HealthyGrowth

From niche to volume with integrity and trust

FULL CASE STUDY REPORT

Kolonihagen - Norway

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Content

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

1 Introduction

It is the distribution of organic boxes to private household in and around the Oslo region, which is the focus of the case Kolonihagen box schemes and its value chain in the Healthy Growth project. The company's location is in Oslo.

Kolonihagen was established in 2004 "by accident" – according to the interviewee. Jon-Frede Engdahl the founder, who originates in the advertising industry, was given the assignment to publish a book on cooking organic food. When meeting enthusiasts producing and working with organic food, as well as tasting the difference between TINE (farmer cooperative) butter and Røros Dairy butter he understood that these products were more interesting and varied than conventional food. Engdahl' s wife, a real estate broker and Engdahl's sister quit their job, and started to travel in Norway to collect organic food and to pack food boxes in their own home. They had little knowledge, but learnt by doing.

They also started their own bakery to provide their boxes with bread. This was however too productive so they also needed a bakery outlet in addition to the boxes. The outlet also sell other food.

The box scheme arrangement grew steadily - and in 2012 they also started distributing dinner boxes. This is now the largest product – and count for 50% of the total turnover of Kolonihagen. Kolonihagen box schemes sold about 1200 boxes in March 2014, (1000 private, 200 business), 400 of these were dinner boxes. In January 2015, about 1700 boxes were sold each week.

The last 2-3 years have been important growth years correlating with developments in the organic / local / specialty food market, normalizing towards modern young people and "ordinary" people. Ethical and organic foods are seen as "modern". Now Kolonihagen is big enough to secure delivery for producers, meaning suppliers can develop with Kolonihagen.

2 Case study approach: materials and methods

The data collected is based on a variety of written materials and interviews. The public representation of Kolonihagen was deducted from the webpage of the enterprise and the facebook-page. The self-representation of Kolonihagen is based on five semi-structured interviews conducted between March and October 2014 with people involved in the supply chain of Kolonihagen box schemes. It comprises interviews with the general manager of Kolonihagen box schemes, one employee, the general manager of their main wholesaler, and interviews with two suppliers.

3 Norway – the national context

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

EU-regulations for organic production were established in 1991 and Norway adapted these in 1992. The organisation Debio got the responsibility for certification and inspections (Debio.no) and the Norwegian Food safety Authority are responsible for ….. Organic farming has grown from 1980 with about 20 farms until today where the number is 2590 (SLF 2013). The number peaked in 2009, with 2851 farms. Organic farms constitute 5.8 per cent of all farms in Norway. The average farm size for organic farmers is 19.4 ha, when the average for conventional is 22.2 ha. Organic land in use has grown from 18 000 ha in 2000 to 50 100 ha in 2012, i.e. that 5.1 per cent of land in use are organic in 2013 (ibid.). Just 27 per cent of organic meat was sold as organic in 2012, 38 per cent of milk, 72 per cent of eggs, chicken and turkey, and 100 per cent of grain (Statistics Norway 2013). Norway is on the bottom of the list compared to the other Nordic countries according to organic food production. Consumption of organic food is growing gradually but represented in 2012 only 1.2 per cent of turnover in the grocery trade, i.e. 1, 45 billion NOK (Bye and Løvberget 2013). However, sale has increased the last years from a turnover of 500 million NOK in 2006, i.e. a growth of about 290 percentages. Turnover includes both national production and imports. Measured in value, dairy products represent the largest group of organic products, which is of importance for Norwegian agriculture. Vegetables and potatoes represent the second largest group and the third is grain- and baker's products. Organic food for children have experienced a strong growth the last year, and represent 23 percent of total sale in 2012 (SLF 2013).The main marketing channels for organic products in Norway is the grocery trade (81 percentage). Other channels are sale from wholesale to HoReCa, box-schemes, Farmers Market and bakeries which represents about 19 percentages (ibid.)

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

4. Overview of the case

Main actor: Family owned company consisting of organic box schemes, four restaurants and a bakery
Established: 2004
Legal form: Ltd.
Products: box's of organic food (2015: 1500 boxes each week)
Distribution channels: direct to private household and businesses
Employees: 9
Turnover 2013: 17.3 Mio. NOK /2 Mio. EUR (2014)
Facebook Likes:
Twitter: Google Hits:

4.1 Presentation, basic facts and trajectory

Jon-Frede Engdahl, his wife and sister, founded the initiative in 2004. These persons were involved initially and are still owners. They started with offering box-schemes based on organic vegetables and fruit. From the beginning, they distributed the boxes themselves directly to people's homes. Today distribution is outsourced to a company, Bring. From established box schemes in 2004, the concept expand to include also three restaurants, and a bakery (from 2015 another new restaurant is established in Hamar). The different units are own ltd companies, when Kolonihagen AS is the umbrella organisation that administrate and coordinate the different activities. From 3 employees in 2004, Kolonihagen as today have 60-70 persons employed (many part time in restaurants). Kolonihagen box scheme have 9 employees packing boxes Sunday to Thursday. The bakery has 9 persons working two shifts. Both these activities have move location due to growth. There are 5 persons in the management team. The founder is still involved. He has together with other actors, established a successful organic top end restaurant in Oslo the last years (Maemo organic kitchen) that also serves Kolonihagen with good reputation and knowledge from top end chefs in this restaurant. During the last year, Kolonihagen has development their own brewery, and in 2015 the organic beer will be introduced to the market.

In 2012 Kolonihagen started to offer dinner boxes. Of the approximately 1200 boxes sold each week in 2014, 200 were sold to businesses, the rest to private customers.

Figure 1: Dinner boxes (www.kolonihagen.no)

Dinner boxes are offered for three dinners a week or for five dinners a week. It is also possible to buy gluten free boxes.

Figure 2: three different boxes offered: Family box (to the left), Single box (in the middle) and Fruit and vegetables (right)

Figure 3: Juice box

Additionally there are different fruit and vegetable boxes with and without potatoes, different sizes of boxes and fruit boxes for companies. It is also possible to order different bags, with coffee, sandwich toppings (cheese/jam/ham etc), fruit (for making juice), dairy products yoghurt, eggs, apple juice and fruit.

Figure 4: Dairy bag and bag with “topping”

Suppliers are selected among organic food producers, preferably in the nearby regions. Those wholesalers offering organic products were selected. Kolonihagen has developed and has today a range of suppliers mainly local but also some distant suppliers. They choose the nearest partner if that one can offer organic products and have the best quality. For some products, it is difficult to access enough units for the boxes. Chicken is difficult; they now develop one supplier in western Norway, Humlegården. Earlier they have sometimes used a quality producer and not organic, because they lack alternatives. Sometimes they have to use organic versions of bulk products. When they were not satisfied with the quality of the fish supplied, they chose a supplier in the north of Norway, Varanger fish, because the quality was in accordance with Kolonihagens demand. The main wholesaler is Eugen Johansen, in which they have established a close cooperation. Eugen Johansen supply Kolonihagen with most of their fresh and Norwegian products, and all fruit and vegetables. Since 2011, Eugen Johansen has been shareholder of Kolonihagen and join the board. Other wholesalers are Alma import and Gastro import and Interfrukt. Since last summer (2014), Kolonihagen has moved their place of packing boxes to Eugen Johansens location. Another important change is recruiting a new General Manager for Kolonihagen ltd. in September 2014, with responsibility to coordinate and administrate the different units of Kolonihagen. The business differentiate its products by offering organic traceable products, preferable from local suppliers and as far as it is possible, Norwegian. They emphasis the whole value chain, that all stages in the value chain are satisfied: animal welfare, fair price for farmers, environmental considerations and ethical questions. The development has been from communication of organic, “clean” and “passion” food – to use organic as “a matter of course” were all products are organic as a minimum baseline - while rather communicating the values in the value chain such as fair prize, animal welfare, ethical food when selling the products.

Initially the market was Oslo. Today it is a company not only supplying households with food boxes in Oslo area, but also Fredrikstad and Sarpsborg in the eastern side of Oslo fjord and Tønsberg in the west (Figure 5). Kolonihagen run two restaurants in Oslo, one in Tønsberg, one at Hamar and a bakery in Oslo, all organized as separate Ltd companies. Product range has also grown from vegetable box schemes to also including box’s for egg and bread and boxes for dinner.

Figure 5: Distribution of box schemes from Kolonihagen

Figure 6 give a picture of important events in the development of Kolonihagen box schemes. Turnover has increased until 2008, and then it decreased until 2012 when it increased again. The decrease in turnover was connected to problems with technology deliverables. Since 2011 turnover has again grown and in particular, in 2013 the growth was tremendous. It is the demand for dinner box's that mainly constitute this growth. The economic results has varied form negative to positive since established.

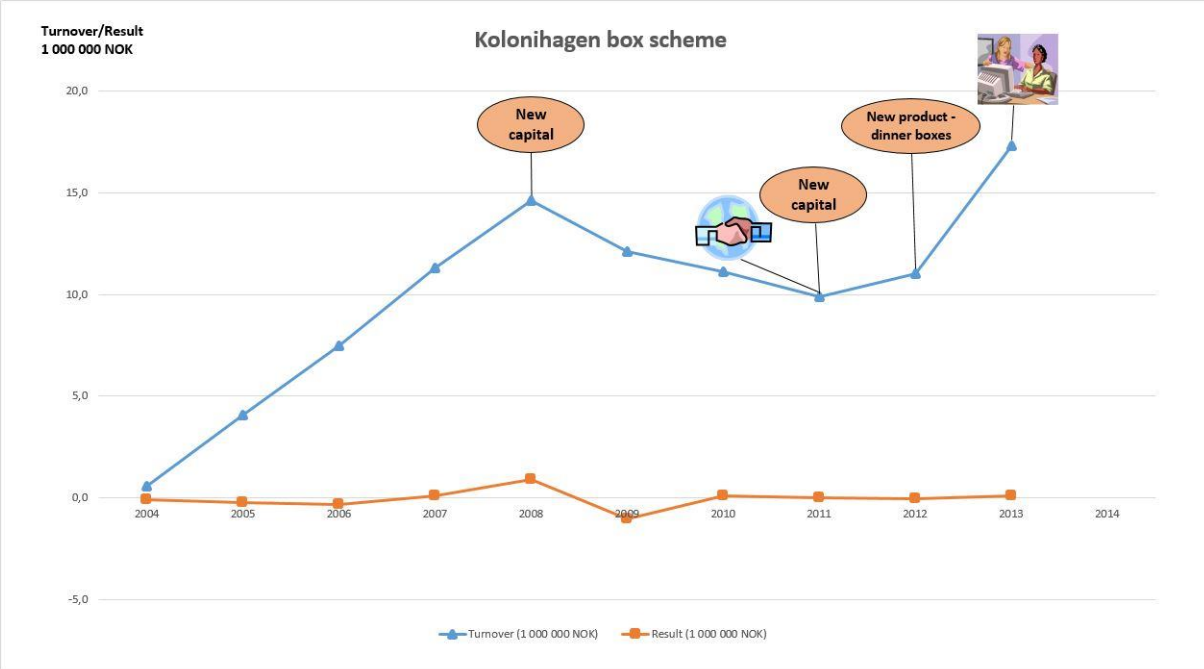

Figure 6: Important events in the development of Kolonihagen

Kolonihagen compete with a conventional dinner box scheme on prize, named "Godt Levert" which is the biggest actor in the market. There is no interest to pay more for organic products in the market by consumers, while suppliers are paid the organic premium. Thus, the surplus share on organic food is lower than conventional foods and Kolonihagen has not been very profitable. "*This is not a company where one become rich"* (GM). Because of this situation, it has not been possible to invest much for growth.

In 2008 and 2011 Kolonihagen box schemes attained new capital. The wholesaler, Eugen Johansen, contributed with capital in 2011, joined the board and a closer cooperation was established between the actors. E. Johansen was invited to buy shares from Kolonihagen. Kolonihagen needed capital, their packing facilities were too small, and E. Johansen offered them to join its facilities for packing the boxes. E. Johansen had built a network of suppliers for organic products and was an important supplier of Kolonihagen boxes already. According to Kolonihagen this agreement was decisive for further growth.

Other important events has been:
2012: Dinner boxes were established as a new product. This product has contributed much to the growth in turn over the last years.
2013: New GM in Kolonihagen box schemes, with experience from merging companies and management of larger units for utilizing the growth potential of Kolonihagen.
2014: New GM of the umbrella organization and co-location with E. Johansen.
2015: A new IT-system was planned to be launched in April 2015. The old system was outdated. The new system give many new possibilities, give more flexibility, for example possibilities to trace the boxes and gain a better overview of available supply.

Kolonihagen box scheme had the same General Manager until 2012, and then she wanted to do something else. A new GM was hired, but he quit in January 2013. Then the GM of today took over. A new manager was employed at the umbrella organization Kolonihagen Ltd., since September 2014, to implement systems and administrative routines.

Kolonihagen box schemes has plans for further growth. The aim is to broaden the geographical area of sales. There is a need of a controlled growth in a marked that Kolonihagen knows and that knows Kolonihagen. It is important with the right people in the board and access to organic food products. The GM believes it is most realistic to grow in and close to the established market.

4.2 Stakeholder network

Mainly, Eugen Johansen supply Kolonihagen with products to the box schemes (70 %). Some producers supply directly. Examples of such producers is an egg producer, "Haugaland Dairy" and "Den blinde ku", where both produce organic cheese, and "Humlagarden" that produce organic chicken and turkey. The egg producer has mainly Kolonihagen as a customer, and use their label on their packaging. The other producers have many other customers beside Kolonihagen. Kolonihagen offer three types of boxes,

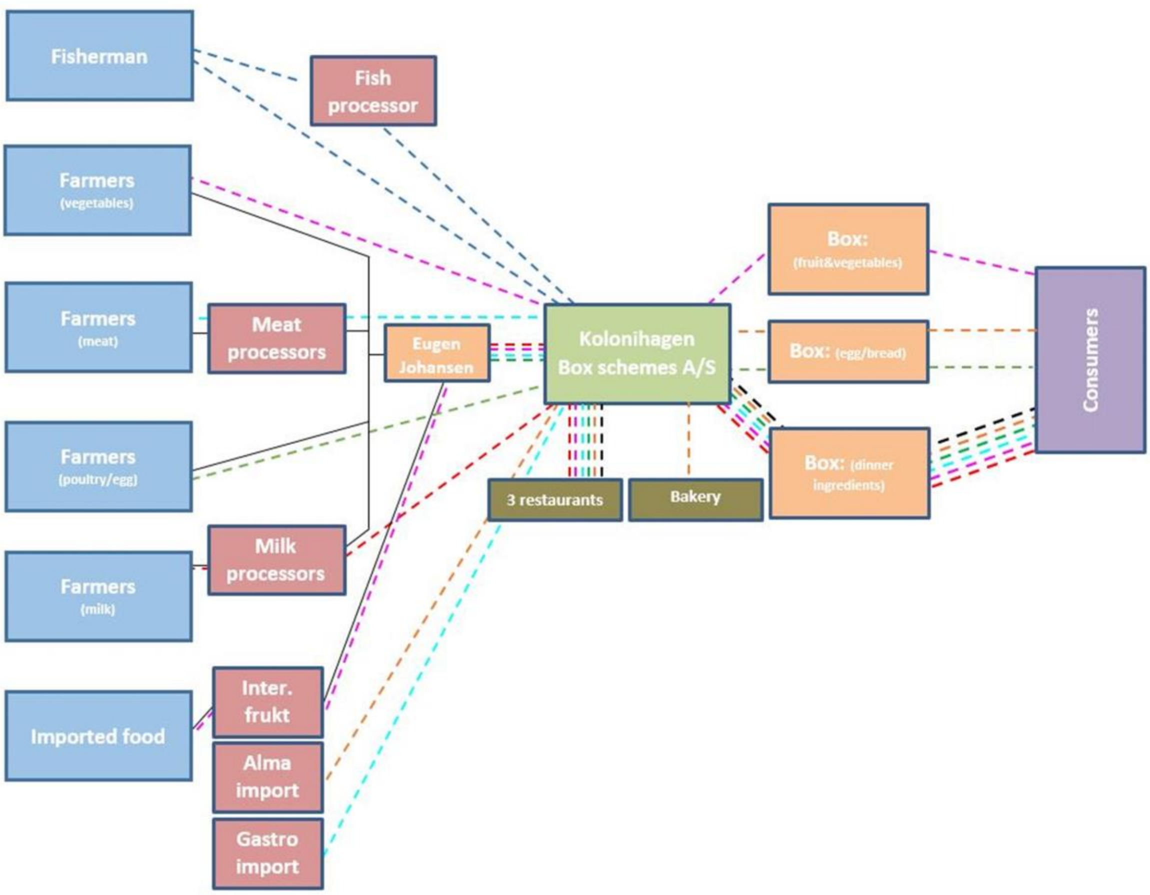

Figure 7: Value chain of Kolonihagen

where the dinner box is the most popular one. A distributor called Bring is now responsible to deliver the boxes to customers. Earlier they had their own transport.

5. Analytical perspectives

5. 1 Organisation and governance

Modes of management and governance
The business was established as an ltd company, family owned. The board, with only family members took the main decisions initially. In 2011, E. Johansen bought shares in the company and have since joined the board. The General Manager of Kolonihagen box schemes join the board meetings and now also the new manager of the Kolonihagen Ltd. According to the employee, there were a lack of structure and systems, and therefore a new General Manager for Kolonihagen Ltd. was hired in September 2014 to establish such.

According to coordination, for wholesalers there exist standard contracts. There are a formal agreement between Kolonihagen and E. Johansen about cooperation, and that Kolonihagen mainly has to use this wholesaler. All their customers receive this standard contract about price, service, etc. For some suppliers there are contact from time to time when Kolonihagen need their products, only informal contact. One example is Haugaland Dairy where there is no formal agreement. Kolonihagen order their products when they need them, usually every third month. Then they order a big quantum, but there is always some uncertainty if they will order again (Haugaland Dairy).

Another supplier is Homlagard turkey, delivering turkey and chicken. They have a long term formal agreement with Kolonihagen about cooperation and price. Price is agreed upon every year. The agreement is about weight, type and volume. According to Kolonihagen it is important with a long term agreement so that the producers know somebody will buy their products and thus they dear to increase their production. The egg producer has a long term contract, because they produce under Kolonihagen label.

There have not been any conflicts about agreements. According to Kolonihagen it is the supplier that suggest the price. They negotiate, but are very conscious that farmers are satisfied with the price. According to Haugaland Dairy they demand a fixed price to customers such as Kolonihagen. This price cover fixed cost and salaries. Humlagarden turkey also get the price they ask for. They have standardised a price to different customer groups, where this price cover cost and salaries.

Kolonihagen say that the relationship with E. Johansen is more like a partnership. The relationship with other suppliers is more business relationships. They try to keep contact with suppliers regularly, and have a good relationship with them.

The agreement with the delivery company “Bring” to bring boxes to customers was an important change for Kolonihagen. They have also changed some suppliers during the years. For example, a supplier of fish as mentioned earlier.

The agreement with E. Johansen has been very important for Kolonihagen. It was important to get available their network of suppliers and because they have many customers, they negotiate a lower price from suppliers. The offer to move their packaging of box’s to E. Johansen was also very important. They now pack the box’s in the same building as E. Johansen use as a wholesaler for local and organic food. The cooperation with E. Johansen is a strategic cooperation important for both parties. Kolonihagen in important for E. Johansen because it is a growing demand for organic products. For Kolonihagen E. Johansen is very important as their main wholesaler. The wholesaler is also important for finding new producers and developing new producers. They join a project where they try to find and develop new suppliers and to establish contracts with specific producers. It is a problem that retail chains control supply chains. This makes it difficult to find suppliers.

Kolonihagen has different relationship to different actors in the chain as explained above. Have in particular a close relationship to E. Johansen, a partnership relationship. They have a closer and a more formal relationship to some suppliers than to others. They have a different relationship to Homlagarden than to Haugaland dairy, as described above. Kolonihagen has invested in their *relationships* with some established producers of organic food and do collaborate closely with potential new producers in their value chain. This activity has been important to secure delivery of food to the boxes.

Public policies and relationship with the civic society

Kolonihagen got support from the agriculture authorities (Landbruksdirektoratet) regularly, which have support schemes for organic agriculture. Innovation Norway, the public institution supporting businesses development, have supported the establishment and development of the business. Kolonihagen is involved in some NGOs. The founder join the board of Debio, the institution that approve and control organic certification. Kolonihagen is members of Oikos, the national movement of organic producers and consumers in Norway, and cooperate sometimes with this organisation.

5.2 Business and management logics

The last years the revenue cover all costs of the company. Nevertheless, profitability has been low for many years, also negative some years. The key business goals for Kolonihagen are:

1. Increase the offer and variety of organic products from Norway
2. Increase the general knowledge level about organic products
3. Provide people with better food experience
4. Maintain profitable while doing the above

Kolonihagen are in a process developing a strategic plan. This is a new activity for the company. The core sentence of Kolonihagen is*: "pure pleasure"*. As management instruments, Kolonihagen use contracts in some cases when offer is regular. In other cases they order now and then when they need products and have then no contracts. They use contracts with the most important suppliers, to secure deliverables when needed. It is important to maintain a good relationship with suppliers, therefore they phone or contact suppliers regularly. Kolonihagen offer prices suppliers suggest, to be sure they earn money. Local suppliers are preferred if products are organic and of the best quality. According to employee, the organisation is flat and transparent, and you are given trust. Employees join decisions and influence decisions, they feel included in running the business. "Feel valuable in what we do". It is very good working conditions (Employee).

Growth the last years has contributed to changes in management and changes in the location for packaging boxes. In 2012 the general Manager for box schemes decided to do something else, and a new GM was hired. The today's manager of Kolonihagen box schemes was hired in 2013. A new data system will replace an old outdated system. The new system will make ordering for customers more flexible, be more adapted to customers and give a better overview of suppliers and supply. The close cooperation with E. Johansen has made supply more efficient and to a lower price because of higher volume ordered by E. Johansen.

Competitiveness is important for the continuity of the business. According to the GM prices for organic products can't be too much higher than for conventional products. People are not willing to pay much more for organic products. Another initiative "Godt levert", which is the main competitor of Kolonihagen, run a box scheme for conventional food. Kolonihagen's prices are at the same level as the prices of this competitor. When Kolonihagen increased the price with 10 percent above the competitor's prices, some customers change to the competitor. Kolonihagen is also conscious that their prices are at the same level as prices for organic in organic retail shops where they offer "real" organic products.

Because organic products cost more to buy, the profitability is lower for Kolonihagen than for the competitor. To handle this situation the employees and GM are offered lower income than what is common for such jobs. People have to be idealistic to work in Kolonihagen. The result also show this, that the company do not earn much money. To handle this situation Kolonihagen try to increase differentiation and offer very special products, fresh, and add these products with a story so customers feel they get something more of value than for competing products.

Strategic partnership is very important. Such partnership is established with E. Johansen. This firm supply Kolonihagen with most of their fruit and vegetables and other Norwegian products. E. Johansen have shares in Kolonihagen and join board-meetings. E. Johansen support Kolonihagen in finding and/or developing new organic suppliers. For E. Johansen Kolonihagen is an important actor because they buy organic products and experience a huge growth in this market. They have both interest in growing demands for organic products.

To secure product qualities through the chain, Kolonihagen inform customers about the ingredients of the box the week before customers receive it. Then they inform about content and the producer that have produced the products. Inside the box is a letter with information about the producers, how the product has been produced, for example that cows have the possibility to be outside all the year, etc. (storytelling about farmer, production and products) and information about the internet-page of the producer. A recipe is attached. Additionally the business update their internet-pages and social media where mainly Facebook is used. All products have the producer's brand and producer information and the organic brand. When visiting Kolonihagens restaurants, customers are informed about the food and that it is possible to subscribe on box-schemes. This sometimes give new customers. The huge media focus in connection with opening the quite new organic gourmet restaurant, Maemo, in Oslo has given Kolonihagen a lot of positive attention because one of the owners is the founder of Kolonihagen. Kolonihagen arrange sometimes events in Oslo with producers, where information about values and qualities of products is part of the event where people are offered to taste products made by cooks. The rule that products can only be at storage 48 hours, is also a way to secure product qualities. It is important to offer fresh products.

Kolonihagen is very conscious that producers earn money on their products and get a fair price. Suppliers interviewed are satisfied with what Kolonihagen pay. Suppliers get what they suggest and this is enough for covering costs and salaries (Haugaland dairy and Homlagarden turkey). E. Johansen add 10 % when selling to Kolonihagen box scheme. Kolonihagen pay a price premium to organic producers, which is about 30 % higher than for conventional food products. This is part of their values, to give a fair price to producers. Fairness is an important issue for chain partners. Kolonihagen want all members of the chain to be satisfied.

According to dependency of each partner in the chain, this vary. One supplier is very dependent on Kolonihagen, the egg producer. Other suppliers have many customers. Kolonihagen is quite dependent on E. Johansen as their main wholesaler. They supply about 70 % of Kolonihagens products. Kolonihagen constitute 10 % of their turnover. This means that E. Johansen is not that dependent on Kolonihagen. E. Johansen see a huge potential for growth in Kolonihagen in the future and thus find Kolonihagen to be a very interesting partner. Except E. Johansen most actors in the chain are defined as business contacts. Compared to a conventional food chain, Kolonihagen try to maintain a close and personal relationship with suppliers.

It is possible to identify an overarching business logic that links businesses together. The actors we have interviewed emphasis that they are based on the same values, such as organic, fair, animal welfare and quality food.

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

The company differentiate its products in offering organic traceable products, preferable from local suppliers and as far it is possible, Norwegian. They emphasis the whole production process, that all stages in the value chain are satisfied: animal welfare, fair price for farmers, environmental considerations and ethical questions. It is important that the chain is as short as possible and that the quality is as good as possible. Variations in offerings is also important, and to offer unique products with a history.

Fair price seems to imply that farmers/producers decide prices/secure they earn money on production and that they are satisfied with the price. Animal welfare means according to organic standard or even above. For example, turkeys and pigs are living outside.

Ethical questions. Fairtrade. Fish from Northern parts of Norway because they use line for fishing (ethical considerations). Environmental considerations, mainly organic but sometimes also biodynamic when possible, in particular for imported products.

Growth has influenced quality differentiation strategies. Because lack of organic products, sometimes local quality food is used in box's. The slow growth has been influenced by lack of organic products, but also profitability. At the same time, it seems that it is even more important to differentiate toward competitors to secure a premium price, to develop qualities such as offering unique product and communicate history around products. One important obstacle for growth has been available organic products. Kolonihagen have decided to grow with the producers, they do not want to compromise on qualities. Growth in volume has made the business profitable. They earn little on each box, but volume will increase profitability

Both Kolonihagen (GM) and their suppliers agree that there is a fair distribution of economic performance. (Haugaland dairy and Humlagarden turkey). Kolonihagen is satisfied that they have got profitable. Also the other actors interviewed are satisfied with own economic performance along the chain.

Establishing a bakery and restaurants are part of a growth strategy, where all these activities support each other. Common supply, the bakery deliver products to the other units, restaurants market box schemes and use the same raw materials. The need for more organic and quality products has made it important for Kolonihagen to cooperate closely with some producers to develop the needed amount and quality. The choice of partners has been influenced by their quality strategy. A main point for Kolonihagen is not to grow too much. They want to emphasis Norwegian organic products and short chains, so they have to grow in parallel with producers. Therefore, they try to influence producers to produce more or establish organic production. The quality strategy has also influenced slow growth.

Kolonihagen needed to grow to get profitable. There are challenges in finding enough and a variety of organic products to offer according to needs. It is a challenge because consumers are not willing to pay much higher prices for organic products. When products cost about 30 % more to buy, and prices cannot be much higher than for conventional products, profitability is low. To overcome these challenge, increase in volume is a strategy to gain profitable and also to be more efficient. Kolonihagen and E. Johansen, try to recruit new organic producers and support them to increase in volume. Kolonihagen has accomplished different changes to increase effectivity in own organisation, and to market the business more consciously. Among others, they have employed a person responsible for communication and marketing.

5.4 Communication of values and qualities

Communication with stakeholders differ. Some suppliers are contacted now and then in connection with ordering by phone or e-mail. Other supplier from where they have regular supplies, are contacted in particular in connection with deliveries, then by phone or e-mail. Additionally they have yearly meetings with these suppliers for deciding prices, frequencies of deliveries etc. Communication with E. Johansen is at different levels and every day according to ordering and supply. As mentioned earlier as a member of board, E. Johansen also join board meetings where strategy is discussed. They have a very close contact with different form of communication.

Kolonihagen has regular contact with import companies, where they usually order organic products every week, by e-mail and/or phone. According to Haugaland Dairy they communicate with Kolonihagen mainly in connection with supply. Then they communicate by e-mail and/or phone (Haugaland dairy). Humlagarden has yearly meetings with Kolonihagen where price is decided. Beside this, they communicate in connection with supply every third week, per phone and/or e-mail (Humlagarden turkey).

Kolonihagen use Facebook for communication with customers, and e-mail. Facebook has 10658 likes (15.01.2015). Kolonihagen have no marketing budget. They experience these channels to be good toward customer, and it is important that they communicate in a way that are honest, open and create trust, and that personal answers are given on questions. It is also important that customers are honest and confident to ask questions and give comments/input. Kolonihagen experience customers to be increasingly active in social media (Employee).

The specific interaction between primary producers and consumers in this value chain is information given by Kolonihagen about producers before boxes are delivered and when boxes are delivered . The homepage of Kolonihagen give information about producers. Kolonihagen arranges sometimes events where producers are invited to join for communication with consumers.

Growth has led to more products are supplied by wholesalers, and less directly from supplier.

A person responsible for communication was hired 1.5 years ago, to work with communication. Kolonihagen want to emphasis this function and be better in communication with customers via Face Book and social media in general.

5.5 Quality dimension of primary production and mediation through the chain

The two farmers interviewed see organic, local and handicraft production, and taste as superior qualities linked to his or her way of production (Haugaland dairy) and organic, animal welfare (turkey outside all summer) – good meat quality. Humlagard has its own abattoir, which means less stress for animals. To support these qualities Humlagard has a specific production methods, and special feed.

Kolonihagen is very conscious tosupport qualities of primary producers. They keep products fresh, and thus it is important that product do not stay too long on storage (max 48 hours). To secure this they have built an efficient logistic, and they have invested in a freezer. All qualities are included in the prize setting between processors and Kolonihagen

Kolonihagen inform customers about the box the week before the customer receive it. Then they inform about content, the producer that have produced the products and his/hers homepage, and products. Inside the box there is a letter with information about the producers, how the product has been produced, that cows have the possibility to be outside all the year, etc. (that is storytelling about farmer, production and products) and information about the internet-page of the producer. Attached is also a recipe. Additionally the business update their internet-pages and social media, such as Facebook, Twitter and Instagram. All products are branded with producer brand and producer information and organic brand.

When visiting Kolonihagens restaurants, customers are informed about the food and that it is possible to subscribe on box-schemes. This sometimes give new customers. The huge media focus in connection with the organic gourmet restaurant, Maemo, has given Kolonihagens businesses a lot of positive attention. Kolonihagen arrange sometimes events in Oslo with producers, where information about values and knowledge of products is part of the event where people are able to taste products made by cooks.

Kolonihagen want organic products as a basic. They also prefer other qualities as mentioned before; animal welfare, short chain, and ethical food, environmental friendly packaging, etc. Stakeholders we have contacted all states that they are based on the same values as Kolonihagen.

For some products Kolonihagen add processing qualities, for example for minced meat and fish. An employee is a sausage-maker, and he process different product from meat and fish. For fish products, they also use another company (Fiskecentralen) to process fish when needed. The bakery, which is part of the Kolonihagen portefolio, process bakery products for the box-schemes. Dairies and abattoirs delivering products add processing qualities. Some farmers deliver directly to Kolonihagen and just pack products in demanded packaging.

Kolonihagen think it is very important for the consumers of organic food to know the origin of the food, therefore Kolonihagen is very conscious about telling the story of the producer and the product. Also producers/suppliers of the box schemes value the way Kolonihagen market their products with informing the customers about producers and products (Haugaland dairy and Humlagarden turkey). E. Johansen emphasis the communication with consumers as a major strength of Kolonihagen. Both it's communication with customers in connection with box schemes and their activity toward customers on social media (E. Johansen).

There has been conflicts between E. Johansen and Kolonihagen about quality of products. Kolonihagen know that their customers prefer vegetables looking good, when E. Johansen sometimes deliver vegetables that customers don't will accept. Now this conflict is handled, and Kolonihagen returns these products so E. Johansen can sell them to other customers.

Suppliers of Kolonihagen get feedback on their products. Kolonihagen and E. Johansen encourage producers to start production and to produce a variety of products, and they guarantee ordering products to a reasonable price.

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

The main challenge for Kolonihagen has been demand for organic food and willingness to pay by customers, which has influenced the economy and thus the ability to develop. Kolonihagen did not experience any impact from the crises. Neither E. Johansen did experience any crisis in 2008.

Kolonihagen has struggled with bad economy for many years, and they have been obliged to gain new capital to survive. The last years it seems like changes has occurred on basis of a gradual development/growth of the firm, not as shocks. Based on growth processes there has been need of changes as mentioned before, move to another place to pack box's, new management, install a new data system, hire a person responsible for communication, etc.

The goal to grow is a driver for changes, a decision that is taken in the board.Both Kolonihagen and E. Johansen have close and regular contact with suppliers. Kolonihagen has just invested in a new data system to adapt more to customer needs/demands. This system is based on communication with consumers by arranging focus group meetings with customers.

Kolonihagen give feedback to suppliers on products. An increase in demands for products and increase in volume demanded is perceived as positive. As Kolonihagen state, they want to support suppliers to grow, which is a main goal of the business, because they need more products themselves.

The interviewees think the value chain of Kolonihagen is sustainable, but it depends on the availability of new organic products produced in Norway. Kolonihagen expect to grow in the future, and perhaps to establish companies also in other bigger cities, such as Bergen and Trondheim. E Johansen also expect that the chain will grow in the future. The largest obstacles to growth has been demands for organic products and organic products available

E. Johansen and Kolonihagen point out the availability of organic products and variety of such products as a challenge for growth of the chain. As a researcher, I also see that the core company is very vulnerable according to economy among people, and that a recession will decrease demands for organic products. The agricultural authorities may be an obstacle to growth in this niche production, because the today's blue wing government may be less positive to organic production than the earlier government.

6 Future orientation

All actors experience a growth in demand for organic products the last years, and think/hope this will go on. The chain position themselves in relation to “mainstream organic” in adding other qualities; do not sell mainstream organic products if there exist other choice. They focus on the whole chain, on fairness, ethical concerns, environmental concerns, short food supply chains, and want to differentiate even more on unique products, storytelling, and taste. Actors along the chain plan to grow and this seem necessary to gain profitable. Also stakeholders such as E. Johansen plan to grow, and experience an increase in demands for organic products the last years. The main actors have the same opinions about these questions.

As already mentioned Kolonihagen grow and connected to this, they have started a restructuration process. Co-location with E. Johansen, new manager for the whole umbrella employed, develop new data-system, employ responsible for marketing and communication, new member of board, etc. These processes will contribute to change the organisation, and make the organisation more structured and market oriented. They also work hard to recruit new producers and establish contract production to secure supply and diversity. Kolonihagen also have ambitions to grow, both to establish more restaurants and to widen the geographical area for boxes. The partner E. Johansen agree on these changes.

7 Verification of the results and concluding reflections

Despite efforts, we have not yet managed to get in contact with the initiator of Kolonihagen. The GM accepts the report.

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