

HealthyGrowth
From niche to volume with integrity and trust

FULL CASE-STUDY REPORT

Ekodar - Slovenia



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Most local organic market chains have inherent problems in moving from niche to volume, and mainstream large-scale market chains have inherent difficulties in securing and advancing organic values. The project “Healthy Growth: from niche to volume with integrity and trust” investigated a range of successful mid-scale organic value chains in order to learn how they are able to combine volume and values, and to use this knowledge to support the further development of organic businesses, networks and initiatives. Research teams from ten European countries contributed with 20 case studies. More information and documentation can be found at: www.healthygrowth.eu.

1 Introduction

Ekodar is the commercial name for organic beef produced by Agricultural Cooperative Šaleška Valley. The brand was established in 2009. Currently, 76 producers-farmers label their products with the *Ekodar* brand. Successful marketing of organic beef in Slovenia, as well as further product development, relies on the product being recognised as a healthy, local and high-quality food product. The brand can be recognised as a connection between producers and consumers. The meat is available in 11 mega shops of the retailer Mercator, 2 organic shops, 2 agricultural cooperatives and via online selling. Delivery is available in 12 cities throughout Slovenia.

Marketing and distribution happens via the central umbrella cooperative, Agricultural Cooperative Šaleška Valley (the owner of the brand). A unique characteristic of the *Ekodar* brand is the 'quick response (QR) Code', which allows consumers to check the origin of the meat. By using a smart phone and scanning the QR code on the packaging before the purchase, consumers can get detail information about the product's origin farm location, size and herd size.

The case was considered for investigation under the HealthyGrowth project because of the company's transparency (using QR codes on packages) to consumers, and as an example of good-practice growth of the food supply chain in Slovenia, which happened in relatively short time. The brand does not have a long history, and it started when the production capacity of organic beef was low.

More details about production, organisation and specifics of this value-based food chain are represented in this case-study report.

2 Case-study approach—Materials and methods

The study data have been obtained mainly from the *Ekodar* official Internet webpage, interviews, from the company's account service, and from various social media (such as Facebook, YouTube, etc.). A preliminary interview was carried out with the director of Agricultural Cooperative Šaleška Valley. Other interviews have been conducted with the processor and producers (detailed information about the interviews is given in Table 2). The interview material was analysed to gain information about the development history, organisation, growth strategy, communication, benefits, problems, future perspectives, constraints and conflicts between the actors in this value-based food chain. Table 1 shows the information sources used in the analysis process of this study.

Table 1: The documents used as information sources.

<i>Exchange this list for the actual documents/sources you have access to</i>	Data type	Document number	Short description of content
Home page	Internal	1	http://ekodar.si/v2/ - description of the brand, developing history, list of suppliers, list of retailers, etc.
Leaflets		2	Information about selling points, characteristics of

			organic beef selling under the Ekodar brand, information (advantages) about the use of QR code
List of suppliers, customers and members		3	List of suppliers has been collected from data available on the company homepage and by an employee of Agricultural Cooperative Šaleška Valley.
Ekodar account service		4	Data about the turnover, selling quantities (volumes), number of employees, selling points and deliveries per week (year)
Other (specific) annual reports official registers and social media		5	<p>YouTube: a) https://www.youtube.com/watch?v=SWh2YnRLGVY</p> <p>b) https://www.youtube.com/watch?v=9RfcuQhNyzQ</p> <p>Facebook: https://www.facebook.com/pages/Ekodar-slovensko-ekolo%C5%A1ko-meso/528444920569967</p> <p>Websites in general that describe the brand, developing history and it uses as a promotion source</p>

Table 2: Detailed information of interviews.

Interviews	Date	5.3.2014	11.6.2014	24.6.2014	remarks
	Duration,	1 h 15 min	47 min 7	49 min 25	

		h	38 sec	sec	sec	
Participants	Role		I-1	I-1	I-1	We collected all of the data required for the final case-study report.
Agricultural Cooperative Šaleška Valley	The owner of the brand (coordinator in the agro-food chain)		x			
Producer (farmer)	Producer - farmer			x		
Agricultural Cooperative Rače	Butcher - processor				x	

Documents (see Table 1):

Material:

- Communication tools (websites, social media, chart and guidelines)
- Leaflets (collected from the interview with Agricultural Cooperative Šaleška Valley)
- Account service report

Interviews:

Selection method of the interviewees—*‘One interview per actor through the value-based food chain’*. Actors have been collected by their importance in the chain. From this point of view, we selected farmer (**producer**), **processor** and **retailer** (the owner and founder of the Ekodar brand and the main actor in this value-based food chain). The interviews are based on the questions collected from list of questions chosen by the HealthyGrowth project team.

Three interviews:

- 1) Interview with the director of Agricultural Cooperative Šaleška Valley (owner and founder of the Ekodar brand)
- 2) Interview with the producer—farmer
- 3) Interview with the processing controller in Agricultural Cooperative Rače

3 Slovenia—The national context

Slovenia is predominately mountain country. Slovenian mountainous and hilly regions are spread out over more than 72.3% of that nation’s total area (1,467,240 hectares). The hilly and mountainous regions fall under the less favoured areas (LFA) designation, which represent 86.3% (1,750,920 hectares) of the nation’s total area. The 74.2% (approximately 449,000 hectares) of agricultural land in use are in LFA. Forests are the most recognisable spatial elements in Slovenia, which also represent a large market opportunity and an advantage for Slovenia. With forests covering 60% of its territory, Slovenia is the third most forest-rich country in Europe. Animal husbandry is the prevailing activity in Slovenian agriculture. The gross domestic product (GDP) in Slovenia was 35466.0 (in Mio)

€) in 2012 and 36171,8 (in Mio €) in 2011. Agriculture reaches 2.1% of the GDP in the national economy, which means approximately 1396.1 (in Mio €). From final data in 2010, the agricultural holdings used 474,432 hectares of agricultural area and bred 421,553 livestock units (LSU). In 2010 almost 79% of agricultural holdings in Slovenia bred livestock. An average agricultural holding thus used 6.4 hectares of agricultural area and bred 5.6 LSU. In the past 10 years, the average size of agricultural holdings in Slovenia increased by 0.8 hectares of agricultural area used and 0.1 LSU.

The number of agricultural holdings decreased from 86,467 farms in 2000 to 74,646 farms in 2010. The size of the total agricultural area also decreased from 537,249 hectares in 2000 to 507,091 hectares in 2010. The same decline could be seen in the share of arable land from 170,571 hectares in 2000 to 170,144 hectares in 2010. The majority of agriculture land in use belongs to permanent grassland, which represented 277,492 hectares in 2010 and 285,410 hectares in 2000. Meadows and pastures represent as much as 60% of agricultural land, whereas more than 20% of fields are used for the production of feedstuff. Of agricultural holdings, 30% are in grazing livestock and about 20% are in animal breeding. Self-sufficiency farming (100% or more) is recognised in the production of hops, eggs, apple, wine, poultry and horsemeat. The lowest self-sufficiency was recognised in pork and vegetable production.

The main development in the agricultural sector from the 1990s is the rapid increase in the number of organic farms and in organic food production and agricultural area used for organic production.

4 Overview of the case

<u>Product types:</u>	Organic beef
<u>Main actor:</u>	Lead single producer with downstream business branches (wholesale, restaurant and the company's own small organic shop)
<u>Legal form:</u>	Cooperative limited liability corporation (LLC)
<u>Number of employees:</u>	Approximately 150
<u>Distribution channels:</u>	Primarily wholesale (but additionally through the company's own restaurant and shop)
<u>Current turnover:</u>	close to 65,000 € (2013)
<u>Facebook 'Likes':</u>	3,890 (26 March 2015)

4.1 Presentation and trajectory

In 2009 and 2010, Agricultural Cooperative Šaleška Valley sold their beef at the conventional price. In 2011, they started selling beef at the organic price. The volumes of organic beef sold at the organic price in 2011 was 10%, and 90% was sold at the conventional price. Today this proportion ranges from approximately 30% to 70%. Their aim is to become the number one seller of organic beef in public institutions (kindergartens, schools, hospitals, etc.), and to have their buy/process at minimum be 90% of all-organic beef produce in Slovenia.

In 2011, the initial product range in was 22.556 kg of organic beef bought from farmers and 465 kg of organic meat sold, whereas in 2013, they bought 17.992 kg of organic beef from farmers and sold

15.809 kg of organic beef (see Table 3). The numbers of initial and present distribution channels are represented in the Table 4.

Table 3: The initial and present numbers of bought and sold organic beef (2011–2014) (The data describe bought and sold quantities of organic beef. Other quantities of beef were sold at the conventional price).

Year	Bought quantities	Selling quantities
	kg	kg
2011	22,556	465
2012	27,894	4,201
2013	17,992	15,809
Jan.-Apr. 2014	11,015	11,379*

*Some quantities from December 2013 were been sold in January 2014.

Table 4: The numbers of initial and present distribution channels of Ekodar organic beef (2011–2014)

Year	Public institutions	Retail trades	Internal selling
2011	1	5	0
2012	6	7	0
2013	31	22	12
Jan.-Apr. 2014	41	26	18

The most powerful actor in the chain is Agricultural Cooperative Šaleška Valley (owner and founder of the brand). They are the coordinator between farmers and the butcher Rače (processor) and between the butcher Rače (processor) and selling points. They have decision-making power about business movements in the chain as well as many responsibilities to the other actors in the chain.

4.2 Basic facts

The basic facts of the Ekodar brand are represented in this subsection. A description of the growth and development of the Ekodar brand is given in Table 5 and Graph 1.

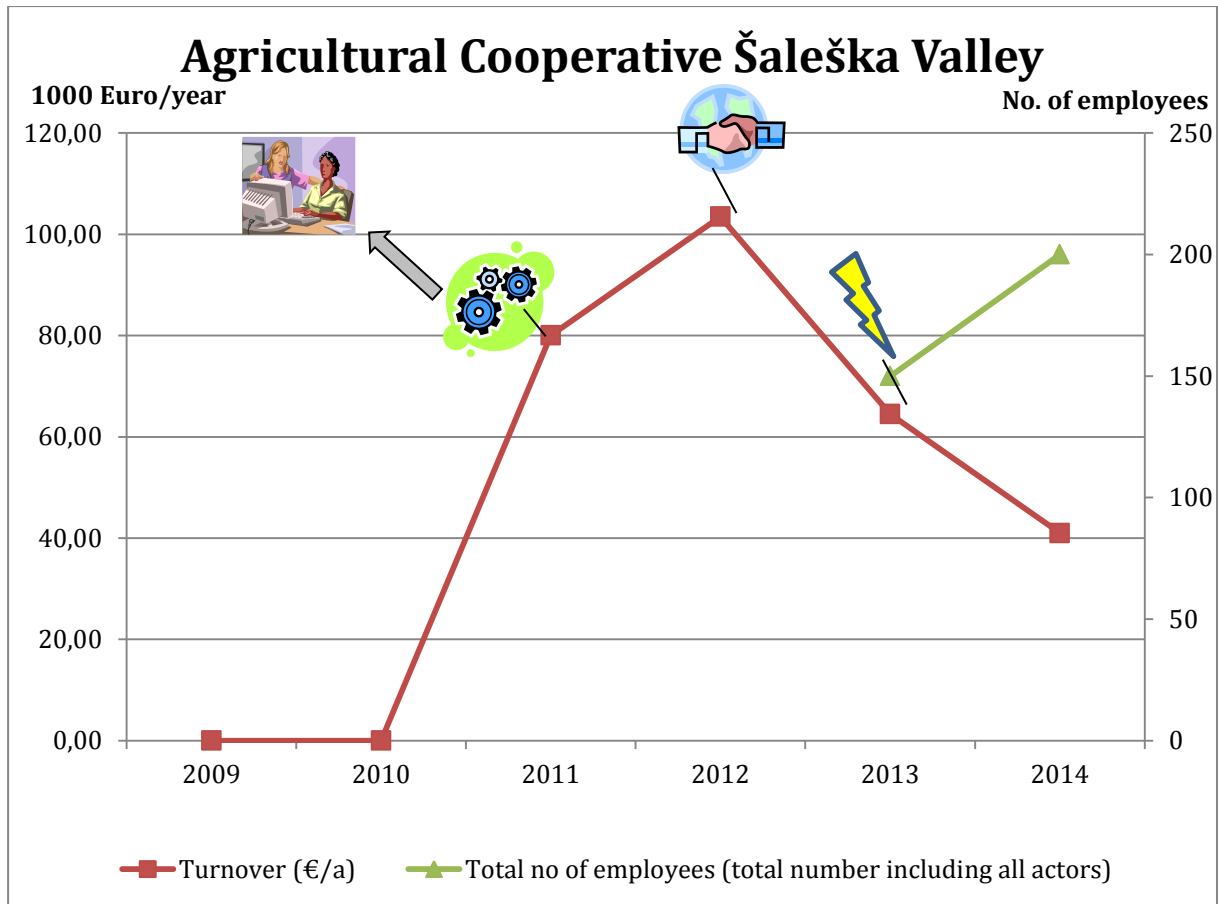
Table 5: Data of turnover, number of farms involved, product range and marketing channels, between 2009 and 2014.

Data/years	2009	2010	2011	2012	2013	Jan.–Apr. 2014

Number of shops	n.a.	n.a.	5	7	22	26
Number of public institutions	n.a.	n.a.	1	6	31	41
Employees (central services)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employees (total)	n.a.	n.a.	n.a.	n.a.	Around 150	Around 200 to 250
Turnover	n.a.	n.a.	80,022€	103,461 €	64,465 €	40,989 €
Product range	n.a.	n.a.	465 kg	4,201 kg	15,809 kg	11,379 kg
Important steps	Selling organic products at the conventional price	Selling organic product at the conventional price	Starting to selling the products as organic	Changing partners (processor)	Internal crisis—consequence of partner (processor) change	

A short description of present state of Ekodar brand

- Present in 26 shops across Slovenia
- Present in 41 public institutions across Slovenia
- Product types include food products (organic sausages) and organic meat
- The main actor, Agricultural Cooperative Šaleška Valley, organises both buying of organic beef from the farmers and selling the meat
- Legal form: Cooperative LLC
- The effect of the internal crisis in 2012-2013 (approx. - 40%)



Graph 1: Chart representing the growth process of Agricultural Cooperative Šaleška Valley.

4.3 Value chain organisation

The stakeholder network of Ekodar is presented in Figure 2.

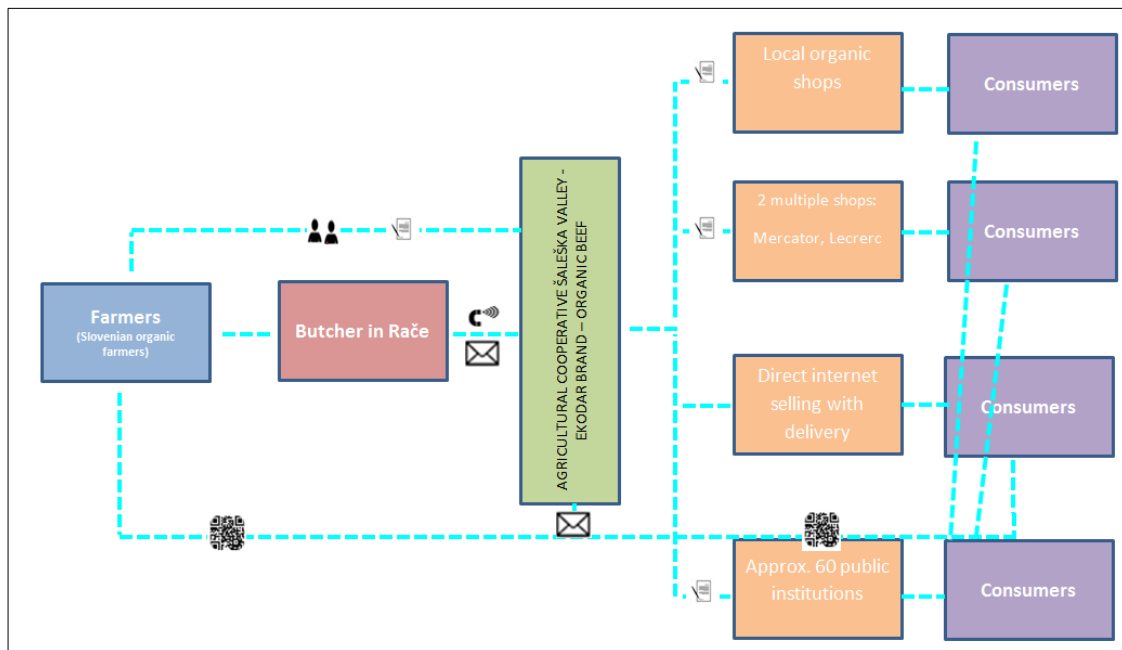


Figure 2: Stakeholder network of Ekodar.

Among the suppliers, there are approximately 70 to 80 certificated organic farms producing the organic beef. The main processor is Butcher in Rače who is the only certificated processor in the chain. The producers (farmers) come from mountain areas especially from the northern, northeastern and north-western parts of Slovenia.

Beef is bought by Agricultural Cooperative Šaleška Valley from the farmers directly and transported to processor. There is direct networking between producers and Agricultural Cooperative Šaleška Valley, and between the processor and Agricultural Cooperative Šaleška Valley. However, there was a lack of communication and networking between producers and processor and among the producers. As we stated below, the main actor in food chain is Agricultural Cooperative Šaleška Valley. They control the processing and selling systems in the chain, and what is more important, they enjoy the confidence of the other actors in the chain (such as producers, processors and consumers).

One of the main and a unique form of networking between the consumers and Agricultural Cooperative Šaleška Valley (and consequently also the producers) is using the QR code. QR code allows the company to give information about the producers to consumers before the consumers buy the meat, and it ensures the traceability of product origin.

5 Analytical perspectives

5.1 Organisation and governance

The enterprise is a cooperative LLC. The managing director is authorised to represent the enterprise and to sign company documents. In 2015, the company had 59 employees and owned three facilities. One of the important values of all stakeholders is to ensure the high quality of food. Consequently, this contributes to external trust between consumers and actors in the food chain.

There are no conflicts between the stakeholders in the chain (internally). The main value in this value-based food chain is trust (trust is achieved because of the company's business relationships, payment discipline and fair prices). In general, the actors usually have contracts, but cooperation between Agricultural Cooperative Šaleška Valley and farmers is also based on oral agreements. The actors agree with the values, which should be put forehead (and these are trust and fairness). The main competing argument in its management is traceability, and then follows healthy and high-quality food products.

Stakeholders usually agree with the shared values and no controversies have occurred.

The following are some interview quotes from director of Agricultural Cooperative Šaleška Valley:

- 00:52:00–00:53:35

'We were to explain (supported with financial results) our management philosophy to all stakeholders in food chain'.

- 00:09:45–00:09:55

'QR code is the story of the trust. It means obligation to all stakeholders in the chain with additional values'.

- 01:05:15–01:05:32

'Actors in the food chain are completely agreed about the present and the future vision'.

The main (key) actor, Agricultural Cooperative Šaleška Valley, usually describes the business logic behind the food chain before they invite new actors into cooperation. Internally, the business plans have been questioned, especially during the first two years of the Ekodar brand, when they had problems promoting the brand in the market (they sold organic beef at the conventional price).

The strategic decisions are made by the Agricultural Cooperative Šaleška Valley. The company board is mainly concerned with economic matters. We did not see the internal and external criticisms of the modes of management and governance. Only the producers gave us feedback and comments about the company's growth and the repurchase (which meant that the company could produce the large quantities of beef they now produce. For example, the producers have a contract with Agricultural Cooperative Šaleška Valley for one, two, or three organic head of cattle, but they are able to produce four or five.). However, they have more capacity and they are able to produce more beef per month than the quantities from agreements. The average production capacity represents approximately 1 to 4 organic head of cattle per month per one farmer. For example, a farmer and Agricultural Cooperative Šaleška Valley have a written agreement for buying three organic head of cattle per month, but because of success sales, the cooperative needs five (and this additional quantity is based usually on oral agreements).

The contracts and agreements usually include commitments about volume, quality (certificated organic beef) and price. Contracts usually stand for 1 year between producers and Agricultural Cooperative Šaleška Valley and between 1 and 3 years between the processor and Agricultural Cooperative Šaleška Valley. There are no conflicts between the actors because of the contracts and agreements, and as can be seen from the interviews the actors are satisfied with them.

Informal (daily and weekly) coordination between actors occurs via phone calls and e-mail. Communication between farmers and Agricultural Cooperative Šaleška Valley happens twice a month, whereas the cooperative and the processor (butcher in Rače) communicate daily. Remarks and comments from consumers are accepted and processed by the cooperative via e-mail.

From the stakeholder’s point of view, changes in the agreements over the time—from oral to written agreements—are the main changes noted. Before that, agreements between actors were oral. Written agreements are used to secure strategic cooperation along the chain.

There are some national roles and laws that control the public ordering in the main distribution channels, which are public schools and kindergartens. In general, there are no specific problems connected with legal restrictions.

Agricultural Cooperative Šaleška Valley included the national athlete Mitja Petkovšek in its promotion and marketing system, and with this approach, they developed cooperation with the civil society group. This cooperation has been developed to promote healthy and high-quality organic beef. The effect can be seen in presence of Ekodar beef in approximately 70 public institutions (where the children are the main consumers, and need healthy and high-quality food products for growth). Other civil society groups (such as organic organisations) are not included in the food chain or involved in organisational governance.

5.2 Business and management logic

Behind the Ekodar brand, the main actor is private. The strategic goals are business oriented and dictated by the Agricultural Cooperative Šaleška Valley. The business logic and main goal of the business, such as ‘to become the number one seller of organic beef within the next five years’, contribute to the effectiveness, economic performance and efficiency in this midscale values-based food chain. The only strategy and management instrument to realise this kind of goal is ‘to acquire the trust of consumers with fairness and quality food products’. The total sales revenue covers all monetary costs at the selling point, which is near 2,600 kg of beef per month. These quantities cover all production costs without additional profit (today the average selling quantity is between 4,000 and 4,500 kg). The objective is to reach the 5,600 kg of beef per month at which point Agricultural Cooperative Šaleška Valley will pay 15% more for organic beef to farmers (now they pay 10%).

In Table 6, the goals of the Ekodar brand are presented.

Table 6: The goals of the Ekodar brand, and their importance, ranked from 1 to 5.

Ranking scale: 1= high priority to 5 = little importance.

Goals	Ranking
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Profitability	2
Employee retention	2
Growth	1
Maintain a solid financial base	3
Altruistic objectives:	
○ Ensuring the existence of farmers (family, peasant and small)	2
○ Contribution to income and employment in the region (strengthening the rural economy)	2
○ Protection of the natural environment (water, soil, ecosystems, landscape and climate)	4
○ Animal welfare	3
○ Realizing the 'organic idea'	2
○ Social care	4

Previously, there was no written strategy of the business, but the strategy is specified by the main actor in the chain (Agricultural Cooperative Šaleška Valley). This strategy could be explained with the main motto/philosophy, as told by the director of the cooperative: *'to become the number one seller of organic beef within the next 5 years'*. The business and management strategies are ranked in Table 7. The business strategy has been developed by Agricultural Cooperative Šaleška Valley, and all other actors agree with it before they become an actor in this value-based food chain.

The importance of values in the internal organisation of the business and its initiatives are ranked as follows (1 = high importance to 7 = low importance):

- 1 – Trust
- 2 – Transparency
- 3 – Fairness
- 4 – Responsibilities
- 5 – Contracts/formal agreements
- 6 – Communication
- 7 – Participation in internal organisation of the business

Table 7: The strategic goals of Ekodar and their importance ranked from 1 to 5 by the management of Agricultural Cooperative Šaleška Valley. Ranking scale: 1 = high priority to 5 = little importance.

Business/management strategies	Ranking
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• Supplying a particularly high product and service quality	1
• Offering good customer service	2
• Maintaining good, trust-based long-term business relationships	1
• Differentiating products	2
• Building on a better understanding of consumer trends	2
• Developing new/alternative suppliers	3
• Maintaining local/regional production base	3
• Reducing transportation	4
• Ensuring transparency	1
• Professionalizing management	2
• Maintaining social standards	3
• Collaborating along the chain and with market partners/developing business partnerships	2
• Promotion of innovation	3
• Networking	3
• Maintaining high animal-welfare standards and improving environmental performance	3
• Preparing the business/initiative for growth	4
• Creating a dynamic organisation that is prepared to meet challenges	3
• Maintaining flexibility and developing criteria for in tender calls	3

The director of Agricultural Cooperative Šaleška Valley explained that competitiveness is important for the continuity of business; however, he sees their competitors as ‘followers’ rather than rivals. This business logic of Agricultural Cooperative Šaleška Valley is recognised as a benefit and a tool for improving the quality of food products and of the whole chain.

In this food chain, there are two main strategic partnerships:

- a) Between farmers and Agricultural Cooperative Šaleška Valley
- b) Between Agricultural Cooperative Šaleška Valley and the processor

These two strategic partnerships are important for good organisation and management of the food chain. However, each business partner is an independent from its down/upstream business partner(s). With this business approach, dependency risk is high, but all actors have independent control of their own system (such as controlling the organisation for farmers, in the processing system, etc.).

The food chain uses a specific pricing strategy. Agricultural Cooperative Šaleška Valley pays 10% higher price for organic beef to farmers. The price difference will be 15% when Agricultural Cooperative Šaleška Valley reaches its next aim in selling quantities (5,600 kg of beef per month). With this strategy, the cooperative tries to ensure fairness in food chain (especially to farmers). Agricultural Cooperative Šaleška Valley alone defined the official market price of organic beef based on negotiations with shops, supermarkets, and other distribution channels, as well as with independent producers and the processor. However, with this kind of ‘business instrument’ (10% or 15% of higher price), the main actor in the chain controls the price premium paid to primary producers but it is mostly connected with successful sales and not on changing the price of the final food products on the market or turnover of the main actor.

The Agricultural Cooperative Šaleška Valley has become more careful in choosing the new actors, or partners, in this food chain, because of the difficult experiences in the beginning of company’s development process (described in Subsection 4.6).

5.3 Trade-offs between quality differentiation and volume and economic performance

The quality-differentiating strategy of Ekodar involves differentiating their product from that of conventional and mainstream food chains. It is employed through special communication with consumers and fair relation with producers (fair-price policy).

The Ekodar food chain began developing and maintaining their quality strategy from the first day of label establishment.

In the Ekodar chain, distribution does not extend beyond regional borders. The volume growth is small in general.

For Ekodar, growth has not influenced its economic performance. Only product quality has shown effects on economic performance.

Growth is still not recognised as high and the distribution of economic performance as well communication along the food chain could still be managed better.

Stakeholders are satisfied with the development of economic performance because the positive economic output effect is spread fairly among all stakeholders.

The most important quality strategy that has influenced growth is the development of new food products (organic beef sausages) and the specific type of communication with the consumers via the QR code on the packaging.

Stakeholders view the combination of quality differentiation, growth, and economic performance in the same way, and they agree that all three components are growing simultaneously.

In addition, they are planning to develop food products suitable for Muslim markets.

<p>List of quality attributes—Please select and rank the most important attributes, from 1 to 5. Ranking: 1 = high priority to 5 = little</p>	<p>Ranking interview</p>
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importance; please, explain in detail if relevant.	partner
Health claims (What aspects?) & disease protection (Which diseases?)	4
Geographic proximity	2
Food culture, traditional, regional	2
Taste	1
Packaging	2
Freshness	1
Seasonality	3
Labelling schemes POD, PGI, TGI, etc.	2
Native species/race	4
Animal welfare	2
Landscape protection	3
GMO	3
Regarding environmental considerations beyond the organic standard, specify the effects on biodiversity, watershed, ground water, soil, climate, ecotoxicity, etc.	4
Environmental labels	3
Local regional economy and employment	2
Fair working conditions and salary	2

Artisanship and maintaining the know-how	3
Traceable production chain	2
Communication with consumers	1
Co-production with consumers	1

Some data, such as the profits of the company, were not made available for the case study. We have indirect indicators about economic performance, such as the number of selling points, of employees, etc. (Please see Tables 4 and 5).

All stakeholders in this food chain receive positive effects from the Ekodar brand, and no significant drawbacks were reported by any of the stakeholders.

Both farmers and Agricultural Cooperative Šaleška Valley have the opinion that their profits are spread fairly from farmers to the processor, but that the retailers receive more profit than they do. Nevertheless, they are satisfied with current situation. However, in the future, when the Ekodar is expected to have more negotiation power, they want to reduce the profit percentage given to retailers.

The balance between quality differentiation, volume and economic performance in our case study was reached. The Ekodar brand is still in the development process, where economic performance cannot threaten the quality of food products, and where the actors accept that the economic performance should not threaten the quality of food products. Therefore, the quality of food products is their first priority. Even though current selling quantities do not satisfy all of the demands for organic beef in Slovenia, they are increasing continuously. We do not have the cooperative's estimation of the quantities that are necessary). In addition, they expect that in the next few years there will be no need to accept any quality-differentiating strategy to controlling the balance. However, unlike other similar case studies (which also are from other countries, such that of Kiuruvesi municipal catering) the Ekodar brand was established by a private actor, and therefore it is expected that maintaining the current balance will not be problematic in the future.

There is no specific quality-differentiating strategy in this food chain because there is no competition in the organic beef market in Slovenia (as of 2015, Ekodar is the only organic beef producer in Slovenia).

The main and most important value that differentiates this chain from mainstream organic chains is traceability. Every organic food chains has the same controlling and certificated system, and thus Ekodar additional value to this value-based food chain by development and use of the QR code The

value of this traceability cannot be calculated for each individual actor in the chain but it is seen in sales results.

It is unnecessary that the actors choose a strategy to balance the concerns of quality differentiation and growth. Both quality and extending the market are parts of the Ekodar's growth strategy, which includes the development of new products (organic beef sausages).

In comparison with other case studies, the actors in this value-based food chain have a specific, long-term strategy to develop their brand. They are now more focused on increasing trust and satisfying consumers than on economic performance and growth, but they expect the later to follow automatically. With this philosophy, the actors are sure that they can hold the balance between quality differentiation, volume, and economic performance.

There are no examples of developing new qualities because of the growth strategy. During the growth strategy, one new product was been developed (organic beef sausage) in 2013. Until now, stakeholders have shared the same opinion that a fair distribution of economic performance along the chain has been sustained with growth. For example, when Agricultural Cooperative Šaleška Valley began selling at the organic price, the farmers were paid a 10% higher price for organic beef. Additionally, farmers believe in strategy of Agricultural Cooperative Šaleška Valley and in growing the price of organic beef in future.

Actors in this food chain have the same opinion that developing market channels, sales, marketing and new food product can make a good contribution to growth strategies. They believe that increasing the product range (increasing the product range in the countries abroad (i.e. Kuwait and Muslim countries) is important for growing the economy, but the first and most important priority is maintaining the company values, such as high quality (healthy, tasty food products), traceability, and trust.

5.4 Communication of values and qualities

THE OVERALL COMMUNICATION WITHIN THE CASE

In the following section, we describe the type, frequency and content of communication for the overall case and separately for each possible relation between the actors.

The results of the interviews with the central actor (Agricultural Cooperative Šaleška Valley) show that both the communication and its frequency vary among actors, and there have been no specific changes to their communications over time. There is a specific type of communication between consumers and farmers *via the QR code on the packaging*, which can be read with a smart phone by consumers. Because of the relative short history, there are no specific changes in company communication yet. A lack of communication between farmers (organic meat producers) was recognised, whereas the communication in other stages along the food chain is well organised. The contract agreements are the main types of communication between the actors below:

- Farmers and Agricultural Cooperative Šaleška Valley
- Agricultural Cooperative Šaleška Valley and the processor (butcher in Rače)

- Agricultural Cooperative Šaleška Valley and selling points (multiple retailers, local organic shops and public institutions)

Other types of communication via e-mail occur between:

- Consumers and Agricultural Cooperative Šaleška Valley
- Agricultural Cooperative Šaleška Valley and the processor (butcher in Rače)

Phone communication is mostly used in communication between:

- The processor and Agricultural Cooperative Šaleška Valley

The frequencies of the communications as follows:

- QR code - 24 hours a day, seven days per week **(24/7)**
- Contractual agreement—**contract agreements for one year (after that, new price negotiations and supply demands follow)**
- E-mail communication—**a few times per week**
- Personal communication (face-to-face talks)—**every day**
- Phone communication—**a few times per week**

Regarding the communication with consumers, there are also short YouTube commercials and commercials on the social networks, such as Facebook. Through communication on Facebook, the cooperative gets personal feedback from consumers. The most crucial step in promoting the Ekodar brand occurred in 2011, when an independent commercial TV program checked the functionality and authenticity of the bar code between farmers and consumers, which absolutely confirmed the origin of the organic beef.

Regarding the company's vision for communications in the future, no expectations for the changes in communication until the results of promotion results and turnover have developed. Their aim is to be more present on the fairs (They have promotion activities in three different fairs in Slovenia—three times per year).

DOWNSTREAM AND UPSTREAM COMMUNICATION

The downstream and upstream communication scheme for Ekodar is represented in Figure 3. It is a nonspecific supply chain that includes more than one type of producer; however, the structure of the chain is quite similar (structured from producers to processor/owner of the brand to retailers to consumers). The cross tables are relevant for the all-organic products from Ekodar and there are no particularities (such as fruit yogurt).

The downstream communication (as can be seen also in Figure 3) is mainly between the agricultural cooperative and retailer and the slaughterhouse and retailers. Primarily they have price negotiations and delivery amounts, which happen via personally contact (face-to-face). The quality problems are usually communicated via e-mail. Communication towards the consumers is well organised in the case of the Ekodar. A lack of communication could be recognised between producers. No formal form of communication has been confirmed by producers.

	Producers (beef)	Processor (butcher)	Agricultural Šaleška Valley	Retailers	Consumers
Producers (beef)		No communication	Personal communication and contract agreement	No communication	24/7 QR code
Processor (butcher)	No communication		Via e-mail (a few times per week), phone, and contract agreement (one per year)	No communication	No communication
Agricultural Cooperative Šaleška Valley	Personal communication and contract agreement	Via e-mail (few times per week) and contract agreement		Yearly, via e-mail and personal communication about supply amounts, Occasionally via e-mail when quality problems arise	Via e-mail
Retailers	No communication	No communication	Several times a year via e-mail, about prices and amounts		Via e-mail, when quality problems arise
Consumers	24/7 QR code	No communication	Via e-mail	Via e-mail, when quality problems arise	

Figure 3: Communication and its frequency among the stakeholders of Ekodar.

5.5 Quality mediation through the chain

The main qualities of Ekodar food products related to the primary production are the healthy and high-quality food and traceability. Because of the high standards adopted during the production system, the organic type of production in general is recognised as a farmer's superior quality, which is linked to their way of production. Normally, this type of quality can further be differentiated into sub-qualities, such as taste, animal welfare, and natural quality, which are unique from those of food products made in conventional farming. Farmers support these qualities with production methods with also by considering all-organic production standards.

The specific cooperation between the farmers in the production of these qualities could not be recognised, and we did not have any data about it (such as exchange of knowledge, sharing of equipment, etc.). If it does exist, it is mostly informal. There is also no specific mediation between different actors through the value-based chain. The processor expects that all primary products from all farmers meet the high quality and organic certificate requirements, and the producer does not use any 'system' to support the qualities of the primary products.

The processor uses ordinary organic inputs in the case of organic beef sausages, but this is a business secret. However, it is important that all actors in a value-based food chain add qualities to the product, and this is not part of the price negotiation.

For example:

- Farmers—produce organic beef based on organic standards
- Processor—process the beef according to high-quality organic standards, using some specific organic inputs
- Agricultural Cooperative Šaleška Valley—seeks new, responsible distribution channels
- Retailers/shops—try to improve sales rather than merely using the presence of the Ekodar brand for promotional purposes

These 'roles' are explained to all actors before they sign a contract with the Agricultural Cooperative Šaleška Valley, and consequently, there have been no conflicts. The actors become part of the success story of Ekodar and not just one of the numerous actors in the value-based food chain.

5.6 Resilience

The Ekodar brand was established in 2009 by Agricultural Cooperative Šaleška Valley. Initially, the organic beef was sold at the conventional price until 2011, when promotion of the brand on the market began. The structure of the chain changed several times because of the new processor and retail partners. The structure of the chain was the same as it was in the beginning but with some

minor changes. Agricultural Cooperative Šaleška Valley is still the main actor. If we compare the structures of the chain in 2009 and 2015, we can see the following schemes:

In 2009:

*Farmers – **Košaki (butcher)** – Agricultural Cooperative Šaleška Valley – **(super)markets** – consumers*
(producers) (processor) (main actor) (retailers)



In 2015:

*Farmers – **Rače (butcher)** – Agricultural Cooperative Šaleška Valley – **(super)markets** – consumers*
(producers) (processor) (main actor) (new retailers and distribution channels)

After the first year (in 2010), the first crisis began. The main actor found out that retailers (such as TUŠ and ERA) were only interested in selling the Ekodar food product because it offered them self-promotional benefits and additional profit. However, after that, the main actor tried to find new reliable retailers, and they signed a contract with Mercator. They were more focused on finding new distribution channels, and they found one in public institutions. Now, the schools and kindergartens are the main distribution channels for Ekodar.

At the end of 2012, a new crisis emerged, when the processor was changed. Because of liquidity problems of Košaki, Agricultural Cooperative Šaleška Valley, it signed a contract with the Rače (butcher). The main consequence was a drop in processing quantities in 2013. However, at that time, they also increased their sales of organic beef at the organic price. In 2015, this proportion is 70% organic price and 30% conventional price, but all of the beef is organic. In 2009, this proportion was 10% organic price and 90% conventional price.

Both of the crises were the major mark critical stages in this value-based food chain, and during both the problems were solved by the main actor. Today the number of distribution channels is as well a growing, and so it the percentage of quantities sold. Turnover was rising until 2012, but, in 2013, it began to decline. The cooperative expects that at the end of this year final turnover will be higher compare than it was in 2013 (they reach 2/3 in total turnover from January through April 2014). The important indicator of success is also the number of employees, which has risen from approximately 150 in 2013 to approximately 200 in 2014.

During the research and interviews of the case study, we found that the actors in this chain are very adaptable to the policy making of the main actor. All actors get data about sales quantities at the end of the year, and all actors get feedback. Based on the interviews we do not see any large obstacles to growth. In addition, we see the potential for the growth and development of this value-based food chain.

The challenges were handled by Agricultural Cooperative Šaleška Valley with the full confidence of the Supervisory Board. Before the challenges, they analysed the potential quantities of meat that would could be guaranteed to potential partner. Based on the interview results we estimate that there has been no 'luck factor' in getting new partners, but rather, it is the good name of the brand, payment discipline and good (central) management organisation that attracts partners.

We did not identify any specific gradual changes. However, in the future, gradual changes are expected with the opening of new marketing channels and the promotion Ekodar in Muslim countries.

The effects of the economic crisis of 2008 still exist. We do not see any direct results from the general economic crisis, but actors estimate that growth organic beef sales have some indirect connections.

The actors faced the crisis successfully because of their management philosophy: 'To convince the retailer/supermarket that being a selling point for Ekodar food products brings them additional value'.

'Feedback loops' or communication flows in this food chain are usually used for improving the satisfaction of consumers and improving the quality of both food products and relationships between the actors.

Organic production is friendly agricultural production that saves the agro-ecosystems. Specific activities have not been defined.

Interviewees analyse the management's organisation and goals of sustainability for the whole chain. The main factors are trust between the actors and the trust of consumers in the high quality of Ekodar food products.

The chain growth is explained in Section 6. The actors do not expect any specific changes in the organisation of the chain; only one or two additional processors may be included. Because new marketing channels are expected, new producers/farmers will become actors in the chain.

The largest obstacles to growth have been actors that were not recognised as partners, and by excluding them, the chain has achieved stable, continual growth.

There are no specific issues of vulnerability. We identified that the largest problems in the story were a lack of consumer knowledge about eating healthy food and economic weaknesses of consumers that prohibits them from buying expensive, high-quality food products.

6 Future orientation

In next 5 years, all of the actors expect the number of producers in the chain to grow and the market to spread. They do not expect any changes in the internal organisation in the value-based food chain. However, some changes in the number of actors are expected. All actors have the same future vision about company growth. Because of increasing the quantities, Agricultural Cooperative Šaleška Valley is focused on find one more processor.

The vision/aims for the next 5 years include the following:

- Buy and process at least 90% of the organic beef in Slovenia
- Spread the market into other EU countries
- Start selling organic veal
- Develop new food products
- Enter the Muslim market with organic lamb in next 10 years

- Make the packaging more attractive

The actors expect the organic sector to have a 'good future'. They expect that consumers will begin to realise more about high-quality organic food and its positive effects on health. They have feeling that they are part of the success story of the organic sector in Slovenia.

7 Verification of results and concluding reflections

Compared with the other cases (where admittedly there was already other research material available) it was quite difficult to get internal documents because the company was not willing to share them.

References

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