



Beating the economies of scale through local food

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Abstract – Often local and organic food producers and their supply chains face two main challenges: high logistical costs and complex distribution, and establishing lasting relations with the consumers. Conventional supply chains drive the costs down through benefits of economies of scale and have therefore a competitive advantage over the small initiatives. At the same time the conventional supermarket chains are part of a bigger food system and cannot efficiently meet changing consumer demands. This creates a window of opportunity for the local and organic food enterprises such as the Dutch Willem&Drees case study shows. In order to seize this opportunity new ways of cooperation and communications are needed. This means creation of short food supply chains that are based on inclusive social values, which allow mainstreaming of these initiatives in the conventional food system.

INTRODUCTION

In the recent past mass-production and standardisation of food production was the hallmark of the food system. Nowadays the consumption preferences seem to change once again (Baum, 2013). The conventional Dutch food supply chains are reacting slowly to new social, demographic and economic changes. According to Wageningen University local products provide an opportunity to catch up with these changes in the Netherlands through adjustments in the value chain. Therefore products should be more readily available, the price should not be much higher than for ordinary products and there must be a good story associated with these products (Vijn, Schoutsen and van Haaster - de Winter, 2013). Willem&Drees, an initiative from central part of the Netherlands, has designed an innovative alternative food supply system in order to meet these changes. The associated food network involves 80 farmers, 15 employees working for Willem&Drees, an annual turnover of 2 million Euro and 75 supermarkets of different retail chains involved in the project. The initiative was started from a dream to deliver local food to the local supermarkets, with a convenience of one stop shop opportunity for the consumers.

The central research question and objective of this short paper is to understand how to successfully integrate and manage short food supply chains within the conventional food system? And does success work both ways?

In this case mainstreaming can be seen as a desirable process. It is defined, as either replication of idea by others; growth in scale due to a larger output or attraction of new consumers, farmers and supermarket chains; and translation of an Willem&Drees' ideas into the conventional Dutch food system (Seyfang and Smith, 2007; Seyfang and Hazeltine, 2012). This also means pursuing goals of the main actors within the supply chain. Such as, greater than before consumer demand for local and

organic products. This requests growth from the supermarkets of this segment within their businesses. Creating and seizing opportunity for sustainable, long-term profitable expansion for Willem&Drees. Increased profitability and reintroduction of producers' independence for the farmers. And at the same time maintenance of benefits and unique character of short food supply chains through its 'soft targets' of social proximity, transparency, and reciprocity.

METHODS

The information for this paper was collected through participant observation at Willem&Drees premises in Cothen during the period of January and February 2013 with their full knowing of being observed. All of the observations were conducted on daily basis by observing the Willem&Drees employees performing their routine jobs and assisting them in these activities. The observations recording method reflects a qualitative study approach through narrative recording and diary keeping of work mode at Willem&Drees. Therefore they may reflect author's bias and subjectivity on the matter (Kumar, 2011) even though they have been tested in practice, commencing Willem&Drees' point of view.

RESULTS

From the conducted observations two main dilemmas, which Willem&Drees face at the moment, come forward. Firstly, there is a challenge to create a match between their short food supply chain and the retail sector. Clearly their initiative affects conventional Dutch supermarket chains but it is difficult to find the right profitability balance. Secondly, the supply of local food requires integration with the conventional wholesale system in order to beat the economies of scale of distribution. At the moment of observations the delivery underwent the following steps (fig. 1): farmer selection; aggregation; order picking and storage; distribution to the supermarkets; presentation and storytelling.

Farmer selection is the first and most fundamental step in the success story of Willem&Drees. Without excellent farmers who were willing to escape the rat race of mass-produced bulk foods the initiative could not exist. Instead they focus on production of quality, sustainability, biodiversity, seasonality, and transparency. Furthermore the selected farmers had to be willing to integrate their farms into the supply system set up by Willem&Drees and cooperate with other farmers.

Aggregation means collection of farmers' produce directly from their farms. The harvest is brought to the logistical hub of Willem&Drees. The



warehouse is located in the village of Cothen, in the middle of the Netherlands.

storytelling are the two core competences of the initiative.

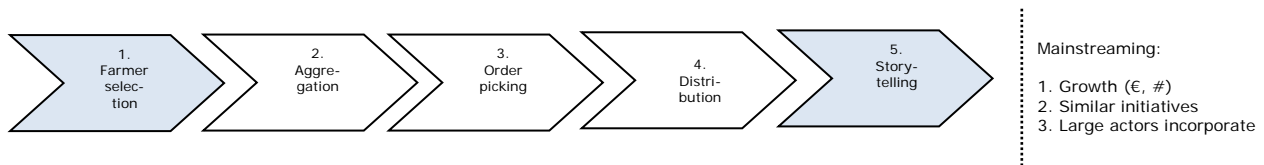


Figure 1. The distribution process of local food at Willem&Drees.

Storage of products and order picking also happens at the same location. After all the orders of the previous evening and the actual working day have been received and processed fresh fruits and vegetables are packed in standardized packages and labeled in accordance with the criteria used by the supermarkets. Some products are being prepackaged and labeled, as demand flows can be predicted to a certain degree. After the orders have been picked they are placed on pallets and stored for their delivery to the supermarkets.

Distribution happens through internal delivery service of four vehicles, as well as by outsourcing one part of larger orders to a professional logistics company due to the lack of ownership of big trucks. At the moment Willem&Drees distributes the orders mainly in the middle and western parts of the country. These are the most urbanized and populous areas of the Netherlands.

Presentation and storytelling occurs through different communication channels. First of all on their home page Willem&Drees present what they call their heroes: excellent farmers who are showing their product and share their visions of agriculture. Secondly the information is spread on the shop floor through flyers, stands and labels that can be easily read by consumers. Also Willem&Drees organize special dinners for interested consumers and supermarket managers on distinct locations in order to bring the different actors (including the farmers) together. And finally, Willem&Drees organize farmer markets together with the farmers in front of or inside the supermarkets, which they supply with their local products.

These steps within the short food supply chain of Willem&Drees allow local food to reach a new market and scale of growth through the process of mainstreaming. Mainly this happens through growth of more outlets, by entering new supermarkets with their products.

INTERPRETATION OF THE RESULTS

The main drivers of innovation are the questions how Willem&Drees can enrich the life of supermarket chains; how to keep the unique advantages of short food supply chains in the conventional system; and how to optimize the logistics and distribution model for a better service delivery within the entire Netherlands in order to meet the growing demand.

From the observed results it appears that selection of the right farmers (based on farmers' reputation among their peers and intuition of Willem&Drees employees responsible for the selection process) and

They explain the success behind the growth of Willem&Drees. Traditionally, supply chains are coordinated by price and / or power but they perform better if a more balanced approach is applied, where reciprocity, trust and fair sharing between partners are important principles. This means that the selected partnering farmers are of crucial importance in setting up a short food supply chain and further upstream cooperation. At the same time farmers that participate in these kinds of chains need special entrepreneurial skills, which they often lack. In short food supply chains it is important to be able to communicate with the consumers. Willem&Drees combines the professional strengths of farmers with the market opportunities through telling their stories both to the supermarkets, as well as to the consumers and streamlining the supply flows.

ACKNOWLEDGEMENT

The author would like to thank Karst Westra for providing ideas for the input and critical review of this short paper.

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