Growing Values and Growing Business

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Content

- Røros in the Healthygrowth project
- Business development and importance of networks
- Successful growth
- Limitations in the Norwegian context
- Opportunities and challenges with growth

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The Healthygrowth Project

In HealthyGrowth, eighteen mid-scale and four regional organic value chains are investigated in order to learn how they are able to combine values and increasing volumes, on:

- ✓ Managing specific **challenges related to growth**
- ✓ Understanding **success factors**
- ✓ Fostering cooperation and partnership in values-based food chains

A sustainable growth in the organic market depends on the ability to combine increasing volumes with measures that safeguard integrity and consumer trust based on organic values and principles.

Growing business – growing values
the case of Røros dairy

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Røros and its region

Unesco World Heritage List: Røros Mining Town and the Circumference (linked to the copper mines)

Røros dairy

- ✓ Established 2001 by regional organic farmers
- ✓ Only organic dairy in Norway
- ✓ Owned by organic milk producers in the region, Tine Norwegian Dairy, some employees, and two investors
- ✓ Organic products as a baseline – but also , **“local and pure ingredients, traditional products based on rich culinary traditions and handicraft production methods” – “unique taste”.**
- ✓ Goal: grow

Produce traditional products from the region: Thick sour milk, sour cream and butter

Use a range of quality labels and brands

RØROS
mat fra Røros-traktene

RØROSMEIERIET

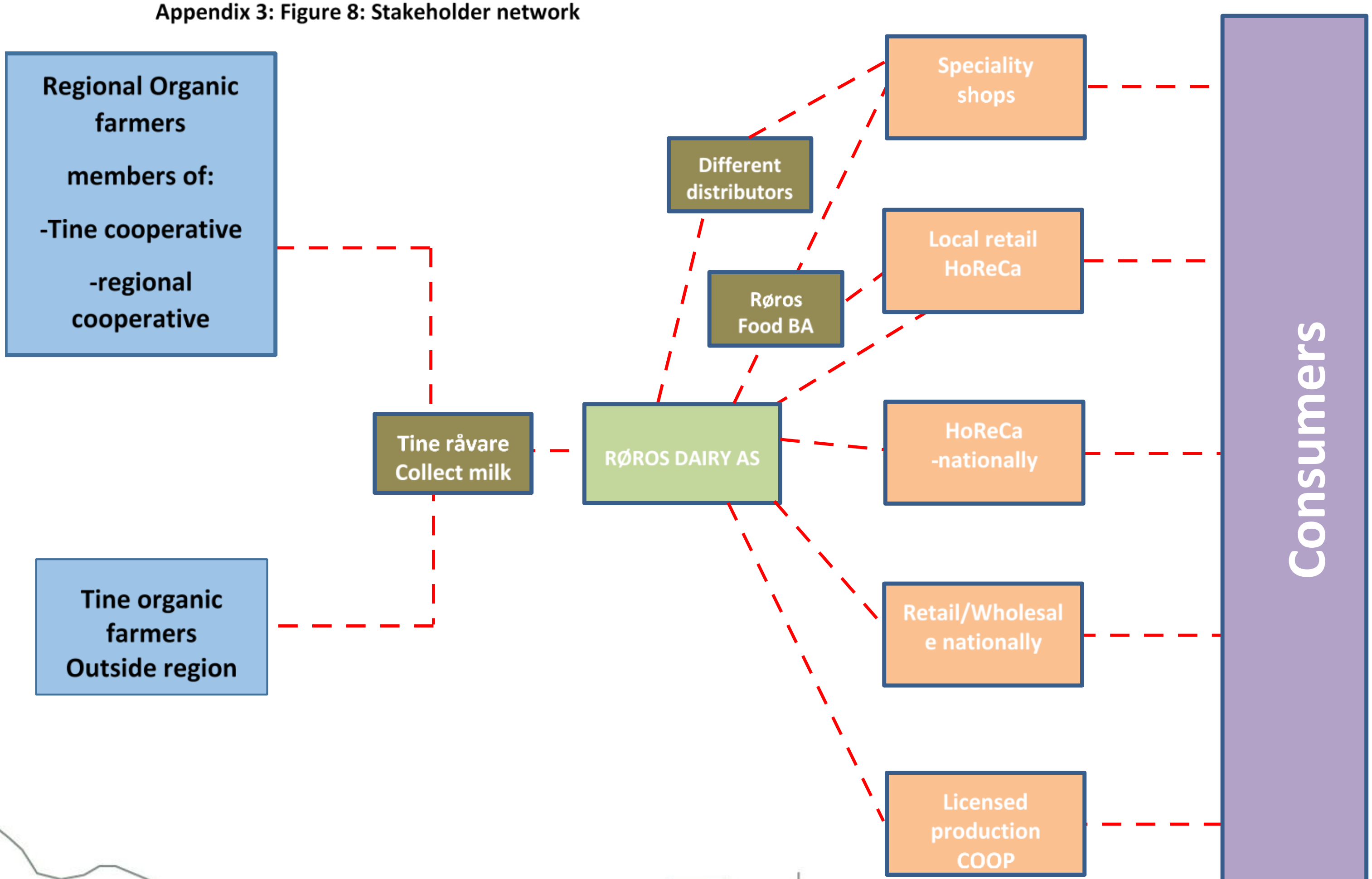
SPESIALITET
UNIK SMAK

ØKOLOGISK Debio ØKOLOGISK
Debiogodkjent

GEOGRAFISK BETEGNELSE BESKYTTET

The supply chain of Røros dairy

Appendix 3: Figure 8: Stakeholder network



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Development through strategic network partners: I: Røros dairy and Tine

- **Tine is the dominating milk cooperative** in Norway with about 12000 members/owners
- Mainly all milk farmers in Norway are members of the cooperative Tine
- Norwegian **farmers faithful** against Tine
- Three small competitors
- Regulator of the milk market, secure stabile prices
- Protected market, protect own production
- **Organic farmers are Tine members, and Tine have to collect milk and as a market regulator also to sell the milk to RD**. Also follow up milk quality and give farmers advice (safety for farmers)

- ✓ **Bought dairy from Tine** 2001 (political process)
- ✓ **Tine shareholde**r and member of board for many years (control & develop)
- ✓ **Permission to go on producing quality products based on regional traditions**
- ✓ Collected milk from regional organic farmers and deliver this milk to the dairy
- ✓ The dairy **produced organic light skimmed milk on license for Tine until 2010 – the byproduct cream was important for the dairies production of own products** – butter, sour cream and cream. These products are complementary to each other and the cooperation is positive for both
- ✓ The first years RD used Tine distribution system, valuable for the dairy – also positive for Tine that had capacity available
- ✓ The relationship between RD and Tine was mainly positive the first years – Tine supporting the dairy
- **The interaction between Tine and Røros dairy is reduced and today** Røros dairy feel it is more like a business relationship
- Tine still own shares in RD but is not represented in the board

Development through strategic network partners: II: Røros dairy and Director of Røros Hotel

- ✓ The director is a chef, joined many TV-programs about local food, author of cook books, and is famous for recipes and offering of local food meals
- ✓ Not connected to any hotel chains
- ✓ Early established a strategy to use local food and support development of local food in the region
- ✓ An important person for supporting local food development at Røros
- ✓ Important customer of Røros dairy

- ✓ Enthusiast - ildsjel

Michael Forselius, The Swedish Chef

Development of the relationship between Røros dairy and Røros Hotel

- Close relationship with chef since dairy established 2001, **advices/feedback according to product development**
- **Use RD products** in own restaurants, developed new recipes
- When the canteen at the Norwegian parliament introduced organic food, the director served food from the dairy
- When the director wanted to offer fresh organic milk to its guests (not pasteurized or homogenized), the dairy supported him with highest quality organic milk from the region
- Director **use products from RD in media, marketing both parties**
- **Røros dairy use FB/Twitter** inform followers/ consumers on cooperation and news from the hotel
- **Mutual benefit.** Adapt to each other when needed - based on same values and trust

Development through strategic network partners: III: Røros dairy and COOP

- ✓ Coop is a consumer cooperative and one of the three big retail chains in Norway
- ✓ Coop's new strategy to focus on organic products and build own private label
- ✓ Coop contacted first Tine for license production (failed)
- ✓ Contract with RD in 2005
- ✓ License production for Coop 2010, light organic milk
- ✓ Coop - member of board RD

Developing with Coop – a risky growth strategy?

- Coop:
  - Røros dairy the only possible organic actor to cooperate with
  - Knew Røros dairy very well
  - Good products with a good position/reputation in the market
  - **Satisfied with cooperation, Coop wants to increase cooperation and dependency**

- Røros dairy:
  - **Controversies about the agreement with Coop, some stakeholder were reluctant to growth**
  - Needed more crème for own products, expected increase in volume sale important for growth and profitability (complementary resources)
  - New strategy established to support growth strategy
  - Based on same values
    - strategy to increase organic consumption
    - cooperative
  - But, Røros Dairy dependent on Coop (50% sale), **want to reduce this dependency and offer own unique products in the long run**

Cooperation profiled

- ✓ Both have logos on milk package and Røros dairy is also profiled as the producer
- ✓ First time Coop do this on homebrands - unique cooperation
- ✓ Røros dairy “*good reputation, good products difficult to copy”* - *good for differentiation and sale* (Coop 2014)

Røros an example of a *SUCESSFUL* mid-scale values based food CHAIN? Checklist (Kvam and Bjørkhaug 2014) :

- ✓ A diversity of values and product qualities
  - ✓ Geographical proximity, specialty products (social, ethical, env. concerns, food safety etc)
- ✓ A diversity of sale channels
  - ✓ Indirect – retail, HoReCA, Direct, Farmers market, Box-schemes
- ✓ Emphasizing relationship between chain actors
  - ✓ Trust & shared values – e.g coop values
- ✓ Communication of values to consumers
  - ✓ Own brands/labeling/design, media/social media – also on homebrands
- ✓ A diversity of organizational forms/structures
  - ✓ Producer/farmer organization initiated. Have allowed fro private investment in company

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Norwegian Organic Context I

- It is a Government policy aim to reach 15 percent organic agricultural production and 15 percent organic consumption by the year 2020 (Ministry of Agriculture and Food, 2009).
- 2015: 2113 producers grow organic on **4.9 percent of the land** (Debio, 2016)
- 2016: **5 percent of Norwegian farmers** farm organic (full) 2 percent some. (Trender i norsk landbruk, survey, Centre for Rural Research)

- Conclusion: **There is a discrepancy between aims and reality for productio**n.

Norwegian Organic Context II

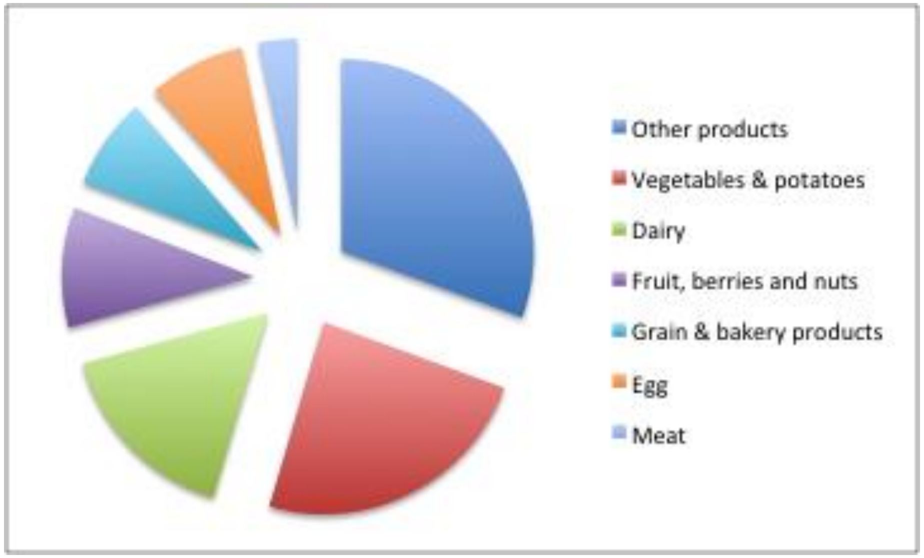
- ✓ **Reluctance to convert to organic due the argument that Norwegian agriculture is already “close to organic”**.
- ✓ Organic farmers believe that animals on organic farms have improved welfare, that their "organic footprint" is lighter and that organic food is better for human health.
- ✓ This suggest that organic farming is still associated with specific methods, ideology, and principles that are not associated with "conventional" farming practices.
- ✓ Growth has spatial diffusion patterns (Bjørkhaug and Blekesaune 2013)

Norwegian Organic Context III

- ✓ The current **market share** for organic produce is **below 2 percent**

- ✓ Conclusion: **There is a discrepancy between aims and reality or consumption.**

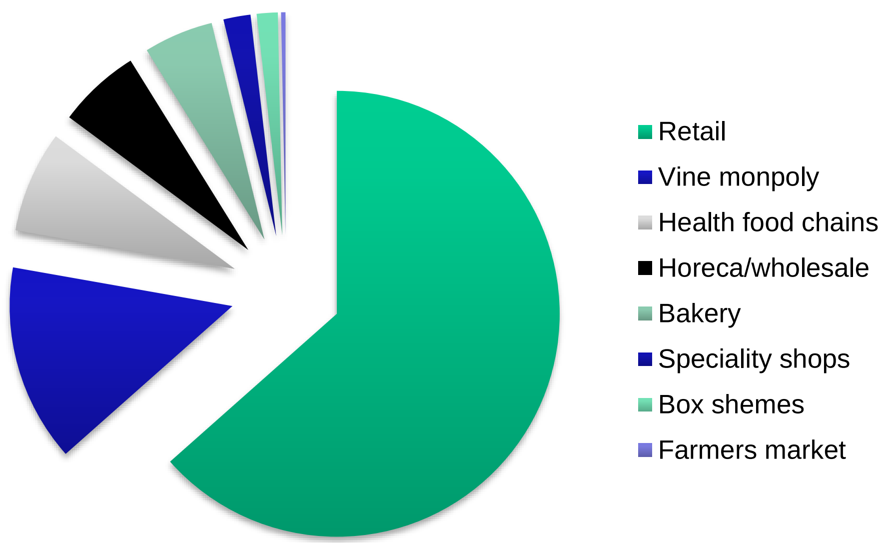
Share of organic food items



Norwegian Organic Context

The marketplace is the retail store: 2015 figures

- ✓ The majority also of organic food is sold through ordinary retail chains nationally (The Norwegian Agricultural Agency R-12 2016).



- ✓ This challenges communication of qualities (Noe and Alrøe 2010)

Challenges for success & growth organic values based food chains

- ✓ Business:
  - ✓ Professional and competent management
  - ✓ Addressing adequate technical, research and development support
  - ✓ Maintaining in-house values in the business
- ✓ Product: Physical attributes
  - ✓ No compromise on quality and content with new technologies and higher volumes
- ✓ Value chain:
  - ✓ Sufficient and stable volume (or shared understanding of instability), and consistent supply of high quality food products
    - ✓ Small and uneven production, lack of knowledge, risk of high wastage, higher costs (Norwegain Agricultural Agency R 10-2016)
  - ✓ Effective strategies for differentiation and pricing
- ✓ Experience: of the subject
  - ✓ **One link of the chain is enough to decouple the value relation** (Noe, Laursen og Kjeldsen, 2016

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Challenges for success & growth II

- ✓ Supply:
  - ✓ Stable supply of raw materials with right quality
  - ✓ Collaboration with TINE Dairy – development of organic producers in the region
- ✓ Market:
  - ✓ Stable or growing market share for quality products
  - ✓ Growing market share, but slow
- ✓ Policy instruments:
  - ✓ Stable or predictable goals for development of quality production
  - ✓ Support schemes for conversion and
- ✓ Scholarly debates and discourses:
  - ✓ Polarised debate between pro and anti-organic scholars in particular agronomy (one environmental and efficiency values) and, nutrition physiology (dietary and pollution values), culinary fields (qualities and taste)

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Opportunities: Growing values growing business?

- ✓ The Røros case have paved way for more visibility of organic products in Norway – both high quality and bulk products
- ✓ However: Speciality and regional products essential for Røros dairy success