

How to stimulate producer co-operation and regional food labelling

Case studies from Serbia and Hungary

The pilot action

In the framework of the Strength2Food project, Eco-Sensus, a local non-profit organisation based in Hungary, the Faculty of Economics of the University of Belgrade, and the NGO EUTA, Serbia, implemented a joint pilot action to **expand co-operation and regional food labelling**. The pilot action aimed at finding ways in which fresh, healthy, and quality food products can become accessible to local, regional, and international markets via farmers' co-operation and regional branding, thus increasing **opportunities and returns to local farmers**.

The pilot action was composed of three different, but interrelated, **sub-actions**: (i) the first one, conducted in Serbia, focused on stimulating **local farmer co-operation for school meals procurement**; (ii) the second one, conducted in Arilje, Serbia, aimed at **developing the fresh raspberry supply chain**; (iii) the third one, conducted in Szekszárd, Hungary, allowed **evaluation of experiences of place-based, co-operative labelling** of high value-added food for local and regional markets.

Main findings

The first sub-action, conducted in Serbia, allowed research and demonstration activities to be undertaken to improve the effectiveness of public sector food procurement (**PSFP**) **related to primary schools**, by stimulating **local farmer co-operation**. Action research methods enabled **supply and demand to be linked together** as well as to foster **engagement with several stakeholders**, including policymakers, school directors, school catering staff, chain suppliers, nutritionists, experts in public procurement. This, together with an in-depth analysis of the Serbian policy and market environment for food procurement, allowed defining of key potential **obstacles**, as well as critical **success factors**, to stimulate local farmers' co-operation and bring higher quality food in the form of organic vegetables into primary schools through public procurement involving local food suppliers.

The second sub-action, conducted in Arilje, the largest raspberry growing region in Serbia and Europe's second largest, aimed at developing the fresh raspberry supply chain, by focusing on the introduction of new varieties and the development of organic raspberry production as a way to improve farmers' income. Through an in-depth analysis of producers' perspectives, the action allowed **the main challenges experienced by local raspberry producers to be identified**.

Key recommendations

For sector practitioners:

- Increase innovation of the agricultural sector, both at production and marketing level, to improve farmers' income
- Opt for organic production and invest more in product labelling and branding
- Develop tools to support local production that take into consideration economic and non-economic factors
- Explore consumers' preferences to develop effective and sustainable local food systems
- Promote the development of new cooperatives of small farmers

For policy makers:

- Restructure national incentive systems for small farmers
- Establish quality and safety standard control systems to support export-oriented practices
- Promote common branding for regional products
- Discourage unfair trade practices
- Make grant and tender procedures more accessible and ensure funds for innovative producers' initiatives
- Facilitate multi-stakeholder connections and public-co-operative-partnerships

These include: (1) **Vulnerable position of small family farmers in the market**, including unfair competition with large traders and volatile prices; (2) **Inadequate policy measures** that fail to pertinently respond to farmers' problems and needs.

The third sub-action, conducted in the region of Szekszárd, Hungary, allowed evaluation of experiences related to **local, co-operative labelling** of high value-added food for local and regional markets developed by Eco-Sensus, with the aim to elaborate an evaluation toolkit for expanding and upscaling similar initiatives. A comprehensive **consumer survey** was conducted to explore impacts on local food preferences, habits, awareness, and perceptions. Results show an increased knowledge, use, and positive perception of local food among consumers, even though overall levels may still be regarded as low. The methodology developed by this pilot action makes it possible to analyse the demand (consumer) side of local food initiatives and to measure the effectiveness and efficiency of different policies. Additionally, **interviews with producers** were conducted. Most of the producers deemed the existing local food label proper for common marketing purposes and to represent local food economy values, thus confirming the **pertinence of maintaining the existing label system**, while supporting it on the mid-/long-term.

Recommendations for sector practitioners

- **Increase innovation of the agricultural sector to improve farmers' income**

Findings from the raspberry food chain study show that it is necessary to innovate agricultural production strategies, notably by involving higher added-value production, product diversification, as well as the use of modern technologies to improve farmers' income. The bearers of progress in the agricultural sector are often early adopters - younger farmers, who are more ready than others to innovate their business practices to achieve higher earnings, including through IT implementation in digital farming.

- **Innovate marketing strategies**

Marketing strategies should be reoriented from product-driven to customer-driven activities. Instead of trying to sell what they produce, farmers are advised to change their point of view, by focusing more on demand analysis, e.g. by diversifying their production via the introduction of products that are highly demanded on the market.

- **Opt for organic production and invest more in product labelling and branding**

Farmers are encouraged to opt for organic production which is better valorised in the market. Product labelling and branding are becoming increasingly important, as food demand is generally shifting towards more luxurious products. Moreover, the school meals procurement tool can be employed to show that organic products do not necessarily cost more than conventional ones.

- **Develop tools to support local production that take into consideration economic and non-economic factors**

Analyses of local producers' perspectives in Hungary show that, beyond profitability reasons, non-economic motivations (e.g. family traditions, living preferences) are strong factors behind the choice of local production among farmers. As such, development tools aimed at supporting local supply systems should not be focused on pure economic efficiency but also on non-economic motivational factors.

- **Explore consumers' preferences to develop effective and sustainable local food systems**

In order to develop effective and sustainable local food systems, it is of paramount importance to explore and analyse consumers' preferences for local products. To this aim, the methodology developed by Eco-Sensus could be a useful tool for consumers' analysis.

- **Promote the development of new cooperatives of small farmers**

Since the food market structure often suits the interests of big players, there is an urgent need to create new cooperatives of small, family-owned farms. A stronger farmer organization helps to overcome the difficulties linked to market access, thanks to increased negotiation power and more informed producers' choices.

Recommendations for policy makers

- **Restructure national incentive systems for small farmers**

Support to small businesses is highly needed to adapt to global trends and requirements. Thus, national incentive systems should better support activities related to new forms of products that better suit the modern lifestyle and market demands.

- **Establish quality and safety standard control systems to support export-oriented practices.**

Facilitating improvements of farmers' export-oriented practices demands the establishment of quality and safety standard control systems at the national level, including the provision of high-genetic potential planting material, reference laboratories, and subsidies for the implementation of standardization processes.

- **Promote common branding for regional products**

Due to fragmented structure and limited access of farmers to capital and information, there is a strong need to introduce common branding, notably via an "umbrella name", for high-quality regional products. This will foster further standardization and quality improvement, as well as the readiness of agricultural producers to offer more quantities for larger markets.

- **Discourage unfair-trade-practices**

The implementation of standards related to trade practices and the creation of connections between stakeholders are highly recommended to stop unfair-trade-practices and address the issue of insufficient negotiation power of farmers, including for school public procurement systems.

- **Make grant and tender procedures more accessible and ensure funds for innovative producers' initiatives**

Small producers, especially newly established ones, experience difficulties to prepare tendering and granting documentation and comply with admissibility/technical requirements. Thus, it is important to make tendering and granting procedures more accessible.

- **Facilitate multi-stakeholder connections and public-co-operative-partnerships**

Closer connections between farmers, supply chain stakeholders, and local government help to develop innovative environments for problem-solving and farmers' support through bottom-up approaches. 'Public-co-operative-partnerships' are key tools to renegotiate boundaries in agri-food governance, through mutuality in SFSCs and PFSP.

More info

Csillag P., Stojanović Z., Bojović R., Filipović J., Quarrie S., Ristić B., Simmons R., Torok A. (2021). Pilot actions on regional food labelling and producer co-operation. Strength2Food, Deliverable n. 9.5.

<https://www.strength2food.eu/2021/05/18/report-evaluating-the-pilot-actions-on-regional-labelling-and-producer-co-operation/>



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 678024.

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Strength2Food is a five-year, €6.9 million project to improve the effectiveness of EU food quality schemes (FQS), public sector food procurement (PSFP) and to stimulate Short Food Supply Chains (SFSC). Lessons from the research have been applied and verified in 6 pilot initiatives that brought together academic and non-academic partners.



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