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**QUALITY OF LIFE AND MANAGEMENT OF LIVING RESOURCES**

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

**SUS-CHAIN**  
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**Constructing sustainable food supply chains:  
trajectories, lessons and recommendations**

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## 1 Introduction

SUS-CHAIN is being undertaken at a time when issues of food quality and sustainable rural development have emerged as central concerns in the future development of food and farming at European level. The main objective of SUS-CHAIN has been the assessment of the potential role of food supply chains in sustainable food production and rural development. This objective had to be realised by identifying critical points in food supply chains, which currently constrain the further dissemination of sustainable production, and by recommending actions that are likely to enhance the prospects for sustainable food markets. According to the Technical Annex *“specific attention will be given to factors related to the organisational structure of food supply chains and interactions between different stages of the chain”*.

### 1.1 Macro-level trends and dynamics

In the first project year the focus has been on the macro-level trends and general dynamics in food production, processing, distribution, sales and consumption as well as on trends and dynamics in the institutional context of food supply chains. This led to the identification of a number of important trends and drivers of change<sup>1</sup>:

- Growing competition between food supply chains and within food supply chains;
- Concentration processes in the food processing industry and the retail sector;
- Shift of power within food supply chains towards retailers;
- Increase in the number of retail labels;
- Creation of a multiplicity of private standards, labels and quality assurance schemes on top of public ones;
- Implementation of food safety and hygiene regulations at EU and national level;
- Regionalisation of agro-food policies in some countries;
- CAP reforms (second pillar, from fork-to-farm principle);
- Reshaping of Ministry of Agriculture in some countries;
- Widespread and growing use of mainstream food sector, taking into account that the size of the ‘alternative sector’ (PDO/PGI, organic, short FSCs) differs between countries;
- Changing household composition;
- New eating habits (grazing, snacking);
- Consumer doubts about modern food system;
- Cost price squeeze at farm level;
- Geographical decoupling of food production, processing and consumption (footloose food supply chains);
- Growth of vibrant local platforms / NGO’s.

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<sup>1</sup> This is based on the WP2 and WP3 Synthesis Reports, published at the project website [www.sus-chain.org/results](http://www.sus-chain.org/results).

## ***1.2 Bottlenecks for sustainability***

Based on an analysis of the institutional environment of the agric-food sector and of the dynamics of several agricultural product groups (e.g. dairy products, pork, beef, fruits & vegetables) the following bottlenecks for sustainability were identified:

- Food safety and hygiene regulations mainly relate to conventional food supply chains and tend to have a negative impact on the development of artisan food firms.
- Due to the cost price squeeze at farm level in combination with the concentration processes in the food processing industry and retail sector and asymmetry in negotiation power between small-scale producers and large scale processors/retailers is emerging.
- Due to the high percentage of food sold in supermarkets in combination with the emphasis on price competition and the pursuit of profit in the retail sector, food products with specific attributes (taste, tradition, local specificity, environmentally friendly, et cetera) are not (abundantly) available in the supermarkets.
- Due to a lack of information and growing confusion about meaning of the growing number of labels, hallmarks, certification schemes, et cetera consumers are often not willing to pay a premium price for sustainable and/or quality foods.
- As a result of scale enlargement and concentration processes a lack of appropriate small and medium scale processing, storage, preservation and marketing facilities is starting to occur, which implies that infrastructural stepping stones for scaling up cease to exist.
- Discrepancy between domestic organic production and domestic demand.



## 2 Case studies

### ***2.1 Criteria for selection of case studies***

As a response to the bottlenecks mentioned above (as well as to other problems) a large number of food supply chain initiatives have emerged across Europe<sup>2</sup>. Several of these initiatives were selected for an in-depth case study. The selection of cases was first of all based on the problems addressed (or goals pursued) by the initiatives, such as:

- Improving farmers' livelihoods.
- Building/improving local capital (natural, social, cultural, economic, and institutional).
- Responding to health concerns/ecological crises.
- Greening/moralising conventional networks/chains/subsystems.
- Raising awareness and stimulating changes in attitudes and behaviour of the actors involved.
- Open/enlarging new markets of sustainable products.
- A fairer distribution of added value within the system.
- Creating perspectives for the most fragile producers.
- Improving the credibility of the sustainability promise to the consumer.
- Protection (creation) of positive externalities to (re)build rural resources.

The total of fourteen cases thus selected represents a wide diversity with regards to the problems being addressed. However, the diversity regarding other criteria, such as the sustainability promise, the starters of the initiative, the type of actions taken, the output pursued, the geographical scope, the market segment and the impact on subsystems was also be taken into account<sup>3</sup>.

### ***2.2 Methodological approach***

To address the objectives of SUS-CHAIN in general and of the case studies in particular, the case studies focused on the process of (re-)constructing a (sustainable) food supply chain (rather than, for example, on structures of food supply chains). This focus on processes is schematically represented in the figure on the next page.

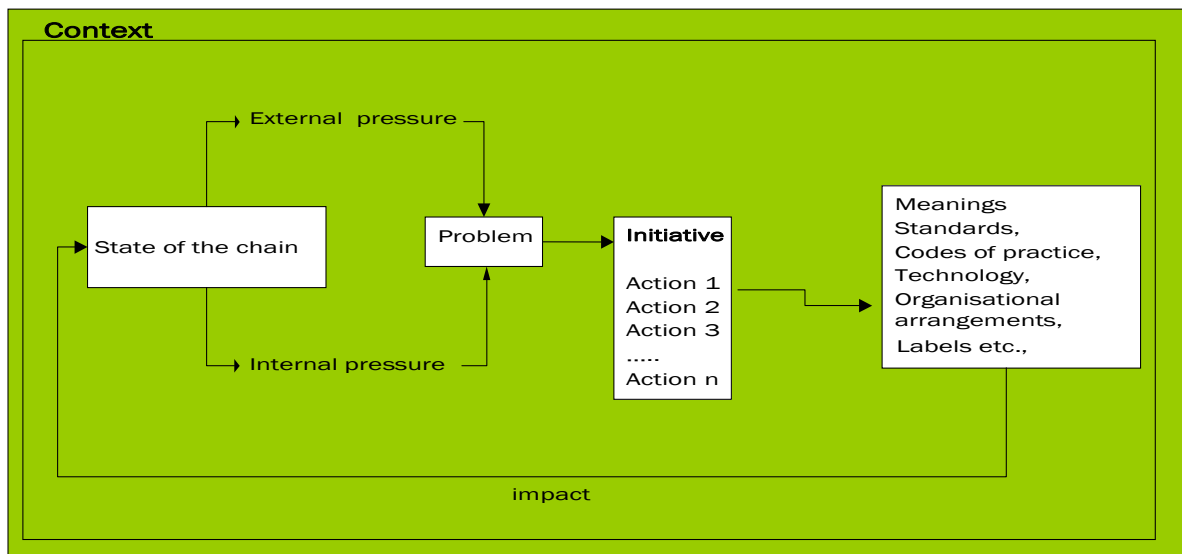
The basic idea underlying this scheme is that an initial state of a particular chain, is assessed on the basis of sustainability criteria by actors outside the chain (public opinion, health or environmental authorities, etc.) and/or by actors within the chain (consumers, retailers, producers, etc.), in relation to a specific context (e.g. one or more of the macro-level trends and dynamics identified in WPs 2 & 3). This assessment gives rise to pressures that question the present state of affairs, until a problem is recognized and defined. Pressures can be external, that

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<sup>2</sup> As part of WP2 a database with more than 250 food supply chain initiatives was developed in the first project year.

<sup>3</sup> See the WP4 report 'SUS-CHAIN case study methodology' and at [www.sus-chain.org/results](http://www.sus-chain.org/results).

is coming from actors outside the chain (for example, public opinion, civil society) or internal, that is from actors who are involved in the chain. The problem, once recognized, raises strategic questions: e.g. how to restore consumers' trust, how to maintain a minimum level of welfare in the countryside or how to realise a fairer distribution of value added among chain partners? Such questions are addressed through one or more initiatives started by actors who build alliances to carry them out. Each initiative is composed of a cluster of actions. Each action aims to obtain specific outputs (for example, creating a label implies technical coordination, organisational innovation, new technologies, etc.) All outputs have an impact on the sustainability performance of the chain as well as on its socio-material environment. Both, i.e. the sustainability performance of the chain and the impact on rural development, are assessed in SUS-CHAIN.



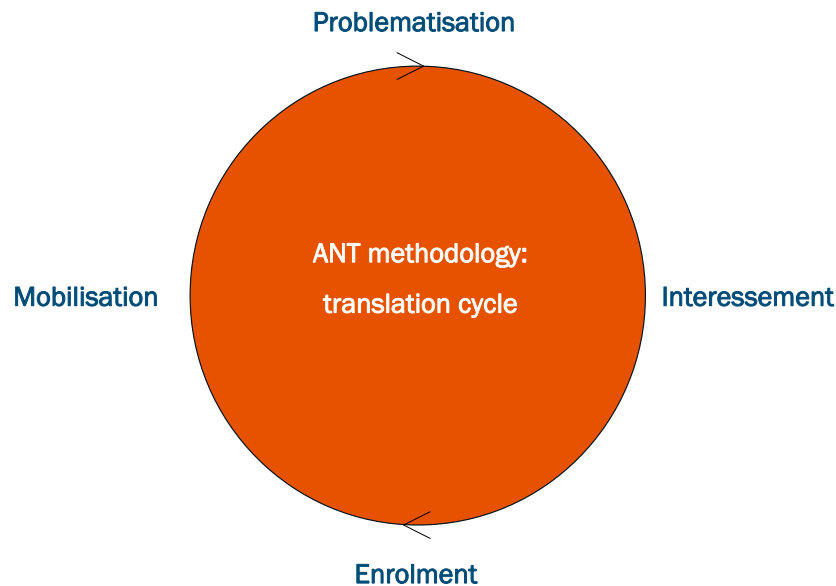
To explore and explain the process of (re-)constructing food supply chains Actor-Network-Theory (ANT) was applied as case study methodology<sup>4</sup>. ANT argues that networks are heterogeneous and composed by all kind of entities, human as well as non-human (e.g. machines, nature, money, policies, documents as well a people). Furthermore ANT focuses on the relations constructed, as the established relations constitute the components and shape the resulting network. According to Latour, one of founding fathers, ANT is a method rather than a theory, it is ‘... a way for social scientists to access sites.... a way to travel from one spot to the next, from one field site to the next, not an interpretation of what actors do...’ (Latour<sup>5</sup>, 1999: 20). This methodological principle of following how sustainable networks of food provision are constructed combines well with the idea to ground the conceptualisation of the (main) constituting processes empirically on case studies (Glaser & Strauss<sup>6</sup>, 1967). ANT does not distinguish very much between human and non-human as constituting elements. It advances the relations and strength of connections established between all kind of heterogeneous entities (such as people, machines, data, texts, money,

<sup>4</sup> This section is based on the internal project document ‘Applying Actor-Network Theory to SUS-CHAIN’ by Carolyn Foster and James Kirwan, May 2004.

<sup>5</sup> Latour, B. (1999). On recalling ANT, In J. Law, and J. Hassard (eds): Actor Network Theory and after. Oxford: Blackwell, p15-25.

<sup>6</sup> Glaser, B. G. and Strauss, A. L. (1967). The discovery of grounded theory. Strategies for qualitative research. Chicago.

policies, etc.) to explain the resulting network. The key questions are then how are they forged, how are they developed, extended and stabilised, how is resistance overcome and ‘how effects such as power, fame, size, scope or organisation are generated?’ (Law<sup>7</sup>, 1992; Murdoch<sup>8</sup>, 1994).



Networks do not exist or form in isolation; they are the result of actors deliberately bringing together a range of diverse interests and materials to create a stable network. At the core of the ANT approach is a concern to understand how stable networks are constructed. Actor networks may also include intermediaries, which can be understood as ‘anything passing between actors which defines the relationship between them’ (Callon<sup>9</sup>, 1991: 134). Intermediaries can help induce network stability and facilitate conciliation between actors, and Burgess<sup>10</sup> (2000: 123-4) suggests that ‘building networks depends on actors’ capacities to direct the movement of intermediaries such as texts, technologies, materials and money’. ANT explains this process in terms of translation, which according to Callon<sup>11</sup> (1986) follows four stages (see also figure above):

1. Problematization: an actor analyses a situation, identifies and defines the problem and proposes a solution (often there is a ‘critical event’ that acts as a catalyst);
2. Interessement: other actors become interested in the solution proposed and change their affiliation to a group in favour of the new actor. This may be around an obligatory passage point, whereby the principal actor channels all interests in one direction, such as the need to increase productivity to certain levels;

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<sup>7</sup> Law, J. (1992). Notes on the Theory of the Actor-Network: Ordering, Strategy, and Heterogeneity. *Systems Practice* 5 (4), pp. 379-393.

<sup>8</sup> Murdoch, J. (1994). Weaving the seamless web: a consideration of network analysis and its potential application to the study of the rural economy. Centre for Rural Economy, Working Paper 3. University of Newcastle-upon-Tyne.

<sup>9</sup> Callon, M. (1991). Techno-economic networks and irreversibility. In J. Law (ed.): *Sociology of Monsters: Essays on Power, Technology and Domination*. London: Routledge, pp. 132-161.

<sup>10</sup> Burgess, J., Clark, J. and Harrison, C. (2000). Knowledges in action: an actor-network analysis of a wetland agri-environment scheme. *Ecological Economics* 35, pp. 119-132.

<sup>11</sup> Callon, M. (1986). Some Elements of a Sociology of Translation: Domestication of the Scallops and the Fishermen of St. Brieuc Bay. In J. Law (ed.): *Power, Action and Belief: A New Sociology of Knowledge?* London: Routledge and Kegan Paul, pp. 196-233.

3. Enrolment: the solution becomes accepted as a new concept and a new network of interests is generated; and finally,
4. Mobilisation: the new network becomes established and operates to implement the proposed solution. This leads to the formation of a macro-actor that acts as one entity.

Thus a network is formed following translation, and in effect the network of passive agents have become subsumed by the principal actor; becoming part of that actor, and hence the term actor-network (Callon 1986, 1991; Law<sup>12</sup> 1986).

### ***2.3 Case study analysis***

In the case study reports<sup>13</sup> the principal cases are described and analysed profoundly, also by comparing them with satellite cases. The start and evolution of each initiative into a specific FSC configuration has been reconstructed in retrospect, using ANT as methodological approach, highlighting the construction of heterogeneous networks, critical choices and critical factors, main events and milestones. For each case the development trajectory has been reconstructed. Furthermore their actual performance has been assessed for a set of six relevant fields:

1. Commercial performance and distribution of value added along FSCs;
2. Marketing conception, marketing measures and communication;
3. Public support;
4. Nature of organisation, self-governance and changes during scaling up;
5. Impact of alternative FSCs on rural economies and rural assets;
6. Social embeddedness, local networks and locality.

For each analytical theme a set of (sustainability) indicators was developed and selected to assess the actual performance of the initiative and identify key factors that explain its sustainability performance. This served as input for a comparative analysis of the core cases and satellite cases. The comparative analysis contains an overwhelming richness of empirical data, highlighting the differences and similarities between cases and drawing lessons and conclusions for each analytical theme<sup>14</sup>.

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<sup>12</sup> Law, J. (1986). Editor's introduction: power/knowledge and the dissolution of the sociology of knowledge' In J. Law (ed.) *Power, Action and Belief: A New Sociology of Knowledge?* London: Routledge, pp.1-19.

<sup>13</sup> The fourteen WP5 case study reports are published at [www.sus-chain.org/results](http://www.sus-chain.org/results), where the fourteen cases studied are listed and subsequently introduced by profile and a link to the full case study report.

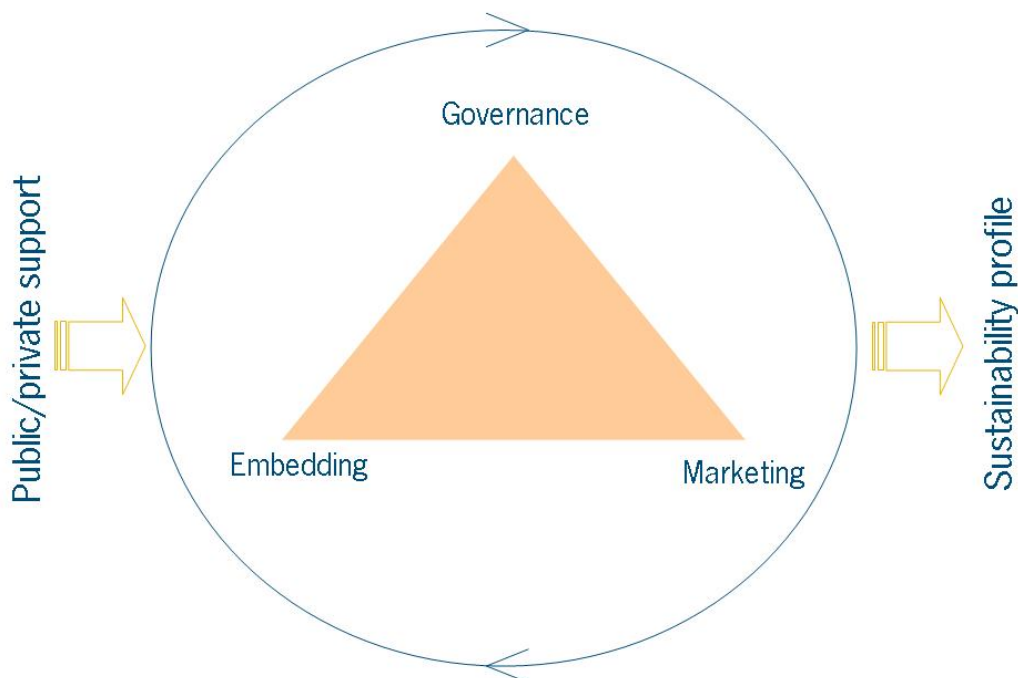
<sup>14</sup> See the WP6 report 'Comparative case study analysis' by Gundula Jahn and Karlheinz Knickel at [www.sus-chain.org/results](http://www.sus-chain.org/results).

### 3 Towards a synthesis: differential sustainability trajectories

#### 3.1 The GEM-framework

The case studies (WP5) provide a detailed reconstruction of how networks of sustainable food provision actually have evolved. A meticulous comparative analysis of all case study material along six relevant fields has revealed important patterns and key factors in the construction of sustainable food supply chains and the evolvement of networks. This has been capitalised in the conclusions and lessons of the WP6 report (see [www.sus-chain.org/results](http://www.sus-chain.org/results)).

The next step (WP7) is to go beyond then ample presentation of empirical material and analytical results, to identify more general patterns and to synthesise the main outcomes, draw more general lessons and formulate recommendations how the construction and sustainability performance of initiatives can be enhanced by stakeholders. For this purpose a framework has been developed that is based on the earlier identified six analytical fields, but stresses the dynamic nature. The framework thus captures the three main constituting processes in the evolution of initiatives: i.e. through the mutual development and co-ordination of different forms of governance, embedding and marketing distinctiveness is actually created (see the figure below).



The circle stresses its evolutionary nature. This path has been reconstructed in case studies. The figure shows that the construction of a sustainable food supply chain is basically a matter of developing and combining different forms of marketing, embedding and governance, but the

actual realisation and evolution depends on the strategic decisions of its initiators *vis a vis* their strategic environment. The success of an initiative, operationalised as the scores on a set of sustainability indicators, then basically depends on the coherence of the strategic choices of its initiators, their ability to implement their strategy and to overcome all kind of obstacles and to mobilise public and private support. The properties and sustainability performance of an initiative at a certain time (each initiative has its own sustainability profile) is thus the result of its past development, or its development path. So the GEM-framework enables one to explore and identify coherent patterns in the empirically encountered development paths. These patterns are conceptualised as differential sustainability trajectories. Three ideal typical sustainability trajectories are explained below.

In summary, the GEM-framework can serve as an analytical as well reflexive tool as it:

- identifies the three main strategic constitutive processes that provide the building blocks needed to create more sustainable FSC, whereby these processes and building blocks relate to both empirical evidence and as well current theoretical debates in the field of agro-food studies;
- allows for an analysis and subsequent an evaluation of what and how (well) different (new) forms of G, E and M have been developed and combined;
- can be used as reflexive tool for practitioners as it can help them to position themselves, evaluate their past decisions and current abilities and create an adequate and coherent strategy.

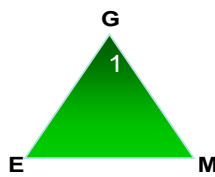
A sustainability trajectory is always a combination of governance, embedding and marketing (thus G+E+M), but different trajectories reflect different basic configurations of G+E+M. These basic differences are reflected different sustainability profiles: i.e. different patterns in the performance on a set of sustainability indicators. Furthermore the kind of public and/or private support needed to improve the performance of an initiative, is different for each type of sustainability trajectory as well.

### ***3.2 Chain innovation, chain differentiation and territorial embedding***

Based on the case studies and the GEM-framework three different, ideal typical sustainability trajectories are distinguished: 1) chain innovation, 2) chain differentiation and 3) territorial embedding. Each type is, as explained before, a specific configuration of G+E+M that is related to its specific focal point or point of departure. In chain innovation focus is on developing new modes of governance, while in chain differentiation and territorial embedding focus is on developing new modes of marketing respectively new modes of embedding. A short characterisation of each sustainability trajectory is given in the figure on the next page.

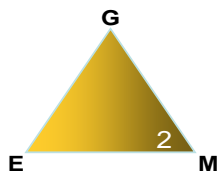
All fourteen cases have been allocated to one of the three types of sustainability trajectories (see table on next page). It is, however, important to realise that this is not an exclusive but a relational classification: each case has been classified according to the type of trajectory that best or most

resembles its own development trajectory. This may, however, mean that aspects of the other types can also be seen in a particular case.



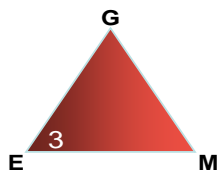
1. Chain innovation

- Key objective is to strengthen the bargaining power and commercial position of farmers in the food supply chain
- Focus is on designing, developing and implementing new forms of chain governance (new rules, new division of roles, new arrangements) by mobilising strategic alliances, and building a strong support network to create a protected space or niche for experimenting and learning.
- Often initiated by farmers aiming to improve their livelihood



2. Chain differentiation

- Key objective is to improve the commercial performance of an existing (in terms of organisational configuration) food supply chain
- Focus is on developing and marketing more distinctive products (or assortment of products) alongside existing, well established products.
- Often initiated by highly influential chain captains or directors (usually processors or retailers) aiming to improve the competitive position of their firm



3. Territorial embedding

- Key objective is to (re-)construct a food supply chain as vehicle for sustainable regional development
- Focus is on strengthening interlinkages and creating coherence and synergies between food supply chains and other economic activities in the region
- Often initiated by public-private partnerships aiming to address public/societal concerns regarding sustainable regional development.

Chain innovation	Chain differentiation	Territorial embedding
Latvian Beef Cattle Breeders Association (2)		
De Hoeve (3)		
Biomelk Vlaanderen (4)		
Westhoek hoeveproducten (5)		
Upländer Bauernmolkerei (6)		
NaturaBeef (7)		
	Rankas Piens (8)	
	CONO Beemsterkaas (9)	
	COOP local sourcing (10)	
	CAF – organic beef (11)	
	Tegut – Rhöngut (12)	
		Pecorino di Pistoia (13)
		Pain de seigle du Valais (14)
		Cornwall Food Programme (15)

Furthermore, some cases with a longer history have actually ‘travelled’ through the triangle, their focus changed in time and they moved from one type of trajectory to another. Take e.g. the Italian beef case CAF: it started as a typical example of chain innovation in the 70's (raising a co-

operative with local marketing of beef), then moved towards chain differentiation with developing a supply chain for organic beef next to the conventional chain, that was marketed by a national retailer (this is the actual case described and analysed) and because of its failure the initiative now moves towards a strategy of regional embedding strategy to enlarge the outlet.

The performance of a particular FSC is a function of how well each of the different building blocks (i.e. forms of G, E, and M) is shaped and how well they fit together in a coherent whole (G+E+M). An assessment of a particular FSC can be based on the performance of one (or more) building blocks, but also on its contribution to sustainable rural development. To classify and assess the initiatives different types of G, E and M were distinguished and a set of performance indicators developed for commercial performance, marketing (including communication) and governance (including formal types of organisations), embedding (social as well physical). Annex 1 presents a classification and assessment of each case study. It entails a brief characterising of its strategy, the implemented types of governance, embedding and marketing, an assessment of its overall G+E+M performance, when possible a quantification of its commercial performance and a qualification of its contribution to sustainable rural development.



## 4 Lessons and conclusion

### ***4.1. A grounded perspective on the creation of sustainable food supply chains***

The analysis and synthesis has provided a grounded, integral and dynamic perspective into the creation of sustainable food supply chains. Enhancing the sustainability of food supply chains involves an ongoing cycle of developing and judiciously combining suitable forms of governance, embedding and marketing. Depending on the starting point, the initiators, their scope, strategy and abilities, each initiative carves out its own distinct trajectory through time. Some are more successful than others. These trajectories are reconstructed for the fourteen initiatives studied. Some of these initiatives are young and are still maturing, others are longstanding and well developed. Some operate on a small scale, while others have scaled up significantly.

Despite this diversity, one can distinguish three ideal typical trajectories in constructing sustainable food supply chains: chain innovation, chain differentiation and territorial embedding. Each reflects a different drive and scope: each creates different pathways towards sustainability, balancing opportunities against new dependencies. Some initiatives follow one type throughout their evolution, others evolve from one type to another. Some embody elements of two or more types, creating ‘hybrid trajectories’.

An indicative, integral assessment of the contribution of such initiatives to sustainable rural development demonstrates that their effects differ significantly, i.e. their sustainability profile differs. The differences may partly mirror the success of the development to date, but they are also related to differences in drive and in scope, which are underpinned by differences in values and trade offs between objectives. Just as there is no single measure for sustainability, so there is no single road to sustainability. Different trajectories result in different profiles and different contributions to sustainable rural development. One of the findings in this respect is that direct and regional marketing initiatives do generate additional income and employment for rural areas, although the degree to which they do so differs. In addition they enable synergies with other rural development activities, such as rural tourism. In more marginal areas, these benefits can help counter the abandonment of agriculture, out-migration and ‘greying’ populations. Furthermore, they often contribute to an increase in job satisfaction and organisational capacity within rural communities, greater consumer trust in food systems, and reductions in food miles or waste.

These findings are of interest for those seeking to enhance sustainable rural development, in particular policy makers and consultants who often face difficult decisions over what type of initiatives and development patterns they should support or promote. The case studies show that support is crucial, but that it needs to be well targeted and appropriate to the stage of development of the initiative and its specific needs. While financial support is often important, other forms of support, in terms of advocacy and political legitimisation and required changes in regulations are also crucial. In addition it essential that these networks can mobilise the expertise required to achieve all of this.

There is potential for elaborating the Governing-Embedding-Marketing (GEM) framework into a useful tool for helping meet these objectives. This framework can be further developed as a grounded analytical tool that can enrich current research through a more integral approach, facilitating interdisciplinary understanding as demonstrated by work on the SUS-CHAIN project on which this book is based. The framework can also be used as reflexive tool for practitioners and their supporters, one that can help them to position themselves, develop a clear strategy, find the right allies, develop their skills and build the capacities that they need. The framework can not only help practitioners to find the right road, but also to travel along it well equipped. It also has great relevance as a policy tool for politicians and policy makers, to improve their strategic choices on what needs enhancing and how that can best be done through developing better and more targeted policy instruments.

Studies of initiatives show that the development of sustainable food and farming systems crucially depends upon the involvement and participation of a broad range of stakeholders, including the local community. Private sector initiatives and public-private partnerships and the strengthening of urban-rural (consumer-producer) relations are of great importance in this context. Many initiatives show that much can be achieved even in less favourable market conditions, with limited public support and/or under restrictive regulations.

### **Nourishing Networks: chapters, lessons and food network initiatives**

<b>Chapter</b>	<b>Lesson</b>	<b>Food network initiative (country)</b>
2	Developing a supportive institutional environment	Latvian Beef Cattle Breeders Association (Latvia)
3	Creating space for change	<i>De Hoeve</i> pork supply chain (The Netherlands)
4	A strategic alliance with chain partners	<i>Biomelk Vlaanderen</i> (Belgium)
5	Willingness to invest in a shared enterprise	<i>Westhoek Hoeveproducten</i> (Belgium)
6	Mobilising investment capital for scaling up	<i>Upländer Bauernmolkerei</i> (Germany)
7	Anticipating the implications of scaling up	<i>NaturaBeef</i> (Switzerland)
8	A visionary and capable leader	<i>Rankas Piens</i> dairy (Latvia)
9	Building a strong brand	<i>Beemsterkaas</i> from the CONO dairy cooperative (The Netherlands)
10	A flexible procurement system for local sourcing	Supermarket sourcing of local food (United Kingdom)
11	Regional marketing as basic security	Organic beef of the <i>Cooperativa Agricola Firenzuola</i> (Italy)
12	Regional embedding as a marketing strategy	Tegut supermarket and <i>Rhönrgut</i> meat processing (Germany)
13	Specificity as a key in aligning regional interests	<i>Pecorino di Pistoia</i> . raw milk sheep cheese (Italy)
14	Promotion of regional identity	<i>Pain de seigle du Valais AOC</i> (Switzerland)
15	Public sector food procurement through partnerships	Cornwall Food Programme (United Kingdom)

The cases studied and their analysis is full of experiences and lessons, both specific and more general. In the publication ‘Nourishing Networks’ (Roep & Wiskerke, 2006)<sup>15</sup>, the title of a chapter reflects a general lesson that has been connected to one of the fourteen cases (see box above), but many other lessons can be drawn from the rich case study material. Lessons of interest for practitioners, those seeking to start out on such a course and those willing to support such initiatives. Thus it is also of relevance to interest groups, societal organisations, consultants and policy makers. In the next paragraph we summarise the general lessons and trajectory specific lessons.

<sup>15</sup> The GEM-framework, cases, main results and recommendations are presented in the nicely illustrated publication ‘Nourishing networks: fourteen lessons about creating sustainable food supply chains’, see [www.sus-chain.org](http://www.sus-chain.org) for more information on the book. This chapter is largely based on the last chapter of the publication.

## **4.2 General lessons and conclusions**

1. Creating distinctiveness is the key to more sustainable food supply chains. It's a means to reduce exchangeability, vulnerability and competition and to create a robust food supply chain.
2. Governing, embedding and marketing are the crucial components in the creation of distinctiveness. To make food supply chains more sustainable there is a need to create coherence between these three components. Coherence between these three components can be created in different ways, depending on the interaction between
  - Initiators, key actors
  - Sustainability promises
  - Approaches
  - Foci
  - Contributions to sustainable rural development
3. Crucial success factors:
  - The skills and capacities of initiators (and other key actors) to construct a development path that effectively combines governance, embedding and marketing aspects
  - The skills and capacities of initiators (and other key actors) to enrol and mobilize those (human and non-human) resources needed to enhance the performance of the food supply chain
  - The availability of support (kind of support, timing of support and targeting of support)
  - The commitment and willingness of other chain partners to invest in the initiative
  - The degree to which scaling up goes hand in hand with deliberate changes in the kinds of governance, embedding and marketing as well as the interrelations between these three components
4. The empirical diversity in sustainability profiles of food supply chain initiatives is overwhelming. Sustainability is not a uniform and universally defined concept but is to be understood as a basket of different (social, economic and environmental) indicators. An assessment of the sustainability performance of an initiative should therefore be based upon its sustainability profile.
5. Food safety and food quality regulations (at EU and national level) tend to or have become regulatory constraints for creating distinctiveness
6. Food quality characteristics as environmental friendliness or organic are insufficient for creating distinctiveness. More successful are initiatives in which environmental friendliness or organic is intertwined with high and/or distinctive organoleptic product qualities and with the region of origin.

7. Sustainable and stable chain alliances are based upon equality, collective interests, mutual trust and a fair distribution of revenues, costs and power.
8. Scaling up should not be a goal in itself. On the contrary, scaling up might also (temporarily) lead to increasing costs, loss of distinctiveness, loss of commitment by chain partners or lack of sales.

#### ***4.3 Chain innovation specific lessons and conclusions***

- a) Constructing a new food supply chain is often at odds with vested interests and governing mechanisms of existing food supply chains. It is therefore important to develop a strong network of allies (as a form of countervailing power) while constructing a new food supply chain. In particular the support of societal organizations is indispensable.
- b) Creation of new strategic alliances requires specific management and networking skills, which need to be developed or hired if initiators lack these skills.
- c) When constructing a new food supply chain, it is important to opt for a stepwise approach (instead of a giant leap forwards). Although this usually results in small improvements in sustainability performance, it also often leads to fewer risks (as one creates time and space to learn and experiment) and more commitment and involvement of chain partners.
- d) Continuation and development of market relations depends upon the possibilities of the chain director / coordinator to control the quantity and quality of the supply and to safeguard exclusivity for market parties.
- e) Development of a quality assurance scheme leads to more transparency and is a means to commit chain partners, to build legitimacy and to obtain support.
- f) Experimentation and sharing of knowledge and experience are crucial for improving the performance of food supply chains.

#### ***4.4 Chain differentiation specific lessons and conclusions***

- a) Small to mid-size food enterprises (processors, retailers) may be relevant private partners in sustainability trajectories as a consequence of their commercial interests in distinctive food qualities.
- b) Strong leadership in chain governance is a crucial success factor behind chain differentiation with sustainability claims, as demonstrated by initiators' capacity to construct new chain configurations aiming for distinctive food qualities. Yet, empirical evidence illustrates also that strong leadership might become in time a hindrance for an active involvement of primary producers in overall chain management.

- c) In the marketing of distinctive food qualities food related SME's refer in different degrees to ecological, social, cultural or economic (re-) embedding processes (territorial embedding). Empirical evidence suggests that in particular combinations of re-embedding processes seem result in strong commercial performances.
- d) Food related SME's communicate distinctive food qualities mostly through private brands. Private brands, as a specific way to communicate food distinctiveness, might be vulnerable for tensions between 'image creation' and 'reality'. This is e.g. expressed in sometimes doubtful references to artisan production methods or the use of look-a-like brand images pretending strong relations with successful (foreign) brand names.
- e) A strategic choice for distinctive food qualities with sustainability promises might involve high transaction costs for food related SME's. Some are forced to take the responsibility for the commercialization and marketing and to (re-) build strategic alliances with former and new chain partners (e.g. Dutch COMO case). Others feel the necessity to create own distribution and processing plants to facilitate further development and to meet logistic demands (e.g. Rhöngut case).
- f) Compared to farm driven sustainability trajectories, a strategic choice for chain differentiation emerges rather independent from public financial support. Most cases received little financial support and are primarily driven by commercial skills in combination with other driving forces of key-actors. Nevertheless, policy might appear as an important constraint in the creation of distinctive food qualities. The Rhöngut case, e.g., was strongly hindered by food hygienic regulations in its attempts to re-vitalize artisan production methods. The Latvian initiative illustrates that financial support might be necessarily to enable the re-construction of food supply chains in transition economies under strong pressure of foreign competition.
- g) Performances of this sustainability trajectory in terms of contributions to SARD are on average relatively strong for economic indicators and show a more diverse picture with regard to environmental and social impact indicators of SARD. Differences in environmental and social impact reflect in particular the different degrees of territorial embeddedness of distinctive food qualities.

#### ***4.5 Territorial embedding specific lessons and conclusions***

- a) This sustainability trajectory builds primarily on territory based public-private partnerships. Private partners are predominantly relatively small scale farm holdings, other food related SMEs (processors, retailers) and their organisations. Public partners include regional policy and development bodies, rural extension services and (regional branches) of national food movements.
- b) Territory based public-private partnerships are grounded on shared beliefs that (re-) embedded food qualities can contribute to specific SARD concerns (social, economic, environmental)

- c) The success of territory based public-private partnerships seems to depend firstly on the regional capacity to create new strategic alliances between chain partners. E.g. the UK case demonstrates the complexity to construct alternative food supply chains for local provision within prevailing chain configurations dominated by large food enterprises (processors, retailers). The Swiss and Italian cases strongly suggest that the presence of food related SME's (processing, retailing) might be an important factor to establish new strategic alliances between chain partners around embedded food qualities.
- d) Also the results of the Italian and Swiss public-private partnerships are still rather modest in terms of contributions to regional farm income or creation of extra value added in agriculture. Transparent monitoring systems to assess overall impact from a broad perspective on SARD (including the social, economic and environmental dimensions of sustainable regional/rural development) are not available.
- e) Public investment in an active chain coordination for embedded food qualities impacts positively on the performances of public-private partnerships. In particular the Swiss experiences demonstrate that a chain coordinator might facilitate the construction of stable chain relations with clearly positively impacts on the commercialization of territorial embedded food qualities as well as product innovation.
- f) Private investments in product innovation, promotion and commercialization of embedded food qualities within public-private partnerships are mostly rather modest. This might be partly explained by the dominance of SME's with limited investment capacities in some public-private partnerships (e.g. Italy). In other cases it seems that the choice for public certification systems raises the question of free riders behaviour.
- g) PDO certification systems do certainly contribute to protect embedded food qualities from unfair competition. In other cases a PDO certification system might be also strongly driven by producers' pressure to get access to a rather successful niche market for embedded food qualities through less restrictive production regulations with regard to territorial specificity than within existing private brands.
- h) Strong territorial identities and a prominent role of embedded food qualities in region marketing are important success factors behind up scaling potentials of regional typical food produce (in particular Swiss case).
- i) The protection, strengthening, promotion and commercialization of embedded food qualities presupposes the availability of territorial capital, including natural -, social -, economic-, cultural-, and institutional capital. Without the right balance between these different expressions of territorial capital, it can't be expected that (re-) embedded food qualities will contribute significantly to SARD (all cases).

## 5 Enhancing the creation of sustainable FSC: recommendations

The key question is how all the experiences and lessons can be applied to enhance the creation of sustainable food supply chain initiatives and by that a sustainable regional development. For this purpose lessons need to be elaborated, transformed into recommendations for good practices and disseminated. In this final chapter some of the main lessons are elaborated and turned into recommendation for good practice by practitioners, consultants, policy makers and researchers. In addition, sustainability trajectory specific recommendations are shortly summarised in three boxes.

### 5.1 Recommendations for chain partners and their consultants

#### **The need for a coherent strategy**

Food supply initiatives need a clear and coherent development strategy. This implies that the initiative is organised in such a way that the strategy and its main objectives are clear and transparent to every actor in the chain. Only when the strategy is supported by all the actors along the chain will the initiative be successful. In several cases the success can mainly be attributed to a clear and coherent development strategy, one supported by all the actors along the chain: including the *Rankas Piens* Dairy in Latvia, the *CONO* Dairy in The Netherlands or *NaturaBeef* in Switzerland.

A coherent development strategy does not necessarily need to include formal regulation of production and processing system, but for some initiatives it is very useful to have formal regulations. Examples like *Valais* Rye bread show that a ‘code of practice’, as embodied in PDO or PGI products, can be very important. Such a code of practice means that every participant in the chain knows the relevant production standards and what and how to communicate towards consumers and other actors outside the chain. This helps avoid constant repetition of discussions about basic standards and principles, allowing the actors to focus on the core business. Codes of practice can also readily be communicated to consumers and may contribute to building consumers’ trust.

#### **Good communication and coordination is based on a strong alignment**

Good coordination and structuring of the food chain makes it easier to communicate along the chain and to put the product on the market in more cost-efficient ways. Individuals often play a key role in this process. Effective management and well-connected and respected people playing a central role help reduce the effort needed for communication. They also often have better access to institutional support systems. An example is the Dutch case of *De Hoeve* where two people assumed responsibility for initiating and organising a successful chain for pork. The same is also true for *Pecorino di Pistoia* in Italy. The *Rankas Piens* Dairy in Latvia also relies heavily on the skills and networking of one individual. This case also demonstrates the dangers of over-reliance on one key player.

The involvement of professionals in marketing and communication activities can contribute significantly to improving the success of an initiative. This is evident in the case of *Valais Rye Bread*. Public support made it possible to appoint a part-time FSC manager who took responsibility for marketing and communication activities. The Cornwall Food Programme (CFP) in the UK, which is still under development, has also had a dedicated manager employed to follow the project through. His main task is to improve communication between the initiatives organisers, local producers and suppliers and support organisations. The need for a dedicated co-ordinator appears to grow with the complexity of a chain or its institutional support network. FSCs with fewer actors in the chain do not need to put so much effort into achieving the involvement, commitment and coordination of all actors. A short FSC therefore can normally be operated more cost-efficiently, but its scope or potential may not be as large.

### **Develop a clear marketing concept with convincing and credible promises**

The marketing concept needs to be built around clear, convincing and credible claims that send a concise and positive message to consumers. Consumer loyalty and repeat purchases are to be encouraged and this requires that consumers understand the promises and the quality of the product. However for most consumers, the product itself and its organoleptic attributes will always remain the most important characteristics. One initiative that combines a convincing marketing concept with credible product quality is the *Tegut* supermarket chain in Germany. The group's marketing concept places much emphasis on providing product information that is regularly distributed in an attractively presented and informative consumer journal.

Often the marketing concepts implemented by alternative FSCs involve differentiating the initiative and product(s) from the mainstream. Mid-sized players like the Dutch *CONO* Dairy Co-operative and small players like the Uplaender Dairy in Germany have managed to develop new marketing visions and implement new strategies within a highly competitive market. Very often it is the semi-artisanal production methods, the specific intrinsic quality attributes and the extrinsic association with the appealing nature of the production area such as, the *Beemster* polder or the *Upland*, that helps build a stronger market position and a strong brand (*Beemsterkaas* in the case of *CONO*). In both cases the dairies have been able to strengthen their market position and realise a premium price which is shared with the farmers.

### **Building alliances with public bodies, societal and consumer movements**

Regional marketing and the (re-)creation of territorial identity play an important role in many sustainable FSCs. Cooperation with, and involvement from, public bodies and societal movements at both the regional and local level seems to be a crucial factor in this respect. Institutional arrangements, involvement in regional networks and cultural relations indicate that the actors involved in these chains use more than just economic logic in setting their market orientation. Many marketing initiatives are embedded in 'their' region. Several examples highlight the importance of networks and relationships with public bodies and societal movements, which can directly influence the functioning and success of sustainable FSCs within a particular local context and ultimately in a broader one too.

The Uplaender Dairy in Germany is a good example of this. Due to the strong personal commitment of the key actors, that also found expression in their willingness to take personal



economic risks the initiative was able to involve the municipality, several non-governmental organisations and private investors. This led to the involvement and alignment of different interest groups such as *BUND*, one of Germany's foremost environmental and nature conservation associations. The dairy was able to attract these non-economic actors through their strategy of marketing the *Upland* region. This strategy involved linking the region's attractive cultural landscape and inherent nature conservation interests (biodiversity) with the particular pattern and style of farming within the region (mixed dairy farms that efficiently make use of semi-mountainous grasslands) and a fresh and tasty product, the marketing of which is done in a modern and attractive way. This package encouraged a very diverse group of actors to financially support the dairy during its critical initial phase and later promote the initiative in other ways.

Similarly the *Pecorino di Pistoia* case in Italy achieved embeddedness through the Slow Food movement that aligned itself with the initiative and helped promote the product. Through its promotional activities, Slow Food was able to support the producers' consortium, with which it held shared values and common interests.

In another example, that of the Latvian Cattle Breeders Association, this embeddedness and these alliances still need be developed. This initiative, which is still vulnerable and has not yet achieved its potential or its initial objectives, needs to establish more alliances with partners outside the chain in order to be more successful.

The two cases from the UK provide good examples that demonstrate the importance of building alliances with actors that are not directly involved with the chain. The Cornwall Food Programme shows the potential of public-private co-operation, driven by concerns over health, food and sustainable development. The local sourcing initiative by the Cooperative supermarket chain could become successful if local store managers had more room for manoeuvre and the freedom to decide for themselves which products are right for their store and for their customers. This would enable new networks to be built. Other examples of retailers attempting to localise their procurement policies show that such alliances are able to overcome problems such as logistics, packaging, pricing and quality assurance.

### **Recommendations for advisory services**

If advisory services want to provide effective advice to new and innovative FSCs, they have to adopt new ways of thinking and development, and, in general, to develop a broader range of professional competences, either in-house or through contracting-in. To date 'alternative' or 'new' forms of food marketing are rarely supported by advisory services, which appear to lack the capacity to support such initiatives. A necessary first step is that advisory services recognise the potential of 'alternative' or 'new' forms of food marketing and the, often important, role of rural enterprises as driving forces for food chain differentiation.

## ***5.2 Creating a supportive environment for sustainable food supply chains***

Governments, policy-makers and societal organisations can influence the environment in which FSCs develop. In this section we formulate recommendations for these different actors.

### **Better targeting of support**

Policy is about making choices: who and what to support, and how to provide this support in the most effective way. A great range of instruments is available for creating a more favourable environment for the development of FSCs. While public support is often important, it is also crucial to note that not all initiatives *depend* on public support. In at least three of the fourteen cases - *Biomelk Vlaanderen* (Belgium), the *Tegut* supermarket (Germany) and the *CONO* Dairy co-operative (Netherlands) there was no, or no noteworthy, public support for the initiative. It is also important to remember that support is not only financial, but can also come in other forms. Finally, it is not only public bodies that can act as a source of support; social organisations, communities, individuals and (actual or potential) trading partners are also potential sources of support.

This notwithstanding, the majority of the examples show the relevance and importance of financial, as well as non-financial support, from the public sector as well as from other sources. We can identify a number of different types of support: financial, (e.g. through investment or start-up finance); marketing, information and public relations; advocacy and public legitimisation of the initiative, brokering; training and consulting; and technical and legal support for innovative and experimental approaches.

The question of how to provide effective support in the most efficient way comes back to issues of identifying the type of support needed, and providing it in the right amount and at the right time. The GEM-framework allows for a better understanding of development opportunities, constraints and risks faced by different types of alternative FSCs at different stages in their development. This framework provides a tool that could prove of use in helping improve the targeting of support.

### **Support to reduce financial risks and transition costs: risk capital**

Support from public institutions can play a particularly vital role in helping establish and develop 'new' or 'alternative' FSCs, especially in their initial start-up phases. Generally starting a new food supply chain involves high administration, transaction and start-up costs. Banks and other chain partners are often unwilling to finance the initial 'risky' development phase until a critical mass has been reached. When public support was available in the initial phase, this helped reduce the high risks involved, creating room for manoeuvre for developed the required technical and organisational innovations and the structural changes.

The Cornwall Food Programme in the UK is an example of this. The initiative received public support (in the form of European Rural Development Funding) from the very beginning. This allowed for accumulating the required knowledge for rearranging the chain and adapting to existing regulations and procedures. By contrast there was insufficient support provided for the start up of *Biomelk Vlaanderen* in Belgium and this hindered its initial development. The financial support received did cover the cost of an expert to provide the farmers with organisational advice, but was not sufficient for providing additional advisory services, particularly over marketing issues. More prolonged support would have allowed this project to get off to a better start.

At the other end of the spectrum, there is the problem of excessive support and the over-dependence that this can give rise to. Several examples indicate that provision of financial support by public bodies may imply the risk of (over)dependence. Common characteristics of such

dependency are inadequate business plans, excessive personnel costs and insufficient attention paid to profitability within a given time frame.

### **Acknowledge SMEs as drivers of sustainable regional development**

Experience from many regions indicates that small and medium rural enterprises (SMEs) are important drivers of sustainable development. One good example is the hotels and tourism agencies that have developed alongside the Slow Food movement in parts of Italy. These new hotels, bed and breakfast or farm tourism establishments are not formally connected to the Slow Food movement and may even not use the movement as suppliers, but they do nonetheless benefit from its efforts, which create regional jobs and income earning opportunities.

Other illustrative examples from the initiatives studied are the Swiss *Valais* Rye Bread PDO and the activities of the German *Tegut* supermarket chain in the *Rhön* region. Both initiatives contribute to making their particular region more attractive and better known. They are giving a positive impulse to economically disadvantaged regions and stagnating or threatened sectors, such as rye production in the *Valais* area or agricultural activities in mountainous regions in general. So, supporting a single initiative may not only have the direct effect of helping consolidate a specific enterprise, but indirect (multiplier) effects on other small and medium enterprises in the region.

### **Create regulatory flexibility**

Many of the fourteen initiatives illustrate the constraints that new FSCs face from regulatory regimes and the bureaucracy of public administration. These almost always contribute to a higher burden of administration costs for an initiative and can even hinder the realisation of new ideas in production and processing.

The pork supply chain initiative of *De Hoeve* in the Netherlands is an example of this. It had to face the problem of a lack of governmental flexibility with regard to environmental regulations. Farmers participating in *De Hoeve* are obliged to produce according to the rules of the environmental certification scheme, which includes monitoring and control procedures. Yet, at the same time there is additional set of national rules and regulations that must also be adhered to. This means that the farmers face a double burden of administrative checks and form-filling, which could be reduced if it were possible to implement a coherent single system that meets the requirements of both sides.

In the initiative of *De Westhoek* in Belgium food safety became a critical issue. Farmers had to implement HACCP-like measures, with a high burden for the individual farmer. Here a large part of the projects' workload was with providing advice to farmers, initially those within the initiative but, later on, for those in similar initiatives elsewhere in the region on how to satisfy these requirements. There were similarities in the German case of *Rhöngut*, where a product innovation launched by the *Tegut* supermarket chain was hindered by excessively strict interpretation of hygiene regulations by the local health authorities. *Rhöngut* was intended as a label for dry-cured air-dried ham and sausage specialities; similar to those produced in southern European countries (*Parma* ham or salami from Italy, *Serrano* ham from Spain, etc). Initially, however, the German health authorities did not accept dry-curing as a way of processing, as it was not a traditional practice. The management of *Tegut* had to put considerable effort into analysis and seek legal advice in order to overcome these administrative obstacles. Only after gathering information from

southern Europe and appealing to existing European legislation, the initiative finally did succeed in getting approval.

The case of Coop supermarkets in the UK demonstrates the difficulties that big players, even those with a reputation for ethical trade relations, face when attempting to source locally. In the case of the Coop obstacles in the areas of logistics (and particularly centralised procurement), as well as with packaging, pricing and quality assurance posed insurmountable obstacles to achieving an effective local sourcing policy. The other examples in the chapter, of the Italian chain and Waitrose, show that with when sufficient space is made available practical solutions to these problems can be found.

These examples illustrate the need for more room for manoeuvre and experimentation in both legal and procedural terms. Often such regulations and procedures originated from a completely different context and need to be re-examined and adjusted to make them applicable, and prevent them becoming a barrier, to the development of alternative FSCs. Over strict regulations may inhibit the emergence and development of many interesting and promising FSC initiatives.

### **5.3 Recommendations for research**

In this final section we identify research issues and in particular address the apparent discrepancy between much on-going research in this field and the needs of practitioners.

#### **Use of the GEM framework facilitates more systemic and integrated research**

The conceptualisation of the main constituting processes into the GEM-framework allows a better understanding of how sustainable chains are constructed. By using this conceptual framework it is possible to better conceptualise different types of alternative FSCs at different stages of their development. It posits that a sustainability trajectory always involves a combination of Governance, Embedding and Marketing. Different types of trajectories can be formulated that reflect different configurations of these three aspects. The analytical framework also intends to demonstrate how each type of sustainability trajectory has a specific performance in terms of sustainability, in terms of its impact on rural development as well as commercial performance, marketing and communication, etc. Particular types of trajectory require specific kinds of public or private support to enhance their sustainability performance and enable them to meet their full potential.

In initiatives that have their point of departure in chain innovation the key objective is to strengthen the bargaining power and commercial position of farmers in the food supply chain. The focus of related research and advisory work should be on the development of the most suitable forms of chain governance. Key questions are how to mobilise strategic alliances and to build strong support networks that create a protected space, or niche, for experimenting and learning. In initiatives where chain differentiation is the most characteristic feature, emphasis is typically on improving the commercial performance of a particular organisational configuration. The key questions then are those of how to develop and market more distinctive products (or a range of products) alongside existing, well established ones. Initiatives that are mostly characterised by a high level of territorial embedding often aim to (re-)construct a food supply chain as a vehicle for

sustainable regional development. An important question in related research and advisory work is how to strengthen the inter-linkages and to create coherence and synergies between food supply chains and other regional economic activities. The role of public-private partnerships that contribute to a sustainable development of ‘their’ region is often a key issue that needs to be addressed.

### **Improving the research - practice interface**

The construction of new FSCs that embody innovation, differentiation and territorial embedding is a complex process. It requires a substantial amount of experience and a wide spectrum of competences and skills. Researchers and other non-chain actors can contribute their expertise and help chain actors get off to a good start. Key issues for research should be the contributions that it can make to organisational, process and product innovations, as well as studies and action research of the issues involved with major structural changes and scale enlargement processes. The *Co-operativa Agricola Firenzuola* in Italy and the Latvian Association of Beef Cattle Breeders are examples of initiatives that are not yet successful, where better external advisory and research inputs would be useful.

More transdisciplinary research is also needed on the tensions between the increasing pressure towards standardisation, (for example through hygiene regulations), and innovative as well as traditional forms of production and processing. Relatively little is known about the way in which product development as well as regional and societal embedding of new FSCs can be optimally designed and governed, and which parties should be involved. The position and further development of the marketing of local, regional and traditional food products (and qualities) requires further investigation. The impact of such products and the related marketing initiatives in terms of sustainable agriculture and rural development also requires further detailed investigation. In parallel with this, there is, as yet, a lack of suitable and sufficiently transparent monitoring of such market segments.

## ***5.4 Trajectory specific recommendations***

Each sustainability trajectory has its own drive and logic, has to overcome specific technical and institutional obstacles to overcome and has accordingly specific needs. In addition to the more general recommendations above, we formulated also more trajectory specific recommendations. We present them as a shortlist, acknowledging that these recommendations, like the more general ones, need further operationalisation. This can best be done in close co-operation with initiators and other stakeholders of initiatives as part of a common learning process.

### ***5.4.1 Chain innovation specific recommendations***

#### Chain partners

- Strengthen the societal embedding of a new food supply chain by building new alliances with societal organisations, governmental agencies, researchers, et cetera, and develop the skills to develop and manage these networks.

- Opt for a stepwise approach in the construction and development of a new food supply chain and create time and space for experimentation and evaluation.

#### Research, advisory services and other intermediaries

- Investigate the societal impact of innovations in new food supply chains. Relevant question to be addressed are for instance:
  - Which kinds of innovations are developed by small-scale food supply chains?
  - What is the impact of these innovations on large-scale conventional scales and society in general?
  - Which innovations are complementary?
- Examine the way in which product development and regional and societal embedding of new food supply chains are to be designed and governed and which parties are to be involved.
- Redefine the role of researchers, advisors and other intermediaries in supporting new food supply chains. Constructing a new food supply chain requires a good mixture of different skills and initiators usually lack one or more of these skills. Researchers, advisors and other intermediaries can temporarily complement a lack of skills.

#### Governments, policy-makers and societal organisations

- Make venture capital available for new food supply chains to develop to a stage of sufficient critical mass.
- Do not neglect or underestimate the importance of small food supply chains in the development of food-related innovations.
- Societal organisations can mobilise their networks to interest market parties (e.g. retailers) in new sustainable food products and simultaneously to raise awareness and interest among consumers.

#### *5.4.2 Chain differentiation specific recommendations*

##### Chain partners

- Search actively for links between interest in food distinctiveness and (combinations of) territorial embeddedness.
- Be transparent and trust-worthy in the communication of food distinctiveness.
- Search for an active involvement of primary producers to deepen claims on embeddedness.

##### Research, advisory services and other intermediaries

- Recognition of the potential role of SME's as private driving forces for food chain differentiation with sustainability promises.
- Development of monitoring system to assess performances of private food labels from SARD perspective.
- Facilitation of learning processes that link food distinctiveness to territorial embeddedness.

##### Governments, policy-makers and societal organisations

- Recognition of SME's as important drivers in sustaining food chains.
- Safeguarding transparency in claims on distinctive food qualities through private labels.
- Create the legal room for experimentation within standardized food regulations.
- Facilitation of chain differentiation with sustainability claims.
- Participation in and facilitation of learning communities that link food distinctiveness to territorial embeddedness.
- Financial support to reduce transaction costs.

#### *5.4.3 Territorial embedding specific recommendations*

##### Chain partners

- Protect/construct/promote/commercialize embedded food qualities within public-private partnerships.
- Focus on chain partners with a strategic interest in embedded food qualities.
- Search for self-regulation mechanisms to balance commercial interests of involved chain partners.
- Invest also as chain partners actively in the promotion of embedded food qualities.
- Cooperate closely with public bodies and societal movements in region marketing and the (re-)creation of territorial identities (free promotion).
- Search for synergy effects through cooperation with non-food oriented other rural SME's.

##### Research, advisory services and other intermediaries

- Research on the protection/development/marketing of embedded food qualities.
- Research on ongoing tensions between standardization of food hygienic regulations and processes aiming for more embedded food qualities.
- Development of more transparent monitoring systems to assess the impact of embedded food qualities from a sustainable rural development perspective.
- Support learning communities in search for embedded food qualities actively.

##### Governments, policy-makers and societal organisations

- Recognize that the impact of embedded food qualities might be primarily expressed in multiplier- and spin-off effects.
- Recognize the crucial role of food related SME's in the creation of public private partnerships with the objective to support territorial embedded food qualities.
- Recognize the shortcomings of public certification systems with regard to the mobilization of private interest to invest in embedded food qualities.
- Invest in chain coordination of embedded food qualities.
- Facilitate rural entrepreneurship in search for synergy effects at firm level to enlarge private investment capacity in embedded food qualities.
- Facilitate territory based networks between SMEs to enlarge private interest in embedded food qualities.
- Support learning communities in search for embedded food qualities actively.





## Annex 1: Case studies – Characterisation & sustainability performance

<b>Governing:</b>	<b>Embedding:</b>	<b>Marketing:</b>	<b>Characterisation, in terms of (G+E+M) performance.</b>	<b>Performance - Contribution to Sustainable rural development (SRD):</b>
<p>codes of practices: yes/no; if yes, kind of practices                      kind of organisation / governing body: open club, closed club, chain director, chain captain</p>	<p>territorial, environmental, agro-ecological/biological, social responsible entrepreneurship (SRE), culture and tradition, local/regional networks of production and consumption, production techniques, intrinsic product qualities</p>	<p>B2B or B2C, label or branding, degrees of competitiveness and differentiation, main outlet (level and type), regulation of supply (quality and quantity)</p>	<p>Success depends on:</p> <ul style="list-style-type: none"> <li>- creation of distinctiveness (reducing exchangeability: less vulnerable, more robust) as function of well co-ordinated (G+E+M): strong or weak developed features and coherence</li> <li>- balanced scale and/or thought-out scaling up</li> </ul>	<p>Overall assessment in sustainability profile (economic, social and environmental indicators):</p> <p>-low/modest/high                      -partial/integral</p>

<p><b>Type 1:</b> Main strategy is <b>chain innovation aimed at improving farmers' position within FSC</b>, main point or focus is on <b>designing and establishing new forms of supply chain governance</b> (new rules, new division of roles, new arrangements) by mobilising strategic alliances, and <b>building a strong support network</b> to be able to create a protected space or niche for experimenting and learning. The focus on new forms of governance to strengthen the position of primary producers in the supply chain prevails on marketing and embedding.</p>					
Initiative	Governing	Embedding	Marketing	Characterisation in terms of (G+E+M) performance	Performance - SRD
<p>Latvian Cattle Breeders Association (LAMCB) – beef (Latvia)</p>	<p><b>Codes of practices</b></p> <p>The Latvian Association of Cattle Breeders is a national organisation (<i>open club</i>) and was founded in 1998 by farmers with support of state, to enhance extensive beef breeding and the supply of high quality beef oriented at growing niche markets. The LCBA develops and disseminates rules and best practices for improving breeding and breeds of beef cattle (pedigree), to elevate quality, value added, consumers prices and eventually producers price. Thus developing an alternative outlet against very cheap (imported) beef and an alternative source of income. Some of the beef produced is organic, but not all.</p> <p>Codes of practices are still weakly developed.</p>	<p><b>Territorial</b> – Latvian beef</p> <p><b>Production techniques</b> – still more in terms off opportunities and promises of high quality beef in relation to extensive beef production (some of which is certified organic beef). Quality is not explicitly defined, embedded or guaranteed and controlled</p> <p><b>Networks</b> – more regional and national networks of farmers supported by state agencies, farmers co-operatives and NGO's. No extended networks for local/regional/national sales (low beef consumption). Growing interest from restaurants and speciality shops (developing niche markets).</p>	<p>There is not yet a clear marketing strategy or stable network of chain partners and <b>no branding</b> of the beef under some Latvian label (if well understood?). More <b>B2B</b> than B2C</p> <p>High competitive market (in Latvia a low consumption of beef, low prices for mainly imported beef ), and low differentiation - <b>HC/LD</b></p>	<p>The initiative is about improving (smaller and medium) Latvian farmers by creating a new supply chain for high quality beef produced in Latvia (niche market). It has started with setting up an producers organisation and developing new rules and best practices (G), but high quality is not worked out properly yet. The same goes for the embedding and marketing and their interrelation. Focus was merely on beef production, less on marketing. G+E+M are still weakly developed, as well their co-ordination.</p> <p>No clear structured FSC yet. A lot has still to be developed, also because in Latvia a proper institutional infra-structure is still lacking. The LCBA was founded to fill this gap. The FSc is still under construction.</p>	<p>The actual <b>commercial performance</b> for the breeding sector as a whole is still limited (small scale). Although a limited number of farmers gain some extra VA, what contributes to the economic viability of farms and region. The marketing perspective for Latvian quality beef (niche market) looks promising, but a lot has to be done in terms of marketing and embedding (quality and origin) and construction of a beef supply chain.</p> <p>The initiative promotes extensive breeding in Latvia, although there is not a clear standard yet for extensive breeding. So the <b>performance on environmental indicators</b> is promising, but unclear.</p> <p>The same goes for <b>social sustainability</b>: the actual performance is low, but has a high potential. Overall contribution to SRD: <b>low</b>, but with potential and <b>integral</b>, but not yet clear</p>

<p><i>Westhoek hoeve producten</i> – on-farm processed products (Belgium)</p>	<p><b>Codes of practices</b> are, forced by legislation with regard to food safety enhancing and transparency and control, developed for each product category (<b>quality handbook</b>), but these have a very general nature and are not so different from conventional products. <b>Products should meet some minimal quality standards</b>, but these standards are not distinctive. These quality standards are controlled by farmers amongst themselves. Codes of practice not yet well developed.</p> <p>There has been an initiative to define and legally protect <i>hoeveproducten</i> (farm made products) as a distinctive concept, but this has failed due to political indifference.</p> <p>Farmers/producers are organised in a non-profit association called <i>Westhoek hoeveproducten</i>. This is a <b>open club</b>. To become a member an applicant has to be seated in the region, meet minimal quality standards in the handbook and pay a yearly fee. The association <b>owns a collective brand</b> with the same name, that is mainly used for promotional activities by individual farmers. Such as road signs. Marketing is individual, at the farm or at farmers markets. No common marketing activities, such as coordination of demand and</p>	<p>Embedding based on:</p> <p><b>Territorial</b>, the Westhoek area, a part of Belgium.</p> <p><b>Production techniques</b>, on-farm processing, i.e. still (more) artisanal than industrial processing, but no additional quality criteria for <i>Westhoek hoeve products</i>.</p> <p><b>Local networks</b>, direct selling (farm gate or farmer market), highly individual and no local (exchange) networks yet, but some development point towards regional promotion.</p>	<p><i>Westhoek hoeveproducten</i> are collectively promoted with a <b>common logo</b> on e.g. a road sign and some other promotional material. But no collective marketing. Selling is individual. No collective coordination of demand and supply. <b>B2C</b></p> <p><i>Westhoek hoeve producten</i> draws on notions of localness and tradition and artisanal quality of on-farm products, but these are not particularly guarded nor explicitly communicated to consumers. Quality improvement is not promoted by the association. Also because control is done amongst the members themselves.</p> <p>So <i>Westhoek hoeveproducten</i> is yet not very pronounced and explicitly marketed as having high quality standards towards consumers. The market position is therefore still rather weak in relation to other non-member farmers directly selling their products and other market outlets as specialty shops and supermarkets. So <b>medium differentiation and medium competition</b> (MD/MC)</p>	<p>Started with incentive for self-governance in reaction to food safety legislation, and a common interest in promoting direct sales. Marketing and embedding is however still weak developed. There is no built-in drive to improve quality or distinctiveness of products, a more regional embedding of FSC and for a common marketing approach. It has still a high individual nature.</p> <p>No scaling up.</p>	<p>Commercial performance for the farmers is low to modest, but with potential. On regional level <b>economic performance</b> is still <b>low</b> (small scale), but with potential. But this had to be development, also by scaling up the initiative.</p> <p>The <b>environmental performance</b> is not clear and <b>low</b>. It is taken for granted and lacks a standard to comply to.</p> <p>The <b>social performance</b> is <b>modest</b>. Integration into local/regional networks can be further developed. This will facilitate scaling up.</p> <p>Overall: low performance and partial</p>
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	<p>supply. The initiating NGO (a organisation of farmers wives) and the Provincial government have both a seath in the board (secretary, treasurer and project manager), but have no voting right.</p>				
<p><i>Biomelk Vlaanderen</i> – organic milk (Belgium)</p>	<p><b>Codes of practices</b> – organic production methods. Organic dairy production is certified by a national, but private owned label for organic production in Belgium. This has relative high standards when compared to e.g. EU regulation or NL. Nevertheless these imported products are certified as well, resulting in a competitive disadvantage for Belgium organic producers. EU-regulations for processing (raw) milk, quality control and certification (IQM).</p> <p>Open club Biomelk Vlaanderen is is co-operative of organic dairy farmers spread all over Vlaanderen, founded in 2002. Objective: to restart the collection of organic milk in Vlaanderen and create a outlet with a premium price for producers (an earlier partner had stopped).</p> <p>Biomilk is <b>entirely run by farmers themselves</b>, including marketing, negotiation, administration, quality management, etc. Every farmer has a share (and saying) in the co-operative</p>	<p>Embedding as far as generally know to be part of organic production methods, although in this case not sustained by additiional codified best pratices, rules or a monitoring and evaluation system: - Environmental - Ecological( biodiversit) - SRE - <b>Territorial</b>, covers all Vlaanderen - <b>Quality</b> is mainly based on national and EU-legislation and regulations regarding food safety. Intrinsic qualities related to small scale processing of milk (which is problematic sometimes)</p>	<p>Private hallmark for organic products (<b>B2C</b>)</p> <p>General associated qualities with organic are communicated with the label to consumers, but no any specific qualities or the use of a own brand. Although they did try, but failed (<i>Briodor</i>).</p> <p>Marketing is not very developed yet, done by farmers which lack time, proper skills and negotiation power. The supply chain is unstable, especialy the outlet. Not a strong FSC.</p> <p>There is some differentiation (organic), but this doesn't give any market benefits. Labelling of organic products is not enough to market it. A.o. due to the competitive disadvantage from imported organic products and low profiling of organic products originating from Vlaanderen. Furthermore highly dependent on individual commitment and high costs of collecting. Medium differentiation, high/medium competition (<b>MD/H-to-MC</b>)</p>	<p>A young initiative, in reaction to a crisis in outlet, that is not very developed yet in terms of G, E and M and their co-ordination. Governance, Embedding and Marketing weak developed, perhaps due to the starting point (responding to a crisis) and lack of chain director / captain and a lack of strong commercial partner.</p>	<p><b>Commercial performance for farmers is low to modest</b> (taking into consideration that there is no alternative for processing and marketing of organic milk).</p> <p>Economic performance on regional level (Vlaanderen) is significant, but modest.</p>

	<p>equal to the amount of milk produced. Biomilk Vlaanderen has an operational board of five farmers members.</p> <p>Biomelk buys the milk, organises the collection of organic milk, hires a transporter to do the actual collecting, and sells it to regional organic processors that take care of the marketing too. But these are rather loose contacts, networks. Little rules and procedures are formalised, working depends on personal commitment and direct communication.</p>				
<p><i>De Hoeve</i> - fresh pig meat (Netherlands)</p>	<p><b>-Codes of practices.</b> strongly developed for environmental certification and for meeting quality requirements of <i>Keurslager</i> butchers</p> <p>- an <b>open club</b> (check), after environmental certification a pig meat producer can principally offer their pigs to De Hoeve and become member of the Association of producers, but the actual entry to the market is delegated to and controlled by the De Hoeve ltd (check).</p> <p>- De Hoeve acts as (delegated) <b>chain director</b> and regulates and coordinates the volumes of meat produced with the sales, internal pricing, quality standards and internal communication. Consumer prices and communication by the outlet, the <i>Keurslager</i> butchers.</p>	<p>Mainly on <b>environmental</b> (certification) and <b>SRE</b> issues.</p> <p><b>Societal inbedding</b> of initiative through extensive contacts with environmental organisations</p> <p>No embedding use of in specific production techniques, breeds, fodder, processing etc. No distinction with conventional pig meat production or processing.</p> <p>Regional relinking between producers and consumers through sales by regional <i>Keurslager</i> butchers (a <b>regionalisation</b> of the FSC)</p>	<p>Mainly a <b>B2B concept</b>, creating internal transparency and trust among chain partners</p> <p>Hoeve pig meat has no face of its own (a brand or logo) for consumers, the meat is sold by <i>Keurslager</i> butchers, an association of high quality butchers were certified according to ceertain standards and allowed to profile them with the <i>Keurslager</i> hallmark. Apart from a folder about the Environmental certification Label, there is nog communication of specific product qualities of De Hoeve pig meat, other then that is sold by <i>Keurslager</i> butchers.</p> <p>Because of market outlet through the <i>Keurslager</i> butchers, and their market development and promotional activites, some differentiation and some distantion is created</p>	<p>Especially the governance part is strongly developed (developing new chain arrangements with committed chain partners) aiming at transparency and mutual trust, resulting is more efficiency (and extra VA redistributed among all chain members), but the embedding and marketing is still weakly developed.</p> <p>Apart from the dependency on conventional marketing of substantial part of the pig meat production (a <i>by pass</i>), this lack of distinctiveness because fo less developed embedding and marketing makes the De Hoeve pig meat supply chain vulnerable.</p> <p>In phase of scaling up.</p>	<p>The commercial performance for all chain parnters is <b>low to modest</b> (in a very difficult, high competitive market). The <b>economic performance is still low</b>, due to small scale. Is working on scaling up along different routes.</p> <p><b>Environmental performance</b> is clear (a standard has been developed) and <b>modest</b>. High with respect to mineral losses and amonia emission. Less developed for other issues (such as animal welfare).</p> <p><b>Social performance</b> mainly in terms of maintaining employment at frams and in the supply chain. Rest is still weak ly developed and <b>low</b> .</p>

			from the very price competitive markets for pig meat ruled by big retailers. One can thus speak of a market with <b>medium differentiation and medium competition</b> (MD/MC).		Overall: low and partial (most environmental and less social)
Co-operative association of Swiss beef producers (ASVNM) / Naturabeef – beef (Switzerland)	<p>Co-operative association of Swiss beef producers (ASVNM) acts as <b>chain director</b>, mediating between producers and outlets, or supply and demand.</p> <p>Codes of practice - <b>strong</b> developed set of regulations for production and marketing of beef connected to <b>a brand (NaturaBeef) owned by the association</b>.</p> <p><b>Open club</b>: principally new entrants are not refused</p>	<p><b>Territorial</b> - national</p> <p><b>Environmental</b> – extensive (low input) .Small part is organic certified, but sold under same brand with an additional logo.</p> <p><b>Production methods</b>, a suckling cow system being a more natural production system:          - animal friendly (ethical label or organic label)          - environmentally friendly (low inputs and losses)          Also using specific breeds and natural feeding.</p> <p><i>NaturaBeef</i> is notably a distinctive product, mainly referring to natural way of breeding and feeding.</p> <p>Embedded in strong network of commercial, technical and societal relations</p> <p>Later ASVNM develop also a new brand <i>SwissPrimbeef</i> to serve new niches markets of artisanal butchers shops: an outlet for high quality beef with higher VA resulting from special breeds, special feeding rules, slaughtering at later age, and specific carcass requirements.</p>	<p>The <b>brand</b> is owned by the association (ASVNM).</p> <p>Environment, trust, animal welfare, transparency under the head of <b>naturalness</b> is communicated as main distinctive quality of the beef.</p> <p>Exclusive sales outlet and control through licensees:          Strategic (exclusive) partnership with big retailer (COOP) and exclusive trade licensees for all chain partners (butchers, wholesalers, retailers).</p> <p>Sales mainly in supermarkets of BELL (later on integrated in COOP) and regional branches of COOP: here 96% of the +<i>NaturaBeef</i>+ is sold. Rest in direct sales or butcher shops.</p> <p>COOP had an interest in raising sales and invested in marketing, without charging the ASVNM.</p> <p>Medium differentiation and medium competitiveness.</p> <p><b>Market differentiation</b> by introducing two other brands for specific markets/consumers: <i>SwissPrimBeef</i> (artisanal butcher shops, export) and <i>Organic +NaturaBeef+</i> (COOP).</p>	<p>An established FSC with starting point in the early '70s.</p> <p>Strong network of committed commercial partners in FSC and well elaborated and coordinated G, E and M as foundation of success (e.g. COOP). Producers have strong position with own label and system of exclusive licensees.</p> <p><i>NaturaBeef</i> has <b>scaled up significantly</b>. But now there is a saturating in traditional outlets of the big retailer COOP.</p> <p>COOP is therefore looking for ways to improve sales through market differentiation, creating a market for <i>Organic NaturaBeef</i>.</p> <p>COOP has also raised production standards producers have to meet.</p> <p>To be able to supply of beef control, COOP from now on will sell only beef from new ASVNM-members if they are organic certified producers.</p> <p>So, the position of the ASVNM as supplier is under pressure by the big retailer COOP. Because of market limits, negotiation power of the COOP increases. Starting point of a shift from ASVNM as chain director to COOP as chain captain?</p>	<p><b>Commercial performance is high</b>, although at farm level also dependent on additional public support (subsidies). <b>Wider economic performance is high</b>, because of large scale (national). It is a long standing initiative.</p> <p><b>Environmental performance is clear</b> (standard) and <b>modest</b> (extensive breeding).</p> <p>Social performance is modest.</p> <p>Overall: integral and modest to high</p>

<p><i>Uplander Bauernmolkerei</i> – regional production and marketing of organic dairy (Germany)</p>	<p><b>Codes of practices</b></p> <p>Strong developed: -Organic certified (<i>Bioland</i>) dairy products -Control of milk quality and animal health.</p> <p>Uplander dairy as <b>chain director</b>, creating and maintaining strong alliances.</p> <p><b>Open club:</b> entrance to co-operative is easy (still expanding the volume of organic milk processed). New members have to meet some requirements with regard to certification (Bioland) and control of animal health and adhere to the articles of co-operation and financial participation.</p> <p>The board / governing body of Uplander dairy has representatives of all capital participants: besides farmers of the co-operative, private investors, the state (Bund) and an investment fund.</p>	<p>-Environmental -Territorial -Production methods -Regional/local supporting networks -Regional consumption, strong consumers involvement in various ways -High product quality (outer and intrinsic qualities).</p> <p>Strong regional alignment and affiliation.</p> <p>Almost all of the organic dairy is sold within ambit of 80 km.</p> <p>Re-enforcing regional embedding and identity is important (marketing)</p>	<p><b>Strong brand</b> (Uplander Bauernmolkerei).</p> <p>The regional origin of assortment is clearly communicated to consumers: <i>“Every litre of milk contains a beautiful piece of the region”</i>.</p> <p>Uplander offers of high quality and healthy products from the region. This regional embedding has been a crucial (unique) selling point for involved retailers v.v. their consumers.</p> <p>Intermediated by 5 wholesalers produce is marketed in specialised shops and supermarkter Tegut, bakeries, schools, bulk consumers, specialised shops and direct sales at own dairy shop.</p> <p>To become less vulnerable to price competition and create a stable network of outlets, much is invested in developing a not easy replaceable assortment: high product quality in combination with regional origin.</p> <p>Medium (to low, because of strong regional embedding and high quality) differentiation / Medium (to low, idem) competition</p>	<p>An outstanding example of a successful production and marketing of regional organic dairy products.</p> <p>In creating a new FSC, not only G has been well elaborated, but also right from the start a clear M strategy linked to regional E has been developed. <b>G, E and M are strongly developed, but in a coherent and well co-ordinated way.</b> This, and their ability to do so, explains to a large extent their success.</p> <p><b>It has scaled up significantly:</b> from 1 million in 1996 to 14 million kg in 2004. Regular growth by gaining new trading partners willing to engage in a regional ‘success story’.</p> <p>It contributes directly to and initiates or supports all kind of other SRD activities in the region (<b>regional interlinking and synergy</b>). It contributes significantly to SRD: economically, environmental and socially.</p> <p>It founded an <b>investment fund</b>.</p>	<p>Commercial performance of chain is high. Regional economic performance is high (outstanding example).</p> <p>Environmental performance is high on diverse indicators.</p> <p><b>Social performance is high</b> on diverse indicators.</p> <p>Overall: integral and high</p>
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**Type 2: Improving commercial performance of FSC** – main strategy is **chain differentiation**. Initiated by chain actors other than primary producers, such as processors or retailers. Sustainability concerns and interrelations between Governing, Embedding and Marketing, therefore, are primarily approached from a **commercial perspective**. Initiatives are frequently characterized by the presence of highly influential **chain captains** and succeed to different degrees to combine strategies of marketing differentiation with processes of (re-) embedding of distinctive food qualities.

Initiative	Governing	Embedding	Marketing	Characterisation in terms of (G+E+M) performance	Performance - SRD
<i>Rankas Piens</i> – production and marketing of dairy products (Latvia)	Chain governance is dominated by a chain captain as major stockholder with a focus on the improvement of commercial performances and the implementation of industrial codes of practices (food hygienic, safety, etc.)	No specific attention although it could be argued that the initiative focuses on embedding of food production at the national/Latvian level?	Branding to support the strategy of market differentiation.  Primary intrinsic food qualities without attention for Latvian origin.  More or less transparent use of foreign food quality labels reputations.  MD/HC	This case is above all to be understood as a response to the growing international competition that the Latvian dairy sector has to face after joining the EU and during ongoing economic and societal transition processes  (= example of prevalence of economic sustainability concerns with limited attention for sustaining G. and E.)	Positive economic performance mostly in terms of improved survival opportunities for regional dairy production.  Not yet a clearly positive impact on the social and environmental dimension of regional sustainable rural development
Cooperativa Agricola Firenzuola - (CAF) Organic beef (Italy)	This Farmers' cooperative started with market differentiation as a response to members who fulfilled codes of practices for organic beef production. A disputed decision which turned out to become a source of conflict within the cooperative's governance.	Although conventional beef production was characterized by a rather strong territorial embedding (e.g. through cooperative owned regional market outlets), the cooperative wanted to avoid further internal tensions and conflicts with regards to market differentiation and decided to commercialize organic beef through national retailers outside the region	Organic hallmark with environmental performances and trust as major distinctive food qualities, no specific references to territorial origin  MD/MC	This example of organic beef production illustrates firstly the complexity to introduce market differentiation in organisations with a cooperative nature. Secondly it shows the vulnerability of mono-dimensional distinctive food qualities. After a period of rapid expansion, retailers' market outlets vanished and the cooperative is actually in search for how strengthening the embedding of organic beef production  ( = example of organisational barriers to create new interrelations between G.E.M, as well as the vulnerability of weak interrelations between G.E.M)	Economic impact collapsed as a result of vanishing retailer market outlets for organic beef  Negative experiences with retailer market outlets induced a territory based public-private learning & innovation process aiming for the social and economic re-embedding of regional organic food production
CONO / <i>Beemsterkaas</i> – dairy cheese	This mid-size Dutch dairy processing cooperative opted for market differentiation to	CONO's strategic choice for market differentiation is not primarily characterized by	CONO succeeded to develop a strong brand for quality cheese, which is intensively promoted	The CONO case demonstrates that commercial actors' strategic choices for market	The initiative succeeded in the first place to improve cooperative's



<p>(Netherlands)</p>	<p>survive a growing national and international competition. This strategic choice was strongly advocated by its director, who actually functions as a chain captain with a highly dominant position in the coordination and management of the process towards market differentiation.</p>	<p>territorial specificity. The cooperative emphasizes in particular its 'early industrial' processing techniques and its members responsiveness to 'Societal Responsible Entrepreneurship'. In foreign markets it also refers to the regional status of World Cultural Heritage</p>	<p>along a mixture of food qualities as: taste, artisan production methods, attention for ethical aspects of production methods (e.g. animal welfare) and territorial specificity (in particular at international markets)</p> <p>MD/MC</p>	<p>differentiation might result in a growing attention for territorial specificity as part of overall distinctive food qualities. At the same time it shows that such claims on embedded production methods might be sometimes rather superfluous, which goes even more for the social embedding, as demonstrated in the marginal role of farmers' in overall chain governance.</p> <p>(= example of primarily commercial driven attempts to establish new relations between E. and M. as a contribution to market differentiation)</p>	<p>competiveness in the national dairy sector. Secondly it did counteract declining milk prices at farm level and in at the presence relatively good milk prices in comparison to other large Dutch dairy processors</p> <p>Impact of ongoing attempts to strengthen the territorial embedding of dairy production is probably still limited, but in the future might further increase overall socio-economic impact through positive spin offs ( rural amenities, symbolical capital, strengthen territorial identities, etc.)</p>
<p><i>Tegut / Rhöngut</i> – Sourcing and marketing of regional organic food (Germany)</p>	<p>Initiated by mid-size retailer. Governance again characterized by strong leadership, this time by the owner of the retailer. His interest in organic produce as a way to position and distinguish his supermarkets was followed by growing involvement in regional specific food produce and sustainable territorial development in the broad sense</p>	<p>Initial environmental concerns are followed by a growing attention for territorial embedding, including cultural, social and ecological distinctive food qualities</p>	<p>Retailer's brand for regional specific food qualities supported by region marketing through strong horizontal commercial networks.</p> <p>MD/MC</p>	<p>To be included</p> <p>(= again a primarily commercial driven attempt to establish new interrelations between E. and M. This time characterized by stronger linkages between vertical and horizontal commercial networks, which also strengthens farmers' role in overall chain governance (?))</p>	<p>Clearly the initiative with most positive economic performances, as expressed in the extra value added at farm- and regional level, positive regional economic spin-offs and up scaling indicators as developments in turnover and number of participating farmers.</p> <p>Also positive contributions to SARD in terms of social, environmental and cultural embedding of food production.</p> <p>Further a growing attention for the organisational anchoring of sustainable food chains.</p>

<p><b>Type 3: Enhancing regional development by means of a FSC</b> - Primarily driven by <b>public/societal concerns</b> with regard to sustainable regional development. Main strategy is <b>territorial or regional embedding</b>. Driven by <b>public-private partnerships</b> in search for strengthening interlinkages between food production, consumption and other economic activities in the region (regional development). Ongoing initiatives succeed in different degrees to mobilize and actively involve regional food chain and institutional actors to reconstruct G+E+M interrelations that enhance regional sustainable development in a broad sense.</p>					
Initiative	Governing	Embedding	Marketing	Characterisation in terms of (G+E+M) performance	Performance - SRD
<p><i>Cornwall Food Programme</i> - Sustainable food procurement in the National Health Service (UK)</p>	<p>Driven initially by the energy of a charismatic individual, the CFP now has the support of all the NHS Trusts within Cornwall, as well as a range of further stakeholders. The key to this initiative's potential to grow and scale up is the development of a Central Production Unit (CPU). This will be financed through a public-private partnership, but critically, control will remain with a management group that is composed of Cornwall NHS Trust members.</p>	<p>The primary purpose of the CFP is to increase the amount of locally and organically produced food procured by Cornwall NHS. Key to this process, is the development of a CPU that can provide a focus for the development of new regional food networks involving local producers, processors and suppliers.</p>	<p>Although not strictly speaking a 'commercial' initiative, in order to generate interest amongst a range of stakeholders, the CFP has needed to market itself as an initiative that can benefit Cornwall. This has included: extensive presentations; explanatory hospital menus; and 'meet the buyer' days.</p>	<p>Case illustrates above all the complexity to deconstruct prevailing food supply chains characteristics, to reconstruct new territory based G.E.M relations in terms of interlinking different food quality conventions, the creation of new strategic alliances between chain actors and required logistical infrastructure.</p> <p>( = complexity of public interference in the construction of new G.E.M interrelations)</p>	<p>Although the initiative has contributed to SRD on a number of levels, this is relatively small-scale at the moment, and likely to remain so, until the CPU is fully functional. However, the initiative has engendered the development of an <i>active learning network</i> around local sourcing, including the capacity to mobilise institutional and financial support to overcome a number of logistical barriers to local sourcing for public health institutions.</p>
<p><i>Pecorina di Pistoia</i> - raw milk sheep cheese (Italy)</p>	<p>Consortium of public and private actors developed codes of practices for regional raw milk cheep cheese under threat of food hygienic regulations. Initially the Consortium functioned as a closed club with the objectives to adapt traditional production techniques while maintaining their basic principles, enlarging shepherd's commercial circuit and linking product valorisation to local development. Partly under pressure of non-members, now a day's a reorganisation is going on towards a PDO certification systems which aims to enlarge the territorial area of production,</p>	<p>Processing methods are initially strongly based on regional specific production techniques. The success of the initiative, however, launched a process in which distinctive product qualities are under pressure to increase accessibility of other regional shepherds.</p>	<p>Creation of a collective brand certifying safety and artisan product qualities. Communication of productive distinctiveness through collective marketing, strengthening of consumers' involvement and strong horizontal commercial networks (region marketing.</p> <p>HD/LC</p>	<p>Case illustrates the importance of local institutional support to safeguard artisan food qualities under risk of extinction, the relevance of extra local support in the commercialization of artisan food qualities (Slow Food), and that the commercialization of typical food produce is also of relevance in relation to the strengthening of regional identities and opportunities for region marketing</p> <p>(= initiative strongly motivated by public concerns about food culture and sustainability concerns from a <b>regional</b> perspective )</p>	<p>Economically the initiative contributes to the creation of extra vale added at the farms holdings of a relatively small number of sheep keepers. From a regional perspective economic performances get more impact through positive economic spin offs and its contribution to the creation of symbolic capital.</p> <p>The initiative is also clearly embedded from an ecological, social, cultural and institutional</p>

	extension of participation to members and lowering of production standards imposed to producers.				perspective. Taken together these different expressions of embeddedness result in a more than marginal contribution to SARD
<i>Rye Bread of Valais</i> - rye bread (Switzerland)	<p>Development of codes of practices for rye bread in close cooperation between regional public and private actors and formalized through PDO certification.</p> <p>Chain management through a board with participants of producers, mills and bakeries and part-time chain manager without commercial interest financed by regional subsidies,</p> <p>Open club if certification requirements are fulfilled</p>	Territory specific production methods and techniques with quality claims that relate to health, tradition and rural amenities (landscape)	<p>PDO hallmark to communicate distinctive food qualities, promotion through national organisation for PDO/PGI products, free regional publicity and region marketing.</p> <p>HD/LC</p>	<p>Case illustrates a strong national and regional public involvement in the creation of new interrelations between G.E.M. This intensive public support is again primarily based on the shared belief that regional typical food produce contributes to regional sustainable development.</p> <p>Public financial investment in the rye bread initiative is high in relation to its commercial performances. Public support assessments, however, should also include specific attention on impact in terms of the strengthening of regional identities and rural amenities (creation of symbolic capital).</p>	<p>Performances are to a large extent comparable to foregoing Italian sheep cheese case. Also this Swiss initiative demonstrates that regional typical foods contributes to the survival of small scale farming, but in particular to the strengthening of territorial identity and symbolic capital. This time also up scaling performances are illustrative for a strong regional social, cultural and institutional embedding.</p>

