

HealthyGrowth

From niche to volume with integrity and trust

FULL CASE STUDY REPORT

EVG Landwege – Germany



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CORE organic II

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Most local organic market chains have inherent problems in moving from niche to volume, and main-stream 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 10 European countries contributed with 19 case studies. More information and documentation can be found at: www.healthygrowth.eu

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1 Introduction

The producer-consumer-cooperative EVG Landwege e.G. (EVG: Erzeuger-Verbraucher-Gemeinschaft) is located in the city of Lübeck. It has five organic retail outlets in the south-east of the Federal State of Schleswig-Holstein, the northern Federal State of Germany. The Hanseatic City of Lübeck is the second-largest city in Schleswig-Holstein and one of the major ports of Germany. Situated on the river Trave, it was the "capital" of the Hanseatic League ('Queen of the Hanse') for several centuries and, because of its Brick Gothic architectural heritage, is listed by UNESCO as a World Heritage Site. Lübeck is a very lively, major city with roughly 214,000 inhabitants. Due to its history as free trade hub, Lübeck's inhabitants are still convinced about the spirit of their civic town. They are proud of their city and appreciate the high standard of living in the sheltered coastal area adjacent to the Baltic Sea.

Traditionally, Lübeck has a culinary reputation. It is the 'Marzipan city' since 1800. These days, nobody can tell with any certainty whether it was a particularly skilful and imaginative pastry baker or whether it was competition among the various, at the time very famous Lübeck-based pastry bakeries that lead to this golden age of marzipan production.



Figure 1: New Landwege outlet in Ziegelstrasse opened in 2013

2 Case-study approach: materials and methods

The data collected is based on a variety of written materials and interviews. The public representation of Landwege cooperative was deduced from the following available material: the webpage of the cooperative and a variety of brochures, leaflets, or articles. In addition, the webpages of network partners and stakeholders were an important source of information. Most information comes from personal interviews of the CEO of Landwege.

In addition to Landwege, one of the main member farms has been studied. The farm Hof Klostersee is located around 50 km north-east of Lübeck near the Baltic sea coast (see Figure 10). This farm is run by an initiative (registered association) that has been closely cooperating with Landwege since the beginning. Hof Klostersee and the other initiative run member farms of Landwege have been very important for the development of Landwege cooperative.

3 Germany – The national context

The German food market in general and the organic market in particular are the largest in Europe. The annual volume of organic sales tripled since 2000 reaching 7 billion Euros in 2012. And yet, only 3.5% of total food expenditures and 3.9% of total agricultural sales were organic in Germany. However, the annual German expenses for organic food rises about 30% (from 56 € to 74 €) between 2006 and 2010 (Köpke and Küpper 2013). The comparison of total expenditures for food with total agricultural sales shows the share of farmers in total value added to be only about one fifth, and to be more or less the same in conventional and organic farming (BÖLW 2013). In 2012, 8% (23,096) of all farms and 6.3% (1,043,528 ha) of UAA were under organic cultivation (BÖLW 2013). Nearly 60% of organic farmers belong to a German growers' association. The most important in terms of farm numbers are Bioland, Naturland and Demeter. The remainder is cultivating in accordance with the EU organic regulation (Löwenstein et al. 2004). About 60% of the national demand for organic products is satisfied by domestic production while Germany is also the largest importer of organic food in Europe with 2-95% of consumption, depending on the product (FIBL 2011, BÖLW 2013).

In Germany, more than 10.500 processors were part of the organic value chain in 2009. The market is traditionally characterised by a strong position of organic health food shops like the German Naturkostladen or Reformhaus (FIBL 2011). In the early 1990s, the conventional food retailing industry began to sell organic products and could benefit from the turnover increase and improve its turnover amounts with organic products during the last years (see Fig. 1). Today, the most important organic food brands in the conventional retail industry are "GutBio", "Biotrend", "BioBio", "B!O", "Naturgut", "EDEKA Bio" and "REWE Bio". Currently, Germany has 2,346 organic shops, thereof 1,644 Health Food Shops (Naturkostläden), 400 organic supermarkets und 302 farm shops.

Despite the importance of organic markets in Germany, the sector faces significant challenges because the production volumes are growing slower than the demand. The market is also shaped by conflicts between the conventional food retailing and mid-scale structures of the specialised organic trade including structural disruptions and contrary economic interests, illustrated by new large-scale organic supermarkets which frequently replace traditional organic stockists (Gerlach et al. 2005).

In 2012, there were 4,145 organic food processors marking 65,725 products with the German organic farming label Biosiegel. Numbers increased steadily from 2003 when the Biosiegel was introduced (BMELV 2012). The significant expansion within the German organic market impacts on the structure of supply chains:

- Transparency within producer-consumer relations became an important marketing tool.
- Numbers of traditional organic health stores (Naturkostläden, Reformhäuser) rose – although pressure increases on the competitiveness of owner-managed shops.

- Organic supermarket chains expand (e.g. 'Alnatura', 'Basic'), and new companies enter the market (e.g. 'Denn's', 'BioCompany').
- Since the 1990s, conventional retail markets, supermarkets and discount stores develop their own organic product retail trade marks because the demand for organic food rises being more and more a mainstream product (significant scaling-up of the organic food market, development of retail brands for organic food such as 'bio-bio', 'REWE Bio', or 'biotrend').
- Overall, the importance of the conventional retail food market in organic value chains increases. The "conventionalization" of the organic food sector during the last two decades has been affecting quality requirements (open question of new form of cooperation etc).

4 Overview of the case – general and common to all tasks

Product types:	Landwege member farm and Landwege processor partners produce all types of local farm products (vegetable, fruit, cereals and bakery products, dairy, meat and meat products); Landwege supermarkets offer a full assortment for Landwege consumer members and non-member customers.
Main actor:	Integrated food chain from primary production to end-consumption
Legal form:	Registered cooperative (e. G.)
Number of Employees:	100 employees, full-time and part-time (2014)
Distribution channels:	Five supermarkets (four in Lübeck, one in Bad Schwartau); member farm products are labeled by Landwege brand 'Regional!'
Turnover:	11 million Euro in 2014

The name 'Landwege' has a literal interpretation: 'Country Ways'. The producer-consumer-community Landwege is a well-established organic food cooperative that

- has grown out of the garage initiative (1989) into a retail business with five supermarkets, 600 consumer members and 30 organic farm members in the area around Lübeck city;
- represents a short food chain ensuring a close consumer-producer-connection;
- communicates traditional organic values successfully e.g. by its orange logo 'R' for 'Regional!'; and
- has a clearly defined philosophy "organic from nearby".



Figure 2: Landwege logo for member farm products

The Landwege community managed to solve significant problems during the different development phases over the last 25 years. Responsible teams and team members were learning by doing supported by partner experts. The cooperative developed from a food initiative of the late 1980ies into a professionally organised "business" avoiding the trap of conventionalisation.

The procurement of EVG Landwege cooperative is based on the production and processing of Landwege member farms, businesses and initiatives, and mainly two organic wholesale businesses.

Landwege is supplied by the wholesalers Grell Naturkost GmbH (www.grell.de) and Weiling GmbH Naturkost (www.weiling.de). (Heinze 2014)

4.1 Presentation and trajectory

Landwege is a retail business that sells a range of 6,000 organic products to consumers. The cooperative Landwege runs five organic supermarkets which are located in Lübeck and the neighbouring town of Bad Schwartau.



Figure 3: Entrance of Landwege supermarket with bread and bakery products service area and fruit and vegetable

The fresh products are provided by around 30 member farms representing around 30% of the total turnover of the Landwege retailer. *"For our customer, this means: short supply channels, fair pricing – and an enjoyment like just out of the own garden"* (Landwege 2013, 1). The products of these farms marked with the orange label "Regional!" on the price plate represent around 30% of the total turnover of Landwege. Around two thirds are fresh food products (measured by the proportion of the total business volume) and one third is long-life food products, cosmetics, drinks (juice and wine) as well as household goods, newspaper/journals and seeds for hobby gardening.

The organic fresh food goods represent the following proportion of the total business volume (Landwege 2014, 2):

- Vegetable and fruits: 20%
- Bread and bakery products: 10%
- Meat and meat products: 12 %
- Dairy products: 18% (thereof, milk: 10% and cheese: 8%-points)

Fruits and vegetables are seasonal products. For that reason, the regional offer is fluctuating over the year. In the annual average, around 50% of the sales are provided by regional producers. About 80% of the meat and the meat products sold at the Landwege sales points are of regional provenience. (Landwege 2014, 2)



Figure 4: Landwege outlet – fresh eggs (left) and vegetables with Regional! and Bioland plates

Trajectory of Landwege

The organic food initiative was founded in the wake of the Chernobyl disaster which was in April 1986. It was a local grass-root movement connecting organic farms with consumers in the city of Lübeck. (Landwege 2014, 1). This way, Landwege developed from a garage initiative of concerned consumers, not yet legally registered, to a regional organic network based on a concept of fair and sustainable producer-consumer-relations. In the beginning, the exchange between farmers and urban dweller was organised on the basis of honorary engagement.

The initial product range was reduced to farm products from the region:

- Pork, beef, lamb, poultry from local animal husbandry
- Variety of dairy products made from cow or sheep milk
- Vegetable such as cabbages, onions, leech, carrots and other roots, tomatoes, lettuce, etc. (some of these are seasonal and only available for a short time)
- Fruit which is mainly apple and pears, including juice; moreover, some strawberries, plums and other seasonal products

The offer was seasonal with fruit and vegetable from local farms, and it was continuous over the year for dairy products and most fresh meat and meat products. The distribution channel was the provision of local consumers with regional products. Farmers delivered their produce to one place in town

where products were picked up by the consumers. The very beginning was a garage sale for members of the cooperative. The second step was a first member shop in town.

In the first decade, growth rates in turnover or staff members, were relatively low (Figure 7, Figure 8) (Landwege 2014, 4). During the following years, Landwege was registered as cooperative (e. G.) running a small retail shop and selling organic food at local farmers markets. This caused changes in the organisational structure of the initiative during the process of growth. Some grass-root activists from the first years left the initiative because of the on-going development of the initiative towards a profit-orientated business. This transformation was realised by the initial members when the first shop was relocated and became a modern and professional retail outlet in 1999. In terms of internal organisation and value definition, this step was challenging for the initiative (5.1., 5.6).

When the cooperative has founded officially in 1998, around 100 persons registered as members incidentally. The number of consumer members grew steadily up to around 500 in 2013. The number of farm members developed at a much slower pace. Currently, 30 member farms sell food products to Landwege. The development of farm membership is influenced by both, growing volumes sold to Landwege per farm and an increasing number of member farms. Over time, there have been some changes in member farms. The farms leaving Landwege either stopped farming or organic farming; or they changed the marketing channel with own direct marketing, market stalls etc. However, most of the member farms are long-term partners which developed themselves along with Landwege's development pathway. "For us Landwege was always very important because we could sell our produce all year around. Without Landwege, we would only be able to sell during the summer months. Our bakery and cheese workshop could only grow and nourish two more families on the farm because of Landwege taking over the marketing." (Hof Klostersee 2014 and Landwege 2014, 2)

In 2012, the 30 member farms realised around 2.5 million Euro turnover of the Landwege retail business (Landwege 2013, 1). For most of the member farms, Landwege is the most important buyer and became a more important marketing channel over time (Landwege 2014, 4) Landwege member farms are located in the geographical region around Lübeck, they have to comply with organic standards and are reliable farm businesses (Landwege 2014, 1). The number of farms has increased significantly during the growth process (30 member farms in 2013/2014). Since the reunification of Germany, the area of Landwege member farms has opened up to the east including several producers from the neighbouring region of Mecklenburg. The Product range has changed significantly due to the provision of a full assortment of organic food and non-food products in the Landwege retail shops. In the beginning, the initiative marketed only the products available on farms in the area. Today, goods which are not produced in the area Landwege is ordering from wholesale businesses.

Overall, the marketing channels did not change, only the organisation of the distribution changed during the process of growth and professionalization. During the first years, only consumer members could buy farm products. Soon after, the shop was open for public. The number of Landwege points of sale has increased from the mentioned above small shop for members in 1990 to five full-range organic supermarkets. Figure 7 and Figure 8 show the increase of turnover and number of employees. The turnover was relatively low and only increased slowly as long as there was one shop. During this decade, the initiative did not yet realise the first step of professionalization of the retail business. Only after turning into a proper legal form and with the opening of the second outlet the business boosted and the turnover started to rise. Until now, distribution channels did not change. However, logistics are still an area with development potential (section 6). (Hof Klostersee 2014, 3)

4.2 Basic facts

From the beginning until today, consumers/citizens of the city of Lübeck as well as farmers from the area were involved. The general concept of cooperation between producer and consumer did not change over time. However, the degree of professionalization of the retail business (5.6) and the number of members has changed significantly. Initially, honorary work of consumer members was central to the establishment and expansion of the initiative. This changed because the honorary engagement is still important for the Landwege partner organisation (Landwege Association and Landwege Foundation) while EZG Landwege e.G. avoids non-paid labour input (5.1). (Landwege 2014, 4)

Main differentiation of Landwege concept to main stream organic is the embeddedness of production and consumption in the area around Lübeck: regional connection between agricultural production, on-farm processing, local bakeries and butcheries with consumption in the city of Lübeck and Bad Schwartau. This attribute is very strong and very convincing to the customer. Moreover, the CEO of Landwege highlights the close collaboration as one of the key factors contributing to the success of Landwege cooperative. During a workshop with member farmers, Landwege employees and representatives of the large group of consumer members for example, a major strategy paper could have been developed cooperatively. “This was a very special achievement”, and “We’ve created close ties which were a precondition for a sense of security.” (Landwege 2014, 4)



Figure 5: Bistro area of Landwege outlet in Ziegelstrasse

A number of individual features like the separation of the bistro area from the bakery goods service counter have been arranged and make the place unique. For example, the bistro area has birch tree trunks to sit on (Figure 5). The impression created by the fittings is one of high quality. Big photos of the supplying farmers underline the focal points of EVG Landwege, the close cooperation with regional farmers and awareness toward the protection of the natural environment.

Moreover, special emphasis has been placed on the fresh food departments in all shops with a wide-ranging selection of fruit and fine vegetables, potatoes, field vegetables and eggs. Counters for bak-

ery products, meat and cheeses serve the customer individually. The wine and the natural cosmetics department have also been well designed with plenty of daylight near the checkouts. The selection of magazines is a particular feature within the wide range of non-food products. The magazine area with approximately 6,000 items was introduced a few years ago and was very welcomed by customers.



Figure 6: Landwege outlet information board announcing “Connoisseur Evening!”

Landwege shops have been central in covering the demand of the organic consumers in Lübeck. Competitors such as the nation-wide present organic retail chains like Denn’s or Alnatura have not been opening up a branch in Lübeck. Only in 2013, one outlet of an organic supermarket chain opened up an outlet in town. (Landwege 2014, 4)

EVG Landwege e.G. is closely connected to Landwege e.V. (registered association = e.V.) and ‘Landwege Umweltstiftung’ (environmental foundation). Both are important for the image and the identity of the retail business due to the variety of events (nature conservation courses and projects), and initiatives (kindergarten, kids’ holiday programme etc.) that are driven by these Landwege initiatives. The Landwege partners still represent the honorary character of early Landwege initiative and the community involvement of Landwege. (Landwege 2014, 4) Landwege cooperative also contributes to other initiatives in Lübeck, e.g. the regional fair trade initiative ‘Lübeck-Fairtrade Town’, the ‘GMO-free region’ and the ‘Bio-Brotbox’ (organic lunch box), a fund-raising action aiming to distribute healthy breakfast goods for kids when they come to school (Landwege 2013, 2).

The Landwege retail business is part of the local economy. However, Lübeck is a medium-size city in northern Germany with a strong local economy. The contribution of Landwege e.G. to direct employment and value added to the city’s economic situation is relatively limited. Lübeck is a busy medium-size city in northern Germany with several economic activities. For that reason, Landwege outlets provide a small contribution in terms of value added and employment to the regional economy. Regional economic effects of Landwege retail activities might be even more important for the re-

mote areas further away from the city. “For us, the opportunity to market our products to Landwege all year around was a precondition for the development of our farm association during the last 25 years. During the summer months, we don’t have a problem to sell our farm products to tourists but out of the season, it would be very difficult without Landwege.” (Hof Klostersee 2014, 2)

Landwege’s growth process

The growth process of Landwege cooperative has been based on financial investment (shops and retail goods) and significant organisational changes (management, increasing staff, and internal reorganisation of procurement, storage and marketing). For new investments, Landwege raises funds from the members. Each member acquires shares and receives a dividend. When the new supermarket opened in 2013, Landwege started a new campaign aiming to gain more consumer members and stocking up the shares under the motto ‘*Do you want to invest in the region too?*’ The admission fee for the cooperative is 50 Euro, and each share costs 50 Euro.

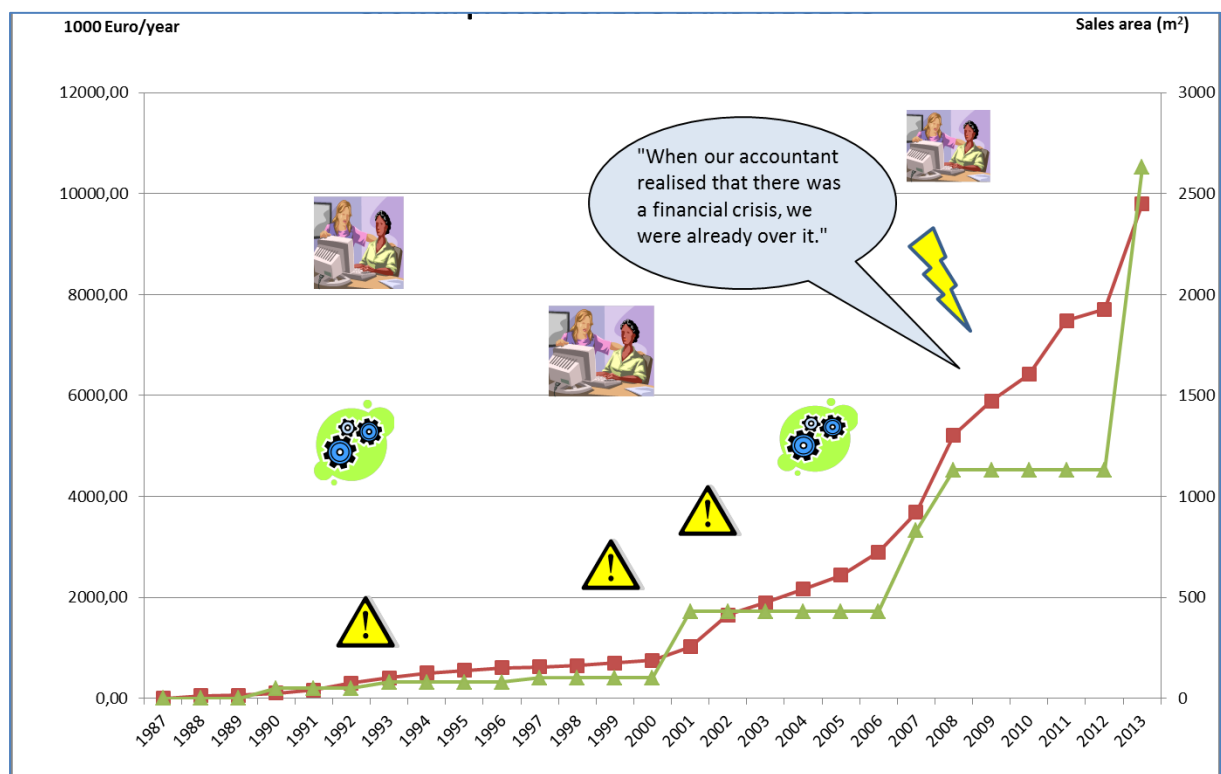


Figure 7: Landwege turnover and sales area (1987 – 2014)

When Landwege decided to expand with the fifth outlet, another attractive building was offered for fully. Finally, Landwege got the contract for the favoured location in Ziegelstrasse in preference to their competitor that was aiming to rent the location as well. Due to this incident, Landwege was facing the challenge to open up one new outlet which was planned in the long-term and inexpertly, move with the existing shop in the new location. In organisational and financial terms, this was a challenge for Landwege in 2013. (Landwege 2014, 4)

The number of employees tripled from only 12 in 2003 to 105 (2013). Furthermore, there are a significant number of persons who profit indirectly from the Landwege cooperative by being employed and obtaining an income within the Landwege supply chain (contract partner such as bakeries and

butchers). (Landwege 2014, 1) Sections 4.1., 5.2 and 5.6 provide more information on the details behind the changes and adjustment during the development process of Landwege cooperative.

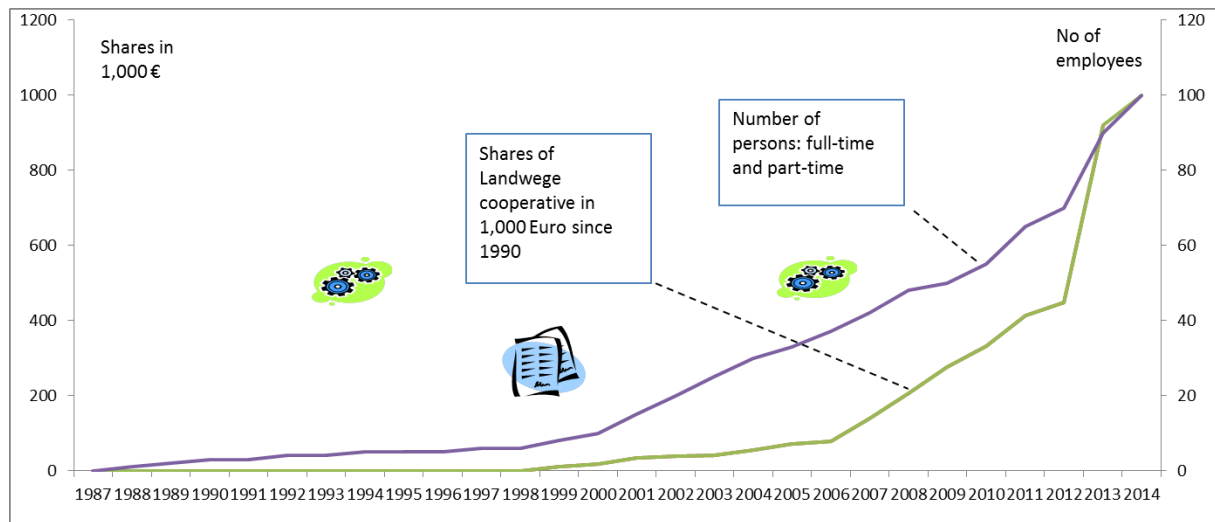


Figure 8: Landwege shares of the cooperative in 1,000 € and Number of employees (1987 – 2014)

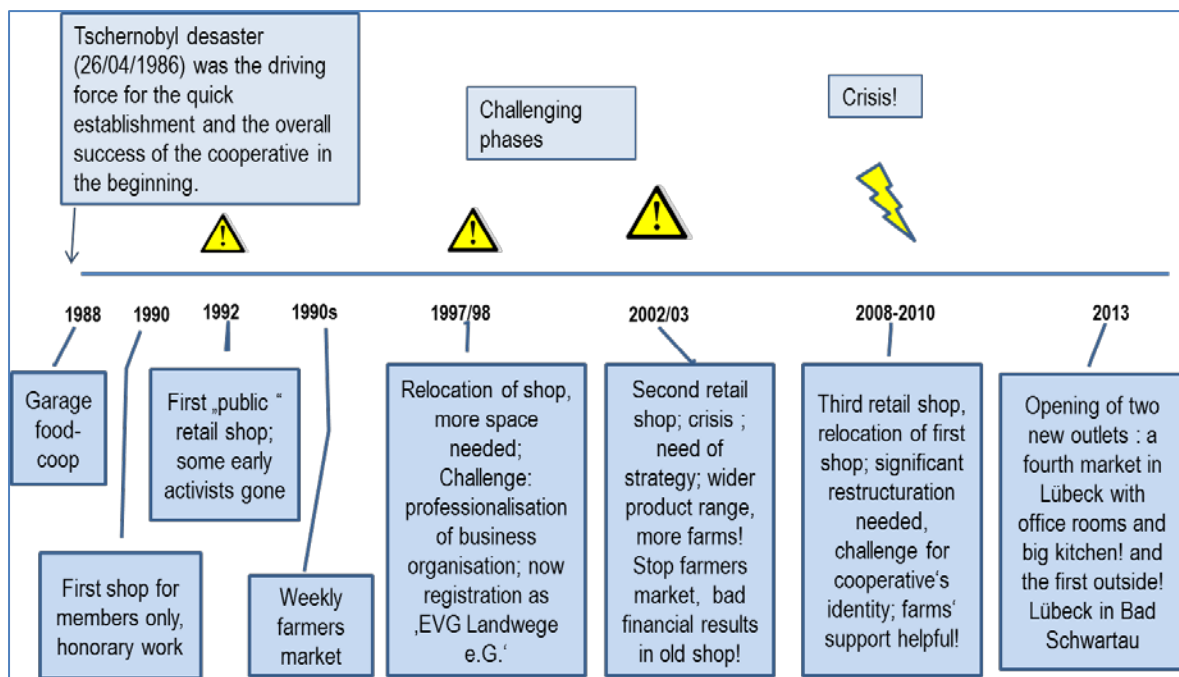


Figure 9: Development steps of Landwege (1988 – 2013)

4.3 Stakeholder network

The following paragraphs present briefly the partner farms, enterprises and initiatives of the Landwege food chain, all located in the closer and wider area of Lübeck. The focus is on the relationship between the chain partners and the evolution of relationships over time. The supplying and processing sector is presented with the particular role of member farms and processors such as mills, bakeries, slaughter houses, dairy etc. Moreover, the presentation focuses on the marketing in Landwege organic supermarkets. Furthermore, this section highlights the role of other stakeholders.

All Landwege members and Landwege chain partners have been locals of the city of Lübeck and its surroundings. Even partners businesses like accountancy and communication service agencies were found in the area. From the beginning, these as well as other network partners became strategic partners which have been very important for the development of Landwege. (Landwege 2014, 4)

Landwege supply – farmers, local processors, wholesale businesses

The cooperative has 30 member farms which are located in a radius of around 60-80 kilometres around the city of Lübeck. Most of the Landwege farms are member of one of the most important organic farming associations in Germany: Naturland, Demeter or Bioland.

Established Bioland and Demeter member farms were located in the area. They were core partners from the beginning supporting the development of the initiative significantly. Due to concerns of large groups of the population for the provision of healthy food in the wake of the Chernobyl disaster, the food initiative boosted in the beginning. The initial expansion calmed down so that the initiative was able to establish stable procurement and marketing structures (first member shop in 1990, first “public” retail shop in 1992)

For the products from their member farms, Landwege developed a particular logo aiming to highlight that the products come from the region (see the yellow Regional! Figure 2). The partner farms produce vegetables, fruits, cereals, dairy products, meat and meat products, and eggs. Only some farms sell their products only to the cooperative while most member farms use as well other marketing channels such as their own farm shops or organic wholesalers.

This diversity of procurement and marketing channels has grown over time and seems to be one success factor of the Landwege values-based chain (see tasks’ description for more details.) Today, Landwege sells the full range of supermarket products including fresh food, long-life food products and non-food product such as cosmetics. Two wholesale businesses are Landwege’s business partner for the procurement of the range of products which cannot be produced in the area (or only in a particular season) or are not farm products. The organic wholesalers deliver fresh food, convenience and non-food products. For example, the Bohlsener Mühle product line is one of the brands that Landwege purchases through the organic wholesalers. Although Bohlsen is not far away from Lübeck (less than 150 km), Landwege would not claim the marketing of Bohlsener Mühle cookies or cous-cous as a Regional! product (see 5.3 for Landwege values). (Landwege 2014, 4)

The case study analysis focuses on the range of fresh products of regional provenience that member farms sell to the cooperative retailer. These products are:

- fruit, vegetables from member farms - seasonal products! (out of season, fruit and vegetable is replaced by imported produce from the wholesaler); different varieties of potatoes;
- processed fruit and vegetable (juice, jam, chutney etc.);
- fresh bread and other bakery products;

- eggs (loose)
- dairy products such as milk and cheese (including sheep and goat cheese)
- meat and meat products (pork, beef, lamb and poultry)

Table 1: Landwege member farms, their products and marketing channels

Name of the farm	Product or product group	Main marketing channel
Vegetable, fruit, grain		
Biolandhof Kruse	Grain	Freibackhaus = bakery, Landwege supplier
Der Lämmerhof	Grain	Die Mühlenbäckerei bakery = Landwege supplier
Gärtnerei Funke	Vegetable	Landwege
Gärtnerei Krumbecker Hof	Vegetable	Landwege
Gärtnerhof Kargoll	Vegetable	Landwege
Gut Bliestorf	Vegetable	Landwege
Gut Rothenhausen	Grain, bakery products	Farm bakery, box scheme
Hof Ziegelhorst	Vegetables	Landwege
Mosterei Schalsee	Juice	Landwege and other
Obsthof Scharmer	Apple, apple juice	Landwege
Ringstedtenhof	Bakery products (and youth farm with Landwege e.V.)	Bakery shop and Landwege
Sampohof	Vegetable, fruit	Landwege
Vogelfangkaten	Apple, plums, juice	Landwege
Dairy products, eggs		
Backenholz	Cheese	Landwege
Hof Gletzow	Geflügel	Landwege
Hof Wiese	Eggs	Landwege
Milchschäferei	Sheep cheese	Landwege
Meat, meat products		
Achterdiek	Meat	Landwege
Biopark Schäferei	Lamb and sheep meat	Landwege
Erdmannshof	Beef and pork	Landwege
Domäne Fredeburg	Beef and pork	Landwege
Hof Birkeneck	Lamb and sheep meat	Landwege
Hof Eichwerder	Beef	Landwege
Hof Gletzow	Poultry	Landwege
Hof Hohlegruft	Meat	Landwege

ers are important partners in the local value chain. The slaughtering of the poultry is done on the farm(s).

- The packing of eggs and vegetable is organized on farm(s). In the new outlet, there is a packages station for the customer (with pencil to mark the date on the box).
- Some of the fruit growers have a juicer so that they are able to produce and bottle the apple juice themselves.
- The grain is processed within a local value chain as well. Around 90% of the bakery products sold in Landwege outlets is produced in the five bakeries which are members of Landwege. Three of them are farm bakeries that use their own grain and two bakeries are supplied by cereal farms from the cooperative.

Member farms are selected depending on the product or product range they offer. Due to the long term establishment of the cooperative, this marketing channel is well-known by the organic farming community in the wider area around Lübeck. Farmers get in contact with the cooperative or the cooperative approaches farmers. Joining farms have to be Bioland, Naturland or Demeter member. So the cooperative relies on external controls of high-level organic production standards. Many member farms produce more than Landwege is able to sell, in particular if it is a seasonal product. For that reason, many Landwege farmers have additional distribution channels. (Quality standards are often set these other marketing partners – see below for “quality”).

Before the decision was made to expand in 2013, the member farms and businesses were fully involved in the planning of the future sales volumes and the potential production on the local farms. According to Landwege’s CEO, they were clearly in favour of growth: “The message from our suppliers was that they wanted to grow with us and not with other companies.” Some of the 30 member farms usually generate around 50 % of their turnover with Landwege.

All produce that Landwege is not ordering from member producers or processors is delivered by mainly two organic wholesale businesses and a few smaller partners for particular branches (e.g. magazines and cosmetics).

Consumer members and non-member stakeholders

Members of the cooperative are firstly consumers and secondly farmers. Currently, Landwege has around 600 consumer members. Every consumer is invited to become a member. There is a registration form available which can to be filled in and signed. Members receive information on products and production and are invited to tasting or cooking events (Figure 6).

Apart from consumer and farm members, Landwege’s partner organisations are very important. They offer the opportunity for honorary engagement of Landwege members. For more details about ‘Landwege-Fellows’ (‘Landwege-Gefährten’) see section 5.1.

Landwege has non-agricultural business partners who have been significantly supportive. One partner business is providing accounting, auditing, bookkeeping and tax consultancy services. This office has been highly important for the cooperative’s success. This office produces financial overviews on a monthly basis and writes the end of the year tax report. The annual accountancy and taxation requires professional knowledge regarding a registered cooperative. The payroll accounting is not in the responsibility of the Landwege office either. Landwege is happy to have this kind of professional support of external service partners. “It would not make sense to do it ourselves. This way, I am not

responsible for this kind of things. And there are more persons that keep an eye on it.” (Landwege 2014, 4)

Another long-term business partner in town is the team Neuwerter. The company is the professional partner for communication and marketing of Landwege (homepage, flyer, brochures, etc. by <http://www.neuwerter.de/>). The team cooperates closely with Landwege since the 1990s. “They gave us a lot of support and professional advice. We have very good and personal relationship with them. They know who we are and what we want to tell our members and customers.” (Landwege 2014, 4). Since many years, Landwege cooperates closely with a professional coach and personal trainer. She is an expert in staff coaching and team mediation and working for Landwege regularly training staff and coaching managers. She helped the initiative to overcome the internal crisis of the years 2002/2003. For more details, see 5.1.

The initiative ‘StattAuto e.G.’ is a car-sharing cooperative that has a fleet of different types of cars in the cities of Lübeck and Kiel. Landwege is a business partner of StattAuto. In front of the office rooms in Ziegelstrasse, StattAuto has opened up a parking for two cars. If registered in time, Landwege members can book one of the cars. This is very comfortable for the Landwege office because they have easy access to a non-owned car, for ‘StattAuto’ because they have a save and easy access parking in front of the Landwege offices and the Landwege customers who need a car to transport their home their grocery shopping. (StattAuto 2014)

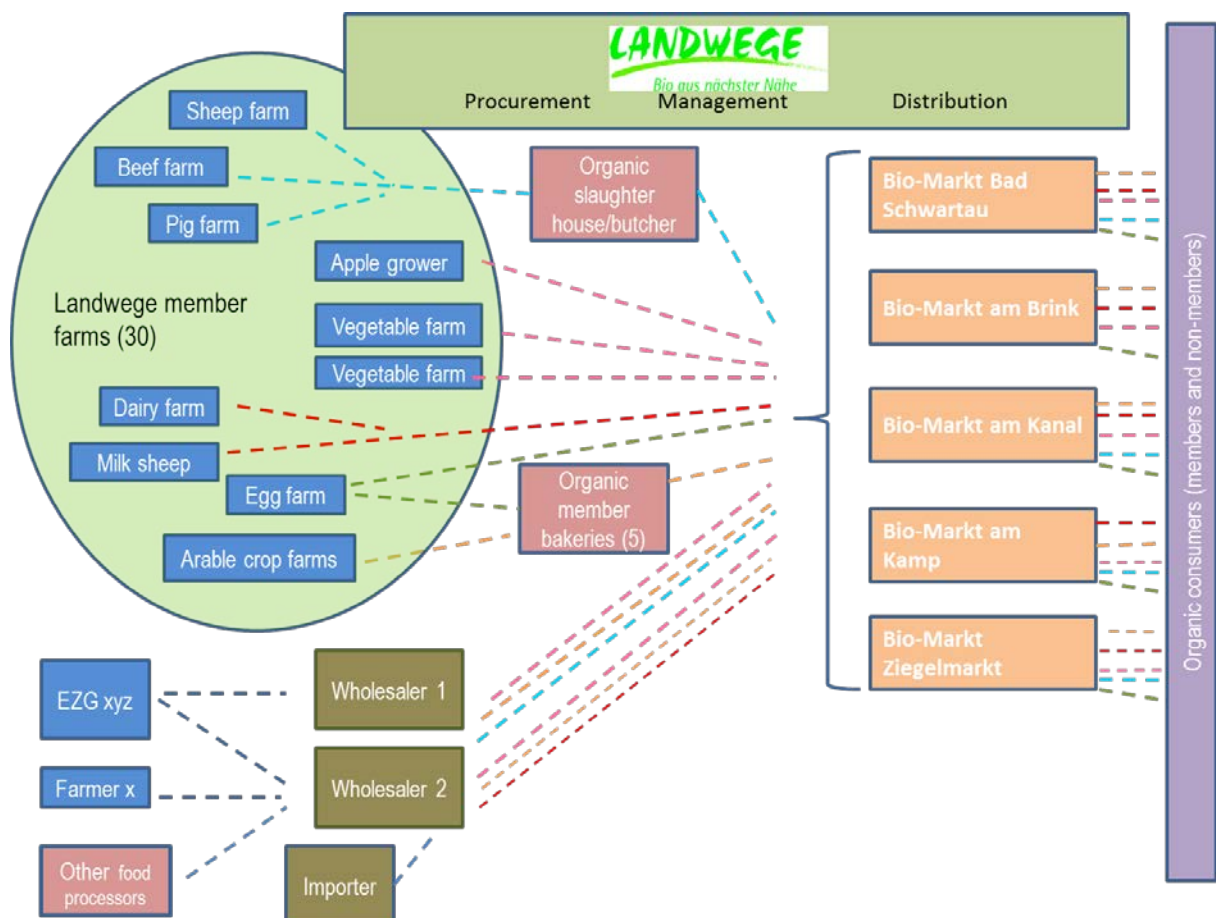


Figure 11: Constellation analysis of the values-based organic food chains of Landwege e.G.

Even with other business partners, Landwege is closely connected because the team has long-term business relationships: contact persons of the wholesale businesses, non-member food businesses and initiatives such as slaughter houses, butchers, herbal tea producers, chocolate makers and many more. Landwege is part (and maybe has become a local hub) of the organic stakeholder network in the region of Holstein (Figure 10).

On the over-regional level, the CEO of Landwege is involved in a variety of organisations and initiatives such as BNN (Bundesverband Naturkostwaren) or BioNord fair (organic fair in Hannover) and the Bio-Brotbox event ('back to school event') - see Bohlsener Mühle report for more details on the organic food networks in northern Germany). Moreover, Landwege is member of 'Demeter-Aktiv-Partner' organisations, an association for sales businesses which are marketing Demeter products. Demeter organic body is requiring and ensuring high standards for organic farming. The marketing of Demeter products is based on the association's requirements.

5 Analytical perspectives

5.1 Organisation and governance

Modes of management and governance

The managers of EVG Landwege e.G., both CEOs share the decision making power. "Usually, strategies are developed by us, the managers", Landwege 2014, 3. "Then, we discuss our plans with the Executive Board". The close cooperation between both CEOs and the Executive Board representing the members is highlighted as crucial for the well-working management of the cooperative. The Executive Board consists of seven members: 3 farm members, 3 consumer members, 1 staff member. This governance structure is (at least partly) predefined by the legal framework for registered cooperatives in Germany.

The group of representatives is meeting eight times per year with the dual leadership Landwege CEOs. If particular decisions are to be taken and more information is needed, the Landwege management is free to organize working groups or commissions that focus on particular issues. This is organized informally and depends on specific needs or topics e.g. the introduction of new standards for the meat chain (see 5.4). That way, decisions are usually well prepared by a variety of talks with members and/or business partners. Landwege cooperative covers the whole value chain due to the direct involvement of all members of the different food chains from primary production and processing up to marketing and end-consumption. Regular meetings with the representatives and different group of member farms (meat, vegetable, dairy etc.) are often held on one of the member farms. That helps to connect planning or information issues with on-farm realities. Moreover, farm visits foster the knowledge exchange between member farmers. (For more details on internal communication, see 5.4).

Agreements and modes of arrangements to secure long term strategic cooperation

The main competing arguments were focussing on the following issues:

- Non-profit orientation – remaining an honorary-work based initiative (4.3)
- The steps of professionalization of the business, e.g. becoming a registered cooperative (4.3)
- The professional organisation of Landwege management team

Back in the early 1990s, only a few consumer members left the initiative, others changed their role becoming “normal” customers without personal engage for the food initiative. When new members join the cooperative, they sign the membership agreement which is based on the rights and duties documented in the Articles of Cooperative (Satzung der Genossenschaft, Landwege 2011). It is a thirteen page document covering farm member as well as consumer member issues.

The cooperative follows the general principle to have members and staff representatives in the Executive Board. In case of controversies, the management teams aims to find agreements before final decision will be taken. They realise to agree on a solution e.g. for the strategic development of the initiative. The objective of cooperative decision making between the Landwege management team and the Executive Board is seen as an important instrument helping to avoid controversies from the beginning of new development steps.

Some changes or new standards e.g. related to hygiene or retail standards have been difficult for farmers but Landwege always aimed to communicate such changes in an early stage trying to find step-by-step solutions in close cooperation with the member farmers (5.5).

Modes of coordination are set by the framework of the cooperative. Producer and consumer members who sign the membership agree with the formal and informal arrangements of the registered cooperative. With non-member processors or business partners such as butchers or wholesalers, Landwege holds contracts or works on a non-contract based relationship.

The coordination of the business relationship is the result of common “rules” of retail businesses ordering from up-stream chain partners. These rules will not be set by the cooperative who is a rather small player in the organic market of northern German e.g. when ordering from wholesaler Grell who is member of “Die Regionalen”, a nation-wide organic wholesaler network (www.die-regionalen.de).

Core characteristic of Landwege food chains is the integration of all steps between farm production, processing and marketing under the umbrella of the producer-consumer-cooperative. For that reason, the modes of coordination are based on the cooperation’s Constitution, the so-called ‘Satzung’.

The Constitution states in the Preamble:

“The cooperation of organic food producers in the region and of consumers in the Producer-Consumer-Cooperative Landwege e. G. aims to enhance the organic agriculture and a healthy nutrition of its members.

The maintenance and development of organic farms in Lübeck and surroundings ensures the environmentally friendly food production in small and medium-size farms. This creates jobs in the organic farming sector.

The marketing of organic food contributes to a healthy nutrition of members.



Figure 12: First page of the Landwege Constitution with Preamble

Producer and consumer take responsibility for EVG Landwege based on the cooperative organisation. The democratic and self-governed organizational form of a cooperative suits particularly well the principles of the organic agriculture and it ensures self-defined work environment.” (Figure 12)

The management team of Landwege represents the most important modes of coordination during the daily business of the retail cooperative. The steering committee that takes responsibility of strategic decisions is the Board (see above).

The most important formal agreement is Landwege membership. The constitution contains the following sections: General introduction with membership, objectives, beginning and end of membership, rights and duties of the members, bodies of the cooperative 1) The General Assembly (Die Generalversammlung) 2) The Supervisory Board (Der Aufsichtsrat) 3) The Executive Board (Der Vorstand) 4) The Farmers Assembly (Die Bauernversammlung) and rules and regulations, accountancy and annual reporting. The constitution defining the existence and roles of the different cooperative bodies is based on the German Cooperative Legislation.

The organisation of fresh food supply from member farms is an important field of coordination for Landwege. These processes of ordering differ from conventional retail businesses and therefore, new employees have often difficulties to understand what they have to keep in mind while ordering. They are not familiar with farm production processes in general and organic systems in particular. “One of our training components is the farm stay. Landwege staff members spend several days working on a partner farm. This connects shops and primary production. Both sides profit from these days and ensure a better understanding.” (Hof Klostersee 2014, 3)

In the beginning of the planting season, farmers’ meetings are held and the projection of volumes is discussed between Landwege office and the member farms. Normally, Landwege member farms are not competing with each other because the volumes provided by the partner farms each season have been forecasted when new outlets were in development. During the growing season, several partner farms will send fresh fruit and vegetable to the Landwege outlets in Lübeck and Bad Schwartau. The ordering and supply takes place on a daily or weekly basis. Vegetable and fruit farmers have other marketing channels than Landwege as well in case, Landwege is ordering less than expected during the week. When the vegetable season comes to an end in northern Germany and regional production of vegetable shrinks, Landwege orders more fresh vegetable from the wholesale businesses. Wholesaler’s delivery is not of regional origin. The consumer is very clear about the delivery of the fresh products because each box or tray has a sign declaring the origin of the content.

Apart from the mentioned above membership agreement referring to the Constitution, there are no formal contracts. The annual supply is roughly forecasted on an annual basis but the delivery is not fixed like with any of forward contracting. When the supply of member farms is insufficient, the Landwege office orders additional products such as fresh vegetables from the wholesaler. In contrast, if Landwege is unable to take all seasonal products, the farmer sells the volume somewhere else e.g. to the regional organic wholesaler. The wholesale businesses are trading on the national and even international level. They buffer offer and demand between Landwege producers and Landwege shops. Experience helps to estimate volumes that will be marketed by the Landwege outlets. “It takes about three years until we know if the particular outlet will be successful.” (Landwege 2014, 4)

Landwege as a grown-up local retail business coordinates a variety of transactions and service. The cooperation with business partners as mentioned in section 3.3 is based on service orders, trust, service provision, invoices and payments. “We have very strong partnership between our members and with other civil society movements in town. Our business relationships are long-term partnerships. We know each other very well. Lübeck is a small town and people know each other.” (Landwege 2014, 4)

Overall, informal forms of cooperation are important as well such as the coordination of environmental and educative events with the Landwege-Fellows. Landwege is involved in a variety of non-business activities e.g. FairTrade Town Lübeck (see below). Both CEOs are informally engaged in several activities in town (non-paid work) which are relevant for Landwege’s long-term interconnection in general but there is not a particular interpersonal interaction which was highlighted. (Landwege 2014, 2; 2014, 3 and 2014, 4) During the development of Landwege, the shared values related to organic food production and consumption remained stable. Even during challenging periods, the values “organic” and “from the neighbourhood” were maintained due to the general construction of Landwege connecting consumers with farmers in the home town and regional hub.

The relationship between Landwege and non-member stakeholders depends on the particular role in the chain or in town. For example, the relationship with butchers as external chain partners/processors is very important due to their impact on meat quality and continuous meat supply. Other stakeholders might be of reduced importance.

Public policies

Public policies have not been influencing the Landwege development directly. There were no public subsidies at any time in the past (Landwege 2014, 4). Politics in the Federal State of Schleswig-Holstein have not been in particular favour for the organic food and farming sector. In the past, the political orientation in the Federal State of Schleswig-Holstein was conservative or social-democratic, both without any particular interest in the enhancement of organic food production and marketing. Consequently, only indirect societal effects have been driving the initiative e.g. the increasing awareness of sustainability and the wish for more regional embeddedness of food provision.

Agricultural and rural development policy had an impact on organic farming in the region and on the member farms that contributed significantly to Landwege’s establishment. However, the impact of rural policies on Landwege cooperative was limited. The current government was selected in May 2012 and has appointed a green Minister of Agriculture in the Federal State of Schleswig-Holstein for the first time. “Now, the policy engagement in the organic sector might rise.”

(Hof Klostersee 2014, 3; for strategic planning, see section 6).

Relationships with civil society groups

Landwege and its related initiatives have a clear focus on the south eastern area of the Federal State of Schleswig-Holstein and the city of Lübeck. Nowadays, Landwege supports a variety of initiatives in town such as a town-specific fair trade initiative (‘Fairtrade Stadt Lübeck’) or the car-sharing organisation ‘Stattauto’ (see as well 4.3).

The “grown-up” Landwege retailer is more than an organic supermarket chain due to its roots dating back in the period of anti-nuclear and early Green movement. Even today, the initiative is still perceived as a civil society movement which is particularly important to the Landwege food values-based food chain (Landwege 2014, 3). This image of Landwege cooperative is mainly based on the

activities of Landwege's partner initiatives which grew along with the producer-consumer-cooperative. They are called the 'Landwege-Fellows' ('Landwege-Gefährten'):

- Landwege e.V. (Landwege registered association) is engaged in educational work running a non-profit initiative at the "Youth-Nature-Farm" of Ringstedtenhof near Lübeck. Ringstedtenhof has two "Nature Kindergartens" and organises kids' holiday programmes: <http://www.landwege.de/landwegeev/jugend-naturschutzhof-ringstedtenhof.html>.
- Landwege Umweltstiftung (Landwege Environmental Foundation) has been organising environmental activities based on honorary engagement since 2008. Landwege Foundation focuses on environmental projects and programmes in the area: <http://www.landwege-umweltstiftung.de/>.

Landwege Association and Landwege Environmental Foundation are independent from EVG Landwege e. G. but they ensure the social and civil society engagement of the retail business and its perception in town. Since Landwege was always more than an organic food supplier in town, other events and activities have been run by the initial activists and their networks. The relationships with and connections to the other organisations and initiative are still very close. Due to the process of professionalization of the management and the organisation as a whole, the relationships which were mainly based on honorary activities shrank or were shifted to Landwege Association or Landwege Environmental Foundation. Landwege is still an official supporter of the following local social initiatives: 'Pirates of Books' (Bücherpiraten) and 'Bio Lunchbox' (Biobrotbox), Lübeck 'Tafel' (German food donation movement), and 'Lübeck free of GMO' (Lübeck Gentechnikfrei!) (see section 5.4).

On the national level, Landwege is a member of the 'Demeter-Aktiv-Partner' organisations, an association for sales businesses which are marketing Demeter products. The participation in the marketing concept helps Demeter to ensure a corporate marketing along the chain. The concept addresses sales partner in Germany, Austria and German-speaking Swiss regions.



Figure 13: Homepage of Demeter-Aktiv-Partner for the certification of Demeter point-of-sales

‘Demeter-Aktiv-Partner’ is the marketing concept for the quality-oriented specialist dealer. Since 2004, more than 500 Naturkost and specialty shops are connected under the Demeter association’s umbrella. The marketing concept aims to link all members of the value chain of Demeter products. The association offers a variety of support measures for communication and presentation of Demeter products such as end-consumer magazines or material for information/marketing events, training of staff or networking with producers, processors and Demeter contract partners. (Demeter-Aktiv-Partner 2014)

In 2011, Lübeck became the first ‘Fairtrade City’ in Schleswig-Holstein (Fairtrade Lübeck 2014). The fair trade initiative fosters the engagement of consumers, cafés, restaurant, shops and other businesses to contribute to the fair trade concept. Landwege supports the initiative. Current analyses show that the proportion of fair trade-food with organic certification rose from 52 % in 2012 to 65% of the total fair trade volume in Germany. Some food products have particularly high shares of organic with fair trade certification (bananas 90%, tea 82% and coffee 75%). (Fairtrade Deutschland 2014)



Figure 14: Fair trade logo of the city of Lübeck

Initially, civil society initiatives were involved or even driving Landwege such as the anti-nuclear movement or the ‘Landwege-Fellows’. Nowadays, these initiatives are run separately which is seen as a positive development step (Landwege 2014, 2). It was part of the Landwege’s internal process of restructuration (and professionalization) to undo the ties of private and professional objectives, of voluntary and paid work, of business and private assets.

5.2 Business and management logics: the process behind ensuring economic performance and efficiency in mid-scale food value chains

The philosophy of the cooperative is based on an integration of consumer and producer objectives by linking farming directly to food consumption under the cooperative umbrella. Landwege aims at realising a win-win strategy. This did not change since the beginning of the initiative. Consumers are motivated to engage and participate due to the product properties: “healthy”, “organic” and “regional”.

Monetary costs of Landwege retail business have been covered by sales revenues and membership fees because there has been no additional income based on e.g. public funding or donations. The member fees are of reduced relevance for the overall business but help with the organisation of memberships, mailing etc. The investment activities of Landwege are based on bank loans and alternative finance such as an increase in financial shares for members and other private investors. In 2013, Landwege increased significantly the number of shares (and assets) of the cooperative which was needed for the opening of the outlets.

Landwege is competing with conventional supermarkets and discount outlets that offer a wide range of organic products. In the neighbouring cities, Landwege competes with organic supermarkets and other organic shops. Recently, an organic supermarket chain opened up in the area. So Landwege has its competitiveness in the medium- and long-term. If Landwege was not competitive, branches of

large-scale Naturkost chains such as Alnatura or Denn's would have opened-up a shop in the city. Landwege will experience the situation with a near-by competitor in the future.

The development of Landwege and its challenging phases in the past have been closely related to management changes (see 4.1). In the beginning, Landwege was managed by a core group of garage activists in town and some organic farms in the area. All volunteers could participate and contribute to the development of the initiative. Basically, it was a core group of farm and consumer members who organised the initiative but the management was not yet professionally organised - all members contributed as volunteers. When the initiative was legally registered as cooperative (e. G.), the management structures were clearly defined. Section 4.1 highlights the challenging phases: all difficult periods – except the time of exploding prices for primary products in 2007/08 – resulted in organisational changes. That way, the management team became - step-by-step - more professional in terms of staff management, ordering goods, logistics, storage, accountancy processes and marketing. However, there were limited strategic decisions related to these management areas (see long period of minor increase in turnover, Figure 7).

Over time, the common wish to connect local food production and consumption was the main driver. The first strategic decision of core importance was taken in 1996/97 when the available sales area in the shop became a major problem for the initiative. Landwege needed more space. This decision linked with a significant investment required structure changes of the initiative. One of the members encouraged the group to register as cooperative. His arguments were convincing. With the legal foundation of the cooperative, the group had to nominate a decision making board and a responsible management for legal affairs like tax payment and shop renting. For that reason, the establishment of the first supermarket were closely linked to structural changed. The new structure was a solid foundation for a much better decision making process than before.

In 2002/2003, the next management development step took place with the opening of the second outlet in town. It became obvious that the process of management restructuring, started in 1997, was not finished yet. Landwege have been busy with its internal organisation for quite a long time. "We have been mainly preoccupied with ourselves." However, strategic decisions had to be made again due to the need of organising both shops: "The old shop run very badly while the new shop was a success. We needed a completely new 'two-shop-concept'". Landwege hired a professional helping with coaching and meditation. "It was a long process until everybody realised the reasons for the difficulties and finally, one member of the management team left the cooperative. It was not easy because she contributed to Landwege from the beginning. Many members liked her very much. The problem was just the organisation of the daily business." (Landwege 2014, 4)

Landwege objectives and business strategy

Landwege's most important business objectives are profitability, ensuring (family/peasant/small) farmers' existence, and the realisation of the 'organic idea'.

Landwege has a written strategy of the retail business (Landwege 2013, 1). This strategy serves for internal and external communication of the values and the development strategy of the retail business. The strategy highlights the core idea 'organic of nearby' based on a narrow interpretation of regionality and the relevance of partnership in terms of participation, communication, fairness etc.

Landwege uses further slogans pointing out core values and qualities of Landwege

- 'Best labels – ensuring high production standards' and
- 'Pure organic quality – pure pleasure'
- 'Partnership on equal terms' and the 'Landwege-Fellows' ('Landwege-Gefährten') – social and environmental engagement in the Lübeck area

The strategy focuses on the supply of a particularly high product and service quality, the maintenance of an excellent trust-based long-term business relationship. Networking and close cooperation with a variety of business partners is part of the strategic orientation. Transparency, communication and fairness drive the strategic orientation supporting the overall motto of the cooperative.

Strategic partnerships are embedded in the cooperation due to the membership relationship. With other chain partners such as the butchers, the graphic and design office etc. strategic partnerships are very important. These partner businesses as well as non-business partners drive Landwege substantially. The acceptance and the sympathy for the cooperative are highly relevant for the success.

Management instruments

A very important instrument that developed slowly over time: clear management structure with core responsibilities of the CEOs, of the business team and shop managers. The Landwege management is able to drive decision making processes and implement strategic plans. The CEOs are supported by the Executive Board.

Sound work in the branches is of the utmost importance. Thorough training of staff helps to ensure excellent communication with customers and a very good cooperation of staff members. Landwege's CEO is commenting the expansion pathway in 2013: "In six months we've gone from 60 to over 100 employees. To ensure that things run smoothly and to maintain our high standard of advice and customer service, we support our staff with training, team meetings and close liaison between producers, the management of our cooperative and the members." (Landwege 2014, 2)

Most management instruments were put in place as a result of the steady development process. For example, quality of fruit and vegetable was of reduced importance in the very beginning. When Landwege grew out of the garage where everybody had known each other and the farmer had explained the quality himself, 'objective' quality standards were introduced. Based on these, even non-member customers were happy with the products.

The instrument 'preference given to local chain partners' was crucial in the beginning and still remains significant because it defines the key characteristic of the cooperative.

Pricing systems

Initially, only members could shop at the producer-consumer-initiative Landwege. In 1990, a first shop was rented and opened for members only. However, many passing customers were coming into the shop and did not understand why they were not allowed to purchase food. It was not possible to stick to the members-only concept. Consequently, a two-price-system has been introduced: The price tags showed the members' price. At the cash-out a 20% surplus was added ("That was not very attractive for our non-member customers", Landwege 2014, 4). This two-price-system caused a lot of work. With the new Euro currency, this pricing system stopped in 1999. It was a good opportunity to quit the old system because tags, accountancy etc. had to be changed anyway. "This was one of several experimental phases which were quite annoying – maybe already impertinence – for our customers." Landwege's CEO confessed (Landwege 2014, 4).

Today, the prices for member farm products are closely linked to the current market prices of the wholesaler. Most of the farms not only sell their products to Landwege but as well to other purchasing enterprises or through their own direct marketing (see chapter 3) and Landwege orders, in addition to member farm products, fruit, vegetable and other fresh products from the two wholesalers. For that reason, current prices for organic fresh produce are “relatively well known” by farmers and organic trading businesses. Due to this transparency, price negotiations are not mentioned as particularly difficult or time consuming. Farm gate prices paid by Landwege are slightly higher than the prices of the wholesaler (Landwege 2014, 2).

a) Organic vegetable and fruit/fruit juices

- Since most vegetable and fruit farmers sell products not only to Landwege but as well to organic wholesalers, the farmers continuously adjusted their production and processing to “externally” given quality standards and other requirements e.g. classification, cleaning, packing, storage etc.
- Landwege producer prices are closely linked to an open market for organic fruit and vegetables undertaken by several wholesale businesses in Germany.

b) Organic meat products

- Meat production and processing on Landwege member farms is the product group that is more closely linked to Landwege marketing because several farmers only market fresh meat through Landwege. (Landwege 2014, 3)
- Landwege cooperative has been more involved in the introduction of quality standards of fresh meat products than in any other product group (see task 4 for more details)
- Prices for meat and meat products in Landwege values-based chain need to be checked in detail if relevant.

c) Organic milk production

- Prices for organic milk increased significantly in the past. The development of organic producer prices is closely linked to the development of conventional prices.
- The milk prices at Landwege retail outlets are closely linked to the general market of organic dairy production and processing. Milk prices are easy to compare between supermarkets so that the market price transparency is high for the consumer.
- Prices for cheese differ depending on the manufacturing process, duration of storage etc. Cheese is more a single speciality product which is difficult to compare because there is no factory cheese in the organic dairy chain of Landwege.
- Average organic milk prices tend to be closely link to the conventional milk market. In the recent past, the differences of both prices tend to shrink.

The member farms have the right and the obligation to deliver the agreed volume and quality to Landwege. Landwege prices are closely connected to common market prices. The development of consumer prices too is closely linked to the common development of organic retail prices. Landwege outlets are modern supermarkets with advertisements and all common marketing instruments in place. Consumer prices are similar to the prices of other organic retail markets in northern Germany.

There is a premium price paid for primary production when the products can be sold at a higher price in the shop. Payments are based on the common organic prices with a small surplus for member

farms. The producer prices are slightly elevated due to the omission of further intermediate businesses like wholesalers. The margins are split-up equally among members. However, there is little detailed information available on specific prices of the Landwege value chain.

The dependency risk of business partners in the Landwege chain is reduced significantly due to the cooperative structure integrating producers and consumers. Suppliers, processors and points of sale as well as end-consumers are partners at eyes level aiming to realise the win-win-situation under constantly changing framework conditions.

Overarching business logic

Landwege value chain has an overarching business logic combining strategies and management instruments including the organisation of chain partnerships. The Landwege value chain for products of member farmers and manufactural processors is short and interconnected by the Landwege cooperative itself. The Regional! label is the instrument that makes this connection visible with a clear transparency through the handling of the chain. The overarching business logic under the umbrella of Landwege is consistent and the main strength of the local food chain for potatoes, onions, eggs, fresh milk and dairy products such as yoghurt and cow and sheep cheese, fresh meat and bakery products, apple juice and jam as well as seasonal products like fruit and vegetables which are grown in northern Germany. The fresh meals prepared in the own kitchen and offered in the bistros of Landwege outlets (Figure 5) are mainly made out of seasonal products from the region. These are part of the overarching logic too because the cooking in Landwege facilities provides an excellent opportunity to use fruit and vegetables that are not matching the quality expectations for sold fresh produce anymore avoiding food waste.

The Landwege value chain for products coming from the wholesalers is similar to the value chain of individual Naturkost shops or organic supermarket chains such as Alnatura, Basic or Denn's. All aim to transmit the organic values and qualities based on organic certification. A similar and professional marketing of organic produce is provided by all organic retailers (they have all signed the 'BNN-Codex', the general membership agreement, of the federal association for the handling and marketing of 'Naturkost' goods (BNN, see 4.3).

5.3 Quality differentiation, volume growth and economic performance

Main values put forehead

The main values of the cooperative are highlighted in the cooperative's communication under the following mottos (Landwege 2013, 1; 2013, 2; 2013, 3; 2014, 1):

- "Organic from the region" (see sign, Figure 1)
- "Best labels – ensuring high production standards" and "Pure organic quality – pure pleasure"
- "Partnership on equal terms" and the 'Landwege-Fellows' – social and environmental engagement in the Lübeck area

Thereof, the value "regional" is of particular importance. For that reason, its interpretation is very narrow focussing only on the neighbouring rural areas around the city of Lübeck (Figure 10). Landwege's identity and one important quality property of its fresh products is based on the origin of local partner farms.

There were challenging periods in the past when the cooperative grew out from a small local organic food initiative with one small shop for Landwege members and some market stalls (4.1 and 5.2). In the beginning of the 1990s, some of the initial activists left the initiative because they realized that the development of Landwege cooperative did not stick to the original values-based on honouree activities driven by the involvement of members.

This personal engagement included for example the participation at political manifestations, in nature conservation projects etc.. However, the majority of members supported the development towards a more commercially oriented food marketing cooperative “because they realized that will offer the chance to survive and to grow; it was a tricky time but we had to follow this route.” (Landwege 2014, 4) The nature conservation activities as well as the educational work of the farm Ringstedtenhof became legally independent from the emerging business of EVG Landwege e.G. (see 5.1 for more information about ‘Landwege-Fellows’).

Apart from the mentioned above discussions, core values of ‘regionality’ and ‘fair cooperation’ between producer and consumer remained the same. Organic values have been shared continuously (based on the organic standards of the organic bodies Bioland and Demeter). In terms of values, “Demeter has been much stronger in the communication of values than Bioland because of the encompassing philosophy – Demeter is not only about organic food production – Demeter customers know this and so, they look for Demeter products. It is not a problem to sell Demeter as well as other organic good in the same outlet but the labelling needs to be clear.” “We have several expert customers who know the products better than some staff members which sometime a problem.” (Landwege 2014, 4)

Understanding of Quality

Quality standards are based on common retail quality for vegetable, fruit, dairy and grain products. The definition of the standards regarding product and process qualities has not been done by Landwege because most of the farmers sell not only to Landwege but as well on the “open” market for organic produce. For that reason, they supply products to a common standard.

Products of reduced qualities which sometimes happen with fresh vegetable or fruit might be an exception. In such a case, producer prices can be reduced by the cooperative and either sold as an offer or cooked in the Landwege kitchen. If the quality is very low and there is no alternative use, fruit or vegetables are send back to the farm. However, this happens seldom. In general, high-quality deliveries are standard and an extra payment for premium qualities is not foreseen.

With meat and meat products, the organisation of the chain is different because member farmers only sell to Landwege. For that reason, Landwege management had to be strongly engaged in the initiation and maintenance of a high-quality local meat value chain.

All member farm products are labelled with the Regional! brand. The product range with Regional! label is crucial for the differentiation of Landwege because most other food products that are sold in the full-range supermarket assortment are similar to other Naturkost chains or individual shops. The Regional! label is the “organic +” attribute of Landwege cooperative. This quality attribute refers to the origin of the product: “organic from the neighbourhood” (‘Bio aus nächster Nähe’). In Landwege supermarkets, the customer has the choice between varieties of similar products. If available, Demeter products or speciality brand products offer more or different quality properties than other organic brands and labels.

Landwege aims to ensure high organic standards and high product qualities (see Figure 4, Figure 3, Figure 6):

- Landwege cooperates with member farms that need to prove that they comply with organic production standards, normally expressed as being certified by Bioland, Naturland or Demeter. There is a close connection to the farmers which is visible for the consumer in the retail shop: the fresh products are marked with the 'Personal Sender' ('der persönliche Absender'). Vegetable trays show the name of the member farm and a photo of the particular farmer.
- The processing chain is based on organic standards too (e.g. slaughtering, dairy processing).
- Landwege is member of 'Demeter-Aktiv-Partner' organisations (4.3). Production and marketing of Demeter products is based on the association's requirements (5.1). Landwege is free to choose the way of presenting other organic brands as long as the outlets comply to BNN standards (4.3).

Landwege's quality differentiation of member farm products refers to the Label Regional! In the fruit and vegetable area of the outlet, the products with the Label Regional! are presented next to Bioland or Demeter products (Figure 15). Landwege's core objective is the selling of fresh organic products from regional production within a wide range of fresh and grocery products in a top-modern supermarket.



Figure 15: The 'Regional! label' sign next to the 'Bioland label' sign in front of fresh tomato trays

In the understanding of Landwege, the term "region" and the quality aspect of regional origin of fresh produce refers to a distance of around 80 km around Lübeck. The river Elbe represents the southern border of the region because of the typical landscape defining the Lübeck area – which is easily comprehensible for consumers. The region is bordered by the metropolitan area of Hamburg in the south-east and the Baltic see in the north. The value of regionality is of core importance for Landwege's differentiation strategy. The role of Regional! product differentiation has not changed over time. Customers can study the map 'Our Regionals' ('Unsere Regionalen') – the member farms – in the entrance area of the outlets or on the Landwege homepage. Figure 10 shows the map which is presenting the geographical location of individual member farms that deliver to the retail outlets in the city. This information looks convincing for the organic consumers who typically wish to buy organic as well as regional. For the member farms, regionality has the advantage to market more or less directly to the consumer. During the last decades, the Landwege cooperative has contributed significantly to the regional embeddedness of the organic farming sector in the Lübeck area and to the regional economy.

Landwege highlights a second value aiming to differentiate from organic and conventional retail businesses in town. It is the value of cooperativeness: ‘Walking Country Ways Together – Together Enjoying Advantages!’ (Gemeinsam Landwege gehen – Gemeinsam Vorteile genießen!).

Table 2: Quality attributes related to health, culture, animal welfare and origin

Type of quality attribute	Important for Landwege?
Health claims (what aspects?) & disease protection (which diseases?)	Yes, fresh and healthy food for local population; apart from this, no particular health claims; will remain important for the future.
Nutritional quality, specify which, e.g. sugar/protein /fat composition, vitamins, minerals, fibre contents	Yes, relevant to the cooperative (see Preamble of Constitution) will remain important for the future; with the trend of “organic + free from” this attribute might become even more relevant.
Geographic proximity	Yes, farm products from the surrounding area/around 80km; will remain important for the future.
Food culture, traditional, regional	Yes, food culture and tradition plays a particular role in communication (evening events, degustations, lunch menu in the own bistors, bakery products from partner farms and bakeries. With the new kitchen capacities, it might become even more important in the future.
Taste	Yes, taste is relevant for the fresh products from the partner farms, the taste of local farm products needs to be excellent or at least, common for the organic particular product. However, it is less important for the offer of grocery products sold under brands and labels (such as Bohlsen Mill);
Packaging	This is depending on the product group; partly important when Landwege or the producers identity (farmer’s photo and farm name) is to be communicated to the consumer; fresh partner farm products are often not packed for environmental reasons (eggs, potatoes, vegetable). It is an issue for home-made meat products (sausage, pate) – see section 5
Freshness	Important for vegetable/fruit, fresh bakery, dairy or meat products; will remain important for the future.
Seasonality	Very important for vegetable/fresh fruit, fresh and specialties e.g. roast for Christmas, lamb or seasonal bakery products for Easter etc.
Labelling schemes POD, PGI, TGI	Yes: Demeter, Bioland, Naturland and ‘fair trade’; unclear, how relevant more labelling schemes will become in the future.
Native species/race – maybe, for lamb or beef cattle	Not of particular importance due to the variety of farms from the region that have different cattle or sheep breeds.
Animal welfare	Yes, related to meat production; producers are very concerned about animal welfare issues (Landwege is not willing to take any risks re good reputation) see section 4.4 for more details on meat standards.
GMO	GMO-free is an important argument for the consumer to buy organic (see section 4.4)

Table 3: Quality attributes related to the natural environment, social standards, and consumer communication

Type of quality attribute	Important for Landwege?
Environmental considerations beyond organic standard, specify the impact and on what (biodiversity, watershed, ground water, soil, climate, ecotoxicity) and environmental labels	Landwege has a very wide range of different products. Some product lines such as products for cleaning and washing focus more on environmental aspects than grocery food products. Landwege emphasizes the offer of particularly certified products. This certification differs between food and non-food products. With food, Landwege tends to offer products certified for high organic standard such as Demeter and Bioland. However, EU-organic certification would not be banned.
Fair working conditions, salary	Yes, this is relevant but competition with other retail businesses has to be taken into account as well.
Artisan, maintaining the know-how	Yes, it is important for manufactured products such as bakery, meat or cheese products (traditional and artisanal workshops in town and near countryside)
Traceable production chain	Yes, of particular importance; from member to member; very close connection between producer and consumer under the umbrella of the cooperative; will remain important for the future.
Communication with consumers	Yes, important (see section 4.4), will remain important for the future.
Co-production with consumers	The involvement of the consumer is limited. The consumer members have representatives in the Board and they can participate in the General Assembly. This way, consumers can express their wishes and needs. In the past, it was a little bit the other way around: the farmers and the retail cooperative were demanding quite some concessions in terms of shopping convenience. This has changed. Landwege aims to offer up-to date shopping convenience with helpful, well-trained staff and a relaxed atmosphere in the shop.

Landwege has both, a clear differentiation from mainstream organic and from conventional retail business. As shown above, the differentiation is based on a) organic farm products from the area (regionality) and b) cooperation (consumer-producer-cooperative). This differentiation is very obvious: Landwege is running five organic full-range supermarkets in a German city (one is in the neighbouring commune). They are completely independent (no chain). Landwege is an exception. The owner of the outlets is the producer-consumer cooperative with more than 500 members from the area. The differentiation does not so much focus on prices. The product range differs slightly from e.g. Alnatura outlets. However, the consumer finds the common organic brands which are available in any over-regional organic supermarket supermarkets. Many branches of Naturkost chains exist in the wider area of southern Schleswig-Holstein or Hamburg. In addition, conventional supermarkets offer more and more organic products. For that reason, Landwege has competition. The cooperative needed a clear differentiation strategy for its position on the organic market place in the area. Communication strategies and instruments are closely linked to the differentiation fostering Landwege's identity and the advantage it has to offer.

Growth and its challenge for quality differentiation strategies and economic performance

When the initiative was small back in the late 1980s and early 1990s, quality standards and the consumer's requirements were different. It was the time when organic food was a typical niche product. The consumer attracted by the organic idea was willing to buy organic even when tomatoes or apple

were smaller and had funny shapes or colours. This organic image of small and wrinkly but tasty apples has changed during the last two decades. Landwege's development process followed the same pathway: from a small and dusty garage to a perfectly arranged shopping place.

Consequently, both effects drove the differentiation strategy of Landwege, the general trend of high-quality fresh organic produce similar to conventional vegetable, fruit, eggs or cheese and the particular development of Landwege cooperative. It is difficult to distinguish the more important impact.

A modernisation process of all retail businesses is taking place continuously, even in conventional outlets. Landwege had to meet the general high-level standards of modern organic supermarkets wherever in Germany. Each high-quality retailer – organic or conventional – is trying to meet the requirement of the customer who decides not to shop in a discounter. Landwege tries to differentiate from Alnatura, Basic or Denn's, the over-regional organic supermarket chains. Key unique selling propositions are, as mentioned above regionality and cooperation or cooperativeness.

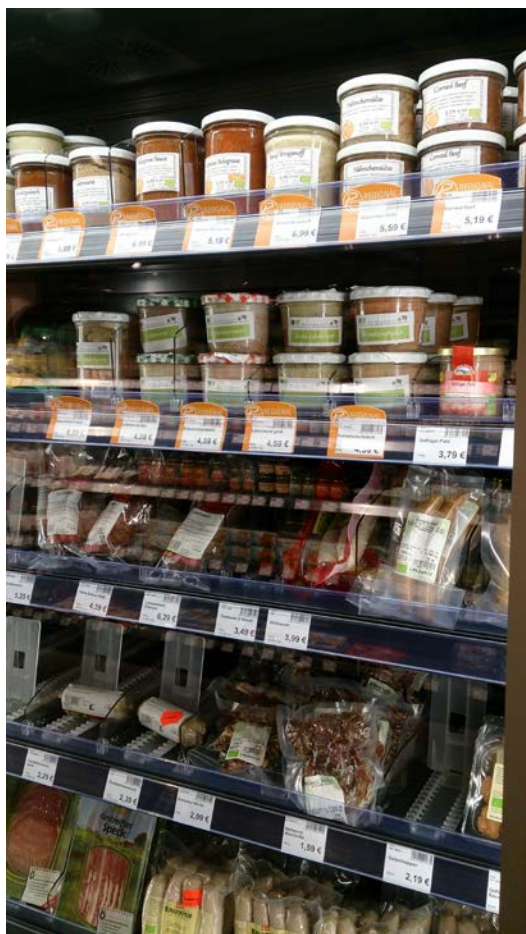


Figure 16: Plans for improvement – labeling and presentation of home-made sausage and pâté

With the opening of the second outlet (2002/2003) which indicated the end of the initial phase of a very small and slow growth the differentiation process started to develop. Internal restructuring and external definition as a realistic alternative place to shop in town enhanced a steady process of differentiation. The core group of people running Landwege were not marketing professionals. The team experienced, step-by-step, that the retail business had a chance to survive and to find its place in Lübeck. Only in the wake of the structural and organisation crisis if 2002/2003, the Landwege management team actively drove the strategy process (4.1, 5.1 and 5.2). Professional business partners supported the restructuring and enhanced the strategy development process. The significant growth in sales area and turnover (Figure 7, Figure 8 and Figure 9) could only be realised because of the professionalization of the strategic development process. Differentiation is a key aspect of Landwege's strategy.

In the case of Landwege, the quality standards such as size, colour and health of fruit and vegetable developed with the growth and professionalization process of the cooperative. It was a challenge for Landwege as a retailer to meet the quality standards of fruit and vegetable. Even with eggs or potatoes delivered from

only one or two farms often hardly met the same standards as the products the consumer would find in the conventional supermarket nearby. With the opening of the professional outlets in town, Landwege had to offer high-standard fresh food products. If the quality had remained on the level of the early 1990s, the number of customers willing to buy these products would have been insufficient for the survival of the cooperative. There was a significant need to lift quality standards of organic

farm products. On the other side, the early Landwege initiative differed significantly to any other shopping place in town because it was authentic. It was the farmer himself who brought the vegetable and was offering his produce to the often well-known urban Landwege member. Friendships and cooperations developed. This quality attribute of Landwege was more difficult to maintain while growing. Landwege experienced that the management had to develop strategies preparing for the next expansion steps (new shops in 2008 and 2012/13).

Each investment in a new location required strategic planning in advance (financial planning, business plans etc.). In particular, the delivery of increasing volumes of meat and meat products was based on a variety of activities. Most meat producing partner farms supply only Landwege.

For that reason, Landwege had to set quality standards and develop high-quality processes in close cooperation with the partner farms and the intermediaries (slaughter house and/or butcher). Moreover, the realisation of high-level meat qualities of growing volumes was challenging because, even after a significant increase in slaughter numbers, the Landwege meat chain is still very small but requires significant investments (legislative framework with hygiene requirements etc.). It took several months to adjust the meat chain to new requirements and even much longer when farms had to invest (one year or longer). The development of high-quality standard realisation is still on-going in the meat processing chain. "The labelling which is done on farms or at the butcheries is not yet up to our expectations (Figure 10). We need to continue to do more work on this. Maybe, new facilities are needed which means investment – things are not moving so quickly. We will get there." (Landwege 2014, 4)

For the other products (vegetable, fruit, dairy and bakery products), quality differentiation and growth was not a significant issue. Most farmers and processors improved the quality constantly with the general organic market trends towards a high-quality standard production and processing anyway because the supply is not only Landwege. (Landwege 2014, 4)

Landwege's differentiation strategies did not focus on the development of new qualities in particular. However, Landwege as the marketing partner in town for many small and medium-size family farms in the area is encouraging the farmers to change product qualities or develop new products (e.g. new type of cheese, fruit drink or cake). In the end, the farmers' strategies will develop new product qualities. "We have tried many things and Landwege is always open to test things like new bread varieties in the shops" (Hof Klostersee 2014, 3).

Growth has driven the economic performance (see section 4.2). Turnover changed significantly due to the increase in space and product range. Most of the member farms receive more than 50% of their market revenue from Landwege. That was different to the past when the proportion of farmers' revenue coming from Landwege was much lower than from other marketing channels. It was the member farms' wish that Landwege grew and opened up new markets. Without the support of the farmers, the producer-consumer-cooperative would not have grown. The farms' personal interest in more marketing capacity through Landwege drove mainly the expansion.

Member farmers were keen to deliver more products to the growing cooperative and to sell less of their products somewhere else. That might be taken as a proxy for a fair distribution within the Landwege chain. The identification of member farms with their marketing cooperative Landwege is significant. Landwege members are satisfied with the economic performance. However, the investment was significant undertaken by the cooperative in 2013. The years to come will show if stakeholders will be satisfied with the most recent development. Landwege is offering shares to members and

potential new members. These shares are an investment of private persons or enterprises. If the Landwege investment will make profit, the cooperative will distribute profits to the shareholders. The legal framework for cooperatives defines the framework.

“We were amazed how many people, even those who didn’t know us before, invested quite a lot of money when we offered new shares last year. The increasing mistrust in the global stock market has put more money into our investment than we had hoped. It was much easier to sell shares than we expected.” (Landwege 2014, 4)

The differentiation strategy emerged from the requirements of the growth process. The growth strategy was always based on maintaining the original/traditional values of the cooperative. The definition of a differentiation strategy was not planned in the beginning of the growth process. It became one of the core elements of the steady process of personalisation of the retail business of Landwege cooperative (5.1). As highlighted above, the quality differentiation is based on maintaining the image of local and artisanal production and processing with a very clear focus on encompassing organic values, including the social dimension.

Figure 7 shows the increasing turnover of Landwege. During the first decade, the turnover hardly rose but remained on a low level for many years. The group of people around Landwege did not yet decide which way the initiative would take. When the decision was taken to move the shop into a location with much more space (1998), the growth process started. The economic performance of the small shop was fine, but it seemed to be more the common spirit of the group which gave the push to let the business grow. From 1998 onwards, the growth process continued as the increasing turnover, numbers of employees (Figure 8) as well as the number of sold shares.

Most farms increased their supply to Landwege and reduced other marketing channels. Some farms increased production due to the growth process of Landwege. With some products, more member farms joined Landwege to ensure sufficient quantities of e.g. vegetables in summer. Landwege offers slightly higher prices to its member farms and the farmers value the flexibility and the cooperative of the Landwege office. Office staff has the understanding for the situation on the farms (that is a major issue with new staff because they need to learn a lot of know-how). There are extra services or opportunities (payment, delivery times, staff exchange, training units, networking etc.) that farmers appreciate.

Currently, quality differentiation seems to be of reduced relevance for the Landwege value chain. In general, Landwege requires the same level of quality as the organic wholesaler who would be the alternative marketing channel of most vegetable and fruit farmers. When a period or season was difficult e.g. in terms of the weather, qualities of the crop might be not up to the required standard of retail businesses. Last year for example, potatoes were much smaller than last year or in other areas. “We could not reduce the price because production costs were still high for the farmers. It was not easy because normal size potatoes were available from southern Germany. That was a problem but we explained to our customers the reason. We offered recipes for small potatoes and promised that next year, the potatoes will be normal-size again. It worked out; people bought the potatoes although the price was still on an average level. Now, we have our new kitchen. If fruit or vegetable are not suitable for the outlet, we sometimes take them for jam or chutney or we make a vegetable soup for the bistro.” (Landwege 2014, 4)

“Quality differentiation is still an issue with artisanal, farm- or home-made sausage products. The packaging and labelling does not yet look good enough. We need further improvement and that’s an

issue for the farmer. Farmers are used to their type of plastic sheet and label; they don't see the difference". (Landwege 2014, 4)

Landwege has been solving many of such problems. The investment in new facilities in 2013 was part of that problem solving strategy but meeting challenges is an ongoing process. Excellent communication and reliable partnerships are core instruments for Landwege's strategy (section 6).

The value of cooperativeness is important for the differentiation of Landwege. All activities and services mentioned above have been built on the close cooperation with producers, processors and other local initiatives. The value of quality will remain important. Product qualities on conventional as well as organic food markets change constantly. Landwege aims to offer high-quality products and food products that are easy to use such as ready meals and fresh convenience products. Landwege aims to be a service orientated retailer offering services up to customers' needs. Moreover, Landwege tries to orient on practical processes such as combining retail with catering or food supply for big events in town such as festivals, fairs etc.

Since the specific definition of regionality will be important for Landwege's future development, the main objective will be the marketing of fresh organic products from regional production. The concept is the traditional Landwege strategy but even in the future, regionality will have the advantage for the farms to market more or less directly to the consumer. There is no indication that the legal form of the cooperation might change in the future. Cooperativeness was and will be one of the core values of Landwege's differentiation strategy and is a core value of the organic food marketing chain (Table 2, Table 3).

5.4 Communication of values and qualities among the members of the food chain

Communication between chain partners – an overview

Communication is of core relevance. A professional Landwege partner business is responsible for the pictures and letters sending messages and values from member farms to customers.

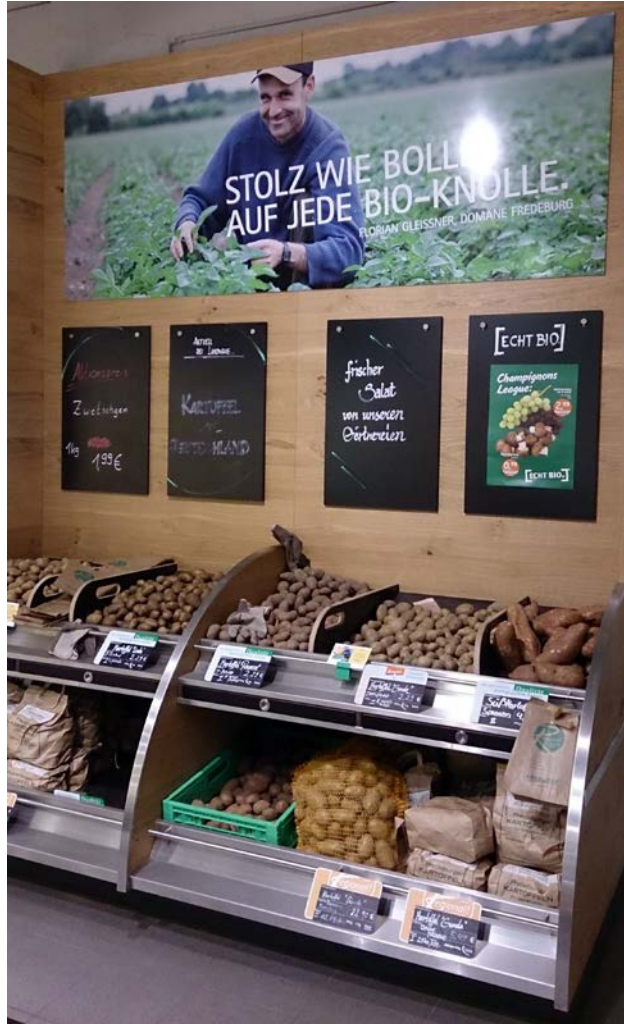


Figure 17: Landwege potato bar with information boards

The customer who enters the outlet finds a table with flyers and brochures about Landwege and its partner organisations at the left. There are general information hand-outs as well as special event advertisements. In the entrance area is the bistro and the bakery outlet to the right and the cash-outs to the left. It is not an anonymous entrance area but there are people to see, to greet or to talk to. While strolling through the aisles, shop assistants are ready to answer questions or assist with the search for particular products. Information signs and boards help with information. Figure 17 illustrates that the communication strategy is based on a) the impression of a personal contact (picture of the farmer), b) the free choice between different products and qualities.

Landwege highlights a close, open and cooperative communication as core instrument for the successful establishment and further development of the Landwege cooperative.” (Landwege 2014, 2)

“However, it is not easy to communicate with the customer in the shop e.g. about the price tag concept or the detailed information given on the product or in brochures or signs. People don’t ask question while shopping except ‘where is ...?’.” (Landwege 2014, 4) “On the one hand, it is not possible to get customers just to come for an explanation of the outlet and the product information provided (gluten free, vegan, fair-trade, regional etc.); on the other hand, some customers are experts – they know more about the products than the shop assistant – that’s a problem too.” (Landwege 2014, 4)

“Training of shop assistants is very important for the communication with the customer. We put a lot of effort in coaching and training of staff. This is not only very helpful for the work in the shop but as well for the farmers. Both sides learn a lot when the new Landwege team members spend a couple of days helping on the farm.” (Landwege 2014, 4, Hof Klostersee 2014, 3) Consumer members and guests visit farms as well. Landwege offers special events so that customers can connect with farm people and learn more about products and production.

Apart from the communication with the consumer, the connection between the retail business and the farms is very important. Regular meetings with the different groups of farmers are held. Normally, larger groups such as vegetable farmers meet biannually. In case, new standards have to be implemented or the organisation, transportation, storage etc. have to change, meetings take place more often. Two farmers are members of the Executive Board. They represent the farm members at Landwege. Usually, these are very important “communicators”, for example when adjustments have to be discussed. When farmers need to implement changes, they act like mediators and explain why this is necessary. These representatives are much more convincing than the management team.

Communication between vegetable growers:

The horticulture farmers meet before the growing season starts. They discuss products, volumes and, if necessary, delivery periods. Landwege management and Landwege procurement department discuss the relevant details in a fair and open way with the farmers. Decisions are made cooperatively. There were no significant disputes in the last years. During the period of vegetable marketing, Landwege communicates on a daily basis with the growers (mainly, by fax; very suitable for farmers). Each of the five supermarkets orders independently in respect of the volumes needed for the next day(s). Other seasonal vegetables or fruit such as asparagus or strawberries require a daily order too. Other products like potatoes or apple are ordered once or twice a week.

When fresh vegetable is delivered, there is a regular quality control when entering the market:

- Deliveries that are up to the common standards are transferred into the display and the supplier receives a receipt (Lieferschein) and will send an invoice (Rechnung).
- If the product was not up to standards but can be sold for a reduced price, the farmer receives a note describing failures (Reklamation) and the reduction in price. If the product cannot be sold at all, it is sent back to the supplier.

Standards for vegetable and fruit are clearly defined by the general market. For that reason, Landwege and its member farms are not setting or discussing any standards. The agreement does not include extra payments for higher-quality products. Price reductions are possible in case of minor qualities delivered. Farmers are used to these processes because they all deliver not only Landwege but regular wholesale businesses as well (5.2).

Talking about milk, butter and cheese:

Each supermarket team orders on a regular basis (daily, every second day etc.). Landwege has several partner farm that produce dairy products. The annual meeting focuses on the planning of volumes and products. The communication about standards, qualities and processes is not difficult because dairy factory processes are highly standardised in Europe.

Organising fresh meat deliveries and the processing of meat products:

“Meat is the most sensitive area of communication and coordination” (Landwege 2014, 3). Normally, Landwege management meets with the group of cattle, pig, sheep and poultry farmers once per year. In the past, the meetings have been held more often because the organisation of meat supply needed to be adjusted. Changes had to be made. The reorganisation of the meat chain has been a particular challenge. “Farmers delivering meat and meat products are mainly producing only for Landwege. This is different to the other food chains. For that reason, we had to organise or own Landwege meat chain.” (Landwege 2014, 2)



Figure 18: Landwege egg bar with ‘packing station’

The realisation of an own small organic meat chain in the area is difficult because of legal requirements. “The Veterinary Office comes regularly and checks slaughter, cutting and processing facilities. The legal framework is quite challenging for farms and small butchers. There were deadlines we had to meet with cleaning or cooling facilities or whatever. We were in contact with the Office and with our farmers. It was very important to explain a lot and to discuss feasible solutions together. We met much more often than usually.” (Landwege 2014, 2)

About eggs:

Landwege has two partner farms which are the egg producers for Landwege. Each supermarket team orders eggs on a weekly basis. The communication has not been mentioned as different from business as usual. Eggs are sensible products in terms of quality communication. In the Landwege outlet, eggs have, similar to the potatoes, a particular corner with board and packing station (Figure 18).

Due to the recent expansion of Landwege with the opening of two more outlets in 2013, the delivery volume of fresh meat and meat products had to be increased. Many issues related to quality, product display, meat counter communication, hygiene, cooling, delivery conditions etc. were discussed. Communication and learning works well when new techniques are demonstrated on a farm.

Regularly, the state agricultural research and laboratories agencies (Landesuntersuchungs- und Forschungsanstalten, LUFA) undertake controls in the outlets. If they identify any problems, processes have to be adjusted. The way of communication with the delivery persons, farmers or processors has been of particular importance.

This is of particular importance in case of legal requirements regarding animal and meat handling. With meat, the outlets are not ordering separately but the head office is ordering fresh meat for all supermarkets. The meat chain has been the most intensive in terms of communication because the member farms usually are selling slaughter animals only for Landwege. Moreover, intermediary services for slaughtering, cutting and processing (sausage making etc.) have to be introduced into the values-based food chain. The documentation within the meat chain is encompassing and requires know-how and thorough engagement of the responsible staff members of Landwege management team. Back in the 1990s, it was easier to comply with legal requirements for a self-organised meat

chain. This example shows that the way and form of communication depends on the problems that need to be solved. When personal contacts are needed, Landwege meets with the chain partners. If a wider group of people has to be informed, group meetings or special events for customers are held. Daily business like ordering fresh farm products, fax or email will be sufficient.

Communication between farmers and consumers:

“Often communication between consumers and farmers is difficult.” (Landwege 2014, 3) In general, interested consumers tend to have a limited understanding of farming practices and common routines on the organic farm. Farm visits help to enhance a good communication between farmers and consumers. When more consumer members got involvement during the fundraising campaign in 2013, farm visits were an important communication tool. Many consumers were particularly interested in ‘their’ Landwege investment project (opening of two new retail outlets) with increasing volumes from “old” member farms and more “new” member farms joining the cooperative. (Landwege 2014, 4)

Topics and ways of communication

For Landwege, a regular communication with the member farms is important. As shown above, the communication focuses mainly on volumes, timeline and organisational or process details. For example, Hof Klostersee, a farm association with several production branches, wanted to deliver the bread during the day. Hof Klostersee has a bakery which is run by one member of the farm community and the community had decided that – for quality of life reasons – the baker should not be baking during the night. However, when the baker only starts in the morning, the bread will be ready for delivery at noon. It would not be possible that all Landwege bakeries have bread and rolls ready at lunchtime but with only one bakery, it was possible to respect the wish. The disadvantage had even turned into an advantage: in the afternoon, Landwege receives a delivery from Hof Klostersee with fresh bread. Often customers appreciate the delivery person coming into the shop with the fresh bread. That is authentic and offers the opportunity for a short chat between the farm’s driver and the consumer in the shop.

“It is very important who is coming into the shop. Currently, we have a man who loves to talk to people; he is our spokesman and our representative in town. He tells stories about us and he brings back the messages. For example, once the girl in the bakery outlet realised that our boxes did not look clean from the outside. That was an important hint, we had to fix that. It was easy but you need somebody who tells you. It makes a big difference when staff work with open eyes and take responsibility.” (Hof Klostersee 2014, 3).

Landwege has a clear focus on details regarding qualities and services – timely and open communication (in time for feasibility of adjustments and no hidden agenda). For Landwege, reliability, trust and integrity are results of good communication measures between partners. “For example, there is the vegetable farmer who has a delivery tour which he cannot change for some reason. The driver arrives at our store when it is still closed. Since we know each other well, we discussed the issue. Now, he has a key for the store house, so he can drop the lettuce trays and continue his journey.” (Landwege 2014, 2)

Landwege is aware of the importance of the long-term perspective of the business partnership. Such a relationship is based on communication on eyes-level between partners. Since the beginning, Landwege was practicing such a form of communication. It started as an informal initiative with all members of the group contributed in a similar way. Farm members have a high-level of identifica-

tion and they have the feeling of ownership for Landwege: “We are the cooperative.” For that reason, it is easy for everybody to raise an issue when there is something to be discussed.

The personal communication is very important. Regular meetings in small and larger groups of members or stakeholders are held when changes have to be discussed or new developments explained. The personal contact on a member farm is of particular importance – between farmer and Landwege staff, between farmer and farmer and between farmer and consumer. Learning and practical experiences are easier when explained on the farm.

For the daily business like ordering farm products, sending a fax, an email or making a telephone call is efficient. “Farmers still like the fax machine” (Landwege 2014, 3) For the Landwege office, emails or internet orders are efficient and common e.g. with the wholesale businesses. In contrast, many farmers are not used to emails. They work outside, have dirty hands and never studied type writing. The fax is easy: the fax machine is robust and can be standing in the aisle or even in the workshop. The arriving fax is visible for everybody who passes the machine. The message is ‘ready’ on a piece of paper that can be taken away and e. g. stick on to the packing facility. The use of emails for farm business communication differs very much between farms. When a farm has a person who works regularly with emails and is used to the exchange of written messages, then it is often the preferred way of communication: emails are quick and efficient, the exchange does not has to be simultaneous. Often the “email person” is the farmer’s wife or another responsible person for the office work (secretary, other family member etc.). For many farmers, email messages are perceived in a similar way as fax. The “email person” prints messages and leaves them on a try for the farm manager. Consequently, the manager is informed but he often does not reply the same day. If the message is important, he would probably call the other persons. This reason for this habit: Often the farm managers are not used to typing messages in whatever gadget. They are driving or working outside and the only office job to be combined with this would be the telephone call. Due to that, farm managers are more used to make a telephone call than to write an email.

The frequency of communication between Landwege and the member farms is depending on the topic (product/service/organisational issue) and the season (see introduction 5.4). Landwege orders on a daily basis from vegetable growers during the season. Other products like eggs are ordered weekly. Such a daily or weekly communication is very simple and is characterised by a one-way message sent from Landwege.

With two-way messages, dialogues or discussion, the frequency of communication is different: Firstly, the annual meetings with groups of producers are workshops focussing on the review of the last season and the planning for the new season, secondly, new ideas or problems are communicated when needed (see above regarding the establishment of a meat processing chain that complies with veterinary requirements. In this case, bilateral communication takes place and if needed, additional group meetings take place.

Landwege has a very wide product range of food and non-food products. In particular, fresh food deliveries from the partner farms are based on a variety of well-established and newly-organised processes. The maintenance and improvement of these processes requires excellent communication that is sufficiently flexible in terms of frequency, chosen media and involved persons. “Main tool of continuous/daily communication with farmers is the fax” (Landwege 2014, 2). The fax machine fits well into the daily work routines of farmers.

Landwege office staff prefers email communication and other internet systems. They order online from the wholesalers, exchange data and information with the accountancy office, order services from other business partners ('StattAuto', personal coaching, cleaning businesses etc.). The annual or biannual meetings with the farmers are perceived most suitable by farmers and Landwege management alike (Landwege 2014, 4 and Hof Klostersee 2014, 3). These meetings are very important to "keep in touch" and to learn from new developments on each side. The meetings are of particular importance when issues are difficult/costly to handle/change (e.g. see meat chain organisation).

The communication with the consumer members and other customers in the shop is different and more complicated. Overall, Landwege would like to disseminate more information about products, the outlets or the cooperative. Landwege is inviting consumers to participate in evening events focusing on hot topics aiming to connect with people and spread information on products and shops. However, this is not easy, because a large group of customers are not asking questions. Landwege would like to receive more inquiries for example re marks, labels, "free from", origin, ingredients, processes etc. but the questions are very limited.

Landwege has a professional business partner for communication (homepage, printed documents, signs, events etc.). The agency's sound understanding of 'Landwege spirit' is a precondition for the communication of Landwege's story and image (4.3).

Since the communication with the consumer is difficult, Landwege is trying alternative forms of communication. Landwege's business and differentiation strategies are based on the particular understanding of regionality. The example of dealing with the quality attribute of regional origin shows the consequence and the seriousness of Landwege's communication about core values: 'Regionality' is a core quality aspect of Landwege food chain. For that reason, the regional embeddedness is core part of its communication too. "Organic from our neighbourhood" is the core message of Landwege outlets. The communication of the value "regional" is the driver of the success of Landwege – in the past and in the future. Discussing the issue of regionality, Landwege's CEO said: "Most of the ingredients like raisins, nuts or coconut flakes are not of regional origin, there are imported goods. For that reason, it would be really tricky to claim the muesli bars as regional products. With our marketing concept, we cannot just call it a regional product only because the producing enterprise is (incidentally) located in our area." (Landwege 2014, 4)

This example shows how serious the Landwege management team takes the communication of the cooperative's core values. This position is strongly supported by the partner farms. The farms know this very well and they support it wherever and whenever they can. "Sometimes when the driver was not available, my husband liked to drive to town - just because of keeping in touch with the shop(s) and with the customers – even though, it wouldn't make sense to have the farm manager spending that much time just driving." (Hof Klostersee 2014, 2). The farmers' presence in the surrounding countryside is a strong argument (if not the strongest?) for Landwege's communication.

Landwege has the agency which is developing communication campaigns professionally. This business partner suggests suitable communication channels for Landwege. However, the cooperative is responsible for the maintenance of the deep understanding of the related values and the practical implementation into processes or products representing the cooperative. "It's mainly the product that speaks" (Hof Klostersee 2014, 3)

Since Landwege is an umbrella cooperative that connects primary producers and consumers, the characteristics and main values of Landwege are based on the interconnection between producer

and consumer. Farm visits, inspecting building operations and comprehensive communication are seen as important aspects of the commitment between producers, consumers and the members of EVG Landwege. Landwege's CEO: "In 2013, for the first time we campaigned for new members of the cooperative and we got 80. That was a great success." (Landwege 2014, 2) The campaign was based on: putting up signs, distribution of flyers, and provision of an info desk with contact plus person in the entrance areas of the outlets, newsletter, internet homepage, and announcement at special events like town fair stalls, connoisseur evenings, wine tastings etc. It was a professionally organised campaign by our business partner agency. (Landwege 2014, 4)

At this time, Landwege was in the period of significant investment and was aiming to increase the ratio of private partnership finances. "It became clear that many people wanted to know where their money is being invested." Landwege's CEO argues that the combination of the cooperative's business and the educational work of Landwege Association with the farm and youth club Ringstedtenhof have excellent synergies. (Landwege 2014, 4) Both organisations, Landwege Association and Landwege cooperative, are very active offering regular events and information sessions or children's happenings such as making pottery, pony ranch at Ringstedtenhof, lectures, gourmet evenings in the outlets etc.. Members and non-members can find and connect with EVG on Facebook. The CEO highlights: "We would like to reach a lot more people with a redesigned and even more user-friendly website. We will work on that." (Landwege 2014, 4)

Landwege's CEO invested more time in web-based communication in 2014 than in 2013. Facebook has been used to a certain extent as well as the Homepage of Landwege. Since more customers or potential customers are very active on the web, it seems to be important to meet these customers in the internet. Highlighted pros:

- Getting in contact with the younger generation of customers
- Demonstration of "we are up-to-date" instead of being only the 'old-fashioned organic guys' ('Ökos'), the medium-age or elderly generation of typical organic customers.
- Proving to be Open for new ideas and new ways of communication

Mentioned Con: time consumption of internet presence and involvement

Growth and communication

Growth processes caused the introduction of hierarchies and split responsibilities internally. The internal restructuring of Landwege was significant during and after the challenging periods in particular in 2003/04, (4.1, 5.1). The establishment of a management level below the managing CEOs with managers responsible for procurement, controlling, storage, supply of the outlets and strategic marketing (communication, newsletters, advertisement etc.) has changed internal and external communication structures significantly. Responsibilities and processes such as ordering, problem solving related to e.g. delivery times and modes, decision making processes, work plans for employees etc. were clearly defined (5.1). With a clear definition of work fields such as personal management, procurement or external communication, the distribution of external inquiries became well organised. Since this process of Landwege management structures, the ladies in the front office have a clear idea who will be the right person to talk to when e.g. a university researcher is calling.

The consumer can give feedback or send inquiries (personal communication in the supermarkets, email or online message/homepage of Landwege). However, there are not many consumers' inquiries

ies by email or personally in the shop. The “expert customers” are an exception because they are very well informed about products and processes. They sometimes ask very specific questions that need some internal investigation like checking back with the primary producer, the kitchen or the wholesale businesses. Landwege wishes to realise and ensure the image of openness and transparency with members and non-members. The atmosphere in the outlets represents this image. Landwege faces a variety of consumer groups: women/mothers in responsibility for a healthy nutrition of their family, singles, business people having lunch, elderly consumers with a strong focus on regional products, consumers with dietary requirements (low fat, vegetarian, vegan, free of sugar or lactose etc.). This variety of requirements has to be served up to their particular needs and wishes. Feedback loops and critiques are important for Landwege, a cooperative with an image of clear member/customer orientation and an organic, fresh and healthy retailer “bringing locally produced food into town”.

Feedback loops from the customer are relatively easy and well-working because the consumers meet Landwege shop assistants in all supermarkets or they can talk to office staff in Ziegelstrasse. Due to regular opening hours of the shops the initial step of communication is relatively easy. The more serious the issue is, the higher the position of the person dealing with it will be. Due to the regular meetings, relevant issues can be discussed when members meet. Overall, the feedback loops seem to work well with Landwege cooperative.

5.5 Quality dimension of primary production and mediation through the chain

Farmers’ perception of superior qualities

Landwege member farms have a strong focus on local food production and marketing: “Our cooperative is selling our quality products”. The farms are Bioland or Demeter members, organic bodies certifying organic standards. These standards are above EU-organic. For that reason, the products are seen as superior quality.

The product quality in a narrow sense (visual appearance plus criteria measurable in a laboratory) depends mainly on natural conditions of the year or farm specific conditions (choice of variety, success of disease management etc.). Even when the quality was not excellent for any reason, normally farmers are able to sell through Landwege. In case of reduced quality, Landwege tries to use the particular volumes in artisanal processing (juicing, jam or spread making). Landwege’s restricted interpretation of regionality (5.3) is a key quality attribute of Landwege farm production. The member farmers realise this aspect and are proud of it. The fact that they expanded the delivery volumes to Landwege with the opening of the two additional outlets might be taken as a proxy for the advantages Landwege marketing represents for the member farmers.

Environmental care, social responsibility – both aspects are based on the close cooperation with the “Landwege-Fellows”. For that reason, farmers see the close connection to the social and environmental engagement in town and the surrounding area as core value of Landwege involvement too.

Mediation of qualities through the chain

Member farms are following high organic standards controlled by mainly Bioland or Demeter organic organisations. Farmers comply with legal requirements (e.g. with the given framework and control for meat and meat products controlled by LUFA office), and they aim to offer high-quality production methods so they produce up to the needs of the different consumer groups. Member farms receive

regularly information on e.g. quality expectations or changing framework conditions. Since the beginning of the initiative, farmers know that their support is crucial for the cooperative's success. Regular communication between the groups of producers and Landwege management ensures the well-working delivery system, in particular during the growing season. (5.4) In general, farms do not have to coordinate production qualities, volumes or deliveries themselves. It is done in close cooperation with Landwege at the annual or bi-annual planning meeting. Farmers might inform or help each other if needed (in particular when new routines/standards have to be implemented). In this case, Landwege might not be involved directly.

The qualities provided by primary producers are easily mediated through the chain due to the implementation of the whole chains under the umbrella of Landwege cooperative. Since all partners sign the membership statement and so, all agree to the transmission of product and process qualities. This is a very clear and transparent solution for the insurance of a close connection between chain partners. Landwege coordinates the mediation by its organisation, management and marketing concept.

Normally, qualities are not kept separately. Only when vegetable or fruit of reduced quality and reduced price is offered, the trays are kept separate in the vegetable/fruit area of the outlet. Apart from the vegetable/fruit area and the shop counters with service staff, the products in the supermarkets are packed (dairy, grocery goods etc.). The consumer can identify different qualities easily by declaration and labels on the product itself. Service staff selling fresh meat, meat products, bakery goods and bistro food and drink at the counters can get in contact directly with customers (Figure 3). They inform about qualities, origins or production processes.

Transparency of member farm products is a core element of the Landwege marketing! Vegetable trays, the potato or egg shelves show photos or names of the farms of origin (Figure 15, Figure 17). This is an important aspect of quality differentiation. Out of the growing season, "no-name" vegetable and fruit products supplied by the organic wholesale businesses are on display in the Landwege outlets. The quality of these products is based on Demeter and Bioland standards which are higher standards than EU-organic available in conventional discounters such as Lidl or Aldi.

The retailer Landwege has a well-working storage and display system in the modern supermarkets. Landwege aims to communicate its identity and the origin as well as quality of the products like a high-standard, modern retailer. Often special features are used. Landwege works with posters, leaflets etc. which are available for the consumers who would like to get information about products. These communication tools foster the corporate identity of members with the producer-consumer cooperative (0). Landwege applies common marketing and communication instruments supported by its professional PR agency (4.3). Fresh food products present and represent the Landwege idea and overarching strategy: Local – organic – high-quality – 'with a face', that's the list of core product properties! The supermarkets of Landwege developed particular areas which make a difference to other retail businesses or individual Naturkost shops. The area of organic cleaning products (Reinigungsmittel, Waschmittel etc.), the newspaper and magazine shelves and the vinery corner sharpen the profile of the supermarket.

Changing qualities throughout the chain

With several local products, Landwege members or partners are processing. Partners such as member bakeries, contract butchers, on-farm juice makers, artisanal dairies with e.g. yoghurt and cheese making change the raw product significantly. These add qualities like "artisanal" or/and "typical for

the region”. Processing partners are either members of the cooperative or are closely connected to the Landwege value chain (e.g. butchers).

Quality standards regarding production and processing are mainly based on the high levels of Bioland and Demeter farming and common standards of food products traded through organic wholesale businesses. These dimensions of quality did not need encouragement.

In the Landwege value chain, the most important specific dimension of quality is the origin. In the early phase of Landwege initiative, organic farmers from the surrounding area of Lübeck city were contacted. This contact opened up new marketing opportunities of the farmers. However, the opportunities are closely linked to the organic idea/orientation with. Many farms, in particular fruit and vegetable producers, already practiced direct marketing to a certain extent. Today, farmers just have to be open to the “alternative” marketing channel managed by the Landwege cooperative.

In general, there are no further dimensions of quality needed for the Landwege supply, except for meat which needs to be in line with several legal requirements. See above for more details about communication within the Landwege meat chain (5.4).

5.6 Resilience of the value chain and the initiative/business – long term perspective, change and social-ecological links

In the beginning, Landwege was a “garage initiative” where farmers sold their products to urban dwellers. The initiative did not have a legal registration but was based on honorary engagement aiming to link producers and consumers. Today, Landwege is a professionally organised locally based retailer with five full-range supermarket outlets (including service areas and bistro). The critical stages of Landwege were in 1991/92, 1997/98, 2002/03 and in 2008 (Figure 9).

The following changes were significant:

- Leaving the garage and opening the first shop for members only (1992). This did not work because customers came into the market and wanted to shop but couldn’t. It was not possible to remain a “members-only shop”. The shop opened-up for non-members. However, a two-price-system was introduced. The price indicated on the products was for members. At the check-out, a surplus was added for non-member customers.
- The sales area of the first shop was very limited. In 1997 a new Landwege outlet was opened. With this second shop, the legal registration of the initiative was important. Landwege changed from a non-legally registered group to a registered cooperative (eingetragene Genossenschaft, e.G.) with 200 members.
- In 2002, the second shop was installed. Some members contributed with honorary work input. In 2003/04, Landwege realised that it is been just survived a financial crisis because the old outlet had a weak economic performance while the new outlet had a positive development. A restructuration was important aiming to ensure the survival of the cooperative. The organisation of processes (supply, the management, and staff) had to be adjusted to the new framework conditions with the two markets.
- In 2008/09, another crisis happened in the wake of the reopening of the first market which was at the same time as the opening of the third outlet. The crisis became obvious in negative results. This crisis was caused by a) reduced margins due to high producer prices (price boom/bubble in 2007/08) and b) a lack of structural adaptations. The problems were solved by significant structural changes. The member farms supported these structural changes.

- The changes took place on the level of internal organisation and management, internal and external communication, logistics, marketing, product range.
- Reorganisation of internal management with a professionalization of all departments of a growing and profit-oriented retail business. For Landwege, it is very important to distinguish between professionalization and conventionalisation. Landwege's CEO is convinced that a transmission of organic values based on trust and integrity is only possible with a very well structured and efficient organisation of finances, staff, logistics, communication and marketing. Only a professional or efficient management offers the opportunity for the particularly important communication, networking and engagement in other areas such as the local community, youth projects, nature conservation, fair trade etc. Sometimes the organisation and parts of the management suffered from badly organised processes. During an internal review process which was supported by a professional coach, changes in the management teams were decided. The management team changes and responsibilities changed with new highly qualified employees entering the cooperative. (Landwege 2014, 2)

Major critical stages

In beginning of the 1990s, the first challenging period was caused by internal discussions about the overall orientation of the initiative. Some grass-root actors emphasized the cooperative spirit of the very beginning when profit-making not important (Landwege 2014, 1).

Note: Alternative production and consumption structures were one of the core ideas of the early green movement. Back at that time, competing arguments between the different members of Landwege might have referred to the particular time spirit of the green grass-root development in Germany. This internal discussions of the Landwege initiative might have mirrored the general development of the green movement in Germany with one branch of the movement tending to stick to more idealistic grass-root green visions while the other branch was aiming to face a more realistic and pragmatic orientation of the green ideas.

This second internal crisis of Landwege referred to the development of a profit-oriented food cooperative towards a professional retail business which was opened-up to a wide range of organic products (not only from local production). Until 1998 the initiative was organised without any legal registration. Only at this time, the 'Producer-Consumer-Community registered cooperative' or 'EVG Landwege e.G.' was officially founded with 200 members right from the beginning. (Figure 10)

The third challenging period was in 2003 when another shop was opened. The cooperative team realised that a development strategy was needed. The product range had grown with more farms supplying the cooperative. The market stalls were not run anymore. It was difficult to find reliable and sufficiently trained staff for the farmers market and the organisation of the market stalls required a lot of organisational capacities. Even without the farmers market, the coordination of more member farms and the increasing product range and trade volumes in combination with the internal reorganisation of the cooperative was very difficult. Honorary engagement of members was still common at that time. (Landwege 2014, 1)

During the fourth period of significant challenges, it was mainly the need of internal reorganisation and restructuration of the retail cooperative in 2008/09. The identity of the cooperative had to be adjusted because now, Landwege had become an organic food chain business with three individual retail shops in the city of Lübeck (Landwege 2014, 1). The distribution of responsibilities and tasks,

professional controlling, logistic and accountancy system had to be established. This challenging period was managed successfully so that another retail outlets in Lübeck (700 m²) as well as the first supermarket outside Lübeck in Bad Schwartau (800 m²) was established in the end of 2013. (Landwege 2014, 4)

This removal was a success. The cooperative spent around 600,000 Euro on the store, plus a large-scale kitchen (around 250,000 Euro) and office rooms (150,000 Euro). In this new building, there is still space for expansion. The new kitchen has a capacity for the production of around 200 meals per day which will be delivered to all Landwege stores. The kitchen produces ready meals to be taken home and specialities like spreads and canned food. "The bistros in the foyers of the shops and the offer of "home-made" speciality food are a good way to differentiate Landwege from other retail outlets" explains the CEO (Landwege 2014, 4). This significant growth in 2013 was financed by the total investment of around 1.7 million Euro (both locations). The 600 members of EVG Landwege and other private shareholders bought more shares. This contribution represented about a third while the rest was financed by the GLS Bank.

With the four critical periods, the underlying problems developed gradually but became visible for the Landwege management suddenly. The philosophy of Landwege always used to be based on an open and fair internal communication with consumer and producer members. For that reason, major changes and adaptations were always based on a communication and participative process (General Assembly, see 5.1). Stress has been causing internal adjustment and has been somehow related with the growth processes. Problems emerged in the context of the opening of the first, the second and the third market. The difficult periods drove the constant restructuration and professionalization of the cooperative. Until now, no crisis occurred in the wake of the last expansion in 2013. Landwege's CEO thinks that Landwege had learned from the past and was well prepared for the most recent development step. (Landwege 2014, 2)

Managing the critical stages

The open communication at meetings and workshops has been very important for the understanding between the members and the management of Landwege (see 5.4). Nowadays, the management aims to develop strategic plans within the management team together with the Board. Hence, in the next step well-prepared open discussion with a wider group of members usually takes place. The management has learned from conflicting situations in the past. Nowadays, the communication and the strategic planning and implementation have been improved. The management team is used to find a common sense when important decisions are to be taken (Landwege management and Executive Board, see 5.1). Strategies are to be developed as cooperatively as possible. If needed, the Landwege management organises professional support for particular questions such as logistics, strategic development, and personal conflicts between team members, financial planning or marketing. Due to the integration of the whole value chain under the umbrella of Landwege cooperative, the challenging situations could be managed 'internally'. Internal and 'external' chain partners are integrated as partner members of the cooperative. Open communication including 'open-end' discussions was important, in particular during the first phase of stress when even some members left the initiative because they could not support the new developments. There were more and stronger key actors in the cooperative who convinced the group to head for the new development.

Mainly the CEOs of Landwege took over the responsibility for change management and strategic planning and implementation. Landwege's CEO worked with the cooperative since the beginning of

the 1990 when Landwege had already the first shop. He was not member of the early founders. In the beginning, he worked only part-time for Landwege and experienced several jobs within the initiative and later in the cooperative. As a manager of an organic cooperative, his skills developed on the job. When more office staff was hired and took over more core duties, the combination of honorary work and paid work caused imbalances (expectation of work input, working late hours or during the week-end etc.). Honorary engagement was stopped soon. The CEO responsible for personal management was store manager before and took over the responsibility for the general personal management. Both CEOs sympathise with organic food ideas and are personally engaged in maintaining the organic values. However, new or younger staff members have been less familiar with the organic food sector because they were professionally trained in the conventional retail or merchant business. They have to learn a lot because the retail business of Landwege is different to a conventional retailer due to the close connection to the organic farms.

Fostering adaptive capacity and resilience

The controversies were not so much about the values of the food product but maybe, more about the organisation of the group. The values related to organising and driving a grass-root food movement might have been the main reason for internal dispute from 1992 until 2008/2009 when the last phase of restructuration took place. The recovery out of the financial crisis in 2008, the positive economic development with increasing turnover and two more outlets opened prove that the adjustments made over time ensured a healthy development of the cooperative. In 2010, a restructuration of the management took place. Responsibilities were split between the cooperative's personal management and the organisation of the assortment, the marketing, the coordination with producers and processors.

"The on-going professionalization of Landwege was a precondition for the survival of our initiative. Because: a decision for no-development can mean the end too." "This is what several of our farmers understood in 2013. We had planned to open-up the fourth market. That was well prepared with new location etc. But then, suddenly, this location (old industrial building in Ziegelstrasse) which we tried to rent for years was offered to us. It turned out to be a unique opportunity because we would have the chance to install our office rooms and a big kitchen next to the outlet – and, the location is just behind the railway station, not far from the city. If we did not take it, a competing supermarket chain would have moved in here. Financially, it was a challenge and there was a lot to organise. But finally, we managed to realise the opening of both outlets in time. Our farmers supported us a lot!." (Landwege 2014, 4)

In 2012, a General Assembly was held. "The opening of the two new outlets in 2013 was a leap forward but it was needed because we had a significant backlog. Now, the development concept was at hand. We could show that we were not megalomaniac. It was important to remain credible.

- See section 5.1: Management structures changed when the local food initiative changed into a professional consumer-producer-cooperative.
- See section 5.2: Difficult strategic decisions had to be taken in challenging phases. There was internal critic regarding a variety of issues like the 'two-shop-concept', the 'two-price-system' or two new shops at the same time in 2012/2013.

The on-going internal restructuration of Landwege was driven by feedback loops and self-analyses. Internal feedback and open discussions among members were driver as well as hampering factor

(see slow development during the 1990s and backlog of investment in 2013). The continuous discussions enabled the process of steady adjustments of the management and its strategic planning. “Not every feedback ends up in a change. That depends on the needs and conditions. Sometime too many members have too many opinions. We have changed this – now we work in the small group. Then it is much easier to convince the big group and reduce endless discussions.”... “The Executive Board helps to reflect on feedback and support decision making processes.” (Landwege 2014, 4)

Sustainability

Firstly, economic sustainability is highly relevant. Significant investments have been undertaken during the last decade. Landwege has 90 employees, many of them part-time. Landwege’s last significant expansion was well prepared (business plan, investment plan, financial advice etc.). There is a risk that this investment fails but even without investment, Landwege might have lost its attraction for customers and members. “We needed to make the step, even when it is a risk”. (Landwege 2014, 4)

Secondly, social sustainability/support of organic family farms in the area is a main driver for the long-term sustainability (see Figure 12). Landwege aims for local and regional activities undertaken in close cooperation with ‘Landwege-Fellows’, the Landwege Environmental Foundation and Landwege Association, and other initiatives in the area.

Thirdly, Landwege aims to realise environment sustainability with modern logistics, storage, processing (e.g. in the new kitchen) as well as high-environmental standards of Bioland/Demeter regarding primary production.

Long-term perspective and potential vulnerabilities

The vision and wish is that Landwege will remain a highly competitive organic retail business in the Lübeck area and that it will provide more services such as logistics for the farmers (logistic and storage hub or hubs in the area as well as consumer services such as catering and food deliveries. (Landwege 2014, 4) The cooperative has just realised an important development step in the end of 2013. Capacities have been increased significantly. They are available now and need to be used step by step. For the next years, a period of consolidation and stability is expected even when potential competitors enter the area.

In the past, growth was realised successfully when the internal organisation of the core team was adjusted to the requirement of running a business that needs a complex supply chain, a location in town and reliable staff. It would have been impossible to establish such a concept on a short-term basis. “Management structures needed to grow steadily”. (Landwege 2014, 2) Today, potential vulnerabilities related to ineffective management structures are relatively small.

The availability of qualified employees has never been an issue in the city of Lübeck or Bad Schwartau. Currently, Landwege has seven young trainees. All new members of the teams need to be trained in the particularities and quality attributes of organic food products and production processes. Until now, Landwege was the only specialised organic supermarket in town. That has changed recently. Increasing competition in the local organic market might be an issue in the medium-term perspective and could become an obstacle for future growth.

Currently, Landwege looks like a healthy business. The future will show how the turnover in the new outlets will develop and if the new capacities of kitchen and bistros will be used in the near future. Everything seems to depend on the local market. The major challenge seems to be the number of

customers and their willingness to pay more money for fresh produce and grocery goods at Landwege's than in one of the numerous discount outlets offering organic food too.

6 Future orientation of the initiative/business and the value chain

Actors see market developments in a positive way but, more and more mainstream and low-price organic is offered. Landwege faces a highly competitive situation due to increasing volumes of import products (see section 2). Stakeholders realise the advantages of an initiative such as Landwege and aim to foster this marketing channel (Hof Klostersee 2014, 3). Landwege positions itself with a very strong local focus. This is based on high quality processing and excellent marketing through Landwege. Landwege plans to increase cooking and catering and on-farm processing. The cooperative aims for good organic food for reasonable prices.

The cooperative is 'nearly grown-up'; it looks like a well-established medium-size retail enterprise. However, the expansion was significant with two new outlets in 2013. With the significant investment, new facilities were set up. Landwege aims to produce more meals and catering services because there is a demand for organic meals and meal components in the outlets and for special private and public events. The last step of 'maturing' of the business is on-going.

"Lübeck is a committed green city that aims to become a model eco city. It already proclaims its status as a GM-free community and fair trade city." Landwege is currently converting the 300,000 meals for the municipal day nurseries to organic, and an organic regional market is planned for the Hanse city celebrations, a major event that attracts a million visitors. These plans result from the close connection of EVG Landwege with various initiatives in town. (Landwege 2014, 4) Apart from this initiative, Landwege is open for new developments aiming to respond to the demand in the area as well as internal and external challenges.

Landwege retailer would like to develop together with the member farms new solutions for the logistic of organic food products in the area. "We, the organic farmers, would like to do more business with each other – like us, we would like to sell eggs or poultry from a farm further down. Landwege could become a regional organic goods hub but this is difficult to organise. However, it would be great to have such a logistic because we cannot just drive one hour to get some eggs." (Hof Klostersee 2014, 3)

Member farms are important for this sort of initiatives and new projects because the innovations are closely linked to primary production and on-farm processing. Landwege management has an open ear for members and staff in the different shops. Currently, perceptions among actors seem to be in line with the general plans.

The most important challenges seem to be the competition with other organic retail businesses such as the opening of an outlet of an organic supermarket chain. The number of non-member consumers is crucial for the shops. For that reason, it is important to keep in contact even with those end-consumers who are not members of Landwege cooperative, in particular with new customers such as students or young families.

7 Verification of the results and concluding reflections

The first interview with Landwege's CEO was in February 2014. The aim was to understand the general business model of Landwege and to learn more about the development pathway. Particular aspects regarding persons in responsibility over time, prices or communication, were discussed more in detail during the second meeting. The second meeting was a whole day event with the visit of the Ziegelstrasse outlet, the office rooms and the farm Hof Klostersee. Some of the topics discussed during the first interview have been verified at the Lübeck visit. Printed material was available and helped with the verification of a variety of detailed facts.

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