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EN

European Network for Rural Development

EU RURAL REVIEW
No 22

SMART AND COMPETITIVE FOOD AND DRINK SUPPLY CHAINS

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European Network for
Rural Development

European Network for Rural Development

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Introduction

This edition of the EU Rural Review focuses on the opportunities to improve the competitiveness of primary producers by better integrating them into the agri-food supply chain.

The publication follows a logic from an overview of the opportunities for adding value in the supply chains, through the major market opportunities, to strategies for supporting smarter supply chains using effective links with research and the Rural Development Programmes (RDPs).

A POLITICAL PRIORITY

Smart and competitive supply chains are embedded in **EU Rural Development policy**, mainly under **Priority 3**: "promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture".

This is articulated in the Rural Development Regulation primarily under **Focus Area 3A**: "improving competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups and organisations and inter-branch organisations".

In recent years, a lot of energy has focused on promoting **short** supply chains. See, for example, the report and conclusions of the **EIP-AGRI Focus Group on Innovative Short Food Supply Chain Management** from 2015.[1]

An ENRD Thematic Group on 'Smart and Competitive Rural Areas' sought to build on this work in the period 2015-2016. Focusing on the food and drink supply chain, it considered how these can be made 'smart' in a broader sense. The important distinction is that these may be short, but there are also other smart ways of organising supply chains.

This publication explores the ideas and practices at the heart of successful approaches to adding value in agri-food supply chains and retaining that value in rural areas.

STRUCTURE OF THE PUBLICATION

Adding value along the supply chain

Article 1 provides an overview of the many possibilities for **adding value** along the supply chain. The key is to add features for which consumers are willing to pay, which can be as varied as a new product, higher quality, local provenance or improved branding.

The article highlights that increasing added value and the value retained in rural areas is re-emerging as a highly popular rural development topic.

Major market opportunities

The key to success is to maintain a consumer-oriented focus throughout. It is only through consumers' willingness to pay (more) that the concept of added value becomes tangible.

Article 2 looks at the opportunities for expanding **rural markets** through attracting increased visitor numbers. In particular, promotion of rural areas as '(food) destinations' can offer rural businesses increased customers at their door and the shortest of supply chains.

Article 3 reflects on the opportunities for improving access to constantly evolving **urban markets**. It highlights that effective means are needed to connect Rural Development policy with urban food strategies to maximise benefits in both urban and rural areas.

(1) https://ec.europa.eu/eip/agriculture/en/content/innovative-short-food-supply-chain-management

Article 4 on the **public food market** presents the specific opportunities and benefits provided by using public money to prefer quality local produce in schools, hospitals, nursing homes, etc. Key aspects are improved public procurement processes and practical efforts – from producer collaboration to online platforms – to match producer output with public purchaser requirements.

Smart strategies

Successfully adding value to food and drink supply chains and retaining that value in rural areas requires strategic approaches that consider the whole supply chain and target interventions on the specific parts that need strengthening in each context.

Article 5 examines the potential benefits for rural development of **smart specialisation** approaches, particularly those focused on agri-food. Such approaches target research activities on aspects with high transformative potential for a territory – based on local traditions, knowledge and expertise. Potential interaction with Local Action Groups through 'Smart LEADER' is interesting in this context.

Finally, article 6 discusses the opportunities to use **combinations of Measures under the RDPs** to provide 'smart support' to rural businesses in the agri-food chain.

A key conclusion is that smart combinations of targeted investments and support through information, knowledge and advice can help rural businesses to use the available market signals on consumer preferences more effectively. Furthermore, the new Cooperation Measure offers particular opportunities to strengthen the position of rural producers in the agri-food supply chain.

This edition of the EU Rural Review comes at a time when the European Parliament Think Tank has highlighted that "Pillar II [of the CAP] can be successful in creating new jobs [and]… **Where resources are highly focused and integrated (e.g. through supply chain focus…), Pillar II can be more effective.**"[2]

In that context, this publication hopes to encourage further progress in adding more value in agri-food supply chains and retaining more of that value for producers, businesses and communities in rural areas..

The ENRD Contact Point

(2) www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU%282016%29573418

1. Adding value throughout food and drink supply chains

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The concept of added value in food and drink supply chains is not new, but it is re-emerging as a highly popular tool for promoting rural development.

The value of a product or service can be increased at different stages of its production or delivery by the addition of features for which consumers are willing to pay more. The key element to successful initiatives is a clear market orientation.

Added value can start at the farm with basic processing of primary products and valorisation of wastes. New and emerging trends in consumer preferences are also providing ever more opportunities to successfully add value by differentiating products in terms of their additional qualities.

The Rural Development Programmes (RDPs) provide a potential 'toolkit' of Measures which can support added value throughout the food supply chain, including through investments in physical assets (M4), cooperation and innovation (M16), knowledge transfer (M1), and advisory services (M2).

WHAT IS ADDED VALUE?

ADDING VALUE THROUGH PROCESSING

ADDING VALUE THROUGH PRODUCT DIFFERENTIATION

THE NEED TO COMMUNICATE QUALITY

WHAT IS ADDED VALUE?

Adding value to a product or service means turning it into something for which consumers will pay more. This can be done at all stages along the supply chain.

The notion of adding value is not a recent innovation in either economics more broadly, or rural development more specifically. Nevertheless, it is re-emerging as a highly popular topic in rural development with the potential to ensure that profits from the important food and drink sector extend along the supply chain, including to producers.

The starting point for consideration of added value in food and drink supply chains must always be an understanding of what consumers are willing to pay more for. It is through consumers' willingness to pay that additional value in a product or service becomes tangible.

Another way of understanding added value is through the concept of differentiation. It is by differentiating their products and services from alternatives available on the market that supply chain actors can find consumers who are willing to pay more.

This concept can be understood at many levels along supply chains. Taking the dairy sector as an example, the primary product is milk. Value can be added to this primary product by processing it and turning it into cheese. Yet more value can be added by creating a new variety of cheese (e.g. with fruit).

Many consumers will be prepared to pay more – and thus value is added to the product – if the cheese is organic, or benefits from a specific designation of origin. For certain cheeses, value might be added by allowing the cheese to mature for some or several years before selling it.

Value can also be added by branding or marketing the cheese in a way that appeals to consumers and there are increasing opportunities to take advantage of consumers' desires for locally sourced produce in this context.

There are also opportunities to add value by selling the product in a different way, for example at a local farmers' market or packaged with additional products, such as a cheeseboard and knife.

It is possible to identify a number of specific areas where value can be added along the food and drink supply chain from farm to fork. The following sections outline these opportunities in more detail.

ADDED VALUE – A RURAL DEVELOPMENT PRIORITY

Focus Area 3A of EU Rural Development policy specifically refers to the importance of improving competitiveness by, inter alia, "adding value to agricultural products and promotion in local markets".

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ADDING VALUE THROUGH PROCESSING

Value can be added to the produce of farms through processing. This can involve turning primary produce or waste by-products into secondary products with higher retail values.

Processing primary produce

The main driver and purpose of adding value in recent years has been for rural producers to move on from a dependency on the markets for primary products where they have little control over price.

Producers of primary products are extremely vulnerable to global market changes or, for example, the purchasing practices of major supermarkets. In many sectors, such as milk and pork, producers have recently experienced a larger than average fall in the price they receive.

In some cases, market pressures are pushing the price received down towards cost price. One striking analysis of the retail price of milk by the National Farmers' Union (NFU) in the UK[1] found that at € 0.55 per litre in 2015 it was one euro cent lower than the price of (branded) bottled water at € 0.56.

By processing their primary products themselves, rural producers can move from markets in which they are 'price-takers' to markets for differentiated products where they can be 'price-setters'.

RDP SUPPORT FOR PROCESSING IMPROVEMENTS

EAFRD funding can be used to support farmers in investing in the physical assets they need to add (more) value through processing.

Sub-Measure 4.2 specifically provides "support for investments in processing/marketing and/or development of agricultural products".

Across the EU, 58.7 % of the funding targeting Focus Area (FA) 3A (Agri-food chain integration & quality) is programmed under Measure 4 (M4) for investments in physical assets (see chapter 6).

In Latvia and Belgium, over 90 % of the RDP budget targeting FA 3A is programmed under M4.

Valorisation of waste

Considering the whole production cycle, one area of interest for many producers can be to think of how to make use of by-products and waste. This does not necessarily mean adding value to their traditional produce, but rather adding value to their production as a whole.

In many cases, rather than discarding waste, it may be used as a feed, as a component for the production of fertilisers or energy, or even considered as an input into a separate product. By finding such uses of waste products for which consumers are willing to pay, producers can add significant value to their overall production. This was achieved in a systematic way by tomato producers in Malta (see box).

RDP SUPPORT FOR INNOVATION THROUGH COOPERATION

The 2014-2020 Cooperation Measure (M16) offers new and exciting opportunities to develop research, innovation and joint actions in agri-food supply chains.

Sub-Measure 16.1 provides support for the establishment and operation of EIP-AGRI Operational Groups, which can work on a range of topics, including supply chains.

Sub-Measure 16.2 specifically provides "support for pilot projects and for the development of new products, practices, processes and technologies".

Sub-Measure 16.3 specifically provides support for "cooperation among small operators in organising joint work processes and sharing facilities and resources..."

Sub-Measure 16.4 specifically provides "support for horizontal and vertical cooperation among supply chain actors for the establishment and development of short supply chains and local markets and for [related] promotion activities..."

See the sub-section on Cooperation in Chapter 6 for more information.

Across the EU, nearly 7 % of the funding targeting FA 3A is programmed under M16.

The Czech Republic and Portugal have programmed more than 30 % of their budgets targeting FA 3A under M16.

(1) http://www.independent.co.uk/news/uk/home-news/how-did-milk-become-cheaper-than-water-9990760.html

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RDP COOPERATION PROJECT VALORISES TOMATO WASTES

RDP funding was used in Malta to support a cooperation project involving local farmers and agro-processors to valorise the significant volume of waste generated by the national tomato processing industry.

In Malta, tomatoes represent the main income for a significant number of farmers. On average, around 13 000 tonnes of tomatoes are produced annually; the largest share going to the processing industry.

The Maltese tomato sector has remained strong due to the trust that consumers have maintained in local production. However, to maintain a high-quality final product, tomatoes that fail to meet the highest standards are not considered for further processing. The result has been considerable amounts of tomatoes being discarded as waste – often involving financial and environmental costs in terms of disposal.

The cooperation project (funded under the 2007-2013 'Cooperation' Measure, M124) conducted an environmental report, laboratory testing, and a market research and feasibility study for the production of a new type of tomato vinegar made from tomato waste.

It purchased specialised equipment to carry out testing of processing methods and developed new packaging to support promotion of this new 'gourmet' product on the market.

An important benefit of the cooperation project was improved mutual trust and confidence amongst producers and processors. They recognised the potential business opportunities arising from improved collaboration.

- **Total project value: ~€ 165 000**
- **EAFRD contribution: ~€ 68 000**
- **Private co-financing: ~€ 97 000**

ADDING VALUE THROUGH PRODUCT DIFFERENTIATION

In addition to basic processing, significant value can be added to products by effectively differentiating them from alternatives available on the market.

The opportunities to differentiate products are limited almost by our imagination and creativity alone. There are many opportunities all along the supply chain, starting with farms. The main consideration is always for what consumers might be willing to pay more.

This means that areas of consumer interest are drivers of added value. For example, there is a raised awareness and interest in **animal welfare**, **organic farming** and **environmental impact**. Producers and suppliers can

RDP SUPPORT FOR PRODUCT DIFFERENTIATION

Various RDP Measures support aspects which can provide producers with a point of difference in the market. For example:

Measure 11 provides support to convert to or maintain "organic farming practices and methods".

Measure 14 provides "payment for animal welfare".

Of these, M14 on animal welfare is the one that has been by far the most programmed to target Focus Area (FA) 3A.

Across the EU, nearly 20% of the funding targeting FA 3A is programmed under M14.

In Finland, more than 80% and in Romania and Sweden more than 65% of the RDP budget targeting FA 3A is programmed under M14.

differentiate and add value to their products for consumers by investing in animal welfare and/or environmental stewardship schemes.

Quality is a subjective term, which is determined by consumer trust. Nevertheless, improving the quality through a recognised accreditation scheme is likely to offer a raised value when compared with similar products that are outside such schemes.

Further opportunities to differentiate include, but are not limited to: production methods and standards; processing methods and the number and nature of ingredients going into food; packaging minimisation; and improved storage and transportation methods.

INNOVATION ON TOUR

The 'Innovation on Tour' programme was developed in Belgium by the Innovation Advisory Service 'Innovatiesteunpunt' for producers in the Flanders region. It aimed to inspire producers from Flanders with new ideas for adding value to their products or product range.

One iteration of the programme took 24 entrepreneurial producers and eight different experts on a day-long bus trip to England in 2015. The producers visited four major retail outlets, looking for inspiration in the different products, packaging and marketing on display.

Group sessions took place after each visit to share and reflect on learning and ideas. The entrepreneurs then had the opportunity for individual coaching sessions with the experts on the bus to discuss the development of new ideas for adding value to their businesses.

Discussions and learning covered product development, packaging, labelling, new designs, new markets etc.
Each participant aimed to create a new business plan for their business.

One company, Belgian Saffron (www.belgischesaffraan.be) was able to develop ideas for new products and packaging, as well as consider the value of provenance and traditional methods of production.

www.innovatiesteunpunt.be

© Belgische Saffraan

THE NEED TO COMMUNICATE QUALITY

Value is only added if the consumer is willing to pay more in practice. This means the product must not only be different, but that the consumer is aware and confident in the difference they are paying for.

Whether considering a new or a traditional product, value can be added by the simple fact of increasing consumer awareness of and confidence in its particular qualities. A crucial aspect of adding value is therefore about demonstrating and communicating those qualities to the consumer, matching precisely their needs.

A useful approach is official accreditation and labelling to confirm the particular qualities of a product. Such schemes are increasingly common and are found in contexts including demonstrating provenance (e.g. Designation of Origin), production methods (e.g. made by hand, organic), animal welfare (e.g. free range) and environmental sustainability (e.g. eco-labels).

Labels can communicate a particular message or story behind a product. However, it is important to guarantee the quality and reputation of a label, as well as considering the dangers of confusing consumers with too many labels. Labels should generally be backed by an official accreditation scheme, which come with certain costs.

An alternative to labelling is provided where producers can have a direct access to consumers to tell their story and communicate their differentiation in person. This is one of the important facets of farmers' markets and farm shops. Once again, the issue of trust is central.

With the advent of technology solutions, there are new opportunities to communicate the messages around differentiated products. Websites, smartphone apps and social media channels can be used in cost-effective ways to raise awareness of differentiated products (these possibilities are explored in more detail in Chapter 2 on Expanding Rural Markets).

RDP SUPPORT FOR QUALITY SCHEMES

EAFRD funding can be used to support quality schemes for agricultural products and foodstuffs (Measure 3).

Sub-Measure 3.1 specifically provides "support for new participation in quality schemes".

Sub-Measure 3.2 specifically provides "support for information and promotion activities implemented by groups of producers in the internal market support for investments in processing/marketing and/or development of agricultural products".

Across the EU, 5.5 % of the funding targeting FA 3A is programmed under Measure 3 (M3).

In Malta and Austria around 30 % of the RDP budget targeting FA 3A is programmed under M3.


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See Chapter 6 for a more detailed consideration of strategies and approaches for effectively making use of the various opportunities provided by the RDPs to add value throughout the supply chain and maximise the benefits for rural producers and rural areas more broadly.

2. Expanding rural markets

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Expanding rural markets means attracting more people to rural areas where they can then purchase local goods and services. This offers the potential for increased margins and improved returns for rural producers.

The creation of ‘rural destinations’ can help brand rural areas to tap into trends around the ‘experience economy’ and ‘slow tourism’. ‘Food tourism’ is a particularly exciting opportunity for many rural areas where they can brand themselves as food destinations.

There are new opportunities for marketing rural destinations through websites, smartphone applications and social media. These can increase visitor numbers to an area and also help consumers to locate individual rural businesses. Rural producers can take advantage of these tools to attract consumers to their door and/or develop online sales.

CREATING RURAL 'DESTINATIONS'

Key to expanding rural markets is to attract new visitors who can then buy rural products and services. A useful practice is to promote rural areas as 'destinations', in which traditional agricultural practices and food can be an important part of the appeal.

There are still many untapped opportunities for rural areas to benefit from tourist demand by adding value to their natural, cultural and human resources. A key component of this can be the creation of 'place branding' strategies, which form part of 'second generation' rural tourism strategies.

The creation of the most effective rural 'destinations' means providing a comprehensive 'offer' to visitors incorporating places to stay, sights to visit, things to do, and food and drink to consume.

Such integrated approaches entail a significant step away from fragmented rural tourism approaches based on competition within the territory and little cooperation.

Making this work to maximum effect requires partnerships between product and service providers, local authorities, tourism offices and other rural stakeholders. In addition to the local stakeholder cooperation, effective place branding also encourages meaningful interactions between visitors and hosts.

To achieve this, there is a need for a clearly defined branding strategy and effective leadership to facilitate collaboration and communication between the varied stakeholders.

There are many examples of LEADER Local Action Groups (LAGs) working with the range of local stakeholders to develop strategies to promote themselves in this way. The recent EAFRD Projects Brochure on 'Smart and Competitive Rural Areas'[1] highlights such an example from Borino in Bulgaria – see also the below box on the example from Estonia.

© Living on the Edge

LIVING ON THE EDGE – ESTONIA

A LEADER cooperation project brought together a range of stakeholders in south-east Estonia to deliver a particularly creative destination programme.

Based on a programme that originated in East Groningen (Netherlands), the project placed 21 yellow squares across the territory of six cooperating LAGs in partnership with National Geographic magazine.

The frames were strategically placed to capture regional characteristics and grab visitors' attention, giving the illusion of looking through an open window.

Local communities proposed 125 locations for the frames, out of which project partners chose 21 sites, representing sites of historical, cultural and natural value in south Estonia.

The route presents local information and introduces small businesses along the way.

Collaboration with National Geographic magazine helped support integrated promotion, including magazine articles, local photo competitions and exhibitions.

People in the local communities have really taken ownership of the initiative. They are responsible for bringing the project to life and have already committed to maintaining the frames until 2020.

- **Project cost ~€ 125 000**
- **EAFRD contribution ~€ 91 000**
- **Public and private co-finance ~€ 34 000**

(1) https://enrd.ec.europa.eu/sites/enrd/files/publi-eafrd-brochure-02-en_2016.pdf

One on-going debate is whether industry-led or community-led strategies are best for place branding. Community leadership can be a way to ensure that place branding strategies reflect local cultures and aspirations, and that communities are able to exert ownership and control over local development.

In any case, it is important that the strategies target increased spending in rural areas and not simply visitor numbers.

RDP SUPPORT FOR LOCAL STRATEGIES THROUGH LEADER/CLLD

Whilst Local Action Groups (LAGs) are free to choose their own Local Development Strategies (LDS), Measure 19 provides support that can be used for the promotion of an area as a rural destination.

The support available can cover, inter alia, implementation of operations under the CLLD strategy (19.2) and preparation and implementation of cooperation activities of the LAG (19.3).

Cooperation between LEADER groups can often be used to tackle the common challenges and build an identity around forms of agriculture and food production covering a wide area (e.g. a river or river basin, mountain range etc.).

RURAL AREAS AS FOOD DESTINATIONS

The branding of rural areas specifically as food destinations offers particular opportunities to support local producers and the wider local economy.

Notable opportunities for rural areas are provided by the growth of trends such as the experience economy and food- or crafts-based tourism. These are explained by an increasing appreciation amongst tourists – from near and far – of local food and crafts and a desire to reconnect with traditional ways of life.

Both of these concepts can be understood as forming part of broader movements around 'slow tourism'. This is a concept that "stresses the importance of the travel experience, the enjoyment and understanding of destinations, cultures, landscapes, slow food and drink, and it has a very strong link to climate change…".[2]

To take advantage of such trends, place branding can add value to a range of products and services which can be 'bundled' together into a distinctive offer. Some of the most effective bundling strategies are when place branding is applied to specific categories of local products and services such as landscape, crafts and hospitality – a concept known as 'clustering'.

In this context, food and drink provide particular and notable opportunities. Firstly, food clustering is a logical response to increasing consumer demand for food and drink tourism. Secondly, there are often strong local traditions in food and drink around which to create a clear and marketable identity as a unique destination.

"Food cluster development can provide benefits to rural communities by bringing in visitors who spend money, by increasing awareness of the identity and image of the place, and by promoting local agricultural products to domestic and international visitors." [3]

Interesting approaches have included promoting areas through food trails, such as the Tokají wine route (Hungary), the Asturias cheeses route (Spain), a plum route through seven municipalities in Poland and the Lower Saxony milk route (Germany). Even places with relatively modest agricultural resources can potentially benefit from food clusters.

There are several examples of LEADER-supported initiatives that have helped local areas to promote themselves as food destinations. These highlight that

POTENTIAL RDP SUPPORT FOR FOOD DESTINATIONS

The RDPs do not specifically target food destinations. However, the Cooperation Measure (M16) offers the flexibility to support such approaches.

Notably, 16.10 can be used to support food clusters and M16.7 provides "support for non-CLLD strategies" which could be based around the creation of a food destination.

Measure 9, which provides support for "setting up of producer groups…" could also, on occasion, play a role in building a food destination.

(2) Lane, B. et al (2013) *Industrial Heritage and Agri/Rural Tourism in Europe*, p.20

(3) Lee, A. et al (2015) Creative food clusters and rural development through place branding: Culinary tourism initiatives in Stratford and Muskoka, Ontario, Canada, *Journal of Rural Studies*, vol. 39 p.134

(4) http://enrd.ec.europa.eu/sites/enrd/files/gp_web_template_ee_or.pdf

approaches can start from a territorial concept – such as the Onion Route[4] in Estonia which brought together 17 local entrepreneurs to offer a range of local tourism experiences linked by the theme of local culinary traditions.

However, approaches can also start from a specific sector of activity (see box on chocolate trails in Scotland). Such approaches can often link in with other sectors and/or broader tourism strategies at a later stage. An important component is the creation of an association between the place identity and the quality of products and services available in that place.

© Highland Chocolatier

SCOTLAND'S CHOCOLATE TRAIL

An innovative project funded by the Scottish Government's interim cooperation scheme (2013-2014) developed a food trail amongst Scotland's artisan chocolatiers.

In recent years, several small-scale producers have been able to source fairly traded, good quality cocoa beans and create uniquely Scottish chocolate using ingredients such as Scottish cream, butter, berries, herbs and whisky.

The chocolatiers recognised the opportunity to work together to encourage visitors to their often isolated rural premises. This approach runs counter to views that would see the producers only as competitors in the same market.

With support from the Scottish 'Think Local' programme, they created a chocolate trail covering all the participating businesses. The chocolatiers developed accompanying demonstrations, tours and classes.

The cooperation partners marketed the trail through a food map and online resource. The national tourism body 'Visit Scotland' also agreed to promote the trail via its website and publications.

ICT TOOLS TO PROMOTE RURAL DESTINATIONS

New technologies facilitate territorial promotion activities that enable visitors to find local producers and services, providing these with a new, digital access to market.

One of the most common approaches to improving digital access to markets is through web-based marketing and promotion activities. Almost all forms of rural business – including producers, retailers and hospitality– can benefit from advertising and promoting their products or services online.

Rural producers can develop their own websites to highlight their products. However, an attractive approach is to work with others to develop common platforms for promoting local businesses using a territorial or sectoral (cluster) approach.

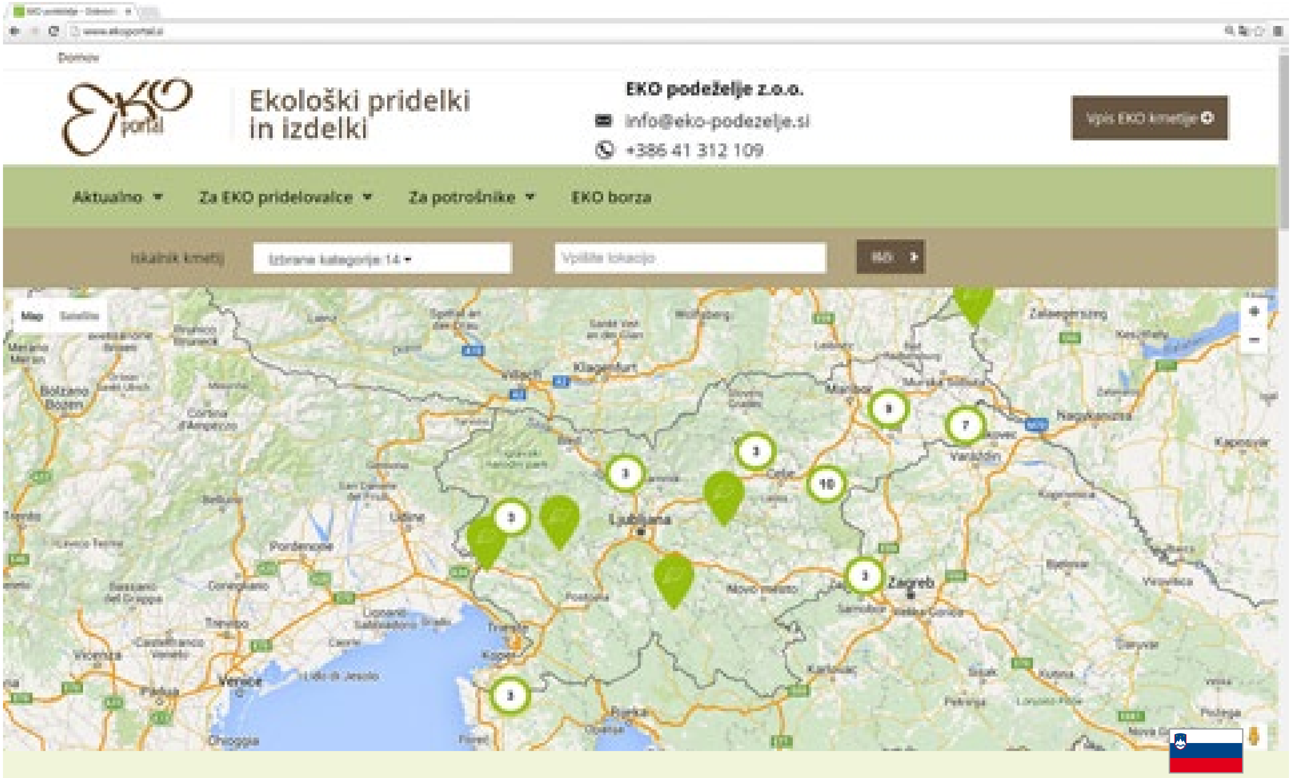
Examples include the initiative 'Pays Gourmand', which used LEADER funding to develop an interactive website allowing visitors to find restaurants using local produce – accredited with a quality label – across three LAG areas in the south of France (see the recent **EAFRD Projects Brochure on 'Smart and Competitive Rural Areas**[5]).

© ENRD CP

(5) https://enrd.ec.europa.eu/sites/enrd/files/publi-eafrd-brochure-02-en_2016.pdf

Social media and smartphone apps are additional tools that can be used to promote rural food destinations effectively and help consumers find quality local products. The example of 'Goodies from the Farm' in Austria shows how small-scale shops and farm producers used a GPS system to help their customers navigate to local food-and-drink businesses in Austria.[6]

The combination of networking and innovation in digital services provides considerable options for rural areas to access consumers who would not normally know where to find local businesses. Using the online tools, they can find the rural products and services that they seek, leading them to make purchases in rural areas.



© Eko Portal

PROMOTING ORGANIC PRODUCE ONLINE IN RURAL SLOVENIA

A project in north-east Slovenia brought together 16 organic farmers to develop common promotional tools for organic produce in the country. This aimed to enable these producers to access wider markets for their added value organic produce.

Promotional tools included an interactive web portal and smartphone app via which organic farms can promote their goods. The web platform provides users with the opportunity to search for organic produce in Slovenia amongst 14 categories, including honey and bee products, herbs, fruits, vegetables, crops, milk, cheese, eggs and meat.

The tool provides results on an interactive map, containing information on the location, products offered and organic certification date of individual farms. It also highlights nearby rural businesses including other organic farms and agri-tourism businesses such as organic 'farmstays'.

The project has already generated private investment in follow-up promotional initiatives and raised the interest of other farmers in carrying out similar cooperative activities.

"The key lesson was that by working together in a group, each organic producer could strengthen his presence in the market."

Silvo Pozderec
Director, EKO podeželje Cooperative

www.ekoportal.si

- **Total project cost: ~€ 343 000**
- **EAFRD contribution: ~€ 200 000**
- **Public co-finance: ~€ 143 000**

(6) https://enrd.ec.europa.eu/sites/enrd/files/gp_web_template_at_gftm.pdf

DIRECT SELLING THROUGH ICT

An alternative approach requiring neither short chains nor rural destinations is direct selling to consumers wherever they may be located, though online tools.

A particularly interesting possibility for rural producers is to use digital tools to enable direct selling to consumers, without the need to rely on traditional supply chains. This offers the potential to increase profit margins and to access a much broader market, including internationally.

This was the approach, for example, of the 'PROVE' project in Portugal, which developed an online platform for local producers, including an online ordering system for consumers.[7]

Furthermore, previously complex challenges around website design, such as online payment systems, can increasingly be delivered through user-friendly software, available to the smallest businesses.

ARCTIC WARRIORS REACHING INTERNATIONAL MARKETS

A small Finnish start-up company used EAFRD support to help its development of a niche product using traditional herbs and plants from Lapland to create new nutritional supplements.

The project devoted significant energy to promoting the products online, based on a powerful branding strategy highlighting the new product range's Lappish origins.

A dedicated website contains promotional material, including customer testimonials and linking to a strong social media presence. The website also has an online shop, as well as links to more than 25 other online stores from where Arctic Warriors products can also be purchased.

Arctic Warriors have expanded swiftly across Finland and into the Norwegian and Swedish markets. The team have also continued to build further international marketing activities. 'Berrytime', a Hong Kong-based online shop, is now selling Arctic Warriors products worldwide. The company is also negotiating with potential resellers in South Korea, China and Canada.

www.arcticwarriors.fi

- **Total cost: ~€ 31 000**
- **EAFRD contribution: ~€ 15 000**
- **Private contribution: ~€ 16 000**

© Arctic Warriors

(7) www.prove.com.pt

3. Urban food markets and strategies

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Urban areas are the biggest and most advanced markets for food. They therefore represent the most important market opportunity for rural producers – especially those located close to major cities. Ways are being explored across Europe to improve rural-urban linkages and rural-to-urban supply chains.

These efforts offer potential benefits to rural producers in terms of better access to urban markets at reduced costs. They also offer benefits to citizens in urban areas through improved access to quality local produce.

However, attention needs to be given to how Rural Development policy and urban food strategies can most usefully support each other to maximise these benefits in both rural and urban areas. Rural stakeholders, including rural producers, need to be fully represented in these considerations.

URBAN FOOD STRATEGIES IN EUROPE

IMPROVING RURAL-URBAN LINKAGES

INCREASED EXCHANGE ON INTEGRATED FOOD POLICIES

THE NEED FOR GREATER PRODUCER INVOLVEMENT

URBAN FOOD STRATEGIES IN EUROPE

European cities have developed urban food strategies for reasons including concerns around food security, population health, environmental impact, and local economic development.

Urban areas are clearly the biggest and most advanced markets for food in any country. Rural businesses and farms can therefore benefit significantly from keeping abreast of changes in these urban food markets in order to respond effectively.

The food policies being instigated by many cities across Europe are therefore particularly interesting in this context. These policies are often implemented as 'urban food strategies'.

Urban food strategies have most often been developed by municipal authorities in consultation with food policy councils – network platforms that strive to include the full range of urban stakeholders involved in the food system, from production through processing and distribution to consumption and urban waste collection.

Although set in the context of global and European challenges, these urban food strategies tend to address specific local priorities and have often emerged from a particular set of circumstances. For example, the London Food Strategy (UK) emerged from concerns around food security (see box) due to the city's reliance on food imports and the potential disruption to those flows.

Meanwhile, the city of Oss – in south-east Netherlands – rethought its food policies after residents started contracting livestock-related diseases such as Q fever. The city is now part of a bigger regional network, 'Agrifood Capital', bringing together entrepreneurs, governments and the education system, to define and implement projects in food that address issues in (public) health and sustainability.

Ghent (Belgium) and Malmö (Sweden) are two cities with well-developed food policies in the context of broader sustainability agendas. Other major cities such as Copenhagen (Denmark), Riga (Latvia), Rome (Italy) and Vitoria-Gasteiz (Spain) have formulated or are in the process of formulating food policies.

© London Developement Agency

THE LONDON FOOD STRATEGY

London developed a Food Strategy in 2006. In that year, the Mayor of London produced a policy document called 'Healthy and Sustainable Food for London'. This was partly in response to the threat of empty shelves in London supermarkets if 'Just-in-Time delivery' of fresh produce should fail.

There were particular concerns around the potential impact on food supply from exceptional circumstances such as lorry driver strikes, an oil supply crisis, airport closedown, terrorist attacks, or any other unforeseen disruption, such as occurred with the Eyjafjallajökull volcano in Iceland in 2010.

The London Food Strategy called, amongst other things, for greater independence from foreign imports, more emphasis on locally grown produce and more aggressive protection of farm land in the (peri-)urban landscape.

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ROTTERDAM FOOD POLICY

Rotterdam developed a food policy in response to cutbacks in budgets for the maintenance of peri-urban and urban green spaces. Farmers (urban, as well as peri-urban) were invited to reconnect to the city in order to maintain or even improve access to and quality of the metropolitan landscape.

In subsequent years, other urban policy goals were highlighted in the Rotterdam food strategy, such as access to good food in low income neighbourhoods. Urban farming was promoted in these areas, alongside related initiatives such as a school meals project and a pop-up restaurant teaching children to grow their own vegetables and cook proper meals from scratch.

Climate goals rose in importance, reflected in the promotion of short food supply chains and the development of circular economy pilot schemes in relation to food. Examples include the composting of urban green waste rather than sending it to landfill or incineration, and looking at nutrient recovery from sewage. Other initiatives included rooftop and surface community gardens which could buffer storm water, reduce urban heat and produce food.

More recently, the Rotterdam food policy has taken a more economic direction, and the 'Rotterdam Food Cluster' promotes the role of food business in the economic development of the city (jobs, added value and innovation) and highlights the current and potential role of the city, the ports and the industrial zones as an efficient food hub in the global (or at least European) food system.

IMPROVING RURAL-URBAN LINKAGES

Efforts to improve rural-urban linkages are often central to urban food policies as well as being at the heart of rural development thinking.

Work on short supply chains has been at the forefront of efforts to improve rural-urban linkages for a while (see box). These are chains characterised by a reduced number of intermediaries between the food producer and consumer.

Major drivers of efforts around short food chains have been the dual aims of improving food quality for (urban) consumers and ensuring that a greater proportion of the value-added is retained by the producers and primary processors, rather than intermediaries or retailers.

Well-established approaches include the creation of farmers' markets and farm shops to enable direct selling by producers, as well as approaches that try to generate shorter chains through the collaboration of urban consumers and rural (and peri-urban) producers.

Much of the attention has focused on how rural producers can work to shorten chains and access urban markets. Farmers can adapt to specific urban needs by, for example, diversifying into a variety of crops for the urban market, growing legumes rather than rearing cattle and making investments in processing.

However, farmers can only be expected to do this if they can have confidence that the evolving demand needs have at least a medium-term time frame. Crucially, this time frame is longer than a typical election cycle. The current reality is that, all too often, food policies are vulnerable to changes in the political leadership of the day.

This was the case, for example, in Amsterdam which developed an ambitious urban food policy with a dedicated budget. Its main goals were to promote healthier and more sustainable food and to find a new role for farmers in the peri-urban region. However, the policy was abandoned overnight after local elections.

EIP-AGRI FOCUS GROUP REPORT ON SHORT SUPPLY CHAINS

The European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI) ran a Focus Group on innovative short food supply chains (SFCs) which delivered a final report[1] in November 2015.

"The group agreed that whilst it is not currently possible to identify a single model which is most appropriate for scaling up, the idea of collaborative SFCs offers the most potential. The group defined collaborative activities broadly as those in which more than one farmer, food producer, organisation or individual agree to work together for the following mutual benefits:

- improved product ranges available to consumers;
- resource sharing amongst producers and processors;
- maintaining local food chain infrastructure (such as abattoirs);
- increased negotiating power for groups of producers;
- reduced competition between small producers; and
- mutual support to combat isolation and stress."

© EIP-AGRI

FOOD HUBS

Food hubs have also attracted attention as a mechanism for enabling more small-scale producers to access larger (largely urban) markets. Food hubs are virtual and/or physical platforms to connect numerous producers and consumers.

At its simplest, a food hub can act in the same way as a traditional wholesaler or commodity clearing house. But it can also act as a 'broker' – managing information flows between actors in the food supply chain, facilitating particular types of relationships and supporting defined objectives.

Physical hubs can take the form of a depot or warehouse, which aggregates and distributes local foods either to large-scale customers or individual consumers. Virtual hubs can be information sources which help consumers to identify local food producers and in some cases to order directly from them.

In the US, food hubs are regarded as an important component of the scaling up of local and regional food systems.[2] Although less developed in Europe, an interesting example from France is Agrilocal[3] (see Chapter 4 on Public Food).

(1) https://ec.europa.eu/eip/agriculture/sites/agri-eip/files/eip-agri_fg_innovative_food_supply_chain_management_final_report_2015_en.pdf
(2) See the National Good Food Network for many practical resources and studies on US food hubs – www.ngfn.org
(3) www.agrilocal.fr

INCREASED EXCHANGE ON INTEGRATED FOOD POLICIES

Increased interest in the role and potential of integrated food strategies is highlighted by various networking and exchange initiatives that have emerged on the topic.

It is too early to assess the full potential of the role of (urban) food policies in rural development. Nevertheless, we should welcome new alliances between the urban and the rural, between production and consumption, between agriculture and food.

At many levels, consideration is being given to these issues through increased networking and exchange on the topic of urban food policies. These have involved – to different degrees – cities, policy-makers, researchers and civil society organisations.

A national example

Dutch cities cooperate and exchange experiences in the 'City Network on Urban Agriculture', a platform aimed at civil servants from cities that have officially adopted or are informally subscribing to the aims of the 'Urban Agriculture Agenda', a document proclaiming the importance of food production in the urban and peri-urban environments.

The 'Urban Agriculture Agenda' advocates more room for agriculture in physical planning, a growth in short food supply chains (made possible also by a growth in smaller, decentralised processing facilities), more ambition and professionalism in closing urban nutrient cycles, maintenance of biodiversity and urban livestock keeping.

A European example

Foodlinks'[4] is a collaborative project funded by the Seventh Framework Programme of the European Commission linking scientists, policy-makers and civil society organisations.

Within its remit to "promote sustainable food consumption and production", the project developed a specific 'Community of Practice on Urban Food Strategies'. The project illustrated the different paths and forms urban food strategies take in different contexts, highlighting strengths and weaknesses, and developing a vision of why and how urban food strategies might emerge and be supported.

The project was carried out by a consortium of 14 partners (universities, regional and local governments and civil society organisations) from nine EU countries. Amongst other outputs, the project has provided case studies on urban food policies in: Bristol (UK-England); Vitoria-Gasteiz (Spain-Basque Country); Tukums (Latvia); and Malmö (Sweden).

A global example

The 'Milan Urban Food Policy Pact'[5] is an international protocol engaging cities in the development of food systems based on the principles of sustainability and social justice.

The commitment for the coordination of international food policies – signed by more than 100 cities from every continent on 15 October 2015 – is one of the most important legacies of the Universal Exhibition on Food and Agriculture, Expo Milano 2015.[6]

The commitments cover: healthy and sustainable diets; food banks; labour standards in food; protection of and access to productive land; reduction of food waste; and recapturing urban nutrients, urban water, and urban organic matter to grow food.

MILAN URBAN FOOD POLICY PACT

© Milan Urban Food Policy Pact

(4) www.foodlinkscommunity.net/foodlinks-home.html
(5) www.foodpolicymilano.org/en/urban-food-policy-pact-2
(6) www.expo2015.org/en/

THE NEED FOR GREATER PRODUCER INVOLVEMENT

The real opportunity with urban food strategies is in linking rural producers with consumer needs and preferences. However, producers remain largely under-represented in food strategies.

The food system is a multi-layered and a multi-actor system. In line with the stakeholder approach, effective food strategies should therefore involve parties representing the rural (production, processing...) as well as the urban (consumption, waste...) sides of the food system.

When treated separately, the result can be 'rural' conversations about, for example, the respective merits of organic compared to conventionally grown apples, whilst the 'urban' conversation is about obesity and the choice between apples and highly processed sweets.

The best food policies are supposed to bridge the gap between production and consumption. However, departmentalisation may continue to exist within municipal bureaucracies and also between the urban core municipality and the rural fringe municipalities.

In Rotterdam, for example, public green space, urban development and public health are manged by different departments with different interpretations of food policy. The food policy document and the food council take an inclusive approach in principle, but in practice silos of specialisation may persist.

Research shows that food councils in the UK have diverse membership, but that farmers are not always properly represented, nor are multiple retailers or the food processing industry.

Food policies can on occasion be biased toward the public side of the food system, while civil society organisations and, particularly, market-oriented parties are not very well integrated (this is for example the case with the 'City Network on Urban Agriculture' in The Netherlands and the 'Milano Urban Food Policy Pact').

There is still a question about how (urban) food policies can successfully complement and reinforce the efforts of the Rural Development Programmes (RDPs) (see Chapter 6). However, it is assumed that a more integrated approach will create more impact than separating the challenges and opportunities into 'urban' and 'rural' silos. Work still needs to be done, but the subject is on the agenda and we are moving forwards.

RDP SUPPORT TO ACCESS URBAN FOOD MARKETS

Rural Development Programmes (RDPs) are managed at national or regional level rather than city level and physical investments are usually restricted to rural rather than urban areas. However, there is a lot that RDPs can do to help rural farms and other businesses to access urban food markets.

The Measures for knowledge transfer and information (M1), for example, can be used to collect and disseminate market intelligence, quality schemes (M3) can be adapted to the concerns of urban consumers, and advisory services (M2) can help rural producers respond to emerging urban market trends. Even though physical investments will generally be concentrated in rural areas (e.g. M4.2), these can support production processes and logistics (food hubs) which provide access to urban markets.

COOPERATION

In particular, the new Cooperation Measure (M16) opens up important opportunities for rural farms and businesses to link into urban food initiatives and get their voice heard.

- Various components of the Cooperation Measure could be particularly useful in building linkages with urban research centres (M16.1 for Operational Groups), exploring and testing pilot projects (16.2), creating short supply chains (M16.4) and other forms of collaboration.
- Furthermore, the enhanced Measures for cooperation under Community-Led Local Development (M19) allow LEADER groups to cooperate with similar partnerships in cities.

It will be important to follow how these new RDP tools are actually applied to help farmers and rural actors benefit from some of the exciting trends taking place in urban areas.

4. Accessing the market for public food

© Innocat

The public sector is an extremely important purchaser of food and drink in Europe. This spending on 'public food' offers significant potential to achieve multiple objectives including: supporting the local economy; shorter supply chains; and better quality food.

However, efforts are needed to bridge the divides between (smaller) local producers and the requirements of the public purchasers.

Rural Development Programmes (RDPs) can support collaborative approaches amongst producers so that, together, they can ensure the capacity to meet public contract requirements. Nevertheless, such approaches will only work if backed up by appropriate public procurement procedures.

There are opportunities for the relevant authorities to share practical approaches to organising public food contracts to prefer quality local food. Online tools and the use of disaggregated contracts are examples of useful approaches.

THE PUBLIC FOOD MARKET

Public spending on food offers significant potential to achieve multiple objectives including: supporting the local economy; shorter supply chains; and better quality food. However, efforts are needed to help local producers to access this market.

The public sector is an extremely important purchaser of food and drink in Europe. The UK government recently highlighted that in England alone, the public sector spends more than € 1.5 billion every year on food and drink.[1]

All over the EU, public authorities award contracts for food provision and food-related services for cafeterias in civil service buildings, hospitals, prisons, schools, universities, as well as social programmes – amounting to many billions of euros every year.

The value of public procurement contracts for food and drink can be used in strategic ways, to have a positive impact on, amongst others, the local economy, food quality, the environment; and people's relationship with the food they eat.

In 2011, the United Nations Secretary-General Ban Ki-moon highlighted that "procurement… can harness the power of the supply chain to improve people's lives… This enormous purchasing power can exert a positive influence on economic systems to the benefit of people."[2] This logic from the international development context applies just as well to the rural development context in Europe.

For example, a school buying food and drink from local suppliers can ensure that their use of public money supports local producers, reduces greenhouse gas emissions from transport and even opens the potential for educational activities with the farms and farmers supplying the school.

However, consolidated efforts are needed to overcome the barriers that currently prevent public spending from maximising its potential contribution to rural development.

ENSURING COMPATIBLE PUBLIC PROCUREMENT PROCEDURES

Before purchasers and producers can successfully harness the value of public procurement contracts towards rural development objectives, public procurement procedures need to make such approaches possible.

Concerns about making the best use of public money have long pushed many public purchasers – and the procedures surrounding public purchasing decisions – to prioritise the cheapest options available.

Discussion on public procurement policies was commonly limited to issues of openness, transparency and non-discrimination – as emphasised in the 'Agreement on Government Procurement'[3] of 1995 under the auspices of the World Trade Organization.

However, there is increasing recognition[4] that public procurement can also be framed in terms of supporting wider societal goals and that a focus on cost alone ensures good use of public money only in a narrow, short-term sense.

Provision needs to be made in public procurement procedures to make decisions on considerations other than cost. EU legislation is supportive of such developments.

The updated EU Procurement Directives[5] encourage the use of "most economically advantageous tender" criteria when awarding public

INNOCAT – EXCHANGE ON ECO-INNOVATIVE CATERING

The three-year project 'Innocat' – supported by the EU's 'Competitiveness and Innovation Framework Programme' – is providing a valuable reference source for addressing social and environmental concerns in public food procurement.

The project brought together a group of public and private buyers to publish a series of tenders for eco-innovative catering products, services and solutions. The group sought to demonstrate how the areas of transport, energy efficiency, and waste re-use and recycling could be improved.

Innocat's group then shared their experiences on an online discussion forum with other buyers interested in sustainable procurement.

www.sustainable-catering.eu/home

(1) A Plan for Public Procurement: food and catering, (2014) *Department for Environment, Food and Rural Affairs, UK government*
(2) Procurement and the Millennium Development Goals, Supplement to the 2010 Annual Statistical Report on United Nations Procurement
(3) www.wto.org/english/tratop_e/gproc_e/gpa_1994_e.htm
(4) See 'The Power of Procurement: Public Purchasing in the Service of Realizing the Right to Food', Olivier de Schutter, UN special rapporteur on the right to food
(5) http://ec.europa.eu/environment/gpp/eu_public_directives_en.htm

tenders. In practice, this means that public authorities are permitted to look beyond price considerations when awarding public sector food contracts. Quality and sustainability can also be factors.

These arguments are being made to good effect across Europe, leading to amendments to public food procurement procedures to prioritise aspects such as quality and reduced food miles over purely cost considerations. These changes are making it possible for public purchasers, such as schools and hospitals, to purchase locally. In other words, they are opening this significant public food market to local rural producers.

© Baltic Studies Centre

A STRATEGIC APPROACH TO PUBLIC FOOD IN TUKUMS, LATVIA

The strategic objectives of Tukums' Urban Food Strategy have focused on the issue of public food. This issue was highlighted through stakeholder consultations, which revealed that 90 % of farms in the Tukums municipality are small and only a minor part participated in school meals provision.

The food strategy's objectives include:

- Education for children on healthy food;
- Healthy and sustainable food at kindergartens, schools, hospitals and care houses;
- Local sourcing / facilitating procurement from local producers;
- Availability of local products and ensured proof of origin.

The actions taken are focused on developing:

- New public procurement procedures for school meals provision in 2017-2021, including targets and mechanisms towards healthy nutrition (balanced menus, education of cooks, etc.);
- A 'School Fruit' programme ensuring direct supply of products to seven school kitchens, which organise procurement themselves;
- Participation in centralised service provision via a school catering company contracted by the municipality (mostly for 14 urban educational and care establishments); and
- Organisation of on-farm educational activities and excursions for children.

Ongoing support is given through the Tukums branch of the Latvian advisory service to bring the stakeholders together.

NEW APPROACHES TO AWARDING CONTRACTS

Decision-makers in schools, hospitals, nursing homes etc. need to implement food procurement practices that make it realistic and feasible for local producers to access the contracts.

The 'Foodlinks'[6] research project established collaboration among universities, administrative bodies, policy-makers and civil society across Europe in support of the better promotion of sustainable food. It set up a 'Community of Practice on Revaluing Public Sector Food Procurement' (RPP CoP)[7] which highlighted a number of practical actions that can enable rural producers to supply public-sector customers (see box).

In practice, various models can be explored, including the disaggregation of contracts, which allows for tender lots to be split into smaller packages so that producers do not have to supply the full range of produce required. Several examples of good practice are demonstrated in the pilot project implemented in East Ayrshire, Scotland (see box).

In many cases, purchasers will need to be encouraged to recognise the added benefits of sourcing locally produced goods and to then integrate such thinking into the procurement procedures. The Slovenia example (see box) shows the benefits of working with purchasers as well as with producers in harnessing the potential of the public food market for rural development.

It can be noted that, in general, more work has been done around accessing the school markets, tapping into concerns about young people's health and educational possibilities. However, there is still room for a lot more consideration of access to other public food markets, including hospitals, airports and other public buildings offering communal catering.

FOODLINKS RECOMMENDATIONS ON PUBLIC PROCUREMENT

- Need for a creative procurement approach;
- Tailored to local culture and governance context;
- Use of smaller 'lots';
- Use of innovative award criteria;
- Progressive, incremental approach;
- Develop indicators and action plan;
- Need for skills and collaborative working;
- Many examples available…

ACCESSIBLE PUBLIC FOOD CONTRACTS IN EAST AYRSHIRE

Pilot interventions in the mixed rural-urban area of East Ayrshire, Scotland, led to the area's markedly increased engagement of local producers in the supply of public food. It offers the potential to reverse local economic decline and population losses.

The procurement activity began as a small pilot project in 2004 with one primary school. The approach was to divide the supply of food into nine lots – rather than the previous four – to allow a range of suppliers to engage in the process. Contracts were awarded to producers able to supply food within a 65 km radius and evaluated 50 % on price and 50 % on quality.

To further ensure the involvement of small-scale producers, an effective communications campaign was carried out. In this way, a series of contracts were awarded to local suppliers, including dairy farmers, fresh fish suppliers and organic producers.

The process was designed to result in healthy, high-nutritional-value food that was 30 % organic, 50 % locally produced and 75 % unprocessed. All of these targets were exceeded. It also delivered clear benefits to the local economy – the project estimated a threefold return on investment for the local economy.

Surveys found a high degree of satisfaction with the new approach amongst the different stakeholders. Nearly 80 % of local producers welcomed the opportunity to enter the public procurement process, whilst both parents and pupils expressed appreciation for the improved quality of the food and reduced food miles.

The procurement approach has been extended to 40 primary schools, five nursery schools and a secondary school in East Ayrshire.

(6) www.foodlinkscommunity.net/foodlinks-home.html
(7) The end result is a wealth of shared experience, available online, that is informing the debate on the sustainability of public food. See: www.foodlinkscommunity.net/cop-public-procurement.html

PRODUCER COLLABORATION TO ACCESS PUBLIC FOOD CONTRACTS

Even where the public food market is 'open', many rural producers will not have the capacity to win and fulfil a public contract. They can overcome this through collaborative approaches.

Accessing the market for public food is challenging for rural producers because individual farmers struggle to meet purchaser requirements for consistency of volume, diversity of supply and quality guarantees.

These barriers can potentially be overcome if producers pool their resources to meet the contract requirements together – sharing the profits, but spreading the risks. However, such collaboration is unlikely to happen by itself.

Efforts are needed to support the development of collaborative approaches suitable to local circumstances and culture. These can be formally established producer groups or more informal collaboration arrangements.

For collaborating local producers, public sector contracts can offer a significant market opportunity, as well as the potential for regular and assured payment, and relatively stable and predictable demand.

RDP SUPPORT FOR PRODUCER COLLABORATION

There are at least four main ways in which the Rural Development Programmes (RDPs) can support producer collaboration, which could be used to enable access to large public food contracts:

1. M9 can be used to support "the setting up of producer groups…".
2. M16 can be used to support the establishment and/or operation of a cooperation project, including "among small operators in organising joint work processes" or "for horizontal and vertical cooperation among supply chain actors for the establishment and development of short supply chains".
3. M19 provides support for LEADER/CLLD Local Action Groups, which can support local producers in developing collaborative approaches.
4. M2 can be used to support the set-up and use of Advisory Services, as well as the training of advisors who can play a key role in developing collaborative processes among producers.

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© Heart of Slovenia

SUPPLYING PUBLIC FOOD THROUGH A COOPERATIVE IN SLOVENIA

The Jarina Cooperative accessed LEADER funding through the 'Heart of Slovenia' Local Action Group (LAG) to support the organisation of local producers to take advantage of the particular opportunity presented by the newly opened public food market.

Jarina sought to overcome the barriers to accessing this market by facilitating cooperation between a network of (small) producers. Its first task was to explain to producers that by working together they could increase the profile of their businesses. Although not all small farmers were receptive to the idea, the result was the creation of a network of over 100 local farms of different sizes and scales.

The cooperative has organised the whole supply chain in order to match up the relative requirements and capacities of producers and purchasers, picking up goods on the farm and delivering them to the buyers.

They implement a market-led approach, combining the goods of multiple producers to achieve collectively the consistency and quality of supply needed to satisfy the market. Through working with Jarina, each local producer is able to concentrate on their core activity of food production, leaving the cooperative to help identify and develop the market.

At the other end of the supply chain, Jarina worked with schools and kindergartens to raise their awareness of the (seasonal) availability and potential uses of local ingredients and to support them in forming a consortium for coordinating food purchase. It linked these discussions with the development of educational programmes aiming to promote the benefits of consuming local produce to children and their families.

Whilst the initiative has been reliant on public subsidies to offset the costs involved in organising the supply chain, an additional success has been that the network of suppliers coordinated by Jarina has now started to win large private-sector contracts using the same approach.

- **Total project: cost ~€61 000**
- **LEADER funding: ~€49 000**
- **Private co-finance: ~€12 000**

TOOLS TO BRIDGE THE PRODUCER-PURCHASER 'DIVIDE'

Regulations and processes are essential, but not sufficient to enable access to public food markets. Efforts are needed to help bring producers and purchasers together.

During the ENRD Thematic Work on smart supply chains, Robin Gourlay (Food and Drink Policy, the Scottish Government) stressed that those involved in the process must actively engage producers and suppliers because contracts are "unlikely to happen by chance". He advocates the involvement of governments and advisory bodies in the promotion of sustainable procurement.

Online tools are creating new opportunities to organise the supply-demand relationship by matching demand with the available supply from multiple producers – this is another way of enabling this key relationship between small producers and public purchasers (see box).

The example of Latvia is also illustrative of the benefit of developing cooperation. The country has 26 Rural Advisory and Research Centres, which are helping to connect producers to those looking to procure food and drink. Advisory bodies can play a key role in putting local producers in contact with schools and hospitals as well as in supporting and helping win public sector contracts.

Networking and the exchange of approaches that actually work in practice have a key role to play in enabling practitioners to deliver the desired change. Knowledge sharing could be supported by national networks, and the evaluation and monitoring of pilot schemes. Mr Gourlay also advocates building a toolkit for producer accreditation and supplier development.

AGRILOCAL

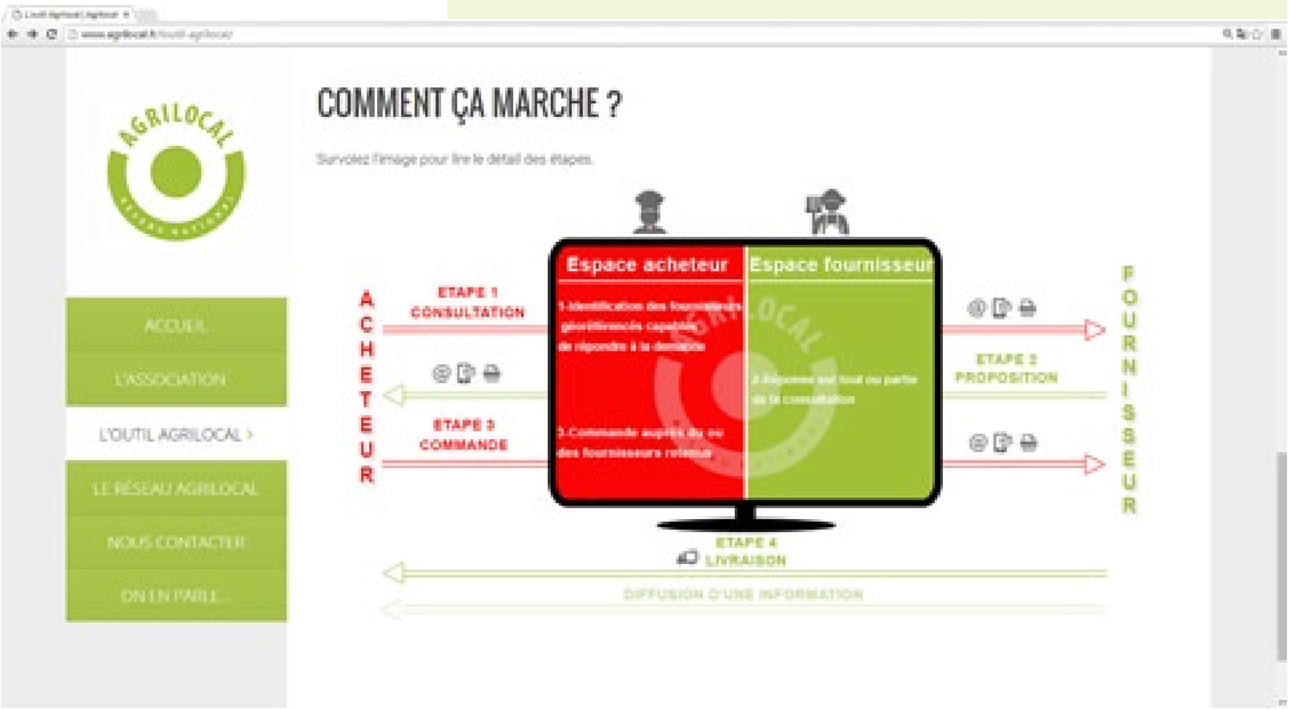
The French 'Agrilocal' online platform was designed as a tool to enable effective interaction between local producers and purchasers of food and drink for public kitchens.

The platform was introduced by the Conseil General of the Drôme and Puy-de-Dôme departments. Its use requires a simple registration for buyers as well as for producers who are geo-referenced in a comprehensive database.

Producers can post their available produce on the tool and buyers can thus identify (multiple) suppliers who can meet their purchasing needs in a quick and easy-to-use way. The tool simply facilitates the contact. Each transaction is still individually negotiated between purchaser and supplier.

The online tool improves supplier-provider links and allows a definition of requirement focussing on provenance and quality, while respecting public procurement procedures. Around 30 departments have now adopted the tool to the benefit of local producers and shorter supply chains across France.

http://www.agrilocal.fr



© Agrilocal

5. Using smart specialisation for rural development

© Tim Hudson

Smart specialisation is a new policy approach to innovation strategy planning which offers a major opportunity for rural development. It identifies priority areas for support based on a participatory analysis of a territory's particular strengths and potential.

Due to strong interest, the European Commission has established a 'Smart Specialisation Platform' for Agri-Food. This tool aims to enhance coordination among existing public and private resources on agri-food innovation strategies.

Such approaches offer new opportunities to strengthen the rural dimension of innovation to the benefit of rural areas. This can include quality research on market trends, business opportunities, and innovative products and services in the agri-food sector.

The concept of 'smart LEADER' shows how smart specialisation strategies can be applied with local stakeholders to maximise the potential of Local Development Strategies (LDS).

SMART SPECIALISATION

A EUROPEAN SMART SPECIALISATION PLATFORM FOR AGRI-FOOD

SMART SPECIALISATION FOR RURAL AREAS

SMART SPECIALISATION IN LEADER

SMART SPECIALISATION

Smart specialisation is a new policy approach to innovation strategy planning which could open up major opportunities for rural producers to build on their assets and connect with sources of innovation and finance.

The concept of 'Smart Specialisation Strategies' (S3) – otherwise known as 'Research and Innovation Strategies for Smart Specialisation' (RIS3)[1] – began to emerge in response to an overly fragmented European research and innovation landscape.

Smart specialisation aims to promote collaboration among research and knowledge institutions, businesses and investors to reduce duplication in regional investments in science and technology. It aims to focus research activities on a limited number of promising priorities with high transformative potential for a territory.

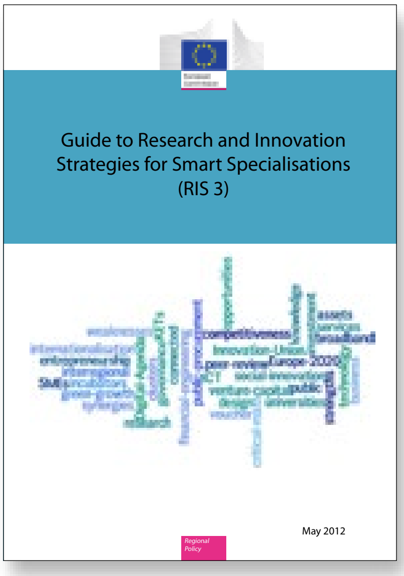
S3 builds on and integrates national or regional strengths, expertise, potential and capacity. It identifies priority areas for support, based on an analysis of the particular strengths and potential of a territory's economy, emphasising the importance of specific regional knowledge.

The approach thus prioritises deeper and broader engagement with stakeholder communities in the decision-making process. It specifically aims to mobilise local economic players to help generate new ideas and research topics taking existing assets and local specificities into account.

This more flexible and open-minded approach is also characterised by a willingness to go beyond research-oriented and technology-based activities and to embrace a broader view of innovation. This can mean the identification of niche areas of competitive strength or more demand-driven dimensions involving societal challenges.

S3 attempts to address gaps from previous research and innovation initiatives, which were focused on redistribution and infrastructure. It seeks instead to promote investments in cross-sectoral support for value chain developments. It thus expects to speed up innovation outcomes.

Having moved beyond the scientific literature, the S3 concept is now firmly embedded in the Cohesion policy of the European Union (EU): to receive research and innovation funding from the European Regional Development Fund (ERDF), a smart specialisation strategy must be deployed.



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ENTREPRENEURIAL DISCOVERY PROCESS

The 'Entrepreneurial Discovery Process' (EDP) is at the heart of a successful Smart Specialisation Strategy (S3). The EDP is an inclusive bottom-up process involving a range of innovation actors – businesses, technology centres, universities, civil society etc. – in the identification of new opportunities and the design of RIS3.

SIX STEPS TO SMART SPECIALISATION

1. Analysis: identify the socio-economic and innovation engines of regional growth, competitive advantages, weaknesses, challenges.
2. Future-oriented: shift focus from "current economic performance" to "development potential".
3. Make choices: identify a limited set of priorities on where to concentrate investment.
4. Stakeholder involvement: set priorities to achieve an inclusive and interactive process.
5. Broad view of innovation: support technological, practice-based and social innovation.
6. Monitoring and evaluation: feedback learnings into the policy cycle and allow for strategy revision.

(1) http://ec.europa.eu/regional_policy/sources/docgener/presenta/smart_specialisation/smart_ris3_2012.pdf

A EUROPEAN SMART SPECIALISATION PLATFORM FOR AGRI-FOOD

Following the high level of interest demonstrated, the European Commission launched a dedicated 'Smart Specialisation Platform for Agri-Food'.

A broad Smart Specialisation Platform (S3 Platform)[2] was established in 2011,[3] providing a focal point of efforts to drive uptake of the S3 concept and methodology. The platform is not a funding mechanism, but provides professional advice on the design and implementation of regional Smart Specialisation Strategies.

Platform participation is free of charge, with registered participants able to use the technical assistance of Structural Fund programmes or other financial resources to take part.

Agri-food-related issues are the most prominent priority areas selected by EU countries – accounting for 23 % of the priorities for smart specialisation encoded in the Platform's 'Eye@RIS3' database. On this basis, in June 2016, the European Commission launched a new and exciting initiative to assist regions in their efforts to develop new agri-food value chains: a dedicated 'Smart Specialisation Platform for Agri-Food'.

The aim of the dedicated platform is to drive an integrated and multi-stakeholder approach to enhance coordination among existing public and private resources, including at EU, national, regional and local levels.

Utilising the Entrepreneurial Discovery Process, the new platform promotes exchange of information and mutual learning between regional authorities and regional actors.

Sub-themes expected to become a priority for the work of the new platform include: agriculture and ICT; water; low-impact farming; and food and health. Analysis of agri-food priority areas encoded in the 'Eye@RIS3' database showed that the most frequent priority is agri-food new technologies (23 %), followed by agri-food and tourism (20 %), and food with higher added value (13 %).

In focusing the innovation efforts of regions and scaling up innovation projects that have the potential to be a business driver across regions, the platform will complement the work of the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI).[4] The platform will also consider the complementary funding instruments that can support the pipeline of projects resulting from the platform (European Structural and Investment Funds, Horizon 2020, etc.).

The investment opportunities generated by the S3 Agri-Food platform are expected to contribute to a more competitive and sustainable EU food supply chain and more jobs and growth, especially through the numerous SMEs and micro-companies that make up this chain.

FIVE ASPECTS OF SUCCESSFUL AGRI-FOOD INVESTMENT PROJECTS

- (a) the Entrepreneurial Discovery Process (EDP) and Community-Led Local Development (CLLD);
- (b) collaboration in agri-food value chains;
- (c) infrastructure building;
- (d) place-branding; and
- (e) knowledge dissemination and education.

Source: Joint Research Centre report on 'Food and gastronomy as elements of regional innovation strategies'.

AGRI-FOOD – A SMART SPECIALISATION PRIORITY

270+ (23 %)
of S3 priorities are related to agri-food

1 in 3
regions selected an agri-food-related priority

PRIORITY AGRI-FOOD SUB-THEMES

- (New) technologies **23 %**
- Tourism related **20 %**
- Higher Added Value food **13 %**
- Aquaculture, Maritime **12 %**
- Eco-friendly production **7 %**
- Others **26 %**

Source: Smart Specialisation Platform

(2) http://s3platform.jrc.ec.europa.eu/home
(3) Following the Communication 'Regional Policy contributing to smart growth in Europe 2020' http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/smart_growth/comm2010_553_en.pdf
(4) http://ec.europa.eu/eip/agriculture/

SMART SPECIALISATION FOR RURAL AREAS

Smart specialisation broadens the vantage point for rural development actors and provides new opportunities to drive innovation strategies that can benefit their rural territories.

The S3 approach to priority identification based on local knowledge and expertise means that rural development practitioners have an opportunity to be part of a wider conversation that can look beyond national/regional administrative boundaries.

A recent Joint Research Centre (JRC) policy brief on 'Smart Specialisation and Innovation in Rural Areas'[5] has sought to highlight "that Research and Innovation Strategies for Smart Specialisation (S3), despite their sectoral origins, provide a favourable and supportive framework for innovation in rural areas and, on the other hand, that there is a wide range of innovation activities in rural areas, often unmentioned in the innovation policy literature…".

Through the new approach to developing innovation strategies, S3 is thus expected to "overcome the urban bias of past innovation policies, when the rural dimension of innovation has often been neglected".

In this context, there is an opportunity for rural development stakeholders – including businesses, academia or citizens – to contribute to this agri-food value chain development and seek to increase the benefits for rural areas. Now is the time to get on board via the Smart Specialisation Platform for Agri-Food.

To fully understand economic development paths based on agri-food, policy decisions must be informed by quality research especially on food consumption trends, market foresights and business opportunities.

Niches that have the potential to generate new innovative products and services in the agri-food sector should be explored: from research and development (R&D), farming, food manufacturing and production to transformation, processing, marketing and delivery.

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Such niches can emerge from the cross-fertilisation of traditional agri-food sectors and services, e.g. agriculture, food production and gastronomy, with other sectors including tourism, hospitality, handcraft and education.

Despite the opportunities described above, several stakeholders in the ENRD's thematic work on 'Smart and Competitive Rural Areas' suggested that Smart Specialisation Strategies were often seen as the reserve of national or regional 'high-flyers' and risked becoming cut off from the creative energy that exists in rural areas.

JRC CONCLUSIONS ON INNOVATION FOR RURAL AREAS

The recent JRC policy brief on 'Smart Specialisation and Innovation in Rural Areas' concluded that there is "a huge potential for innovation and economic growth in rural areas, both grounded in existing dynamics and envisaged by conceptual thinking on rural development (or local development in rural areas)."

It identified specific opportunities relating, *inter alia*, to:

- the increasing demand for quality and healthy food;
- changes in tourism and residential patterns;
- the evolution of agriculture towards multifunctionality;
- the bio/eco-economies as key elements for smart and green growth in Europe;
- the increasing focus on rural-urban partnership and interconnectedness.

(5) Pires, A. et al (2014) Smart Specialisation and Innovation in Rural Areas, *S3 Policy Brief Series No. 09/2014*

'DEGUSTIBO', BOLOGNA, ITALY

The Italian region of Emilia Romagna has undertaken a smart specialisation approach based on stakeholder participation that has delivered a series of place-branding activities that have emerged from the holistic regional ecosystem approach.

From this work, 'DegustiBo' is a brand that celebrates Bolognese culinary excellence. Through this initiative, visitors can discover farmhouses, restaurants and shops of high quality steeped in tradition. It creates a virtuous circle between producers and consumers to stimulate the local economy, based on local traditions and expertise.

The brand, created by the Province of Bologna in collaboration with the 'Fondazione Carisbo' and registered with the Chamber of Commerce, now includes over 80 companies ranging from farmhouses, restaurants and bakeries to fresh pasta shops, delicatessens, butchers and greengrocers. The benefits extend across the region, including to the rural producers and processors.

Food quality and culture, nutrition, environmental sustainability, scientific research, protection of biodiversity and farming soil are the inspiring principles of the project as well as Bologna's world-renowned distinctive traits.

www.degustibo.it

© DegustiBO

SMART SPECIALISATION IN LEADER

The example of the 'Tagus' Local Action Group (LAG) in Spain shows an approach to the implementation of smart specialisation at the local level through LEADER – in what is being called 'Smart LEADER'.

THE MAIN FEATURES OF 'SMART LEADER':

1. Identification and selection of differentiating elements that promote territorial competitiveness in the global market.
2. Building a shared vision around smart specialisation with all stakeholders, based on differentiating elements using applied research and innovation.
3. Strengthening of unique territorial assets with a focus on their singular and exclusive values.
4. Participative governance model where LAGs act as a central catalyser for the process.

The benefits of what Tagus terms Smart LEADER are clear – it provides access to knowledge-based innovation that is a key enabler of rural growth and it provides more clarity as to the local role in agri-food supply chains and the potential for change.

The 'Tagus' LAG territory has relatively poor transport infrastructures and the economy largely depends on the primary sector, mainly agriculture and livestock farming, organised around small, local productive units with low value added. The remaining economic activity spreads over a highly fragmented fabric of very small businesses in the service sector. Unemployment is very high (23.65 %), especially for young people.

The 'Tagus' LAG believes that innovation – and knowledge-based innovation in particular – is ultimately the only way to long-term sustainability for depressed economies that need to optimise resources, improve production processes and generally increase their competitiveness in the context of globalised markets.

However, there were no innovation plans targeting the territory and local actors felt unable to influence national or regional innovation schemes. Thus, Tagus set about reducing the distance between local economies and the sources of knowledge and research via 'Smart LEADER'.

'Smart LEADER' implements the 'RIS3' approach to active collaboration of all agents covering the four main groups of: public authorities; knowledge organisations (educational and research institutions); private sector enterprises; and civil society (citizens and users). It particularly seeks to enhance the role of those who traditionally are least involved, such as citizens and social actors.

Tagus has observed that multi-actor involvement yields higher success rates and virtuous circles of innovation and development. New iterations in the innovation cycle arise naturally and on the own initiative of the participants.

'Smart LEADER' effectively expands the reach of Local Development Strategies by bringing knowledge-based innovation into the scene. Existing LEADER actions are applied alongside specific projects where knowledge-based innovation is called for, thus creating a richer environment for economic value creation.

© quesosdelcasar.com

'SMART LEADER' APPLIED – 'TAGUS' LAG

The territory of Tajo-Salor-Almonte is a western Spanish territory bordering Portugal. It is relatively poor, but benefits from a renowned product, 'La Torta del Casar de Cáceres', a white-paste cheese made from sheep's milk coagulated with vegetable rennet from local thistle plants.

La Torta's unique soft texture comes about from the particular local conditions, milk and ripening process used. Today, La Torta is a sought-after delicacy among cheese connoisseurs and Tagus' Local Development Strategy is based around using La Torta to attract visitors and act as an economic catalyser for the area.

By looking for upstream and downstream opportunities – including marketing and internationalisation – with a cluster of 30 local companies, Tagus is extending the local economic interest from primary production along the food supply chain, as well as diversifying into tourism and related services.

The area used a smart specialisation approach – which it terms 'Smart LEADER' – to gather the territory around a shared vision of innovation to maximise the catalytic effect of the cheese.

One of the challenges facing the region was that La Torta is based on traditional ripening methods discovered accidentally and there were still significant differences in quality from one batch to another and few guarantees of quality supply. Work with researchers helped to better understand the process behind the production of the delicacy. This information has then allowed local producers to improve their techniques and the quality and volume of supply.

Smart specialisation thinking identified that expansion strategies were effectively restricted by a shortage of sheep milk during peak-demand seasons. A state-of-the-art shepherding school – involving knowledge and research institutions – was a key response to this challenge.

Additionally, Tagus is working with scientific and technological institutions to test techniques – such as natural livestock feeding – to increase livestock farming efficiency, while ensuring the ecological sustainability of local pasture lands.

www.tagus.net

6. Using the RDPs to support smart supply chains

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The ENRD Thematic Group on 'Smart and Competitive Rural Areas' looked at the ingredients and needs of successful projects at different stages of the supply chain and asked what public policy – and the Rural Development Programmes (RDPs) in particular – can do to create favourable conditions for these projects.

One-off, standardised grants and training courses are not the solution. Rather, developing successful projects along the supply chain requires a carefully designed sequence of interventions along the 'support chain'.

This requires a strategic approach, based on effective interaction with other broader food-related strategies already in place and incorporating: smart investment packages; backed up by smart use of the 'soft' RDP Measures; and finally – the joker in the pack – the strategic use of cooperation to link the main actors and activities of the whole chain.

THE RDP SUPPORT CHAIN

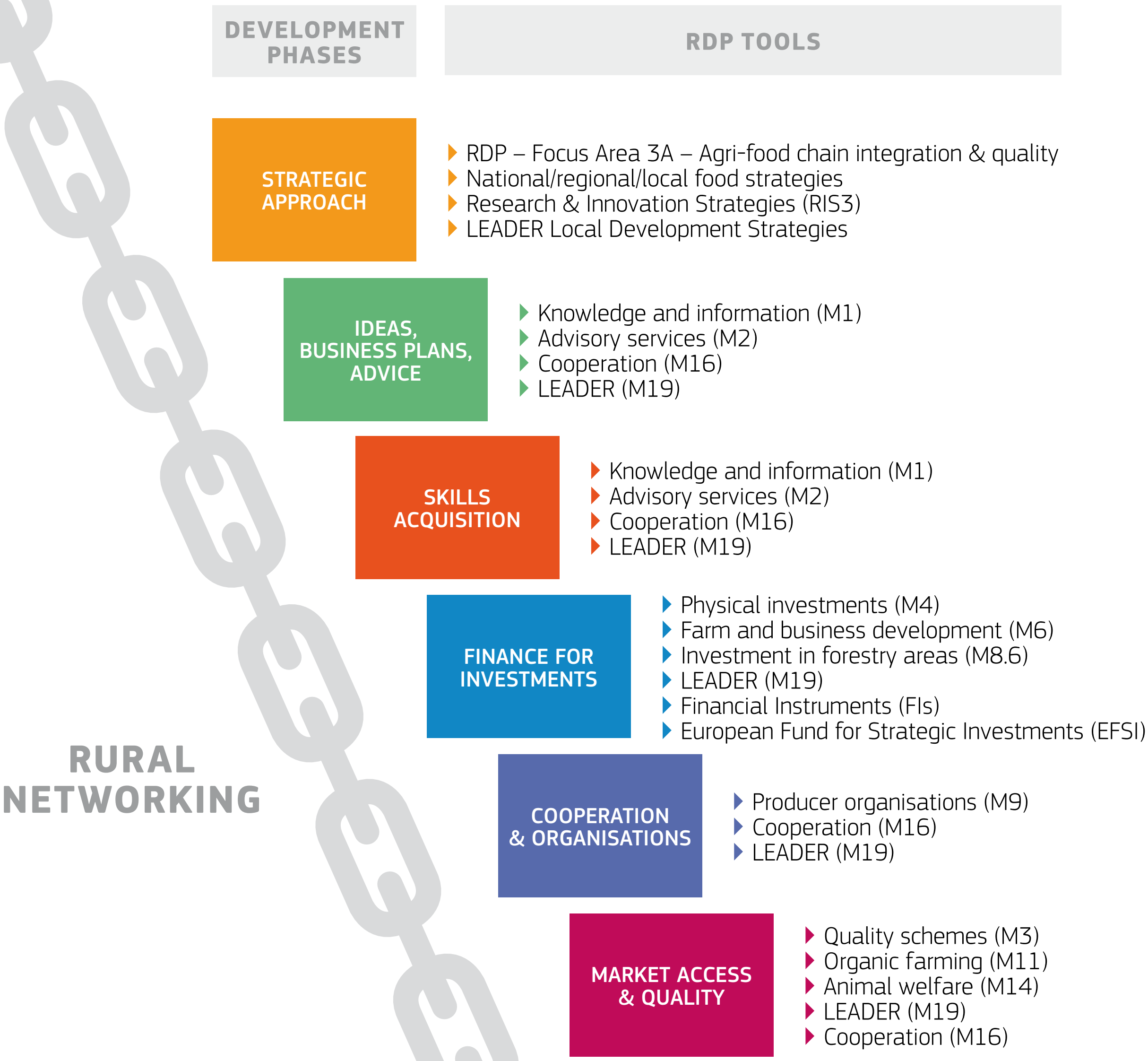
Different Rural Development Programme (RDP) Measures and combinations of Measures can be used at several key stages along the food supply chain. This forms the RDP 'support chain'.

Agri-food chains usually start somewhere on a farm in the countryside and end in someone's stomach (often) in a city. There are numerous and varied opportunities to add value along these supply chains (as set out in Chapter 1) and to take advantage of this value through improved access to markets (see Chapters 2-4).

In principle, there is an extensive battery of Measures within the RDPs, which can be mobilised to support projects along food and drink supply chains – with differing combinations of Measures possible throughout.

The ENRD Thematic Group on 'Smart and Competitive Rural Areas' identified a number of key stages where RDP support is possible. Put together, these form the RDP 'support chain', as shown in the diagram below.

Figure 1. RDP tools for adding value along the agri-food supply chain



HOW IS RDP SUPPORT USED IN PRACTICE?

Managing Authorities have programmed the available Measures to target the agri-food chain in a variety of ways depending on their particular circumstances.

Figure 2. Numbers of RDPs activating measures on Focus Area 3A out of 101 addressing FA 3A

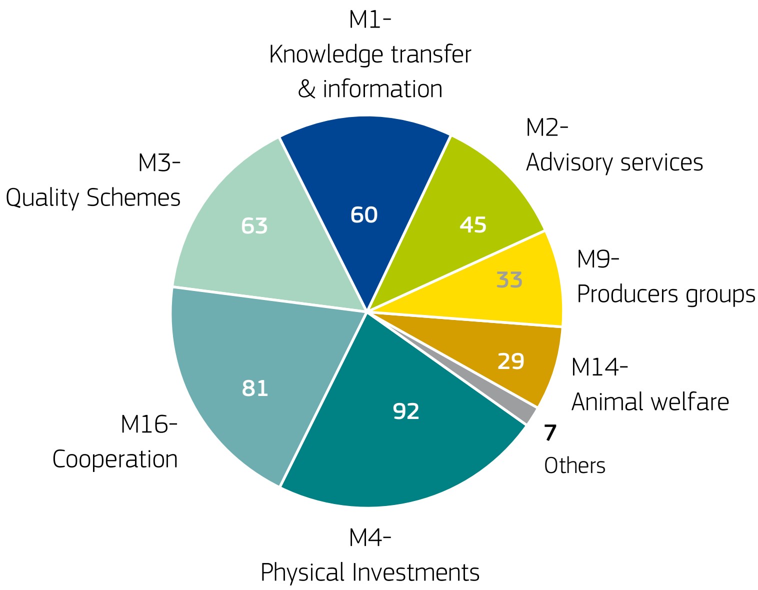
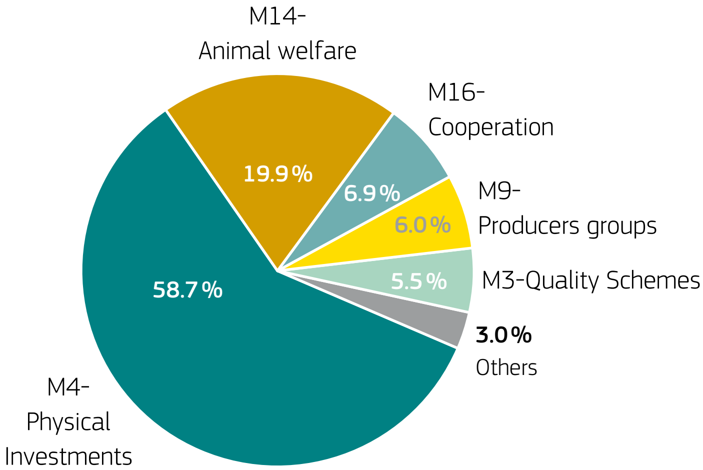


Figure 3. FA 3A planned public expenditure (%) per Measure across the EU



Assessing the ways in which Managing Authorities (MAs) have programmed Measures to target Focus Area 3A (FA 3A) on improving "the competitiveness of primary producers by better integrating them into the agri-food chain" gives an interesting picture of how the RDPs are being used in practice to "improve".

The overall picture across the EU

In total, 101 out of the 112 RDPs from 24 Member States will invest € 11.1 bn of public funds in FA 3A – amounting to over 7 % of planned total public expenditure on the RDPs. This is expected to support almost 300 000 agricultural holdings to participate in quality schemes, local markets and short supply chains.

Figure 2 shows that in terms of the pure numbers of RDPs focusing on different Measures, the most important (in order) are the Measures for: Physical investments (M4); Cooperation (M16); Quality schemes (M3); Knowledge transfer (M1); Advisory services (M2); Producer groups (M9); and Animal welfare (M14).

However, in purely budgetary terms, the Measure for physical investments is, in practice, by far the most important. It accounts for nearly 60 % of the budget (€ 6.5 bn) targeting FA 3A across the EU as a whole and suggests that investment approaches are seen to offer the greatest potential to add value within the agri-food supply chain.

A noteworthy – and on the face of it surprising – finding of the RDP analysis is that nearly 20 % of the overall budget targeting FA 3A is directed at Measure 14 on animal welfare (despite being used by only 29 RDPs). Although this is strictly an investment Measure, it seems to indicate the concern that many MAs have for ensuring that the food chain can meet increasingly demanding consumer requirements in this field.

The Cooperation Measure is also given importance with nearly 7 % of the overall budget, followed by the Measures supporting Producer Groups (6 %) and Quality Schemes (5.5 %).

Specific approaches in different RDPs

MAs have chosen different approaches specific to their circumstances for the delivery of support targeting Focus Area 3A. These use many of the same Measures, but with very different weightings.

As examples, the cases of the Austrian and Galician (Spain) RDPs show the diversity of approaches possible. Galicia shows a fairly common focus on physical investments (M4), which it seeks to support by Cooperation (M16) and quality schemes (M3) in particular, along with producer groups (M9) and knowledge and information (M1).

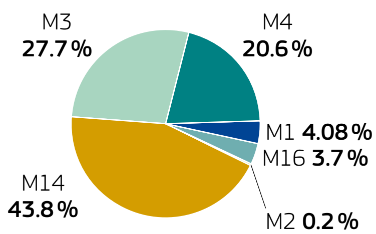
On the other hand, Austria has targeted FA 3A in a very different way, prioritising the animal welfare Measure (M14), supported in particular by quality schemes (M3) and physical investments (M4), along with support by Cooperation (M16) and knowledge and information (M1).

Figure 4. Example of RDPs' intervention logic

Austria

Target & output indicators	Value
T6 - % of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/ organisations	30.6 %
No of participants in trainings	58 800
No of beneficiaries advised	45 000
No of agricultural holdings participating in cooperation/local promotion among supply chain actors	1 000
Total public budget (million EUR)	

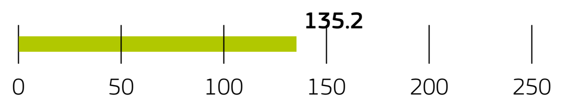
Breakdown of FA budget by Measure (%)



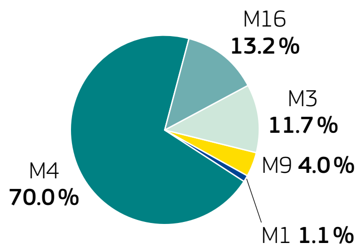
Measure	EUR m
M01	19.2
M02	1.1
M03	133.0
M04	99.0
M14	210.0
M16	17.6

Spain – Galicia

Target & output indicators	Value
T6 - % of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/ organisations	10.6 %
No of participants in trainings	9 900
No of holdings participating in producer groups supported	6 500
No of agricultural holdings participating in cooperation/local promotion among supply chain actors	100
Total public budget (million EUR)	



Breakdown of FA budget by Measure (%)



Measure	EUR m
M01	1.4
M02	15.8
M03	133.0
M04	94.7
M14	5.4
M16	17.8

SMART STRATEGIES

Effective approaches need to address the whole supply chain and integrate with broader food strategies already in place.

A key message of the ENRD Thematic Group was that approaches to smart and competitive supply chains should involve integrated packages of support that respond to emerging consumer concerns and market trends.

To deliver this effectively, public policy needs to take a bird's-eye view of the whole chain and then home in on the parts that need strengthening the most. In doing so, policy-makers should take into account where sources of support are already doing a good job.

There are traditional 'gourmet' countries – such as France and Italy – with a strong tradition in integrated approaches to renowned high-quality food chains protected by EU quality schemes.

Equally, there are countries and regions – such as Ireland and Scotland – which have recently implemented comprehensive and forward-looking strategies to shift their food chain into higher value added activities and transform their reputations in the food and drink sector.

Finally, some countries, such as Estonia and Slovenia, are currently taking giant steps to promote their food culture and supply chains.

These different 'starting points' are typically reflected in the different strategies being applied.

For example, in 14 of Italy's 21 regions, the approach is focused on the creation of public-private partnerships – 'progetti di filiera' (PIFs) – between farms, agri-food enterprises, research bodies and public institutions. These tend to aim either to promote innovation in agri-food supply chains or improve the organisation and distribution of value along regional supply chains. Many French regions are also focusing on strengthening and professionalising the 'short' parts of the chain.

Ireland is implementing a food strategy from 2016 to 2025 ('Food Wise 2025') which incorporates farm sustainability, knowledge transfer – including animal health and welfare – farm investment and the professional development of agricultural advisors. In Scotland, the emphasis has shifted from increasing value added and business development in their first food strategy to good quality, health and nutrition in their current strategy.

The reality in many countries and regions is that whilst the RDPs are often the main instrument for supporting farming and rural businesses, in terms of the food chain, the RDP will just be a secondary source of funds which complements broader national initiatives driven by different ministries or departments – increasingly focusing on objectives of healthy food for consumers.

Nevertheless, the smartest approaches will be those that effectively use the RDPs to strengthen the position of farmers and rural business within broader supply chain strategies. In this way, it should be possible to reach out and meet emerging consumer needs and concerns, whilst creating as many jobs and retaining as much added value in rural areas as possible.

Many of the most integrated food strategies like those of the Basque Country or Scotland are driven by broad partnerships among the main players in the food chain which try to bring these different approaches together.

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SMART INVESTMENT PACKAGES

The significant RDP budgets focused on physical investments need to be targeted strategically in the context of broader supply chain thinking.

Nearly 60 % of the resources devoted to supply chains under FA 3A is spent on Measure 4 for investment in physical assets usually in the form of some sort of grant aid scheme. This support is a vital tool for helping farmers and rural businesses to modernise and improve their position within the supply chain.

However, larger, more successful farms and businesses usually find it easier to complete the often complex application procedures. In addition, unless firms are aware of the new market opportunities and the technologies and business models required to access them, they will often seek finance for 'more of the same'.

There is a risk that the public money invested does not fundamentally change the position of those it is designed to help, may fund initiatives/projects that would have happened without the support (deadweight, no additionality) and, in the worst cases, could encourage already indebted businesses to overinvest.

The RDP must complement rather than duplicate additional sources of public and private funding at EU, national, regional and local levels.

The European Commission recommends improving results by designing grant schemes and Financial Instruments to target identified market gaps.

This means adapting them to the needs of stakeholders by improving aspects such as: communication; application and selection procedures; eligibility and selection criteria; aid intensities; the timing of payments; monitoring; and reporting. Targeting, simplicity, reliability and speed are vital for success.

ENRD events on Selection Criteria[1] and the complementarity between the EAFRD and the European Fund for Strategic Investment[2] have allowed Managing Authorities, Paying Agencies, Promotional Banks and rural stakeholders to explore some of these issues. These kinds of exchanges need to be encouraged in the future.

Another key success factor is to combine investment support with the 'soft' Measures for information and knowledge transfer, advisory services, quality schemes and so on. These can greatly improve the effectiveness of the investment Measures.

© LAG Maiella Verde

SMART INVESTMENT IN MAIELLA VERDE

Local communities in a remote mountain region in Abruzzo, Italy sought to promote their economic development based on local gastronomic heritage. The 'Maiella Verde' LAG supported 11 'Food Communities' made up of local actors and formed around a specific product.

Each community elaborated a strategy comprising actions to: a) improve knowledge and skills related to their product; b) improve quality and branding; and c) strengthen promotion.

It supported a total of 36 strategic investments in farming, processing, packaging, shops, websites and e-commerce according to the strategies developed. These targeted investments were supported by collective efforts around research, training, technical support, quality labels and promotion.

Total investment funding was € 1.16 m of which € 568 000 was from the EAFRD and € 589 000 from private sources. This investment funding was supported by € 700 000 of EAFRD funding for a total of nine cooperation projects.

(1) http://enrd.ec.europa.eu/en/en-rd-events-and-meetings/Selection-criteria-workshop-20160315
(2) http://enrd.ec.europa.eu/en/en-rd-events-and-meetings/EFSI-workshop-20160419

SMART USE OF THE 'SOFT' MEASURES IN THE RDPs

Information and advice can be a key catalyst for making the most of opportunities to add value in food supply chains and retain that value in rural areas.

An enabling environment for new ideas and business boosts innovation and helps food chain actors adapt to new challenges and opportunities. The RDPs can support this phase through Measures aimed at enhancing knowledge and information (M1), and providing advice to all actors involved in the chain (M2).

Figure 3 shows that only a small amount of the RDP investment in the supply chain (3 %) is directed at these Measures. However, many MAs programme these Measures under the Focus Areas for improving farm competitiveness (FA 2A and 2B) and this can have strong secondary effects further down the supply chain.

Information and advice is often an essential pre-condition for added value approaches that are effectively targeted at the market. This can include the provision of market information to rural businesses (including the latest information on the market opportunities outlined in Chapters 2-4), as well as knowledge about the latest methods and equipment for adding value.

Further downstream, access to well-designed quality schemes can enable greater market access and increase added value for rural businesses. However, it is important to consider carefully which labels to use to avoid consumer confusion and enhance consumer trust. There are marked differences in the consideration that different Member States give to quality schemes, which reflect both their stage of development and the importance they give to recognised EU quality marks as opposed to producer and/or retailer-led schemes.

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A number of examples of the successful use of the 'soft' Measures for information, knowledge transfer, advice and training can be seen in Chapter 1. The ENRD Thematic Group made a number of recommendations for ensuring that farmers and rural businesses can capture value further down the supply chain:

- Include non-agricultural experts in advisory systems covering aspects such as marketing and logistics;
- Provide training in entrepreneurship leading to practical business plans (see the example of Belgium in Chapter 1);
- Closer connection between advisory services and research and development centres to enable analysis of processes to improve quality and output in the field;
- Use peer-to-peer and practical participative methods such as farmers' groups, demonstration farms, mentoring and study visits.

THE STRATEGIC USE OF COOPERATION

Cooperation and networking can create further added value where producers choose to market and even trade together.

In open markets, cooperation among actors has become a key feature to enhance the competitiveness of the EU agri-food enterprises. The success of such arrangements can be seen in the many examples of producers establishing farmers' markets and, for example, in the collaboration to access public food contracts in Slovenia (see Chapter 4).

Supply chain cooperation can involve:

- horizontal cooperation between actors at the same stage of the supply chain;
- vertical cooperation along the chain;
- and other forms, such as rural-urban, local-regional, transnational, and producer-research.

Supply chain cooperation can be supported through the RDPs in three main ways.

Firstly, by supporting producer groups (M9). This is probably the oldest form of cooperation support. In some countries, producer groups are well established and require less support, while in others they are very weak and require considerable assistance.

Secondly, LEADER funds have been used for a wide range of food and drink cooperation projects. The LEADER Cooperation sub-Measure (M19.3) can be a particularly useful tool for linking together local initiatives in the same supply chain at regional or national levels, learning from each other and achieving critical mass.

It has also been used to strengthen the identity and brand different products associated with a particular geographical area, such as a region, river basin, mountain range, protected

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PROMOTING COOPERATION IN THE BASQUE AGRI-FOOD SECTOR

In the Basque Country, the government has created a specific public-private partnership called 'Katilu'[3] to act as an 'innovation broker' and promote cooperation in the agri-food sector. It will act as a platform to enable the exchange of ideas, learning, innovation and cooperation among agri-food businesses and public institutions linked to innovation in the food chain.

To this end, it will animate the creation of Operational Groups (Measure 16.1), Pilot Projects (16.2), and short supply chains and local markets (M16.4) The regional government will be taking a number of complementary activities to improve the involvement of research projects and centres.

(3) http://www.katilu.net/

area and so on. One example of this is 'Pays Gourmand' in southern France.[4]

Finally, there is a major opportunity for using the enhanced provisions for cooperation contained in Measure 16. These include the sub-Measures for Operational Groups (M16.1), Pilot Projects (M16.2) and the specific sub-Measure for short supply chains and local markets (M16.4).

Sub-Measure 16.4 is being implemented in 66 RDPs across 21 Member States. It is explicitly designed to support:

a) local markets – defined as a maximum radius from the point of production, usually around 75 km, unless there is an evidenced case for extension as in the case of very remote low density areas; and

b) short supply chains – defined as those with a maximum of one intermediary between the producer and the final consumer.

The screening of M16 carried out by the ENRD Contact Point shows that it is being used in two main ways: firstly, to create new support supply chains and local markets and secondly, to overcome weak points in existing supply chains.

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M16.4 IN THE PACA REGION OF FRANCE

In the Provence-Alpes-Côte d'Azur (PACA) region of France, one third of the farmers already sell directly through an important network of selling spots, locally delivered produce boxes and market places.

M16.4 will be used to improve the logistic side of the short supply chains in the region, allowing for higher volume supply particularly in peri-urban areas. This strategy complements a preservation strategy for agricultural land against urban sprawl and real estate pressure.

(4) https://enrd.ec.europa.eu/sites/enrd/files/gp_fr_pays_gourmand_web.pdf

CONCLUDING REMARKS

In the current programming period, there is growing interest in moving towards strategic and integrated packages of support to strengthen whole supply or value chains.

We have seen that agri-food supply chains are the first priority for 'Regional Smart Innovation Strategies'. At the same time, 101 RDPs from 24 Member States will invest €11.1 bn of public funds in Focus Area 3A for improving the competitiveness of primary producers by better integrating them into the supply chain.

Eleven National Rural Networks (+ 11 regional networks in France) are supporting the exchange of good practice in this field, which was the focus of the ENRD Thematic Group work in 2015-2016.

Key messages from the ENRD Thematic Group regarding the 'support chain' are that:

1. The 'toolkit' of Measures in the support chain includes a powerful combination of 'hard' Measures like investments in physical assets (M4) with 'softer' Measures like quality schemes (M3), Cooperation (M16), producer groups (M9), animal welfare (M14) and others, such as knowledge transfer and advisory services.
2. The whole support chain needs to be oriented towards consumer needs and market trends. The last step of the support chain is specifically about ensuring market access, however, all and any interventions earlier in the chain should be aimed at responding to the needs and preferences of consumers. It is only by tapping into consumers' willingness to pay (more) that added value becomes tangible.
3. There should be a move away from isolated support for individual projects towards strategic and integrated packages of support to strengthen whole supply or value chains.
4. Ultimately, all chains are as strong as their weakest link, so public policy needs to take a bird's-eye view of the whole chain and then home in on the parts that need strengthening.

Over the coming years, it will be important to build on this growing body of experience and to ensure that the full potential of the RDPs is used to create agri-food supply chains which strengthen the position of farmers and rural business and help them to create as many jobs and retain as much value added in rural areas as possible.

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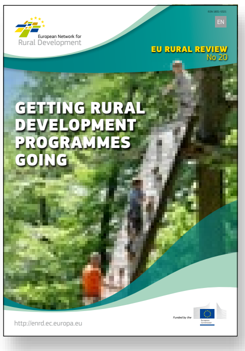
The EU Rural Review is the ENRD's principal thematic publication. It presents the latest knowledge and understanding of a particular topic relevant to rural development in Europe. Themes range from rural entrepreneurship and food quality to climate change and social inclusion. It is published twice a year in six EU languages (EN; FR; DE; ES; IT; PL).

No.21 – Rural responses to challenges in Europe

No.20 – Getting Rural Development Programmes Going



No.19 – Improving stakeholder involvement

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