



# Scaling-up short food supply chains? A survey study on the drivers behind the intention of food producers



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## ABSTRACT

The growing interest for alternative food initiatives has ignited the debate on scaling-up such initiatives. Empirical studies on such initiatives tend to ignore the underlying psychological constructs that affect farmers' intentions and decisions. This paper investigates the intention to scale-up their businesses in Sweden based on a survey of 338 Short Food Supply Chain producers utilising the construct of the Theory of Planned Behaviour (TPB) as a theoretical framework. The findings show that attitude can be considered the most important driver for their intention to scale-up their business. Also, the perceived level of control and the positive perception of personal referents, i.e. family members, co-workers and consumers, foster their intention to scale-up. In contrast, perceptions of other farmers and competitors as well as the perception of framework conditions (e.g. state support, availability of financial resources) do not have any significant influence. However, several socio-economic characteristics such as size of farm, type of production and use of infrastructure are identified as significant influences. This insight is relevant for the numerous countries experiencing growing interests in alternative food initiatives.

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## 1. Introduction

Over the past decades, food-related supply chains have been industrialised on a global scale and reshaped how food is produced, accessed and consumed. With a focus placed on economic efficiency, food producers have systematically struggled to operate despite lower financial returns while, at the same time, applying heavy pressure on ecosystems to meet the demand for low-priced food (Pretty, 2001). As such, ecosystems have suffered from a loss of biodiversity, deforestation, soil and water pollution, while socio-economic crises have occurred in rural areas. The global agri-food supply chains have led food producers to form new initiatives, which advocate the formation of 'reconnections' between producers and consumers and attempt to convey the principles and responsibilities of food production (Hinrichs, 2003; Renting et al., 2003; Feagan, 2007; Allen, 2010; Mount, 2012).

Short food supply chains (SFSCs), a term originally coined by Marsden, (2000), are being created to address these societal concerns. Micro-scale business concepts have become more common around the world, and there is increasing interest in these among

consumers (Migliore et al., 2015). SFSCs allow consumers to evaluate the true value of a food product (Kneafsey et al., 2013). This means that products are embedded with information, allowing consumers to understand how and where food is produced, enabling the formation of a stronger bond of trust between consumers and producers. Two main methods that can be used to gain trust and that are typically applied to SFSCs are face-to-face interactions with consumers and relating products to their regional characteristics. In other words, the supply chain facilitates the formation of trust through close-knit producer–consumer relationships by removing intermediate partners and allowing direct relationships.

SFSCs are not without challenges in the agri-food sector. Primarily, the assumption that the use of short food supply chains results in ecologically-sound outcomes can be a common misconception (Born and Purcell, 2007). Further challenges were echoed in Hinrichs (2003) paper about the movement's 'elitist' status, suggesting that it appealed to only a select type of consumer. SFSCs are still being labelled as a niche market for conscientious consumers, but as interest in them expands, the approach to food production, processing and distribution used in SFSCs has potentially enabled a paradigm shift in the agri-food sector (Björklund et al., 2008; Beckeman, 2011). Arguably, the current magnitude of the sector will not be sufficient to have major, beneficial socio-economic or

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environmental impacts in a region (Allen et al., 2003; Born and Purcell, 2007). Despite this, interest in SFSCs among consumers is still growing, and policy makers are keen to support such initiatives. Because major retailers and intermediate businesses have an invested interest in satisfying such a demand, producers are realising that they need to scale-up their businesses.

To 'scale-up' a business means to perform an action or a set of actions that result in a significant increase in the economic growth of the business (Mount, 2012). Examples of actions include financial investments in the business and an increase in the labour force or technology to reach more consumers. However, maintaining socio-economic and environmental measures are significant difficulties faced upon scaling-up SFSCs. In other words, scaling-up could imply that SFSC producers could have to sacrifice socio-environmental measures that are costly to gain more business. As such, scaling-up potentially questions the legitimacy and values that characterise a SFSC (Mount, 2012). As the market and interests continue to expand, the SFSC producers' plans and desires connected with their initiatives in the near future are not fully understood. The objective of this paper is to explore the intentions of SFSC producers in Sweden in scaling-up their businesses in order to effectively discuss how to handle the implications of scaling-up niche markets in general.

A number of regions in Sweden are keen to expand SFSCs, but have experience difficulties related to the availability of logistics and structural infrastructure outside the mainstream food supply chain (Mount, 2012). Low-cost transport logistics, mainstream selling points (large retailers), regional storage and process-packaging facilities often make it difficult for food producers to step outside the comfort zones of a globalised supply chain (Nost, 2014). Technically, it would be considerably easier to scale-up and utilise existing services. Either way, it will be essential for SFSC producers to scale-up their businesses in order to wield more economic influence in their region, reach more consumers and increase the availability of products so as not to be outcompeted (Born and Purcell, 2007; Hinrichs, 2003). As such, SFSC producers will need to continue to develop multi-featured businesses to satisfy the consumers' expectations (Nost, 2014).

To better understand the SFSC producers' intentions to scale-up their businesses, we present the results of a quantitative case study conducted in Sweden, in which we applied the theory of planned behaviour (TPB). Although the TPB has been applied in previous research that aimed to assess farmers' intentions, the focus has been placed on environmental contexts such as agriculture conservation (Borges et al., 2014; Price and Leviston, 2014), organic food consumption (Yazdanpanah and Forouzani, 2015), diversification (Hansson et al., 2012) and land-use practices (Poppenborg and Koellner, 2012). To the best of our knowledge, this is the first study to empirically evaluate the intentions of SFSC producers' in scaling-up their businesses.

The remainder of the paper is structured as follows: First, we provide contextual information about Swedish SFSC producers and the agricultural conditions (section 2). Second, we describe the theoretical context that serves as basis for the development of the survey instrument (section 3). Details on the survey are provided in section 4, and results - comprising a description of relevant SFSC socio-economic characteristics and the regression analysis - are presented in section 5. The discussion and conclusions are presented in section 6.

## 2. The Swedish conditions for SFSCs

National statistics are still scarcely available despite the increasing interest in alternative food initiatives (Swedish Agricultural Board, 2015). However, the number of Swedish farms

has decreased by 50% since 1970, whereas the size of farms has almost doubled (Statistics Sweden, Agricultural statistics 2015). The number of people working in the sector has also steadily decreased over the past few decades (Statistics Sweden, Agricultural statistics 2015). Today, approximately 65,000 people (1.5% of the total population) in Sweden's population are actively involved in agriculture (Statistics Sweden, Agricultural statistics 2015). The average age of people working in agriculture tends to be high, with 72% being more than 50 years of age (Statistics Sweden, Agricultural statistics 2015). Overall, the landscape of the agricultural sector is changing to large-scale farms with an older work force.

With respect to the organic sector, Sweden is the second highest organic food producer in the EU (15.8% of the total agricultural land is organic), with the aim to increase this to 20% by 2020 (Ekoweb, 2014). This target was established after the government failed to reach the same target by 2010. However, the consumer interest in organic products has significantly increased. In 2014, organic products accounted for approximately 5.6% of the total food sales in Sweden, with a steady growth in product sales due to organic box schemes and farmers' markets (Ekoweb, 2014). Approximately 46% of consumers tend to purchase their organic products in large retail markets (Ekoweb, 2014).

The Swedish Board of Agriculture performed a national consumer study (n = 2060) in 2011, which showed that consumers had a growing interest in more unique food production on a regional level. More specifically, 61% of Swedish consumers purchased regional food products in 2012, as opposed to 45% of consumers in 2011 (Swedish Agriculture Board 2011). The study highlights two main aspects. First, it confirms that growing interest in Swedish regional, high-quality food products exists. Second, consumers are willing to pay for and support their regional producers. Therefore, it can be argued that regional products need to become more widely available. In response to these consumer interests, legal frameworks and incentives to support such activities have been implemented. The Swedish Rural Development plan for 2014–2020 includes multiple financial compensations, in particular for regional businesses (Swedish Agricultural Board, 2014). It places a strong emphasis on entrepreneurial collaborations and social innovations to develop new business models still further and increase competitiveness in specific regions. The rural programme also strongly endorses scaling-up activities and growth opportunities that would arguably influence the decision-making process to scale-up a business.

There are limitations related to the development of SFSCs. Despite the increased consumer access and proper selling points, access is still a primary concern for SFSC producers (Björklund et al., 2008). The main sale channels for SFSC producers are on-farm shops and farmers' markets (Björklund et al., 2008). However, large retailers (e.g., Coop and ICA) would also like to tap into the sector and have made significant efforts to increase the availability of regional products in their shops through their own certification schemes (Björklund et al., 2008). With major retail stores showing interest in offering more regional products, SFSC producers have been encouraged to scale-up in order to meet the demand.

The availability of logistics and infrastructure pose problems for small-scale businesses. The existing infrastructure, derived from a globalised food system, allows mass amounts of produce to be accessible to a wide range of consumers (Conner, 2004). This tends to involve long-distance transportation, which is less user-friendly for independent businesses. SFSC producers attempt to deliver produce directly to shops and specialised retailers themselves to reduce transport distances. However, producers have voiced concerns over the high costs, also in terms of time, and lack of specialised equipment (e.g., smaller or cooled vehicles). Bloom and Hinrichs (2010) research on infrastructure in alternative food

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