FOOD IMPROV'IDERS

Provide producers with fit-for-purpose knowledge to develop new sustainable food chain models improving their revenue and enhancing consumers' satisfaction

D1.1 Best practices guide on short food chains models development and implementation

Co-funded by the Erasmus+ Programme of the European Union

https://foodimproviders.eu

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The project is aiming to develop the skills and knowledge of EU producers in short food chains circuits to facilitate their insertion in existing network and/or the creation of new one to rebalance their role in the food chain.

More information on the project can be found at www.foodimproviders.eu.

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1. Introduction

The following report has as objective to describe the Short Food Supply Chain (SFSC), the different types of SFSC that currently exists and the kind of opportunities that this model can give to producers. Finally it describes how to develop and implement a short food chain model.

2. Project Summary

FOOD IMPROV'IDERS is an Erasmus+ project that aims to provide EU food producers with tailored training content in line with their needs and lifestyle to improve their skills and knowledge in short food chains circuits. To reach the beneficiaries, the project will offer the training content both online and in presential courses.
The FOOD IMPROV'IDERS project gathers 6 partners from 6 different EU Member States (France, Bulgaria, Italy, Hungary, Slovenia, Spain) having complementary profiles in order to provide the necessary expertise for the implementation of all project tasks.

Part. #	Partner name	Partner short name	Country
1	Association Nationale des Industries Alimentaires	ANIA	France
2	Eszterházy Károly University	EKU	Hungary
3	University of Ljubljana	UL	Slovenia
4	University of Parma	UP	Italy
5	Foundation Juana de Vega	FJDV	Spain
6	Europroject	EP	Bulgaria

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3. What is a short food chain?

There is no official definition of "short food supply chains" insofar as European law, applying the principle of the absence of national preference, is not favourable to it. It is true that local can differ according to the level at which one is placed. For example, a municipality that supplies its canteen with local products generally uses products from the immediate vicinity. But when the urban community of a big city decides to organise local supply for all its collective catering, it is

natural that local can be understood on a quasi-regional scale, if only to guarantee sufficient quantities. The French authorities, for the application of agri-environmental and climatic measures of aid to short chains, under the common agricultural policy, have selected a radius of 70 kilometers.

The definition of a strict kilometer threshold does not therefore seem necessary, since it is intrinsically variable.

4. Key figures

A 2007 Eurostat survey on the structure of holdings revealed significant differences between Member States in the take-up of direct sales. On average, about 15% of farms sell more than 50% of their production directly to consumers, with significant differences between Member States: the percentage of such farms ranges from almost 25% in Greece to barely 0.1% in Spain. Small farms are always more present in short food chains.

21% of farmers market their products through direct channels. The aim is to promote proximity to the final consumer. Farm gate sales are by far the most important direct channel, ahead of open-air markets. Between them, they represent 50% of short chains.

This allows the producer to identify the customer, to know a certain amount of identifying information, their lifestyle, their needs and concerns. A constant dialogue is established between the manufacturer and his customer. Direct selling is the only method where advertising and selling are combined in a single message. When the customer responds to a request for information or makes a purchase, the manufacturer begins the work of building customer loyalty by developing customer knowledge and thus envisages a more lasting relationship.

5. Short Food Chains model overview

- Direct sales at the farm and on markets: farm markets, baskets, pick-your-own, farmers' markets, multi-purpose or "open air" markets, etc.

sales are made directly at the place of production. The farmer sells his produce directly at his place of work to consumers who have to travel. Sometimes consumers who wish to do so have the possibility to pick their own fruit and vegetables in the fields.

- Collective sales outlets (CSO)

The case of France

It is estimated that there are between 150 and 200 CSOs in France. They appeared in the Rhône Alpes region in the 2000s. This implies a geographical distance from the place of production, an

external structure in order to get closer to the consumer. It is a shop where a certain number of producers sell the products of their production by their own means. These shops bring together several farmers who jointly manage the sales outlet. In contrast to producer shops, the producers are regularly present during the sales process. They are therefore part of the direct delivery of products to consumers.

The CSOs are structured according to four founding principles: the collective management of the sales outlet by the farmers themselves, the presence of these farmers at the sale, the sale of products coming for the most part from the associated farms, the principle of non-competition between the products in the shop. Their sales area is between 50 and 400 m^2 and they have an average of 10 to 12 producers per CSO.

An example of CSO: AMAPs

AMAPs operate in the form of a contract between a producer (market gardener) and a consumer, who undertakes to buy part of his production for a given period.

It is a partnership between a group of consumers and one or more farmers based on mutual commitments. The principle is as follows: customers place their orders in advance for a basket of fruit and vegetables, between one week and one year, depending on the formula adopted. In return, the farmers distribute a certain number of baskets according to the season's products and their ripeness. This system has the double advantage of providing consumers with local produce and producers with a stable income.

They were created in France in 2001, following the Japanese "teikei" concept, created in the 1970s and then exported to North America in the 1980s with the Community Supported Agriculture (CSA). They represent 270,000 consumers in 2012, with an estimated turnover of 48 million euros and a growth rate of up to 50% every year.

There is an AMAP charter, which emphasises a number of principles such as solidarity between those involved in the exchange and active participation by consumers, human-sized farms and operating conditions that respect the environment, as well as transparency in purchasing and production practices, and also when prices are set. These initiatives change the rules of the traditional market relationship through long-term commitment, possible negotiation of production conditions and the absence of choice in the various transactions.

The AMAPs take a long-term view by respecting the three pillars of sustainable development: on the economic level, the price set must allow the producer to live in decent conditions while remaining reasonable for the consumer; on the social level, this allows farms to maintain their existence and ensure local employment; on the ecological level, there is less packaging, fewer kilometres travelled and farming methods that respect the charter of peasant agriculture, thus protecting the environment.

- Sales on tour, at home or with a delivery point (farm drive, workplace).

Farmers' drives are a relatively new and fast-growing form of marketing. It involves a farmer, a group of farmers or, more rarely, an entrepreneur opening a website on which consumers can

choose products and then come and collect them from the farm or from a collection point at a specific time. This marketing method also reduces the constraints for producers.

The strength of online sales is the total freedom of choice, frequency and volume that consumers have. Unlike an AMAP, which requires a more militant and restrictive commitment, the drive allows consumers to modulate their purchases according to their exact desires. It is up to the poultry farmer or market gardener to update his offer each week and then to prepare and classify his deliveries, which will all be grouped under a number for each customer at the meeting point.

The problem encountered by producers selling their products online is the irregularity of orders by Internet users, in contrast to AMAPs. Consumption collapses, for example, during holidays or public holidays, with some sites reporting a 50% drop in activity.

- Out-of-home catering: Collective catering: canteens, company restaurants, using local suppliers. Traditional catering with direct supply, sales platforms for communities.

- Other mixed channels: local shops (grocery shops, butchers, etc.), large-scale distribution (small producers' brand, etc.), distance selling (direct sales via the Internet, etc.)

6. The web opportunity

Thanks to the Web, a company can market its offer by eliminating the margins of distributors. The Internet is a way of selling directly to the end customer at a lower cost because this channel requires the lowest investment.

7. How to develop and implement a short food chain model?

7.1 Step 1: Defining your short chain project

First of all, it is essential to be clear about your objectives and to ask yourself: what are my sources of motivation? Is my project in line with my values? What level of income do I want to achieve? What impact will this have on my private life? What concessions am I prepared to make and, conversely, what limits do I forbid myself to cross?

This phase of reflection is necessary in order to clarify one's objectives and define the framework of the project so that it is consistent with one's aspirations. It is important to build a project in which you will feel good and which will be a source of fulfilment and motivation.

This phase will also be an opportunity to analyse one's initial situation by identifying

- Its strengths and weaknesses: in particular the means available in terms of buildings, equipment, livestock, skills, financial situation, etc.
- Its assets: the innovative nature of its products, a favourable geographical location, etc.
- Its constraints: presence of strong competition, private constraints, etc.

7.2 Step 2: Finding your market

The next step is to analyse the market to check the potential for sales and to build a commercial strategy.

This involves carrying out a market study. It will make it possible to gather information on the dynamics of the area (population trends, standard of living, density of infrastructure and transport networks), on trends and expectations in terms of consumption of the same products as the business (in terms of quantity and quality).

The market study will also lead to the identification of competitors: where are they? what do they sell? what volumes? through which channel? The challenge is to stand out from the competition and to complement what they offer.

The market study is based on bibliographical research to synthesise the various figures needed to analyse the project by combining different sources: from statistical and survey organisations and technical or economic data. In addition, field surveys of consumers and distributors are necessary. They will allow me to verify locally the interest of the product I am going to propose, to identify consumers' expectations and to understand how to work with intermediaries and create partnerships with them.

7.3 Step 3: Acquire the necessary skills

Running a diversification project requires multiple skills.

You have to be a good producer because production remains the basis of the business. Technical mastery (yield, input costs, feed management) remains essential to optimise costs and volumes produced. Technical skills explain a large part of the differences in cost between producers.

Many projects also include product processing (milk, meat products, fruit, vegetables). In this case, it is also necessary to be a good processor in order to sell quality products in terms of taste and hygiene.

The third profession to master is that of a salesman: finding the right arguments to promote your products, having a sense of contact and understanding your customers, all of which are assets for successful sales.

Finally, you need to be a real business manager with the ability to build a strategy to develop your business in terms of investment, to innovate in terms of products, to manage the accounts and cash flow of the business and to manage your staff (know how to recruit, lead a team and organise the work).

7.4 Step 4: Study the conditions for economic success of the short chain project

This stage will make it possible to verify the viability of the short-chain project. It is based on a provisional economic study that will integrate all the parameters of the project:

The means of production (area farmed, size of livestock) and technical management, which must be described in detail (technical itinerary, crop rotation, feeding practices, etc.).

The volumes sold: these are calculated from the means of production and the forecast yields of the various workshops (crops, animals, processing). The expected sales volumes must be consistent with the potential outlets identified in the market study

Annual turnover: this is derived from the volumes sold and the selling prices, which are often set according to those of the competition. Of course, this cannot be ignored, but selling prices must above all be established according to one's own cost price. The aim is to make a living from one's trade, to achieve the desired income and to pay a fair price for one's labour and work. The posted price can be different from that of the neighbouring producer as long as there are arguments to justify it, which may be linked to a different product quality or production method.

Expenses: these are the various inputs (seeds, feed, various ingredients) and items specific to the project (packaging, analyses, energy) that must be quantified and costed as accurately as possible. This stage will lead to contacting several suppliers during the construction of the project and already identifying those with whom you will choose to work.

Investments: these concern the buildings, equipment and livestock necessary for the activity. They must be well thought out to limit the risks at the start of the project, but also sufficient to provide good working conditions and avoid exhaustion due to overwork. It is therefore necessary to find the right balance and to think of solutions to reduce investments in the start-up phase: to have recourse to the rental of specific equipment (delivery vehicle), to delegate certain tasks (slaughtering) or to use facilities provided by service providers (the processing laboratory, for example). Investment can be considered at a later stage when the activity is sufficiently developed.

Financing: this can be based on different methods (loans, subsidies, personal contributions) from which the annual instalments to be repaid by the enterprise will derive.

Labour: labour needs must be evaluated for the whole year, which for some productions can be variable according to peaks in activity. The type of employment (permanent or seasonal employee) and the number of employees required must be taken into account, which will make it possible to calculate the annual labour cost.

All of these elements will make it possible to build the economic study to verify the profitability of the project and evaluate the turnover to be achieved to ensure its viability.

The economic study must also be completed by a monthly cash flow plan for the first year to measure the working capital needed to launch the business. This results from the time lag between expenses incurred and actual sales. The amount of this need must be quantified and its financing planned before the project begins: supplier advance, cash loan, credit line, personal contribution.

The forecasting study must be carried out over 5 years to visualise the evolution of the project and to set objectives for progress that will enable financial equilibrium to be reached as soon as possible.

8. And once launched?

It is essential to communicate, to make yourself known, to use all the channels adapted to your situation in order to be seen by customers: signs, flyers, website, press articles, etc. and to adopt a commercial name and a logo that will allow you to be visible and identified.

Then, on a daily basis, you need to be able to monitor the proper implementation of your project and to do this you need to have steering tools. These are numerical indicators that are personal and adapted to the activity. They must be simple and easy to calculate: weekly turnover, changes in the bank balance, average basket/customer, etc. The aim is to check that the project is following the forecasts or, conversely, to spot as quickly as possible any slippage, the beginnings of drift and to implement corrective measures quickly.