



Core Organic II:

Healthy growth: From niche to volume with integrity and trust.

State of the art: National report Norway

Gunn-Turid Kvam and Hilde Bjørkhaug,
Centre for Rural Research
7491 Trondheim, Norway

Background information

Norway consists of about 5 million inhabitants and a land area of 385 186 km². Only 3 per cent of the land surface is cultivated and only one-third of this land is suitable for arable farming and cultivating grain for human consumption. The remaining agricultural land is used for pasture and fodder production (Statistics Norway 2012). In 2012 there were 44,700 farmers in Norway. The number is decreasing substantially every year, and since 1999 there has been a farm closure of 64 per cent (ibid). In a European context, Norwegian farms are small where the average farm size is 22.2 ha. The main agriculture productions are milk, meat, grain and vegetables (Debio 2013). The self-sufficiency rate in terms of calories is almost 50 per cent (Shucksmith and Rønningen 2011). In 2012, 1.8 per cent of the total workforce was employed in agriculture, and agriculture accounted for 0.3 per cent of the gross national product (Statistic Norway 2012). However, many rural communities have a high dependency on agriculture.

The Norwegian food and drink industry is the second largest industry in the country, behind the engineering industry. It yields 23 percent of the total industry production value and it employs 18 per cent of the total industrial work force (Nordlund 2010). The main development trends for the food industry in the period 1980 to 2000 was that four wholesaler-retailer chains increased substantially (Dulsrud 1999) and accounts today for 99 per cent of the grocery trade market (NOU 2011:4). Liberalisation of the agriculture politics resulted in increased import because of reduction in import duty on some agricultural products. A strong structural rationalisation among food processors was initiated to reduce cost to meet demands from retailer chains and competition from import (Almås et al 1997). The result of these changes was a conventional food system with standardised products and price competition. Compared to other countries the variety of food offered was very little and also consumers were focused on price rather than on qualities of food (Jacobsen 2007).

Status organic food production & consumption

EU-regulations for organic production were established in 1991 and Norway adapted these in 1992. The organisation Debio got the responsibility for certification and inspections of organic quality (Debio.no). Organic farming has grown from 1980 with about 20 farms until today where the number is 2590 (SLF 2013). The number peaked in 2009, with 2851 farms. Organic farms constitute now 5.8 per cent of all farms in Norway. The average farm size for organic farmers is 19.4 ha, when the average for conventional is 22.2 ha. Organic land in use has grown from 18 000 ha in 2000 to 50 100 ha in 2012, i.e. that 5.1 per cent of land in use are organic in 2013 (ibid.).

A quite large amount of organic products are not sold as organic in Norway, which is a challenge for both the processing industry and farmers. Just 27 per cent of organic meat was sold as organic in 2012, 38 per cent of milk, 72 per cent of eggs, chicken and turkey, and 100 per cent of grain (Statistics Norway 2013). Norway is on the bottom of the list compared to the other Nordic countries according to organic food production. Consumption of organic food is growing gradually but represented in 2012 only 1.2 per cent of turnover in the grocery trade, i.e. 1, 45 billion NOK (Bye and Løvberget 2013). However, sale has increased the last years from a

turnover of 500 million NOK in 2006, i.e. a growth of about 290 percentages. Turnover includes both national production and imports. Measured in value, dairy products represent the largest group of organic products, which is of importance for Norwegian agriculture. Vegetables and potatoes represent the second largest group and the third is grain- and baker's products. Organic food for children have experienced a strong growth the last year, and represent 23 percent of total sale in 2012 (SLF 2013). The main marketing channels for organic products in Norway are the grocery trade (81 percentage). Other channels are sale from wholesale to hotels, restaurants and canteens (HORECA), box-schemes, Farmers Market and bakeries that represents about 19 percentages (ibid.)

It is a political goal to reach 15 per cent organic agricultural production and 15 per cent organic consumption in Norway by the year 2020 (LMD 2009). The goal includes 15 per cent agricultural land and that 15 per cent of the total husbandry should be certified organic. The main reason for Norwegian authorities to emphasis organic production and consumption is that organic agriculture emphasis environmental consideration more than the conventional agriculture and new knowledge and methods are developed that may benefit agriculture in general (ibid). Several policy instruments were developed to encourage growth in organic farming during the 90-ies and new ones have been established for reaching new and ambiguous goals (ibid). But, as already mentioned, status in 2012 are far below these goals both according to production, organic agricultural land in use and consumption. According to husbandry, only 0.9 per cent are organic in 2012, a number that has decreased the last years. The Norwegian Agricultural Authority has stipulated growth, where results show that goals are far from being reached also within 2020 (SLF 2013).

Summary of studies on mid-scale food values-based chains

When searching for studies of mid-scale values-based chains in Norway we searched in websites of the main research institutions in Norway conducting research in this area and their lists of publications. Another method used was to search in the Norwegian library database and Google and Google scholar using the key words suggested in the guidelines for the report, such as: local food/regional food/specialty food/quality food production, regional/rural development, alternative food supply chain/short food supply chains/alternative food networks/new food supply chains/local food systems, sustainable food systems, sustainable food chains/organic chains, midscale food value chain.

Type of studies

Results from the review show that just one research project has been conducted on growth since this quality food "industry" was established in Norway. This project, "Expansion strategies for local food firms" accomplished a survey of quality food producers in Norway and multiple case studies (Magnus and Kvam 2008; Bjørkhaug and Kvam 2011; Kvam and Magnus 2011; Kvam and Magnus 2012; Kvam et al forthcoming). There are a few other studies of mid-scale businesses or quality products that have reached distant markets where communication of

quality is mainly based on indirect contact, but focus is usually on other aspects than growth. However, where such studies give valuable insight into strategies, challenges and conditions for growth, they are referred in this report. Such studies are mainly qualitative case studies where the focal units are businesses processing the food (Haugum et al 2013), the food products (Fannemel 2013) and producer networks (Haugum et al 2013; Kvam and Rønning 2012). In all studies mentioned above "organic" is usually seen as a quality on equal terms with other qualities that food firms emphasise, such as local food, artisanal production, traceability, and animal welfare. None of the studies have a main focus on organic quality food production.

Background & purpose of the study

Background for establishing the project "Expansion strategies for local food firms" was that most firms established was micro in size and turnover was limited. The firms struggled to reach profitability and thus their contribution to rural development was also limited. Therefore there was a need for more resilient and profitable firms. The primary goal of the project was to contribute towards increased value added in local food enterprises by obtaining new knowledge about the conditions for expansion and how the industries can solve challenges they face in different phases of expansion. In this project local food was defined as 'differentiated from industrial mass production by one or more of the following factors: raw material, process, know-how, availability and consumer perception' (O'Reilly and Haines 2004:139). Growth was defined as growth in turnover (Magnus and Kvam 2008).

Survey on growth ambitions

The aim of the study was to examine growth ambitions among local food firms in Norway, strategies for growth and perceived barriers. Firms who answered the survey were mainly micro in size with 2-3 employees where about 50 percentage stated profitability. About 80 per cent of local food firms wanted to grow or were in a growth phase. The fact that a big share of the firms wanted to grow did not mean that all firms wanted to become large firms in a Norwegian context. Many of them needed to grow to become profitable, and the main goal with growth was to earn more money and secure the workplaces. Most firms wanted to grow in the local and regional market, while about 20 per cent aimed for a national market. Growth strategies were based on established products and to certain extend also new product development. Enhanced competence in the firm's own staff and board was considered by far the most important initiative within the organisation. Producers' perceptions of the most important barriers to growth included access to financial support, access to competent staff and efficient solutions for distribution (Kvam and Magnus 2012). Local food firms did not cooperate very much, but in particular firms that aimed at reach the national market realized the need of cooperate in particular on marketing, sale and distribution. In 2008, nearly half of the small-scale food enterprises were involved with organic products for either all or part of their production. This is a big share compared to the number of organic farmers in Norway (Bjørkhaug and Kvam 2011). The organic firms were not essentially different from the other local food firms in the survey (Magnus and Kvam 2008).

Case studies on growth in local food firms

The selection criterion for cases were based on processing firms perceived as successful in the Norwegian “quality food chain”, but also firms that were not perceived as being particularly successful but in a growth process were selected. All case-firms were well established, large in a Norwegian context and had managed to expand to regional and/or national grocery trade and/or HORECA. Selection criteria’s were also that the firms differed according to products, localisation, markets and customer base (Magnus and Kvam 2008). Part of the project was also to study producer’s networks as a tool for firm growth. Results from these studies are mainly referred below under the heading “Distribution and sale follow-up”.

Case 1: Traditional meat products for the grocery sector

The firm is located in northern part of Norway and has a clear product philosophy that entails local produce, products based on old traditions, and artisanal production. The aim is to increase revenue to NOK 32 million, which will result in a profit. In 2006 and 2007, about NOK 7.5 million were invested in expansion and a new production line. At the same time, steps were taken to make some of the products more consumer-friendly and less seasonal. This investment required the firm to adapt its traditional production process to the new equipment. After establishing itself in the local and regional market over many years, the firm is now gaining a foothold in grocery stores and supermarkets at the national level.

Case 2: Processing of salmon for institutional catering and the grocery sector

This firm located in the middle of Norway buys farmed salmon for further processing. The aim is to grow to a sales volume of NOK 9 million, which will mean profitable operation, five jobs, and full capacity utilization of the firm. The point of departure was that the firm needed to be modernized and adapted to new requirements. NOK 1.7 million were invested for this purpose. A separate project was dedicated to improving the efficiency of the firm, with greater awareness of refining the product quality. The refinement process is perceived as food artisanship, where meticulous preparation and strong competencies in food technology are imperative.

Case 3: Flour for bakeries, institutional catering, and the grocery sector

From 2004, the business located in southern part of Norway was established as an independent flour producer. The grain is ground into flour using a stone mill based on old traditions. Organic and conventional flour and flour products are produced. Growth has been an objective since the reestablishment of the business, initially to a sales volume of NOK 15 million. In 2008, the enterprise invested in new production facilities, which enabled increased production and created the potential to expand the market. The operation was profitable until 2010, but due to the financial crisis and a downturn in the market for organic flour, it was expected to make a loss in 2010.

Case 4: Meat products for supermarkets and delicatessens

The company located in a mountain area in southern parts of Norway was established in 1950 as a private rural abattoir and sausage maker. For many years, most of the meat went to a larger processing firm for further processing, while about 10 per cent was used to produce traditional smoked sausage and sold in the firm's own butchery shop. At the beginning of 2000, the company's financial situation was weak, and a decision was made to invest in more extensive processing. This resulted in substantial investments in 2006 and 2007: development, purchase of machinery and equipment, as well as a major restructuring process from an abattoir to a processing business with a strong focus on product development. In 2009, about 20 per cent of the meat was processed by the firm.

In the Norwegian context these firms represent large companies in the category of local food firms, which seem to have about two-person-years on average (Magnus and Kvam 2008). The four firms studied were all private limited companies.

Table 1: Aspects of local food firms summarized

Case	Establish	Pers. years	Sales NOK mill	Products	Markets/ customers	Distribution	Qualities emphasized	Communication of qualities	Relationship suppliers/ numbers	Network/partners
C 1	1990	24	26.7	Lamb & pork, 7 prod.	National: grocery trade sector	Regional: own National: Tine	Local raw materials, traditional products, artisanal production, traceability ²	Packaging, web-pages, Specialty brand, sale corps in stores, communication customers	Close relationship, aim share value added and contribute rural development	Broad & active networking at all levels
C 2	1998	3.5	5.5	Salmon, 6 prod.	Regional: institutional catering, some grocery trade	Regional actors	Top-quality ingredients, traditional recipes and processing methods	Regular face-to-face contact with customers	Business relationship to its one supplier of salmon	Broad and active network in particular toward support system and knowledge community
C 3	1916/2004	5	10	Flour: Wheat, rye and spelt, organic and non-organic, 9 prod.	National: Institutional catering, bakeries, grocery trade sector	Grocery chain & wholesaler	Organic, traceable, local ingredients, traditional processing methods, no additives, high nutrient content	Packaging, web-pages, Specialty brand	Distributed value added to only organic suppliers	Limited network,
C4	1950/2006	20	43	Beef, pork, lamb, venison, 37 prod.	Oslo area: some grocery trade, delicatessen Regional: Grocery trade	Own Aim to establish local cooperation	Local ingredients, mountain pastures, traditional recipes, without artificial added, animal welfare ethics	Packaging, web-pages,	Suppliers own shares in company, aim distribute value added & contribute regional development	Aim to establishing local network for distribution and sale, growing network relations

Distribution

Since local food firms in Norway were first established, distribution has been a challenge. There were no alternative channels to the conventional ones, and producers of local food had to distribute their products themselves (Borch and Iveland 1997). Some producer networks for distribution and sale were soon established, but most producers still distribute their own products and plan to continue this as part of a growth strategy (Kvam and Magnus 2012). Reasons for this might be that they do not see any alternative distribution channel, that they emphasise direct contact with customers, or that other alternatives are perceived as too expensive. Some single firms and producer networks have signed distribution agreements with Tine, the dominant dairy cooperative in Norway. Tine is responsible to pick up the products and deliver them to the customer. It is thus the firm's own responsibility to bring the product to the shelf and follow up sale. Other local firms use private players offering distribution capacity. Results from interviews show that firms perceive distribution partners different. Some were satisfied others were not. One main concern with distribution partners was that they did not take any responsibility for sale follow-up and thus the sale volumes were not satisfactory (Kvam and Magnus 2012).

According to the cases studied, they were all quite satisfied with their distribution solutions. C1 distributed own products inside the region and was member of a producer network for distribution and sale that handled distribution outside the region. The producer network had an agreement with Tine to distribute their products. In C2 regional actors distributed their products regionally. C3 used grocery chain and wholesaler distribution and C4 distributed own products. C4 was in a process of establishing cooperation with similar actors in the region on distribution. C1, C2 and C3 have a business relationship to its distribution partners which belong to the conventional part of agriculture (Kvam and Magnus 2012).

Production

Growth means in all cases growth in production volume for sale to new or existing markets. An increased production implied in some of the cases huge investments in new buildings and in new machinery. In particular for the two meat processors C1 and C4 it was important to make the production more efficient and decrease costs per unit. This was in particular important when the intension was to enter into new markets such as grocery trade where competition is huge. A challenge in particular for C1 was to keep the distinctive quality of the product during transmission from an artisanal to a more mechanized production. In such processes the firm was very conscious to keep the artisanal part of the production process that kept the distinctive taste of the product. All firms have been very conscious about increasing product quality in general during growth processes to new markets, and in particular C1, C2 and C4 have cooperated with external actors to reach a first-class quality.

A change in production line means that some employees have to change job tasks. In particular in Case 4 this change was not much appreciated by employees and their attitudes toward change was looked as to be a big challenge according to growth by the firm's general manager (Kvam and Magnus 2011).

Products strategies and product development for growth

All the firms studied were very conscious about product development as part of the growth strategy. They wanted to develop new products and to adapt today's product to new markets. C1 was very seasonal dependent and wanted to develop new products to even sale. Both C1, C2 and C4 had to utilize the whole animal/fish and were developing new products in accordance with this need. In particular in C2 and C3 there was a close cooperation with competence institutions in product development. For C2 the contact with customers, i.e. chefs was of personal kind, and dialog with these was also an important basis for product development (Kvam and Magnus 2011).

It was primarily Case 1 that provided feedback that they experienced challenges in maintaining quality in growth processes that resulted from upgrading machinery and equipment. In several cases, the enterprise needed to find unconventional ways of achieving suitable solutions to take care of the distinctive character. On the other hand, the processes had contributed to the development of new qualities of the products, such as longer shelf life and more consumer-friendly packaging, making it possible to reach larger customer groups. The combination of distinctive flavour with other more consumer-friendly qualities appears to be an effective strategy for growth. In Case 2, the restructuring process has taken place in close cooperation with various knowledge communities, leading to improved product quality as well as greater knowledge and awareness in the firm about the factors that resulted in good product quality. We clearly see that in some cases the growth processes will cause the production to become more similar to industrialized production, with a greater focus on efficiency as well as more 'objective' and measurable product qualities (Murdoch *et al.* 2000). As long as the firms are aware of retaining the food artisanship where this is important for distinctiveness, they will however continue to pursue specialty food strategies rather than shifting into a category in which they face price competition from conventional products (Storper 1997). C1 and C2 succeeded in this transition, while C3 and C4 did not. C3 worked hard to compensate for the lost sale of organic flour, but the firm was not able to gain a premium price in the market for its flour despite it had a higher quality compared to conventional flour. C4 was in the same situation as C3. Consumers did not value their products and they had to compete with conventional products.

Which qualities give higher prices?

Local raw materials did not inherently appear to be a quality that generates a premium in the markets in which the case firms operated. These findings are in line with results from research in Finland indicating that the local dimension in itself was not a good enough argument for a premium in the grocery sector (Forsman 2003). Another local dimension emphasized in all four firms was traditional processing methods. For cases 1 and 2, and for the salami product in case 4, it seems that this traditional way of processing was an important product quality that differentiates the product and enabled a premium price. For the flour, on the other hand, the traditional way of processing was not a product quality that was valued by customers. Traceability of food products is also perceived as an important quality of local food (Fonte

2005). Cases 1 and 3 developed a system for traceability to the local farmer who produced the raw materials. However, none of the firms found that traceability was associated with a price premium in the local or the national market. The two meat-processing companies were both taking part in research projects to investigate whether there were any measurable relationships between particular pastures (coastal areas and mountain pastures respectively) and the qualities of the raw materials. The idea was to use any quality differences in marketing of the products. The French call this connection the *terroir* of agricultural production (Barjolle and Sylvanderet *al.* 1999), where *terroir* is perceived as a quality of the product. It is however not clear whether this type of quality affects the price premium in the Norwegian market for local food products at present. An important reason is that Norwegian consumers are not familiar with this connection as a quality of a product (Amilien *et al.* 2008). Nevertheless, the firms' project participation indicates that they believe that more so-called 'objective' and measurable qualities may become an important competitive factor in the longer term. By differentiating their production as organic, which points to the environmentally sustainable methods of production and management, as opposed to simply small-scale or local, Case 3 experienced a price premium before the financial crisis. Although the financial crisis is over, this has not resulted in any noticeable increase in the demand for organic flour. The sale of non-organic flour products is not approaching the price that used to apply to organic flour before the crisis. Research indicates that the additional quality obtained by buying organic products in Norway is not large or clear enough to the public (Borgen 2010), probably because conventional farming is perceived as clean and safe (Storstad 2007). Summed up, the study indicates that firms invest a lot of money in product qualities not valued by customers. The quality valued in the markets in focus seems mainly to be a distinctive taste (Kvam et al forthcoming).

Communication of qualities

The firm's emphasis a lot of qualities of their products which include mainly geographical proximity and special product features, but also ethical and environmental concerns are emphasised by two firms (see table 1). How then do the firms communicate qualities to customers and consumers in more remote markets? The firm in Case 1 must be considered highly professional in comparison with the others. The firm emphasizes activities such as campaigns in stores, information and communication with employees in the fresh food department. Representatives of the food chains were invited to visit the firm, meet employees, and discover the history behind the products. The aim of these activities was to develop what they called 'ambassadors' in the stores, which they believed was vital for sales of this type of product. To reduce the costs of following up sales, they have partnered with several other firms in both distribution and sales follow-up, so that qualities can be created more efficiently at lower cost. Case 2, has established a close and personal relationship with chefs to ensure that the products have the quality that customers are looking for. On the other hand, the manager realizes that further growth would make it difficult to continue this close relationship. C1 and C2 maintain trust and integrity mainly through personal contact with its customers and C1 also partly through personal contact with consumers in the stores. Cases 3 and 4 did not succeed in establishing such a close relationship with their customers, and they were striving to develop product qualities emphasized by customers (Kvam et al forthcoming).

Cases 1 and 3 have qualified for the private and national designation '*Spesialitet*' by documenting their fulfilment of particular requirements where the products must have qualities that distinguish them from others (Matmerk.no). The two producers are not sure whether this designation is significant to consumers, but believe that the process of qualifying for the designation and the accompanying benefits such as joint marketing and profiling are important. The two firms qualified for the designation has as a part of the qualification process worked on design, packaging and a new profile to differentiate products. The two other firms were in the beginning of such a work (Kvam and Magnus 2011).

Relationship toward suppliers & regional development

Increased value added for farmers has been an important goal in efforts on local food, and has been an important condition for attaining support. The situation for the cases analysed differ, where C1, C3, C4 had ambitions to distribute value added to suppliers and thus also contribute to local and/or regional development. These firms cooperated with farmers in different ways to increase quality of raw materials and in C4 farmers in the region were also offered shares in the firm. In practice distributing value added was challenging for the firms. C1 cooperated with local farmers to increase quality according to traceability, meat quality, etc. The big challenge was the cooperation with the big meat cooperative, Nortura, which had problems in delivering the right lambs from the local suppliers to the firm. They mixed with other suppliers of lamb, and made the relationship to the firm's suppliers challenging. The firm in case 3 paid a premium to the organic grain suppliers, but not to the conventional once. In case 4 the firm paid a premium price to farmers supplying the firm with animals, but because they did not manage to produce high enough volume of quality product they got bankrupt in 2010. C2, which processed salmon, had a business relation to its supplier, where quality and price was equalley important. A case study of Fannemel (2013) of four Norwegian PGI products has among others estimated/evaluated value added among primary producers of the products. Results show that such products gain higher price in the market than close substitutes without the PGI label, but it was not clear which actors in the value chain that gain this value added.

Network & partners of importance for growth

This study confirms other studies according to increase in network relations when firms grow. Cases studied show that especially cooperation in distribution and sales increase. Research on producer's networks established for such cooperation however shows that these networks are challenging to establish and run. Challenges are connected to organising the network, establishing economically sustainable networks and accomplishing the sale follow-up in a satisfactory way for members (Kvam and Magnus 2011; Kvam and Rønning 2012). Also cooperation with research institutions and competence communities seems to be of importance mainly connected to product quality. According to marketing, two firms have cooperated with The Norwegian Agricultural Quality System and Food Branding Foundation (Matmerk) in qualifying for the designation *Spesialitet* (Speciality Food). These firms have also cooperated with other firms to improve the firms profile and design of products. The support system and the Norwegian Food Safety Authority (Mattilsynet) are also perceived to be important partners for growth and also local banks. In particular C1 and C2 are connected to a variety of networks and are very active in utilizing them (Kvam and Magnus 2012).

Organizational changes & challenges

Financing has been a major challenge for some of the firms, in particular the bigger ones (C1 and C4). There has been too little capital available and too little knowledge on the need for capital in growth processes. Growth demanded an adaptation of the organization. Both C1 and C4 experienced the need to expand the management group with complemented competencies. The support system demanded the firms to widen their board with external members with useful competence and network. Growth also increased the need for more competent employees, which in some cases was challenging to find (C1). Competence in economy is in particular important to control growth (Kvam and Magnus 2012).

Success factors

The research project has identified several success factors. They include a competent management team with a broad network, the ability to cooperate, a competent board, distinctive products, regular and goal-oriented contact with customers and consumers for communicating qualities and feedback, good solutions for distribution and for financing growth, and choice of the “right” market segment for growth according to the firm’s ambitions and resources (Kvam and Magnus 2012).

Strength and weakness of different pathways

The case studies conducted show that the national grocery market is the market in focus for firms that wish to grow substantially. This is also the most challenging market, because of the huge competition, demands placed on producers for selling products and challenges in communicating product qualities. C1 has succeeded in reaching this market with Tine as distributor and a strong focus on sale follow-up in cooperation with other similar firms. C2 has focused on the regional HORECA market which is not as challenging as a national grocery market. This strategy may provide a good option for firms with lower growth ambitions and resources. Another strategy followed by some local food firms have been to focus on gourmet chains, specialty shops and other channels with employees that are able to communicate qualities of products. Two firms following such a strategy have won a lot of prizes for their products and got a lot of attention because of that, which make it easier to communicate qualities (Haugum et al 2013; Kvam and Rønning 2012). Such a strategy presupposes the perception of exclusive products of high quality.

Reflections of results for organic mid-scale value based chains in Norway

We believe that many results according to growth in quality food firms/chains are transferrable also to organic chains for processed food. A main challenge for organic value based chains is however that organic, as a quality, is not highly valued by consumers in grocery trade (Dagens Næringsliv 2013), which are the main distribution channels for organic products. Despite support for organic production and consumption in Norway, government’s goals are far from being reached. Reasons for lacking demands for organic products may be the low levels of food scandals in Norway and the confidence in the National Food Authorities by the Norwegian population (Kjærnes et al 2007). Thus, it seems like that the segments of the population, which genuinely are concerned about organic products, are fairly small. To increase consumption, widespread communication of what organic production mean seems to be necessary. There is

obviously a need for governmental support to increase knowledge among consumers, but a closer cooperation with retail chains wishing to increase focus on organic values may be another option. Another possible strategy is to further emphasize the establishment of new chains for distributing organic products.

Some recent concerns are connected to an increase in organic production and consumption. The goal of the Norwegian government to increase national food production and consumption with 20 percentage until 2020 (Meld. St.nr 19 2012) may cause less focus on organic food production. Another threat is the result from the 2013 parliament election, where the less farming friendly right wing coalition government won. There is a risk that the governance- and support system established in the agricultural sector during many decades will be changed in a less favour direction for both organic food production and the agriculture sector in general (Nationen 2013).

Method for studying mid-scale value-based food chains

The method chosen for studying growth processes and other aspects of mid-scale value-based chains were multiple case-studies. In-depth interviews of actors in the chain or in some cases just of the business actor were accomplished combined with other methods of data collection such as web-pages, reports, newspapers articles, etc. This methodical approach seem to be a reasonable choice for the problem formulated, but more emphasis should been laid on studying all actors in the value chain more in depth to gain even more knowledge about the business logic of “mid-scale value-based chains” and how other actors perceive the chains and its own situation as part of it.

Theoretical approaches in studies

Mainly theories of differentiation and quality food production were used for analysing results from the study.

References

- Almås, R., Kvam, G.T., Stræte, E.P. (1997). From Productivism to Flexible Specialization? Experiences from a Restructuring Process in the Norwegian Dairy Industry. *Journal of Rural Co-operation*, 25 (2), 1997:65-82.
- Amilien, V., A. Schjøll og L.M. Vramo (2008). Forbrukernes forståelse av lokal mat. SIFO-rapport nr.1. Oslo: Statens institutt for forbruksforskning.
- Barjolle, D., Sylvander, B. (2000). *Some factors of success for origin labelled products in agri-food supply chains in Europe: market, internal resources and institutions*, 67. EAAE Seminar, Le Mans, 1999/10/28; 1999/10/30 - EAAE, European Association of Agricultural Economists, La Haye (NLD). - In : Sylvander, B. (éd.) ; Barjolle, D. (éd.); Arfini, F. (éd.). - The socio-economics of origin labelled products in agri-food supply chains : spatial, institutional and co-ordination aspects, 408 p. - Actes et Communications, n° 17- Paris : INRA Editions, 2000/11, 2 vol., pp 45-71.

- Bjørkhaug, H. and Kvam, G.T. (2011). Local small-scale food enterprises: Ambitions and initiatives for achieving business growth. *AGER – Journal of Depopulation and Rural Development Studies*, October 2011, 29-55.
- Borch, O.J. and Iveland, M. (1997). Fra hobby til næring? Nordlandsforskning, NF-rapport nr. 24/97.
- Borgen, S.O. (2010). Forbrukerne har ikke stor øko-interesse. Kommentar gitt i artikkel i *Nationen* 17. juli 2010.
- Bye, A.S. and Løvberget, A.I. (2013). Interessa for økologisk mat aukar. *Samfunnsspeilet* 2/2013.
- Dagens Næringsliv (2013). Lavere pris gir kraftig salgsvekst. Fredag 12. juli 2013.
- Debio (2013). Statistikk 2012. Debio.
- Dulsrud, A. (1999). Markedstrender og utvikling i distribusjonsmønsteret. I O.J. Borch and E.P. Stræte (red.): *Matvareindustrien mellom næring og politikk*. Oslo:Tano Aschehoug.
- Fannemel, E. (2013). Beskytta nemningar – marknaden I Norge. Notat 2013-6. NILF, Oslo.
- Fonte, M. (2005). *Local food production and knowledge dynamics in the rural sustainable development*. Theoretical paper for WP6 in the EU-project CORASON. Italia: University of Napoli.
- Forsman, S. (2003). Creation of competitive advantages in regional food production: Market opportunities and challenges. Key note paper presentert ved the 2nd Nordic Workshop on Entrepreneurship in Regional Food Production, 5.–6. mai 2003, Bodø.
- Haugum, M., Magnus, T., Grande, J., Dreyer, H., Thomassen, M.K., Holmslet, J-I. (2013). Grunnlagsdokument LogiMat, Rapport 2013:2. Trøndelag Forskning og Utvikling, Steinkjer.
- Jacobsen, E. (2007). Matkulturens politiske økonomi: institusjonalisering av én norsk matkultur. I Virgine Amilien og Erling Krogh (red.). I *den kultiverte maten*, Bergen, Fagbokforlaget.
- Kjærnes, U., M. Harvey and A. Warde. (2007). *Trust in Food. A Comparative and Institutional Analysis*. London: Palgrave Macmillan.
- Kvam, G.T. and Magnus, T. (2011). Kvalitetsstrategier ved vekst – erfaringer fra fem nisjematbedrifter. I "Rurale brytninger" (red. Haugen, M. og Stræte, E-P). Tapir forlag 2011.
- Kvam, G.T and Rønning, L. (2012). Etablering og utvikling av regionale matnettverk. In *Lokal og regional mat*, (red. Sæther, B. and Haugum, M.). Tapir forlag 2012.
- Kvam, G.T. and Magnus, T. (2012). Vekststrategier for lokale matbedrifter. Rapport 9/2012. Centre for Rural Research, Trondheim.
- Kvam, G.T, Stræte, E.P. and Magnus, T. (forthcoming). Product strategies for growth in niche food firms. *British Food Journal*. Reseach paper.
- LMD Landbruks- og Matdepartementet (2009). Økonomisk, agronomisk – økologisk. Handlingsplan for å nå mallet om 15 pst. økologisk produksjon og forbruk I 2020.
- Magnus, T. and Kvam, G.T. (2008). Vekststrategier for lokal mat, frekvensrapport. Rapport 8/08. Norsk senter for bygdeforskning, Trondheim.
- Meld. St. nr 19 (2012). Landbruks og matpolitikken (2011-2012). Regjeringen.no.
- Murdoch, J., T. Marsden og J. Banks (2000). Quality, nature, and embeddedness: Some theoretical considerations in the context of the food sector. *Economic Geography*, 76, 107–125.

- Nationen (2013). Høgre vil vurdere pengebruken på økologisk landbruk. Publisert 22.01.2013.
- Nordlund, A.R. (2010). Mat og industri 2010-Status og utvikling i norsk matindustri, NILF, Oslo.
- NOU (2011). Mat, makt og avmakt – om styrkeforholdet i verdikjeden for mat. 2011:4.
- O'Reilly, S. og M. Haines (2004). Marketing quality food products – a comparison of two SME marketing networks, *Acta Agrucultura Scandinavica, Section C, Food Economics*, 1 (3), 137–150.
- Storper, M. (1997). *The regional world*. London: Guilford Press.
- Shucksmith, M. and Rønningen, K. 2011. New article: The uplands after neoliberalism? The role of the small farm in rural sustainability. *Journal of Rural Studies*, 27, 275-287.
- SLF - Statens landbruksforvaltning (2013). Produksjon og omsetning av økologiske landbruksvarer. Rapport -nr.12/2013.
- Statistics Norway (2013). ssb.no.
- Statistics Norway (2012). ssb.no.
- Storstad, O. (2007). Naturlig, nært og trygt. En studie av hvordan forbrukertillit til mat påvirkes av produksjonsmåte og matskandaler. Dr.polit-avhandling, NTNU, R- 8/07. Trondheim: Norsk senter for bygdeforskning.