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OBSTACLES AND SOLUTIONS IN USE OF LOCAL AND ORGANIC FOOD

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MIDDLEMEN AND RUOKAKORI, ONE SOLUTION FOR THE LOCAL SUPPLY

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Introduction

Many food producers and institutional kitchens are positive about using locally produced food products in their kitchens nowadays. Despite this good will, there is often a lack of good practice. This paper presents an example of good practice. It identifies the main obstacles to using local food products – difficulties in finding producers and problems in the supply of suitable products – and how these have been overcome.

Finfood – Finnish Food Information Service – is a government-funded but functionally independent association. It has been established to provide accurate and up-to-date information about Finnish agriculture and food production to consumers and the media. It started to develop Ruokakori (the Food Basket) Internet service in 2003. Before that there was a service called Kauppakanava – a shopping channel. Kauppakanava served both private households and public institutions. The producers were not satisfied with the system because they received small orders from households making the delivery difficult to organize. In 2003 the service was changed and Ruokakori was set up to serve institutional kitchens only.

What is Ruokakori?

Initiated by Finfood, Ruokakori provides a service for public institutional kitchens and restaurants to help them find local producers of specific products by providing a channel for them to order food products directly from small scale food processors or small middlemen. Ruokakori was set up in co-operation with the food chain actors.

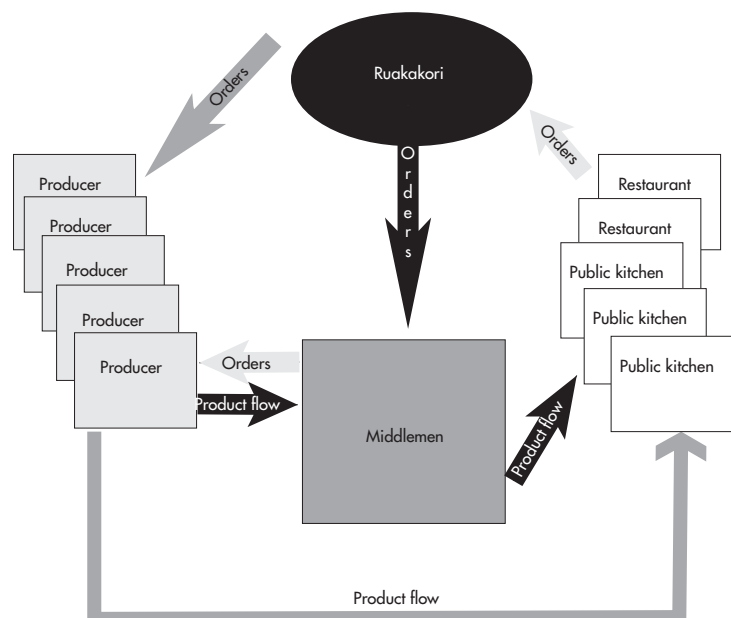


Figure 1. Ruokakori could be used as a ordering system between producer and public kitchen. Some small scale middlemen use the service as an ordering system.

The service can be accessed via Internet and requires only a computer and an Internet connection. Buyers can use it for free but the suppliers, both producers and middlemen, are charged. Ruokakori provides a platform for suppliers to offer products and for matrons and chefs to order. Their orders go directly to the supplier's e-mail. Delivery and invoicing are also dealt with directly between the buyer and the supplier.

There are two kinds of suppliers: producers and middlemen. The producers can offer their products directly to the system and update the information about their products themselves. If an order is placed they then deal directly with the customer, deciding how to organise the delivery as well as make the contracts and invoicing. Some of the small middlemen have also included the provision of this service into their business concept. They have made deals with some producers to deliver their products. They update the product information on the Internet and take care of logistics including invoicing and ordering. They collect the products from producers and deliver the products to restaurants and public kitchens.

The supplier – either a producer or middleman – signs a contract with Finfood. The supplier then gets authorisation to access the system. S/he submits information about her/his enterprise and available products and Finfood posts this on the website. The supplier is responsible for updating the information about available products on the website. The service is very easy to use. If needed there is telephone consultation available at Finfood.

In the local food seminar in Mikkeli April 2005 Matti Viljanen, owner of Restaurant Services Viljanen PLC and one of the suppliers, presented his experiences in using Ruokakori. He represents a supplier who does not produce anything himself but rather organises the supply of products from a few producers to restaurants in Helsinki. He has also been involved in the development of the system. In the following text the supply of local food products is discussed from his point of view.

Middlemen – a solution for supplying locally produced food in Southern Finland

In the Helsinki region the large restaurants and public kitchens are interested in buying products from local small producers. The customers are mainly in Helsinki, but the producers are scattered over the surrounding region, Eastern Uusimaa.

A middleman Matti Viljanen was willing to supply the local small producers' products to the kitchens. He started by finding out what products the matrons and chefs wanted and where these were available. This proved to be very difficult as no information about the producers was available. Who produces homemade commodities like cheese or bakery products of good quality? The municipal authorities are not allowed to give information about rural entrepreneurs and there was

no public register of who produces what.

Another problem was transportation. The products have to be in the kitchens early in the morning, but the producers had their own time constraints and had no time to deliver the products to the kitchens. Lack of time is also a constraint for institutional kitchens. They prefer to order products from as few suppliers as possible – ordering from many different producers is too time consuming.

His role as middleman has been to find the products for the kitchens. When he started the business he purchased the necessary transport equipment. The services he provides include organising the transport, ordering products from producers and invoicing. He uses the Ruokakori system as an information link to the kitchens.

Problems in the beginning of co-operation

Most of the products made by small rural food processors are targeted at private consumers. As a result the packages are too small for institutional kitchens, the salt and fat contents too high and the prices are set at retail, not wholesale, level. In addition institutional kitchens require products to be inspected by a sanitary inspector. Also there are regulations that producers must follow as well. They must have their own control system and employees must pass a hygiene examination.

In some cases it has been difficult for producers to understand that signing a contract obliges them to adhere to an agreement. When a kitchen needs a product it has to be there and it must be what was ordered. The need to keep agreements is also relevant for matrons – in some cases they made last minute cancellations. However the main point is that producers must be flexible and reliable. If they cannot be trusted to deliver what they have promised, kitchens will not order their products.

The role of the middleman has also been that of advisor and product developer. He has negotiated with producers to provide products suitable for the institutional kitchens. Both the packaging and the products' contents have been changed to meet the customers' demands. He has also helped to negotiate price and supply schedules and has advised the processors on how to get the required hygiene know-how.

The middleman's work in practice

This middleman has about ten producers whose products he supplies. In this particular case he has one main supplier, a bakery, that provides the foundation for his business. Volumes of the other products are smaller and just accompany the main order. Orders from kitchens for different local producers' products are placed directly with him and he is able to respond quickly. He invoices the customer with one invoice and makes payment to the producers once or twice a month. He also updates the product information posted at the Ruokakori site on the Internet. The producers are located within a 35-kilometre radius from the

middleman's place of business. Not all the products are collected daily but fresh products are not stored more than one night so they are fresh when delivered to the customer. The product range is wide, from bakery products to cheese and chocolate. This requires that both transport equipment and storage temperatures are right for each product to ensure good quality.

Ruokakori is used mainly for information about product availability. There are possibilities for customers to place their orders by email but few make use of this facility. They prefer to place their orders by telephone. This gives them immediate information about product availability and they do not need to wait for confirmation of their order. They also think that by calling they get the products sooner.

What has been learned

Customers and producers do not have a common understanding of each other's business situation, needs and constraints. In many cases small rural entrepreneurs are not flexible enough in their business. Some tend to think that because they have a good product it is the consumer who must learn to appreciate it. This attitude must change. Those who are willing to meet consumers' demands will survive. This case shows the importance of someone promoting cooperation among producers and buyers. Also having someone who listens to the buyers and informs the producers of their demands is very important.

Even though the institutional kitchens could become steady buyers, only a few of the producers think of them as primary customers. Most of their products are made for the retail market and private consumption. Restaurants want raw materials of good quality and are willing to pay a good price for such products. Small business can supply products to large customers if their products have a competitive price and meet the customers' other requirements.

Can this model work in the BERAS project area - Juva?

Juva municipality has been selected as the Finnish case study area in the BERAS project. Juva is a small area with a few local organic suppliers. For a middleman the Juva region is too small and there are not enough suppliers, so it is more realistic to cover a larger area, for example the surrounding county, South Savo.

The institutional kitchens in the South Savo showed an interest in taking the Ruokakori system into use if there were local producers. As the middleman Matti Viljanen they have had problems in finding suitable products from their own region. Also, they have a time constraint and do not want to have to order products from many different suppliers. They would like to have one local actor that can supply most if not all of their needs.

The middleman model might work also in the Southern Savo region. If small entrepreneurs feel that the monthly charge of the Ruokakori is too much for them, having the middleman as a user of the

Ruokakori system, would result in a smaller monthly payment for each user. Having a middleman also helps with the logistical problems.

A small transport entrepreneur already operates in the Juva region, transporting small business products to retail trade. One possibility is that this entrepreneur diversifies and expands his services to include taking care of the whole order-supply chain. At the moment the small food processing companies are not willing to pay for the transport service, they prefer to deliver their products to the customer themselves. If a more comprehensive service was available they might be willing to pay for it.

Conclusion

After discussion with the producers and local kitchens of the South Savo, it seems that producers would like to produce for local kitchens and local kitchens would like to use local products. However this interest has not yet led to much action? The main reasons seem to be that:

The producers do not respond to the customers' product needs quickly enough.

The customers are not prepared to put any effort into discussion and negotiation of product development and exclude a producer if they do not have exactly what they require.

Action depends on attitude changes. Now that people are positive to local co-operation there are good prospects that this can reverberate into the action.

Having a middleman as an additional actor in the supply chain means prices will change as his services have to be paid for. Probably the producer's price will decrease and the customer's price will increase. But s/he can also solve many problems in the supply of locally produced food products to public institutional kitchens. It would help matrons because they would be able to order products from one supplier and receive only one invoice. If the middleman uses Ruokakori, the matrons would be able to see on the Internet site what products are available. It would also make the producers' work easier. They would get only one order and not have to transport their products to many different customers.

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