**Value creation in a successful organic potato supply chain from grower to professional kitchen**

H-M. Väisänen1 & S. Iivonen2

*1University of Helsinki Ruralia Institute, Lönnrotinkatu 7, 50100 Mikkeli (**hanna-maija.vaisanen@helsinki.fi**), 2Finnish Organic Research Institute Finland, Lönnrotinkatu 7, 50100 Mikkeli (sari.iivonen@luke.fi)*

**Implications**

Successful supply chains create value for not only consumers, but also for the other partners in the supply chain. When marketing organic products, the organic certificate alone is often not valuable enough: in most cases the organic product must also contain other properties that are valuable to the consumer. For a successful organic potato supply chain, many other value dimensions are required: both the supplier (farmer) and the end-user (kitchen) must perceive that the benefits outweigh the sacrifices. The crucial point in a successful organic potato chain is the mutual understanding of the meaningful values for each partner in the supply chain. The whole idea of sustainability is more than the use of organic products in itself; it is also how the kitchen operates – how to make food from the ingredients. From the sustainability viewpoint in an organic potato chain, the whole concept of sustainability is also worth considering. One issue, for example, is the necessity of processing; the unpeeled potato is also serviceable. Leaving potatoes unpeeled also reduces energy and water consumption as well as waste compared to processed potatoes. Perhaps the next step in the value creation of an organic supply chain is to create shared value, which means creating economic value in a way that also creates value for society.

**Background and objectives**

Nowadays, the quality of being organic is a natural part of food selection in Finnish professional kitchens. About 15% of catering sector kitchens use organic products daily, and the share is increasing. Over one-third of kitchens are considering increasing the usage of organic ingredients (Food Service Feedback, 2015). The most required items are processed organic vegetables, for example, washed and peeled potatoes and carrots.

Potato is a common and traditional ingredient in the Finnish catering sector. But the use of the organic potato is still quite complex. The barriers preventing the more extensive use of the organic potato can be found on both the kitchens’ and the growers’ sides. The rationalized production and hygiene requirements in kitchens promote the use of semi-manufactured and processed foods. On the other hand, organic potato growers are reluctant to start processing because of the necessary expensive investments and the low price of the processed potato (Koivisto et al., 2016). Thus far, organic potatoes are sold mainly as washed in the catering sector.

In business, it is essential to be able to create value for buyers (Porter, 1985). The supplier needs to offer value to the customer but also needs to gain benefits from the customer at the same time. For the survival of the business, suppliers need to understand how value can be created (Walter et al., 2001). To build a successful supplier–customer relationship in business, it is important to create value for each partner.

In this survey, the buyer–seller (kitchen–potato grower) relationship is examined to understand the perceived value of both business partners (professional kitchens as well as the growers) in the organic potato supply chain. A better understanding of the value creation of both the supplier and the buyer will enhance successful organic supply chain development.

**Key results and discussion**

The value of the organic potato in a professional kitchen consists of quality attributes, use/functional criteria and signalling value. Professional kitchens most often mentioned values related to quality, such as freshness, taste, the right size of the tubers and a suitable variety for dishes. In the category “use/functional value” it was revealed that some kitchens appreciate peeled potatoes, whereas for some kitchens the unpeeled potato has a meaningful value. Those kitchens used hardly any processed or semi-manufactured ingredients. On the other hand, the usage of unpeeled potatoes might be regarded as a concession to the producer. However, in this case the value creation benefits both sides, even though the type of values differed (profit value for the grower; quality, use and signalling value for the kitchen). Organic potatoes also have a signalling value: the organic potato is an ingredient in “better” menus or served to certain customers.

In turn, the value of the organic potato for growers consists of profit value, quality and use/functional value. Growers as suppliers seem to highlight profitability-related issues, which is meaningful for the success of their businesses. The promotion of quality (referring to taste, safety, suitable varieties) is a normal method of gaining a competitive advantage in the catering sector. Growers seemed to consider their own delivery and the reliability of delivery to be a part of value creation (functional value).

The results point out that besides an organic label, the organic potato needs to meet other requirements of the end-user. The catering sector considers taste, ethicalness and environmental friendliness as the most important reasons to use organic products (Food Service Feedback, 2016). For a successful organic potato supply chain, other value dimensions are also required: both the end-user (kitchen) as well as the supplier (grower) must perceive that the benefits outweigh the sacrifices. The value creation elements of both supply chain partners are partly in line. The crucial point in the successful organic potato chain is the question of realizing and understanding the meaningful values of the others.

**How was the work carried out?**

The organic potato supply chains and business relationships were investigated by (semi-structured) interviews of the partners in an organic potato supply chain. Altogether fifteen organic potato suppliers (growers and wholesalers) and end-users (professional kitchens belonging to the Step to Organic scheme) were interviewed. The kitchens represented small-scale (30–90 lunches per day) and large-scale production (400–900 lunches per day). The potato area of the grower was in most cases between 1–3 hectares. The interviews were recorded, transcribed and analysed to identify the value-related issues. The different types of value were categorized, and their frequencies were measured.

**References**

Food Service Feedback. 2015. Taloustutkimus Oy. Published in: http://proluomu.fi/luomu-on-tavallista-ruokaa-ammattikeittiossa/

Food Service Feedback. 2016. Taloustutkimus Oy. Published in: http://proluomu.fi/vastuullisuus-vetaa-luomua-ammattikeittioihin/

Koivisto, A., Iivonen, S., Väisänen, H-M., Mattila, T. & Kivijärvi, P. 2016. Reasons for low level of organic vegetable production in Finland. Acta Hortic. 1132, 147-154. DOI: 10.17660/ActaHortic.2016.1132.20

Porter, M. 1985. Competitive Advantage. New York: The Free Press.

Tike 2013. Tiken puutarhatilastot 2013. Maa-ja metsätalousministeriön tietopalvelukeskus.

Walter, A., Ritter, T. & Gemünden, H.G. 2001. Value Creation in Buyer–Seller Relationships. Theoretical Considerations and Empirical Results from a Supplier’s Perspective. Industrial Marketing Management 30, 365–377 (2001).