State of the art review (WP2)

On healthy growth initiatives in the mid-scale values-based chain of organic food

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National report Slovenia (NR Slovenia): Borec, A. and Prisenk, J. (2013) University of Maribor, Faculty of Agriculture and Life Sciences, Slovenia.

National report Sweden (NR Sweden): Fauré, E. E. (2013) Royal Institute of Technology, Sweden.

National report Austria (NR Austria): Furtschegger, C. and Schermer, M. (2013) Department of Sociology, University Innsbruck, Austria.

National report Turkey (NR Turkey): Giray, F.H., Kart, M.C.O. and Gursoy, A.K., (2013) SDU (Suleyman Demirel University), Turkey.

National report Denmark (NR Denmark): Kjeldsen, C, Laursen, K.B, Thorsøe, M.H. and Noe, E., (2013) Institute of Agroecology, Aarhus University, Denmark.

National report Norway (NR Norway): Kvam, G.T. and Bjørkhaug, H. (2013) Centre for Rural Research, Norway. Organic Eprint, http://orgprints.org/25043/3/25043.pdf

National report France (NR France): Lamine, C., Bui, S. and Cardona, A. (2013) INRA-SAD, Science for Action and Development, France.

National report Finland (NR Finland): Risku-Norja, H., (2013), MTT Agrifood Research, Finland.

National report Germany (NR Germany): Schulz, K., Münchhausen, Knickel, K., and Häring, A.M., (2013) Eberswalde University for Sustainable Development (HNEE), Germany.

National report Lithuania (NR Lithuania): Skulskis, V. (2013) Lithuanian Institute of Agrarian Economics, Lithuania.

Content

Introduction

The Core organic II project HealthyGrowth assumes that present organic value chains seem either to operate in local markets with direct sale or in conventional retail chains where organic qualities are not properly communicated (HealthyGrowth (HG) proposal 2010). Within this statement lies an observation from previous research that local organic market chains have inherent problems in moving from niche to volume and mainstream large-scale market chains have inherent problems in securing and advancing organic values. Therefore, the aim of the HealthyGrowth project is to investigate a range of successful mid-scale organic value chains in order to learn how they are able to combine volume and values. Before the participants of the project start collecting data on such chains, the first major step was to develop a state-of-the-art review of research on successful mid-scale values-based chains (ibid.).

The objective of WP2 in HealthyGrowth is to compile the most current research on organic markets and value chains in a state-of-the-art review. The main focus has been on studies of mid-scale value-based food chains and growth processes in the organic food sector. The aim of the review is to learn more about growth processes with its challenges, options and risks. Moreover, the review is supposed to point out main mechanisms and organizational principles underlying the successful development of businesses or initiatives, and identify the theories and methodologies most commonly used in the field (HG proposal 2010).

This report is based on national state-of-the-art reports from the participating countries of the HealthyGrowth project, consisting of research on successful mid-scale values-based chains in the ten *HealthyGrowth* countries Germany, Denmark, Slovenia, Lithuania, Austria, France, Sweden, Finland, Turkey and Norway. Additionally, a review of research from other countries is carried out. This report presents an analysis and summary of these reviews.

Contextual information & status organic food sector

The countries participating in the HealthyGrowth project differ substantially in relation to status of agriculture, topography, climate and natural conditions as well as productivity, structural changes and how well organic production and markets are developed and supported. While all countries experience structural change in agriculture, considering all farms, in favour of fewer and bigger farms, there are diverse farm structure patterns within most countries. Denmark has on average the largest farms per holding (more than 60 hectares). Germany, France, Finland and Sweden's average farm size is between 20 and 59 hectares, Norway and Austria, between 15 and 29, while Lithuania's average farm holdings are 8-14 hectares and Slovenian average farm holdings are below 8 hectares (We have no comparable data for Turkey) (Eurostat 2012).

When it comes to *organic* land and production, table 1 and 2 show the statistics of HealthyGrowth countries compared to the world top ten organic countries and share of organic agricultural land in 2011 (Willer et al 2013).

Table 1: Top ten countries with most agricultural land 2011, and HealthyGrowth countries. Area (hectares).

Top ten	Country	Area (ha)	Share of agricultural land
1	Australia	12001724	2.93
2	USA^	1948946	0.60
3	China	1900000	0.36
4	Spain	1621898	6.52
5	Italy	1096889	8.61
6	India	1084266	0.60
7	Germany	1015626	6.08
8	France	975141	3.55
9	Uruguay*	930965	6.29
10	Canada	841216	1.24
	Austria	542553	19.66
	Sweden	480185	15.40
	Turkey	442582	1.82
	Finland	188189	8.21
	Denmark	162173	6.09
	Lithuania	152305	5.75
	Norway	55500	5.36
	Slovenia	32149	6.58
Source: FiBL: IFOAM Survey (Willer et al 2013), ^2008, *2006			

Table 1 shows that the major agricultural producers, such as Australia and the USA, and large countries, such as China, hold the most agricultural area, while the relative share of organic land is low. Germany and France are among the top ten countries with substantial organic areas. European countries such as Spain and Italy also have large organic areas. Table 2 shows the share of agricultural land that is grown organic.

Table 2: Top ten countries with highest shares of organic agricultural land 2011 and Healthygrowth countries.

Number	Country	Share of agricultural land	Area (ha)
1	Falkland Islands	35,94	398806
2	Liechtenstein	29,28	1095
3	Austria	19,66	542553
4	French Guiana	17,51	3974
5	Sweden	15,40	480185
6	Estonia	14,75	133779
7	Samoa	11,80	33515
8	Switzerland	11,69	123000
9	Czech Republic	10,84	460498
10	Latvia*	10,38	3843
	Finland	8,21	188189
	Slovenia	6,58	32149
	Denmark	6,09	162173
	Germany	6,08	1015626
	Lithuania	5,75	152305
	Norway	5,36	55500
	France	3,55	975141
	Turkey	1,82	442582
Source: FiBL: IFOAM Survey (Willer et al 2013), *2009			

HealthyGrowth countries Austria and Sweden are among the top ten countries with the highest share of agricultural land compared to others. Compared with table 1 France has a low share of organic land, but still holds a large area of the world's organic land. Table 3 shows how many organic producers there were in HealthyGrowth and the world top ten countries in 2011.

Table 3: Top ten countries with highest number of organic producers 2011 and Healthygrowth countries.

Number	Country	Number of producers
1	India	547591
2	Uganda	188625
3	Mexico	169570
4	Ethiopia	122359
5	Turkey	43716
6	Italy	42041
7	Spain	32195
8	Dominican Republic	24161
9	France	23135
10	Germany	22506
	Austria	21575
	Sweden	5508
	Finland	4114
	Norway	2725
	Denmark	2677
	Lithuania	2623
	Slovenia	2363
Source: FiBL: IFOAM Survey (Willer et al (2013)		

The number of organic producers is high in Turkey, as is France and Germany. These figures also reflect the general farm structure and number of (small) farmers in many of the top ten countries. There were 1798359 registered organic producers in 2011 (Willer, et al, 2013). The share of organic farmers in relative figures was not available for comparison. Table 4 shows the size of domestic sales of organic products.

Table 4. Top ten countries with largest domestic organic markets (Million Euros) 2011 and HealthyGrowth countries.

Top ten	Country	Domestic Sales [Mio. €]1
1	USA^	21038
2	Germany	6590
3	France	3756
4	Canada	1904
5	UK	1882
6	Italy	1720
7	Switzerland	1411
8	Austria	1065
9	Japan	1000
10	Spain	965
	Denmark	901
	Sweden	885
	Norway	160
	Finland	120
	Slovenia	38
	Lithuania	6
	Turkey	4
Source: FiBL: IFOAM Survey (Willer et al 2013), ^2008		

Again, Germany and France are on the top ten list, together with HealthyGrowth partner Austria. Table 4 is mainly a list of rich western organic markets. This list reflects figures based on real cost, but the majority of the world's countries have not provided information on this variable. Austria with its very high share of organic land and high turnover in the market can be seen somehow as an exceptional case. Note that these figures reflect the market for domestic food, not the origin of the food.

The country reports developed for this state-of-the-art report noted that retailers are the main market place for buying organic food. The share of organic sales from retailers was 80-90 percent in Slovenia, Denmark, Norway and Finland and slightly lower (50-70 percent) in France, Germany and Austria, again keeping the sales of all organic foodstuff, also imported, in mind.

Speciality shops, farmers' markets/bazaars and direct sales are other channels used to sell organic foodstuff. In many of these countries, domestic organic produce is mainly sold at the farm gate (e.g. Slovenia).

There are clear differences between young and old organic nations in relation to institutional and policy framework– e.g. young and less advanced organic policy vice relatively new EU and CAP member country Slovenia versus Austria and Denmark who are among those with the most developed organic policies. Many have however experienced good effects of EU/CAP policies and organic instruments (Slovenia, Lithuania, Finland, and Sweden). While Austria and Denmark have grown long and thick organic roots, Finland and Norway might be described as having long but thin roots, where a small group of pioneer producers have slowly grown to be the present organic group of producers, but where demand for organic food is relatively low. In Austria, Germany, Denmark and France there is a correlation between production & consumption, which have developed in parallel. In Turkey, external drivers have dominated through demand for particular organic foodstuffs in the European market.

The high share of retail sales does not entirely reflect the sales of domestic or local organic food. It can be hard for small-scale farmers to access large and multinational retailers, and many sell their food products elsewhere. There are growth potentials identified in connection to public procurement (schools, public canteens and hospitals), marketing, food innovation, enhance quality and exports in the national reports. Particularly Germany and Denmark aim for increased production to i) decrease import and ii) increase export.

The following part of the report presents mid-scale-values-based organic food chains, examples of studies of such food chains, and reflections on lessons learned that are useful for the continuation, empirical data collection and theoretical work in the HealthyGrowth project.

Definition of "mid-scale values-based organic food chains"

A first step of the HealthyGrowth project was to define terms to use in the project in order to gain a common base of understanding for research. The aim of the project is to study organic food supply chains of a specific type. A *food supply chain* is defined as a network of food-related business enterprises through which products move from production through to consumption, usually including pre-production and post-consumption activities. Typical links in the supply chain according to Stevenson (2009) are:

Input provider –> producer –> processor –> distributor –> wholesaler –> retailer -> consumers

A definition of *"mid-scale values-based food chains"* was further developed as a point of departure for searching for studies for the state-of-the-art reports. A mid-scale values-based chain may include actors such as the ones presented above. However, in many cases mid-scale values-based chains include fewer links than what are typical for a conventional food supply chain. After literature reviews and discussions with other participants in the project, we decided to define mid-scale values-based chains as chains that:

- Handle high-quality, differentiated food products of a certain volume
- Involve a number of producers (more than one farmer/producer)
- Communication mainly indirect between producer/farmer and consumer
- Involves at least one separate actor as an intermediary between producer and consumer

- Involve a minimum of one stage of product transformation (packaging, processing etc.) and therefore two steps of transmission (farmer - intermediary actor/initiative - consumer)
- Usually place emphasis on *both* the values associated with the food *and* the values associated with the business relationship within the food supply chain, and perceive at least some supply chain actors as strategic partners
- Consist of actors and initiatives such as food businesses, retailers, associations, networks or other initiatives

Differentiation means to create and market unique products for varied customer groups where the aim is to create a superior fulfillment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can then be used to charge a premium price for products. Such a strategy aims at reducing the price sensitivity of consumers by offering uniqueness (Porter 1980). With differentiated food products we first and foremost mean products that are differentiated from conventional- and mainstream organic products.

With regard to communication, we differentiate between direct- and indirect communication between producer of food products and consumer. Direct communication means face-to-face communication between producer and consumer, or communication through phone, internet or e-mail. Indirect communication means that there is no contact between producer and customer, and communication has to be arranged in other ways, for example through the use of brands or labels (Renting et al 2003).

"Mid-scale" and *"values-based"* are not concepts commonly used in European research on organic food chains. In the U.S., on the other hand, these concepts are developed and used as a basis for developing medium-sized farms, which were gradually disappearing because they were too big for direct marketing and too small for commodity markets. The U.S. therefore developed a national strategy to rebuild the middle sector in 2003, based on significant market openings for these firms based on demand for foods that are unique and differentiated from conventional products (Stevenson et al 2011). The HealthyGrowth project members did however find the concepts "mid-scale" and "values-based" appropriate also for European quality food chains, which handle larger volumes than volume passing from direct sale (small scale), but less volume than passing through a conventional chain (large scale) and which are able to handle both volume and value.

Methods searching relevant literature

Each research partner of the HealthyGrowth project developed a national state-of-the-art report based on specific guidelines (Appendix 1). These guidelines led the teams to search for studies of mid-scale values-based food chains. Additionally the WP2 team reviewed research in other countries. Different expressions were proposed to search for actual research/literature at national levels. The guidelines included a disposal for national reports and questions to be answered under each point. The first points were about contextual conditions of importance to understand the situation surrounding the organic food sector in the different countries. The main section of questions were about research on successful mid-scale values-based chains including several points describing such chains, challenges and success factors connected to growth processes. The disposal ended with questions about theoretical and methodical approaches of existing research and main lessons learned from the revision.

The national reports describe methods used for searching and selecting research presented on mid-scale values-based chains. For searching actual research most national teams have conducted internet searches based on appropriate keywords suggested in the guidelines and in some cases supplemented with other words. Some countries have additionally visited relevant websites for research projects and literature. Most countries report a lack of case study research on growth processes of organic mid-scale values-based chains. Only Denmark and Austria were able to select among various case studies.

When searching for literature outside the participating countries, the WP2 team did a broad Internet search using defined keywords. Based on this search we added two case studies from Europe which we perceived as very relevant for our project. Additionally, some very relevant case studies were conducted in the U.S. on growth in mid-scale values-based chains. Hence, the search resulted in a selection of three additional case studies that are included in the review. One is from the UK where one case is reviewed (Marsden et al 2000), the second case study is from the UK and The Netherlands, where two case studies are reviewed (Marsden and Smith 2004) and the third from the U.S., where four case studies are reviewed (Stevenson 2009; Stevenson et al 2011). These case studies are examples of successful mid-scale values-based chains where dimensions of growth are in focus. Table 5 sums up the case studies reviewed.

Table 5: Overview of the case studies reviewed

Case studies:	Name of the study:	Type of initiative:
Austria :		
C1=	Adamah-Hof	Box-scheme/producer initiative
C2=	Bioalpin/Bio vom Berg	Producer initiative
C3	Walserstolz	Producer initiative
C4	Biobauern Sulzberg	Producer initiative
C5	BERSTA & EVI	Consumer – producer initiative
Denmark:		
C1	Three Danish organic bread chains	Processors and retailer
C2	The Organic Freshware Terminal	Producers initiative
C3	Box schemes – Aarstiderne.com	Box-scheme/producer initiative
C4	Danish CSAs – Spidsroden & Landbrugslauget	Consumer initiatives
C5	Thise – Irma (Coop-Denmark)	Producer initiative
C6	The Danish Organic Vegetable Chain	Association's initiative
C7	Fejø Fruit – Dansk Kernfrugt – Irma	Retailer association's initiative
C8	Bornholmsgrisen	Processor and retailer's initiative
France:		
C1	AMAPs in Provence	Box-scheme/consumer initiative
C2	Norabio	Box-scheme/producer initiative
C3	The Valbio case	Box-scheme/producer initiative
C4	The Small Producer brand	Producer initiative
C5	The Biobougogne Viande case (OMIARD project)	Producer initiative
C6	Collective producers' initiative (Liproco project)	Producers initiative
C7	FNAB, Organic marketing channels	Producer initiative
C	Biocoop	Consumer initiative
Germany:		
C1	Upländer Bauernmolkerei e.G.	Producer initiative
C2	KFF GmbH with Rhöngut label (owned by retailer Tegut GmbH)	Processors and retailer's initiative
C3	Rinklin Naturkost GmbH	Retailer initiative
C4	Regionalmarke Eifel GmbH	Regional management, producer, processor and gastronomy initiative
Sweden:		
C1	Farmers in the Ekolådan Distribution Network	Box-scheme/wholesaler initiative
C2	Upplandsbonden	Producer initiative
C3	Goat cheese production in Sweden	Producer initiative
Norway:		
C1	Growth in four local food firms	Processors initiative
U.S:		
C1	Four values-based food supply chains: Executive summary[1]	Processors and non-profit business initiative
U.K:		
C1	The Llyn Beef Producer Co-operative	Producer initiative
UK and Holland:		
C1	The Graig farm and the Waddengroup Foundation	Producers initiative and a foundation's initiative

[1] This is one of many articles/reports about these four businesses

Characteristics of cases reviewed

The national reports conducted for the HealthyGrowth project show that research on mid-scale organic values-based chains vary among the countries. While researchers in some countries have identified a range of studies on mid-scale values-based chains, it was not possible to find any or very few studies in other countries. There might be different reasons for this lack of research. Some countries have simply not developed many mid-scale values-based organic chains yet (NR Lithuania, NR Turkey, NR Norway), and in some countries there has not been much focus on the whole chain but rather on other aspects of the organic sector (NR Finland, NR Germany, NR France, NR Sweden and NR Norway). Of the 32 cases of value chains reviewed, 29 are from the national reports and three from the other reviewed studies already mentioned. Of the 29 studies, one is from Norway, 4 from Sweden, 8 from Denmark, 5 from Austria, 4 from Germany and 8 from France[2]. Very few studies focus on the whole chain and growth processes. Background for the studies, goals, research approaches and methodologies differs. Despite this the studies still contribute with important aspects of growth, development and change.

In the range of case studies presented, some focus on the value chain for one product and others on chains including many products. Examples of products included are bread, vegetables and fruits, meat products, dairy products and flour. Type of initiatives vary from consumer initiatives such as shops and consumer owned farms(4[3]), producer – consumer co-operatives (1[4]), producers' initiatives such as a farmers' initiative or cooperation between farmers organized as cooperatives, foundations, associations etc. (16[5]), processors initiative (1[6]), processor and retailer initiative (2[7]), wholesaler (2[8]) and other associations/non-profit organization initiatives (4[9]). There are six box-schemes among the cases reviewed[10]. In the U.S. literature several authors use the notion "driver organization" which is the firm, organization or initiative in a particular supply chain that facilitates chain management and brings other supply chain participants together (Lerman 2012). What we described as type of initiative, usually represent the driver organization. The organizational forms of these initiatives are either cooperatives or associations where some have turned to a limited company during growth processes.

Some of the studies presented are examples of branding efforts for a region where organic products may be the only products branded or they may be part of several different kinds of products such as local food in general and supported with a diverse range of handicraft products for tourism. Such brand efforts are usually supported regionally, but also other initiatives are in many cases supported by public actors at different governmental levels. A majority of the studies are based on organic chains, but a few also on a combination with local food or just local food chains. A range of sale channels are used among the cases studied, but retail seems to be the most used channel. Most cases have a regional focus for sale, but some also operate at a national level and very few also conduct export. Some cases import product for sale, for example box

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[2] Both "grey" literature and research literature on mid-scale values-based chains are presented in the French report (National report France).
[3] Case1 and Case 8 France, Case 4 Denmark.
[4] C5 Austria,
[5] C1, C2, C3 and C4 Austria, C1 Germany, C3 and C4 Sweden, C2, C3, C4, C5, C6 and C7 France, C2, C3 and C5 Denmark; Marsden et al 2000, Marsden and Smith 2005, Stevenson 2009.
[6] C1 Norway
[7] C8 Denmark, C2 Germany
[8] C1 Sweden, C3 Germany
[9] C4 Germany, C6 Denmark, C7 Denmark, Stevenson 2009.
[10] C1 Austria, C2 Sweden,C1 France, C2 France, C3 France, C3 Denmark

schemes (C1 Austria, C2 Sweden, C3 Denmark). Just one study referred covers all actors in the chain without input providers (C2 Austria). Usually some actors and co-operation/ partnerships between those are studied. Few of the cases focus on sale to hotels, restaurants and catering (HoReCa), public procurement and the social sector, which are channels some countries focus on according to national reports (NR's Finland, Norway, France and Germany).

The guidelines asked for successful cases that were defined as chains that were able to combine growth and added value. Some of the case studies presented are successful according to this definition. On the other hand, studies that describe development over a period of time show that a successful period may be followed by a period of struggling for survival or vice versa, where some chains are able to adapt to new circumstances and others not.

In summary, a huge variety of case studies are reviewed in the national reports. Still, the presence of studies of growth processes in mid-scale organic values-based chains is small, with the exception of Denmark and Austria, which have conducted a number of case studies to choose from. Thus, the HealthyGrowth project certainly can fill a research gap.

Methodological approaches

In the case studies reviewed mainly qualitative approaches are used. Both single case studies and multiple case studies are conducted. The case studies are mainly based on qualitative interviews; open ended, semi-structured and structured interviews and workshops with value chain stakeholders. Also focus group discussions with consumers are used in one case. Quantitative surveys are used in only very few cases, and also statistical analysis, data-based analysis and GIS-based spatial analysis have been conducted in one study. In studies conducted, mainly micro and meso level has been in focus. There seem to be a general lack of generalization and synthesis of insight into European research in this field. In contrast, U.S. researchers have conducted many studies of mid-scale values-based chains, reviews are conducted of U.S. research in the field, and both generalizations and synthesized insight from studies are conducted (Lerman 2012) and will provide insight to the HealthyGrowth project.

Theoretical approaches

A wide range of social science approaches are utilized in the case studies presented in the national reports, particularly stemming from disciplines such as sociology, economy and geography. Both grand and middle - range theories are used, interdisciplinary - and in many cases actor-oriented approaches. The variety of theories used in studies stems from the fact that research reviewed is based on different studies according to background and aim.

Examples of theories used in the case studies reviewed are:

• Economic geography • Economic sociology • Economics • Organization theory • Management and business administration • Ecological modernisation theory • Poststructuralist theory • Political economy • Institutional economy • Actor-network theory • Systems theory • Science and technology studies • Human geography	• Sociology (of collective action and controversies) • Structuration theory Rural studies • Consumer studies • Physical geography • Resilience concept • Bordieus' capital theory • Sustainable rural livelihoods approach • Convention theory • Supply chain management • Embeddedness theory • Network • Agency • Localized agri-food systems, etc.

Main characteristics of successful chains

A diversity of values and product qualities

In this report we use the terms "values" of products and "product qualities" interchangeably, because we define a value of a product as a product quality. The review shows that successful chains emphasize a range of values:

Geographical proximity: In nearly all cases studied geographical proximity was a value/product quality chain actors used to differentiate products. Proximity was usually connected to local and regional products, sometimes linked to culture and history. The importance of regional origin for organic food chains was highlighted in many of the studies (for example in NR Austria; Siriex et al 2009, in NR France; NR Germany; Stevenson et al 2010; Marsden and Smith 2004; Marsden et al 2000).

Social and ethical concerns: Nearly all case-studies reviewed emphasized social and ethical concerns as a value. The most frequent value mentioned was fair price for producers, but in many cases also respectful, reliable, cooperative and fair relationships along the chain and social sustainability. Some reviews also mentioned affordable prices for consumers, fair working conditions for employees and fair trade for imported products. Animal welfare beyond organic standard is found to be important, and in one case social and educational projects were supported (C1NR Austria).

Environmental concerns are mainly described as an organic quality according to EU standard. In some chains actors go beyond established organic qualities, for example where climate action plans were conducted for farmers (U.S. and NR Germany). No packaging is an example of other values based on environmental concerns (NR France). Support of small farms/small scale farming, biodiversity/nature conservation and land stewardship are qualities emphasized in some of the cases reviewed (C1 and C4 in NR Austria; C1, C3 and C3 Germany; Stevenson 2009, C1 NR France)

Special products features: Such qualities are more in focus when local food (not organic) is reviewed, but are sometimes also displayed as a quality in organic food chains. To describe special product features, terms used are: quality products, specialties, traditional practice and breeds, traditional recipes and/or processing, mountain pastures, premium processed products, product story, silage and GMO renunciation, no additives, high nutrient content, etc.

Regional development: Not all reviews mention *regional development* as a value in itself, but it seems to be an implicit value in many of the cases reviewed. In quite a lot of the cases the aim of establishing the initiative is to develop a regionally embedded food network, or to build a regional supply chain to retain control over marketing of products. Community values are also mentioned in some cases. Where a regional brand is developed, which is the situation in many cases reviewed; it is a typical effort for regional development.

Food safety in general is mentioned as a value and product quality, where transparency and traceability are emphasized in a few cases.

Qualities emphasized most beyond the organic standard are connected to geographic proximity and fair price for farmers. In general, results show that values-based product differentiation depends on multidimensional quality differentiation strategies where in most cases these go far beyond organic standards. This means that successful mid-scale values-based chains have invested in- and developed a range of different strategies to build values and product differentiation. Product qualities emphasized are connected to different actors in the chain, in many cases to farmers, but also to other actors and sometimes to the whole chain. Qualities may be more or less challenging to establish according to, among others, complexity and actors involved. In a Danish and Norwegian case (C5 Denmark; C1 Norway) the activity of establishing product qualities is expressed as being based on a continuous focus on product development and multidimensional quality differentiation, where in the Norwegian case a lot of support is attained from external support institutions to develop new product qualities (NR Norway). The U.S. case shows that a deepening of ecologic stewardship and social justice has been part of their growth strategy (Stevenson 2009).

Although successful chains show the same patterns according to values emphasized, there seem to be differences between countries. In Lithuania, for example, most organic products are exported and the national market is very small. The situation in Germany seems to be very much in accordance with above results. Many chains go beyond organic qualities. One initiative in Germany is “Regional & Fair” where the aim is to communicate the idea of rationality and fairness on the basis of concrete standards, which go beyond EU-guidelines for organic farming as well as guidelines for the German organic growers’ association (Gottwald et al 2009; Biokreise, V. 2007 in NR Germany). The differentiation from ”bulk organic” and the maintenance of small and transparent structures is their main objective (Schäfer et al 2010, Shäfer et al 2008 in NR Germany).

Several researchers in the U.S. literature review, note that price, convenience, food safety, freshness and healthfulness still remain the most important characteristics for consumers, while many values-based chains assume that consumers demand local, sustainably –produced food (Lerman 2012). In the Norwegian study, results show that producers do not have enough knowledge about consumer demands and they invest a lot of money in developing qualities that customers do not value (NR Norway). King et al (2010 in Lerman 2012) argues that “local” attributes may not be enough to differentiate a product for a premium price. The same result is found in Norway (NR Norway) and in a Finnish study (Forsman and Paananen 2003).

However, German cases show that in case the wholesaler or retailer is more closely connected to the processing chain partners (formally or informally), it will be easier to communicate the premium organic quality to consumers. A convincing communication, in turn, is the precondition for the customer's willingness to pay premium prices (C2, C4 Germany).

Concerning fair price, some studies have in detail described how network development have facilitated "value capture" for producers involved and demonstrated how value is shared among producers and others (Marsden et al 2000; Marsden and Smith 2004; Stevenson 2009). According to Stevenson there are different strategies to calculate "fair price" (Stevenson 2009).

Other studies show that consumers are willing to pay a premium price up to a certain level. A U.S. study observed that consumers were willing to pay a premium price of about 10-20 percent for values attributes in most cases, which may not be enough revenue for products employing more costly production systems at smaller scale (Painter 2007 in Lerman 2012). A study from Turkey shows that consumers are willing to pay up to 36 percent more for organic products (Akgungor et al 2005, NR Turkey), while Norwegian retailers claim that customers are not really willing to pay a premium at all for organic products (NR Norway). In Germany, several studies on prices and organic food marketing are conducted focusing on a variety of aspects around the encompassing topic (NR Germany).

A diversity of sale channels

Retail is the most important channel for sale in chains reviewed, but a diversity of sale channels are used by many of the successful chains. Most producer organizations have established diversity of distribution channels, usually retailers, but also for example different forms of public procurement such as school canteens, HoReCa etc. In many cases, those channels are combined with different forms of direct sale, such as own shop and farmers markets or the closely connected trades businesses. In some of these cases producers themselves may have other individual strategies on the side, and sell own produced product also through for example Farmers Market or own shop or restaurant (For example in C1 NR Austria, C7 NR France, C1 and C4 Germany, C1 and C2 Sweden, Marsden and Smith 2005). In box schemes reviewed, we see the same strategy in developing a range of other channels for sale, such as internet sale and sometimes own shops and restaurants in addition to the box schemes (CX NR France, C1 NR Austria and C3 NR Denmark).

When looking for mid-scale values-based organic chains in the Healthy Growth project, a main point was that communication should be mainly indirect between producers and consumer (Chapter 2). Results show however that many of the successful chains have developed a diversity of sale channels, including both indirect and direct channels for communication. When growing, it seems to be important to maintain a close interaction with consumers for communication of qualities and feedback through direct communication. The development of a diversity of regional sale channels might also be seen as a growth strategy. Successful chains develop different channels to reach different regional customers to increase sale. Another important aim focusing on a diversity of sale channels are described in the Waddengroup Foundations' growth strategy. Both at home and abroad the principal sale channel is specialty shops and general grocers. "With this level of heterogeneity within the supply chain, the network can retain greater control over production levels, prices and the spatial distribution of gains" (Marsden and Smith 2004, p.446-447). Other cases show other growth strategies, for example C1 U.K. where markets are developed locally, regionally, nationwide and for export, different strategies are adopted for the different markets (Marsden et al 2000).

It is not only qualities of products that differentiates mid-scale chains from conventional and mainstream organic chains. Also the choice of sale channels differentiates mid-scale chains from others. They also try to facilitate direct forms of communication with consumers. Developing both direct- and indirect channels for sale may mutually support each other in securing growth and communicating of qualities and thus strengthen the chains ability to grow.

Relationships between chain actors

When searching for case studies to review, another criterion was that the chain put emphasis on *both* the values associated with the food *and* the values associated with the business relationship within the food supply chain, and perceives at least some supply chain actors as strategic partners. There are a lot of examples of values associates with business relationships in the cases reviewed.

In one of the studies from Austria, which is the only one that has examined all actors in the chain (C2 NR Austria), values associates with the business relationship is well described. In this chain there is a close cooperation between the producer cooperative and a regional supermarket chain, where they are also jointly developing new products and test them in many different shops. This study describes the relationship between the different actors in the chain as very amicable and on an equal basis. The results from the study show a high consensus between the expectations of the consumers and the ability of the case study initiative to comply with them, when providing high quality organic products in the supermarket without compromising fairness and social sustainability. According to this study, regional embeddedness appears to provide the key to achieve the goals of the mid-scale values based chain. It allows frequent communication and interaction which lead to trust and collectively shared perceptions of values decisive for a high product quality. It also would appear that mutual respect and appreciation is a precondition for an equal distribution of added value and profit (ibid.).

One of the German case studies highlights another approach for the objective of linking farmers with consumers (C2 Germany). Rhöngut (regional specialty meat processing) is a commercial project of the Tegut retail company, which runs a large number of supermarkets. Rhöngut meat products rely upon the commercial performance and professionalism of the company. There is no public support for the activities of Rhöngut. The scaling up of Rhöngut led to more formal and reciprocal linkages with farmers. This development process strengthened the farmers' position and rendered Tegut's engagement in the region more attention grabbing.

The wholesaler Rinklin GmbH has the image of a very reliable supplier of high quality organic food products from local farms. The wholesale business originated from a small organic farm business. The success of the owner-managed medium-size wholesale enterprise is based on a close connection to local producers and processers. The regional embeddedness of the business, which is based on trustful relationships with the supplying farmers, as well as the small shops and retail businesses, is the foundation of the business philosophy (C3 Germany).

Another example is Graig Farm, which initiated cooperation with other organic farms in the area, creating a network of organic suppliers, which became known as the Graig Farm producer group (Marsden and Smith 2004). The Graig Farm is the central marketing actor for livestock among all farmers within the network. The aim was to seek new markets and ensure that farmers get a fair price for their products. Farmers mentioned a range of advantages of being part of the network, where each farm has established a supplier-marketer partnership with Graig farm. Frequent meetings among producers and The Graig farm has developed a high degree of trust, knowledge-building as well as problem-solving capacity (Marsden and Smith 2004).

Additionally, in C5 from Denmark (NR Denmark), the farmer cooperative Thise has relied on a long term agreement on mutual cooperation with Irma, a small quality supermarket chain located in the Copenhagen area. They cooperate on product development and have developed share branding where the two logos are combined. The Organic producer basket is another example of cooperation between organic vegetable producers and a discount chain in Denmark. They run campaigns under different themes such as Health & Fair trade. This initiative moved the bargaining power downwards in the chain, lowered the transaction cost and primary producers and producer/packagers organization gained more control over the information process (C6 NR Denmark).

Another successful example is from the UK. The Llyn Beef producer cooperative and its cooperation with Livestock Marketing Limited, an organization established to create marketing opportunities for farmers by setting up farmers groups to supply retail outlets. This organization facilitated the expansion of the cooperative by putting the farmers in contact with other actors of importance for development, such as the largest Cash and Carry operator in the UK for export. The beef was marketed in different ways for domestic and export products and there were different demands for the products of the two chains. The Llyn Beef cooperation is valued by actors along the chain for their close cooperation and trust (Marsden et al 2000).

Another case study from Denmark describes Aurion Bakery and its relationship to customers. The bakery has developed a high degree of social integration with their customer base and seeks to establish dialogue and innovation processes with customers, farmers, and bakers (C1 NR Denmark). The Norwegian case study also gives an example of close cooperation with chefs and competence institutions in product development (NR Norway). Case 5 from Denmark shows that a strong network with chefs and trendsetters has been an important differentiation strategy (C5 NR Denmark).

In the case study from the U.S. the relationship among actors in the chain is seen as a main point for success (Stevenson et al 2011). They articulate these relationships and specify for example relationships between producers/farmers and the processor, or producers/farmers and the retail chain in more detail. Also relationships with customers and consumers are described. According to the U.S. study, strategic partnership replaces capital and expertise. Through partnerships they have acquired important kinds of information and expertise on production, social, economic and business issues (ibid.). Inter-organizational trust among business partners is pivotal, and is built on the mutual confidence that business partners will fulfill their agreements and commitments. It is also built upon the fairness, stability and predictability of agreements among strategic partners (Stevenson 2009). Successful value chains emphasise shared values and visions regarding product quality, partner relationships and customer treatment, shared information (transparency) and shared decision-making among strategic partners. The value chain should make commitment to the welfare of all strategic partners in the chain, including appropriate profit margin, fair wages, and long-term business agreements (ibid).

When sales go through retail, partners are usually consciously chosen to secure that chain actors share basic values. From studies reviewed we see that producer organizations and/or processors seem to emphasis private-, regional origin, quality stores, small quality chains, and independent retailers or supermarkets which specifically sell organic products. An example from The Netherlands illustrates this consciousness: In The Waddengroup Foundation, they have avoided growth through supermarkets. Both at home and abroad the principal sale channel is specialty shops and general grocers. (Marsden and Smith 2004). Another example is the U.S. case. The businesses prefer agreements with mid-scale, family-based processing or distribution companies. With few exceptions, the value chain partners are privately owned and not subject to Wall Street pressure (Stevenson 2009). When products are relying on only one indirect sale channel, it seems like chain actors have developed a very close relationship based on common values, which secure product qualities to be communicated through the chain (C5 NR Denmark).

A lot of benefits are reported to derive from close relationships between chain actors. There are examples of cooperation in product development and testing of products, cooperation in marketing, benefits of knowledge sharing, learning and problem solving. Such benefits may altogether make the chain functioning more efficiently and coherently which strengthen the chains ability to grow in a healthy way.

In reviewed national reports, insufficient communication and trustworthiness among chain actors is emphasized as an important barrier for sale of organic or specialized food products (for example NR Finland, NR Norway, NR Germany and NR Slovenia). Dienel and Reuter (2006, NR Germany) found that the main obstacles for the development of the German organic market are mainly deficits in communication and organization. They argue that cooperation between retailers, processors and agricultural producers needs to be improved – above all through a better and clearer strategic alignment of all chain actors. A Finnish study of organic supply chain actors found that the relationship among actors in creating value plays an important role (Sarkkinen et al 2006 in NR Finland). Another Finnish study examined communication and trust between actors, where results show that trust is a prerequisite for collaboration, and that the basis for trust is competence i.e. the quality of communication is more important than the high frequency of communication (Kottila and Rönni 2008 NR Finland). Coherency is seen as an important factor in increasing the organic supply chain actor's commitment to the organic system (Kottila in press, NR Finland). In another study of Kottila (2010 NR Finland), results show that regardless of the coherent values emphasizing responsibility, the organic chains were loosely integrated and were therefore not properly operating systems. The focus was only on the production flow, and attention was not paid to other aspects of value creation such as communication with customers or the role of a leading actor in enhancing the market for organic products. From the Austrian report it is evident that as a precondition for a collective marketing initiative to be successful and contribute to growth, not only consumers but also producers have to collectively accept a new label (NR Austria). Mutual trust and the sharing of a common idea are decisive factors for success (C3 Austria, C4 Germany).

Many of the reviewed studies confirm that successful mid-scale chains seem to be characterized by a close relationship between value-chain actors, in U.S. studies described as partners (Stevenson et al 2011). Such close relationships differentiate mid-scale chains from conventional and mainstream organic chains, where traditional business relationships are common. It seems like such close relationships are decisive for establishing values along the chain, such as fair prices for chain actors, fair relationship along the chain and social sustainability, which differentiate the chain. Additionally, close relationship and common values seem to make product differentiation possible in the way such relationships facilitate communication of qualities along the chain. Altogether, close relationships among chain actors seem to be important and decisive for successful growth of mid-scale values-based chains. Regional embeddedness is emphasized in many studies as being very important for successful organic chains. On the other hand, there are also examples of chains that operate at national and/or international level and still seem to be successful.

Diversity in communication of values to customers and consumers

Qualities of products have to be communicated to customers and consumers so they know why they have to pay a higher price. Successful chains use a diversity of means to communicate value.

Own brand: In many studies examined, branding strategies are used to communicate qualities of products. Sometimes the brand is a brand for products from a whole region (Marsden and Smith 2004). In other cases such as Bio vom Berg (C" Austria) and Regionalmarke Eifel (C4 Germany) which are regional branding and marketing initiatives. There is also one example where a processor and a retailer have developed a shared brand and combine the two actors' logos, where a strong brand is supposed to be an important differentiator (C5 Denmark). Alternatively, the retailer can be the driving actor because the retailer is the mother company of the processor who uses exclusively goods from associated farmers/suppliers (C2 Germany). The consumer cooperative Biocoop in France (C8 NR France) has also established its own brand and also retailers have developed brands to promote organic products (C2 Germany). In Germany for example, the conventional retail industry (e.g. REWE and even discounter chains like Aldi and Lidl) have developed their own organic brands aiming to highlight organic produce more clearly from conventional food (NR Germany). In the U.S. literature all the four case-study-businesses have developed their own brand (Stevenson 2009). Branding seems to be an important strategy for communicating qualities, differentiation and growth.

Different means in grocery: Successful examples seem to carry out many efforts in both direct and indirect communication of qualities with customers and consumers to differentiate products. Below are some examples of means used in grocery trade to communicate qualities of products:

- Representative from producers or processor present products inside the store, offer tasting and leaflets for information, storytelling by staff or producer, etc. (C1, C2, C4 NR Germany, C3, NR Sweden, NR Norway, Stevenson 2009)
- Traceability cards at sale point with farmers name, name of butcher or other outlets, length of maturation of the beef, the tag number of the animal and the carcass number (Marsden et al 2000)
- Photo of producer and place, environmental quality are explained with a color-code label (C4 NR France)
- Shop-in-shop systems for organic food (C4 NR Germany)
- "Organic producer basket" (C6 NR Denmark)
- Information and communication with employees in the fresh food department. Develop «ambassadors» in stores among sales personnel (invite sale personnel to the processors factory to meet the employees and show them the production process, tell the story of the product, etc.) (NR Norway)

In *box-schemes* the following ways are used for communication:

- Subscribers are provided with additional information about the purchased product (including recipes) and the producer behind the products in every box (NR Austria, NR Sweden, NR Denmark and NR France). In one case a quarterly journal distributed via the boxes. Feedback from consumers is received via direct contact and/or via phone or e-mail or web-site dialogue

Product packaging and design: : Three case studies mention that growth to a larger and even national retail markets usually demands new packing and package design (NR Norway, C1 Germany; Marsden et al 2000). These results are consistence with results from Finland (Forsman and Paananen 2005).

For example, the German case study of a medium-size organic dairy reports that one year after the initial operation of the dairy (in 1997), a new concept for packaging was developed that reflected the ecological and quality orientation of the marketing strategy. Because of this, the dairy invested in new technologies for packaging: whipped cream, sour cream, and buttermilk have been offered in the "Mehrkomponentenbecher" ("more-component containers"). All components can be recycled separately. According to a LCA study conducted by the German Federal Environmental Agency the use of this cup as a non-returnable package proved to provide ecological advantages compared to the reusable packaging. At that time, the dairy communicated these positive effects of the package system on the internet. Moreover, the dairy's communication highlighted the ecological context, the qualitative aspect, such as protection from light, and maintenance of vitamins and flavor. Meanwhile this tree-component container system became mainstream for many organic and conventional dairy factories (C1 NR Germany).

Media coverage: Some chains are very conscious about profiling farmers and products in media as a means for differentiation and communicating values (Stevenson 2009).

Communication through direct sale channels: As already mentioned, many chains sell products directly through, for example, farmers market, fairs, festivals, own shops, internet, etc. beside indirect marketing channels, as a means to maintain direct communication of qualities and to receive feedback.

Communication with customers: As already mentioned, close cooperation with chefs and cooks for development of new products and securing demanded quality is a strategy used in some chains (C5 NR Denmark, C3 and C4 NR Germany, NR Norway).

Successful examples of organic food chains reviewed show that the main sale channel may be retail or box schemes, but customers have in some cases an option to buy products from direct sale at farm shops or at farmers markets' where they gain information about the products via personal contact (NR Denmark, NR Austria). In the U.S. case the challenge to communicate the deeper, more complex values that differentiate businesses, such as land stewardship, fair prices, and diverse farm and ranch structures are mentioned (Stevenson et al 2011). Regular contact and feedback from customers is important for each case enterprise, and they use many of the same efforts as European successful chains in communicating values. With regard to education and listening to consumers, enterprises collaborate with strategic partners to "tell their stories" via public press attention, point-of-sale materials and increasingly sophisticated and interactive websites. Some enterprises use farmers as storytellers, marketers and listeners (ibid.).

In literature reviewed researchers emphasize a lack of communication of values to explain why chains are not functioning optimally (NR Germany, NR Norway, NR Finland, NR Turkey). Schäfer et al (NR Germany) points out that customers believe in a transparent procedure, though the quality of collaboration between farmer and processor or wholesaler is rarely expressed. The efforts to communicate the added value and to achieve market success is still ongoing; however advantages for farms involved in these fair trade initiatives might be the setting up of more reliable retail connections, of common quality protection and the strengthening of regional structures.

Successful chains seem to use a variety of communication channels to inform customers about values of products and to gain feedback on products and ideas for development. This way of communicating qualities differentiates mid-scale chains from conventional and mainstream chains' both in using different and diverse channels for communicating product quality and in framing means to reach customers.

Organizational forms/structure in successful chains

Producers or producer groups initiated twenty of the 32 chains reviewed. These groups have established different organizational forms, such as non-profit-foundations, producer cooperatives or networks of producers' cooperatives, economic associations, non-profit organizations, farmers' owned limited liability corporations, etc. However, the majority are cooperatives. Internal organization and governance structure differ between the farmer organizations; despite their being based on many common values.

To give an impression of the variety and diversity of farmers' organizations, we give the following examples. In Austria it seems like most initiatives operate as cooperatives or as a network of cooperatives with its own brands (NR Austria, C2, C3, C4). The Austrian report emphasizes the importance of collective action and engagement between farmers in these cases. Mutual trust and confidence in the common idea is reported to be decisive for success (C3 NR Austria). According to the Austrian report, collective marketing initiatives seem to be a precondition for growth and not only consumers but also producers (farmers) have to collectively accept a new label (NR Austria).

The Swedish report displays two cases, Upplandsbonden and Jämtspira. They represent respectively an economic association with 70 farmers that cooperate in processing, marketing and sale, and a cooperative of several goat farmers cooperating in sale and marketing efforts (C3 and C4, NR Sweden). Both have established their own brand. In C4 France, the small producer brand is based on producers who created an association and a collective brand including both organic and conventional food. The producers have to practice sustainable farming, have farms of a reasonable size (no more than 6 ha for the same product) and rare varieties of products. In 2009 the association became a commercial society with its headquarters in Paris and two platforms in the south-east of France (C4, NR France). Another example is the Biobourgogne Viande, a farmers' organization founded by a regional confederation of several groups of organic producers of meat, including a farmers marketing organization and three butcher shops. It is a regional initiative and is part of a national organization for organic meat marketing which receives support

The organizational forms of the German cases represent the diversity of values-based mid-size organic food chains. The dairy processor (C1 Germany) is a producer cooperative. Since its foundation, the number of dairy farmers increased from 33 to 80 farmers in 2008. Access to the producer organisation was relatively easy because the dairy aimed at increasing turnover. Farmers were just obliged to become a member of the cooperative and to agree with its constitution. The meat processor (C3 Germany) has been taken over by Tegut retailer aiming to establish a premium label (Rhöngut) for their own supermarkets. The complete values-based organic meat chain is based on the encompassing business concept of the retail enterprise. The locally based wholesale business (C3 Germany) has long-term business relationships with the supplying farmers (mainly vegetable and fruit) and processors (SMEs such as bakeries, butchers, vineries, dairy etc.), as well as the downstream shop owners (retailers). Nearly all trade actions (buying and selling) are based on trust and reliability, with hardly any written contracts necessary. The regional branding and marketing initiative (C4 Germany) was originally funded by a regional development fund. Ten years later, the annual fees paid by the users of the regional label (farm shops, local processors, gastronomy, rural tourism businesses etc.) cover all expenses of the business (2.5 personnel and office rooms), and the initiative became a self-sustained service company.

The Organic Freshware Terminal (C2, NR Denmark) was initiated by a group of farmers and organized as a non-profit foundation run by a board. The Llyn Beef Producers is another example of a co-operative established to market beef from Llyn in Wales to improve the collective strength of farmers in the supply chain and to improve financial returns by gaining a premium price. Farmers were required to pay a membership fee to join the scheme and must sign up to a range of specifications (Marsden et al 2000). According to Marsden et al (2000) a range of organizational structures can work well for value chain enterprises (ibid.).

The Waddengroup Foundation is another cooperative established to support the development of sustainable agriculture with a high value in the Wadden area by extending the production and marketing of regionally specific high quality products. When developed, a lot of initiatives were established within the region that connected around the Waddengroup. Different founding sources have supported the development of the foundation. Five percent of net sale is dedicated to re-investment.

Four successful cases are reviewed in the U.S. study (Stevenson 2009), where two of them, the Country Natural Beef and the Organic Valley, are established as producer cooperatives. However, the two cooperatives are significantly different in terms of whether producers are required to make a financial equity contribution to the cooperative. The third business, Shepherd's Grain, is a farmer-owned LLC (Limited Liability Corporation) with additional associated producers, and the fourth, Red Tomato, is a non-profit organization that generates income from marketing, consulting fees and grants (Ibid.). The U.S study indicates that a range of organizational structures can work well for value chain enterprises. In the U.S. cases, the organizations in the chains, do not process or distribute their products. For the three enterprises dealing with processing food products, access to appropriately scaled and located processing facilities has therefore been critical to their success. All enterprises have identified key characteristics for recruiting and inviting new members. Farmers in successful mid-scale values-based chains are, according to the U.S. study, "price negotiators" as distinct from "price setters" in direct marketing and "price takers" in commodity marketing systems (Stevenson et al 2011).

Group marketing by producer cooperatives is an option for collaborative supply to overcome problems of fragmentation and discontinuity (Knickel et al 2008, NR Germany). Producers that are able to ensure sufficient and reliable supply, offer a greater variety and strengthen their negotiation position at once (Latacz-Lohman et al 1997 NR Germany). This is in particular important when supplying supermarkets or specialized organic purchasers (Dean 1993; Strauch et al 2006 NR Germany). In Germany, a cooperation of producers for common marketing is established where these organizations are either specialized in the organic sector or have an organic branch. These Erzeugergemeinschaften (EZGs) are not organized as cooperatives but as registered for-profit associations, however they are very similar to those of the cooperative movement (NR Germany).

A different type of organizing organic chains, is offering box-schemes. The basic idea is that consumers subscribe on boxes each week or every second week to be delivered, usually, at their home address. In national reports, six box schemes are reviewed. Four of the schemes are regionally based and two nationally. In Austria, the trading company called "Biohof" established a vegetable box scheme, closely connected to their farm. Additionally around hundred farmers in the area also deliver organic products to supply the box schemes. However, they are not involved in the organization, but are still satisfied with the cooperation for many reasons, among others because they are not bound by contracts (C1 NR Austria). In France one box scheme (AMAPs) centered on vegetables was based on a regional consumer initiative (C1 NR France). Due to several periods of growth, the organization/ governance of the network had to be redesigned several times to adapt to higher volumes. Another regional box scheme, Norabio, (C2 NR France), is organized as an organic cooperative initiated by farmers. A third box scheme from France is the Valbio case (C3 NR France). It was initiated by a cooperative that created an association for organizing the production and delivery of boxes of organic fruit and vegetables in the region. A box scheme from Denmark, Årstiderne (C3 NR Denmark), has grown from a local box scheme established by one producer to a national box scheme with specialized national producers and some producers from abroad. The organizational setup ran into difficulties and the initiative expanded to a national level with the support of an external investor, a Dutch bank, which gained a seat in the board of the new organization. The new business was turned into an e-business. A result of this study is that there is no such thing as a "right" or an "appropriate" organization (C3, NR Denmark). The last box scheme presented is Ecolådan (C1, NR Sweden). Ecolådan's products are sourced mainly regionally but do also include imported products. It is organized as a foundation created in order to promote organic farming in Sweden. Despite competition from a new actor in the market, Ecolådan is still a strong actor, due its structure. Profits are reinvested in foundations or distributed among producers (ibid.).

In many successful chains described, some form of producers' cooperation is established, with a predominance of farmers' cooperatives. The main impression is, nevertheless, that a diversity of organizational forms and structures are described in successful cases reviewed. This conclusion is in accordance with conclusions from some of the case studies, i.e. that there are no *one* model for successful development and growth. Results rather show that a range or a diversity of organization models and structures can work well for growth. Time studies, on the other hand, show that organizational forms and structures may change when growing to adapt to growth and changes in circumstances (for example C5 NR Denmark or C4 Germany).

Growth processes: challenges & barriers

A lot of challenges and barriers at different levels have been identified in relation to growth processes. The challenges may occur at different levels in the chain or be part of a chain challenge. The following list groups the main challenges and barriers in some main areas:

- Financing & access to investment capital (NR Norway; Lerman 2012)
    - Managing cost associated with growth, maintaining cash flow which make it possible to both grow and to manage daily operations
- Changing organizational form:
    - Changing from being producers organizations or consumers' coop to become commercial businesses imply change in decision-making and governance structures which may weaken some values (NR France, C5 NR Austria)
- Strategy
    - Determining effective strategies for product differentiation, branding and regional identity (Lerman 2012)
- Quality questions:
    - Demands for increasing (objective) product quality during growth processes may compromise established qualities (traditional products) (NR Norway)
    - New machinery and equipment may threaten established qualities but also create new (Marsden et al 2000; NR Norway)
    - Maintain qualities valued by customers and determine effective strategies for product differentiation, branding and regional identity (C1 and C4 NR Germany)
- Product development
    - Increased need for new products, product development or development of new product concepts (NR Norway; C2 and C4 NR Germany)
- Competence
    - The initial organization needs to adapt to growth: competent management team, competent board, competent employees, access to competent staff, etc. (NR Norway; C3 NR Germany)
    - Competent supply chain management (Lerman 2012; C2 NR Germany)
- Coordination & governance along the supply chain (C1 NR France)
    - Challenges according to communication of qualities along the chain (Dienel et al 2005, NR Germany, Lerman 2012, NR Norway)
    - Developing effective quality control and logistical systems. Creating meaningful standards and consistent certification mechanisms across the value chain
    - Ability to change the organization (C2 NR Denmark; C3 and C4 NR Germany)
    - Assurance of a fair price for producers that is also affordable for consumers is a significant obstacle, particularly for institutional buyers and low-income consumers (C1 NR Germany; Lerman 2012)
- Deficient logistical structures (Czech et al 2002, Wannemacher and Kuhnert 2009, NR Germany, NR Norway, NR Sweden, Lerman 2012)
    - Small-scale purchase and organizational structures in regional value-chains tend to result in high costs and thus high prices. Also cost of management systems tend to be much higher in the case of small farms and businesses.
    - For buyers dealing with small-scale producers, getting enough consistent and quality supply is often a hindrance (Lerman 2012)
- Building relationships among chain actors

    - Finding appropriate value-chain partners, and developing mechanisms for building trust, transparency and decisions-making (C1 NR Germany; Lerman 2012)
- Farm/producer level
    - Certification and appropriate technical support for farmers (C1 NR France)
    - Diversification of production at farm and territorial scale/ Collective crop planning (C1 and C7 NR France).
    - The structure of organic production is not adapted to the industrial processors' constraints (APCA 2011,2012 NR France).
    - Lack of social capital among producers to establish cooperation (C7 NR Denmark). Building sufficient trust among competing producer groups to form networks of farmers large enough to supply significant and consistent volumes of high-quality, differentiated food products
    - Coordinating equity among farmers regarding price, volume, and diversity of products is a challenge (small and larger producers have different needs) (Lerman 2012)
    - An unreliable policy framework led farmers not to consider a conversion to organic agriculture (Köpke and Küpper 2013, NR Germany)
    - Challenges according to price negotiation/fair price (C6 and C7 NR France; C1 and C2 NR Germany). Developing equal economic power for value chain negotiations. Producers often lack the skills and knowledge to determine profitable pricing structures (Lerman 2012)
- Market challenges
    - New target groups beyond typical organic consumer's needs to be reached in order to increase turnover (Dienel et al 2005, NR Germany)
    - Conflicts in market between conventional food retailing and mid-scale structures of specialized organic trade including structural disruption and contrary economic interests (Gerlach et al 2005, NR Germany).

Success criteria for development and growth

From the national reports reviewed a range of success criteria are mentioned for development and growth. These are:

- Clear business philosophy and objective – coherent long term strategy (NR Germany, Stevenson 2009)
- Competent and effective leadership and management (Stevenson 2009, NR Norway)
- Appropriate organizational model/dynamic organization (Stevenson 2009, NR Denmark)
- Good arrangements for financing growth (NR Norway)
- Clear differentiation of products based on values, deepening product differentiation (Stevenson 2009)
- Shared decision making and governance (Lerman 2012)
- Adequate added value for all chain actors (Müller et al (2003, NR Germany, Stevenson 2009)
- Relationship building along the chain, trust among actors & social capital (C2, NR Austria, C3 NR Germany; Marsden et al 2000; Stevenson 2009)

- Regional embeddedness and proximity (NR Austria C2; C1, C2, C3 and C4 NR Germany and Hensche and Schleyer 2003 in NR Germany). Regional proximity allow regular communication and interaction which is a basis for trust and the development of common values
- Regular communication with customers and consumers for quality communication and feedback (NR Norway, C2 and C3 NR Germany; Stevenson 2009)
- Branding/labelling (C2 and C4 NR Germany)
- Efficient logistic systems/coordination (C3 and C4 NR Germany)
- Long term contracts (allow risk-taking) (C8, NR France), no contracts allow flexibility (C1, NR Austria)
- Collective discussion of priorities among producers (C8 NR 2France)
- Producers' commitment/motivation and building of a common identity (social capital) (C5 and C6 NR France, C5 NR Denmark; C4 NR Germany). Ownership that the farmers feel to the final product. This is important for willingness to produce, promote and sell high quality organic products (C3 NR Germany; C3 NR Austria)
- Individual persons as drivers (NR France; C2 and C3 NR Germany)
- Ability to network with different actors, such as public institutions; municipality, support system, food security, and competence institutions, businesses, etc. (NR Norway, C5 NR Denmark)
- Public relations, publicity (Hensche and Schleyer 2003, NR Germany, Stevenson 2009, Kvam and Rønning 2012)
- The role of authorities at different levels in development processes (C3 and 4 NR Sweden, C6 and C7 NR France; C4 NR Germany)

The success criterion that is the far most commonly mentioned in reviewed research, is the importance of *building relationships* among actors in the supply chain for building *trust and common values* as a basis for fair value sharing and the communication of qualities along the chain.

Lessons learned

The Danish report focused on the nature of growth of successful chains and deduced out of a comparative analysis of the Danish case studies that the successful cases are able to make some stepwise growth action that include a reconfiguration of their networks and a reorganization of firms and enterprises involved. Other cases also showed that chains have to be able to handle stepwise growth to manage growth (NR Denmark).

Another point outlined in both the Danish and Austrian report, and which is possible to see from the reviews in general, is that there is different understanding of value and approaches to build value in the values based chains. In some cases value is understood as the sensory quality of the product, in other cases value is based on narratives of the place, product or the production process, and in other examples values are based more on the environmental and/or ethical concerns. In most examples a lot of values are emphasized, but it is possible to see different strategies in how values are emphasized and built.

Despite the fact that many organizational forms may allow chains to grow, *organization matters* (NR Denmark). Many of the involved cases reported growth trajectories where changes in context and strategic orientation necessitated changing forms of organization, both in terms of internal organization of the enterprise, as well as in terms of adjusting scale and scope of the enterprise to match changing circumstances. Some cases reported involved up-scaling both in terms of increasing output and outreach, but also processes of downscaling where both output and outreach had to be downsized (ibid.).

Some of the chains described in the reviews experienced trade-offs according to growth and values emphasis. In Sweden, Ekolådan have experienced a dilemma between selling larger volumes to consumers and still abiding by its principles such as supporting organic farmers. It might be difficult to grow without compromising on the value (NR Sweden). In C5 NR Denmark, a trade-off according to growth has been to expand the cooperation with IRMA to encompass the other supermarket chains in Coop Denmark without losing its unique value for IRMA. Other examples of changes in organizational structures and/or growth have resulted in loss of some values but adaptation processes have allowed the retaining of other values.

Another aspect of growth is that some chains focus on regional sale and want to stay regional, for example the Biobauern Sulzberg, where producers want to optimize the resource configuration and view growth as external pressure. Other chains grow into both national and export markets. There are also different reasons for growth, for example to safeguard high producer prices in order to maintain present production structures, or to increase sale for retaining a reasonable profitability, etc. There are a range of reasons for and attitudes towards growth and how it should be accomplished.

Conclusion

Many of the reviewed cases studied did not specifically focus on growth in organic food chains and the related challenges. However, the literature reviewed show that very relevant aspects have been analyzed – even though mostly in another context. The case studies refer to values, trust and communication and provide significant information for the HealthyGrowth project elaboration.

A focus in this review lies in what characterizes successful mid-scale values-based chains and their strategies for growth. The review identified the following common traits within such chains:

- Emphasize a diversity of values and product qualities far beyond organic standard (e.g. regionality, animal welfare, fair pricing).
- Most chains access a diversity of sale channels, in many cases both direct and indirect channels.
- Utilize a diversity of means to communicate values and product qualities to customers and consumers, both via direct and indirect means.
- Emphasize personal relationships between chain actors for building trust and common values along the chain to secure communication of product qualities. Values associated with the business relationship also are emphasized.
- Establish a diversity of organizational forms/structures, where different forms of producer organizations are common in a majority of the chains.

These characteristics of successful chains seem to be closely connected to one another in order to achieve successful and healthy growth.

Challenges exist in developing values-based organic chains. The national reviews point to many challenges and barriers, both at the macro- and micro-chain level. At the same time, research has also identified many success criteria for development and growth, where it seems like, among others, the development of close relationships between chain actors is a prerequisite for communication of values along the chain and thus successful growth.

A main conclusion is that there still is a major knowledge gap in research on mid-scale values-based organic chains in Europe in general and challenges related to the growth processes in particular. The HealthyGrowth project aims to fill parts of this gap.

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Guidelines for national state-of-the-art reports

National reports: max 15 pages, 7500 words

Mid-scale food value-based chains:

In the Healthy growth project we define "mid-scale food value-based chains" as value chains where quality of products and production methods are communicated in other ways than in small scale- and large scale value chains. S*mall-scale value chains* represent mainly face-to-face contact between producers and consumers, and they are usually locally based. *Large-scale value chains* on the other hand represent the conventional system with no interaction between producer and consumer, and values are hard to communicate. Mid-scale food value-based chains represent a variety of chains where values mainly are communicated indirectly between producers and consumers. Some chains have moved beyond a local to a regional, national and/or global market. Other mid-scale value-based chains were established as mid-scale from the beginning, i.e. based on indirect marketing. Some mid-scale chains have grown, but still belong to the mid-scale category. Other actors may have belonged to the large scale category, but changed strategy to compete in the market for quality products in mid-scale value-based chains. A value-chain includes all actors from the food producer to the end-user. Enterprises, corporations or associations, and different kinds of networks and/or public-private partnerships may be part of the chain.

We suggest the following working definition on mid-scale food value-based chains:

- Handles significant volumes of high-quality, differentiated food products
- Involve a number of producers (more than one farm)
- Communication is mainly indirect, and just exceptionally face-to-face between producer/farmer and consumer
- Involve at least one stage of product transformation between the primary producing farm (e.g. collection/processing/packaging/distribution) and the consumer
- At least one separate actor is an intermediary (i.e. there are at least three links in the vertical supply chain)
- Operates usually on a regional scale or may have extended distribution to national or international markets
- Place emphasis on *both* the values associated with the food *and* the values associated with the business relationship within the food supply chain, and perceive supply chain actors as strategic partners. [11]

[11] A complementary definition of Mid-scale food value-based chains is developed in the document enclosed.

Studies for review

In WP2: State-of-the-art review, the activity for each partner is to review national research on mid-scale food value-based chains as defined above and complimented in the enclosed document. The main aim for the review is to examine how such chains manage to combine volume and values. We suggest to search for studies on alternative food supply chains in general (headwords for search, see below), and look for studies in accordance with our definition of mid-scale food value-based chains. Such studies may give valuable information about conditions for growth, barriers and successful strategies. We suggest that you try to answer the questions in the disposal as far as it is possible in reviewing such studies. If you find other factors of importance, you must of course include those in the review.

Searching for studies at national level

Headwords for search:

Local food/Regional food/speciality food/quality food production – regional/rural development

Alternative food supply chain/short food supply chains/alternative food networks/new food supply chains/local or regional food systems

Sustainable food systems/sustainable food chains/organic food chains, etc

Midscale food value chain

Disposal of national reports

1. Background information: (max. 200 words)
a. Give a short description of country & agriculture: Size: inhabitants, acres, arable land. Number of farmers, main food productions, main development traits in the agriculture sector since about 1990s.
2. **Status organic food production & consumption** (max. 500 words)
a. Production and consumption (1998-2012, i.e. during the last 15 years)[12]: i. What is the size of organic production in acres (areal), volume and as part of national agricultural production? How is the development of organic production during the last 15 years? How many organic farmers do you have? Are you exporting organic products? ii. What is the size of organic consumption? How has organic consumption developed during the last 15 years?
b. Government role in the development of production & consumption i. Describe briefly national goals and strategies for organic production and consumption?
3. Summary of studies on mid-scale food value-based chains in the organic & quality food sector[13] (6000 words for 3+4+5)
a. Source of research, internet address
b. What is the background & purpose of the study?
c. Description of actor(s)/chains studied: What types of actors (enterprises/organisations/networks) are studied and where are the actors located? How many actors does the value-chain possess and what was the main activity of the actor(s) in the chain? Where are products sold (local, regional, national, EU, global), and by which distribution channels? What is the type of ownership and organisation form among actors in the chain? How was the activity initiated, and what was the year of foundation? How many members (employees, suppliers etc.) does the actor(s) possess?
d. If growth is described in the study, how is it described?
e. What are the major logic regarding value: i. Geographical proximity (local/regional/seasonal products, etc.) ii. Social & ethical concerns (fair price/solidarity with farmers/animal welfare/inclusion of disabled people in the production, etc.) iii. Special product features (special ingredients, no additives, high nutrient content, traditional processing methods, unique processing techniques, cultivation of a distinct breed, etc.) iv. Environmental concerns (no fertilizers/pesticides, sustainable soil management, preservation of environment, etc.) v. Regional development
f. Product strategies & product development for growth: i. What types of products are offered? Do they offer just organic products

[12] If you do not have numbers for these years available, use numbers you may have to show development traits.

[13] In most empirical studies of quality food production and alternative food chains, there are usually cases of both organic food and food with other qualities. This is the reason why we have included “quality food sector” in the heading. Some studies divide between regional or artisanal characteristics and ecological or natural characteristics of quality food (for example Renting et al 2003; Murdoch et al 2000), but many producers may focus on both types.

	or mixed? How many products are offered? ii. Was there a need of product development for expanding in existing- or into new markets? What qualities of products were emphasised in product development? Did expanding output in any way compromise the quality of the products? iii. Was there any cooperation with actors in the value chain or external partners in product development?
	g. Farmers/Suppliers: i. Are some kinds of requirements for suppliers established, describe? ii. Describe the relationship/interaction between suppliers and the other actors in the chain, - are there close interaction or more distant relations? iii. Does the activity contribute to economic added value for farmers/suppliers?
	h. Distribution channels: i. What kind of relationship exists between the actors distributing the products and other actors in the chain? ii. If the activity has grown, has this changed the choice of distribution channels, if yes, describe why and how the existing channel is functioning?
	i. Quality differentiation strategies: i. Describe what kind of qualities are emphasised in marketing of products? (Geographical proximity, social & ethical concerns, special product features, environmental concerns, others?) ii. Communication of qualities to customers and consumers: 1. What types of relationship/interaction exist between producer, customers and consumers (material and symbolic, formal and informal meeting points)? 2. Are packaging and design of products an important part of the differentiating strategy, and in what way? 3. Are labels & logos part of a differentiating strategy and eventually which types (regional branding, quality standards, certifications, protected designations, etc.)? 4. Describe how trust and integrity seems to be maintained in the value chain?
	j. Does the study mention other important partnerships & networking for development and growth of the value-chain, describe those?
	k. Does the study describe changes in the organisation/network/chain actors as part of a growth process (for example changes in organisational form, board, management, employees, network actors, quality standards, etc.)?
	l. Are challenges and possibilities for growth in mid-scale food value-based chains described?
	m. Does the study conclude with success criteria for mid-scale food value-based chains, and strength & weakness of different organisational forms and pathways?

4. **Theoretical approach: What theoretical approaches are used in the study?**
5. **What methodological approaches are used? Do you have any critical reflections on these choices?**
6. **What are the main lessons learned from all the studies you have reviewed?** (max. 800 words)
a. What are major conditions for growth, major barriers, and healthy growth strategies?
7. **Make a summary of studies of expansion pathways from conventional food or non-food sector which might be of interest for our purpose**