

Short Food Supply Chains experiences in Europe

Andrea Marescotti

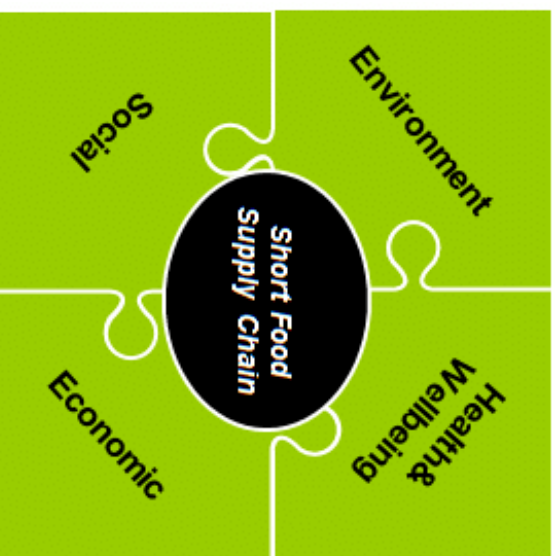


Webinar, 13th February 2020

1

Outline

- How it all began
- Definitions
- SFSC typology
- The merit
- Policy
- Efficiency
- Concluding remarks
- References



2

How it all began

3

How it all began

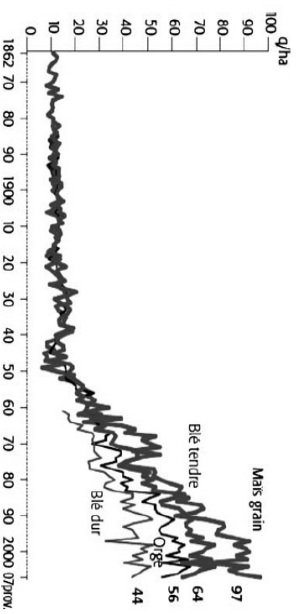
The Productionist model

Short Food Supply-Chains (SFSCs) can be seen as a reaction to the consequences and failures of the productionist model.

The origins of the Productionist model lie in the industrialization of food over the last 200 years and its advances in chemical, transport, agricultural and food technologies.

Over this period food supply in many parts of the world has moved from often local, small-scale production to concentrated production and mass distribution of foodstuffs.

The overarching goal of this paradigm was to increase output and efficiencies of labour and capital for increasingly urbanized populations.



4

The limits

The farmers:

- Monocultures, artificial inputs, energy-intensive
- Low prices and loss of bargaining power
- No direct contact to final consumers
- Loss of control over farming activity
- Loss of traditional knowledge



The consumers:

- Lower diversity and freshness of food
- Veil over production processes and product quality
- Food scandals
- No direct contact to farming activity and farmers
- Loss of Food sovereignty

The society:

- Health concerns: food-related diseases and social costs
- Rural desertification and loss of social and cultural capital
- Environmental concerns, (agro)biodiversity



5

The limits

Short food supply chains were born in this framework. The limits of productivism pushed to pay new attention to the food system, and search for:

- Reducing impact on the environment (pollution, (agro)biodiversity, animal welfare)
- Reduce or revert the trend towards excessive industrialization of food processing (going back to traditions, mild technology)
- Re-building trust relations and direct contact between consumers and agribusiness (especially in rural areas)
- Increase information transmission, education, knowledge, traceability



SFSC have many «souls» (actors, motivations, structures) but all propose a «remedy» to industrialization of food and its consequences

6

The limits

Congestion



Pollution

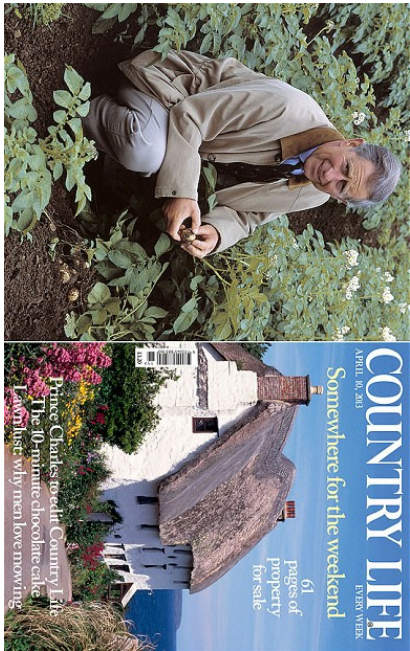


Crisis of Productivism



New attention to rural areas

Rural rethoric: positive values are more and more associated to rural areas (healthiness, quiet, landscape, no pollution, genuine food, social relationships)



Definitions

Defining Short Food Supply-Chains (SFSCs)

Defining the concept of SFSC is not an easy task. A variety of different definitions exist, depending on the country, the actors involved, and the aim of the initiatives.

There are no “official” precise definitions, and this paves the way to opportunistic behaviors of some agents on the market, too.

The only definition we have in the European Union is in EU Regulation 1305/2013, where it is stated that:

- (1) “short supply chain”: a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers and consumers;

SFSCs stay at the crossroad of economic,
environmental, and social aspects

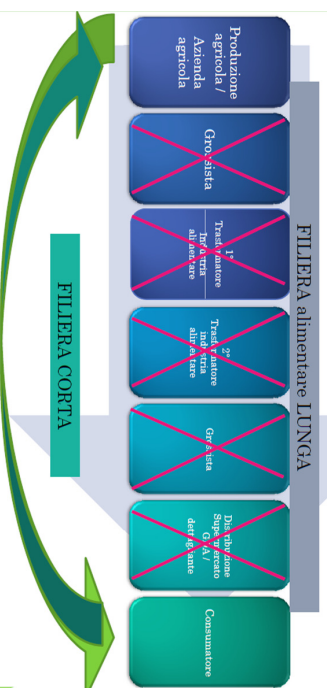
Defining Short Food Supply-Chains (SFSCs)

Three different concepts/objectives inside:

- (1) “short supply chain”: a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers and consumers;

1. Economic objective

- Reduction of the number of intermediaries between producer and consumer.
- In SFSCs, this number equals zero or very few (often one, but no more than two).

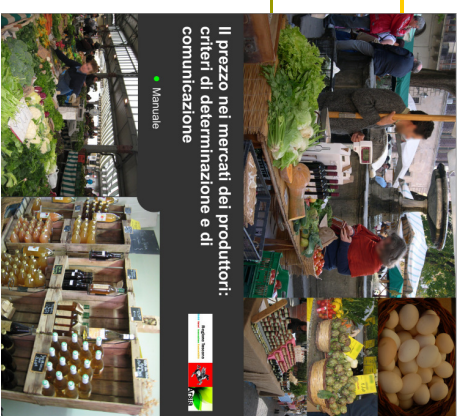


Attention paid to prices, added value, logistic efficiency

Defining Short Food Supply-Chains (SFSCs)

PRICE MANAGEMENT AT FARMERS' MARKET (ITALY)

In Italy, farmers' market rapid spread has been accompanied by a growing attention paid on positive economic effects on both farmers and consumers.



Mechanisms for controlling and managing price levels of products exchanged:

- **monitoring and price comparison** with other channels, providing information to consumers;
- **setting maximum price ceilings** calculated on the basis of prices recorded in other markets, in some cases at national level, in others at local level (local wholesale market, retail, direct on-farm sales);
- **calculation of production costs**. This approach provides for the reconstruction of reference costs relating to single products and territorial areas, with the aim of having a "standard!" value that can be useful both as a tool of moral suasion towards producers and as a means of justifying higher prices than those found on other channels.

11

Defining Short Food Supply-Chains (SFSCs)

Three different concepts/objectives inside:

- (1) "short supply chain": a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers and consumers;

2. Environmental objective

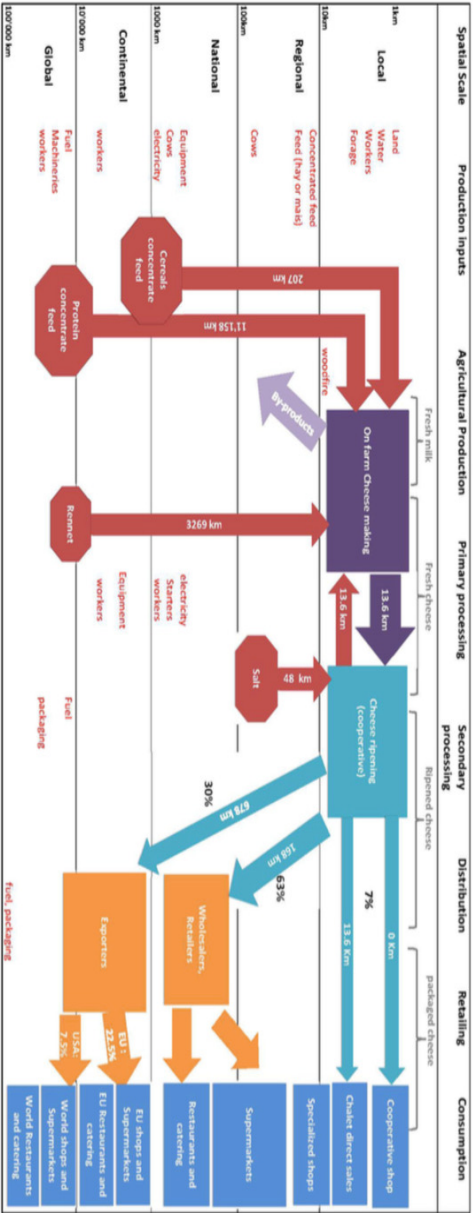
- Reduction of the "physical" distance between production and consumption
- Zero miles concept, traffic congestion



Attention paid to "Localness", CO2 emissions

Definitions

Defining Short Food Supply-Chains (SFSCs)



This is the representation of flows of materials related to a local cheese in Switzerland: production and processing are in a given territory, but production inputs and consumer markets are mostly elsewhere.

Apart from some exceptions, **purely 'local' food chains don't exist.**

In real life, there is always a component (mainly inputs, and also at consumption level) that does not belong to the same locality of production.

13

Definitions

Defining Short Food Supply-Chains (SFSCs)

Three different concepts/objectives inside:

- (1) "short supply chain": a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers and consumers;

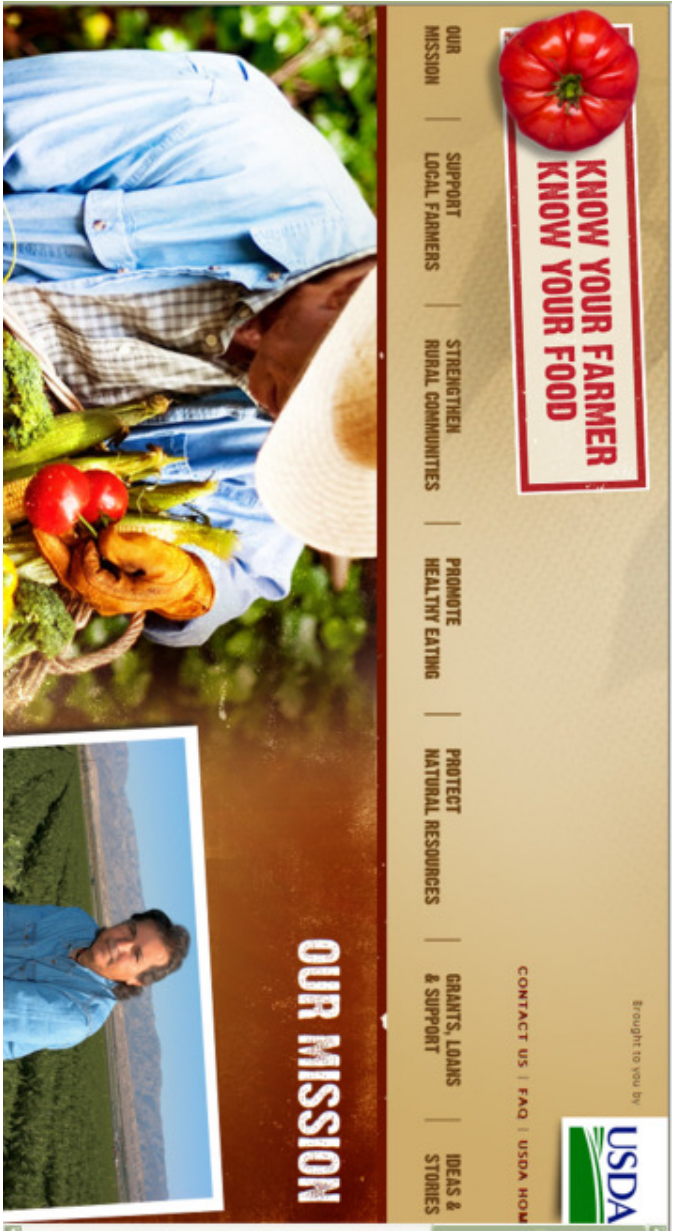
3. Social objective

- Increase social relations between farmers and consumers to exchange information, share values and ideas, build networks
- New protagonism of both farmers and consumers (Proactivity, participation)



Attention paid to "solidarity", relationships, information

Defining Short Food Supply-Chains (SFSCs)



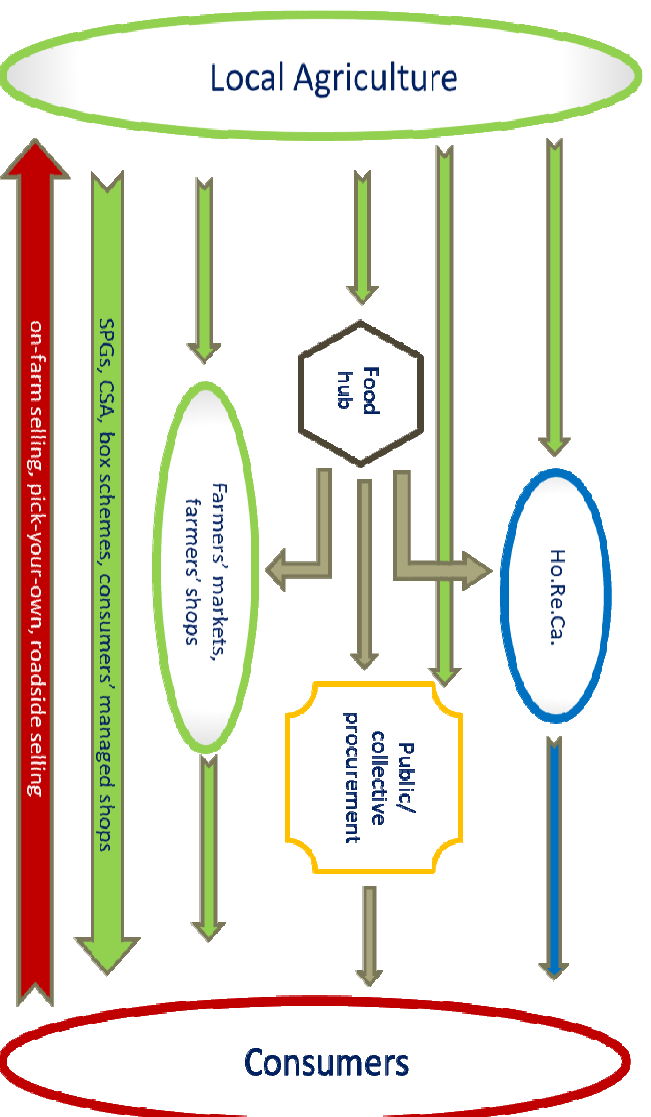
15

SFSC typology

16

SFSCs initiatives and classification criteria

Plurality of SFSC initiatives with different characteristics and operating methods:



17

Some examples: farmers' markets

Farmers markets are recurrent markets at fixed locations where farm products are sold directly by farmers themselves with a common organization and under a same image and/or some shared rules.

Variability among farmers' markets, according to the different actors, interests and purposes.



- Markets promoted by producers' organizations, for instance, are meant as a point of exchange in both commercial terms and in terms of values, culture, awareness raising, and active citizenship.
- Markets promoted by public institutions aim at enhancing local production and local gastronomic traditions and culture.

18

Some examples: Solidarity Purchasing Groups

Solidarity Purchasing Groups are groups of consumers who purchase collectively through a direct relationship with producers, according to shared ethical principles.

Normally, producers are selected by the members according to **shared principles**, including:

- Small farms
- Local products
- farmers' attitude to transparency and knowledge sharing
- environmental performance
- social and ethics principles (labour conditions, animal welfare, etc.)
- price and affordability (fair price)



19

Some examples: Community Supported Agriculture

The basic idea of CSA farming is a cooperative relationship between the farmer and his customers, normally members of the local community, whereby the **risks, responsibilities and rewards of farming are shared**, through a long-term, binding agreement (European CSA Declaration).



Based on a commitment to each other, community members provide a pre-season payment to purchase a “share” of the season’s harvest.

The member receives a weekly box of a wide variety of fresh, in-season products, bearing the risk in case of failure.



20

Some examples: Public Procurement

Public procurement refers to the purchase of goods and services by public institutions (at different levels, from the State up to local municipalities) and state-owned enterprises.

For food, it mainly refers to purchase agricultural and food products by schools, hospitals, and in general collective residences such as hospices, prisons.



21

SFSCs initiatives and classification criteria

Plurality of SFSC initiatives

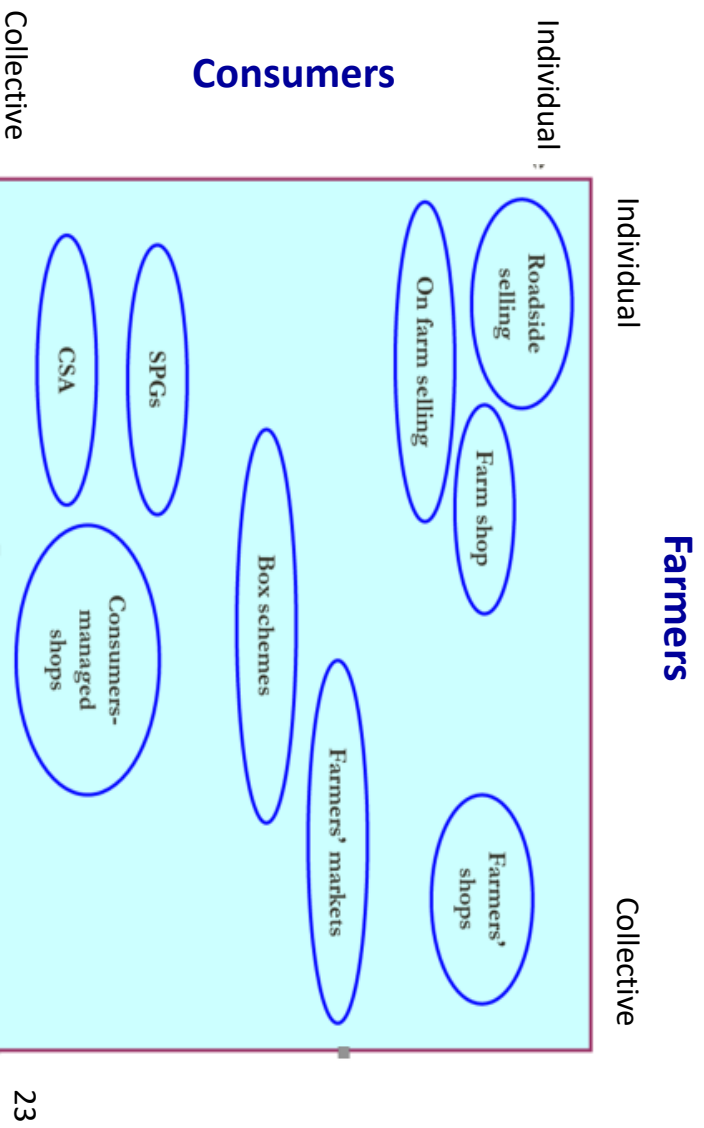
- On-farm selling: farm shops, pick-your-own, agri-restaurants ...
- Off-farm direct selling: farmers' shops, box schemes
- Farmers' markets: single and in network
- Consumers-driven initiatives: Purchasing solidarity groups, Community supported agriculture
- Public procurement
- HoReCa

Many classification criteria:

- Individual vs collective relationships
- Interdependence in decision making
- Number of intermediate steps
- Farmers, consumer, and State-driven
- Target
- Degree of "alternativeness"
-

22

Classifying SFSCs: individual vs collective relationships

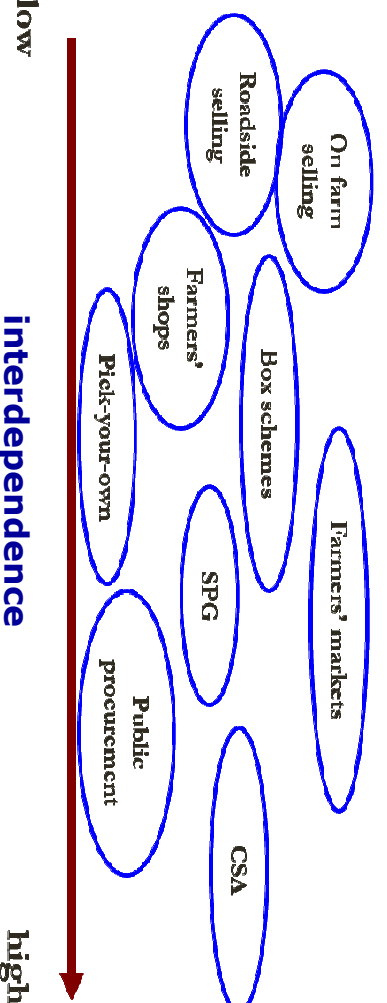


Classifying SFSCs: interdependence in decision-making

In SFSCs personal relationships dominate (opposite to long ones)

- Horizontal coordination: producers join together with both formal and informal governance (farmers' markets, shops, etc.)
- Vertical coordination: consumers join together normally with informal governance (SPG, CSA)

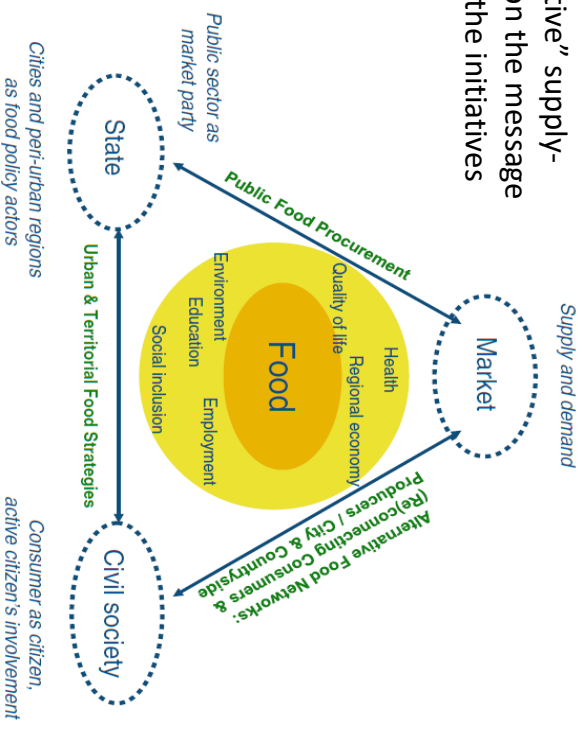
Great variety among SFSCs as regards coordination and governance



Classifying SFSCs: «alternativeness»

SFSCs are often labelled as “alternative” supply-chains. “Alternativeness” assessed on the message conveyed and the ultimate goals of the initiatives

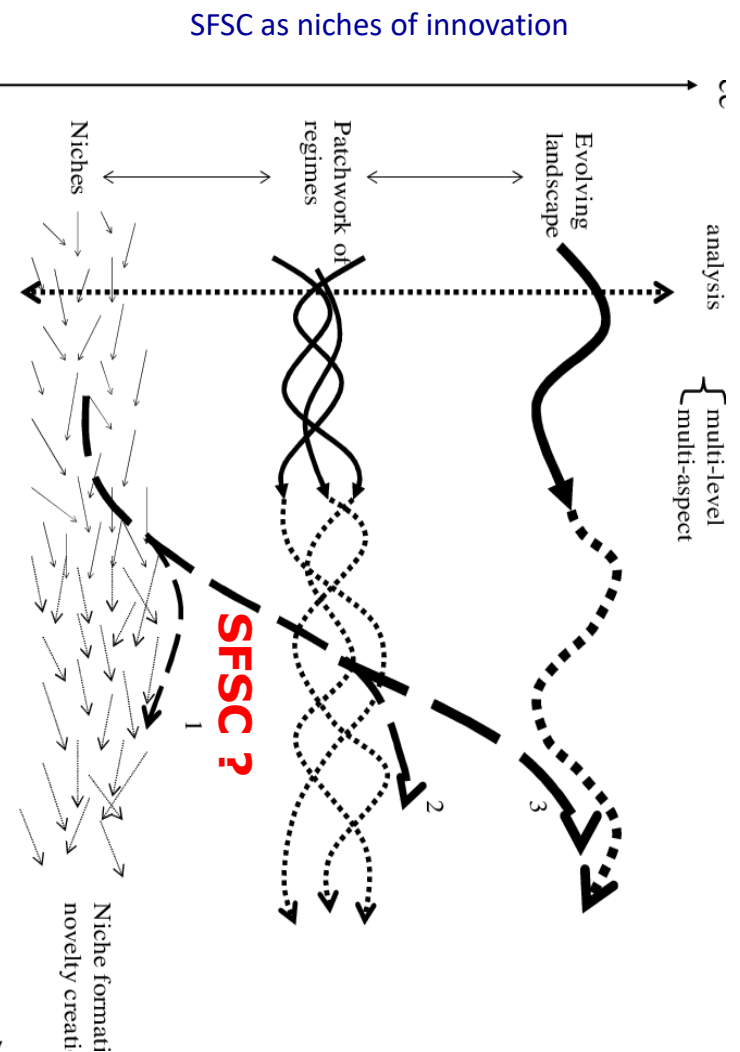
- **Soft meaning:** just another marketing channel for differentiating risk and better targeting consumers
- **Hard meaning:** alternative message, radically opposed to productivism, searching for transition towards the co-production of a new paradigm



Emerging new connections between food, firms, people, and policy-making

25

Classifying SFSCs: «alternativeness»



26

Classifying SFSCs: «alternativeness»

In practice “continuum” of situations, where both the meanings co-exist

The two different meanings (soft vs hard) is visible if we examine the evolution of SFSC initiative in the course of time

Evolution of SFSCs:

1. at the beginning meant to re-create environmentally-sustainable agri-food systems, economically sound, and socially fair, leaving space for democratic participatory process of co-building between producers and consumers
2. In the course of time a diversified set of typologies: today a certain dilution, if not erosion, of the original values and objectives and to the growth of importance of purely economic objectives

27

The merits

28

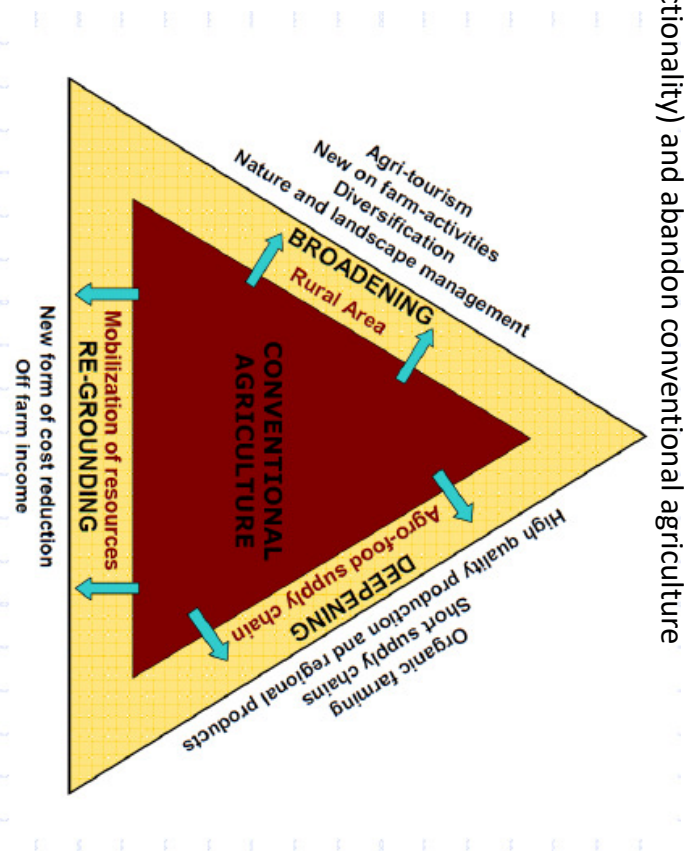
For producers

Main producers' expected benefits and potential problems

Expected benefits	Potential problems
<ul style="list-style-type: none"> • Prices increase at farm gate • Value added increase • Easier market access, especially for small producers • Better communication and information to consumers • Differentiation of marketing channels and higher resilience • More stable commercial relations • Opportunity to develop cooperation with other farmers • Opportunity to develop cooperation with consumers • Allow for a strategic re-orientation of the whole farm 	<ul style="list-style-type: none"> • New functions to be performed and related increase in costs • Increase in workforce • Need for investments in equipment for processing, transportation, and selling • Need for new competencies and skills • Need for diversification of production • Opportunities restricted to areas close to the city and/or touristic market • Increasing competition in SFSC market segment

For producers

Participating to SFSC initiatives often asks farms to adopt a different model (multifunctionality) and abandon conventional agriculture



For consumers

Main consumers' expected benefits and potential problems

Expected benefits	Potential problems
<ul style="list-style-type: none">• More affordable prices for food• Easier access to quality products: fresh, local, “authentic”, origin food• Buy products traceable from a known producer• Reconnect food to the farming and processing process• Easier access to healthier food options• Pursue of social and ethical objectives• Support local economy	<ul style="list-style-type: none">• More time needed for food purchase• New function to be performed in purchase and in preparing food• New competences to be acquired in food preparation• Increase in the “total cost” of food (that includes costs related to the whole buying and consumption process)• Scarce information on where to buy• More accessible for affluent and well-educated people

For society

Main expected benefits and potential problems for society as whole

Expected benefits	Potential problems
<ul style="list-style-type: none">• Reduction of transport• Reduction of pollution (fuel, plastic ...)• Reduction of plastic packaging• Less food waste• Improved diets: easier access to fresh food, more variety in diet, less preservatives <u>preservatives</u>• Preserving peri-urban agriculture• Preserving small farming / artisanal food processing• Preservation of traditional products• Preservation of products based on local agro-biodiversity• Strengthening social ties• Increasing awareness about food system problems• Working opportunities for women• Explore niches of innovation	<ul style="list-style-type: none">• Increase in the “real cost” of food reduction in efficiency of resource allocation• Transportation inefficiencies• Increased risks for food safety (less controls)

Policy

33

Policy

An EU policy for enhancing SFSCs?

There is not a “policy” for SFSC at EU level, but the rural development policy of the European Union provides for some tools that gives support (funds) to farmers engaging into SFSC initiatives (EU regulation 1305/2013).

The implementation depends on decisions taken at single member State and/or Region.

Generally speaking, strengthening local food systems and easing market access for smallholders is a central point of the policy.

- (15) In order to improve the economic and environmental performance of agricultural holdings and rural enterprises, to improve the efficiency of the agricultural products marketing and processing sector, including the setting up of small scale processing and marketing facilities in the context of short supply chains and local markets, to provide infrastructure needed for the development of agriculture and forestry and to support non-remunerative investments necessary to achieve environmental aims, support should be provided for physical investments contributing to these aims. During the
- Therefore, that measure should be widened. Support to small operators for organising joint work processes and sharing facilities and resources should help them to be economically viable despite their small scale. Support for horizontal and vertical co-operation among actors in the supply chain, as well as for promotion activities in a local context, should catalyse the economically rational development of short supply chains. Local markets and local food chains. Support for joint approaches to environ-

34

A policy for enhancing SFSCs?

At local level there are a lot of initiatives public administrations take to foster the development of SFSCs, perceived as a tool for achieving different public aims.

	Products	Critical points	Values
Green economy	Organic, local, landraces	Logistic, packaging, waste management	Sustainable consumption, environmental impact
Local development	Local products	Value added distribution, jobs, territorial governance	Local identity, link product-territory
Sectoral policy	Differentiated products	Quality and provenience certification	Product quality, transparency, traceability
Urban strategy	Depend on strategic aims	Re-localization of selling points, social capital, public procurement	Quality of life, urban-rural relations, sustainable consumption, peri-urban area protection

35

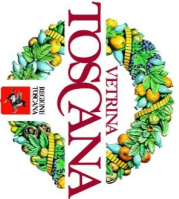
Two examples in Tuscany

Tuscan Regional Administration: 2007 support to establishment of farmers' markets, farmers' shops, local products in museums by three-year financing

Stated aims:

- Fair price to farmers and price to final consumers as much favourable as possible
- Increase synergies and opportunities to supplying good quality local products
- Support consumers' knowledge about Tuscan products

Tuscan Regional Administration: Vetrina Toscana aims at promoting short supply chains by supporting the connection between Tuscan products and Tuscan shops&restaurants

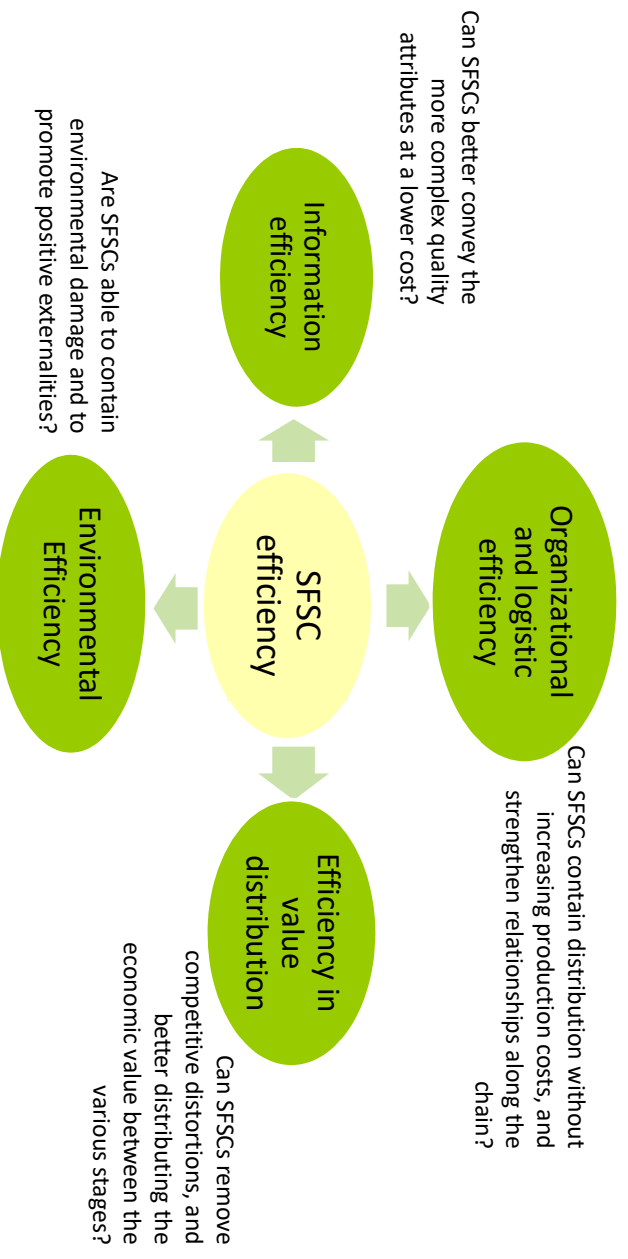


Efficiency

37

Efficiency

Are SFSCs more efficient than conventional channels?



The few available studies trying to answer this question show pros and cons, depending on the specific initiative, country, institutional context, and methodology.

Organizational and logistic efficiency

Along the supply-chain many economic functions are implemented (logistic, processing, marketing, etc.). SFSCs do not eliminate (all) these functions. Rather, **they redistribute these functions on different actors**, especially farmers and consumers/customers.

FARMERS ↔ CONSUMERS

Farmers have to take on new functions. Therefore they have to get new know-how, equipments (transport, on-farm processing, stalls), and time to be devoted to these operations and to hold relations with consumers. Moreover, some other activities may be required according to specific SFSC initiative (agri-tourism, education, etc.).

Consumers too have to bear additional costs than conventional channels. They have to modify their shopping routines and habits, their diet, and develop new competencies for buying, preparing and storing food, getting information and devote time to the initiative, especially when collective (SPGs, CSA)

Entity and typology of costs to bear vary across the specific characteristics of the SFSC initiative and the characteristics of each farm/consumer, together with the availability of «external» logistic facilities (i.e. food hubs)

Food Hubs



A food hub, as defined by the USDA, is “a centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of **locally/regionally** produced food products.

A food hub can:

- carry out or coordinate the aggregation, distribution, and marketing of primarily locally/regionally produced foods from multiple producers to multiple markets;
- consider producers as valued business partners instead of interchangeable suppliers, and is committed to buying from small to mid-sized local producers;
- work closely with producers, particularly small-scale operations, to ensure they can meet buyer requirements by either providing technical assistance or finding partners that can provide this technical assistance;
- use product differentiation strategies to ensure that producers get a good price for their products.

Great variety o typologies and motivations underlying the creation of food hubs.

Although similar to industrialized food chains, food hubs are different as they are deliberately set up to be “alternative”

Efficiency in value distribution

In the food system there is a growing attention to transparency in price formation and abuses coming from dominant position and bargaining power asymmetries.

Two main dimensions when assessing efficiency in value distribution :

- **Vertical** distribution (between different steps of the chain)
 - Fair price debate
 - Externalities and «value»
 - Small scale inefficiency (higher costs?)
- **Horizontal** distribution (within the same step of the chain)
 - Market access difficulty for smallholders and space for «big» farms
 - Marginalisation farms far from the cities (where most of SFSC consumers are)



41

Information efficiency

Information and guarantee are of great importance for many quality attributes consumers are today paying attention to.

- Many efforts and costs
- Exclusion of some categories of producers and consumers

In SFSC personal, place-based and long-standing relationship and trust can be a good substitute of formal labelling and guarantee.

Information efficiency can be higher when coordination and interdependence in decisions is stronger

The increasing competition in the “local food world” is generating the need for some forms of branding and formal guarantee also in SFSC

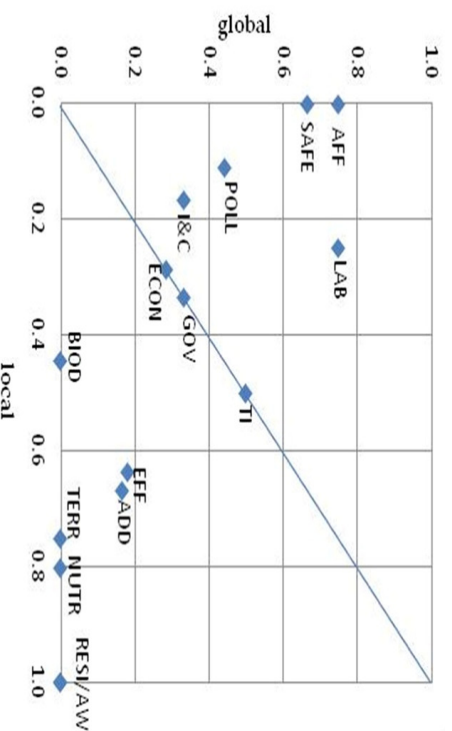
- Role of collective branding
- Role of participatory guarantee systems

42

Environmental efficiency



www.glamur.eu



However we define local chains, localness is not automatically associated to sustainability

This is a synthesis diagram – based on case studies – built on the basis of the number of times that, for a given attribute, global chains prevail over local chains.

The graph indicates, first of all, depending on the chain, **sometimes local prevails and sometimes global**.

The diagram also shows that for some attributes (affordability, safety, labour relations) global food chains have a clear prevalence over global chains, whereas for some others – biodiversity, creation of added value, resilience and animal welfare, the local performs better

Concluding remarks

What next for SFSCs?

SFSCs as an articulated and complex system, difficult to be precisely defined: different types of initiatives, actors, aims, and effects

The merit of SFSC goes beyond the economic dimension: SFSCs as arena of innovation towards the transition to improved and sustainable food systems

SFSC as interesting tool for developing countries, too. Growing interest to re-localization of food system (reduction of imported food, access to market for smallholders, rural development, culture&traditions, food tourism)

Can public support to SFSCs be interpreted as a new for of protectionism?

SFSC can positively impact on farmers, consumers, and society, but it cannot be given for granted: lack of research on effects on farmers, consumers, local food systems.

Need to strengthen collective action and the role of public administrations at different territorial level

- financial and organization support
- Regulatory framework (setting the rules)
- incorporation of SFSCs in a wider framework of local food policies

45

References

46

http://www.andreamarescotti.it/Documents_AAFN.htm



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

SHORT FOOD SUPPLY CHAINS FOR PROMOTING LOCAL FOOD ON LOCAL MARKETS

Giovanni Belletti, Andrea Marescotti

Università di Firenze, Italy

February 2020

Muchas gracias

