

Quality differentiation, volume and economic performance of organic food value chains : Preliminary results from a cross country analysis

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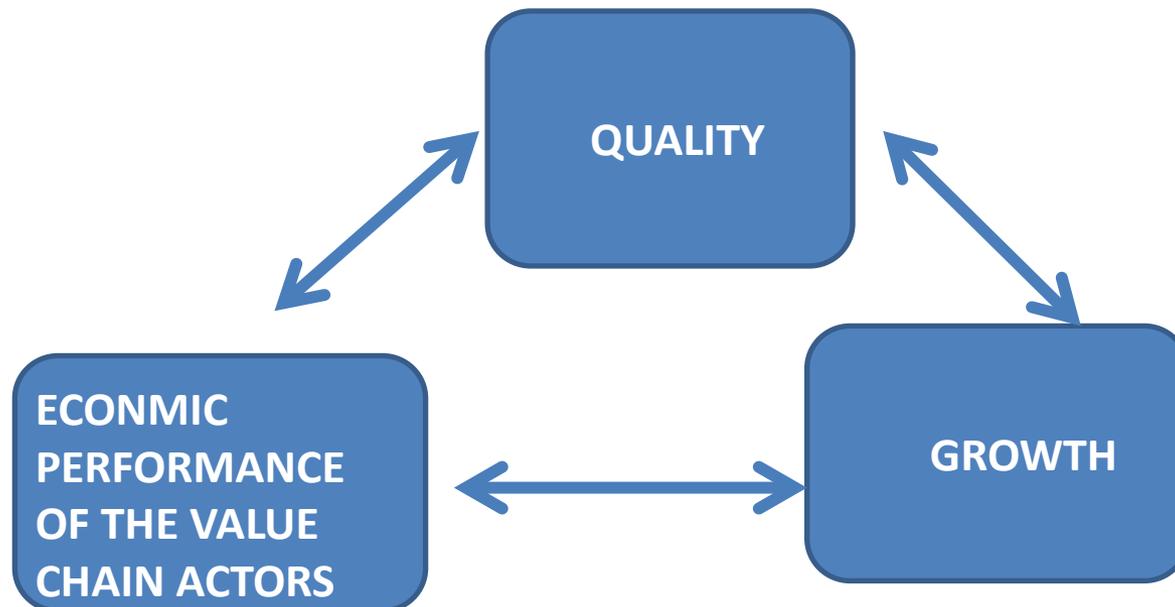


BACKGROUND

- ✓ Food markets are heavily competed
- ✓ Strong market players dominate
- ✓ Small and medium-sized local/organic supply chains have problems in getting foothold in the markets
- ✓ Marketing via mainstream food chains => risk in losing identity and in securing organic values
=> risk in sharing benefits among value chain actors
- ✓ SME:s need to combine two diverging objectives: growth in volume and securing organic values, quality, integrity and the consumers' trust while at the same time securing satisfactory economic performance for all value chain actors

HealthyGroth –project (Core Organic II)

- to support development of organic value chains
- to improve the SMEs' position in the markets
- case study approach: a number of successful mid-scale organic food value chains in nine European countries
- a comparative cross-country analysis



The program of the Finnish Government for promoting and developing organic sector: 20/2020

- 20% of cultivated area is organic by 2020
- 20% of all food in public catering is organic by 2020
- strengthening the SME:s position in the food markets
- increasing use of organic products in public catering
- focus on increasing volume of production and on availability + scope of organic products

PRELIMINARY RESULTS FROM HEALTHYGROWTH 1/3

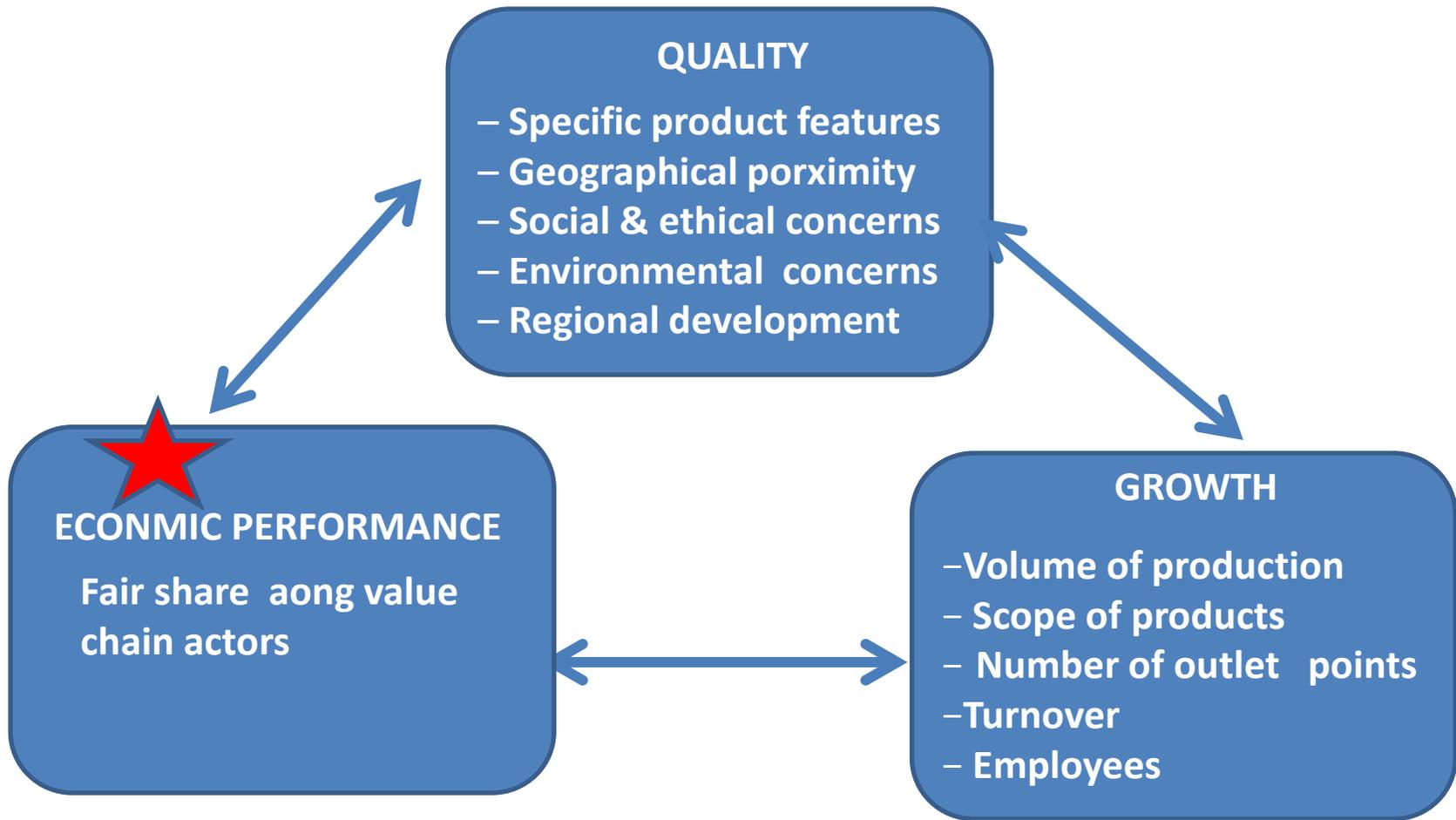
The status of organic sector varies greatly in different countries.

The cases are very different => different strategies to secure the balance between quality differentiation, volume and economic performance:

- increasing the production volume
- increasing the range of products
- finding new outlets for products
- combining food production with other activities/social innovations

PRELIMINARY RESULTS FROM HEALTHYGROWTH 2/3

- finding very specific products and/or specific customers
- adjusting the focus in quality differentiation
- more focus on growth of networks rather than on growth of single units (= multiplicative growth) – cooperatives
- co-operation with public actors
- regarding internal organization of the value chain, social conventions with codified rules have been introduced to secure the interests of the producers



PRELIMINARY RESULTS FROM HEALTHYGROWTH 3/3

Base line is the satisfactory economic performance for all value chain actors

With growth increasing division of labour

=> professionalization

Growth may bring about problems in fair share of the benefits

New Organic Economy

- partnership + sharing instead of mutual competition
- territorial approach
- sufficiency instead of self-purposeful growth
- organic differs from the mainstream production

SITUATION IN FINLAND

- 2 market leaders
- organic producers are generally fairly small
⇒ difficult to get into the markets
- government program for organic sector stresses the role of public catering
- organic items are not yet very much used in public catering: today about 5%, goal by 2020 20%

BOTTLE NECKS IN USE OF ORGANIC FOOD WITHIN PUBLIC CATERING

- Availability: natural circumstances
- Price
- Small volumes
- Extremely centralised food sector
- Lack of strategic decision making
- Domestic - local - organic products - twist:
caterers and government stress the domesticity of organic products
organic promoters prioritize organic over to domesticity

Large enterprises

High degree of processing

National
basic food
products

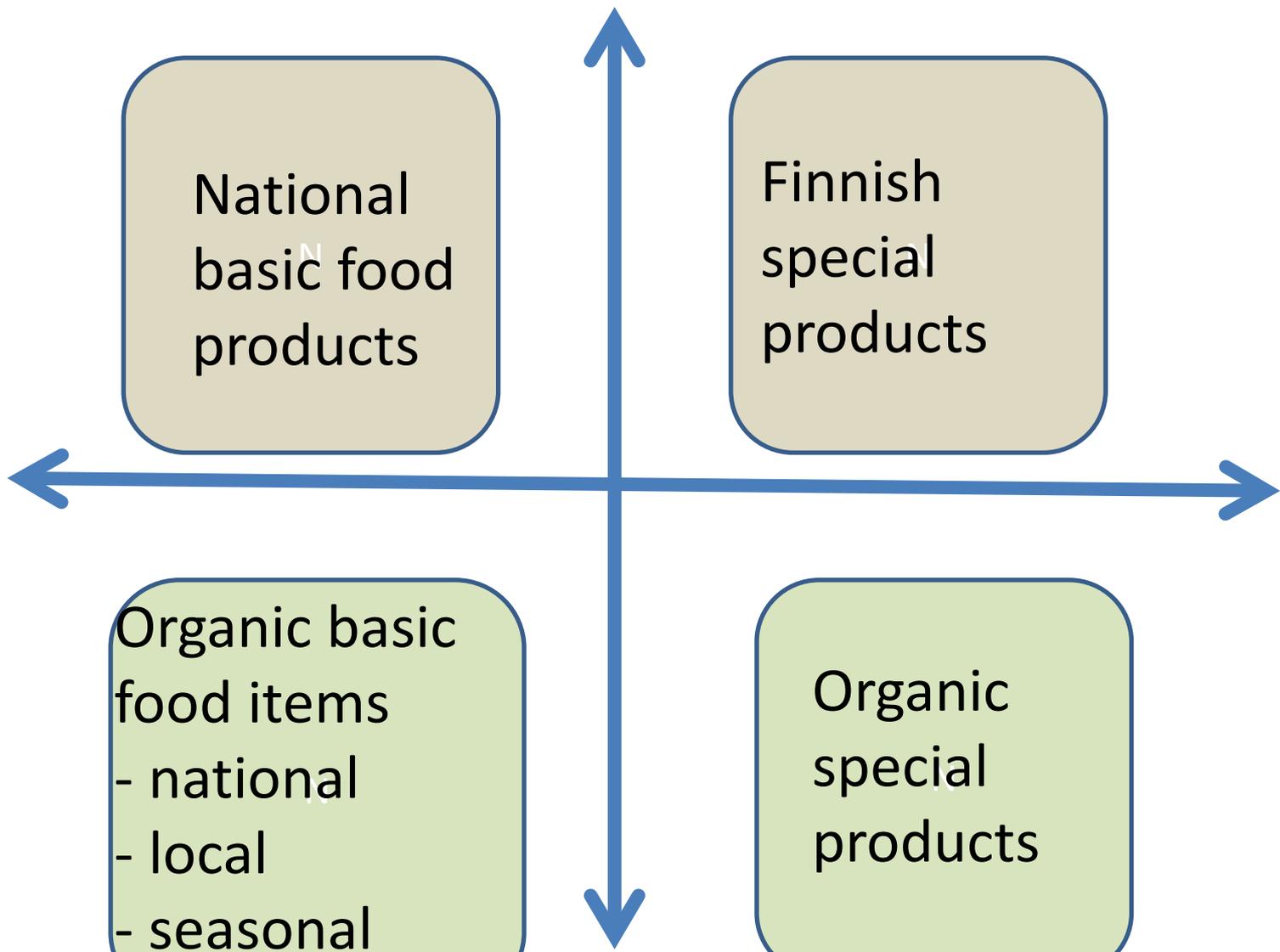
Finnish
special
products

Low degree of processing

Organic basic
food items
- national
- local
- seasonal

Organic
special
products

SMEs



CONCLUSION

- Public procurement constitutes a protected space for the SME:s to develop
- Strategic decision needed
- Organic suppliers own activity needed

Lessons learned from HealthyGrowth

Growth of networks: several producers and products

Professionalization: common marketing, common distribution channels, product development together with the catering professionals

Traceability

Fair rules of the game: common understanding regarding the sharing of costs and benefits

Thank you for your attention!

