

HealthyGrowth

From niche to volume with integrity and trust

FULL CASE-STUDY REPORT

Planika - Slovenia



Andreja Borec, Jernej Prišenk

University of Maribor

Faculty of Agriculture and Life Sciences

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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

The Planika dairy was established in 1957. The current Limited Liability Company (LLC) structure was defined in 1995 by the Agricultural Cooperative Tolmin. The company's raw material (milk) comes from 120 to 130 (varying number from year to year) local mountain farms in northern and north-western Slovenia. Most of the farms are located in the Tolmin, Kobarid, and Idrija regions.

Currently, the company is selling 19 different milk products under the 'Planika' brand. The high-quality products are characterised by freshness and taste, as well as the avoidance of gene technology and chemicals or synthetic pesticides in its production. The dairy started selling organic milk in April 2013. Since then, they have been subject to the organic quality-control system. The products connect the brand Planika with a 'story' about the traditional ways of processing milk and promoting the alpine pastures. The company developed the Planika Dairy Museum in the dairy building.

The case was considered for investigation under the HealthyGrowth project because of its specific structure as a food chain, combining the Agricultural Cooperative Tolmin and the Planika dairy, and because of how important preserving both the alpine pastures and traditional farming practices is to these entities.

2 Case-study approach - materials and methods

The data for the Planika case study have been obtained mainly from the Planika dairy (especially from the account service), webpage(s), interviews, social media (such as Facebook, YouTube, etc.), leaflets, and other promotional materials. A preliminary interview was carried out with the head of the processing system of the Planika dairy and the director. Other interviews were carried out with one of the producers and counsellors in Agricultural Cooperative Idrija (the detail information about the interviews is given in Table 2). The interview material was prepared to attain information about the history, organisation, growth strategy, communication, benefits, problems, future perspectives, constraints, and conflicts between the actors in this value-based food chain. Table 1 presents the various information sources used.

Table 1: Information sources.

| <i>Exchange this list for the actual documents/sources you have access to</i> | <i>Data type</i> | <i>Document number</i> | <i>Short description of content</i> |
|---|------------------|------------------------|--|
| Home page | Internal | 1 | http://www.mlekarna-planika.si/ - brand description, development history, description of products, etc. |
| Leaflets | External | 2 | Information about selling points and |

| | | | |
|---|----------|---|---|
| | | | dairy products characteristics |
| Account service | Internal | 3 | Information about selling quantities (volumes), turnover, purchased quantities of milk from the farmers, number of employees, etc. |
| Surveys conducted by Jernej Prišenk as part of the Ph.D. thesis | Internal | 4 | Data for in-depth economic analyses and for development of up- and downstream communication schemes |
| Other (specific) annual reports, official registers, social media communication | External | 5 | <p>You tube: a) https://www.youtube.com/watch?v=dNJ7-nz-Y</p> <p>b) https://www.youtube.com/watch?v=6sJZaJufaeM</p> <p>c) https://www.youtube.com/watch?v=1h8qdiGNc50</p> <p>d) https://www.youtube.com/watch?v=xODH2HreaxY</p> <p>Facebook: https://www.facebook.com/mlekarna.planika?fref=ts</p> <p>The website, in general, describing</p> |

| | | | |
|--|--|--|---|
| | | | the brand and history of the company. It has been used as a promotion tool. |
|--|--|--|---|

Table 2: Detailed information from interviews.

| Interviews | | Date | 5.3.2014 | 5.3.2014 | 6.3.2014 | Remarks |
|--|---|---------------------|---------------|---------------|------------------|---|
| | | Duration, h | 16 min 12 sek | 50 min 25 sek | 1 h 8 min 18 sek | |
| Participants | Role | Order of interviews | I-1* | I-2* | I-3* | No specific comments. All interviews proceeded smoothly, and we were able to collect all required data for the final case study report. |
| Planika dairy director | Director and head of the processing system in Planika dairy | | | | x | |
| Mountain farm producing milk (Farm »PR KENDU«) | Owner | | x | | | |
| Agricultural cooperative Idrija | Advisor | | | x | | |

Legend: * I-1, I-2, and I-3 represent the order of the actors from the beginning (I-1) to the end (I-3) of the agro-food chain.

Documents (see Table 1):

Material:

- Communication tools (websites, social media, chart and guidelines)
- Leaflets (collected from the Planika dairy).
- Account service reports

Interviews:

The selection method of the interviewers was '*One interview per actor through the value-based food chain*'. Actors were selected by their importance in the chain. From this aspect, the producer (farmer), processor (Planika dairy), and Agricultural Cooperative Tolmin (the actor between the producers and

processor) have been selected. The interviews are based on the questions from a list of questions compiled by the HealthyGrowth project team.

The following three Interviews were conducted:

- 1) Interview with the processor, the director, and head of the processing system, of the Planika dairy
- 2) Interview with the producer
- 3) Interview with the actor between the producers and processor, advisor from Agricultural Cooperative Idrija.

3 Slovenia—The national context

Slovenia is predominately mountain country. The mountainous and hilly regions of Slovenian are spread out over more than 72.3% of that nation's total area (1, 467, 240 hectares). These fall under the LFA (less-favoured areas) classification, 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 in Slovenia are in LFA. Forests are the most recognisable spatial elements in Slovenia, which also represent a large market opportunity and a comparable 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 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 €). According to year-end data from 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. The average agricultural holding thus used 6.4 hectares of agricultural area and bred 5.6 LSU. In the past ten years, the average size of agricultural holdings in Slovenia increased by 0.8 hectares of used agricultural area 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 total agricultural area also decreased from 537,249 hectares in 2000 to 507,091 hectares in 2010. The same decline could be seen in a share of arable land from 170,571 hectares in 2000 to 170,144 hectares in 2010. The majority of agricultural land in use in permanent grasslands, totalling 285,410 hectares in 2000 and 277,492 hectares in 2010. 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 focusing in grazing livestock, and about 20% in animal breeding. Self-sufficiency farming (100% or more) is recognised in hop production, eggs production, apple production, wine production, poultry production and horsemeat production. The lowest self-sufficiency could be recognised in pork and vegetable production.

The main development traits in the agricultural sector since the 1990s could be seen in the rapid increase in the number of organic farms and in organic food production (as well as agricultural area for organic production).

4 Overview of the case

The Planika brand was established in 1957 as cheese factory. The present structure of the dairy originated in 1995. The structure of the chain remains as it has been since 1995. *The structure flows from framers (producers) to Agricultural Cooperative Tolmin to Planika dairy to retailers, and to consumers.* The owner of the Planika dairy is the Agricultural Cooperative Tolmin (farmers). The

specific characteristic of the chain is the Agricultural Cooperative Tolmin, which is the owner of Planika dairy.

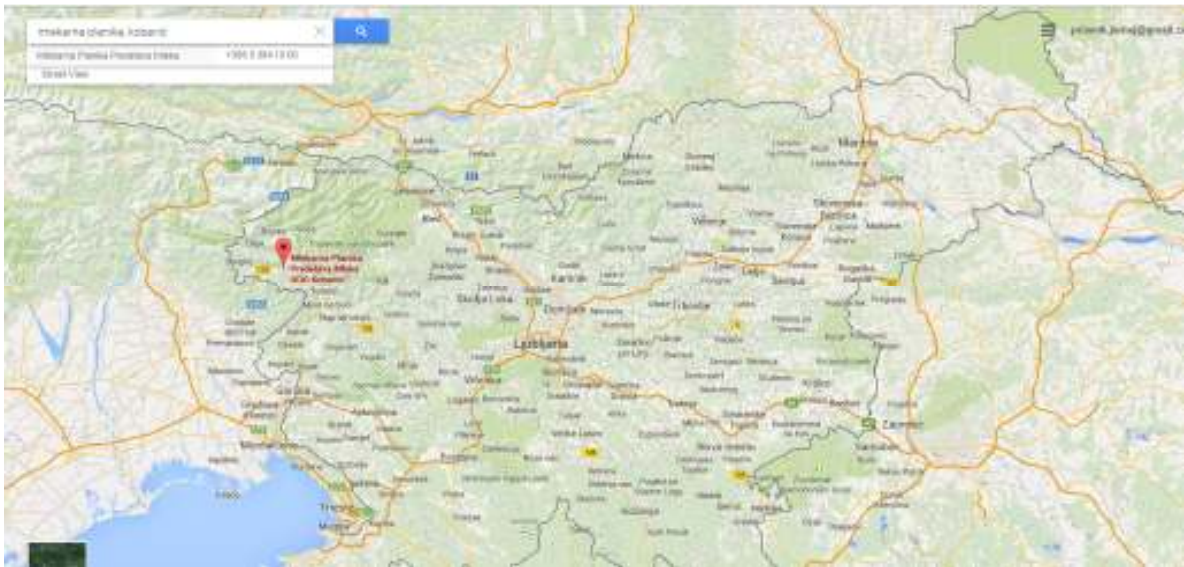
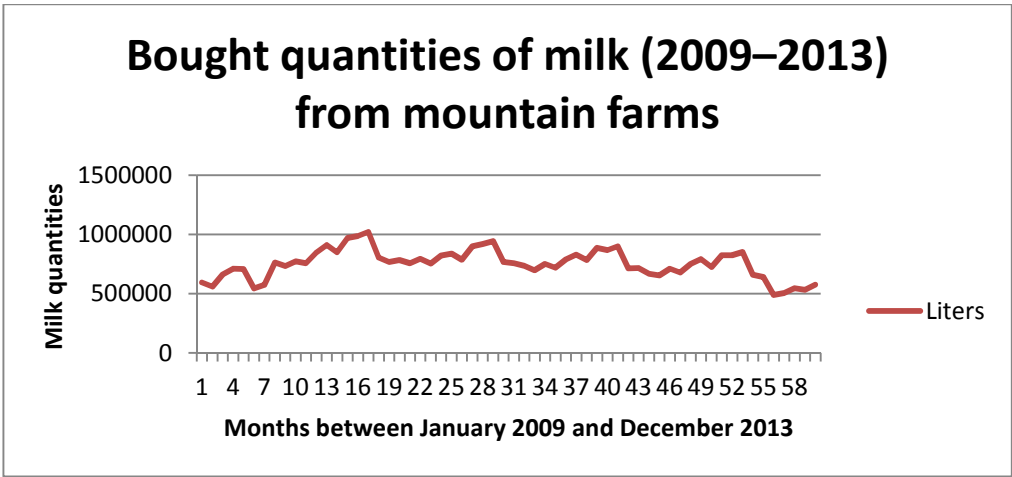


Figure 1: Location of the Planika dairy

4.1 Presentation and trajectory

Until January 2013, Planika only offered a conventional line of dairy products. Then they began selling organic milk. Graph 1 and Table 3 represent the initial and present numbers of bought and sold milk (2009–2013) from the conventional line. The numbers of initial and present distribution channels are represented in Table 4. Table 5 represents the quantities of organic milk sold under the Planika brand.



Graph 1: Bought quantities of conventional milk from mountainous-area farms (monthly data from 2009 to 2013).

Table 3: Initial and current amounts of bought and sold milk (2009–2013).

| Year | Bought quantities | Sold quantities* |
|-------------|--------------------------|-------------------------|
| Unit | L | L |
| 2009 | 8,230,196 | All |
| 2010 | 10,219,963 | All |
| 2011 | 9,607,394 | All |
| 2012 | 9,165,962 | All |
| 2013 | 7,965,777 | All |

Legend: *including all dairy products (milk, cheese, yogurt, etc.).

Table 4: Initial and current distribution channels of the Planika dairy (2009–2013).

| Year | Public institutions | Retail trades/chain shops/hotels | Internal sales |
|-------------|----------------------------|---|-----------------------|
| 2009 | n.a. | 15 | 1 |
| 2010 | n.a. | 26 | 1 |
| 2011 | n.a. | 44 | 1 |
| 2012 | n.a. | 51 | 1 |
| 2013 | 3 | 64 | 1 |

Table 5: Initial and current amounts of bought and sold organic milk (Jan. 2013–Dec. 2013).

| Month in 2013 | Bought quantities | Sold quantities* |
|----------------------|--------------------------|-------------------------|
| Unit | L | L |
| Jan | 1,356 | All |
| Feb | 2,182 | All |
| Mar | 3,290 | All |
| Apr | 2,611 | All |
| May | 3,043 | All |
| Jun | 6,990 | All |
| Jul | 6,581 | All |

| | | |
|-------|--------|-----|
| Avg | 6,586 | All |
| Sep | 13,867 | All |
| Okt | 14,445 | All |
| Nov | 15,026 | All |
| Dec | 14,403 | All |
| Total | 90,380 | All |

Legend: *organic milk only.

The most powerful actor in the chain is the Planika dairy/ Agricultural Cooperative Tolmin. Agricultural Cooperative Tolmin coordinates transactions between farmers and the Planika dairy (processor). The dairy coordinates transactions between itself (processor) and its selling points (retailers), and they have decision-making power about business movements in the chain and much of the responsibilities for the other actors in this value-based food chain. Planika buys the raw material from the farmers, and the negotiations about the purchase price of milk occur between Agricultural Cooperative Tolmin and the farmers.

4.2 Basic facts about Planika

The basic facts about the Planika brand are represented in this subsection. For describing the growth and development, the brand authors have chosen the table and graphical presentation (see Table 6 and Graph 2).

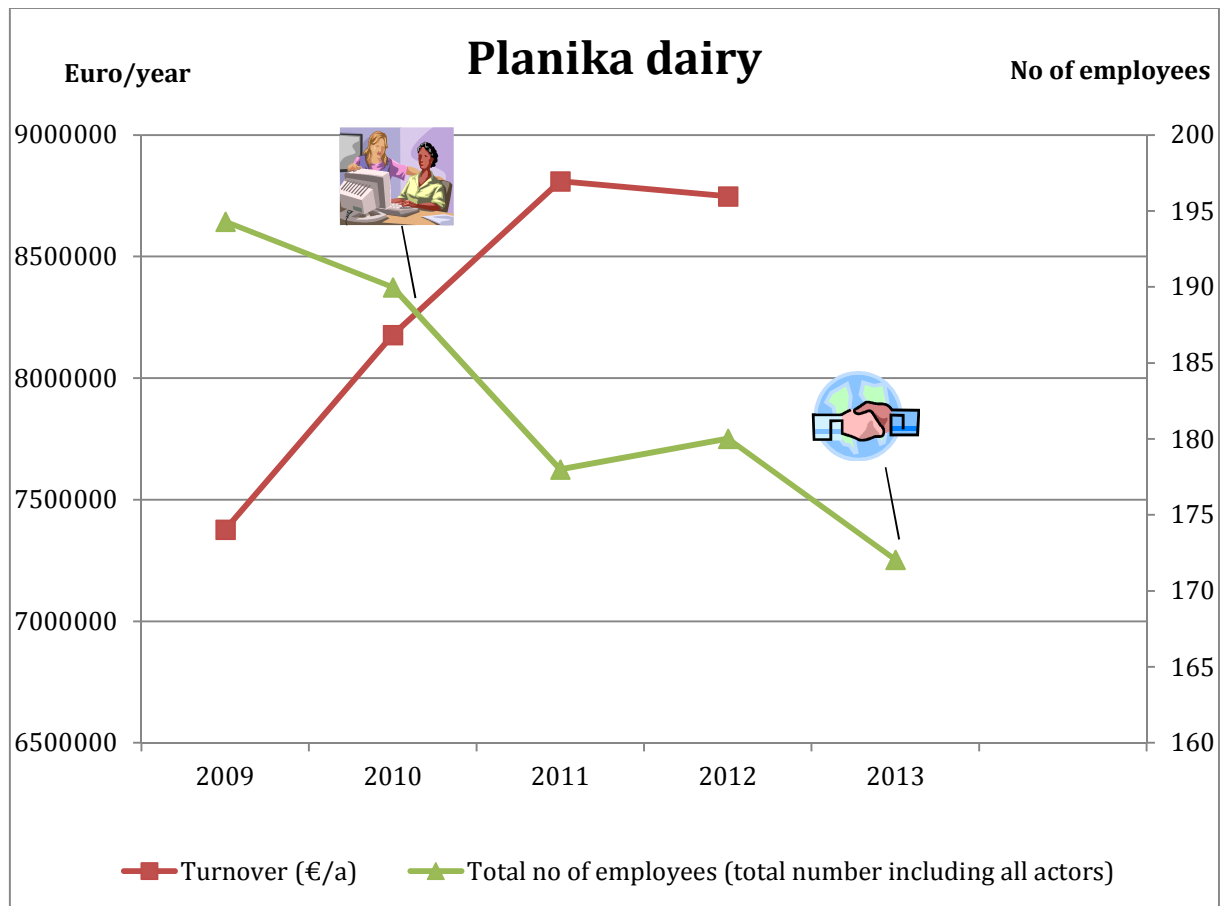
Table 6: Data of turnover, number of farms involved, product range and marketing channels between 2009 and 2013.

| Data/years | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------|--|--|--|---|--|
| Number of shops | 3 big trade networks, 5 restaurants and hotels | 4 big trade networks, own shop, 5 restaurants and hotels | 4 big trade networks, own shop, 7 restaurants and hotels | 4 big trade networks, own shop, 10 restaurants and hotels | 4 big trade networks, own shop, 15 restaurants and hotels, 4 public institutions |
| Number of public institutions | n.a. | n.a. | n.a. | n.a. | 3 |
| Employees (central services) | 47,31 | 48,98 | 48,99 | 52,03 | 52,05 |
| Employees (total) | 194,31 | 189,98 | 177,99 | 180,03 | 172,05 |
| Turnover | 7376985€ | 8177877€ | 8810406€ | 8747356€ | n.a. |

| | | | | | |
|-----------------|---|---|------------------------|------------------------|---|
| Product range | 6,030,386.2 kg and lit | 8,026,734.6 kg and lit | 7,608,201.5 kg and lit | 7,051,814.5 kg and lit | 6,142,253.6 kg and lit |
| Important steps | Product range including 7 different milk products | New approach of milk collection – via three collection points | | | Starting to sell the organic milk Product range including 7 different milk products and 1 organic milk product |

A short description of the present state of Planika is as follows:

- Presence in shops: Four main trade networks in Slovenia (Špar, Tuš, Lecererc, and Mercator), 15 restaurants and hotels in the extended region, the company's own shop and three public institutions; estimated Planika product availability at 60 to 70 shop points, all over Slovenia
- Product types: 8 different milk products (milk, cream, ferment, butter, cheese, curd, yogurt and organic milk),
- Main actors: Agricultural Cooperative Tolmin and Planika dairy; they organise buying milk from the farmers and the marketing approach
- Legal form: Cooperative LLC
- Began to sell organic milk in 2013



Graph 2: Chart representing the growth process of Planika dairy.

The graph 2 represents two indicators for growth description (Turnover and total numbers of employees). There were two changes in the chain. The first was the organisational change in 2010, when the collection of milk took place via collection points instead of transportation of milk directly to the dairy, which was organised by the farmers themselves. The second change in the management of the chain was in 2013, when the Planika dairy started to sell the organic yogurt, and because of that, they became an important delivery partner in the local public institutions (schools). The numbers of total employees has fallen because of the number of producers, but the average size of the preserved farms has increased.

4.3 Value- chain organisation

The stakeholder network of Planika is presented in Figure 2.

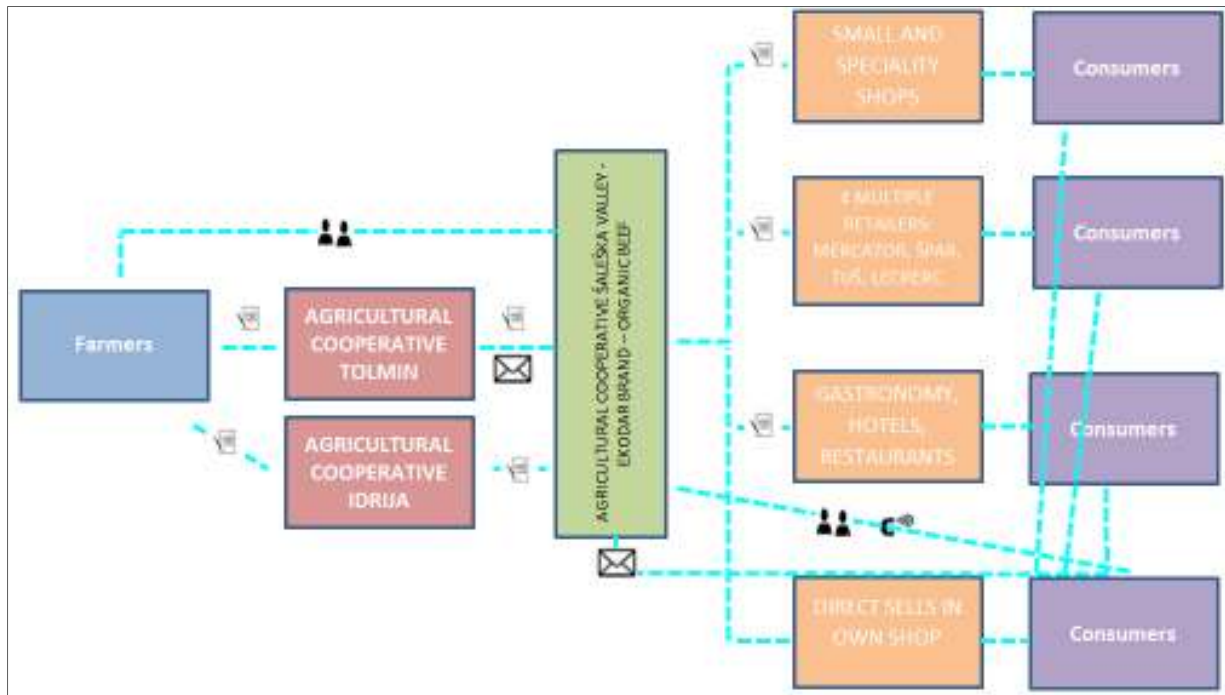


Figure 2: The stakeholder network of Planika

Among the suppliers, there are approximately 120 to 140 farms producing the high-quality milk, which operate under one large certificated organic producer. The main processor is Planika dairy. It is the only processor in the chain. The producers (farmers) come from the mountainous areas, especially from the western and north-western part of Slovenia.

The milk is bought from the farmers directly by the agricultural cooperative and transported to processor. The direct network exists between producers and agricultural cooperative and between processor and agricultural cooperative. There is a lack of direct communication and networking between the producers and processor. As we have stated previously, the main and most powerful actor in food chain is Planika dairy with Agricultural Cooperative Tolmin, and it maintains the processing and selling systems under its control in the chain. What is important is that they enjoy the confidence of producers and consumers.

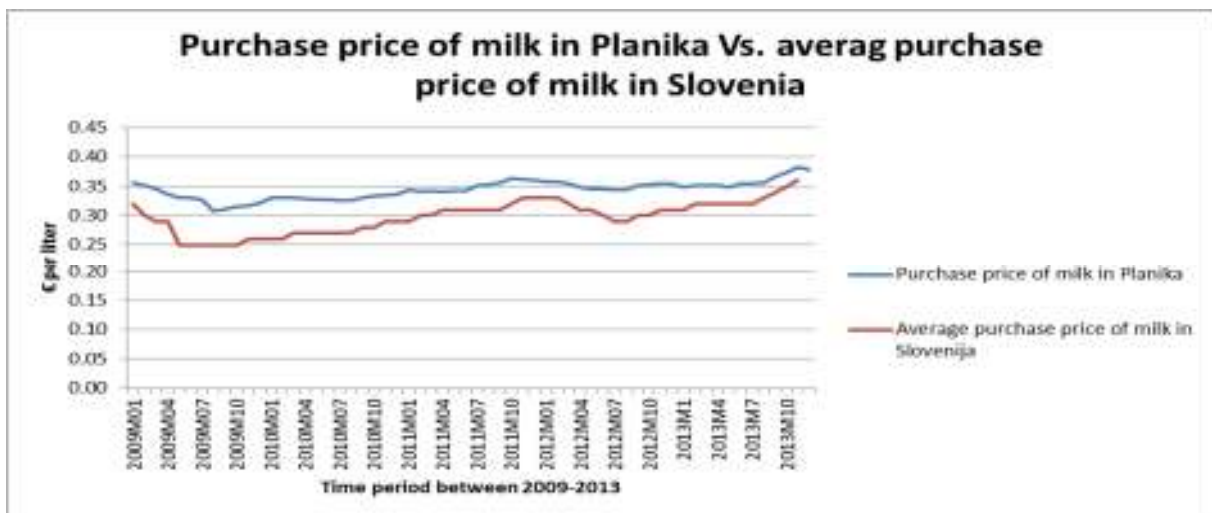
There is no unique networking between the actors, but contracts agreements represent the most important type of communication between all actors in the chain.

5. Analytical perspectives

5.1 Organisation and governance

Because the business structure is a cooperative LLC, the managing director of the Planika dairy is authorised to represent the enterprise and to sign the documents. Now, the company has 52 employees and owns three facilities. One of the important values of all stakeholders is to ensure the high quality of the dairy products made with the high-quality raw milk. Consequently, the shared value contributes to the consumers' external trust in the brand and chain.

No internal conflicts were recognised among the stakeholders in the chain. The main values of this value-based food chain are high-quality food products, trust and fairness. They achieved the trust component via their business relationships, payment discipline and fair pricing (i.e., by paying higher prices for milk compared with other milk processors; see graph 3). The price for milk is higher by approximately 4 to 5 cents per litre, compared with the average purchase prices of milk in Slovenia.



Graph 3: Purchase price of milk in Planika vs. average purchase price in Slovenia.

In general, the actors usually sign the written contracts and agreements, but exchanges of experiences are communicated between Agricultural Cooperative Tolmin and the farmers through personal communications. Actors agree on the values (high-quality food products, trust and fairness) and believe that the values should be their first priority.

Moreover, stakeholders usually agree with the shared values; therefore, no controversies have occurred. For retailers, sometimes the price of the dairy products is more important than high quality. However, these disagreements are usually solved by the Planika dairy explaining all of the benefits of their food products and food chain.

What follows are some quotes from the interview, director of the processing system in the Planika dairy:

- 00:42:00–00:44:31

‘Sometimes a disagreement appears. We are usually successful in explaining (supported with financial results) our management philosophy and priorities to all stakeholders in the food chain’.

- 00:43:06–00:43:44

‘Farmers completely agree with the purchased price of the milk from the Planika dairy’.

- 00:50:01–00:50:40

‘With buying Planika products, consumers realise that they are improving the local economy and economic status of farmers from mountain regions’.

The strategic decisions are made by the Planika dairy in cooperation with Agricultural Cooperative Tolmin. The Planika board is mainly concerned with the economic matters. We did not see internal and external criticism in the modes of management and governance.

The contracts and agreements usually include commitments about volume, quality and the purchase price of milk. The contracts between the producers and Agricultural Cooperative Tolmin and between Agricultural Cooperative Tolmin and the Planika dairy are usually signed for a 1-year period. There are no conflicts between the actors because of the agreements and contracts. In the interviews, participants express satisfaction.

Informal (daily and weekly) coordination occurs between actors by phone calls and e-mail. Communication between farmers and Agricultural Cooperative Tolmin happens a few times per week, whereas the processor and Planika dairy communicate every other day (face-to-face interaction between the producers and Planika dairy, the processor). The remarks and comments from consumers are accepted and processed by the Planika dairy via e-mail. Written agreements are crucial to secure strategic cooperation along the chain. In addition, members meet at the end of each year.

Some national roles and laws control public ordering in public institutions, but in general, no specific problems connected with legal restrictions have been reported.

5.2 Business and management logic

The main actor in the Planika food chain is a private actor—the Planika dairy. The strategic goals are business oriented and are dictated by the dairy and Agricultural Cooperative Tolmin. The business logic is *‘to produce and process the high-quality and healthy food products only from the milk produced in the mountain regions in Slovenia’* with effectiveness, economic performance and efficiency in a midscale-values-based food chain. The only strategy and management instrument for realizing this goal is *‘to ensure a higher milk price for the producer and to maintain the target group of “steady” consumers’*. The total selling quantities revenue covers monetary and production costs (additional profit is usually focused to improve technological equipment in the processing line and for ensuring the higher purchase price of milk).

Table 7: The goals of the Planika brand, ranked by importance, from 1 through 5.

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

| Goals | Ranking |
|---------------|---------|
| Profitability | 2 |

| | |
|---|---|
| Employee retention | 2 |
| Growth | 1 |
| Maintaining a solid financial base | 3 |
| Altruistic objectives: | |
| ○ Ensuring that (family/peasant/small) farmers' thrive | 1 |
| ○ Contributing to income and employment in the region (strengthening the rural economy) | 1 |
| ○ Protecting the natural environment (water, soil, ecosystems, landscape, climate) | 2 |
| ○ Animal welfare | 2 |
| ○ Realising the 'organic idea' | 1 |
| ○ Social care | 3 |

There is no written business strategy. The strategy can be explained with the main motto or philosophy relayed by the director of the processing system of the Planika dairy, *'to produce high-quality and healthy dairy products that are widely available to consumers.'* The business and management strategies are ranked in Table 8. It is important that all new or potential actors agree with it the business philosophy before they become the partners in this value-based food chain.

Table 8: The strategies of the Planika dairy and Agricultural Cooperative Tolmin, ranked by importance, from 1 through 5. Ranking scale: 1 = high priority to 5 = little importance.

| Business/management strategies | Ranking |
|---|---------|
| • Supplying a product/service of exceptionally high quality | 1 |
| • Good customer service | 2 |
| • Maintaining good, trust-based long-term business relationships | 2 |
| • Product differentiation | 1 |
| • Building on a better understanding of consumer trends | 2 |
| • Seeking new/alternative suppliers | 1 |
| • Maintaining a local/regional production base | 2 |
| • Reducing transport | 4 |
| • Ensuring transparency | 2 |
| • Ensuring management professionalism | 2 |
| • Maintaining social standards | 4 |
| • Collaborating along the chain and with market partners and developing business partnerships | 2 |
| • Promoting innovation | 4 |
| • Networking | 2 |
| • Ensuring high animal welfare standards/improving environmental performance | 4 |
| • Preparing the business/initiative for growth | 3 |
| • Creating a dynamic organisation that is prepared to meet challenges | 3 |
| • Other: ensuring flexibility, establishing strict criteria for in-tender calls | 4 |

In this food chain are two main strategic partnerships:

- a) Between farmers and Agricultural Cooperative Tolmin
- b) Between Agricultural Cooperative Tolmin and the Planika dairy

These two strategic partnerships are essential to good organisation and management of food chain. However, each business partner is an independent actor that is dependent on the down/upstream business partner. With this business approach, dependency risk is great, but each actor has independent control of their individual system (such as controlling organisation for farmers, controlling organisation in the processing system, internal dairy controls by the Planika dairy, etc.).

There is specific price strategy in the food chain. Agricultural Cooperative Tolmin and the Planika dairy pays 10% to 15% higher prices for milk produce in mountainous regions. With this strategy, Planika tries to ensure fairness in the food chain (especially to farmers), and this 'business instrument' saves and stimulates the milk production in mountainous regions.

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

| List of qualities and attributes. Please select and rank the most important attributes; 1 = high-priority objective and 5 = little importance | Ranking interview partner |
|---|---------------------------|
| Health claims (what aspects?) & disease protection (which diseases?) | 1 |
| Geographic proximity | 1 |
| Traditional/regional food culture | 2 |
| Taste | 1 |
| Packaging | 3 |
| Freshness | 1 |
| Seasonality | 2 |

| | |
|--|---|
| | |
| Labelling schemes: POD, PGI, TGI, etc | 2 |
| Native species/race | 1 |
| Animal welfare | 3 |
| Landscape protection | 3 |
| GMO | 2 |
| Environmental considerations beyond organic standards (specify the impact and on what aspect of the environment (biodiversity, watershed, ground water, soil, climate, ecotoxicity, etc.)) | |
| Environmental labels | 3 |
| Local regional economy, employment | 2 |
| Fair working conditions, salary | 1 |
| Maintaining know-how | 3 |
| Traceable production chain | 3 |
| Communication with consumers | 2 |
| Co-production with consumers | 1 |

We have indirect indicators about economic performance, such as the number of selling points and employees (see Table 6).

Actors in this food chain have the same opinion about the development of market channels, sales quantities, marketing approaches and development of new food products, which has positive effects on growth strategies. The actors believe that increasing the product range is important for growing the economy; however, they note that it is most important to maintain their values, such as high-quality (healthy, tasty food products), traceability, and trust.

The balance between quality, volume and economic performance differentiation in our case study could be reached easily. The Planika brand is still in the developing process; therefore, economic performance does not threaten the quality of food products. They see opportunities to develop new organic milk products and continue with their organic line of products. They expect that in next few years there will be no need to accept any quality-differentiating strategy for controlling the quality and volume in balance. The main and most important value that differentiates this chain from mainstream organic chains is their high-quality food products made from milk from the mountainous regions in Slovenia.

The Planika chain has a specific and long-term strategy. The focus is on increasing trust and satisfying consumers, and they think that if they do this, the economic performance and growth will automatically follow. With this philosophy, the actors are sure that they can hold the balance between quality differentiation, volume, and economic performance.

5.4 Communication of values and qualities

THE OVERALL COMMUNICATION WITHIN THE CASE

The results of the interviews with the central actor (Planika dairy), farmers, and Agricultural Cooperatives Tolmin and Idrija reveal different types and frequency of communication. The farmers can communicate with each other via Agricultural Cooperative Tolmin. For the performance of the chain, communication about the quality of food is highly important. In this case, the maximum frequency of this type of communication could be seen between the Planika dairy and consumers and between Planika dairy and the farmers. For communication between the farmers and the Planika dairy about the milk quality, e-mail and personal conversations are used, whereas communication with consumers takes place from time to time (about ten times per month) via e-mail. For one-way communication between consumers and the Planika dairy about product quality, protected designations are commonly used (designation for organic food, protected geographical indications and protected designation of origin).

| | Farmers/producers | Agricultural Cooperative Tolmin and Idrija | Planika dairy | Retailers/shops | Consumers |
|--|---|--|--|--|---|
| Farmers/producers | | Daily communication via e-mail, personal communication, contractual arrangements regarding purchased quantity and quality of milk | Personal communication and contractual arrangements regarding purchased quantity and quality of milk | No communication | No communication |
| Agricultural Cooperative Tolmin and Idrija | Daily communication via e-mail, personal communication, contractual arrangements regarding the purchased quantity and quality of milk | | Communication via e-mail (a few times a week), telephone communication, contractual arrangements (renewal of contracts regarding the purchase of milk each year) | No communication | No communication |
| Planika dairy | Personal communication and contractual arrangements regarding purchased quantity and quality of milk | Communication via e-mail (a few times a week), telephone communication, contractual arrangements (renewal of contracts regarding the purchase of milk each year) | | Communication a few times a year via e-mail and monthly personal communication regarding quality, prices, and stocks | Organisation of meetings and other social events with consumers. Presentation and promotion of the Planika brand at fairs |
| Retailers/shops | No communication | No communication | A few times a year via e-mail and monthly personal communication regarding quality, prices, and stocks | | Promotion of food products at shopping centers and fairs |

| | | | | | |
|-----------|------------------|------------------|--|---|--|
| Consumers | No communication | No communication | Communication via e-mail regarding the quality of dairy products | Occasional communication via e-mail in case questions arise regarding the quality of dairy products | |
|-----------|------------------|------------------|--|---|--|

Figure 3: Communication and its frequency among the stakeholders in the Planika case study.

5.5 Quality mediation through the chain

The main qualities of Planika dairy products related to the primary production are healthfulness and high-quality. Because of the high standards set for the production system, the organic type of production (and production in mountainous areas) in general are recognised as the superior qualities of the farmers. Normally, the idea of quality can be differentiated into sub-qualities, such as taste, animal welfare, and natural, and these sub-qualities are different from those of food products made in conventional farming. Farmers support these qualities with production methods by considering all organic production standards.

The main output of specific cooperation between Agricultural Cooperative Tolmin and the Planika dairy is higher milk prices for milk produced in mountainous regions and consequently better social and economic status for mountain farms. In this case study, the cooperation between farmers is well developed through agricultural cooperatives, and farmers have the same decision-making opportunities in management aspects as do other actors in the chain.

5.6 Resilience

The Planika dairy faced a major challenge in the past, with the move to produce the organic line of dairy products. The challenge was overcome by the joint efforts of Agricultural Cooperative Tolmin and the Planika dairy. Before taking on this challenge, they analysed what they could guarantee to a potential partner.

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

Organic production and maintaining the production in mountainous regions supports the stability of the agro-ecosystem. Interviewees express clear sustainability goals for the whole chain. The main factors are trust between the actors and maintaining the trust of consumers in Planika's high-quality food products. They do not expect any specific changes in the organisation of the chain. Further, the declining milk quotas in 2015, which signal a deterioration of the competitiveness of the chain in the market, could represent the company's largest obstacle to growth.

6 Future orientation

In next 5 years, all actors expect growth in the chain, in the number of producers, and in spreading the market. They do not expect any changes in internal organisation in the value-based food chain, but some changes connected with the number of actors are considered possible. All actors have the same future vision about growth. The Planika food chain will have to handle challenges in 2015, with the

expected fall of milk quotas. Consequently, there will be no stability in the purchase prices of milk. It is necessary that actors remain focused on staying competitive in the market in the future (next 5 years). The actors plan to handle this challenge with several important approaches as follows:

- Increasing the quantities of organic dairy products sold
- Developing new organic dairy products
- Saving more than 100 mountainous-area farms
- Spreading the market all over Slovenia and possibly expanding into the northern part of Austria
- Improving the product packages by making them more attractive

The actors evaluated the development of the organic sector as having a 'good future' and 'opportunities for improving the business in the future'. They expect that consumers will become more conscious about high-quality organic food and its positive influences on health. They express the feeling that they are part the success story of the organic sector in Slovenia, and that they have good opportunities to develop the Planika brand and story.

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 attain internal documents from the company because the company was not willing to share them.

References

- Official webpage: <http://www.mlekarna-planika.si/>
- Facebook page: <https://www.facebook.com/mlekarna.planika?fref=ts>
- YouTube pages:
 - <http://www.youtube.com/watch?v=1h8qdiGNc50>
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 - http://www.ekoslovenija.si/EKO_SLOVENIJA,,hrana/zdrava_prehrana&showNews=NEWSQPUKUW11112011132243&cPage=11
- Commercial material
- Leaflets and promotion material
- Information of Planika dairy account service
- Interviews