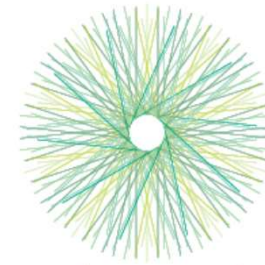


# EIP-AGRI Workshop

## Cities and Food

September 21 – 22, 2016 – Kraków, Poland



eip-agri  
AGRICULTURE & INNOVATION



funded by





## Programme September 21

### INTRODUCTION AND SCOPE OF WORKSHOP

09:00-09:30 Introduction

Welcome – Mr Pawel Szabelak, Ministry of Agriculture and Rural Development of Poland and by the Marshal from Malopolska region

Setting the scene – Ms Inge van Oost, Directorate General of Agriculture and Rural Development, European Commission

09:30-10:30 Getting inspiration

Malopolska Region in the context of Cities and Food – Mr Rafal Serafin, President of Polish Environmental Partnership Foundation

Reconnecting consumers and producers in the food chain: trends and challenges – Ms Moya Kneafsey, Coventry University, United Kingdom

Cities and Food and the Milan Urban Food Policy Pact – Ms Cinzia Tegoni, Milan Municipality

***Distribution of added value in the chain: a few practical cases – Mr Jan Willem van der Schans, Wageningen University and Research, the Netherlands***

and Mr Patrick Pasgang, Innovation Support Centre, Flanders, Belgium

Coffee with regional bites

funded by the European Commission



# Distribution of added value in the chain.

## CASES FROM BELGIUM

Patrick Pasgang

(Innovation Support Service)

# WHICH OPTIONS HAS A FARMER IN BELGIUM ? Concrete Cases

## 1. DIRECT SALES

FARM SHOP /VENDING MACHINES /LOCAL MARKETS /  
CSA

## 2. SMART JOINT LOGISTICS

PICK, DRIVE & DELIVER

## 3. CONSUMER ASSOCIATIONS

BUURDERIJ / VOEDSELTEAMS

## 4. JOINED WEBSTORE – internet sales



# 1. DIRECT SALES

- BENEFITS :
  - Higher prices, pricing by producer
- COSTS :
  - Shop equipment : 50.000-200.000 €
  - Vending machines (automats): 5.000-15.000 €  
(without electricity, maintenance, transport etc)
  - Labour Cost : 7 – 15€ /h
  - Marketing expenditure (promotion material) : 2 – 10 %





## 2. SMART JOINT LOGISTICS B2B –

DistriKempen, Westreex, Pajottenland +, ...

- **BENEFITS :**
  - Pricing by producer
  - Economies of Scale
  - Organised sales by independant entrepreneur
- **COSTS :**
  - Commission cost : 20% (including Refrigerated transport)
  - Marketing contribution : 2%
  - ICT platform : licence 10.000 € (often subsidies, start with 5-20 farmers) + rent 2.500€ ( min 5 years)
  - Reusable packaging: crates



# 3. CONSUMER ASSOCIATIONS B2C

## Buurderij

- BENEFITS :
  - Pricing by producer
  - 60 Organised sales points
  - Secured Payment
  - Minimum orders possible
- COSTS :
  - Commission : 8,35 % (national organisation)  
+ 8,35% (regional organiser)
  - Time & distribution costs for  
the producer (time 2h/week)



# 3. CONSUMER ASSOCIATIONS B2C

## Voedselteams

- Benefits :
  - Pricing by producer
  - 170 sales points (organised but small orders !)
- Costs :
  - Commission : only 6%
  - Distribution Costs (packaging, transport,...)
  - Slow payment
  - No minimum orders possible
  - Consumer pays yearly fee



Voedselteams  
WEET WAT JE EET



# 4. JOINED WEBSTORE

- Benefits :
  - Pricing mostly by producer
  - No investment costs
- Costs :
  - Up to 50% commission (Fermet)
  - Combination: rent (300-600€/year) + commission (3 -7% on turnover) – mostly meat or dairy where cooperation system is missing, less in F&V



# Farmer X: APPLES (prices, income and cost per kg)

PRODUCTION COST	€	0,38	
WHOLESALE (excl TVA)	€	0,07	€ 0,50
<i>Income low &amp; very depending on fluctuating prices</i>		-443%	24%
FARM STORE (incl TVA) <i>fixed pricing</i>	€	1,53	
excl TVA	€	1,44	
gross margin	€	1,06	74%
sales costs (packaging, sorting,...)	€	0,13	
labour + costs shop	€	0,40	
net margin	€	0,53	37%
JOINED LOGISTICS (excl TVA) <i>fixed pricing</i>	€	1,30	
gross margin	€	0,92	71%
sales costs (packaging, sorting,...)	€	0,13	
order preparing	€	0,04	
commission cost 20%	€	0,26	
marketing fee 2%	€	0,03	
net margin	€	0,46	36%



# Positive outcome for farmer X

Current selling channels for his production:

- 75% farm-shop (3 shops)
- 5% joined logistics
- 20% whole-sale



Farmer X's plans for the FUTURE: :

- ➔ Cutting down production for wholesale
- ➔ Introducing new products in the other channels
- ➔ Create more USP (Unique Selling Position)

# Farmer Y: APPLE, PEAR



PRODUCTION COST	€	0,38	€	0,68
WHOLESALE (excl TVA)	€ 0,07	€ 0,50	€ 0,37	€ 0,50
<i>Income low &amp; very depending on fluctuating prices</i>	-443%	24%	-84%	-36%
FARM STORE (incl TVA) <i>fixed pricing</i>	€ 1,00		€ 1,42	
excl TVA	€ 0,94		€ 1,34	
gross margin	€ 0,56	60%	€ 0,66	49%
sales costs (packaging, sorting,...)	€ 0,10		€ 0,10	
labour + costs shop	€ 0,40		€ 0,40	
net margin	€ 0,06	7%	€ 0,16	12%
NATIONAL RETAIL / DIRECT DELIVERY	€ 0,71		€ 1,00	
gross margin	€ 0,33	46%	€ 0,32	32%
sales costs (packaging, sorting,...)	€ 0,10		€ 0,10	
order preparing	€ 0,02		€ 0,02	
distribution cost	€ 0,17	24%	€ 0,17	17%
administration cost	€ 0,01		€ 0,01	
net margin	€ 0,03	4%	€ 0,02	2%



# Negative outcome for farmer Y

Current selling channels for his production:

- 35% farm-shop
- 35% retail
- 30% wholesale

Challenges to be solved in order to get a positive total farm revenue :

- High risk
- Lack of costing / pricing skills
- Low USP (unique selling position)
- Only USP = refrigerated displays (but cost not included)



# Farmer Z – GOAT CHEESE



Former situation  
(problematic):

PRODUCTION COST MILK	€	0,36
WHOLESALE (excl TVA)	€ 0,35	€ 0,62
	-3%	42%

*Income low and very depending on fluctuating prices*

New situation:

PRODUCTION COST CHEESE	€	5,95	
FARM STORE (incl TVA)	€	14,60	
excl TVA	€	13,77	
gross margin	€	7,82	57%
sales costs (packaging, sorting,...)	€	0,20	
labour + costs shop	€	0,40	
net margin	€	7,22	52%
JOINED LOGISTICS (excl TVA)	€	10,89	
gross margin	€	4,94	45%
sales costs (packaging, sorting,...)	€	0,20	
order preparing	€	0,10	
commission cost 20%	€	2,18	
marketing fee 2%	€	0,22	
net margin	€	2,24	21%

# Farmer Z

Current selling channels for his production:

- 50% farm-shop
- 45% joined logistics
- 5% wholesale milk

Changes done:

- New costing & pricing was needed (increase up to 30%)
- Make use of high USP
- Being cheap is easy, making value for money is what we need



# LEARNING POINTS

- There are opportunities for supply chain innovation and a better farm income
- But also additional costs involved
- USP needed
- Knowledge on pricing & costs needed
- Volume = important
- Risk when moving from wholesale to direct sales – Coöperative contracts !
- Need entrepreneurial skills and good support





# WHATS NEXT ?

- EIP AGRI FOCUS GROUPS
- H2020 : SKIN



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