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AGRICULTURE & INNOVATION



EIP-AGRI Focus Group

Innovative Short Food Supply Chain management

Case Study 1 – Poland, Local Products from Malopolska

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CASE STUDY 1. Poland: local products from Malopolska

Scaling-up a short food chain system



General information

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Short description

Local Products from Malopolska is a local food system through which producers from 10 territories in Malopolska connect with consumers. The focus is on increasing access to locally-produced food by helping agricultural smallholders and small producers to work together to gain market access through farmers' markets, on-farm sales, restaurants, internet sales and other distribution channels. The motivation is to increase smallholder incomes and so revitalise rural economies in ways that combat poverty and social exclusion, while contributing to the protection of natural and cultural heritage values and food security.

Initiated in 2011 by the Polish Environmental Partnership Foundation – an NGO supporting grassroots environmental action - *Local Products from Malopolska* is co-created by a group of approx. 100 farmers/producers and approx. 15 local NGO, business and public sector partners, including the regional government authorities. The ambition is to organise sales of an ever wider range of locally-produced food products directly to consumers, engaging more and more farmers, smallholders and producers through a process of building trust and reputation as a means for creating and maintaining short value chains.

The method or approach involves an ongoing process of identifying local and regional-scale stakeholders (especially producers) aimed at turning them into partners who share in the risks, costs and benefits of building '*Local Products from Malopolska*' as a trademark encompassing local brands, with its own farmer support, quality control, marketing and promotion, sales and distribution and governance. Those participating in '*Local Products from Malopolska*' are also campaigning for a more favourable policy and regulatory environment for local food systems, especially with respect to food safety and tax regulations.

With 142,900 agricultural holdings, averaging 4 ha in size and highly fragmented, Poland's Malopolska region represents an opportunity to turn increasingly socially and economically excluded rural areas into a resource for building food security for rural and urban populations based on access to locally-produced food of known-origin (traceable). The commitment to building and strengthening local food systems is part of the Regional Government's strategy for the years 2014-2020.

1. Setting up

Local Products from Malopolska was initiated by an NGO – the Polish Environmental Partnership Foundation – which has been contributing to Poland's transition to market economy and democracy since 1991 by promoting and enabling grassroots environmental action. In line with the mission, philosophy, experience and expertise of the Foundation, the motivation or driver was to work out market-oriented solutions – together with those affected - to the problem of growing social and economic exclusion in rural economies, which translates into degradation of natural and cultural heritage and threatens local life-support systems.

Based on earlier work on using environmental action projects to build cross-sector partnerships for mobilising social capital at the local or community level, the Foundation developed a project proposal with local partners focused on finding ways of using local food to revitalise Malopolska's rural economies. The aim was to secure long-term funding support for building a trust-based local food system linked to natural and cultural heritage protection. Inspiration and frameworks for action came from a Swiss organization – Réseau Echange Développement Durable (REDD) – and its work on origin-based food systems (www.origin-food.org).

A three-year fundraising effort resulted in the Foundation securing funding support from the Swiss-Polish Cooperation Programme (a government-administered grants programme) for a 5-year project to develop a self-financing local food system focused on Malopolska – starting in August 2011.

Lesson learned/implications for scaling up SFCs:

The key to success at this stage was to design a long term project based on bringing together people, organizations and resources sharing a common motivation and philosophy (i.e. commitment to grassroots action, co-creation with those affected, environmental protection, local democracy) but operating through largely unconnected action-oriented initiatives, projects and programmes – mostly not directly related to food. The role of the Foundation was to provide an organizing framework (conceptual and practical) with a vision, a method and a process-oriented programme of work to achieve that vision.

2. Getting support

Initiating *Local Products from Malopolska* as a partnership project, the Foundation had expertise primarily in mobilising grassroots environmental projects through cross-sector partnerships. The Foundation did not have access to specialised expertise related to food systems, farming, agri-processing, food marketing and distribution and so forth. Moreover, the organization was perceived (if at all) as an environmental NGO by local and national government, business, media and other NGOs. In this regard, the Foundation was not associated strongly with agriculture and rural development issues and was largely unknown among public and private agricultural support providers.

In this situation, the Foundation built an alliance with the Malopolska Agricultural Chamber, which formally represents farmers. The Director of the Chamber joined the Foundation's board of trustees and helped shape the *Local Products from Malopolska* project from the very beginning helping the project team engage with agriculture and rural development organizations and networks.

It became apparent at this early stage that the success of the project in building up a functioning local food system would depend on the extent to which the potential of small farmers and smallholders selling directly to consumers – both individual consumers and institutional consumers (e.g. schools, hospitals etc) could be realised. In this regard, an important need lay in understanding better the opportunities, barriers and conditions to direct selling by farmers. This prompted the Foundation to join forces with the Agricultural Chamber and relevant food safety authorities (veterinary service, sanitary inspectorate) to carry out a programme of consultations with farmers operating in Malopolska. In the winter of 2012/2013, a consultation programme involving over 40 meetings, involving over 1000 farmers was completed, building up a picture of the over-regulated realities of direct food sales in Poland, as well as a constituency of support for the *Local Products from Malopolska* initiative.

The key challenge was identified as the lack of clear or well-defined framework for organising short value chain food systems based on direct selling both from the point of view of farmers (who simply lack the legal basis for direct sales of processed food products) and of consumers (who increasingly demand locally-grown food of known origin). The information and insights gathered from local farmers, officials from the food inspectorate, tax offices, local governments, agricultural advisors prompted the Foundation and its constituency of farmers, NGOs and other organisations committed to promoting locally-produced food provided the basis for launching a campaign entitled *Legalise Local Food*. The campaign seeks to bring about regulatory changes in food safety and tax systems to enable the development of local food systems based on shortening the value chain. At present in Poland, farmers can only sell unprocessed food products directly to the consumer. Processed food products can only be sold (legally) in limited circumstances. Thus it is not possible in Poland to legally buy jam, butter, cheese, juices etc. directly from farmers. The result is a growing and vibrant black economy in processed local food products.

Another important outcome at this stage was the inclusion of local food systems as a priority in the Regional Government Strategy for the years 2014-2020 and securing the Regional Government via its Department of Agriculture as a partner co-creating the *Local Products from Malopolska* system. This came with a commitment to work at the policy level to create a more favourable environment for small-scale local production, which

included provision for establishing communal kitchen spaces in local communities (kitchen incubators) as infrastructure for increasing and legalising the agri-production of processed food products, which can be made available to consumers (safely, legally).

Lessons learned/implications for scaling up SFCs:

The key to success at this stage was building a constituency and climate of support for locally-produced food not just among farmers, but also among other stakeholders (who often do not see themselves as stakeholders) and most importantly consumers. It takes longer and is highly complicated to build a constituency and secure partners through a partnership-building process, where no-one is in charge as success depends on the interaction of all involved. Trust must be earned, it cannot be manufactured or mimicked. But once trust and reputation is achieved stability and sustainability follow.

3. Product development

A paradox in Malopolska is that there are numerous branding and certification schemes for food products, numerous agri-support and rural development programmes, but there is a lack of ready access to legally-produced local food of known (traceable) origin. There are a number of reasons for this, including:

- Unfavourable regulatory environment for direct selling by farmers both in relation to food safety and tax systems. In Poland, farmers operate under a separate tax system, which separates farmers from markets inter alia by not allowing them to sell processed food products from raw materials grown on their farm unless they register as businesses.
- Emphasis on larger farms and industrial farming in government programming means that small farms and farm-holdings are seen as something that belongs to the past. This translates into numerous programmes and incentives to take people out of farming and so acts as a disincentive for joint action by farmers. Rural development programmes tend not to emphasise or include food production as part of rural futures (!)
- Supermarket culture has come to dominate and shape consumer behaviour with the result that there is little space reserved for locally-produced food. Organically-certified food is increasingly imported but there is a decline in the number of organic farms in Malopolska.
- A growing atmosphere of distrust between NGOs, government, businesses, media acts as a disincentive to joint action of any kind. Labels are also the focus of mistrust. Food scandals support a growing conviction that labelling schemes cannot be trusted among consumers.

Emphasizing a constituency-building function, *Local Products from Malopolska* has sought to regain the trust of consumers by connecting them directly with farmers/producers through generating sales opportunities rather than focusing on labelling or branding schemes. This has meant on the one hand working with farmers and food producers – organizing them into a group with its own sense of identity and self-worth and on the other with consumers to provide them with ready access to locally-produced food.

For the Foundation as the initiator and organiser of *Local Products from Malopolska*, this has meant working with the Agricultural Chamber and other local partners to develop direct contact and relationships with as many farmers, smallholders and small food producers as possible, encouraging them to take an interest in selling what they grow and process and giving them the opportunity to do so. Approx. 400 farmers/small producers have been identified and engaged through this process. Many are unable to sell under prevailing sanitary and tax conditions and so must be encouraged either to register also as businesses or engage with others to participate in joint selling schemes, such as those supplying a growing number of food cooperatives or food clubs.

A key consideration in getting farmers and food producers to work together on a joint selling scheme lies in defining a set of rules, according to which the scheme is to function. This involved a process of consultations and workshops, involving also non-farmer stakeholders and consumers, to work out a code of practice or rule system for *Local Products from Malopolska* – and indeed defining jointly just what the *Local Products from Malopolska* system should be. The result of this process was a code of practice or set of rules developed and adopted jointly as the basis for building *Local Products from Malopolska* as a trademark attesting to the

authenticity and traceability of producers participating in the system and products offered for sale through the system. In this way, the system is being grown and developed not as an alternative or competitor to existing brands and certification schemes, but as a trademark of a sales and distribution system that adds value by communicating to consumers the authenticity and traceability of products offered for sale. In this approach, farmers and food producers are co-authors of the code-of-practice and also responsible for ensuring compliance. The philosophy and method is to ensure that each and every producer participating in Local Products from Malopolska is responsible for quality and authenticity assurance. It is the farmers and food producers who are in charge. But they must take into account the needs, requirements and aspirations of consumers, especially the growing demand for locally-grown food of known (traceable) origin.

Krakow is the main population centre and market in Malopolska. In addition to numerous malls and supermarkets, there are currently 16 markets selling food mostly via intermediaries. Locally-produced food is at the same time pervasive (everyone will tell you that they know a farmer and they buy directly at some point from farmers via friends and family), and yet not available readily in a way that guarantees authenticity and traceability. For this reason – and amid much controversy – *Local Products from Malopolska* initiated a farmers' market in Krakow in 2012 that is exclusive to farmers and food producers. The market has proved a success, engaging over 40 sellers in an active and ongoing way, and more importantly for *Local Products from Malopolska*, this has fuelled a desire among farmers to participate in creating additional and new directly selling distribution channels.

Initially, the farmers' market complied informally with the *Local Products from Malopolska* code of practice. This has become formalised as both farmers/producers have come to adopt the basic message of the code of practice – namely that buying directly from the producer/farmer is the only sure way to guarantee authenticity and origin of the food you are buying. In response to consumer demand, numerous other 'farmers' market' initiatives, festivals and programmes have been initiated. The code of practice builds trust and authenticity as long as it can provide a basis for a culture of joint action and self-organization on the part of farmers/producers.

Lessons learned/implications for scaling up SFCs:

The key to success at this stage is to provide farmers – the key constituent and partner – with the opportunity to participate directly and personally in selling in a situation where they are able to retain the value-added and so increase their profitability. This needs to be organised on the basis of a jointly created and accepted set of values and rules, which provide both the producer and consumer with clear information as to what is being bought and sold. The code of practice must be lived and enforced through a mechanism of mutual trust rather than external policing. Success in this regard has the potential for significantly decreasing costs and increasing competitiveness in the market place. Farmers are essential, but not sufficient to ensure progress.

4. Access to markets and consumers

The main access to market for farmers/producers participating in *Local Products from Malopolska* is the farmers' market, where consumers buy directly from farmers. The Foundation and its partners have organised two such markets in Krakow, operating every Wednesday and Saturday. This caters to approx. 100 farmers/producers who now regularly sell through the markets and use them to build their own customer base – encouraging pre-ordering, on-farm sales etc. Many have undertaken joint selling initiatives of their own, for example supplying jointly shops, restaurants and setting up their own sales points. Several farmers have registered business activities to supplement their farmer status, whereas others have legalised their production by meeting the strict sanitary standards.

Whereas all these activities have been encouraged by the Foundation team in one way or another – they have been self-organizing thanks to the space for such initiatives created by *Local Products from Malopolska* and its code-of-practice. The farmers' market as a joint selling initiative has served to verify, consolidate and turn the code-of-practice into a cultural or living scheme – the intention is for both sellers and buyers to experience an interaction and not to short-cut or substitute this personal relationship by providing a piece of paper or certificate. The personal is key to the trust-building basis of *Local Products from Malopolska*.

The *Local Products from Malopolska* initiatives have inspired others to organise variations on local food in Krakow, which do not necessarily involve farmers from Malopolska (emphasis on organic, local to mean not just

Malopolska but Poland etc). There is little doubt, however, that there is now growing demand/interest of consumers in buying healthier non-industrially-produced food, where possible directly from farmers. This is a trend that has embraced not just Krakow, but also all other big cities in Poland.

The direct result of this growing demand is that there are now numerous marketing and sales initiatives aimed at catering to the aspiration of consumers for healthier and safer food. Supermarkets have entered the fray, offering locally-grown food from farmers. For example, Carrefour launched its own brand 'Carrefour from Nature' in an attempt to secure a portion of what is perceived increasingly as a lucrative market. The barrier to achieving scale – at least in Malopolska – to meet this growing demand for locally-produced food lies in the difficulties of sourcing larger volumes from small, dispersed and subsistence-oriented farming, which characterise Malopolska. For Carrefour and others working with subsistence farmers is costly and beyond their capability, yet not engaging with local farmers brings with it reputational risks from potential customers. This is because supermarkets are accused of operating on an industrial scale, which cannot provide healthy, safe and authentic food as they cannot accommodate – at scale - highly-differentiated locally-produced products from a diverse range of producers who produce them in limited amounts due to the high costs of organizing market access. The supermarkets must somehow deal with this dilemma. One way is to open smaller outlets and close the large retail centres that have shaped retail over the past decade. Another is to secure farmers as their own suppliers, also by entering into the food processing (e.g. cheeses and meats) with them.

The implication for *Local Products from Malopolska* is that there is now a need and opportunity to achieve greater scale in term of the number of farmers and products involved and the volumes of sales. This has led to two developments. First, formalisation of the quality/authenticity assurance system and second, scaling up of distribution channels/sales opportunities to cater for a larger number and variety of small producers.

In the spirit of co-creation, the co-creators of *Local Products from Malopolska* (approx. 150 farmers/producers, NGOs, local governments) have pooled their 'market intelligence' and have opted to formalise the code of practice and the quality/authenticity assurance systems, which have been created. This has meant turning the *Local Products from Malopolska* into a trademark for a sales and distribution system that goes beyond Saturday farmers' markets. Practically, this has meant farmers/producers formally going through a certification process for their farms and products based on the code-of-practice, which the Foundation has organised with assistance of a third-party audit company. Approx. 60 producers are now in the process of certification, along with approx. 80 processed products. It is anticipated that these numbers will increase significantly along with sales – as spring and the 2015 season beckons. The important point here is that the move to formalisation has come from the farmers/producers themselves and has not been imposed on them.

Building market value of the *Local Products from Malopolska* trademark will involve a promotion and marketing campaign using the producers/farmers involved as the basis for securing a niche in the market-place for locally-produced food. In this way, consumers will be able to buy products certified as Local Products from Malopolska (in addition to being organic, traditional etc), not just in the project-operated farmers' markets but also in other ways. The emphasis is on on-farm sales or sales in the participating regions of origin and also on an internet-based ordering and delivery system that will be launched in June 2015.

Scaling up of the *Local Products from Malopolska* system is to be achieved also through a physical Local Culinary Culture Centre that is being established in the Nowa Huta Cultural Centre. This comprises a Bistro serving meals, a shop or outlet selling locally-produced food, a collection point for pre-ordered food products and an educational and learning programme aimed at celebrating locally-produced food every day – not just Saturday. For farmers/producers co-creating Local Products from Malopolska, the Local Culinary Centre is a venture that will promote them and their products in the first instance. The function of the Centre is also that of making available expertise and experience gained through the development of *Local Products from Malopolska* to others in Malopolska and in other parts of Poland seeking to organise their own local food systems.

Lessons learned/implications for scaling up SFCs:

The key lesson from *Local Products from Malopolska* is that only farmer/producer operated sales outlets generate additional value-added without the need to accommodate intermediaries. The Foundation in its role of operator of the *Local Products from Malopolska* system acts as a broker serving to respond and to take into

account the needs, requirements and aspirations of both producers and consumers. This is a constant balancing act, but is key to the success in accessing and retaining a market share. In this sense, the Foundation acts not as an intermediary, but as a service to participating farmers/producers as the policies, plans and systems of quality/authenticity assurance must be constantly not just co-created but re-created as the system grows.

5. Infrastructure and logistics

The initiator and owner of *Local Products from Malopolska* is the Foundation acting with and on behalf of farmers/producers and other local and regional partners. In line with its mission to promote and enable community-based sustainability, the Foundation acts as a guardian of the fundamental idea behind developing the local food system – combating social and economic exclusion in rural areas of Malopolska as a means of protecting natural and cultural heritage and maintaining life-support systems (clean air, water, soil, biological diversity etc). This mission orientation is key to promotion and marketing of *Local Products from Malopolska* and hence the basis for competitiveness in the market place. The foundation is the owner of the trademark Local Products from Malopolska but its strength and market value is a function of the quality and authenticity of the products provided by participating farmers and producers.

Infrastructure for production processes and logistics-distribution systems capable of accommodating a large number of dispersed producers offering a wide variety of products of limited volume at a cost that is not prohibitive is the challenge here. In theory, the larger the number of participating producers and consumers, the lower the unit costs will be for each participating producer for quality/authenticity assurance, logistics & distribution and sales/marketing. In practice, the key lies in finding an operational formula that will actually generate cost savings and increased sales. The *Local Products from Malopolska* system will achieve this through establishing a trading company, which will be tasked with operating the logistics and distribution system and organising sales of certified products from farmers/producers using a customised IT system. The system is now being tested and will enable customers to select and purchase on line products certified as *Local Products from Malopolska* and collect them from specified collection points in Krakow.

Emphasis on development of an IT system to manage *Local Products from Malopolska* lies in retaining the capability of offering customers a wide range and variety of locally-produced food (the greater the variety the better) at prices set jointly with farmers/producers and taking advantage of logistical capabilities available already through those participating (i.e. using one vehicle to collect products from several producers in a participating region as opposed to each one organising their own delivery). The IT system is designed to enable local NGO and business partners operating at the territory or sub-region level of the *Local Products from Malopolska* system to deal in a systematic and organised way with local producers and help them sell their products by providing access to the distribution channels/sales points organised under the *Local Products from Malopolska* trademark.

To provide local support to farmers/producers seeking access to market for the products, local infrastructure in the form of equipped kitchens with appropriate advisory services are needed. This must be provided by local NGO or locally-organised farmer/producer groups, but in line with changing policies and regulations – especially those relating to food safety and direct selling. The goal and opportunity of *Local Products from Malopolska* is to help local partners motivate local producers to legalise and seek market access by providing a path leading directly to sales opportunities. In this way, local partners will be able to take better advantage of co-financing opportunities related to promoting locally-produced food, which are offered through the Regional Government.

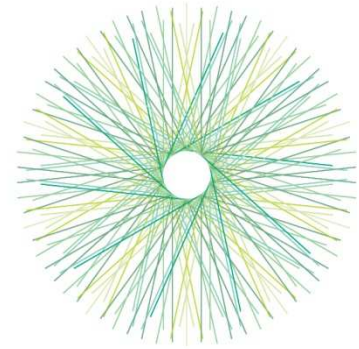
Lessons learned/implications for scaling up SFCs:

Partnerships that focus on sharing risks, costs and benefits are the key to success. Too often partnerships masquerade as arrangements for transferring costs and risks onto others. The key to success in this stage – in an increasingly competitive food market place – is to build partnerships with regional government partners who have an interest and stake in spending public funds for alleviating poverty, combatting social and economic exclusion, protecting environmental values and promoting enterprise in rural areas in ever more effective ways. The focus of such partnerships is to develop models of operation, which can be replicated and adapted to a variety of conditions. An example here is the case of a kitchen incubator investment under way in one participating territory in *Local Products from Malopolska*, which involves resolving a range of institutional, ownership, technical and other issues. It will be a model and resource for other territories, which will be able to draw down funding from Regional Government. There is no compulsion for kitchen incubator users to sell



through the *Local Products from Malopolska* trademark. This has to be a matter of choice and capability to collaborate with others. It is worth noting, that at present legal sales opportunities for small producers are almost non-existent, though this may change if public procurement policies, for example, are modified to favour locally-produced food and if regulators seek to limit the grey food economy that is thriving today.

Another key area for partnership relates to working with business. The *Local Products from Malopolska* collaborates with a variety of business partners on working out distribution channels/sales points capable of generating profits. This is the case with respect to developing an IT system combined with a logistical capability where the Foundation is drawing on the expertise and experience of Aspen, which is part of the Sodexo group and specialises in catering and food services for public sector clients, especially hospitals and schools. With an interest in introducing more locally-produced food of traceable origin into hospital and school menus, but with no direct interest in retailing locally-produced food, Aspen is providing Local Products from Malopolska with warehousing, transportation and other related services as needed with a view to working out the business case for how the *Local Products from Malopolska* trading company will deal with distribution and logistics. Access here is to know-how, expertise but also to market intelligence. Such partnerships help to keep the business mission of *Local Products from Malopolska* in the forefront.



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The European Innovation Partnership 'Agricultural Productivity and Sustainability' (EIP-AGRI) is one of five EIPs launched by the European Commission in a bid to promote rapid modernisation by stepping up innovation efforts.

The **EIP-AGRI** aims to catalyse the innovation process in the **agricultural and forestry sectors** by bringing **research and practice closer together** – in research and innovation projects as well as *through* the EIP-AGRI network.

EIPs aim to streamline, simplify and better coordinate existing instruments and initiatives and complement them with actions where necessary. Two specific funding sources are particularly important for the EIP-AGRI:

- ✓ the EU Research and Innovation framework, Horizon 2020,
- ✓ the EU Rural Development Policy.

An EIP AGRI Focus Group* is one of several different building blocks of the EIP-AGRI network, which is funded under the EU Rural Development policy. Working on a narrowly defined issue, Focus Groups temporarily bring together around 20 experts (such as farmers, advisers, researchers, up- and downstream businesses and NGOs) to map and develop solutions within their field.

The concrete objectives of a Focus Group are:

- ✓ to take stock of the state of art of practice and research in its field, listing problems and opportunities;
- ✓ to identify needs from practice and propose directions for further research;
- ✓ to propose priorities for innovative actions by suggesting potential projects for Operational Groups working under Rural Development or other project formats to test solutions and opportunities, including ways to disseminate the practical knowledge gathered.

Results are normally published in a report within 12-18 months of the launch of a given Focus Group.

Experts are selected based on an open call for interest. Each expert is appointed based on his or her personal knowledge and experience in the particular field and therefore does not represent an organisation or a Member State.

*More details on EIP-AGRI Focus Group aims and process are given in its charter on:

http://ec.europa.eu/agriculture/eip/focus-groups/charter_en.pdf



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