

Sustainable Food Supply Chains in Europe

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The potential role of food supply chains in sustainable rural development is being described within an EU funded project entitled SUS-CHAIN – “Marketing Sustainable Agriculture”. The projects’ objective is to map the diversity of food supply chains in seven European countries (Belgium, Netherlands, Italy, Germany, Latvia and Switzerland) and to describe success factors and obstacles for sustainability in food supply. By an international comparison of a series of case studies SUS-CHAIN intends to derive recommendations for food chain actors, stakeholders and political deciders. The project is based on a close co-operation between scientists and practitioners.¹

ACTUAL CHALLENGES FOR THE AGRO-FOOD BUSINESS

The analysis of macro level trends and general dynamics of the agro-food sectors in the seven SUS-CHAIN countries reveals a number of common patterns.

A fierce and price-centred competition is enhancing pressure on small and medium-sized enterprises at any level of the food supply chains: farmers and processors as well as distributors and retailers. The resulting concentration process is decoupling food production and food processing and is leading to severe structural problems in less densely populated and disadvantaged areas. Growing environmental problems are being observed in the regions where production concentrates and get ever more intensive.

On consumption level, changing eating habits, the common loss of knowledge about food production and growing doubts and dissatisfaction about the modern food systems limit consumers’ willingness to pay for food items.

STARTING POINTS OF MORE SUSTAINABLE FOOD SUPPLY

At the same time, consumers’ discomfort about food leads to a growing popularity of alternative food production methods and new ways of food supply, the best examples being organic farming, animal-friendly husbandry systems and “fair trade”.

Regional and local marketing initiatives are set up by food chain actors as an alternative to the mass market and meet societal and political support. New forms of alliances between food chain actors and

NGO’s but as well other economic sectors, as tourism or health care, provide new dynamics.

CONSIDERABLE POTENTIAL

In a first approach, researchers assessed good chances for further development towards sustainable food supply. There is evidence that many possibilities for more sustainable action are not yet used, mainly due to a lack of awareness and information. Examples show that enterprises took up “sustainable” strategies e.g. for energy and water supply, raw material provision or waste management which were not only cost neutral, but enhanced competitiveness and general efficiency.

PATTERNS OF DEVELOPMENT AND KEY FACTORS THAT AFFECT SUSTAINABILITY PERFORMANCE

Two case studies per participating country were chosen for deeper investigation, the main choice criteria being innovative sustainable strategies and the potential influence on rural development.

The international comparative analysis of these case studies looked at the following key patterns:

- Marketing and communication,
- Organisational structure, growth and up-scaling,
- Provision and suitability of public and other forms of support,
- Impact on the rural economy and connections with rural development.

Marketing and communication towards consumers are crucial for the market position of all the SUS-CHAIN case-studies. The role of communication is to translate the enterprises philosophy into a clear and comprehensible message, that attracts consumers and provides credibility. The SUS-CHAIN researchers confirmed the relevance of the “4 C” scheme, presented as a key issue of “ecological marketing” by Hopfenbeck (1994): Credibility, Competence, Commitment and Co-operation have to be aligned and have to reflect the enterprises’ action.

This is even more important when alternative food supply chains grow or scale up. The growth process is likely to change the initial structures and can lead to incoherence, for example when a regional initiative meets nationwide markets (which offer new chances, but are not „regional“).

Organisational structures are one of the key factors that often decide at the very beginning whether a new initiative is successful or not. Being “embedded” in a network of many different societal stakeholders is the most reliable source of stability at least during the starting period. The role of key persons can be ambiguous: they can, on the one

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hand, "embody" the initiatives philosophy and provide strong personal relationships, but constitute, sometimes, bottlenecks for necessary changes.

Growth is an important criterion of the economical success of an initiative. In sustainable food supply chains, turnover or sales growth are, in comparison with conventional enterprises, relatively less important and have to be considered jointly with other criteria, like development of hired labour, induced secondary effects on rural development, food quality or environmental impact. The creation of "social capital", like qualified labour, the capacity of self-governance and the re-establishment of rural traditions, networks and consumer confidence can be other important success indicators.

Public support has a double role with regard to sustainable food initiatives: it provides financial support and/or helps through qualification, information or consulting. Public financial support is most important during the setting up phase of an initiative when other capital sources like bank loans or private investments are too difficult to access. But, formal obstacles and lengthy granting procedures can sometimes slow down or discourage sustainable initiatives. Public support through information and consulting can bring important structural help to new food supply chains, most often with regard to regional specialities (Products of Origin, Products with Geographical Indication). Public action is, as well, important in the context of food safety and hygiene regulations. Sometimes, public boards are too reluctant and restrictive in the interpretation of these regulations and hinder innovation in food processing. The 'sustainability' of agro-food chains is increasingly measured in terms of the locality of procurement. With the advent of concerns about 'food miles' and carbon constraints, and the disconnection between food production and consumption, there have been growing calls for the localisation of national food procurement and distribution systems. These calls for local sourcing are aimed at both the big institutional markets and national grocery chains.

PERSPECTIVES: SUSTAINABILITY NEEDS, APPROPRIATE POLITICAL CONDITIONS AND CONSUMER IMPLICATION

Sustainable food supply chains ("sFSC"), as defined and analysed within the SUS-CHAIN project, are still marginal phenomena that contrast with the development of the generic food commodities market, of which the cover is only some 5 to 10 %. The big attention paid to these "niche" markets by consumers and the media, but as well by food chain actors indicate, thus, their role of precursors and potential models.

Innovative concepts or new forms to address consumers' concerns, originally often brought up by sFSC, are often taken over by the generic market. This is important for spreading sustainable products, but can lead to a loss of sustainability, when the original structures and actors are replaced according to the mechanisms of the mass market. The market for organic products shows some evidence for this process.

One of the main bottlenecks for the enlargement of sustainable food markets is consumers' limited willingness to pay price premiums for food commodi-

ties. This behaviour is not only due to lacking purchase power but as well to lacking information about the characteristics of agricultural production and food processing and the advantages and accessibility of "sustainable" purchase and consumption modes. Shifting consumption patterns provide the biggest chances for sustainable food supply chains, and several trends in food consumption indicate that shift, this is clearly a result of the SUS-CHAIN research.

Other constraints that have to be taken into account:

- The aligning of diverse actors in a chain with diverging interests along a common goal (and coherent production, processing and marketing strategy) is not unproblematic. It often needs a lot of time, discussions, personal energy and flair/sure instinct².
- The problem of imperfect markets with substantial external costs and benefits acting against a fair competition of different production and marketing systems in the market place has to be faced by many initiatives.
- Economical and structural growth can lead to stability loss when decision-making processes and committees are not prepared adequately.
- Public support hinders when it is too normative and when subsidies are granted without providing structural/organisational or management support.

The inventory of practice examples of sustainable action within the food market shows a convincing panoply and vitality of alternative supply chains. SUS-CHAIN results provide a series of practical tools for food chain actors and precise contributions to the improvement of the political and regulatory framework.

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² These inputs may be summarised as transaction costs.