

## Development of a cooperative short chain food supply system to enable building local food alliances

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### Summary

Local and regional food has a strong socially connective value at current times of globalization and enlargement of scale. Food can be the driver for local social innovation and health improvement. It adds to employment and economic development. Regional food products can add 'sense of place' and local pride, it contains a touristic experience value, and adds to sustainable development. Employing short chain supply systems for distributing local food greatly reduce the 'food mileage' of our food consumption, thus contributing to a low carbon economy. A short-chain approach for supply of local and regional food products, can help to strengthen economic growth in an ecologically and socially sustainable way. A huge problem often encountered, however, is the issue of physical logistics and distribution of these fresh food products.

In recent years, several initiatives have been taken to develop local and regional food supply systems. While greatly contributing to making local and regional food products more easily accessible to consumers, most of these systems need a subsidy system of some kind to keep them operational. Once government subsidy support declines or disappears, these supply systems often have to end operations. However, supply systems are being developed and tested that are economically self-sustainable, such as the cooperative 'Pick, Drive and Deliver' system developed by Innovatiesteunpunt in close cooperation with Rurant vzw.

We recommend for local and regional governments to support development of an innovative regional food supply system that structurally embeds within itself an economic self-sustainment option. National government levels should be aware of these possibilities and should incorporate the option of supporting development of these types of supply systems into their translation of the EAFRD policy options within their national rural development policy.

### Issue/Problems

Should local and regional authorities facilitate the development of regional short-chain food supply systems that are economically self-sustainable?

## Background

Agriculture and society as a whole have evolved towards globalization, enlargement of scale and industrialization. Thanks to growing prosperity, affordable food is more accessible than ever, however at the expense of the disconnection between producers and consumers.

As a social reaction to this evolution, food is growing towards a new connective value. Food can be the driver for local social innovation and health improvement. Regional food products contain a touristic experience value, adds to employment and economic development. They can instill a 'sense of place' and local pride, as well as adding to sustainable development. Short chain supply systems to distribute regional food can greatly reduce the 'food mileage' of our food consumption, thus contributing to a low carbon economy.

Experimental experiences in hospitals and care homes for elderly even identify a substantial improvement of health levels of patients/residents, when using regional products in the food preparation instead of more 'anonymous' food products.

Adding this all up, food can be an important theme for building alliances reconnecting local communities with local food producing entrepreneurs.

In recent years new regional and local food initiatives have grown in several regions. Often starting from social motives, these new initiatives offer huge possibilities for entrepreneurial innovation and added economic value in rural areas. A short-chain approach for supply of local and regional food products, can help to strengthen economic growth in an ecologically and socially sustainable manner. A huge problem often encountered is the issue of physical logistics and distribution. Local food is per definition being produced by relative small enterprises, while local consumers in rural areas are living widespread. Supply systems need to be developed that are socially and ecologically, as well as economically sustainable to be enduring in time.

## Our Interests in the issue

Boerenbond & Landelijke Gilde is a farmers organization as well as a rural movement, active in Flanders and having a membership of more than 70.000 rural families, including about 17.000 farmers families. It's permanently working towards an economically, socially and ecologically sustainable agriculture that has broad community support. Furthermore, the rural movement is committed to developing a vibrant and resilient rural area both in Flanders, as well as in the Global South.

Food plays a key role in connecting farmers and other rural residents. It is our experience that developing cooperative local short-chain systems greatly enhances mutual understanding and cooperation between entrepreneurs and community members in rural areas and thus can contribute to vibrancy and resilience of our rural communities.

## Existing Policies

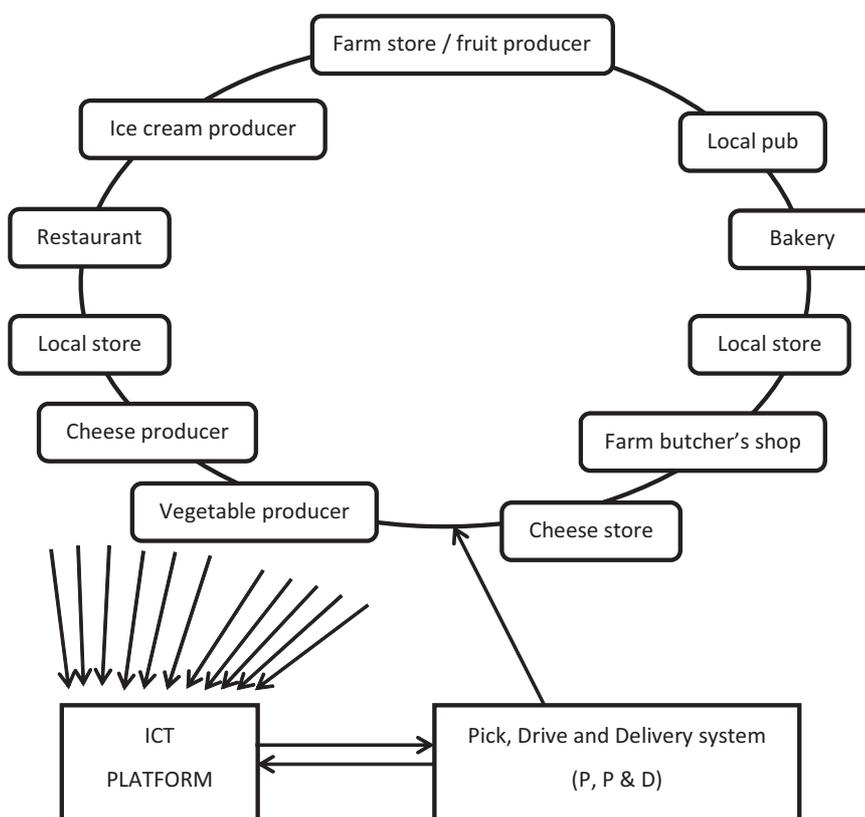
In recent years, several initiatives have been taken to develop local and regional food supply systems. Most of these systems have been developed through government subsidy arrangements, such as European Agricultural Fund for Rural Development (EAFRD) programs. While greatly contributing to making local and regional food products more easily accessible to consumers, most of these systems need a subsidy system of some kind to keep them operational (e.g. social economy subsidies). This is due to the problem of the distribution system needing to keep food prices at an acceptable level as well as needing to comply with European HACCP (Hazard

### Existing Policies (continued)

Analysis and Critical Control Points) rules. Due to these preconditions, traditional 'hub-and-spoke' type distribution systems are not economically viable in a specific rural context with small food producers and consumers living widespread. As a result of this, once government subsidy support declines or disappears due to a specific project ending or governmental budget cuts, these supply systems often have to end operations.

The Innovatiesteunpunt of Boerenbond & Landelijke Gilde developed in coöperation with Rurant vzw an innovative cooperative supply system called 'Pick, Drive & Deliver' that enables the preconditions above to be met in an economically self-sustainable way. This system has been tested and improved through the Interreg 2 Seas 'Fish & Chips' and Interreg NWE 'PURE Hubs' projects and has proved to be viable. Instead of a traditional hub-and-spoke distributions system, a circular system has been devised, supported by a specific ICT tool, eliminating the need for expensive warehousing. In a cooperative approach, food producers and an distribution entrepreneur both are permanently committed to the success and economic viability of the system.

### Diagram depicting the Pick, Drive and Deliver system:



A '2.0' version of the Pick, Drive and Delivery' system has now been devised and is currently being tested, involving B Post, the Belgian national Post Office. By extending their traditional package delivery operations with delivering specially conditioned regional food products, this further developed version enables a very finely B2C branched distribution system to be developed.

As a side effect, these 'extended' postal services improve economic efficiency of the postal services in rural areas, helping Post Office to keep their 'traditional' service in place in even very rural areas in the face of budget cuts.

## Policy Options

Local authorities can take 3 possible policy roads on this theme:

They can undertake no initiative. This option is, of course, the easiest and lays the least burden on their already overly tight budgets. However, by doing nothing, local and regional governments pass up the possibility to contribute to local pride, vibrancy and even food resilience in their rural area.

A second option could be to support development of a traditional supply system for local and regional food. Since this types of distribution systems are well known, they are relatively easy to put in place. However, in view of the preconditions mentioned above, they should be able to guarantee continuous subsidy support to keep the system operational. This is not evident in times of budget shortages.

A third option could be to support development of a supply system that is innovative and structurally embeds within itself an economic viability option. The Pick, Drive & Deliver system explained above could be such a system. Development of these types of supply systems is more time consuming and intensive than development of a traditional hub-and-spoke system. However, the new European Agricultural Fund for Rural Development (EAFRD) program for the 2014-2020 period can provide financial support for development of these types of innovative systems. Once fully operational, these systems are economically self-sustainable and do not require additional governmental financial support.

## Recommendation

Recommendation can be made for local and regional governments to support development of a regional local food supply system that is innovative and structurally embeds within itself an economic self-sustainment option. Before supporting development of such a system they should request a business plan that proves economic viability of the system to be developed before granting financial support.

National government levels should be aware of these possibilities and should incorporate the option of supporting development of these types of supply systems into their translation of the EAFRD policy options into their national rural development policy.

## Sources

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