Growing Values and Growing Business

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Content

- Røros in the Healthygrowth project
- Business development and importance of networks
- Successful growth
- Limitations in the Norwegian context
- Opportunities and challenges with growth
The Healthygrowth Project

In HealthyGrowth, eighteen mid-scale and four regional organic value chains are investigated in order to learn how they are able to combine values and increasing volumes, on:

✓ Managing specific challenges related to growth
✓ Understanding success factors
✓ Fostering cooperation and partnership in values-based food chains

A sustainable growth in the organic market depends on the ability to combine increasing volumes with measures that safeguard integrity and consumer trust based on organic values and principles.
Growing business – growing values
the case of Røros dairy
Røros and its region

Unesco World Heritage List: Røros Mining Town and the Circumference (linked to the copper mines)
Røros dairy

✓ Established 2001 by regional organic farmers
✓ Only organic dairy in Norway
✓ Owned by organic milk producers in the region, Tine Norwegian Dairy, some employees, and two investors
✓ Organic products as a baseline – but also, “local and pure ingredients, traditional products based on rich culinary traditions and handicraft production methods” – “unique taste”.
✓ Goal: grow
Produce traditional products from the region: Thick sour milk, sour cream and butter
Use a range of quality labels and brands

- Røros
  mat fra Røros-traktene
- Rørosmeieriet
- Spesialitet
  Unik Smak
- Økologisk
  Debio
  Debio godkjent
- Geografisk
  Beteget
The supply chain of Røros dairy

Appendix 3: Figure 8: Stakeholder network

Regional Organic farmers
members of:
- Tine cooperative
- regional cooperative

Tine råvare Collect milk

RØROS DAIRY AS

Different distributors

Røros Food BA

Speciality shops

Local retail HoReCa

HoReCa nationally

Retail/Wholesale nationally

Licensed production COOP

Consumers
Development through strategic network partners: I: Røros dairy and Tine

- **Tine is the dominating milk cooperative** in Norway with about 12,000 members/owners
- Mainly all milk farmers in Norway are members of the cooperative Tine
- Norwegian farmers faithful against Tine
- Three small competitors
- Regulator of the milk market, secure stable prices
- Protected market, protect own production
- **Organic farmers** are Tine members, and Tine have to collect milk and as a market regulator also to sell the milk to RD. Also follow up milk quality and give farmers advice (safety for farmers)

- Bought dairy from Tine 2001 (political process)
- **Tine shareholder** and member of board for many years (control & develop)
- **Permission to go on producing quality products based on regional traditions**
- Collected milk from regional organic farmers and deliver this milk to the dairy
- The dairy produced organic light skimmed milk on license for Tine until 2010 – the byproduct cream was important for the dairies production of own products – butter, sour cream and cream. These products are complementary to each other and the cooperation is positive for both

- The first years RD used Tine distribution system, valuable for the dairy – also positive for Tine that had capacity available
- The relationship between RD and Tine was mainly positive the first years – Tine supporting the dairy
- **The interaction between Tine and Røros dairy is reduced and today** Røros dairy feel it is more like a business relationship
- Tine still own shares in RD but is not represented in the board
Development through strategic network partners: II: Røros dairy and Director of Røros Hotel

- The director is a chef, joined many TV-programs about local food, author of cook books, and is famous for recipes and offering of local food meals
- Not connected to any hotel chains
- Early established a strategy to use local food and support development of local food in the region
- An important person for supporting local food development at Røros
- Important customer of Røros dairy
- Enthusiast - ildsjel

Michael Forselius, The Swedish Chef
Development of the relationship between Røros dairy and Røros Hotel

- Close relationship with chef since dairy established 2001, advices/feedback according to product development
- Use RD products in own restaurants, developed new recipes
- When the canteen at the Norwegian parliament introduced organic food, the director served food from the dairy
- When the director wanted to offer fresh organic milk to its guests (not pasteurized or homogenized), the dairy supported him with highest quality organic milk from the region
- Director use products from RD in media, marketing both parties
- Røros dairy use FB/Twitter inform followers/ consumers on cooperation and news from the hotel
- Mutual benefit. Adapt to each other when needed - based on same values and trust
Development through strategic network partners: III: Røros dairy and COOP

✓ Coop is a consumer cooperative and one of the three big retail chains in Norway
✓ Coop’s new strategy to focus on organic products and build own private label
✓ Coop contacted first Tine for license production (failed)
✓ Contract with RD in 2005
✓ License production for Coop 2010, light organic milk
✓ Coop - member of board RD
Developing with Coop – a risky growth strategy?

✓ Coop:
  ✓ Røros dairy the only possible organic actor to cooperate with
  ✓ Knew Røros dairy very well
  ✓ Good products with a good position/reputation in the market
  ✓ Satisfied with cooperation, Coop wants to increase cooperation and dependency

✓ Røros dairy:
  ✓ Controversies about the agreement with Coop, some stakeholder were reluctant to growth
  ✓ Needed more crème for own products, expected increase in volume sale important for growth and profitability (complementary resources)
  ✓ New strategy established to support growth strategy
  ✓ Based on same values
    ✓ strategy to increase organic consumption
    ✓ cooperative
  ✓ But, Røros Dairy dependent on Coop (50% sale), want to reduce this dependency and offer own unique products in the long run
Cooperation profiled

- Both have logos on milk package and Røros dairy is also profiled as the producer
- First time Coop do this on homebrands - unique cooperation
- Røros dairy “good reputation, good products difficult to copy” - good for differentiation and sale (Coop 2014)
Røros an example of a SUCCESSFUL mid-scale values based food CHAIN? Checklist (Kvam and Bjørkhaug 2014)

- A diversity of values and product qualities
  - Geographical proximity, specialty products (social, ethical, env. concerns, food safety etc)
- A diversity of sale channels
  - Indirect – retail, HoReCA, Direct, Farmers market, Box-schemes
- Emphasizing relationship between chain actors
  - Trust & shared values – e.g coop values
- Communication of values to consumers
  - Own brands/labeling/design, media/social media – also on homebrands
- A diversity of organizational forms/structures
  - Producer/farmer organization initiated. Have allowed for private investment in company
Norwegian Organic Context I

- It is a Government policy aim to reach 15 percent organic agricultural production and 15 percent organic consumption by the year 2020 (Ministry of Agriculture and Food, 2009).
- 2015: 2113 producers grow organic on 4.9 percent of the land (Debio, 2016)
- 2016: 5 percent of Norwegian farmers farm organic (full) 2 percent some. (Trender i norsk landbruk, survey, Centre for Rural Research)

Conclusion: There is a discrepancy between aims and reality for production.
Norwegian Organic Context II

- Reluctance to convert to organic due the argument that Norwegian agriculture is already “close to organic”.
- Organic farmers believe that animals on organic farms have improved welfare, that their "organic footprint" is lighter and that organic food is better for human health.
- This suggest that organic farming is still associated with specific methods, ideology, and principles that are not associated with "conventional" farming practices.
- Growth has spatial diffusion patterns (Bjørkhaug and Blekesaune 2013)
Norwegian Organic Context III

✓ The current **market share** for organic produce is **below 2 percent**

✓ **Conclusion:** There is a discrepancy between aims and reality or consumption.
Norwegian Organic Context

The marketplace is the retail store: 2015 figures

✓ The majority also of organic food is sold through ordinary retail chains nationally (The Norwegian Agricultural Agency R-12 2016).

✓ This challenges communication of qualities (Noe and Alrøe 2010)
Challenges for success & growth organic values based food chains

✓ Business:
  ✓ Professional and competent management
  ✓ Addressing adequate technical, research and development support
  ✓ Maintaining in-house values in the business

✓ Product: Physical attributes
  ✓ No compromise on quality and content with new technologies and higher volumes

✓ Value chain:
  ✓ Sufficient and stable volume (or shared understanding of instability), and consistent supply of high quality food products
    ✓ Small and uneven production, lack of knowledge, risk of high wastage, higher costs (Norwegian Agricultural Agency R 10-2016)
  ✓ Effective strategies for differentiation and pricing

✓ Experience: of the subject
  ✓ One link of the chain is enough to decouple the value relation
    (Noe, Laursen og Kjeldsen, 2016)
Challenges for success & growth

✓ Supply:
  ✓ Stable supply of raw materials with right quality
  ✓ Collaboration with TINE Dairy – development of organic producers in the region

✓ Market:
  ✓ Stable or growing market share for quality products
  ✓ Growing market share, but slow

✓ Policy instruments:
  ✓ Stable or predictable goals for development of quality production
  ✓ Support schemes for conversion and

✓ Scholarly debates and discourses:
  ✓ Polarised debate between pro and anti-organic scholars in particular agronomy (one environmental and efficiency values) and, nutrition physiology (dietary and pollution values), culinary fields (qualities and taste)
Opportunities: Growing values growing business?

✓ The Røros case have paved way for more visibility of organic products in Norway – both high quality and bulk products

✓ However: Speciality and regional products essential for Røros dairy success