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PAŃSTWOWY INSTYTUT BADAWCZY



The concept of short supply chains in the food economy

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Introduction

Short Supply Chain

Short Supply Chain
– Key Concepts

Short Supply Chain
- Benefits

Short Supply Chain -
Development possibilities

Summary and Conclusions

Introduction



- Agri-food economy and food chains are ***transformed*** from a commodity system organized via ***spot markets*** towards a vertically ***coordinated food system***.
- This leads to ***competition*** between ***supply chains*** and networks, and ***not only*** to competition between individual ***companies***.
- Food products can easily get worse due to the carelessness of one of the ***participants*** in the ***chain***.
- ***Consumers*** put greater demands on issues such as food safety, packaging design, product diversity, quality of products and services.
- The issue of ***environmental impact*** and its protection is becoming more and more important (the relationship between supply chains and sustainable development).



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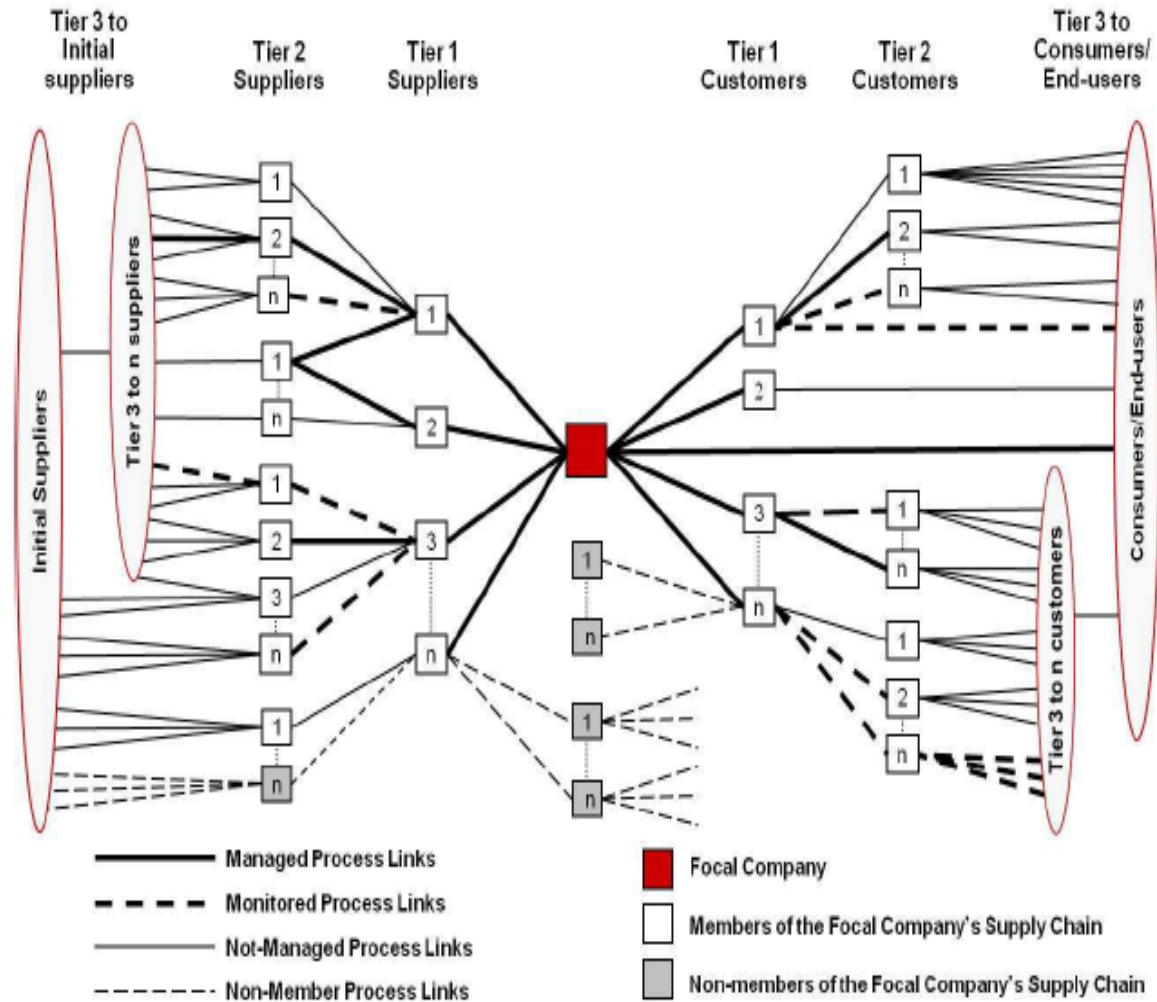
Short Supply Chain -
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Summary and Conclusions

Short Supply Chain



A supply chain consists of two or more legally separated organizations, being linked by material, information and financial flows. These organizations may be firms producing parts, components and end products, logistic service providers and even the (ultimate) customer himself. [Stadtler and Kilger 2008].



Source: Douglas M. Lambert, Editor, *Supply Chain Management: Processes, Partnerships, Performance*, Third Edition, Sarasota, FL: Supply Chain Management Institute, 2008, p. 4.

Short Supply Chain



- The supply chain can be described by indicating its characteristics such as:
 - Supply chain structure,
 - Type of material flow,
 - Objectives, functional areas and areas of interaction of participating entities,
 - Contribution to the creation of added value (distribution of margins),
 - Interventionism (market disruption),
 - Regulations, standards and rules, product specific safety and quality requirements (quality shows a direct relationship with the price).

Short Supply Chain

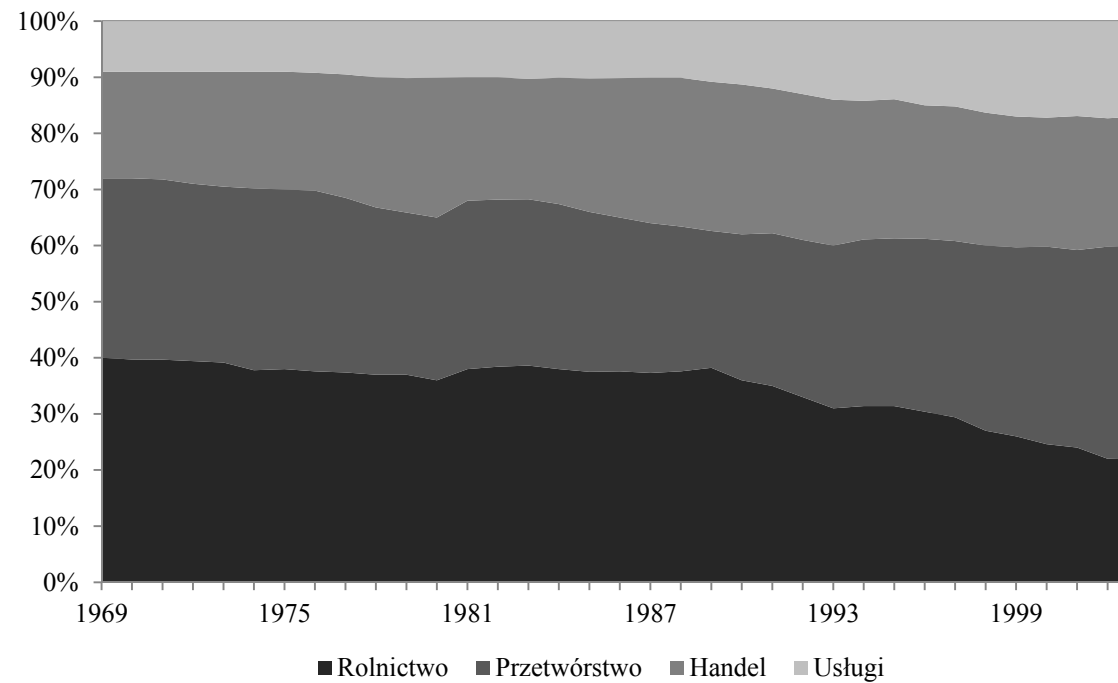


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Short Supply Chain



Figure: Participation in creating value-added from food production to distribution



Source: Own study based on [Ondersteijn et al. 2006].

Short Supply Chain



- In the market mechanism, the added value is distributed in such a way that the ones who are closest to the consumer benefit the most. The market redistributes value added, depreciating agriculture [Czyżewski et al. 2006].
- The state should enter into the sphere of inter-branch flows in order to retransfer the value added produced but not realized by farmers [Kowalski and Rembisz 2005].
- The mechanism counteracting this depreciation may also be a shortening of the supply chain by eliminating intermediaries.

Short Supply Chain



Short supply chain means a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers, processors and consumers

Short supply chains incorporate dimensions of proximity as:

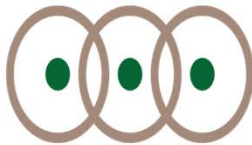
- **Geographical proximity**
- **Social proximity**
- **Economic proximity**

Short Supply Chain

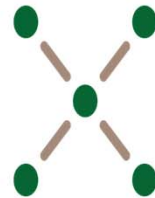


Short Supply Chains are characterized by maximum of one intermediary between producer and consumer

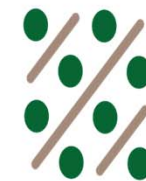
CHAIN



NETWORK



LAND USE



EXCHANGE



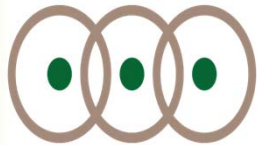
PROXIMITY

NATURE



Research granted by European Commission within Horizon 2020 Programme as a project no 728055 „Short supply chain Knowledge and Innovation Network - SKIN”

Short Supply Chain – Key Concepts



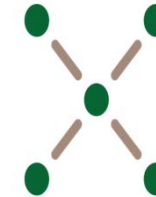
CHAIN

- Direct selling via farmers' shops
- Farmers' markets
- Public procurement
- Contract production for processors, retailers, restaurants and food service providers



EXCHANGE

- Economy of sharing among farmers and cooperatives
- Fostering the aggregation of good practices and initiatives in the SFSC sector



NETWORK

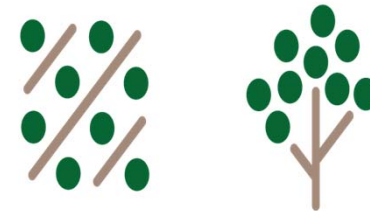
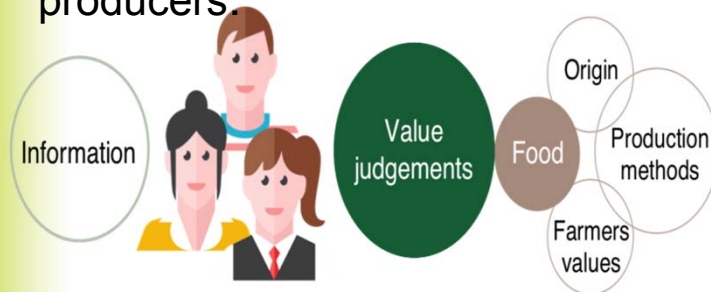
- Overcoming knowledge fragmentation
- Supporting bottom-up innovation initiatives
- Identifying specific aspects, experiences and shortcomings in SFSCs management aimed at generating demand driven innovations

Short Supply Chain – Key Concepts



PROXIMITY

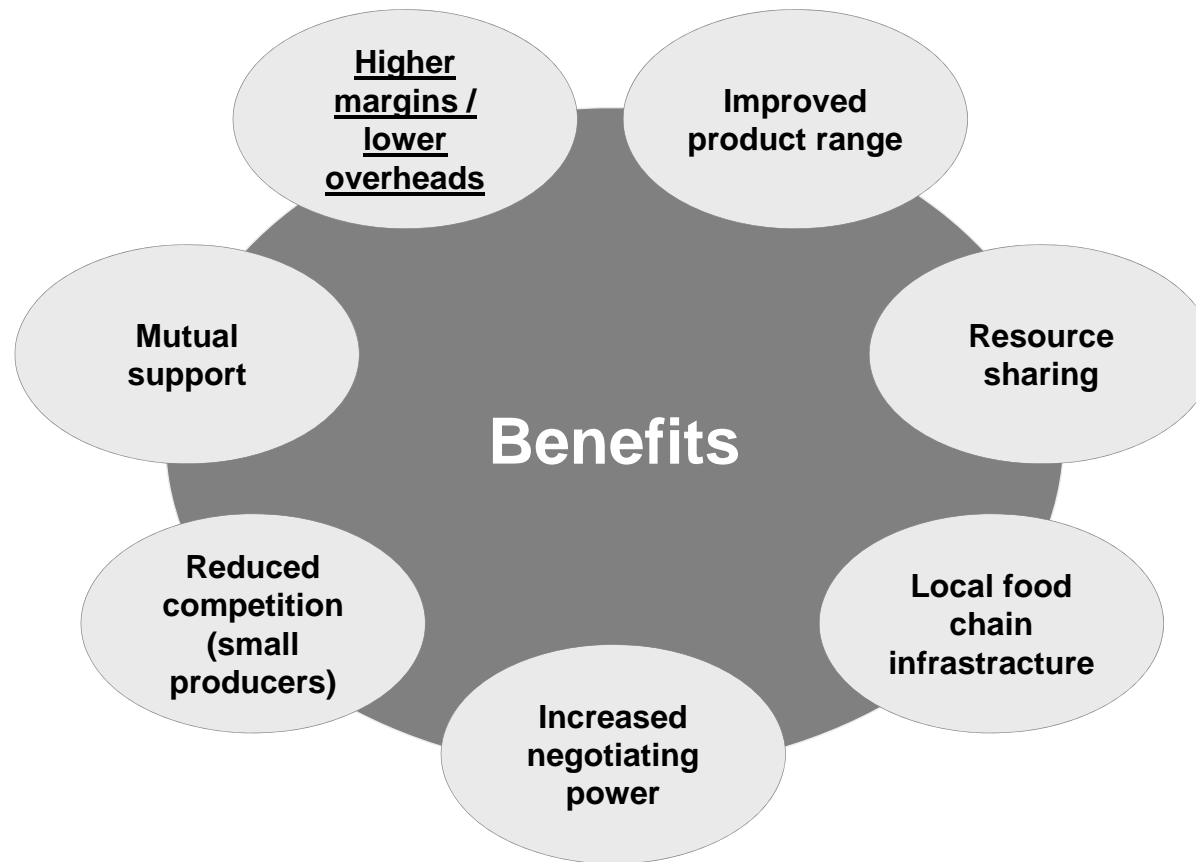
- rebuilding of trustful relationships and common values between society and producers



LAND USE AND NATURE

- Making a better use of our land
- Positive impact on the environment and on many other related aspects including human health and wellbeing, economic and food supply resilience

Short Supply Chain - Benefits



Short Supply Chain



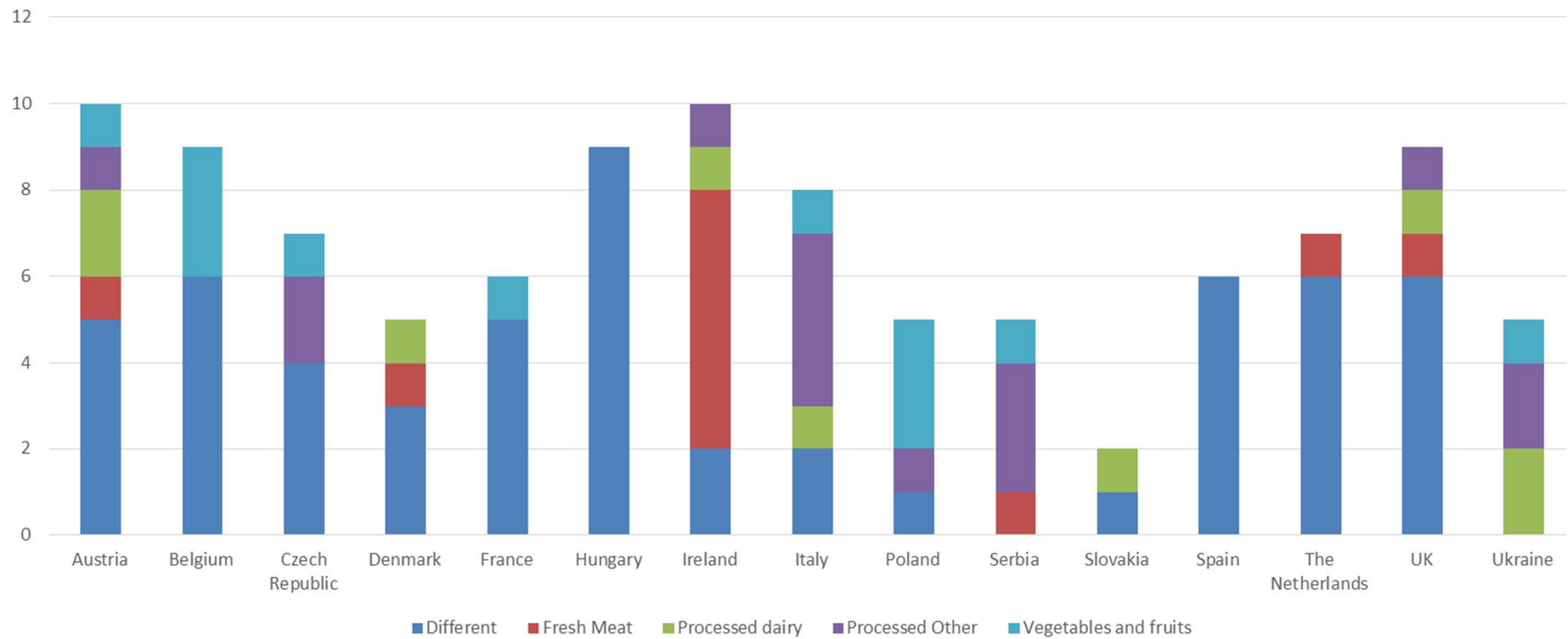
Table: Factors of success and barriers in terms of access to markets and consumers

Success factors	Barriers
On-line sales: reliable internet network, effective online store, ordering system and payment system, use of social media, reliable distribution.	Poor Internet network, weak IT systems, lack of affordable technical support, lack of knowledge on how to use social media, unreliable distribution.
Sales in the local community: key products that attract consumers, good interpersonal and communication skills required in dealing with consumers, variety of sales points and sales channels to increase access and convenience of shopping	Farmers may lack communication skills in sales. The costs of stalls and cooling systems on the market, the cost of owning or renting store space.
Public procurement: Application of social and environmental criteria in tenders for public procurement. Public authorities ask for potential suppliers before the offer is prepared. The division of orders into smaller parts increases the chance of local producers to obtain a contract.	A general lack of awareness of the flexibility and possibilities under the EU public procurement rules on the part of public authorities and potential suppliers. Farmers often do not have the skills and resources to submit an offer and meet the requirements (eg continuity of supply, consistency in quality).
Supermarkets: Cooperation centers gathering many small suppliers. Strong and distinctive products in the niche of premium products.	Small producers lack bargaining power to challenge supermarkets in trade negotiations. Supermarkets may require exclusive supplies, which increases the risk of suppliers and limits sales to other customers.
HoReCa: Specjalne wydarzenia promujące typu „spotkaj się z producentem”.	Poor organization on the part of farmers compared to the professionalism expected by hotels.

Short Supply Chain



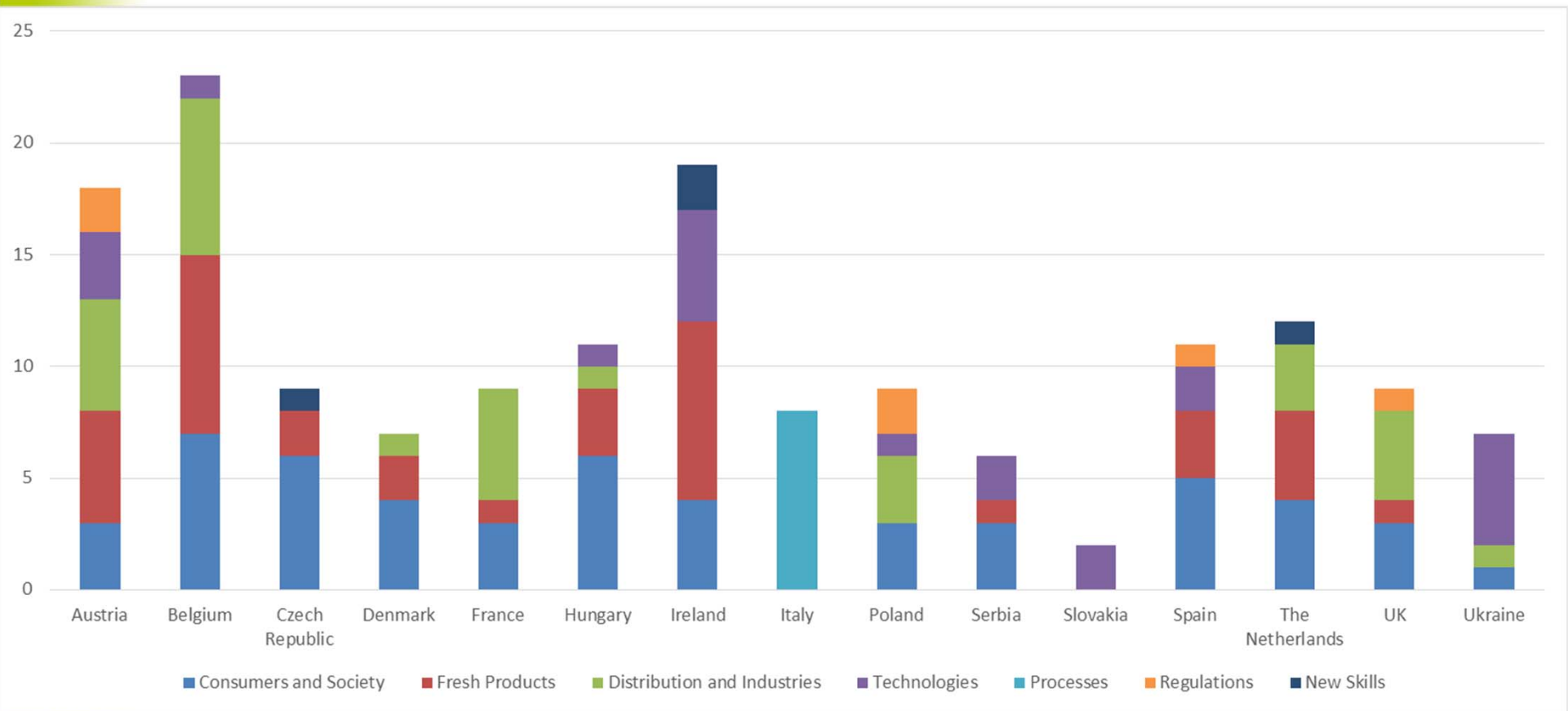
Figure: Short Supply Chains by SECTORS



Short Supply Chain



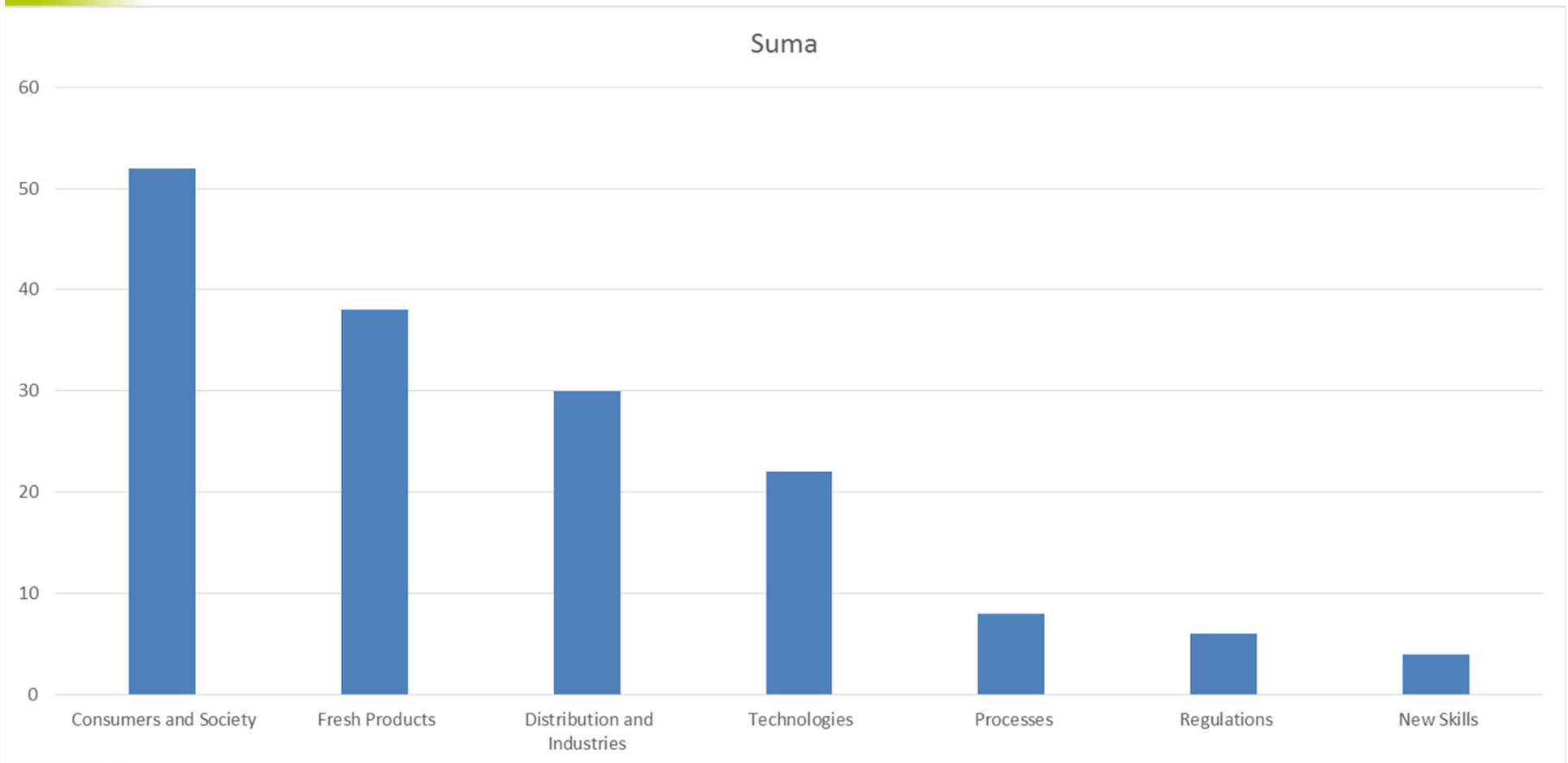
Figure: Short Supply Chains by RELEVANT INNOVATION CHALLENGE



Short Supply Chain



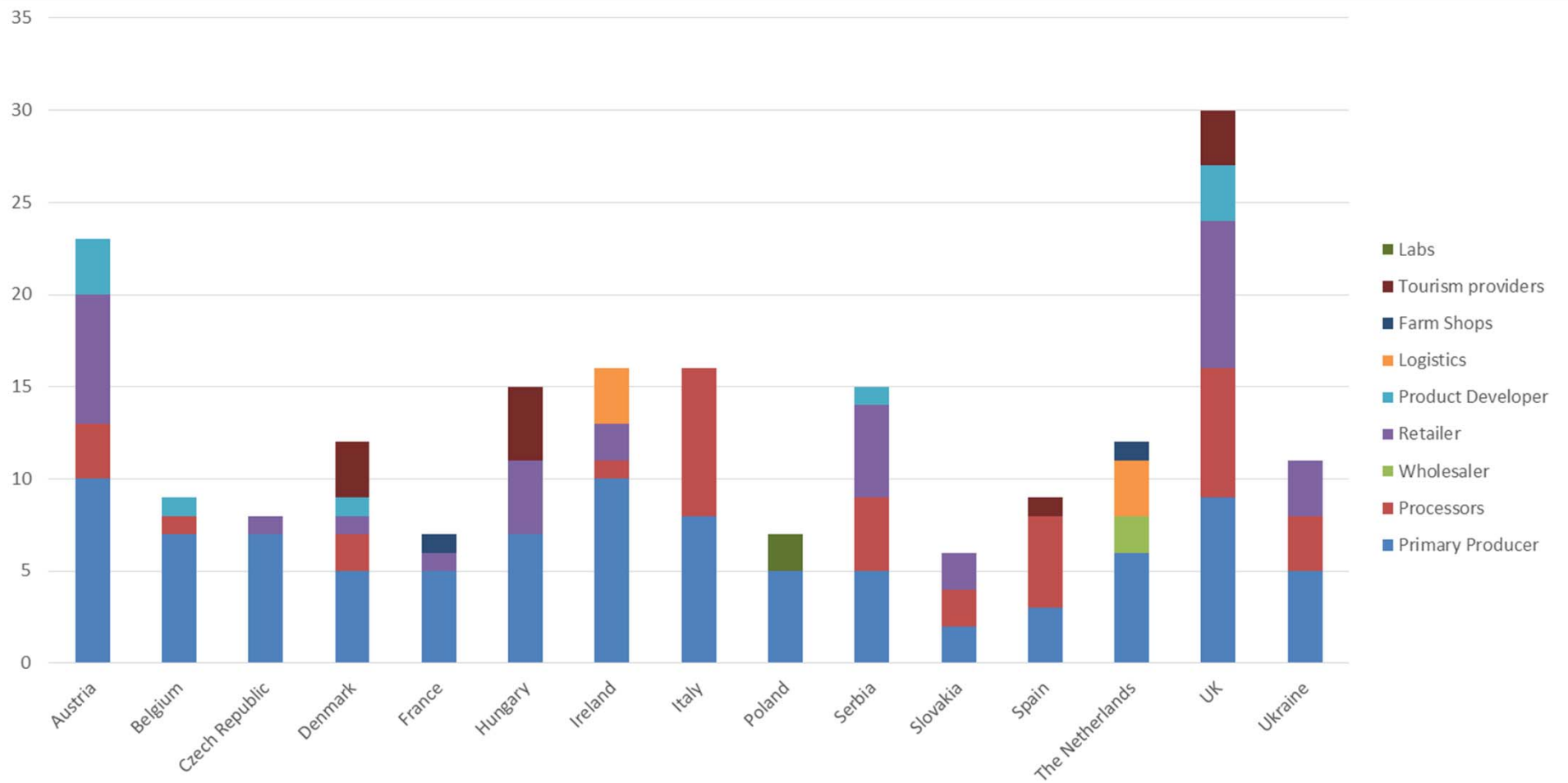
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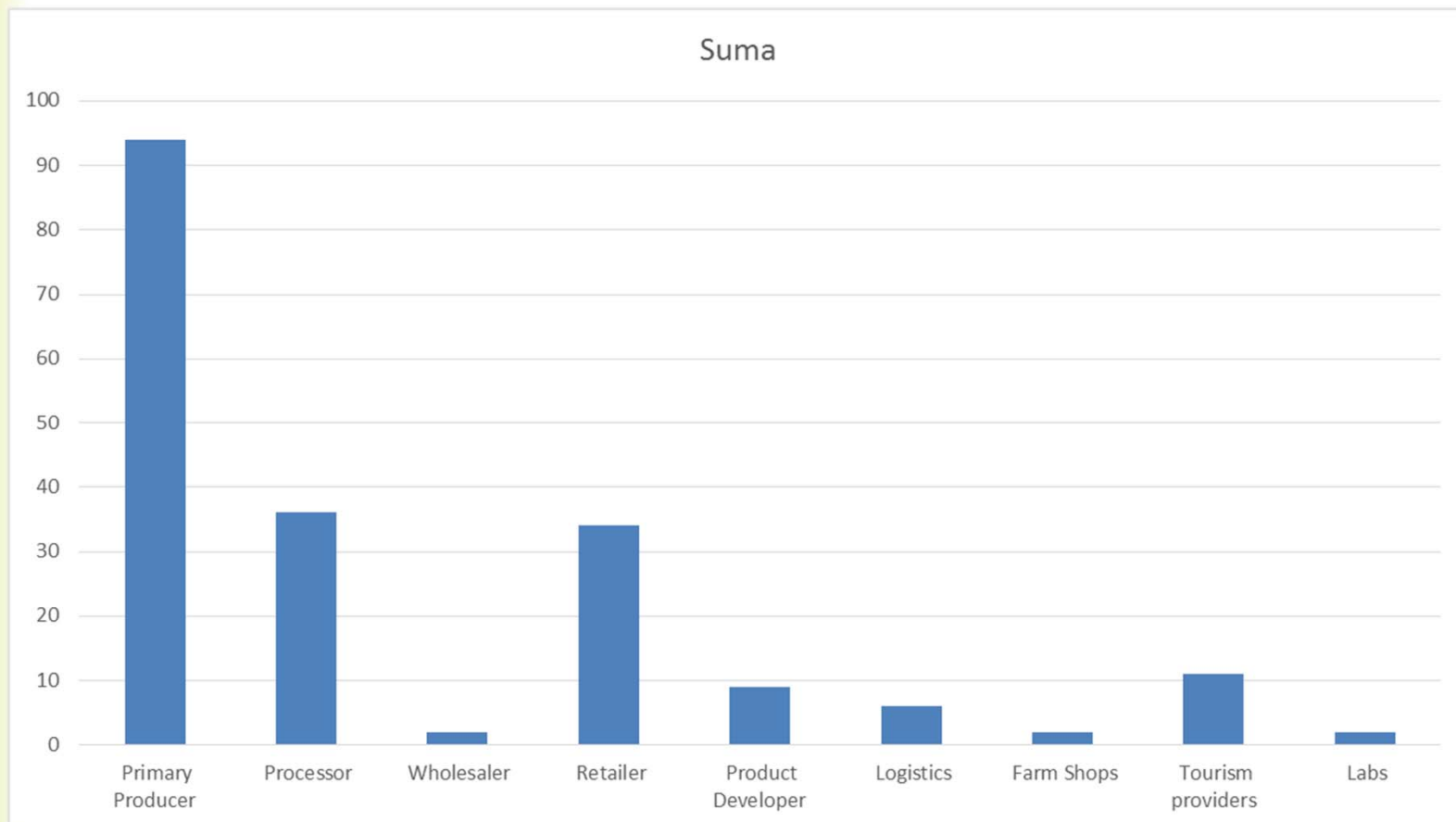
Figure: Short Supply Chains by ACTORS



Short Supply Chain



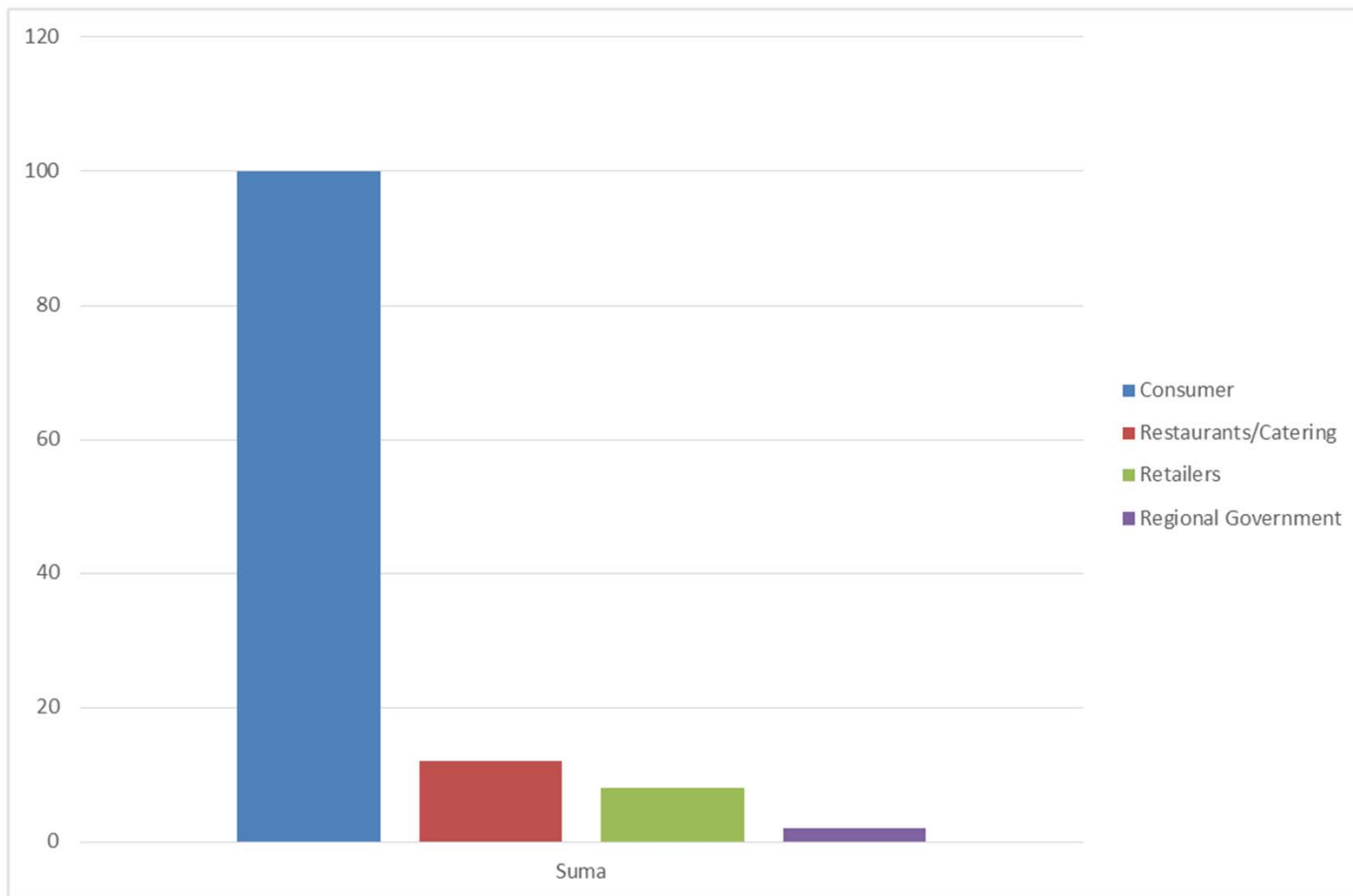
Figure: Short Supply Chains by ACTORS



Short Supply Chain



Figure: Short Supply Chains by STAKEHOLDERS





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Summary and Conclusions



- Due to the **benefits** of **short supply chains**, there has recently been an **increase** in the number of **initiatives** supporting the development of such initiatives in the agri-food sector.
- These models have become an **alternative** to the **globalized structure** of the agri-food sector.
- They enable "**reconciliation**" between the two **extreme links** in the supply chain and satisfying the needs of both the **consumption** and the **production** side.
- At the same time they are affecting the well-established concept of **sustainable development**.
- SFSC might have also **global aspects** ...

Research background



- Target: To show the interaction between the concept of short supply chain and trade with the U.S. related to the need of TTIP
- Methodology: literature review
- Material:
 - Study “Enabling Trade Valuing Growth Opportunities” by World Economic Forum in collaboration with Bain & Company and the World Bank (2013)
 - Study “TTIP and intra-European trade: boon or bane?” by Ifo Institute – Leibniz Institute for Economic Research at the University of Munich; Ifo Working Paper No. 220 (2016)
 - Study “Global Value Chains and the Transatlantic Trade and Investment Partnership” by the National Board of Trade, Sweden (2013)

**THE GLOBAL
DIMENSION
OF THE CAP:
Trade**

Importance of short supply chains in context of the expected benefits on TTIP:

- opening up the U.S. to EU firms
- significant export growth
- cutting trade barriers
- reduction / eliminating of tariff and non-tariff barriers
- enable a wider variety of goods and services
- set high standards in global trade
- protect high standard for food safety, consumer and environmental rules

Positively effects on efficiency and flexibility in short supply chains:

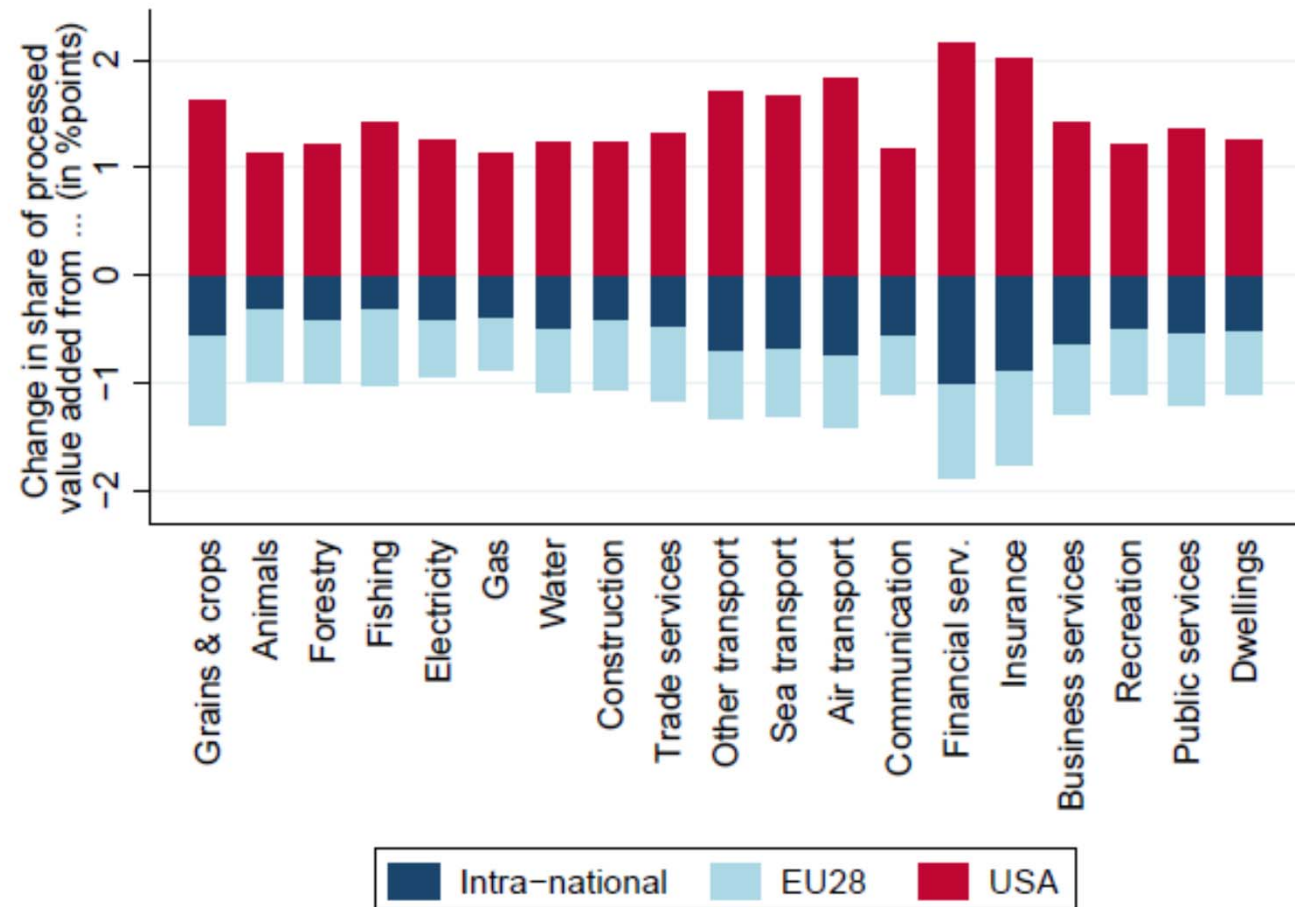
- transparency in supply chains
- unified standards in food safety and quality management
- simplify certification
- uniform conditions for data protection
- conformity on transmission of data
- strengthening online sales
- simplified public procurement
- increasing negotiating power for EU producers

Changes in EU's supply networks in agriculture and service

simulated results

scenario:

- full elimination of all tariffs between EU & US
- reduction of non-tariff trade barriers
- U.S. become significantly more important as a supplier of processed value added



Conclusion



Trends

- increase of regulatory controls
- shift of technological landscape
- emerge of e-commerce
- formation of an imbalance between intra- European economic relations and agreements with third parties

Challenges

- increasing complexity
- pressure of costs
- increasing customer expectations
- lack of skilled employees and qualified personnel
- examine pragmatically regulations
- build up networks between EU and US



**THANK YOU FOR YOUR
ATTENTION!**