioned above, they will not be listed again in this section.

Nevertheless, some other important key factors influencing the growth or scaling up of initiatives will be mentioned:

- The improvement of the technical quality of the product contributes to growth or scaling up. This could be observed in the case of De Hoeve (NL) as well as the dairy cases of Rankas dairy (LV) and Uplaender dairy (DE). In the Dutch case, an agreement was made with the slaughterhouse that the share of meat with the highest quality should go to the

butchers and be sold under the environmental label and that the rest of the meat will enter the conventional chain. Thus the butchers' quality demand can be satisfied and more butchers can be convinced to participate in the De Hoeve system. The manager of the Rankas dairy (LV) initiated, right from the beginning of the dairy as an independent co-operative, a modernisation of the plant's technical equipment. Thus the dairy is able to meet the requirements (e.g. hygiene standards) of European regulations. This was the basis for negotiations with potential retailers concerning an increase of the amount of milk.

- Investments in quality and new technologies, allowing for achieving a special market position among German dairies have been vitally important for the Uplaender dairy (DE). Because of the enormous market competition, there was a need to get away from the replaceable standard assortment, which had been offered in the beginning. Accordingly, also in this case the improvement of technical quality was important for the initiative's growth.
- Through fixing PDO regulations in the case of Rye bread of Valais (CH), there was increased reputation and demand, which attracted many bakeries to participate in the initiative and led to an increase of the volumes processed per year.
- Gaining new distribution partners and finding new (or different) distribution channels was another important factor for growth in the case of the Uplaender dairy (DE). The success was documented as growth in turnover.

3.4.5 Conclusions

The form of organisation is one of the key factors influencing the success of newly-established initiatives as well as their future continuity. The comparative analysis of those cases of FSCs that appear more sustainable and more successful leads to the following conclusions:

- Business and assortment strategies have to be embedded deeply in each level of a chain and of an enterprise. The strategies have to be supported by all decision-makers in the chain and by all staff members.
- Key persons often play an essential role in the history of an enterprise. They often have the possibility to use large personal networks. However, often this is linked with the risk of a concentration of power which tends to increase dependence and eventually decreases the motivation of other actors or partners within the enterprise or the chain. Even economic success may in the end depend on individual persons and personal networks.
- Concerning the joint enterprise or project, there is always the risk of diverging objectives and motivations. This mostly happens when there are many different partners working together in a chain. The balance of maintaining and adjusting the quality demands and message along the chain always represents a particular challenge.

Success and the economic, social and ecological performance of enterprises are, amongst others, demonstrated through the process of growth. Besides positive socio-economic effects like employment creation or the increase of income and value added within a region, the process of growth also includes changes. These changes may have negative effects on the internal and external structures of an initiative and also on the credibility towards consumers.

Scaling up may have the following consequences:

- The demand that is connected with quantity buyers (e.g. retailers) may result in the initiative growing at a pace the further development of the organisational structures and the claims towards product quality can not keep up with.
- Changes caused by growth may be expressed in the form of an adjustment of the organisational structure but also in the form of modified values. Different value systems, for ex-

ample, between younger and elder colleagues, and the resulting conflicts, may only become apparent during rapid processes of growth. While older actors tend to stick to the former values, the younger colleagues in contrast might think and act more pragmatically. Here, a new agreement regarding the strategic vision will be necessary.

Some additional issues

- CONO dairy co-operative: Alignment of production process (artisan, high-quality) with niche market approach (special labels, higher price, specific target groups) is important. CONO coordinates and manages quality requirements of milk supply, artisan production process, packaging and marketing as well as logistics; other chain partners (wholesalers, small shops) became more dependent on the chain leader; a power shift is referred to: CONO management gains at cost of other chain actors (small shops and wholesalers).
- Some initiatives are characterised by a rather rapid growth (e.g. Uplaender dairy: 1996: 1 million kg of organic milk per year; 2004: 14 million kg per year; Tegut supermarket: 'Rhoengut', a particular product line, has 40% growth rates p.a.; CAF - Co-operative of meat cattle breeders: from 1 occasional veal in 1998 to 15 per week in 2004; De Hoeve BV; Rye Bread of the Valais: the initiative is a commercial success, volume has doubled within 4 years; the decline of rye production in the region has been stopped (but: support from the regional authorities and the Chamber of Agriculture has been decisive; initiative costs are still partly paid by institutional support)).
- NaturaBeef has been a huge success in terms of growth and spread: between 1977 and 1980 the number of members rose from 42 to 118 (phase 1); between 1980 and 1990 the number of members rose from 118 to 750 (phase 2); the initiative has reached a national dimension and has had a strong growth until 2003 with a good value added for its members; in 1983 the association decided to create 9 regional groups; 1990-2004 (phase 3) the initiative had to look for new ideas as there was a saturation in the main outlet; as COOP is the main retailer for the beef, it became quite strong in the last years and now can impose own requirements; all new producers of NaturaBeef must produce according to the organic standards and produce Natura-Beef-Bio; thus the initiative created a new label (SwissPrimBeef) with a stronger focus on quality (and less on nature) aspects.
- A rapid increase in scale and new members tend to increase heterogeneity and bring in different ideas that need to be integrated with the original ideas; structures normally need to evolve (e.g. CAF - Co-operative of meat cattle breeders: in order to fulfil the increased demand for beef, the co-operative has accepted new members, some of which are coming from outside and are of different size; some argue that the co-operative has not changed sufficiently in order to take into account the increased heterogeneity of its members; Italian raw milk sheep cheese case: establishment of a filter - code of practice - among the producers; success of the initiative has led to the emergence of conflicts among local stakeholders regarding the control of the initiative; a new project for PDO registration entailing the opening of the group for producers - in that case territorially determined -, is introducing the necessity to re-discuss the internal rules; De Hoeve BV: the right combination of interests between chain partners and willingness to invest on a long-term basis is needed.)
- Rye Bread of the Valais: Entry of the big retailers' bakery units may lead to more industrial values; the organisation will have to take strategic decisions very soon whether scaling up is intended or not; the main problem related to scaling up is 'connecting to global markets'.
- NaturaBeef: The management has been professionalized; through strong communication efforts, members have remained committed. The association's work includes the definition of a code of practice and of quality requirements, the search and selection of new partners (bakers and producers), negotiations regarding prices and conditions, promotion (in collaboration with the main commercial partners), the management of volumes (in-

cluding seasonal changes) and the control and traceability through licences and in collaboration with 'Beefcontrol'.

- The initiatives have often strengthened the regional capacity to self-organisation and self-governance. In many case studies it is considered a major achievement to collaborate and strengthen the position as a group of producers (e.g. Biemelk Vlaanderen; Uplaender dairy; Farm products of the Westhoek; CAF- Co-operative of meat cattle breeders: creating room for manoeuvre with the institutions at regional and national level; Italian raw milk sheep cheese case: the initiative strongly supported the capacity building of local producers, but it is still mainly linked to the local level and dependent on the director of the consortium.)
- Often a collaboration rather loose at the initial stages of a project is formalised at a later stage during scaling up (e.g. Farm products of the Westhoek; Tegut / 'Rhoengut': scaling up has led to more formal and reciprocal linkages with farmers; Italian raw milk sheep cheese case: the consortium consolidated through the time as a 'close' organisation, because of the strict rules for new members to join; De Hoeve BV: shareholdership in Hoeve B.V., the chain management organisation; etc.).
- Mergers and spin-offs: Sometimes initiatives merge formally with partners already existing (e.g. Uplaender dairy). Some initiatives regularly produce spin offs that strengthen the FSC / company (e.g. Tegut, where this is very pronounced: establishment of subsidiary companies sharing the same basic principles).
- A rapid increase in scale of production may require new market outlets or marketing strategies: e.g. CAF - Co-operative of meat cattle breeders, where new circuits (specialised shops) at national level have been opened. In the Cornwall Food Programme case study it is explored how to roll out (elements of) this model to other regions and/or organisations.
- Rankas dairy: The strong and innovative personality of the leader - no decisions are made without his supervision - has been the driving factor for the development of the enterprise / initiative; a side effect is the limited involvement of shareholders; homo-centric management style which may run in conflict with an increasing organisational complexity and the need for more collective decision-making, management style and organisational culture. Similarly, in the Uplaender dairy the strong and innovative personality of the leader has been important. It has been replaced over time by a broader organisational structure. A minimum condition is that management and decision-making transparency is ensured. The challenge is the consolidation of the managerial team, loyalty and motivation of employees; managerial reflection: ability to reflect about the increasing complexity of organisation, identify critical issues in management; ability to change the managerial style towards a more collective and team-based management style.

3.5 Impact of alternative FSCs on rural economies and rural assets: connections with rural development

Assessing the impacts of alternative food supply chains on rural development (RD) is central to the SUS-CHAIN project. A principal reason for the interest in alternative food supply chains is their potential for contributing to sustainable rural development. Rural development is recognised as having multiple dimensions. Operating within the widely accepted sustainable development paradigm, these are normally seen as comprising three major fields: economic, social and environmental.

Rural development: a definition

Rural development is the growth, advancement and evolution of rural communities, businesses and people. It is the outcome of a nurturing environment where

- *the rural community shares a vision which is supported regionally, provincially and nationally;*
- *the government supports the community vision with an appropriate economic, social and regulatory climate;*
- *a balanced emphasis is placed on social, economic and environment priorities; and where*
- *the rural community, private sector, government departments and different levels of government work closely together as partners with common goals.*

Source: B. Slee, University of Gloucestershire (UK)

In respect of the question of RD a more comprehensive approach had been suggested at the 4th SUS-CHAIN coordination meeting in Martigny. The aim is to bring all case studies into focus through a structured but qualitative analysis of their impacts on sustainable rural development. This allows both for a better comparability of cases and for more the different dimensions of rural development to be examined in a more structured way. Twenty indicators of RD impact were identified as being of particular interest. They are:³⁵

- | | |
|---------------|--|
| Economic | <ul style="list-style-type: none"> ▪ NVA in region ▪ Direct, indirect and induced employment in region ▪ Farmer's share in retail ▪ Transaction costs of establishment ▪ Transaction costs of maintenance ▪ Dependence on public sector support ▪ Displacement effects within region (which must be clearly specified) ▪ Halo effect |
| Social | <ul style="list-style-type: none"> ▪ Self organisational capacity increased ▪ Bridging capital increased ▪ Learning and knowledge enhanced ▪ Enhanced trust/faith in food system ▪ Enhances social inclusion ▪ Yields job satisfaction ▪ Encourages succession |
| Environmental | <ul style="list-style-type: none"> ▪ Increases biodiversity ▪ Reduces negative external effects ▪ Increases positive external effects ▪ Enriches cultural landscape ▪ Reduces road miles |

Source: Compilations of SUS-CHAIN working groups

³⁵ Each of the national research teams carrying out the case studies was asked to fill in the table according to the results they obtained during their research period. Each indicator should be evaluated on an ordinal 7-point scale from +++ to ---, with a neutral middle. Team members were asked to carry out the evaluation for a conventional equivalent (which had to be described shortly), the initiative of their case study (referred to as 'existing alternative') and for the probable future performance of the initiative studied.

As in the case study approach applied within the SUS-CHAIN project qualitative analyses are predominant the indicators introduced above were not quantified throughout all case studies. Instead, in relation to each of the indicators, a judgement was made by the research teams as to the key factors responsible for the corresponding level of performance. The question was what were the factors creating the score or preventing a higher score to be achieved. In the following paragraphs the results of the evaluation and the key factors influencing the performance of each indicator will be presented shortly.

3.5.1 Economic indicators of rural development

Economic indicators may concern the 'new' or additional value added created within a region or as well the direct, indirect and induced effects on employment. In connection with these indicators, it is expected that in the case studies the part of the value added received by the farmers will be examined, as well as the level of transaction costs and possibilities of reducing them. Other aspects to be examined are the degree of dependence on public support and the multiplier effects that are created within the region. Accordingly, relevant indicators are: NVA in the region; direct, indirect and induced employment in the region; farmers' share in retail profit; transaction costs of the initiative's establishment; transaction costs of the initiative's maintenance; dependence on public support; displacement effects within the region; halo effect (see also Table 9).

Net Value Added³⁶ (NVA) created in the region: In 80 % of the case studies, the creation of value added (VA) is documented. The Belgian organic milk initiative is the only case where no VA could be noticed, and in the Italian organic beef production case (CAF) the organic farmers profit from a VA induced by their conventional colleagues.

Direct, indirect and induced employment³⁷ in the region: Regarding around 90% of the initiatives it is mentioned that there is a direct or indirect positive impact on employment. In cases such as the Italian sheep cheese production or the German Uplaender dairy new jobs were not created, but rather existing ones secured, especially in the agricultural sector. In other cases such as the Italian beef co-operative (CAF), the Swiss rye bread initiative or the Latvian Rankas dairy, new jobs in the downstream (processing) sector could be established. The dairy, e.g. employs 167 people which is a considerable number for a rural area without any other industrial jobs.

Farmers' share of retail³⁸ profit: In most cases it was stated that farmers receive an increased share of retail profit, for example, in the form of a price premium for their products. In all other cases, there is no significant change in farmers' share. One very important difference for the farmers is to be mentioned regarding the Belgian case of direct sale of Westhoek farm products: Farmers control pricing by selling their products directly and independently of wholesalers or retailers. The Dutch De Hoeve pig producers profit from a higher share of retail profit because of an improved chain efficiency (shortened chain) and in the British Cornwall Food

³⁶ Net Value Added represents the value added within the region net of costs. It is regarded as a suitable indicator because it reflects the difference between the costs of production and the prices received for the product within the region, recognising value added, but also recognising that value is added at a certain cost. It is a good measure of the efficiency of the economic transformation of inputs into outputs either at enterprise or regional level.

³⁷ The measurement of direct, indirect and induced employment (or income) creation is a standard procedure in regional input-output analysis demonstrating the regional connectedness of enterprises and the employment output and income effects resulting. The indirect effect is the result of purchases from up- or downstream sector enterprises and the induced effect is the increased regional output, income or employment. In this case we are only interested in the employment effect in direct effects as there is no data for indirect and induced effects.

³⁸ The farmers' share of the food retail profit is a widely used indicator of the farm sector's capacity to derive benefit from food consumption. Its long-term decline reflects the weak bargaining position of farmers and the efforts of processors to add value at their own level.

Programme (CFP) farmers are given the opportunity to sell products of an otherwise low or missing retail market value.

Transaction costs³⁹: Most initiatives generate a certain amount of transaction costs in the first period of development. It is stated that the amount necessary for an alternative sustainable initiative is higher than for a conventional equivalent. New outlets – often a number of small ones – outlets have to be found (e.g. CONO BeemsterKaas, NL), many negotiations have to be made in order to allow for the interests of each actor (e.g. UK: farmers need to know the quality volumes of produce demanded throughout the year). For many initiatives it was necessary to receive support in the initial phase in order to overcome the problem of high transaction costs. Vice versa, a lack of financial support at the very beginning was a constraint for a good start, as was observed in the Belgian case of organic milk production, for instance. High maintenance costs are likely to be a more profound challenge to alternative FSCs than high establishment costs. The maintenance costs may vary widely, considering that direct sale at farms will have very low transaction costs (e.g. Belgian Westhoek farm products), whereas finding outlets for speciality products may be very costly in terms of time and resources (e.g. Italian sheep cheese or organic beef, Latvian beef). It only can be assumed that these costs may be reduced to the cost level of conventional food supply chains at a later stage of development. The initiative with the longest history⁴⁰, the Swiss NaturaBeef case, does not consider transaction costs as an indicator of any impact.

Dependence on public support: Public support is often discussed controversially. On the one hand, it is considered as important in the initial phase, on the other hand, there is the risk of an initiative becoming dependent on public 'financial injections'. Recently, it is often argued that there is a need to ensure public support induces a development allowing for the initiative promoted to be self-sustaining after the end of the support period. From this angle, any reduction of dependence on public support appears desirable. The thesis that public support is important in the initial phase is supported by the fact that this was the case in half of the initiatives studied. 7 initiatives consider public support as very important. 4 initiatives started without any public support. Public support does not only comprise the provision of financial resources, but also encompasses administrative support or the willingness to support new ideas (see also 3.2).

Displacement effects within the region: 'New' activity can actually displace existing intra-regional activity and reduce the net benefits of the initiative. Displacement can take on a variety of forms: generally, resources used for the support of the new development are not available for the 'old' system. The Swiss NaturaBeef case is the only example of displacement occurring. Here, the production system of suckling cows replaced the husbandry of dairy cows. In the other case studies there were no displacement effects observed.

³⁹ Definition: see also footnote 21.

⁴⁰ The association of suckling cow breeders (now 'NaturaBeef') was already started in 1977.

Table 9: Performance of economic RD indicators

Country	case study	Phase	NVA in region	Direct, indirect, induced employment effect	Farmer's share in retail	Transaction costs of establishment	Transaction costs of maintenance	Dependence on public support	Displacement effects within region	Halo effect
BE	Biomelk Vlaanderen	actual situation	0	0	0	+	+	0	0	0
		scaled up initiative	+	+	+	+	+	0	0	0
BE	Westhoek farm products	actual situation	++	++	+++	-	-	0	0	+
		scaled up initiative	++	++	+++	-	-	0	0	++
DE	Uplaender dairy	actual situation	+	++	++	+	+	+++	0	++
		scaled up initiative	+	++		+	0	+	-	++
DE	Tegut supermarket	actual situation	++	++	0	--	--	0	-	++
		scaled up initiative	+++	+++	0	-	-	0	--	++
IT	CAF organic beef	actual situation	+++	+++		+++	+++	+	0	0
		scaled up initiative	+	++		--	---	+	0	0
IT	Raw milk sheep cheese	actual situation	+	+		---	---	+	0	+++
		scaled up initiative	+++	0		---	---	+++	0	+++
NL	De Hoeve pig-meat	actual situation	+	+	+	--	+	--	+	+
		scaled up initiative								
NL	CONO cheese	actual situation	+/0		--	-	-	0/+	0	0
		scaled up initiative	++							+(+)
UK	Cornwall Food Programme	actual situation	+	0	+	---	-	---	0	0
		scaled up initiative	++	++	++	--	-	-	+	0
UK	local food in supermarkets	actual situation								
		scaled up initiative								
LV	beef meat	actual situation	++	+	++	0	0	0	+	+
		scaled up initiative	++	+	++	+	+	++	0	0
LV	Rankas dairy	actual situation	...	+++	...	0	+	-	+	+
		scaled up initiative	+	+++	+	+	++	+	+	+
CH	Rye bread (Valais)	actual situation	++	+	+	--	--	---	--	++
		scaled up initiative	+++	++	+		-	-	--	++
CH	NaturaBeef	actual situation	++	++	+	0	0	-	+	0
		scaled up initiative	++	++	+	0	0	-	+	0

Source: Own compilation

The Halo effect⁴¹: The ‘halo effect’ is an indirect effect arising from a project, typically, because other enterprises who are not immediate project partners move in and benefit from the activity. The effect most occurring is that some forms of tourism initiatives start to grow along with an alternative food supply chain. A good example of this (not described in the case studies) might be hotels and tourism agencies developing alongside the Slow Food Movement in parts of Italy. The new hotels, bed and breakfast or farm tourism establishments are not formally connected to the Slow Food Movement in contractual terms and do not use the movement as suppliers, but benefit from its efforts. This creates jobs and income in the region. Other good examples from the case studies are the PDO rye bread of the Valais (Switzerland) and the activities of the German Tegut supermarket chain within the Rhoen region. Both initiatives contribute to making their particular region more attractive and better known. They are giving a positive impulse to economically disadvantaged regions, especially to stagnating or disappearing sectors (such as rye production or agricultural activities in mountainous regions). Overall, however, it is essential to assess the effects of a single project carefully. The benefits for other sectors may derive from other factors or be synergy effects of many different activities taken together.

3.5.2 Social indicators of rural development

Social indicators concern the conditions of employment, the ability of self-organisation (and creation of social capital), the trust of consumers in FSCs, the job-satisfaction of actors within a chain, and, at a higher level, the embeddedness of chains and enterprises, the conservation of typical regional traditions and the recognition of agriculture in society. Accordingly, relevant indicators are: increase of self-organisational capacity; increase of bridging capital; enhancement of learning and knowledge; enhancement of trust in the food system; enhancement of social inclusion; enhancement of job satisfaction; encouragement of succession (see Table 10).

Increase of self-organisational capacity: Increases in self-organisational capacity can be seen as a type of bonding capital⁴². An increase in that capacity, particularly in bonding, was affirmed in nearly all case studies. Key factors for the increase are seen in the stronger participation of farmers in chain management (De Hoeve; NL), in the capacity of farmers to mobilise societal or institutional support (e.g. knowledge, new regulations, subsidies). This was observed in the case of Uplaender dairy (DE), where transparency within the chain, loyalty of employees and team-based managerial style are considered success factors. Only in the cases of the organic beef production (CAF, IT) and of CONO dairy (NL) it was observed that bonding by farmers, and sometimes by other chain partners, has increased, while the actual self-organisational capacity of farmers has not. In the case of the Rankas dairy (LV) there is ‘vertical trust’ between farmers and the dairy, the self-organisational capacity of farmers, however, is still missing.

Increase of bridging capital⁴³: ‘Bridging’ between actors (implying the building or extension of networks) was observed in 10 cases. At the least, good relations between stakeholders or actors (e.g. between producers and processors) are noted as an outcome of new food supply chains. They result in trustful relationships and a good working climate between the different actors. Based on this, chain partners are able to establish stable relations with, and to get support from, stakeholders from outside the chain as well. The Raw milk sheep cheese case study (IT) and Uplaender dairy (DE) are again good examples supporting this thesis.

⁴¹ In a marketing sense the halo effect refers to a product’s or initiative’s influence on the general attitude of people (consumers) towards a product and on the perception of certain product attributes.

⁴² Bonding capital is associated with the building of trust among similar actors.

⁴³ Bridging capital connects one group with another group through building trust and/or networks. It can be seen as a factor contributing to chain development.

Enhancement of learning and knowledge: It is often argued that a well-trained workforce is vitally contributing to economic growth. The idea of the 'knowledge-based economy' has received much attention as it is argued that a skilled workforce is more flexible and more skilled. Most of the research teams agree that this indicator has a positive impact on their initiative.

Enhancement of trust in the food system: The loss of trust in the food system is a characteristic of many mainstream food sectors. The enhanced trust in alternative food systems can be seen as part of their successful development process. Nearly all initiatives benefit from trust in the new food system they have established. Consequent and continuous consumer information, benchmarking for quality and sustainability (see Tegut, DE), creating transparency through PDO regulations (Raw milk sheep cheese, IT; Rye bread of Valais, CH), or just the link to a region (CONO dairy, NL) are key factors positively influencing a development towards trust in food and its system of production, processing and distribution.

Enhancement of social inclusion:⁴⁴ Social inclusion has become a major policy priority in the UK and among development agencies operating in disadvantaged areas and so-called developing countries. Some types of food systems can be regarded as leading to social exclusion. Some areas (such as 'working class' areas of inner cities) have been described as 'food deserts'. Combating social exclusion and the 'poor diet-poor health' problem often going along with it, can be evaluated as socially inclusive. With regard to the case studies the issue of social inclusion or exclusion can be viewed as ambivalent: Food produced in new FSCs is often more expensive than the mass products of conventional food chains. Consumers with a limited budget per month to spend on food will likely consider high-price food as non-affordable, which might result in a feeling of exclusion. The two Dutch cases show both sides: De Hoeve, on the one hand, is able to sell its pig-meat at the same price in butcher's shops as in supermarkets, allowing for consumers with lower income to purchase the products. In the example of CONO dairy, on the other hand, where the strategy is to sell with a price premium, consumers with a higher income are the target group. Another example of inclusion may be farm shops in villages (like, e.g. in the case of Westhoek farm products, BE). Through those farm shops food is made accessible to people who have difficulties travelling to a bigger town with a regular retail structure. Elder people in small villages (e.g. without own car) often belong to this group of consumers. The Rankas dairy (LV) started participating in food action programmes aimed at promoting healthy and balanced food consumption among adolescents.

Enhancement of job satisfaction: The contemporary food sector is often seen as an environment where job satisfaction is generally low. Where alternative food systems create higher job satisfaction this should be viewed positively. In 10 cases it was stated that job satisfaction was relatively high, in eight initiatives it was even higher than in the conventional equivalent. Examples of how job satisfaction may manifest itself are: In an expert interview about the Tegut supermarket (DE) chain it was highlighted that 'at Tegut, the staff is still smiling at work, while at the other retail chains, there is nothing but stress' (citation). The Swiss Valais bakers producing rye bread are proud of their traditional and local product. De Hoeve (NL) achieved societal recognition of pig farming with its environmental label, which creates satisfaction on side of the farmers.

⁴⁴ Note: in my opinion the case studies did not regard this aspect (of social inclusion or exclusion) as anything of importance during the research phase. So results are only superficial or subjective.

Table 10: Performance of social RD indicators

Country	case study	phase	Self organisational capacity increased	Bridging capital increased	Learning and knowledge enhanced	Enhanced trust / faith in food system	Enhances social inclusion	Yields job satisfaction	Encourages succession
BE	Biemelk Vlaanderen	actual situation	+	+	0	0	0	+	0
		scaled up initiative	+	++	0	+	0	+	0
BE	Westhoek farm products	actual situation	0	+	+	++	0	++	+
		scaled up initiative	+	++	+	++	0	++	+
DE	Uplaender dairy	actual situation	+++	++	++	+	+	+	+
		scaled up initiative	+++	++	++	++	+	++	+
DE	Tegut super-market	actual situation	+	0	++	++	++	++	+
		scaled up initiative	++	0	+++	+++	++	++	+
IT	CAF organic beef	actual situation	+++	++	++	++	++	+++	+++
		scaled up initiative	0	+	+++	++	+	--	---
IT	Raw milk sheep cheese	actual situation	+++	++	++	+++	+	+++	+++
		scaled up initiative	+	+++	+++	+++	++	+++	+++
NL	De Hoeve pig-meat	actual situation	++	++	+++	+	++	++	--
		scaled up initiative							
NL	CONO cheese	actual situation	0	?		+	-/0		0/+
		scaled up initiative	+(+)			++	--		++
UK	Cornwall Food Programme	actual situation	+	+	+	+	+	+	0
		scaled up initiative	++	+++	+++	++	++	++	++
UK	local food in supermarkets	actual situation							
		scaled up initiative							
LV	beef meat	actual situation	++	+	++	0	0	0	+
		scaled up initiative	++	+	++	0	0	0	+
LV	Rankas dairy	actual situation	0	++	++	0	+	+	+
		scaled up initiative	+	++	+++	+	++	++	0
CH	Rye bread (Valais)	actual situation	++	+++	++	++	+	++	+
		scaled up initiative	++	+++	++	++	+	++	++
CH	NaturaBeef	actual situation	++	+	0	++	0	+	+
		scaled up initiative	++	+	0	++	0	+	+

Source: Own compilation

Encouragement of succession: One of the characteristics of sustainable business is inter-generational succession. Any food system encouraging succession of the often small family businesses that comprise many parts of the food chain, can be evaluated as positive. In 7 cases a slight increase of intergenerational succession was stated, in 4 cases the initiatives had no, or even a negative, impact on succession (Biomelk Vlaanderen (BE); CONO dairy (NL), CFP (UK)).⁴⁵ For the case of De Hoeve (NL) there is even a negative impact on succession mentioned, due to the fact that the economic revenues and the professional status of pig farmers are not really attractive for young people. On the contrary, running a pig farm may be regarded as a socially non-appreciated business. In the case of Westhoek farm products (BE) it can not definitely be said that the initiative has a strong positive influence on succession. But a recent study related to the entire province has shown that there are more possibilities of succession for farmers who are ready to broaden their range of activities. The initiative of the Raw milk sheep cheese (IT) production was able to provide new employment opportunities and as a consequence it contributes to keeping young people in the region and give them positive future perspectives (including the succession of the family-run sheep farm). The other Italian initiative (CAF organic beef production) may profit from the same effects, but only in case that new and profit-yielding outlets for organic beef can be found. The rye production in the Valais region has only marginal effects for farmers (as rye represents only a small percentage in the overall farm production), but the production of rye bread may improve bakers' succession in villages.

In the two German cases (Uplaender dairy and Tegut supermarkets) it only can be assumed that factors such as increased income, job satisfaction and vertical coordination provide a firm basis for intergenerational succession.

3.5.3 Environmental indicators of rural development

Environmental indicators include, among other things, the preservation of cultural landscapes, the reduction of 'food-miles' and, more generally, the contribution of marketing to sustainable cultivation forms and therefore the conservation of a high-quality environment (e.g. Rye bread of the Valais (CH): rye fields are spectacular at harvest time and create a particular type of landscape; rye production is carried out with integrated pest management, or according organic standards). Relevant indicators are: increase of biodiversity; reduction of negative external effects; increase of positive external effects; enrichment of the cultural landscape; reduction of road miles (see Table 11).

Increase of biodiversity: The 'level' of natural or managed ecosystems is widely regarded as a good indicators of the robustness of the production system. Where particular food systems encourage greater biodiversity this should be regarded as positive. Only for 5 initiatives it was stated that at present there is already an increase or at least a maintenance of biodiversity. All other initiatives had difficulties to make statements about this indicator. The Raw milk sheep cheese production (IT) includes pasturing in mountainous regions and the use of an autochthonous breed. The fact that the mountain pastures are used traditionally helps to avoid rare species of that region to disappear. Accordingly, it can not really be spoken of an increase of biodiversity but of its preservation. Similar effects can be observed in the cases NaturaBeef (CH), where suckling cows assure a continuity of the use of mountainous pastures, and Rye bread of Valais (CH) (amplified crop rotation). The German Rhoengut initiative is another example: The beef sold allows for the persistence of extensive cattle grazing and the conservation of typical landscape as well as breeds and species in the 'Rhoen mountain region'. Organic agriculture with its different cultivation methods contributes to the maintenance of biodiversity in the Uplaender dairy case (DE). As many farms are run according to organic guidelines, it can be said that there is a certain contribution to an increase or at

⁴⁵ At present, the Cornwall Food Programme initiative is too small to have any kind of impact, but in the future it might contribute to the viability of family-run local businesses.

least to the maintenance of biodiversity. The Westhoek farmers (BE) have to follow a code of practice defined for each individual product group. This code of practice does, however, not really stress the increase of biodiversity, so it depends on the farmers themselves to put effort into reaching this objective. Also the very limited scale of the initiative has to be taken into account. At the moment it can be concluded that there is no effect at all. The growth should be very large in order to lead to an effect.

Potential to reduce negative external effects: Negative external effects are costs to be carried by other actors than those economically active within a certain initiative. While these external costs are a form of market failure, so-called positive external effects refer to an initiative's external utility. With respect to production and consumption processes often costs emerge which are not reflected by market prices. External costs are mainly generated in the energy and traffic sector. In the agricultural sector negative externalities include pollution, loss of biodiversity etc. In 8 cases it was mentioned that the initiatives have contributed to a reduction of certain negative external effects: The production system contributes to the reproduction of local resources (Raw milk sheep cheese, IT; Rye bread of Valais, CH; NaturaBeef, CH). Reduction of negative external effects through organic production (CAF organic beef, IT, Biomelk Vlaanderen, BE; Uplaender dairy, DE; Tegut / Rhoengut, DE; Rye bread of Valais, CH). Improvement of milk processing. Modernised production methods reduce negative external effects by using less energy, polluting less water etc. (Rankas dairy, LV). The reduction of ground water pollution is linked with the implementation of an environmental label for pig production in De Hoeve (NL). By reduction of road miles, negative external effects of transport (but maybe also packaging) can be reduced (CFP, UK; Tegut, DE; Uplaender dairy, DE).

Case studies with a negative impact or no impact on the reduction of negative external effects are: Westhoek farm products (BE) where the code of practice does not contain any specific measures to reduce negative external effects. In CONO dairy (NL) the production methods of the farmers delivering milk do not really differ from 'conventional' methods, except that farmers are paid a premium for having their cows grazing. Negative external effects are not reduced.

Potential to increase positive external effects: Besides the better-known external costs there are also external utilities. Positive external effects can be compensated for through public payments (as is the case with agri-environmental schemes). In the agricultural sector positive externalities include landscape, biodiversity etc. In 8 cases it was stated that there was an increase of positive external effects resulting from the initiative. Initiatives with positive external effects are: the Italian cheese case where the production system contributes to the reproduction of local resources; the CAF beef case (IT) where progress in animal welfare has been made; the Rankas dairy case (LV) supports local dairy farmers who maintain the rural landscape; in the cases of Rye bread of Valais (CH) and NaturaBeef (CH) positive external effects of using methods such as pest management can be expected; in the cases of Tegut (DE) and Uplaender dairy (DE) the activities of both initiatives contribute to the ecological soundness of agricultural production and to its touristic attractiveness.

Case studies resulting in no increase of positive external effects or even in negative external effects are: In Westhoek farm products the code of practice does not contain specific measures to increase positive external effects; the small scale and the use of local resources could however have positive elements; in the De Hoeve pig-meat production in the Netherlands production is rather creating negative externalities (to have positive externalities would require completely different production systems which are extremely difficult to realise in the present situation;⁴⁶ the CONO dairy supports farmers delivering milk that do not really differ from conventional ones. The only difference is that farmers are paid a premium for having their cows grazing. Real positive external effects can not be observed.

⁴⁶ The problems that would emerge can already be studied in national organic meat production.

Enrichment of the cultural landscape⁴⁷: This aspect was answered very similar to the point 'increasing biodiversity'. In mountainous regions several initiatives contribute to the maintenance of the cultural landscape by supporting grazing animals (cattle and sheep). Accordingly, those initiatives are not really contributing to an enrichment of the landscape, but rather help avoid a loss of its richness. This is the case in the two Italian studies (Raw milk sheep cheese production and CAF beef production), the NaturaBeef (CH) case and in the two German studies (Tegut and Uplaender dairy). Also the Swiss Rye production case contributes to maintaining the cultural landscape as rye has been part of the local agriculture for a long time, and the loss of this crop would reduce the diversity of agriculture considerably.

Potential to reduce road miles: 'Road miles' are a widely cited concern related to modern food systems. In fact, the notion of road miles should really embrace all travel miles associated with production and distribution of food, including air and boat transport. Food systems with low travel miles contribute much less to global warming, congestion etc. In 9 cases road miles are reduced: Products are sold on farmers' markets, in small shops within the area and at local festivals. The chain is very short (Raw milk sheep cheese, IT; Westhoek farm products, BE; De Hoeve, NL; CFP, UK). In the case of Rye bread of Valais (CH) the initiative leads to a reduction of road miles as production, processing and sale take place within a small territory (the Valais region). In the Tegut case (DE) the chain is regionalised (regional production, and processing, sale within a delimited territory) which means that road miles are reduced in comparison to the conventional equivalent. Similarly in the Uplaender dairy (DE) where producers are quite close to the dairy and where one main objective concerning the outlets is to sell in the market located immediately 'outside the door'. Although some speciality products are sold supra-regionally, it can be stated that the initiative reduces road miles.

No reduction of road miles is achieved in the following case studies: In the CAF organic beef case (IT), the transport distance is relatively long (e.g. from Tuscany to Milan); in the case of Biomelk Vlaanderen (BE) the milk collection tour is very inefficient due to the fact that the milk has to be collected from 25 producers which are spread all over Flanders. But as processing is carried out in the region and production is intended for local consumption, it can be assumed that road miles will at least be limited. In the CONO dairy case (NL) the cheese is sold mainly in the national market outside the region and internationally. Similarly in the NaturaBeef production (CH), processing and sale are delocalised, not taking place within a small region. But as compared to European or worldwide trading schemes, road miles are not exorbitant as the chain has its boundaries in Switzerland.

⁴⁷ The cultural landscape of rural areas is largely configured by food (and fibre) production systems. The cultural landscape is created and sustained by the actions of land managers, who are often maintaining regionally or locally specific cultural traditions.

Table 11: Performance of environmental RD indicators

Country	case study	Phase	Increases biodiversity	Reduces negative external effects	Increases positive external effects	Enriches cultural landscape	Potential to reduce road miles
BE	Biemelk Vlaanderen	actual situation	0	0	0	0	0
		scaled up initiative	++	++	++	++	+
BE	Westhoek farm products	actual situation	-	-	-	-	++
		scaled up initiative	-	-	-	-	++
DE	Uplaender dairy	actual situation	+/0	+	+	-	-
		scaled up initiative	+/0	+	+	0/+	0/+
DE	Tegut supermarket	actual situation	++	+	+	++	+
		scaled up initiative	++	++	++	++	++
IT	CAF organic beef	actual situation	--	++	++	++	---
		scaled up initiative	+++	+++	+++	++	+
IT	Raw milk sheep cheese	actual situation	+++	+++	+++	++	++
		scaled up initiative	+++	+++	+++	+++	-
NL	De Hoeve pig-meat	actual situation	--	++	--	--	++
		scaled up initiative					
NL	CONO cheese	actual situation	-	-		-/0	--
		scaled up initiative	+(+)			++	-
UK	Cornwall Food Programme	actual situation	0	+	0	0	+
		scaled up initiative	0/+	++	+	+	++
UK	local food in supermarkets	actual situation					
		scaled up initiative					
LV	beef meat	actual situation	0	0	0	+	+
		scaled up initiative	+	++	+	++	+
LV	Rankas dairy	actual situation	0	0	+	++	-/+
		scaled up initiative	+	0	+	++	+
CH	Rye bread (Valais)	actual situation	+	+	+	++	+++
		scaled up initiative	++	++	++	+++	++
CH	NaturaBeef	actual situation	++	++	++	+	0
		scaled up initiative	++	++	++	+	0

Source: Own compilation

3.5.4 Conclusions

As already mentioned at the beginning of this chapter, there is relatively limited quantitative information available on specific indicators. By using the method of 'flagging' it was tried to overcome this problem and to make statements about the FSCs regarding rural development impacts (for example the support of the rural economy through securing and/or creating employment and income). The assessment method applied allowed to compare the FSC studied with a) the most comparable conventional equivalent ('normalised initiative') and b) the

scaled up initiative. Using this approach, strengths and weaknesses of all case studies could be assessed.

Concerning RD from the economical point of view (see Table 9) it can be stated, that there are only few initiatives that generally contribute to rural development in a broader and/or more substantial way. A lot of initiatives show good or even very good performance in terms of net value added (NVA) or increase of employment, but most of them cause high transaction costs. To make more precise statements it would be necessary to have more quantitative data for each indicator.

The flagging of the social indicators (the 'softer' indicators) points out that most of the initiatives generate an above-average contribution to RD. Enhancement of learning and knowledge, self-organisational capacity, enhancement of trust / faith in food systems or increased job satisfaction are indicators that are consistently appraised as positive. The positive performance is not noted only for the actual situation but also expected for the scaled up versions of the initiatives.

In environmental terms of RD, most of the initiatives have a positive contribution to RD. Especially the scaled up FSCs are assumed to contribute to an increased biodiversity, reduced negative external effects and an enrichment of cultural landscape. But in this context it has to be added, that initiatives that are still very young and have to overcome their 'starting troubles' as well as initiatives that are not successful in an economic sense obviously will not make significant contributions.

The hypothesis that new FSCs have a positive effect on rural sustainable development is the focus of the Cornwall Food Programme case study. Overall there is broad consensus that the project has or will have a positive impact on the reduction of 'food miles' in the local area; the level of impact depends on the amount of local production vs. local supply; the LM3 - local multiplier - method was applied in a parallel study of the CFP⁴⁸, UK, to demonstrate the impact on the local economy (similarly as in the Uplaender dairy case, DE; GOUNTARAS, 2005).

3.6 Embeddedness, local networks, locality

In recent years the notion of 'embeddedness', initially introduced by the economic sociologist Mark GRANOVETTER (1985), has been reintroduced in studies of alternative food chains to explain their capacity for obtaining price premiums and to protect (local) specificities. The concept of 'embeddedness', as used by Granovetter, is based on the idea that economic systems are not autonomous. They operate within a context of networks of relationships, institutional arrangements and cultural meanings limiting the extent to which economic actors can be regarded as purely instrumentally rational in their market orientation.

Against this background it becomes apparent that the broad concept of embeddedness comprises a number of important aspects to be dealt with. They are important because they directly affect the functioning (and success) of FSCs within society and within a particular local context.

These aspects are, amongst others:

- embedding the governance of local-level networks and the challenge to embeddedness posed by the expansion of networks;
- the functioning of networks is often subject to special 'rules': a charismatic person at the centre of the network without whom the network would not exist or function; rushed efforts towards embeddedness or efforts to re-localise highly centralised systems may re-

⁴⁸ There has been another study of the Cornwall Food Programme (CFP; UK) which did attempt to conduct an LM3 analysis.

sult in shallow and poorly functioning networks (as an example, the unsuccessful attempts of big retailers to introduce local sourcing into their business may be mentioned);

Embeddedness is a dynamic and not a fixed concept; it also takes on different meanings, including symbolic values associated with 'place'. Embeddedness can be used in relation to different subjects or different levels. The following types of 'embeddedness' ought to be distinguished:

- products' embeddedness;
- peoples' embeddedness (producers, consumers, store managers, etc.);
- retailers' embeddedness;
- FSCs' embeddedness, i.e. the interface between producers, retailers, consumers and support institutions;
- embeddedness in Society,
- embeddedness in a region or in a locality (territory: e.g. PDO);
- embeddedness through tradition or local knowledge or

The way in which these different types of embeddedness function, is important for all initiatives and it may change at different levels of the individual chains as well as in different phases of its development. Embeddedness tends to be linked with a local population's acceptance of initiatives, and thereby raises the political capital of an initiative.

Another aspect that is interesting in the context of embeddedness, is: "How are the concepts of 'embeddedness', 'local networks' and 'locality' interconnected?"

- Embeddedness is, in certain respects, a broader concept of social and cultural affection, and it can be described as a shared relationship (not only local producers, but distant consumers may experience and express embeddedness through buying regional products).
- Local networks are a common organisational form of new FSC initiatives; however, they might expand and include further actors in the chain.
- Locality is a geographically fixed place but in food chains it is being transformed, expanded and marketed as symbolic capital. Networks probably are the best organisational form to manifest embeddedness and locality and to govern new initiatives in FSCs.

Embeddedness can on the one hand mean defensive localism, and on the other hand a celebration of 'place'. Networks and locality are interrelated and different actors in FSCs have their perception of and influence on embeddedness and locality. Embeddedness in the context of the SUSCHAIN FSCs is mainly an embeddedness that is based on a region (locality) or territory and the existing networks and shared values within the particular region.

Questions arising in the context of embeddedness, local networks and locality are:

- What are the strengths and weaknesses of the 14 cases in terms of embeddedness, local networks and the capitalisation of locality?
- What are the main challenges to embeddedness during the expansion of networks, and how have FSCs dealt with these challenges? What happens to local embeddedness when an initiative scales up?

In order to answer the questions raised above in a more structured way, the following indicators were identified:⁴⁹

1. Use of own and/or local resources (e.g. soil, breeds, skills and knowledge, processing, retail outlets).
2. Level of participation of all actor groups involved in the initiative.
3. Existence of shared values, codes and rules within the FSC.
4. Communication of these values, codes and rules to consumers, and their sharing with consumers.

3.6.1 Use of local resources

The use of own and/or local resources is a way to improve the embeddedness of a product, of a certain group of people, of retailers or of a food supply chain as a whole. The resources used may comprise soil, breeds, skills and knowledge, processing, retail outlets and other. In order to achieve a level of improved embeddedness, the various chain actors have to develop a certain awareness of the resources and opportunities available.

Key factors that determine the use of own or local resources in a positive way are the following:

- A strong connection with other products or other resources from the region is an important aspect that contributes to an improved embeddedness. This could be observed in the case of the Raw milk sheep cheese (IT) and of the Rye bread of Valais (CH). In Valais various regional products are promoted together as 'Products of Valais'. So they can easily be recognised as local products by consumers. In the Pistoia Mountains there is a strong integration between the promotion of sheep cheese and the promotion of other local resources.
- A strong connection with other actors aiming at supporting the region and at production within the region is another factor that strengthens embeddedness. At this, it is not relevant whether these other actors are part of the chain or 'only' part of a well-functioning network around the food chain. The Uplaender dairy (DE) is a good example. It improved their embeddedness because of an intensive involvement between the dairy, the municipality, tourism activities and the regional image. A detailed analysis of regional level networks using a PC-based network analysis software is available for this case (Peter, 2005).
- In the case of the Raw milk sheep cheese (IT) a collective organisation (consortium) took responsibility for the promotion of the cheese. It was strongly supported by the 'Slow Food' organisation. Also in the case of Rye bread of Valais (CH) there is a regional as well as a national network supporting the product. These examples show that activities of other actors within the network can strongly contribute to a product's improved embeddedness.
- A factor differing from the two mentioned above in some respects is the pride of producers (farmers) in delivering their product to a local processor. The dairy farmers of Rankas dairy (LV) can 'live their local patriotism' in delivering their milk to the regional dairy. This behaviour is manifested through personal contacts and trust among the milk farmers and the dairy managers. In the case of the Uplaender dairy (DE) all participating farmers have developed a certain loyalty and 'sense of togetherness' towards the dairy that may be almost compared with the 'pride' of the Latvian milk producers.

⁴⁹ **Note:** Limited efforts have been made during case study work in order to make the analysis of 'embeddedness' comparable across the case studies. Rather case-specific qualitative indicators and qualitative assessments and descriptions can therefore be used in the comparative analysis.

- A factor strongly influencing the use of local resources is the fact that a particular type of production process as well as the provenance of a product serve as quality characteristics. The Dutch milk from Northern Holland has always had a price premium because of its known better quality and taste. The CONO dairy accordingly benefits from marketing their BeemsterKaas as a quality product from the Beemster polder. But also the processing of the cheese is recognised as a high-quality product feature. Although it is produced industrially, the process is not as standardised and automatised as in other Dutch dairy companies. This 'semi-industrial' kind of processing contributes to the reputation as a quality product. The Westhoek farm products (BE) explicitly refer to the Belgian Westhoek region. If processing is necessary, it takes place at the farm. The main share of products processed have to be self-produced on-farm. This contributes to the quality image perceived by consumers. Cows are kept for the NaturaBeef association according to a production system that is recognised as environment-friendly and also producing quality products. The milk of the Uplaender dairy (DE) is paid by the consumer with a price premium of 5 cent expressing recognition of the high-quality production methods (organic farming and processing of the milk) as well as the product itself.
- Another factor determining the use of local resources to be mentioned is the desire of chain actors or consumers to maintain the local production. This aim is often combined with the desire to maintain the existing landscape. The three cases of Raw milk sheep cheese (IT) in the Pistoia Mountains, the Rye bread of Valais (CH) and the milk production of the Uplaender dairy (DE) are vivid examples in this respect. In the Pistoia mountains and the Uplaender dairy region it is the grassland that is to be maintained to mainly avoid reforestation and in the case of Rye bread of Valais, the production of rye contributes to maintaining a more diversified landscape instead of having only grassland.

The factors mentioned so far are those supporting the use of local resources. But it has to be recognised that there are also factors constraining an embeddedness. Those factors will be mentioned subsequently.

- In cases where 'regionality' is not important or not sufficiently promoted or marketed local resources are not used to the extent possible. This phenomenon could be observed in the case of Biomelk Vlaanderen (BE) and the two Latvian cases Rankas dairy and LAMCB as well as in the CAF case (IT). Rankas dairy is a quite successful enterprise supplied with milk only from the surrounding region. However, the products are not promoted with reference to the region. From this point of view the product itself has only a weak regional embeddedness. Biomelk Vlaanderen as well as LAMCB have to face the problem of instable market outlets. In both cases it can not be pointed out whether this is due to a lack of promotion of the region or whether the insufficient promotion of the region is caused by the poor market outlets. Also in the marketing of the organic beef of CAF the linkage with the region of provenance is missing.
- In some particular cases it may occur that traditional production or breeding systems can not be applied because of changed needs and requirements. In the case of CAF (IT) the traditional breeding techniques were not useful for improving the beef's quality because of the necessity to comply with the regulations for organic meat production.
- A case where local resources are used only marginally is De Hoeve (NL). For its pig-meat production local resources such as local breeds are not deployed. Only the 'knowledge' and the 'marketing channels' of the region are used as 'local resources'. A comparable case is the British initiative of the supermarket procurement. For the customers (the supermarkets) it is more important to receive their products from local suppliers or local processors, while the provenance from local producers (farmers) plays a much smaller role. In the second British case (CFP), there are currently not many local producers involved in supplying the customers (the hospital), but it is a primary aim of the CFP to increase the number of local producers.
- Some initiatives are not localised (NaturaBeef, CH).

3.6.2 Level of participation of actor groups involved in the initiative

Stronger embeddedness may be achieved when there is a high level of participation by and interaction between a diversity of actors and networks. A higher level of participation or interaction allows the building of shared values, codes and rules within an FSC. It also helps to avoid an opportunistic behaviour of single actors. Furthermore, it can be stated that it helps to avoid an initiative to be perceived as being ‘imposed’ by some ‘forces’.

The key factors that lead to a high level of participation, are the following:

- A short chain gives the possibility to easily involve all actors. This could be observed in the case of Westhoek farm products (BE) where the chain itself consists only of the farmer and the customer buying directly at the farm, and also in the case of De Hoeve (NL). Main actors of the pig-meat chain are the farmers, the slaughterhouse, a wholesaler (also working as meat-cutter) and the butchers. With this short chain it is also possible to involve all participants and achieve aims such as improvement of coordination or commitment of chain partners⁵⁰.
- Another factor leading to a higher level of participation of all actors is mutual dependence. In the case of NaturaBeef (CH) there is mutual dependence between the producers’ association and the main retailer COOP. COOP is interested in a continuous supply of high-quality meat and the producers’ association is interested in a content customer and therefore in delivering a high quantity of quality meat continuously.
- The involvement of all actors from the very beginning as a corresponding strategy was the influencing factor for a high level of participation in the cases of Raw milk sheep cheese (IT) and the Uplaender dairy (DE).

In the Italian case there are common interests between the producers’ consortium and Slow Food (mainly for promotion and communication activities), but also an intense co-operation with local institutions (e.g. health authorities or administration) in order to facilitate technical and financial support.

Due to the personal commitment and the willingness to take high risks, the German Uplaender dairy was able to involve the municipality, the tourism sector and the region – including consumers, distribution partners, advisory services, private investors or banks – from the very beginning. The coherence between all of those actors mentioned became apparent especially during difficult periods at the beginning of the initiative.

Obviously there are also constraints that hamper a higher degree of participation.

- One of those ‘negative’ factors is a strong position of an individual actor influencing the degree of interaction between other actors. This phenomenon could be observed in several of the initiatives studied. Among them are Rankas dairy (LV), Tegut supermarket (DE), supermarket procurement (UK) and to a certain extent also Rye bread of Valais (CH). Rankas dairy is organised as a joint stock company with more than 300 stakeholders, but their level of participation is not very high. The manager of the dairy is a very charismatic leader who avoids integrating other actors into the decision-making process. The management of Tegut supermarkets does not see its initiative as a network. On the opposite, farmers are seen as ‘atomistic suppliers’ without any formal participation. Processors and traders are participating, but only because they are owned by Tegut and therefore belong to the ‘Tegut-system’. This behaviour of the management board can be characterised as the typical behaviour of a retail chain: avoidance of dependence. The supermarket procurement with local food in the UK is another example where the general participation of chain actors is very low. The central management board did not

⁵⁰ All of the aspects mentioned could be achieved because the initiators (leaders) of De Hoeve followed the aim of creating stable channels of distribution from the very beginning.

understand to involve or empower store managers so as to let them meet their own decisions concerning the local food they want to put on their shelves.

One case where the strong position of one actor diminished after a certain period of time, is the Swiss case of Rye bread. At the very beginning the two mills who started the initiative had a strong leadership position. Producers were not invited to the first discussion groups, while bakers were. Only in a later phase, an inter-professional association (composed of two producers, two bakers and representatives of the two mills) was founded. Due to this, a good level of participation of all chain actors finally could be achieved.

3.6.3 Existence of shared values, codes and rules within FSCs

Successfully embedded initiatives integrate more than purely economic values. They show various combinations of several values, but also codes and rules. Among them there are merchant, civic, cultural, industrial or economic values. In a successful initiative they are shared by the participants.

The main factors determining the existence of shared values, codes and rules within FSCs are:

- The expectation of a better market position is one of the factors that stimulates initiatives to agree on common values or rules. This could be observed in the case of De Hoeve (NL) where self-constituted standards were compiled.
- Approval of rules and values: However, it is very important that rules and values established by one actor (e.g. the initiator) are approved of by the other actors. In cases where PDO regulations were established, actors (e.g. farmers) have had to accept these rules. Otherwise they would not have access to the market. This is the case with Rye bread of Valais (CH) and Raw milk sheep cheese (IT). In certain respects, the farmers of the Rankas dairy (LV) are in a similar position. If they do not accept the rules of the dairy, they will have difficulties to sell their milk. In spite of that most farmers share the objective of maintaining business relations with the Rankas dairy. Due to that, the dairy increased its economic importance for the region.
In the case of Tegut supermarkets (DE), the codes and rules were implemented by Tegut who owns the entire supply chain from processing to retail. Farmers who want to deliver their products, have to accept the codes and rules implemented. But as codes and rules are based on convincing marketing and quality assurance concepts, it is not very difficult for farmers to join the Tegut system and contribute to a stronger embeddedness.
- When all actors participating consider common values as very important, the step to formalising them is not very far. In the case of NaturaBeef (CH) and of Uplaender dairy (DE), all actors participating consider the maintenance of agriculture in the region as very important. If cultivation would end, open spaces in the region (grassland) would be recaptured by forest. This is a development all actors involved want to avoid.

Initiatives which are still 'on their way' towards embeddedness through shared values, codes of practice or rules are the Cornwall Food Programme (CFP, UK), CAF (organic beef, IT), Biomelk Vlaanderen (BE), Westhoek farm products (BE) and LAMCB beef production (LV).

- In the Cornwall Food Programme a general motivation amongst the actors participating can be stated. Their motivation is to increase the use of Cornish-sourced produce. This should help Cornwall in economic, social and environmental terms, but should also be beneficial in a nutritional sense because the produce is assumed to be fresher. These are attributes recognised by all of the actors. But the products must also be able to directly compete with 'conventional' ones in terms of price and reliability (e.g. regarding volumes delivered). It has to be taken into account that the shared values currently existing may be vulnerable to future changes in personnel, control or power shifts.

- The organic sector of CAF (IT) still struggles with the situation that the existing rules and values are not promoted sufficiently. Actually, alliances with other stakeholders (such as producers, processors, consumers' organisations etc.) hardly exist within the co-operative. The organic branch is somehow seen as a competitor. For the future it would be necessary to implement specific marketing strategies for the organic sector of CAF and to build new relationships within the 'organic network'.
- Biomelk Vlaanderen also has to face the situation that the existing rules and values are not sufficiently backed up and promoted. All farmers involved in the initiative are convinced of the organic vision and its importance but until now they have not been able to find adequate outlets where the shared values are recognised appropriately. The members of the association have to fulfil so many tasks in order to keep the association alive, that their capacities do not suffice to advance the promotion of their own values. If they would find a processor or retailer sharing the same values, the situation might easily change for the better.
- LAMCB has to struggle with an actual lack of an agreement about common rules and values. As the initiative is still very young and weak, and furthermore unites organic and non-organic farmers, the associates have not been able to find common ground yet. One of the future tasks is to raise awareness among the members in order to find common values and rules and to transform them into marketing codes and tools.

3.6.4 Communication of shared values, codes and rules to consumers

It can be assumed that an external communication of the values of embedded initiatives to the wider public, using market and media channels, will add to the recognition of the initiative and its products, and finally contribute to an improved commercial performance.

However, it has to be taken into account that communication is at the same time associated with risks. For instance, the 'idea' of an initiative might be imitated by competitors. And it may also happen that the members of an initiative have to face criticism and find themselves in a position where they have to justify and legitimise their (innovative) approaches. This was the case, e.g. at the early stages of NaturaBeef (CH). Farmers who stopped milking their cows and changed to the 'suckling cow system' were criticised by other farmers who continued with milk production.

If an initiative's codes or rules attract potential consumers' attention and if making these codes and rules known to the public is additionally supported by a 'third party', the communication to the consumer shows to be quite successful. This could be observed in the cases of the CONO dairy (NL), NaturaBeef (CH), Rye bread of Valais (CH), Raw milk sheep cheese (IT) and the Uplaender dairy (DE).

Factors determining an effective communication to consumers⁵¹ are the following:

- The CONO dairy (NL) was able to promote the special features of Beemsterkaas – as there are the polder region, grazing cows, less industrialised production methods and a higher quality of the cheese. The dairy was supported in communicating their values by private persons through free publicity and media attention for their efforts to have cows grazing in the fields. NaturaBeef (CH) communicates its values and codes to the consumers in the form of environment- and health-related claims. Food scandals such as the BSE-crisis and resulting health scares probably had a favourable effect for the initiative in this regard. But the communication to consumers was also supported by 'third parties'. One of them was the government promoting the extensive use of grassland and the ani-

⁵¹ In this context, it is difficult to categorise the CFP (UK) as it is difficult to determine who is the end consumer: the patient or the hospitals themselves. Here, it is suggested that it is the hospitals because they decide on food suppliers to be commissioned. However, ironically, it was due to a patient complaining about eating non-local sandwiches, that the initiative was started in the first place.

mal-friendly livestock husbandry through high direct payments to the producers. The other party is COOP Swiss as main retailer of the beef with its strong and successful promotion of NaturaBeef within its general advertising concept.

- Rye bread of Valais (CH) profits from the global PDO strategy implemented in the Valais region. There is a basket of typical food products that are registered as PDO. Regional events, like sports-related and cultural ones, that are organised by the different municipalities in the region, contribute to promoting the PDO products of Valais including the Rye bread.
- The Raw milk sheep cheese (IT) profits from considerably good collective communication activities for promoting the product because of the strong and effective co-operation with 'Slow Food'. A second example of direct information and communication is the case of Westhoek farm products (BE). Through direct sale, farmers have the possibility to create trust in their work and product. It becomes apparent that consumers appreciate buying an 'embedded product'⁵².
- In the case of the Uplaender dairy (DE), the common values of the initiative were promoted by other actors of the wide network as there are the BUND NRW⁵³, the office of regional development, landscape conservation and agriculture (ARLL) and the federal state of Hessen with its programme for the maintenance of Hessian villages.
- The presence of a clear claim which identifies the quality attributes of the product connected with local resources and traditions is another factor determining a good communication to consumers. In the case of Raw milk sheep cheese (IT) the producers' consortium was able to successfully present such a clear claim. In the same Italian case study (RMSC), single producers or retailers directly informed consumers about their product and the production system. Doing so, they were able to win the strong trust of a considerable number of consumers. They reward the producers by buying regularly at their 'farmer (retailer) of confidence'.

A high ethical commitment of an actor may also be a factor improving the communication to consumers. This happens when the values of the initiative (its actors) are shared by the consumers. Tegut supermarket (DE) communicates its values frankly and tries to call on the consumers to adopt a more sustainable shopping behaviour.

Cases with a poor communication of the initiative's common values to consumers are De Hoeve (NL), the Rankas dairy (LV), LAMCB (LV) and CAF (IT).

- De Hoeve (NL) and the Rankas dairy (LV) have to face the situation that the shared values and rules existing within the chain actually do not attract the attention of potential consumers. The dairy market in Latvia is very competitive. Consumers generally still prefer cheap and 'moderate-quality' food to high-quality food. This circumstance is aggravated as the actual effort of the Rankas dairy in winning consumers' attention is quite low. De Hoeve (NL) was founded with the idea of decreasing the environmental damages caused by pig production. Therefore, the environmental certification system was created, but is not communicated very actively to the consumers by the butchers. They have their own trademark which is much stronger than the environmental label (indicating compliance with the De Hoeve code of practice).
- In cases where the initiative is still very small and weak (Biomelk Vlaanderen, BE; CAF, IT and LAMCB, LV) members are 'occupied' with many other organisational tasks within the initiative, so that they did not have the capacities yet to clearly define a strategy of consumer relations.

⁵² But as already mentioned before in this report, it is difficult to estimate an improvement of these Belgian farmers' commercial performance in concrete figures. They do not precisely calculate the costs of their production and processing efforts, making it difficult to calculate their profit.

⁵³ Bund fuer Umwelt und Naturschutz Deutschland, Landesgruppe Nordrhein-Westfalen.

3.6.5 Conclusions

The concepts of embeddedness, local networks and locality covers aspects such as shared values and ideas, territorial considerations or identity. In the preceding sections the following indicators describing the notion of 'embeddedness' were used:

- Use of local resources.
- Level of participation of actor groups involved in the initiative.
- Existence of shared values, codes and rules within the FSC.
- Communication of those shared values / codes and rules.

Table 12 summarises the information obtained from each case study on these indicators.

As already mentioned at the beginning of this chapter, it is important to acknowledge that embeddedness directly affects the functioning and success of FSCs within society and within a particular local context.

Related to the particular indicators of embeddedness the following conclusions can be drawn:

- The use and/or conservation of local resources is a way to improve embeddedness and sustainability performance of FSCs. Learning processes regarding the use of local resources and opportunities available should therefore be facilitated and encouraged. Intermediaries, as consultants, should play the role of facilitators to develop means and tools for learning about local resources.
- A greater embeddedness is achieved when there is a high level of participation by (and interaction between) a diversity of actors and networks throughout the development of an initiative. A greater embeddedness
 - allows the building of shared values, codes and rules within an FSC
 - avoids opportunistic behaviour
 - avoids an 'imposed' initiative.
- To support achieving a higher level of embeddedness, conditions and platforms for interaction and negotiation between food chain actors as well as for self-assessment should be created. An atmosphere contributing to the establishment of bottom-up approaches should exist. Highly prescriptive regulations, in contrast, can reduce embeddedness.
- Successfully embedded initiatives include more than purely economic values. In fact it is a combination of several values – like merchant, civic, cultural, industrial or economic values – that should be shared within the chain. The building of alliances must allow for the incorporation of a range of values.
- The external communication of values in embedded initiatives via market and media channels can reach a wider consumer and civic public. But it has to be considered that external communication is also associated with risks and threats (imitation, criticism). Therefore, the external communication towards consumers should be controlled constantly concerning the 'message' accompanying a product. The message should include the range of values incorporated in the initiative.
- Growth and scaling up may comprise a risk of losing embeddedness. This may happen in case alliances between the actors (including the consumers) get looser. The risk of losing embeddedness can be reduced through maintaining strong alliances throughout the chain, including consumers - and the advocacy by public policy.
- Embeddedness of products in supermarkets can be short-cut through just 'alibi stocking' of a few locality products without the involvement of local store managers (as it happened in the case of the UK supermarkets).

Table 12: Performance of embeddedness

Country	case study	Use of local re-sources	Level of participation of actor groups	Existence of shared values, codes and rules	Communication of those shared values / codes / rules	Embeddedness	Remarks
BE	Biomelk Vlaanderen	+	+	+	-	0	Good foundation for embeddedness. Shared values through organic production. Difficulties in marketing.
BE	Westhoek farm products	+	+	0	-	0	The foundation for good embeddedness is given, but as there is very little common marketing, consumers do not recognise the embeddedness.
DE	Uplaender dairy	+	+	+	+	+	Strong embeddedness and good communication of shared values.
DE	Tegut supermarket	+	0	+	+	+	Strong embeddedness and good communication of values, but no integration of farmers.
IT	CAF organic beef	+	+	+	-	0	Good foundation for embeddedness, but problems in the marketing sector.
IT	Raw milk sheep cheese	+	+	+	+	+	Strong embeddedness and good communication of shared values.
NL	De Hoeve pig-meat	+	+	+	-	0 / +	Good foundation for embeddedness, but no communication of shared values to the consumer.
NL	CONO cheese	0	0	+	+	0 / +	Good foundation for embeddedness although not all of the milk processed is delivered by farmers of the 'polder region'.
UK	Cornwall Food Programme	+	0	0	0	-	Due to the widespread support for the CFP, there is a good foundation for embeddedness, which will increase further once the 'Central Production Unit' is functional.
UK	Local food in supermarkets	0	0	0	0	-	The embeddedness is still poor. But there is a big potential in case supermarkets change their strategies.
LV	LAMCB (beef meat)	+	-	0	-	-	The initiative is still very weak and needs to become aware of its potentials. This being the case, they may profit from a strong embeddedness.
LV	Rankas dairy	+	0	0	-	- / 0	Although the raw material derives from the region, the initiative could be much more embedded.
CH	Rye bread (Valais)	+	+	+	+	+	The initiative has its own strong basis for embeddedness and also benefits from common marketing together with other local products of the Valais.
CH	NaturaBeef	0	+	+	+	+	The initiative shows a good performance of embeddedness although the beef derives not only from one locality but from all over the country.

Source: Own compilation

4 Conclusions

4.1 Critical points in food supply chains in respect of the further dissemination of sustainable production

Based on the comparative analysis presented in the previous chapters we will in this final section summarize relevant findings. We address four main questions:

- Factors limiting the further expansion of (more) sustainable FSCs.
- Ways to encourage sustainable FSCs: Nodal points for intervention.
- Enhancing the (sustainability) performance of FSC.
- FSC and rural development.

4.1.1 Factors limiting the further expansion of (more) sustainable FSCs

Which are the bottlenecks and constraints for different types of FSC as well as possible ways to overcome them? In this first section we summarize the key points related to this question.

First, a limited share of consumers is willing to pay more for higher-quality products (appr. 5 %) clearly is a major constraint regarding the expansion of a sustainable food sector. Or, the other way round, a change in consumer behaviour has substantial potential for establishing a more sustainable food sector. The willingness of consumers to pay more for high-quality products is intensified by the disposition to get informed about the backgrounds of food production and trade as well as consumption patterns.

In some countries, another aspect to be considered with respect to sustainable FSCs is a lack of consumers' purchasing power. Normally a price premium has to be paid for higher product quality or a production method that is superior in certain respects. In new EU member states such as Latvia the purchasing power of consumers is still low (in comparison with old EU member states), making it more difficult to find acceptance among consumers for higher prices and to sell products with a price premium.

Second, the alignment of diverse chain actors with diverging interests regarding a common goal as well as coherent production, processing and marketing strategies is a major difficulty that has to be overcome if a FSC as a whole is to be successful. Such an alignment requires time for discussions and skills as well as commitment and energy.

Third, many initiatives have to face problematic competitive situations. Conventional food chains (and production systems) cause substantial external costs (that they do not need to bear), and support schemes too may hamper a fair competition of different production and marketing systems in the market place. In case that funding or other types of support are available for FSC, it is important that the actors responsible are able to mobilise this support. Efforts need to be made for that type of 'research'.

Fourth, the growth or scaling up of an initiative may lead to negative effects within the chain, for instance the loss of a Unique Selling Proposition (USP), a less even distribution of power along the chain or even a concentration of power in only one chain actor. This may cause a loss of self-governance or a loss of independence of other chain actors. There may be a loss of shared values, considering the non-economic objectives that motivated initiators.

Growth or scaling up might also result in a loss of credibility and authenticity. The maintenance of transparency and the communication within a wider network requires a very good

coordination and management. If this is missing and the 'special' quality of the product is no longer communicated convincingly, consumers will lose trust and stop buying the initiative's products.

4.1.2 Ways to encourage sustainable FSCs: Nodal points for intervention

Which are the 'nodal' points for (policy and other types of) intervention aimed at enhancing the performance of different types of FSC?

Most importantly, there needs to be a clear and coherent development strategy:

- The development strategy should be based on a clear vision how the initiative should be organised in terms of governance and transparency. It must be supported by all decision-makers along the chain. The structuring and organisation of the food chain must match the type of product (in terms of qualities and quantities) and the market outlets aimed at.
- The development strategy should comprise a coherent marketing concept. It is very important for the success of an initiative that the marketing strategy contains clear, convincing and credible claims ('promises'). These claims must be simple and have a positive message attracting consumers' attention.
- Another important dimension of networks is horizontal coordination, i.e. of actors that are mainly non-chain partners but external actors who have their own interests in supporting the product or the corresponding initiative. In order to be able to realise the above-mentioned strategy, the initiative should create and consolidate networks. These networks should extend not only one-dimensionally, but in various directions. Actors of the horizontal network may be consultants, politicians, municipalities, local stakeholders such as interested consumers, conservationists as well as tourism or consumer protection associations. Interests of these groups in supporting the initiative may vary from maintaining or increasing employment in the region⁵⁴, over increasing biodiversity and enrichment of the 'cultural' landscape to reducing risks for consumers associated with new and possibly insecure food.
- Local staff are much more likely to have a feel for which local products stand the greatest chance of succeeding. In terms of operations management, the simplest way to accommodate this change would be for each store to have an allocation of space explicitly for local foods, over which store managers would have discretion. Given the quality of store managers and their enthusiasm for local foods, there is little doubt that this would have significant impact on the type and volume of products listed, with more products likely to be given a chance and from a wider range.

Communication and coordination along the chain are key factors of success:

- A strong (vertical) coordination within the initiative and an effective structuring and organisation of the food chain is important. It makes it easier to put the product on the market in cost-efficient ways. When all chain actors feel 'responsible' for the product, they will put efforts into 'marketing'. This again includes the communication of the product's positive attributes.
- A person that is willing to take over leadership and has the charisma to attract other actors sharing his ideas may help getting the institutional support need as well as reducing the effort needed in communication or information.
- An aspect vitally contributing to raising an initiative's success is the 'availability' of special staff for marketing and communication activities. People that are mainly in charge of communicating the initiative's ideas to a wider public contribute to a better and easier understanding of a product's 'special' quality.

⁵⁴ Employment through production, processing and retail, but also through induced tourism.

- A food supply chain consisting of few chain actors allows a much easier active involvement, commitment and coordination of all actors. As communication and coordination require less effort, the management of such FSCs is more efficient and generally also more coherent. The case of the British supermarkets is a negative example because a short chain is not supported by the retailer's central management. The spread of local food probably would have been more successful if the local managers of each supermarket would have been given more freedom of decision on the purchase of local products.

A very useful instrument to make a product and its surrounding initiative credible is a 'code of practice':

- By defining the rights and duties of all actors involved, every participant of the chain knows how to comply with the respective production standards. Similar to a clear (marketing) strategy, production standards help to avoid inefficient and recurrent discussions and allow to concentrate on the core business, i.e. production, processing and retail (including communication to consumers).
- Production standards contribute to building consumers' trust. If these standards are made transparent to them by communication, it is much easier for consumers to have confidence their requirements, which may comprise quality, provenance or way of processing, are fulfilled. Informed consumers who 'see' their requirements fulfilled contribute considerably to a stronger embeddedness of the product or even of the initiative as a whole.

What are the policy interfaces relevant for different types of FSC?

- Support programmes that are more holistic and facilitate linkages between different actors and projects tend to be more effective.
- Financial support is particularly important in the initial phase of many initiatives. Well-targeted support provided in the initial phase of an initiative tends to be more effective and more cost-efficient than support provided at later stages. Some of the cases studied would have had a better start if there would have been funding, e.g. for special staff taking charge of the initial steps of internal and external communication or of marketing.
- Other kinds of public support (as there are food safety regulations and, e.g. permission of exceptions to generic rules and regulations) were found to be more important in later phases of an initiative's development.
- For the success of an initiative it is very important that there is a minimum level of convergence of objectives and agenda between the recipients and the (potential) providers of support.

4.2 Enhancing the performance of FSC

4.2.1 FSC and rural development

The contribution of new sustainable FSCs to rural development (RD) is difficult to measure. It is increasingly measured in terms of the locality of procurement. With increasing concerns about climate change and emissions, the disconnection of food production from consumption has become a key issue. A term closely related with such sustainability concerns is 'food miles'. Related to that there have been growing calls for a (re-)localisation of national food procurement and distribution systems. These calls for local sourcing are aimed at both the big institutional markets (e.g. schools, hospitals) as well as national grocery chains.

Whether new FSCs contribute to new or additional regional value added (VA) is particularly difficult to ascertain. More quantitative analyses provided for the German Upländer dairy and using the LM3 method indicate that alternative FSCs can have substantial positive socio-economic effects (GOUNTARAS, 2005). Generally, however, it can be said that the integration of new partners as well as the establishment of new distribution and communication channels directly and indirectly induces employment.

Other types of contribution to RD can be assessed using qualitative social indicators. In most of the cases studied it could be shown that new FSCs generate an above-average contribution to RD. It could be demonstrated that indicators such as job satisfaction, trust in food systems, bridging capital, organisational capacity, enrichment of cultural landscape as well as the potential to reduce road miles or of waste have improved and substantially contribute to a positive development of rural areas.

In order to raise the achievement of socio-economic and environmental goals, in the long run the political, economic and technological frameworks will have to change. The reorientation of the agricultural and food policy in some EU member states in the last years towards quality, territorial embeddedness and higher value added on the side of farmers and rural areas clearly is an important step in this direction.

4.2.2 Important factors that determine the overall performance of FSCs

An overview of specific points in FSCs that are of critical importance either in a) the further dissemination of a (more) sustainable production, or in b) the performance of FSCs are presented in table 13.

Table 13: Important factors that determine the performance of an initiative

Commercial performance	Marketing and communication	Public support	Nature of organisation and self-governance	Rural development	Embeddedness, local networks, locality
<ul style="list-style-type: none"> - Scale and market position of the initiative - Coherent, strategic marketing concept - New distribution channels - Compliance with quality requirements / production standards - Communication of the product's 'special' quality (market differentiation) - Purchasing power of the consumer 	<ul style="list-style-type: none"> - Strong vertical coordination and horizontal networks - Special staff for marketing and communication activities - Charismatic leadership - Formulating a clear, convincing claim ('promise') with a simple and positive message - Creating alliances with other stakeholders - Scaling up might result in a loss in credibility and authenticity 	<ul style="list-style-type: none"> - Financial support seems to be important in the initial phase - Other kind of public support can be of importance in later phases - Public institutions should make exceptions from generic rules and regulations - Food safety regulations may hamper the development of an initiative - Support of NGOs is of considerable importance - Initiators should be able to mobilise support 	<ul style="list-style-type: none"> - Clear strategy (supported by all decision-makers in the chain) - Short, efficient and coherently managed FSC - Strong vertical and horizontal networks - Code of practice defining rights and duties of actors involved - Growth may lead to <ul style="list-style-type: none"> a) loss of USP b) concentration of power (loss of independence) 	<ul style="list-style-type: none"> - New / additional regional VA - Direct, indirect and induced employment - Social indicators ('soft' indicators) show that new FSCs generate an above-average contribution to RD - Scaled up FSCs are assessed to considerably contribute to environmental improvement (biodiversity, reducing negative externalities, enrichment of cultural landscape) 	<ul style="list-style-type: none"> - Strong connection with other regional products / resources - Locality (provenance) and way of processing that lead to the characteristic features of the product - Short chains that allow active involvement and commitment of all actors - Clear and credible claims that attract consumers' attention - Common values - Self-constituted standards (codes of practice) creating commitments

Source: Own compilation

5 ANNEX

5.1 Overview of main cases, core issues and satellites

Country	Core case	Key issues studied	National satellites and key issues	International satellites
BELGIUM (BE)	Biomelk Vlaanderen (organic milk in Flanders)	<ul style="list-style-type: none"> ▪ commercial performance and marketing competence ▪ self-governance 	1. Het Hinkelspel (cheese dairy co-operative; raw milk cheese; direct selling)	1. Germany - Uplaender dairy
	Westhoek farm products (marketing of regional products)	<ul style="list-style-type: none"> ▪ nature of organisation ▪ impact on rural development and rural economy 	1. Westvlaams rood (breeding of a regional beef race; big retailers; initiative that failed or has been stopped: reasons?) 2. Organic beef co-operative (co-operative of farmers selling organic beef to big retailer; problem of organisation, self governance)	2. To be specified

Country	Core case	Key issues studied	National satellites and key issues	International satellites
GER-MANY (DE)	Uplaender dairy (dairy sector; organic milk; co-operative)	<ul style="list-style-type: none"> ▪ public support (kind, significance) ▪ nature of organisation (and changes during scaling up) ▪ impact on rural economy / rural assets / connections with rural development 	<ol style="list-style-type: none"> 1. Rhoengold dairy (why it was discontinued). 2. Söbbeke (similar initiative, but more national level). nature of organisation? impact on rural economy (as compared with Uplaender)? 3. Molkerei Schrozberg (successful dairy in Baden-Württemberg; co-operates with Tegut supermarket chain / another [satellite] case study); comparison with Uplaender); what is their strategy? nature of organisation? 	<p>Latvia.--Rankas Dairy / Lazdonas piensaimnieks</p> <p>Others:</p> <ul style="list-style-type: none"> ▪ Naturli us de Region Zurcher Berggebeit (CH) ▪ Melinda and Trentina co-operatives (IT) ▪ Green Hat (NL)
	Tegut supermarket chain (Conventional food retailers)	<ul style="list-style-type: none"> ▪ commercial performance, distribution of value added ▪ marketing (actions) and communication (e.g. labeling) ▪ social embeddedness, self-governance 	<ol style="list-style-type: none"> 1. Regional retail chain Feneberg (Conventional food retail in a small region) what is their strategy? 2. Retail chain GLOBUS (national food retail) what is their Strategy? what is their motivation for taking up organic products now? 3. Tagwerk (regional organic food retail) what is their strategy? 	<ol style="list-style-type: none"> 1. Great Britain: Waitrose 2. Switzerland: COOP Natura Plan

Country	Core case	Key issues studied	National satellites and key issues	International satellites
ITALY (IT)	CAF (Co-operative of meat cattle breeders)	<ul style="list-style-type: none"> ▪ Producers' co-operative ▪ Appropriate organisational arrangements ▪ Scaling up and retailers' strategies ▪ Overcoming consumers' biases in beef consumption ▪ Strategies of valorisation 	<ol style="list-style-type: none"> 1. Intensive Chianina breeding: de-territorialisation of local race breeding 2. Azienda Salvadori: Direct selling of organic meat at farm level 	1. The Netherlands - Zeeuwse Vlegel (getting closer to consumers)
	Raw milk sheep cheese	<ul style="list-style-type: none"> ▪ legitimatisation of the producers' right to produce with traditional techniques ▪ building dense local networks ▪ building an alliance with consumers (marketing strategies and communication, labeling) ▪ impact on the rural economy 	<ol style="list-style-type: none"> 1. The raw milk sheep production in the Volterra area (other initiative of quality certification of raw milk sheep cheese (PDO)) 2. Lardo di Colonnata (other initiative aiming to legitimate the producer's rights to produce; typical product, quality certification) 	1. Switzerland- Rye Bread

Country	Core case	Key issues studied	National satellites and key issues	International satellites
THE NETHERLANDS (NL)	De Hoeve BV (chain organisation for selling sustainable produced pigmeat: scale 1000 pigs a week)	<ul style="list-style-type: none"> ▪ Nature of the chain organisation and changes during scaling up ▪ Public support (kind, significance) ▪ Commercial performance, distribution of value added, 	<p>LIVAR (producers' association of 5 pig farmers): high quality pig-meat for out of home market. Scale: ± 20 pigs a week</p> <ul style="list-style-type: none"> ▪ What kind of brand strategy has been followed and why? What are the demands/criteria towards sustainability and who controls them? ▪ Who governs and what are the mechanisms of governance? ▪ How are they capable to market the pig parts which are not suitable for the out of home market? <p>Dumeco (large scale chain organisation for slaughtering, processing and selling pigmeat): a quality line for delivery to supermarkets. Scale > 2000 pigs a week.</p> <ul style="list-style-type: none"> ▪ What kind of strategy has been followed for scaling up? ▪ Who governs and what are the mechanisms of governance? ▪ What is the impact of upscaling on nature of the chain organisation (co-ordination mechanisms, participation) and demands/criteria towards sustainability 	<p>Vita project (Belgium): chain organisation for selling sustainable produced pig-meat. Scale: ± 600 pigs a week.</p> <ul style="list-style-type: none"> ▪ How is this chain organised and why so? ▪ What are the demands/criteria towards sustainability and who controls them? ▪ Who governs and what are the mechanisms of governance? ▪ What are the possibilities /constraints for scaling up sustainability? <p>Chain organisation for selling Neuland pigmeat (Germany): Scale ± 650 pigs a week</p> <ul style="list-style-type: none"> ▪ How is this chain organised and why so? ▪ Who governs and what are the mechanisms of governance? ▪ What are the demands/criteria towards sustainability and who controls them? ▪ What are the possibilities /constraints for scaling up sustainability?

Country	Core case	Key issues studied	National satellites and key issues	International satellites
	CONO dairy co-operative (Dairy chains in the Western Peatland Region)	<ul style="list-style-type: none"> ▪ Nature of the organisation and history of scaling up process ▪ Role in the FSC , commercial performance, marketing. ▪ Critical events, milestones in organisation, production and market and consequences for the nature and shape of the organisation ▪ Sustainability indicators used by the co-operative 	<ol style="list-style-type: none"> 1. Groene Hart Landwinkels (Farm shops selling of raw milk farm cheese) 2. Cheese line of dairy co-operative Campina (in discussion) 	<ol style="list-style-type: none"> 1. Switzerland-- Cheese production: Emmenthaler (or another Swiss cheese)

Country	Core case	Key issues studied	National satellites and key issues	International satellites
GREAT BRITAIN (UK)	Cornwall Food Programme, Public sector food procurement: in the National Health Service Cornwall NHS Partnership Trust	<ul style="list-style-type: none"> ▪ Stability and development of the network; nature of organisation (and changes during scaling up) ▪ Role of public support and funding; ▪ Impact on RD in the region (mostly economic but also environmental and social); ▪ Barriers, constraints, limitations; ▪ Rolling out elements of the initiative. ▪ Social embeddedness, self-governance 	<p>Three other NHS trusts were included: Firstly, the catering manager at the Royal Devon and Exeter NHS Foundation Trust (RD&E). Secondly, the Senior Purchasing Specialist for the United Bristol and Western NHS Purchasing Consortium (UBWPC), which procures food for three hospital trusts (North Bristol NHS Trust, United Bristol Healthcare NHS Trust, Weston Area Health Trust) and for Primary Care Trusts (South Gloucestershire, Bristol North, Bristol South and West, North Somerset). Thirdly, the Head of Facilities at the Northern Devon Healthcare Trust (NDHT).</p> <p>Key issues looked at, included: concepts of 'best value'; tender evaluation and selection criteria; going 'off-contract'; and the availability of local suppliers.</p>	This case study does not fit well with any other country's case studies, and is therefore difficult to directly compare. However, the notion of public procurement was (and still is) the hot topic within the development of new food supply chains. It has had high-level support, and been the recipient of extensive European funding through Cornwall's Objective 1 Programme. As such, it was seen as important to use it as one of the two UK case studies.
	Procurement of local food by UK supermarkets The Co-operative Group in the High Weald of SE England	<ul style="list-style-type: none"> ▪ Realities of implementing local procurement policies within centralised distribution system; ▪ Role of consumer expectations for 'local' food ▪ Commercial performance, impact on RD in the region ▪ Opportunities for local/regional government support ▪ Barriers, constraints, limitations; ▪ Lessons for scaling up 	<p>1) Waitrose 'Locally Produced'</p> <p>2) Budgens/Taste of East Anglia</p>	1. Germany - Tegut (to be confirmed)

Country	Core case	Key issues studied	National satellites and key issues	International satellites
LATVIA (LV)	Case 1: LAMCB (Beef meat production/Latvian Association of Meat Cattle Breeders)	<p>The core question in this case is the role and ability of farmers association to facilitate introduction and development of a new type of beef meat production in Latvia. The field study focuses on the network evolution, reveals successes in learning, technical innovation and starting up of production, and indicates failures in commercialisation and market distribution. Therefore the main hypothesis relates to limits and flaws of organisational structure. Case study mainly focuses on three core issues:</p> <ul style="list-style-type: none"> • Commercial performance • Marketing and communication • Nature of organisation 	<ol style="list-style-type: none"> 1. (in discussion) Zaube biological slaughter 2. (in discussion) Galas nams (local short chain of meat supply) 	<ol style="list-style-type: none"> 1. (possibly) Switzerland - Beef Cattle Breeders

Country	Core case	Key issues studied	National satellites and key issues	International satellites
	Case 2: Rankas Dairy (Ranka dairy chain)	<p>The core question in this case is scaling up process of a regional dairy 'Rankas Dairy' (modernisation of production, improvement of marketing, development of new products) and related to these process changes in network relations and internal management of the company. We mainly focus on three core issues:</p> <ul style="list-style-type: none"> ▪ Commercial performance ▪ Marketing and communication ▪ Nature of organisation <p>The basic hypothesis is constructed around assumption and fieldwork evidence that scaling up and improvement of commercial performance increases complexity of business operation in food chain and poses difficult challenges in terms of internal organisation of enterprise and style of management.</p> <p>The other core issues (public support, impact on rural economy, and social embeddedness) are also evident, however less salient in the case.</p>	<ol style="list-style-type: none"> 1. Smiltenes Piens (similar to the principal initiative but in competitive / coercive relations with Rankas Dairy. The argument to chose this satellite is a different management style and internal organisation of the company as different response to similar problems.) 2. Keipenes Piens (a small-scale local dairy collecting and processing organic milk. This is a new initiative, the first case in Latvia when organically produced milk is being processed and packed separately.) 	<ol style="list-style-type: none"> 1. Germany - Uplaender dairy 2. Belgium - Biemelk Vlaanderen <p>If each country has to chose one principal case for international comparison/ joint study we would prefer the dairy case</p>

Country	Core case	Key issues studied	National satellites and key issues	International satellites
SWITZERLAND (CH)	Rye Bread of the Valais Pain de seigle du Valais AOC (typical product; quality certification)	<ul style="list-style-type: none"> ▪ Commercial performance (from the regional to the national market) ▪ Nature of organisation (and changes during scaling-up) 	<ol style="list-style-type: none"> 1. COOP Naturaplan organic special breads (main competitor on the national market) 2. Pain Paillasse (a very successful private brand (franchising) at national level.) 3. Regional brand Valais Excellence (a regional brand for agricultural products in Valais). 	1- Italy : Cutigliano cheese (same scaling-up problem : connecting to a national network)
	Natura Beef A national certified bovine meat	<ul style="list-style-type: none"> ▪ Commercial performance (search for new outlets) ▪ Marketing (actions) and communication 	<ol style="list-style-type: none"> 1. Viande de nos Monts (a regional joint initiative of producers, butchers and slaughterhouses). 2. Viande des Mayens du Valais (a regional initiative -meat supply chain- aiming at saving a local breed and keeping an open landscape in the Valais mountains). 	

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