

**D4.5 National Synthesis Report on
Case Studies in Switzerland:
Bio Weidebeef
Bio-Direct**



Jörn Sanders, Heidrun Moschitz

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Encouraging Collective Farmers Marketing Initiatives (COFAMI)

Background and objectives

- Collective action by farmers has played an important role in the history of European agriculture and rural development. During the 20th century the joint actions of farmers in many EU countries gave rise to the foundation of agricultural marketing co-operatives, resulting in better market access, increased farm incomes and regional employment. More recently farmer collectives have made an important contribution to the spread of sustainable production methods.
- Now European agriculture is facing a range of new challenges. Farmers have gradually lost control over supply chains, due to the growing power of retailers, and are also confronted with a general decline and reorientation of policy support. At the same time, there is a need to respond to changing consumer demands for food safety, quality and an attractive countryside. Again, collective action may help in finding appropriate answers for these new challenges.
- Against this background the COFAMI project studies the potential role of collective farmers' marketing initiatives (COFAMIs) in finding adequate responses to changing market and policy conditions. More specifically it aims to identify the social, economic, cultural and political factors that limit or enable the development of such initiatives. The project also seeks to identify viable strategies and support measures to enhance the performance of collective farmers' marketing initiatives.

Steps in the research

- At the start of the research a **conceptual framework** for the study of COFAMIs will be developed. A review of relevant scientific literature and a 'quick-scan' of 8 previous EU research projects which included COFAMI cases will provide the basis for this.
- For each study country a **status-quo analysis** of collective marketing initiatives and relevant contextual factors will be made. This involves an overview of existing COFAMIs, their aims, organisational forms and strategies, relations with other supply chain partners, and relevant market and policy environments.
- A series of 18 in-depth **case studies** of different types of COFAMIs will be conducted. These will provide more detailed insights into the influence of different factors that limit and enable the development, performance and continuity of COFAMIs. The performance of initiatives in terms of social, economic and environmental impacts will also be assessed.
- In the **synthesis** the results of these different research activities will be integrated into general conclusions about the relative importance of various limiting and enabling factors for different types of COFAMIs. Support strategies for COFAMIs and measures to improve their performance and dissemination will also be formulated.

Project results and consultation

Participatory methods and stakeholder consultation will play a key role in all stages of the project, to ensure that research outcomes are grounded in field experiences and policy debates. A National Stakeholder Forum will be established in each participating country. In addition a European-level expert group of scientific and field experts will be formed to broaden geographical coverage beyond the 10 countries represented in the project.

The research will provide farmer groups, support organisations and government agencies with insights into different collective marketing strategies, their success and failure factors, and suggestions of measures that support COFAMIs. Additionally, the project will contribute to scientific and policy debates on the role of farmers' initiatives and new supply chain arrangements in promoting sustainable rural development and the supply of safe and quality food.

All project results will be made available through the project website www.cofami.org

Project partners

- Rural Sociology Group, Wageningen University, The Netherlands, henk.renting@wur.nl (co-ordinator)
- Research Institute for Organic Agriculture (FiBL), Switzerland, juern.sanders@fibl.ch
- QAP Decision, France, gerald.assouline@upmf-grenoble.fr
- Institute for Rural Development Studies (IfLS), Germany, knickel@em.uni-frankfurt.de
- Centre for Mountain Agriculture, Innsbruck University, Austria, markus.schermer@uibk.ac.at
- Baltic Studies Centre, Latvia, tt@lza.lv
- Research Centre on Animal Production (CRPA Spa), Italy, k.de.roest@crpa.it
- Danish Institute of Agricultural Sciences, Denmark, egon.noe@agrsci.dk
- Institute for Political Sciences, Hungarian Academy of Sciences, Hungary ikovach@mtapti.hu
- Faculty of Economics and Management, Czech University of Agriculture in Prague, Czech Republic, lostak@pef.czu.cz

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1. Introduction

Like in most other European countries, the cooperative movement in Switzerland emerged in the second half of the 19th century and experienced afterwards a rapid diffusion. Due to the protectionist agricultural policy and guaranteed prices and farm incomes after the Second World War, only few farmers put much effort in building up / developing further self-help structures. The benefit and necessity for collective actions was regarded as rather low. This attitude changed however to a certain extent by the policy reforms implemented in the last 15 years. In light of the low international competitiveness of Swiss agriculture as well as the high amount of public expenditures for agriculture, there have been several policy reforms since the 1990s aiming to foster a market-orientated multifunctional agriculture. The changes undertaken comprise of the abolition of guarantee prices and a moderate reduction of tariffs and tariff quotas. However, the progress achieved has proved to be minimal. Although average producer prices decreased by 20-30% as a result of less direct state intervention in the market, they are still twice as high as in the EU, and three times as high as on the world market (BLW, 2006). Furthermore, Swiss agriculture still enjoys the highest level of government support among the OECD countries. Market price support and output payments still accounted for 68% of the total producer support estimate in 2004, which is more than twice the OECD average (OECD, 2006). Not surprisingly, the WTO critically concluded in its recent report on Swiss agricultural trade policy that the objectives of the market-oriented reforms have not been met (WTO, 2004). In light of this position, there is ongoing public debate about a further, more radical liberalisation of food markets and the deregulation of agricultural policies (Wasescha, 2002).

Improved market access for foreign products would certainly be a major challenge for Swiss farmers, forcing them to improve the competitiveness of their farm. One possibility could be to achieve greater economy of scales, e.g. by increasing the farm size. This strategy has however certain limitations as long as high direct payments impede the mobility of farmland. An intensification of the farm management has also certain limitations due to the topographic and climate conditions in Switzerland. Probably a more promising strategy would be to generate higher added value, to achieve product innovations as well as to provide additional rural services. Collective farmers' marketing initiative may play an important role in facilitating and realising this strategy in Switzerland. This may particularly be true for farmers in the Swiss mountain area, which are characterised by their natural and cultural heritage but are handicapped by their remoteness. In addition to that, COFAMIs provide the possibility to

increase farmers' bargaining power which is a highly relevant issue because the Swiss retail market is highly dominated by two domestic retailers.

Against this background, two initiatives have been proposed for the selection of case-studies that were established with the aim to respond to the setting described above. The first case, IG Bio Weide-Beef, is a countrywide acting initiative consisting of 200 members who produce and market organic beef on pasture basis under a specific quality label. This initiative is of special interest because members of IG BWB are not only farmers but also other supply-chain actors. For this reason, special attention has been paid in the first case-study analysis on the question how the partially different interests among members are organised. The second Swiss case study is the company "bio-direct" that runs a webshop for organic products. The company were initiated by four farmers launched in August 2005 as a response to decreasing farm-gate prices for organic vegetables and decreasing bargaining power with retailers or other downstream supply-chain actors. This initiative has provided an interesting opportunity to explore how farmers are able to get access to and acquire missing / new skills and knowledge. Thus, in both case-studies, human and social capital play an important role as a limiting or enabling factor for collective actions of farmers.

In order to broaden the empirical basis of this study and to enhance the interpretation and understanding of the relations between contextual factors, type of producer co-operation, and performance levels, two additional initiatives have been selected as satellite case. Finally, a focus group discussion with experts has been conducted aiming to deepen specific issues explored in the case study analysis. In the following, the outcomes of these research activities are documented.

2. Case study 1: Bio Weide-Beef

The first case studied in Switzerland was the Interest Group Bio Weide Beef (IG BWB), a nationally acting initiative consisting of 200 members who produce beef on pasture basis.



2.1 Material

Altogether, 14 face-to-face interviews were conducted between mid January and the end of March 2007; most of them were carried out by the same two interviewers. A snowballing approach was applied, starting with one of the founders of the Interest Group Bio Weide Beef (IG BWB), and continuing with the current board members and further actors that were named as relevant for the initiative in the different stages of its development up to date. To accomplish the picture of this cooperative farmers' marketing initiative, we chose to interview actors who were only loosely attached to the initiative (either because they had only entered recently, or had been dropping out) and thus rather provided an outsider view on BWB. In addition, an external expert was interviewed who had been involved in a previous research project on the initiative. This resulted in the following list of interviewed actors:

- 1 advisor
- 4 highly involved producers: current board members
- 2 pioneer producers
- 1 cattle trader (board member)
- 2 representatives of the involved retailer (of which 1 is a board member)
- 3 low involved producers (incl. 1 who left BWB, 1 joining recently)
- 1 external expert

The interviews lasted between 45 and 110 minutes, and were recorded. They were not transcribed, but the recordings were used to fill in a prepared report template in order to provide a standardised basis for later analysis. The aim of the analysis was to create an overall picture of IG BWB, from its start in the year 2000 until now, and single out important phases in its development, as well as the most important influencing factors. After each

interview, the outcomes were discussed between the two interviewers with view to their relevance for the research questions of the COFAMI project, and questions adapted, added or deleted for the subsequent interviews. This enabled a dynamic data collection adapted to the actual situation of IG BWB and geared the interview questions towards the core issues relevant for the development of the initiative.

In addition to the oral interviews, the initiative's website www.bioweidebeef.ch provided additional information on the development and current status of IG BWB. Further information sources were the project report on a study of the organic meat market in Switzerland, carried out by the Research Institute of Organic Agriculture (FiBL) from January 2005 until May 2006 (Bahrtdt et al. 2006), and a number of reports which were produced as part of a study on IG BWB financed by the retailer MIGROS. These reports included results from a product line analysis of BWB labelled meat (Bapst and Richter 2002), an economic analysis of farms participating in the BWB initiative (Hartnagel 2002), and results of a consumer and market research on BWB (Richter 2002). Additional information was taken from results of previous research on the case study in the course of the EU funded research project QLK5-2000-01124 OMIaRD (Radlinsky et al. 2001).

2.2 General description of the case

To understand the initiative, some clarification on the different roles it plays for the farmers and on the market is needed. On the one hand, Bio Weide-Beef® (BWB) is the trademark and label to sell organic beef produced on a pasture basis. It is owned by the retailer MIGROS and can only be used for meat sold in a MIGROS cooperative. On the other hand, the "Interest Group Bio Weide-Beef" (IG BWB) represents the COFAMI in which the farmers need to be a member if they want to sell their livestock under the BWB label. The main focus of this report will be on the organisation and functioning of IG BWB, although some reference will be made to BWB as a product label.

The aim of the initiative is to promote the production, trade and sales of organic beef produced on a pasture basis. Producing this beef is seen as a promising alternative for dairy farmers who give up milk production and convert to pasture-based fattening or suckler cows. The aim is to produce and sell high quality organic beef, produced environmentally sound and according to high standards of animal welfare.

The following part of the report provides an overview of the current state of the IG BWB (spring 2007). Currently around 200 farmers are a member of IG BWB, delivering between 45 and 50 animals per week. The COFAMI is not restricted to a particular region, and production is technically possible on all locations in Switzerland, so that farmers can be

found all over the country. However, due to the origin of the initiative (see section 2.6), production is in particular focussed on the Eastern parts of Switzerland. Apart from the beef producers, the livestock trader and the main retailer MIGROS are a member of IG BWB. The producers either fatten cross-breeds of dairy and meat races or keep suckler cows. The COFAMI's only product is beef which is sold with an approximate weight of 300 kg slaughtering weight (SW) via the cattle trader to the retailer who then sells the high quality parts of the meat under the label of BWB. Other parts are sold as organic beef without special labelling. Contracts guarantee a fixed amount of beef sold to the trader, who holds the monopoly of trading BWB to MIGROS.

The joint activities of the IG BWB focus on administrative work. The core activity is the weekly price conference where the retailer, the cattle trader, and one farmer negotiate the beef price. All farmers are invited once per year to attend the yearly assembly, and may join sporadic working groups on specific topics (currently, there is one working group on sales promotion) and an estimated 10-20% of the producers regularly attend the yearly assembly, only a few join the working groups. Besides, there have been a few events for producers during the last years, and a number of farmers present BWB on fairs (but this is mostly done by board members). Farmers are in charge of the production of beef individually, including possible extension needed. They also have individual contracts with the trader who sells the cattle to the retailer. Therefore, at present, the overall degree of collectivity is limited. Most collective activity takes place at board level, and the board members are the ones most concerned about collectivity. They try to initiate other joint activities, such as working groups and farm visits, and send out information to the members. However, the low involved farmers do not forcedly perceive the COFAMI as syndicate following specific interests, but rather as a label. Because farmers are not allowed to sell their cattle as BWB if they are not a member of the IG BWB the interest of the farmer for joining the COFAMI is the reasonable price for their produce or an economic gain, in general; their interest in collective activities remains limited. They benefit from the IG BWB in that the contract with the trader guarantees a fixed amount of livestock sales whereas the price is open to variation.

The initiative IG BWB provides the possibility to analyse the behaviour of different supply chain actors that are integrated in one initiative with the aim to negotiate their interests in a cooperative manner and show solidarity with each other. It is interesting to explore the potential and actual conflicts between collective and individual interests. In particular, two lines of conflict are identified. First, the marketing claims vary between these actors:

- For the pioneers, IG BWB provided a possibility to enhance cooperation between dairy farming and beef production.
- Most producers emphasise the organic production of beef on a pasture basis.

- The retailer, by contrast, promotes BWB labelled meat primarily as a high quality product. Second, the supply chain actors have partly conflicting aims in their negotiations. Whereas the retailer naturally aims at a low purchase price, the farmers want to achieve a high price for their cattle.
- The cattle trader again seeks to sell as many cattle as possible, no matter of the meat price, as he is paid per head traded.

Accordingly, the analysis of the first case study focuses on two questions:

1. How do the actors in IG BWB deal with varying marketing claims for their product?
2. How does the COFAMI organise the partly diverging interests of its members, and what role do common interests play?

We will try to answer these questions in the subsequent sections by looking at the influence of contextual factors (section 2.3), the relevant networks (section 2.4), capitals and capacities (section 2.5), and the dynamic of the initiative (section 2.6). We will use one crucial event in the development of the IG BWB where these conflicts became obvious: In 2004, when prices decreased and farmers realised that they had little power within the initiative, some farmers proposed to change the strategy: from a cooperative approach to an approach seeking to gain countervailing power through an independent farmers' organisation. For several reasons, this proposal was not realised and farmers continued to work together with Linus Silvestri and MIGROS in the same way as before.

2.3 Contextual factors

Out of the extensive list of potentially relevant factors for COFAMIs, as established in the 'grid' in workpackage 2, we present those with an influence on IG BWB.

Economic and market context

The main influence on the initiative comes from economical and market contextual factors.

- *Competition on beef market*

On the one side, the considerable competition on the Swiss beef market hampers the development of BWB. Irish Beef and US Beef are both quality labels available at a lower price than BWB, but there is also national competition from other Swiss Beef suppliers. Thus, the Swiss beef market is fairly tight and makes it difficult for 'new' products to enter. The strong competition also increases the pressure on the beef price, and therefore it may be difficult for BWB producers to earn a reasonable price for their product.

On the other side, BWB would fit in a niche market for quality and organic beef. If this niche market was deliberately developed, this could promote BWB importantly. However, the retailer does not focus its overall marketing strategy on a niche market for high quality and organic, so it can be questioned whether the potential of such a niche is actually fully used.

- *Situation of the Swiss food retailing market*

Two large retailers dominate the Swiss food retailing market: COOP and MIGROS. Any player on this market thus needs to arrange itself with them, and plan its strategies accordingly.

- *Societal demand, consumer interests*

BWB clearly profits from the current societal demand, translated in consumer interests for special quality products. On the one side, consumers approve the “Swissness” of the product; on the other side, they are ready to pay a price premium for quality products. The positive image of grazing cattle furthermore promotes the sales of BWB labelled beef. When the initiative started in 2000, the BSE crisis was still present in the public debate, fostering the consumers’ awareness for the production conditions of beef. BWB could thus be presented as an alternative that met the consumers’ concerns.

Policy context

- *State subsidies*

Since 1999 the Swiss government subsidizes farmers keeping livestock consuming roughage. This has made it attractive for farmers to maintain any form of cattle production, hence this payment also supports BWB production.

Socio-cultural context

- *Farmers’ trust in collective action*

The IG BWB members’ trust in the market partners plays an important role for its functioning. However, we do not have enough information to estimate whether this trust stems from previous experience with collective action. As the initiative is a national one, there are not many comparable collective activities which the IG BWB members could build on. Historically, collective action among farmers in Switzerland took place in the form of co-operatives which are mainly organized at a regional level.

Learning context

- *Relations with knowledge institutions (and individuals)*

For starting the initiative the close contact between pioneers and knowledge institutions was crucial, as a new production system was developed. The links between the pioneers and the Research Institute of Organic Agriculture (FiBL), as well as exchange with Universities and Polytechnics enabled a quick knowledge transfer from research to practice and back. Today, the importance of this knowledge transfer has decreased, as the main aspects of the production system for organic pasture beef are already known.

Others

- *Geographical dispersion*
- *Limiting cohesion, degree of collectivity of BWB members*

A major challenge for IG BWB is the relatively low degree of collectivity among the members. This is mainly due to the large geographical dispersion of the producers that limits a regular exchange between them. In addition, there is no defined regional boundary (at a lower level than 'Switzerland') with which the IG BWB members could identify and on which they could thus build their collective action. Any attempt for enhancing collective activities has to overcome the large geographical distances.

2.4 Organisation and network relations

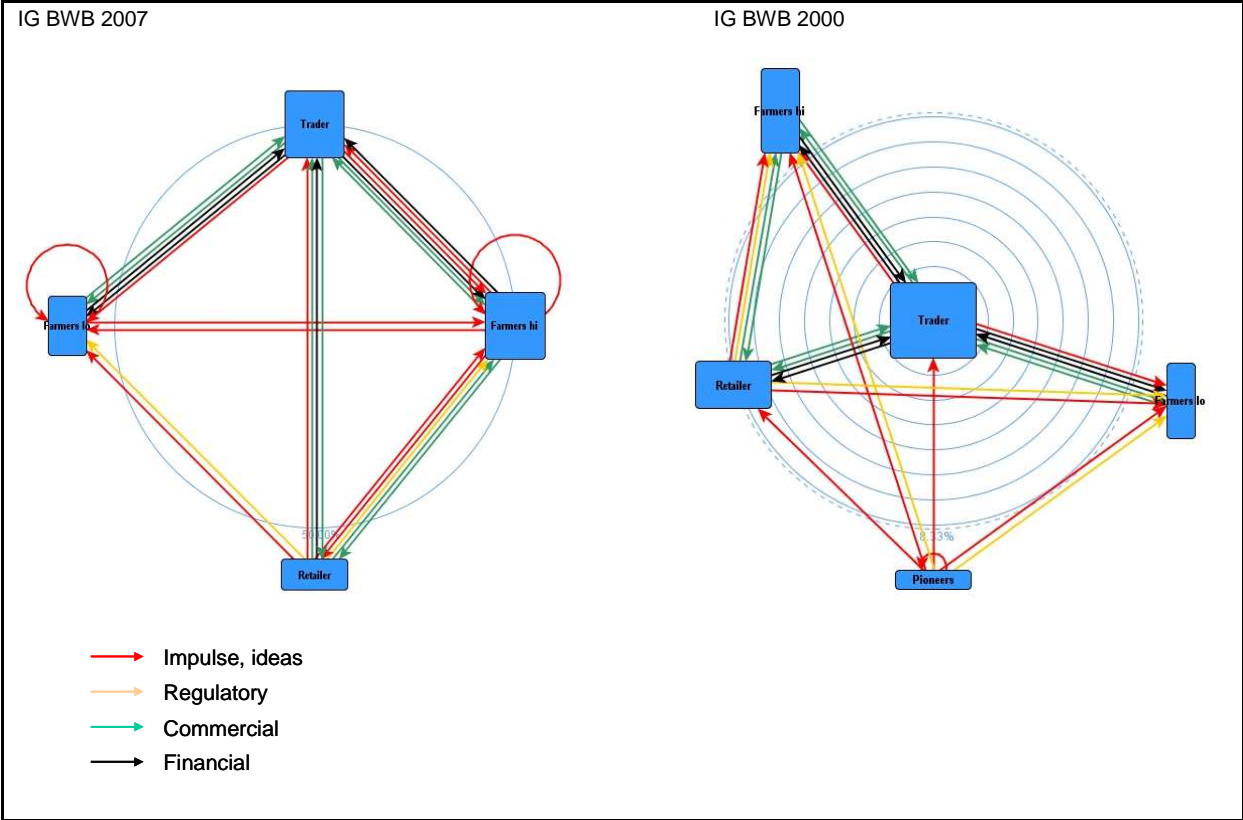
To explore the initially posed questions on how the IG BWB actors and the COFAMI at a whole deal with varying marketing claims for their product and how the COFAMI organises the partly diverging interests of its members, we will take a closer look at its internal organisation. We thereby use network analytical methods to illustrate the various positions and roles that the actors play in the initiative.

The IG BWB is organised in a relatively simple way. The large majority of members are farmers producing beef that is sold under the BWB label, and they are invited once a year for the general assembly where the main directions for the future development of the initiative are discussed. A management board consisting of five producers, the cattle trader and a representative of the retailer MIGROS is responsible for the management of the IG BWB. It also distributes information to the members on an irregular basis. The core instrument is the weekly price conference between a representative of the producers, the trader and the retailer. The negotiated price is published in the agricultural newspaper/magazine, as well as on the initiative's website. The initiative works in such a way that farmers sell their cattle to the cattle trader, pay him for trading, and he then sells it to the retailer. The main input

regarding directives on how to produce the beef sold under the BWB label today comes from the retailer who defines quality standards (in consultation with the producers).

We can thus single out four types of relationships or flows between the different members of the initiative: impulse or giving ideas, defining and enforcing regulations, the commercial flow of selling products and negotiating prices, and the financial flow. These different flows are pictured in Figure 2-1.

Figure 2-1: Network of IG BWB today (2007) and at the beginning of the initiative (2000)



Source: own representation

This illustration of the internal network of the IG BWB shows, on the one side, the relations between the different member types of the initiatives: low involved farmers, high involved farmers (i.e. those who are board members and/or engaged in working groups), the cattle trader, and the retailer. On the other side, it visualises characteristics of the network as a whole expressed by different network analytical measures: the actors are arranged in such a way that an actor with the highest betweenness centrality lies in the centre of the circle, meaning that it has a significant control over the information flow in the network. The size of the rectangle (which signifies one actor type) indicates the number of incoming and outgoing links, whereby a rather flat rectangle stands for an actor who has more outgoing than incoming links and a more vertically stretched rectangle indicates more incoming than outgoing links.

From Figure 2-1 we can see that currently, all actors have the possibility to get information and (to some extent) distribute their ideas in the initiative. No one actor is central in the sense that it can fully control the information flow between other actors. All the same, the great influence from the retailer who gives a lot of input to the network as ideas and regulations becomes clear. The trader and the highly involved farmers seem in a similar position from this network analytical perspective; they are both well interlinked in the network when we consider the four flows described above. However, from the interviews it became

clear that the trader still plays a particular role and as important functions as the quantity management remain with him. Therefore the actual influence in the network will be higher than this picture shows.

This organisational structure has changed over time. The left network in Figure 2-1 illustrates the network of IG BWB at its start in 2000. In the initial network of IG BWB an additional member type, the 'pioneers' played an important role by defining production standards, introducing new ideas and giving major impulses for the development of the initiative. Accordingly, this actor has a very flat shape. Another major difference to the current network is the clearly central position of the trader. This means that, at the time when the IG BWB was started, the trader collected much information and was in the position to decide on whom to pass it on. Comparing the two networks, we can also see that nowadays, the highly involved farmers seem better integrated in the network and have the possibility to give an impulse for the initiative. The pioneers have completely lost their function and dropped out of the network; defining and enforcing regulations has been mainly assumed by the retailer.

As the IG BWB includes various actors of the supply chain, the distinction between internal and external relations is not straightforward. E.g. the trader sells cattle not only to the retailer who is a member of the initiative, but also to other retailers from the MIGROS co-operative, and others. Further relations do not play a major role for the working of the IG BWB, but shall be mentioned briefly. There are still some contacts to the Research Institute of Organic Agriculture who conducted a scientific study on the initiative (however, these contacts have since then lost in importance). Also the Federal Research Institute in Posieux, Switzerland, and the Swiss Federal Institute of Technology (ETH) have conducted some research on the initiative. The production standards are related to those of the Swiss organic farming association Bio Suisse, and also respect the standards defined by the 'Interest group for livestock transportation conforming with animal welfare standards' (IGTTS). Contacts to the Swiss Association of Suckler Cow Producers (SVAMH), which is a competitor on the beef market are scarce, and there are no reports on important contacts to the Swiss farmers' union.

Collective identity

A permanent challenge for the collective identity of the IG BWB is the different roles and interests of its members. On the one side, there is the divide between the interests of the beef producers, the interests of the cattle trader and the interests of the retailer(s). The producers want to receive a high price for their beef, whereas the retailer aims at a low price. The cattle trader is paid per head traded, so that his interest is to buy and sell as many cattle as possible, regardless of the beef price. On the other side, different interests and roles also prevail among the farmers. The majority of beef producers remain fairly passive in what

regards collective activities with the IG BWB. This is fostered through the fact that they have individual contracts with the cattle trader, and have become a member of the COFAMI because this was the only way to sell their beef under the BWB label. They see the label as one among many ways of marketing their beef, and need not to engage in its further development as their sales to the trader are guaranteed. Such producers have only become interested in the IG BWB when beef prices dropped considerably in 2003. By contrast, a minority of farmers is member of the management board and / or involved in one of the working groups focussing on specific issues of the COFAMI. These producers take a broader perspective and are not only concerned with their own sales, but also with the development of the initiative. They therefore identify more with the IG BWB, and see the need for a stronger collective identity which would enhance the perception of BWB in the public.

2.5 Capital assets and capacity building

This chapter focuses on the capitals and capacities of IG BWB to achieve the aims of the initiative and to meet the challenges posed by the conflicting lines as outlined in section 2.2. Table 2-1 gives an overview following the structure discussed between project partners at the Budapest meeting.

Table 2-1: Overview of the current capitals of IG BWB (spring 2007)

Capital	Relevance	Status	Description of effects
<u>Financial:</u>			
Membership Contribution per cattle sold	+	Low-Medium	The farmers have to pay a yearly membership fee to the IG BWB and a contribution per head sold to the cattle trader. These funds are primarily used for representing IG BWB on selected fairs (mostly of organic farming) in Switzerland. For PR activity, the initiative thus strongly depends on activities of the retailer MIGROS.
<u>Physical</u>	0	low	The initiative is based on commercial relations between the supply chain partners, and it has a very lean management structure; its main activity (the price conference) is done by telephone. Therefore, no office or other infrastructure is needed.
<u>Natural:</u>			
About 2500 cattle per year sold	++	Medium - High	Currently, the supply of organic pasture beef meets the demand. An increase in supply would need some activity of the IG BWB partners to improve the marketing of the product, i.e. find new markets.
<u>Social:</u>			
Trust between supply chain	++	Medium - high	At present, the producers generally trust their supply chain partners, i.e. the trader and the retailer that they share a common understanding and goal for the

partners			IG BWB. This is indispensable for the functioning of the initiative in the current organisational structure. Furthermore, the trader and, in particular, the retailer are very powerful in the initiative, so a trustful relationship is needed to ensure that the initiative can persist.
Influence of IG BWB members on marketing strategies	++	Low	IG BWB members have only little influence on the marketing strategies for their produce. The organizational structure of the initiative includes that marketing is fully delegated to the retailer. If this retailer does not have a strong interest in the high quality and organic market development, its marketing strategies for BWB will remain poor, thus limiting the further devolution of BWB beef. This effect is enhanced by the organizational structure of MIGROS in different autonomous regional cooperatives who can decide independently on the products they sell and the marketing strategies for them.
Capacity of IG BWB to respond to food chain dynamics	++	medium	The high dependence on one retailer limits the initiative's capacity to respond to food chain dynamics. BWB producers fully rely on a translation of these dynamics by the retailer and the cattle trader. On the other hand, the initiative or the producers, in particular, generally trust its market partners that they observe the market and react to dynamics. Hence, delegation of this task to one member of the initiative can be interpreted as an enabling factor as long as this member is been trusted.
Strategic alliance with chain partners	++	Medium to High	Strategic alliances with food chain partners are the core of IG BWB where all these partners are a member. The whole initiative builds upon the idea that there is an advantage in assembling all market partners in one organisation. Again, this is seen ambivalent by the interviewed producers, but they mostly trust the chain partners and therefore this factor enables the success of IG BWB.
Collective identity	+	Low to Medium	<p>Only a small share of the members attends the yearly assemblies, and even less farmers is involved in common activities of the IG BWB, be it as a member of the board or in specific working groups.</p> <p>As stated above, the strong focus on commercial relations between each single producer and the cattle trader, together with the high geographical dispersion may hamper building up a strong feeling of collectivity. In addition, the single farmer may not need such a collective identity as long as he or she can sell her products.</p> <p>By contrast, the whole initiative would need a stronger collective identity if it was to present itself in public and expand the market for BWB.</p>

<u>Human:</u>			
Know-how	+	High	The importance of extension to farmers has recently decreased as there are now enough farmers to act as role model for new comers. Experts have left the initiative, so that new knowledge has to be gained from within the IG BWB. The increasing knowledge of the trader in form of an improvement of the system of quantity control has had positive effects on the working of IG BWB.
<u>Cultural</u>	0	-	IG BWB is a nationwide initiative not focussing on a particular region with particular cultural assets. Also the type of livestock keeping does not express a specific cultural background of farmers.

Seen from the perspective of capitals and capacity building, the development of IG BWB can be understood as a development out of a core of innovative farmers and farm advisors who built up a strong feeling of collective identity, partly in response to a fairly sceptical environment. Producing beef on a pasture basis was a relatively new form of production in Switzerland when the IG BWB was initiated. In consequence, it was important to have experts who could provide the knowledge needed. The pioneers successfully disseminated their newly gained know-how and thus managed to promote the ideas of the initiative and enter the meat market.

Nowadays, a relation of trust has become increasingly important. It has indeed been strengthened through the crisis of IG BWB when producer prices dropped significantly. A group of producers wanted to re-structure the initiative out of a feeling that their interest were not taken care of sufficiently. This re-structuring did not take place, but producers reported an increased consideration of the farmers' concerns by the supply chain partners since then. The following chapter presents the dynamics of the IG BWB in detail.

2.6 Dynamics of the COFAMI

The chronology of the IG BWB is given in Table 2-2 summarizing the main phases of the initiative's development.

Table 2-2: Overview of the time-line of the IG BWB development

Mid 1990	Organic beef market is not developed (difficult to obtain an organic price premium, difficult to buy organic beef)
1997-1999	Independently from each other, an organic farm advisor (Eric Meili) and a farmer (Franz Steiner, a former development worker) get to know a beef production system based on pasture on the occasion of trips abroad (to Ireland and South America). They meet, exchange their ideas, and start a first trial on an organic farm in Einsiedeln (CH).

1999	First beef cattle fattened on pasture are slaughtered; the quality is very good
1999	They meet Linus Silvestri (cattle dealer), and Eric Meili registers the trademark "Bio Weidebeef" with him. They negotiate with the Swiss retail cooperative MIGROS-East Switzerland to market the pasture beef.
1999	MIGROS-East Switzerland launches the label programme and buys the trademark from Eric Meili and Linus Silvestri. MIGROS-East Switzerland agrees on an exclusive trade contract with Linus Silvestri. All beef cattle under the Bio Weidebeef programme are traded via Linus Silvestri. Linus Silvestri places contracts with each farmer.
2000	The IG BWB is founded to coordinate the production, comprising 20 to 30 organic farmers. Members of the association are a) farmers, b) Linus Silvestri and c) MIGROS East-Switzerland. The idea is that all partners of the supply chain negotiate their interests within the initiative and show solidarity. Eric Meili becomes the first president of the association.
2000 – 2003	The IG BWB and the label expand rapidly. The number of farms increases to up to 300 farms. Other MIGROS cooperatives start to sell BWB - however, only small quantities.
2003/2004	Supply grows faster than the demand. As a result, there is too much organic pasture beef on the market. MIGROS is not able to sell all beef under the Bio Weidebeef label. Prices for pasture beef drops from 10.80 Fr. 8.80 per kg beef. Farmers are not satisfied with the situation. They realise that they have no power within the association.
2004	There is a big conflict within the initiative and different views exist with respect to possible strategies to improve the situation. Eric Meili and some farmers propose a re-organisation of the association. They propose to have an exclusive farmer's organisation. Pasture beef would still be sold via MIGROS (who owns the label) but farmers could also ask other cattle dealer besides Linus Silvestri to organise the transport and to do all other transactions (increased competition). The proposal is discussed on an annual meeting but does not achieve the required number of votes. Eric Meili leaves the initiative afterwards.
2005	Linus Silvestri improves the system to control the supply.
2005-2007	Linus Silvestri cancels the contract with farmers producing only a low number of beef cattle per year. Beef prices increases again (today 10.10 Fr.). MIGROS proposes to change the production system (instead of fattening calves coming from dairy using calves coming from suckler cows; discussions on this change in strategy are going on until now).

Four different phases summarise the development of the IG BWB.

1) *Pioneer phase 1997-1999*

The idea emerges to fatten beef on a pasture basis, inspired by experiences from South America and Ireland. Successful trials take place. The pioneers in this phase face a sceptical environment and in consequence, develop a strong collective identity based on a feeling of difference to the majority of cattle farmers. They follow a strategy of expansion and dissemination of their ideas, after having tested the production method.

2) Institutionalization phase 1999 - 2000

A cattle trader becomes interested and is integrated in the BWB project, and together a marketing channel for BWB is searched for and found in the retailer MIGROS Ostschweiz. The BWB label is developed and sold to the retailer. The institutionalisation phase ends with founding the IG BWB. Contracts between the cattle trader and the farmers and between MIGROS and the cattle trader regulate the relations between the different actors of the initiative. The identification of the pioneers with the *idea* of BWB has thus been transferred to the *label* of BWB, which makes it easier for newcomers to join and identify with the COFAMI (i.e., the BWB label). The strategy of the actors is strongly oriented towards market development.

3) Developing boom phase 2000-2003

This phase is characterised by a high activity to attract new members, out of a very positive assessment of the market development. Subsequently, the number of producers who are a member in the IG BWB rises up to 300, and sales increase from 100 cattle/year to 3000 cattle/year. BWB is also sold via 3 other cooperatives of MIGROS, but this is not enough to ensure sales of all beef produced under the BWB label. A clear long term marketing strategy of MIGROS for BWB is missing, and at the same time, the quantity control system does not function sufficiently to warn about the lacking increase of demand. In consequence, there is a surplus in supply, accompanied by a fall in prices. This leads to an attempt of the producers to change organizational structure, but without success. The different interests of the supply chain partners who are assembled in the initiative become clear.

4) Consolidating boom phase 2004 – today

As an outcome of the critical phase of supply surplus and decreasing prices, and the discontent of a number of producers, the trader becomes more open to farmers' concerns. After cancelling contracts with farmers who supply only small quantities, recently new members have been admitted, and the quantity control system has been improved in order to prevent another unforeseen supply surplus of beef. The sales are stable at around 50-60 cattle per week. The degree of collectivity is at a medium level. One reason for this may be the wide dispersion of farmers over the country. Furthermore, the fact that it is the individual farmer who has a contract with the trader on the amount of cattle produced for BWB limits the need for the single farmer to become engaged in any collective activity that could

promote a collective identity. The management board who took over after the crisis is faced with a stagnating rather than an emerging market (in contrast to the pioneers), what might further constrain a collective identity.

Tentative analysis of the crucial event: discussion on reorganisation of IG BWB

We follow the suggestion from the working group on contextual factors, capitals and capacities at the Budapest meeting, and begin with the outcome of the crucial event, then working back to strategies and influencing factors and capital assets.

The outcome of the crucial event of the IG BWB is that there was no change in the organisational structure, including a management board composed of all food chain partners. However, the cattle trader became more aware of the needs of the farmers.

The relevant context is the market for organic beef which is a niche market, and thus, alternatives for selling beef produced as BWB as other organic beef is limited. The crucial event was triggered by falling prices due to an imperfect quantity control (i.e. supply exceeded demand).

One important internal factor, or capital asset, is the organisation of the IG BWB which put the trader and the retailer in a powerful position from the beginning of the initiative. The fact that the ownership of the label is with the retailer contributes to its power. In consequence, the attempt of a group of producers (backed by one advisor) to change the system confronted established structures and power relations which were then successfully defended.

Another line of argument focuses on the collective identity of the initiative. As relevant contextual factors here is the geographical dispersion of farmers that limits the chance to build up a strong collective identity – particularly when the COFAMI increased. Lacking finances and time, as well as a moderate commitment of its members also hamper activities of the IG BWB to promote such an identity. In addition, the organisation of the IG BWB as contracts between single producers and the cattle trader inhibits establishing a feeling of a collective identity among producers. In consequence, the initiative for organisational change was not backed by all producers.

However, as a result of the reorganisation debate, trust in the food chain partners was re-established, and in the further run, prices increased again after some contracts were ended, thus reducing the supply of BWB labelled beef.

2.7 Impact assessment

The following Table 2-3 shows how selected members of IG BWB have assessed the impact of the COFAMI

Table 2-3: Internal impact assessment of IG BWB

Assesment Nr.	Economic impact on members	Collective identity, sense of belonging	Educational performance	Cultural performance	Environment al performance	Political performance
1	+	++	++	-	+	--
2	+	+	-	0	++	--
3	+	+	-	-	+	+
4	+	+	+	-	++	+
5	+	-	++	++	+ / ++	0
6	+	+	++	+	+	-
7	++	- / + / ++	+	0	+	0
8	+	+	+	-	++	-
Overall internal assessment						
	+	+	+ / ++	- / ++	++	-- / +

Most impact types were assessed similarly by the different COFAMI members interviewed. Only the cultural and political performance appeared to vary, whereby most actors did not see any effect on the cultural assets, except for the fact that BWB cattle usually graze on alpine pastures summer time and thus contribute to the maintenance of this form of agriculture. Political impact was partly justified with the impact on the consumers' attitude towards meat quality.

Apart from the economic performance, for none of the types of impact quantitative data is available. Therefore, the external impact assessment is mainly based on the qualitative assessment of the researchers.

As discussed in the general description of IG BWB and the contextual factors, organic pasture beef has to be seen not only in the context of the organic beef market, but also in the context of the total (premium) beef market in Switzerland. BWB labelled beef makes up about 1% of the total Swiss beef market, and therefore is clearly a niche product. Organic beef in Switzerland is estimated at roughly 9% of the total beef market (IHK-GfK 2005). Furthermore, all organic beef sold in MIGROS shops in Switzerland is BWB. Having said this, MIGROS sells only roughly 11% of the total organic beef sold in Switzerland, so that the overall relevance of the BWB label remains limited. Farmers receive a price premium of

about 10%. Overall, it seems economically interesting for farmers to produce organic pasture beef, because of higher prices and because it might fit well to their farm management.

As argued before, the potential to enhance the collective identity within the IG BWB is limited. However, recent efforts of board members work in the direction of a stronger inclusion of farmers in the initiative.

There has certainly been a gain in knowledge for the participating farmers, as well as for the cattle trader who has subsequently built up a system of quantity control. Board members have reported that being in a management board has brought them some new experience and broadened their perspective and knowledge of the organisation of the Swiss beef market and marketing options.

It may also be argued that BWB enhances environmental quality, because it represents an extensive way of using grassland. However, the real impact on the environment is difficult to assess, as this depends a lot on previous use of the land in question.

From an external perspective, we cannot see a considerable impact on the cultural and the political performance. There is no regional aspect in the initiative, and also the cow races used for fattening do not have any particular cultural aspect (such as rare species etc.).

2.8 Conclusions on the Bio Weide-Beef case

The IG BWB represents a collective farmers' initiative that has stabilised its success, after overcoming a crisis that put into question its organisational structure.

Our main focus of the analysis was:

1. How do the actors in IG BWB deal with varying marketing claims for their product?
2. How does the COFAMI organise the partly diverging interests of its members, and what role do common interests play?

We saw that these questions were differently answered in the different stages of the COFAMI's development. The socio-economic context of the Swiss beef market, and the consumers' demand had a strong influence on the development and functioning of the IG BWB. The most important characteristics of the initiative that had an impact on these questions are the power relations defined by the organisations of IG BWB and the limited collective identity. A powerful cattle trader and retailer combined with a lack of collectivity keeps many farmers fairly passive.

To broaden the empirical basis it would be interesting to compare BWB with other initiative that are also confronted with lack of collective identity and to analyse whether such a lack is necessarily problematic for an initiative's persistence.

Case study 2: Bio-direct AG

The second Swiss case study was the bio-direct, a webshop recently established by a cooperation between farmers and IT experts.



3.1 Material

The material of the second Swiss case-study on *bio-direct AG*¹ comprises nine face-to-face interviews that were conducted between April and June 2007. Interviews were carried out by two researchers allowing an intensive discussion after each interview. A snowballing approach was applied to recruit the interviewees starting with the CEO of bio-direct. Subsequently, other shareholders of the COFAMI and farmers not involved in the initiative as well as external farm advisors / marketing consultants have been interviewed. The key-characteristics of each interviewee are summarized in Table 3-1.

Table 3-1: List of interviewees

	Management / supervisory board	Initiator	Founder	Shareholder	Supplier	Advisor / Consultant	Not involved farmer
INTW 1	X		X	X			
INTW 2	X	X	X	X	X		
INTW 3	X	X	X	X	X		
INTW 4					X		
INTW 5				X	X		
INTW 6							X
INTW 7						X	X
INTW 8				X	X		
INTW 9						X	

¹ In the following, we call the COFAMI *bio-direct*.

The interviews lasted between 25 and 120 minutes. All of them were recorded, but not transcribed. Instead, a detailed summary report was written, which provided a comprehensive basis for the later analysis. Each interview was well prepared by a preparatory discussion between the two researchers, who conducted the interviews, aiming to identify relevant gaps in the existing knowledge and to formulate relevant questions. Moreover an instant evaluation was conducted in subsequence to each interview. This enabled a dynamic data collection and provided the possibility to gear the interview questions towards the core issues of the analysis. The general aim of the analysis was to understand the development of bio-direct, the existing interrelationships within the initiatives and between the initiatives and its wider environment as well as to identify the main limiting and enabling factors for farmers to join bio direct.

Besides the face-to-face interviews, a web-search on bio-direct was conducted aiming to collect secondary data such as press articles or relevant grey literature.

3.2 General description of the case

Bio-direct is a company founded by three organic farmers (D. Scheibler, P. Hilfiker, A. Müller) and two IT specialists (M. Schütz, U. Steiner) from the cantons Aargau/Solothurn that run an organic web-shop (www.bio-direct.ch). The web-shop has been launched in August 2005 as a response to decreasing farm-gate prices for organic vegetables and decreasing bargaining power with retailers or other downstream supply-chain actors. Correspondingly, the main aim of the company is to sell high quality products directly to consumers, to obtain a “fair” price for farmers/suppliers, to develop/seek for an alternative form of revenue and to provide a marketing channel for other organic farmers and traders/processors. In comparison to rather traditional marketing outlets, the main advantage of the web-shop was seen in the possibility to scale up the number of customers. Furthermore, internet shopping is currently a very dynamic and fast growing market segment, e.g. the largest internet shop in Switzerland (Le Shop) increases its turnover by approximately 45% per year.

Today, bio-direct offers approximately 1,000 products ranging from organic food products, organic beverages, detergents to wellness products. Approximately 80% of the products come from the two organic wholesalers ‘Biofarm’ and ‘ViaVerde’. The remaining products – mainly food specialities – are supplied by organic farmers and small food processors that are located in the region (including the three initiators). All of them market only a minor part of their production via bio-direct (however, the volumes are increasing). The order and delivery system is described in Table 3-2.

Table 3-2: Procedure of the e-order at bio-direct

<i>until Tuesday</i>	<ol style="list-style-type: none"> 1. Customers order products at www.bio-direct.ch (until Tuesday 10 pm) 2. Bio-direct sends an email order to suppliers
<i>Wednesday</i>	<ol style="list-style-type: none"> 3. Suppliers deliver their products to the assorting and packaging centre (located in the village of Pfaffnau) 4. Products are assorted according to the orders
<i>Thursday</i>	<ol style="list-style-type: none"> 5. Post-Logistics picks up the delivery boxes in Pfaffnau and delivers the boxes to the customers 6. Customers receive an invoice via mail

The company is managed by a management board. Board members are three of the five founders (D. Scheibler, M. Schütz, U. Steiner). Competencies and responsibilities are clearly divided among board members. CEO of the company is currently M. Schütz, who may take the final decisions. General and strategic decisions are made by the supervisory board. Members of this board are all five founders. Legally, bio-direct is a limited company. Shareholders are organic farmers, suppliers and customers. The suppliers of bio-direct are not necessarily shareholders of the company. However, bio-direct aims to have / build up a close and trustful relationship to their suppliers. The five founders hold more than 50% of all shares. Financially, bio-direct possess 220'000 CHF own capital and approximately 152'000 CHF borrowed capital. Since spring 2007, the company seeks to increase its stock by additional 500'000 CHF. In 2006, bio-direct had a turnover of 300'000 CHF and aims to increase its turnover by 250% in 2007.

Currently, bio-direct receives approximately 80 e-orders per week. In the long-term, it is aimed to achieve more than 500 e-orders per week. Until April 2007, more than 700 customers have made their shopping at bio-direct. The most important product categories are vegetables, fruits, meat and dairy products. Besides individual orders, bio-direct offers also a standard order of fruits and vegetables. Due to the minimum order value of 95 CHF, the main target group of bio-direct are households with double job holders and families with children.

3.3 Main questions and interesting aspects

Having briefly described the second Swiss case study, the following specific research questions have been identified as relevant for the analysis of bio-direct:

1. What are the main factors that limit / encourage farmers to join / participate in the COFAMI bio-direct?
2. To what extent does bio-direct use its capitals to exploit existing potentials / to overcome existing constraints that are determined by contextual factors?
3. How does bio-direct acquire missing / new skills and knowledge in the field of IT and marketing?

3.4 Detailed description of bio-direct

In the following, a detailed description of bio-direct is given. This includes an overview of the development of the initiative (section 3.4.1), an analysis of the organisation, network relations and degree of collectivity (section 3.4.2), description of the capital assets and capacity building (section 3.4.3) and a presentation of relevant contextual factors (section 3.4.4). Taking into account that bio-direct has been founded in 2005, it was not possible to collect reliable information on the impact of this COFAMI on its members and the wider environment of the initiative. Therefore, this report does not contain an impact assessment of the bio-direct.

3.4.1 Development of bio-direct

The development of bio-direct is presented in Table 3-3 in chronological order. Due to the very short period, it is not possible to identify critical events or to divide the development into several sub-periods. For the same reasons, it does not make sense to describe changes in the status of resource assets (apart from the capital stock and number of employees) and changes of objectives, strategies and motivations.

Table 3-3: Time-line of the development of bio-direct

	Since 1998	The organic farmers P. Hilfiker, A. Müller and D. Scheibler start to cooperate in the area of direct marketing
2004	Summer	An organic wholesaler refuse to buy carrots from P. Hilfiker because: <ul style="list-style-type: none">- the carrots do not comply with the standard norm- there are too many carrots on the market

2004	Autumn	Four organic farmers in the region (P. Hilfiker, A. Müller and D. Scheibler, H. Braun) discuss possibilities to improve their marketing and to avoid an “unfair” price paid by traders or wholesalers. The first idea is to create a cooperative support system for individual farm shops. Inspired by the high growth rates of internet-shops in Switzerland, the four farmers come up with the idea to establish an internet shop for organic products. D. Scheibler runs already a simple internet-shop that is linked to his own farm shop. Apart from that, the group of farmers has neither profound IT skills nor comprehensive business administration or marketing experiences (apart from experiences in direct marketing).
		U. Steiner is an organic part-time farmer and IT specialist. Together with D. Scheibler he is board member of a regional organic farming association. At a board meeting, D. Scheibler tells U. Steiner about the idea to establish an internet-shop for organic products and asks him whether he would like to join the initiative. U. Steiner is interested but suggests to ask also M. Schütz, who is also an IT specialist (and who has also a family farming background). Both join the initiative. At the same time, H. Braun leaves the group due to other engagements.
2005	Winter	The group of farmers / IT specialists decide to develop a business concept for the foundation of an online marketing platform for organic products.
	March	The company is founded. An intensive preparatory phase begins. The internet shop should have a reasonable number and variety of products. It is planned to launch the web-shop in August 2005. Apart from U. Steiner and M. Schütz (who are also paid for a certain number of hours), the labour input of the five founders is remunerated by shares in the company.
	June	Bio-direct has two employees (in addition to the five founders). Capital stock amounts to 100'000 CHF.
	19 th August	Bio-direct launches its web-shop with 700 products.
	Autumn	The first months are very difficult. The number of clients is very low.
2006	January	Bio-direct has 3 employees (in addition to the five founders).
	March	The group evaluates the operational procedures and first experiences with the delivery system and customer satisfaction. In order to improve the service quality, bio-direct starts to cooperate with another logistic partner.
	Summer	Critically, the group realises that the internal decision-taking process takes too much time. In order to professionalise the management and internal procedures, P. Hilfiker and A. Müller leave the executive board (but remain in the supervisory board).
2007	January	Bio-direct has six employees (in addition to the five founders). Capital stock amounts to 220'000 CHF.

2007	Spring	Bio-direct asks a consulting agency to improve their marketing concept. Furthermore, members of the executive board aim to improve its marketing efforts and price calculation.
	Summer	Bio-direct aims to increase its capital stock and seeks for new shareholders.
	August	U. Steiner leaves the executive board. M. Schütz works full-time for bio-direct. D. Scheibler becomes CEO of the company.

3.4.2 Organisation, network relations and degree of collectivity

Table 3-4 gives an overview about all actors that play a role for bio-direct.

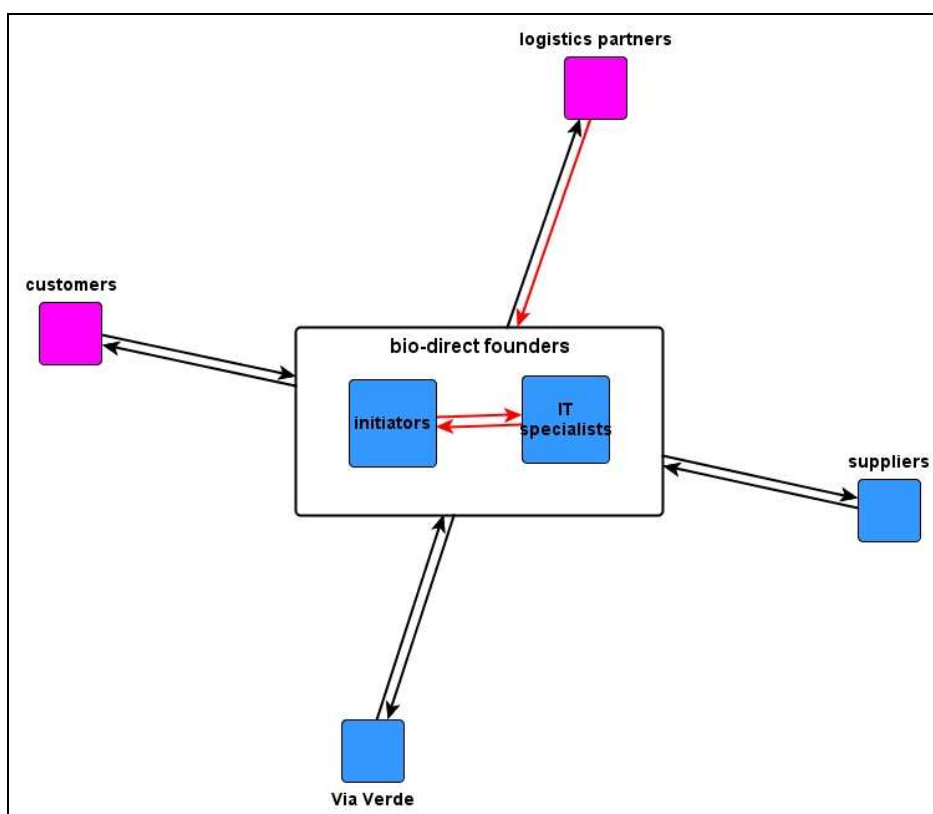
Table 3-4: Identified actors of bio-direct

D. Scheibler P. Hilfiker A. Müller	Initiators and co-founders, farmers, shareholders; D.S. is a member of the management board, P.H. and A.M. are members of the supervisory board
U. Steiner M. Schütz	Co-founders, members of the management board, shareholders, IT-specialists
ViaVerde (www.vioverde.ch)	Commercial supplier, shareholder, landlord of the shop floor used by bio-direct
Biofarm (www.biofarm.ch) Eigenbrötler (www.eigenbroetler.info)	Commercial suppliers and processors, partly shareholders
Zauggs' Biohof Biohof Deppeler Azienda Archipettoli Schlatthof Biohof Müller Biohof Scheibler Biohof Hilfiker	Organic farmers, suppliers, partly shareholders
Post-Logistics (www.postlogistics.ch)	Non-food business-partners; external actors

Green (www.green.ch)	
Customers and private shareholders	External actors

Bio-direct has a very straightforward organisational structure (see Figure 3-1). In Figure 3-1 the internal actors (i.e. the shareholders) of the Bio-Direct AG are shown in blue, the external actors in pink². The organisational network is composed in its core of the (first four, now three) farmers who had the idea to initiate a COFAMI (*initiators*) and two *IT specialists* who joined the group. Together they are called *founders* of bio-direct. It had been highly important for the initiators to enhance the human capital of the group and get access to IT knowledge. The main relation between the initiators and the IT specialists is the flow of information (illustrated in Figure 3-1 by a red arrow) between both actors. Institutionally, the founders work together in the management board and supervisory board of the company.

Figure 3-1: Network relations of bio-direct



Relations between the founders and the other actors are mainly of commercial and/or financial nature, except for the *logistic partners* (the logistic company in charge of delivering

² There are also customers that are shareholders. However, since the majority of them have no shares customers have been defined as external stakeholder. The same applies vice-versa for supplies.

the boxes and the company providing the internet shop software), who also transmitted knowledge to the COFAMI. *Customers* have no direct influence on the development of bio-direct apart from those that are also shareholder. Customers however determine the further development of the company through their demand expressed in regular purchase of bio-direct products.

Suppliers can both be treated as internal or external to the initiative. On the one side, it is aimed that many of them become shareholders of bio-direct, and can thus be considered as internal actors. On the other hand, being a shareholder is not a prerequisite for supplying products to the initiative. The main relationship between the founders and the suppliers is therefore also a commercial one, based on purchase of agricultural produce.

A particular actor/partner for bio-direct is the organic wholesaler *Via Verde*, who is not just a supplier and shareholder but also the landlord of the shop floor that is used by bio-direct to assort the delivery boxes. Although in strict terms, the relationship is exclusively of commercial nature the actual interest of *Via Verde* in bio-direct might be higher as one may assume from the illustration of the network. This actor holds shares of bio-direct and recently sold its box scheme subscription to bio-direct, and has a strong interest in the further development of the initiative.

Besides the relations to customers, suppliers and partners of bio-direct, it is also important to take account of the wider environment of bio-direct. Apart from a couple of single farms who offer the possibility of ordering products online (e.g. www.bioboehlers.ch), the main competitors are LeShop (www.leshop.ch) and coop@home (www.coopathome.ch). Both web-shops are run by the two major retailers of Switzerland and both offer also a wide range of organic products. In general, both offer their products at comparatively lower prices than bio-direct. Furthermore, coop@home and LeShop are able to deliver each day, while bio-direct delivers only one day per week. All three require a minimum order value of 95 CHF (bio-direct, LeShop) or 100 CHF (coop@home), respectively. In order to attain a certain degree of differentiation, bio-direct aims to attract customers by

- offering organic food specialities,
- the fact that bio-direct is run by farmers,
- a full and exclusive assortment of organic and ecological products.

Collective identity

An important success factor of bio-direct is associated with the fact that the five founders have similar attitudes and values. Furthermore all five knew each other before they started to build up the company (family relations, cooperation in direct marketing, member of the

regional organic farming organisation). Most interviewees directly involved in bio-direct stressed the importance of shared attitudes, motives and values. The positive effects of such a strong collective identity were corroborated in interviews with suppliers to bio-direct which reported that a personal contact to the bio-direct board of managers transporting their ideas enthusiastically and clearly had convinced them to participate.

3.4.3 Capital assets and capacity building

This section focuses on the capitals and capacities of bio-direct that are used to build up the company and to exploit existing potentials or overcome existing constraints.

Table 3-5: Identified capital assets and capacities

Financial	Share capital of 220,000 CHF	++	Medium	Currently, bio-direct has a capital stock of 220,000 CHF, from which the five founders hold the majority. To increase the stock by 500,000 CHF bio-direct is currently seeking new shareholders. The money has mainly been invested in marketing and promotion activities, to enhance skills and knowledge (e.g. marketing consultancy) as well as to buy software applications.
Physical	Bio-direct has no relevant physical capital. The COFAMI rents a room to assort the delivery boxes. Secretary work is done in private offices.			
Natural	Bio-direct has no relevant natural capital. Existing natural resources such as landscape or regional biodiversity do not play a significant role.			
Social	Capability of members to work and learn together and to share specific technical skills	++	High	All five founders have/share a certain sense of solidarity and have similar attitudes and values, which is an important basis to, <ul style="list-style-type: none"> - build-up a trustful relationship, - develop a coherent business strategy, - overcome problems / find solutions, - acquire new/missing skills.
	Network relationships to an cooperative bank	+	Medium	Bio-direct obtains no public or private funding. To get access to borrowed capital without providing substantial securities, a private contact to a local bank manager was helpful.
	Network relationships to organic wholesalers	+	Medium	D. Scheibler had a contact to Via Verde. This contact enabled bio-direct to build up a close partnership with the organic wholesaler. Today, bio-direct may use a shop floor and the infrastructure from Via Verde.

Human	IT skills	++	Medium	<p>U. Steiner and M. Schütz are both IT specialists. Their IT skills were and are still essential for the development of the web-shop and other IT applications used by bio-direct. Furthermore, D. Scheibler made first IT experiences, when he started to sell the products of his farm shop via internet.</p> <p>However, it is important to note that the main part of the web-shop of bio-direct was developed together with the IT company green.ch. This means that even if U. Steiner and M. Schütz provided relevant IT skills, it was necessary to outsource certain tasks / have access to external knowledge.</p>
	Marketing skills	++	Medium / Low	<p>Since several years, D. Scheibler has run a farm-shop. Specific experiences in e-marketing were not available at the beginning and are still missing. Skills and competencies in this area have been built up by own experiences during the last two years (learning-by-doing). To improve the marketing competency, the company has asked for professional consultancy.</p>
	Business administration skills	++	Medium / Low	<p>Besides farm management experiences, all five founders had no practical business administration experiences or skills. Some basic skills were provided by U. Steiner who holds a MBA degree. Most relevant business administration skills and knowledge are gained by own experiences during the first two years (learning-by-doing) or are still missing.</p>
	Project management skills	+	Medium	<p>M. Schütz and U. Steiner had already experiences in the management of several IT projects. This gave them the basic competence to develop professionally such a project. However, both had no experiences in building up a marketing company.</p>

As described in Table 3-5 and due to the nature of the COFAMI, the most important capital assets of bio-direct are related to social and human capital, whereas financial, natural or physical capital play only a minor or no role.

A key feature (and important human capital) of bio-direct is associated with the fact that this COFAMI consists not only of farmers but also of IT specialists (that also have a farming background). Due to the combination of farmers and IT specialists, it was possible to enhance the existing human capital stock and to extend the network contacts. Both can be

seen as crucial for the initiative to be able to develop the online market platform and distribution systems and therewith to exploit new market potentials (→ internet-shopping).

Furthermore, all five founders have similar attitudes (→ willingness to take risk, 'craziness', etc.) and share similar values (→ importance of trust, partnership and fairness). The high degree of bonding social capital was essential for the willingness to initiate bio-direct, to invest personal effort in the establishment and for the capability to develop as well as implement successfully a coherent business strategy. No major critical events or periods have so far occurred - but it can be assumed that the high degree of bonding social capital would facilitate to develop jointly an appropriate solution to overcome potential problems.

Moreover, all five founders share a certain sense of solidarity and belonging to the (organic) farming community. All of them share the opinion that the current economic and market situation is difficult for farmers and that bio-direct should aim to provide a possibility for farmers to improve their situation. This results in a high degree of mobilization of individual human capitals for collective action. It is interesting to note that - though there are differences in individual human capital (IT skills, marketing skills etc.) - no hierarchy has emerged among members.

For the future, it appears to be essential for bio-direct to gain further skills and knowledge in the area of business administration and internet marketing. In view of the limited financial resources, self-experiences will probably remain the most important source to enhance the existing stock of human capital. On the other hand, the five founders agreed that bio-direct should give a certain financial support if one of them is doing or likes to do a vocational training course.

3.4.4 Contextual factors

Based on the list of context factors that has been identified within work package 2, those enabling and limiting factors are presented here which have an impact on or are relevant for the development of bio-direct.

- *Density of farms with similar production structures (EF)³*

Similar production structure (full-time farming, access to land, organic management system, etc.) means often that farmers also have similar problems. Being in a similar situation can be seen as a relevant precondition that farmers are interested in seeking for new marketing strategies / joining bio-direct.

³ EF = enabling factor, LF = limiting factor

- *Farmers' attitudes towards collective marketing (EF)*

As already described all five founders of bio-direct have similar attitudes and values which was a very important precondition that they were willing and able to start bio-direct. Furthermore, a key-motive for the foundation was the insight that on the one hand farmers have commonly only a very low bargaining power within long supply chains and on the other hand that the target group for direct marketing is limited. Thus, the founders of bio-direct were convinced that only a collective approach would enable them in the long-run to improve their marketing and thereby their financial situation.

- *Culture and positive experience of cooperation (EF)*

The three initiators knew each other and cooperated already in the area of direct marketing before they initiated bio-direct. This experience was certainly of great help since they knew already that they are on good terms. Interestingly, the initiators made the experience that neighbouring farmers were much more unwilling and sceptical to join the initiative than farmers that run their farm in some distance. It was argued that competition in other areas (agricultural land) or negative family experiences often inhibits a close cooperation among neighbouring farms.

- *Competition on the markets / Type of marketing strategies (EF/LF)*

Online marketing becomes more and more important. On the one hand, it can be argued that the growing number of customers using the internet for their shopping implies that competition in this segment is at least not very high. On the other hand, it is rather difficult for bio-direct to attain a certain degree of differentiation from other web-shops offering organic products. Therefore, they have rather a difficult market position. Since they are not able to offer their products at the lowest prices they aim to improve their competitive position mainly by offering organic food specialities and a full assortment of organic and ecological products. Furthermore, they aim to stress in their communication to consumers that bio-direct.ch is run by farmers, i.e. that this online-shop has a strong relationship to the farming community.

- *Importance of local, regional and national markets (EF)*

Bio-direct aims to attract customers in the whole country. Local or regional markets are less important. Theoretically, it would be possible for bio-direct to expand their delivery service to other neighbouring countries. This however is currently not intended.

In Switzerland, demand for organic product has increased constantly during 1990s. In the last years, growth rates were rather slow indicating a general saturation of the market. However, it can be expected that a growing number of organic consumers will use the internet to do their shopping. This is particularly true for families with children which are particularly attracted by the possibility to do their shopping online. Due to the high border

protection, changes and dynamics on foreign/international organic markets have only little impact on bio-direct.

- *Relations between actors on the markets (EF)*

It is important for bio-direct to build up trustful partnerships which is indicated by the fact that most suppliers are also shareholders. Having a close relationship to important organic wholesalers/processors and to the organic farming community can also be seen as important means to differentiate from their competitors (“we are real organic”). More specifically, the relationship to Via Verde appears to be of special importance, since they are able to use their infrastructure and to have access to a large organic food store.

- *Institutional facilitation capacity (LF)*

Bio-direct was not able to qualify for any public financial support. Access to borrowed capital would have been an advantage in the starting phase. Due to personal contact to a bank officer, bio-direct was able to get a loan for the investments in the starting phase. Since it was not necessary for bio-direct to invest in infrastructure, lack of public support was not a great barrier for the start and development of the initiative.

- *Existence/absence of training (LF)*

As mentioned earlier, bio-direct still requires to gain further skills and knowledge particularly in the area of business administration and internet-marketing. Theoretically, suitable training course and/or consultancy would be available. However, corresponding possibilities are usually too expensive for bio-direct.

3.5 Conclusions on the Bio-direct AG case

Bio-direct is a very innovative approach of farmers to improve their marketing position by establishing the online market platform and distribution system www.bio-direct.ch. More specifically, bio-direct has the aim to sell high quality products directly to consumers, to obtain a “fair” price for farmers/suppliers, to develop/seek for an alternative form of revenue for shareholders and to provide a marketing channel for other organic farmers and traders/processors. The foundation of the company can be seen as a response to decreasing farm-gate prices for organic vegetables and decreasing bargaining power with retailers or other downstream supply-chain actors. Due to relative high direct payments, high border protection and alternative marketing possibilities (or traditional marketing partners), the number of producers willing to invest in their marketing or to take some risk and therefore to participate in bio-direct is still low.

A key-feature and success factor for bio-direct is the fact that this COFAMI was not only founded by farmers but also by two IT specialists (that also have a farming background). Due to this human capital enhancement as well as extended network contacts, it was possible to develop the online market platform and thereby to exploit new consumer trends. Furthermore, it was (and still is) crucial for bio-direct that all five founders have similar attitudes and share similar values, which facilitated to develop and implement a coherent business strategy. The high degree of bonding social capital will also certainly be of great help to develop jointly appropriate solutions to overcome potential problems in the future. Furthermore, all five founders share a certain sense of solidarity and belonging to the (organic) farming community, which results in a high degree of mobilization of individual human capitals for collective action.

For the future, it is essential that bio-direct is able to attract more customers and to improve its price and product policy. This requires particularly improvements in the areas internet-marketing and business administration. In view of the limited financial resources, self-experiences will probably remain the most important source to enhance the existing stock of human capital. Furthermore, a strategic alliance with a new partner might be of great value to gain more customers, to have access to further human capital and to ensure a further successful development.

4. Satellite cases

Satellite cases are introduced in the COFAMI project to enhance the interpretation and understanding of the relations between contextual factors, type of producer co-operation, and performance levels in the main case studies. Satellite cases are therefore chosen on the basis of specific research questions emerging from the explorative case study analyses.

For the analysis of satellite cases the following questions have been identified as being relevant:

BIO WEIDE BEEF:

- a) How does a COFAMI organise the partly diverging interests of its members, and what role do common interests play?

BIO DIRECT:

- a) How does a group of farmers acquire missing / new skills and knowledge?

4.2 Natura-Beef: Satellite case for the Swiss case study Bio Weide-Beef

As a suitable satellite case for the first Swiss case study on Bio Weide-Beef (BWB) the case of Natura-Beef (NB) has been chosen for the following reasons: First, Natura-Beef is an initiative which is placed in a similar context as BWB as the product of both initiatives is beef produced according to special production regulations including a certain standard of animal welfare. They are thus competing on a similar market for beef with an additional value for consumers concerned about the environment. Second, Natura-Beef has been subject to prior research in the course of the EU funded project SUS-CHAIN (QLK5-CT-2002-01349), and thus, there is a good scientific basis from which to retrieve the information needed.

The aim of the prior research was to analyse the scaling-up processes of initiatives for marketing sustainable agriculture products, to assess their commercial and organisational performance, and their effects on rural development. In the following, we will use the findings published in the NB case study report to examine the question pointed out above. After a short description of the Natura-Beef case, we will describe the framework conditions, and then highlight the interests of Natura-Beef producers to see to which extent they share common interests or whether their interests are diverging. We will try to give a concluding assessment of the two initiatives and their different approaches with respect to their 'success'; however, as we will see, this 'success' is not an easily definable measure.

3.4.1 Overview of the Natura-Beef case

Natura-Beef is a label to market beef produced in suckler cow systems that fulfils particular standards regarding meat quality, feeding, and keeping of animals. Currently, there are 3.395 farms producing Natura Beef with around 32.000 beef cattle sold per year (SVAMH 2007b). The initiative is organised in such a way that all producers of Natura-Beef are a member of the Swiss Association of suckler cow producers (SVAMH), who is in charge of marketing the product. The beef cattle are traded via two regional cattle traders to either local butchers (less than 4%) and to COOP (about 96%) (Vogt et al. 2007). The traders, butchers and retailers are not member of the organisation, but closely related to the initiative, in particular through sales licences and purchase contracts.

The label has been developed in 1980 by the SVAMH, and up to now all farmers who want to sell their meat with this label have to be a member in the SVAMH. Therefore, the performance of the initiative is closely linked to this organisation.

The SVAMH was founded in 1977 as an outcome of a three-year research on the potential of an introduction of the suckling cow production system in Switzerland (Damary 2006). The aim of the initial members of the organisation was to:

- Promote the exchange between the members to improve the production method
- Create a herdbook for special beef cattle breeds
- Develop political lobbying strategies with the aim of state recognition and financial support of the suckling cow production
- Find solutions for the marketing of the product

The last point cumulated in 1980 in creating the name and the label (both became legally protected in 1987) “Natura-Beef” in order to place the product on the market. This opened the sales channel for the meat from only local butchers to one of the major retailers in Switzerland, COOP. From 1996 on the SVAMH searched for new market channels for its increasing number of members. It developed a new label “SwissPrimBeef” aiming to sell high quality meat mainly to local butchers and restaurants. As a result, the members of SVAMH are now not only Natura-Beef producers, but also farmers producing SwissPrimBeef (sometimes producing both Natura-Beef and SwissPrimBeef)⁴. In 2003, the retailer COOP claimed that the market for Natura-Beef was saturated and implemented a new quality prescription for newly entering Natura-Beef producers: they now need to produce according to organic production standards, so that an increasing amount of Natura-Beef can be sold as “Natura-Beef-Bio”, in 2003 it made for 18% of the Natura-Beef (Damary 2006).

⁴ Meanwhile, the SwissPrim programme of SVAMH has been extended to pork and lamb production (SVAMH 2007a).

In comparison to Bio Weide-Beef, Natura-Beef is a much larger and older initiative, selling ten times as much cattle per year (which are however much younger). It is furthermore based on an exclusive producer organisation following broader goals and including a broad range of producers, from organic to non-organic beef producers to pork and lamb producers. The product of the initiative is sold mainly through COOP whereas BWB meat is sold through the other major retailer in Switzerland, MIGROS. Another important point is that when Natura-Beef was introduced it was the first beef sold in one of the large retailers with an added value to consumers concerned about production methods, i.e. respecting a certain level of environmentally friendly production and animal welfare. Thus, the product may have had a higher degree of innovativeness than BWB where the product differentiation to Natura-Beef needed an extra effort to communicate. However, in contrast to BWB, Natura-Beef was and is not exclusively an organic product which makes market differentiation perhaps more difficult.

3.4.1 Framework conditions – Contextual factors

If we transfer the contextual factors identified as relevant for BWB to the Natura-Beef case we see that many of the framework conditions are similar. Although the potential for product differentiation on the (by then merely conventional) beef market was higher for Natura-Beef than for BWB, nowadays both products compete on the same Swiss beef market, characterised by high prices, a closed market and dominated by two large retailers COOP and MIGROS. Additionally, consumers have become increasingly aware of agricultural production methods, hence, in Switzerland there is a demand expressed in society for products fulfilling above-average standards regarding environmentally friendly production and animal welfare. Consumers are also willing to pay a premium for high quality products. Finally, the geographical extension of both initiatives is similarly spread all over Switzerland whereby BWB has an emphasis on the Eastern part of Switzerland.

Differences can be observed regarding two contextual factors relevant to BWB. First, the government financed a three-year research on the suckling cow production system which paved the way to introduce this system to Swiss farmers and to finally found the SVAMH. Such an official support was missing in the case of BWB. On the other hand, state subsidies for farmers keeping livestock consuming roughage were only introduced in Switzerland in 1999, thus a considerable time after the Natura-Beef/SVAMH initiative had started. Hence, these subsidies were not available for the first farmers entering suckler cow production (although this is not to say that there were not other state subsidies to which they were eligible). Overall, there was more state support in the initial phase of Natura-Beef/SVAMH than BWB.

Second, the relations between the initiative and knowledge institutions seem also more important in the case of Natura-Beef than in BWB. Through the three-year research a close contact was established to the Federal Research Institute on Animal Production and the Institute of Agricultural Economics at the Federal Institute of Technology (ETH). This contact has since been maintained. For BWB, the contact to research institutes has concentrated on a contact established through an advisor based at the Research Institute of Organic Agriculture, but with the advisor leaving the initiative, this contact has lost its importance and intensity.

To sum up, both initiatives are situated in the same market with similar conditions for placing their product and establishing a niche while serving a similar demand for environmentally friendly produced meat. They are both not attached to a particular region, but their members are dispersed over Switzerland. However, state support and contacts to knowledge institutions have been more intensive in the case of Natura-Beef than in BWB.

4.1.3 Interests of Natura-Beef producers (SVAMH members)

As mentioned above, SVAMH comprises a broad interest of suckler cow producers, both organic and non-organic, and also Natura-Beef and non-Natura-Beef producers. Thus, the shared value is a fairly general goal to ensure economic success of farms on the basis of a production which widely respects animal welfare.

The interest of Natura-Beef producers is to produce i) in a highly “natural” production system, ii) a high quality product and iii) in some cases, following organic standards. Principles i) and ii) are the unifying characteristic of Natura-Beef producers. However, since the introduction of SwissPrimBeef, the interests combined in SVAMH may have diversified. SwissPrimBeef producers emphasise quality production before the ‘nature’ aspect.

Overall, the interests within SVAMH are sometimes diverging across the different producers. However, there is an atmosphere for open debate within the organisation, and conflicts are often solved by inviting a mediator for the discussion. Furthermore, the licence system for Natura-Beef and SwissPrimBeef is conceptualised in such a way that producers can easily change between the two systems. Thus, the producers are not forced unalterably into one category, but can react dynamically to the market situation (at least to a certain extent), so that the potential for interest conflicts is limited (Lehmann, 2007). Although having different opinions or interests on some issues, the members of the SVAMH strongly identify with their organisation.

Organisation of different interests: the structure of SVAMH/Natura-Beef

SVAMH/Natura-Beef is a pure producer association which is in stark contrast to BWB combining producers, the trader and retailer in one organisation.

The relations between the producers and their partners along the supply chain is organised in the Natura-Beef case through contracts, and contacts have been established since a long time with the same partners (traders and retailers). Therefore, the SUS-CHAIN study concluded that the relations are fairly close, classified as “strong partnerships” and “almost fully integrated” in the case of the two cattle traders (Damary 2006), and this view is shared by both SVAMH and COOP; trust is the dominating relationship between SVAMH and its market partners (for both the Natura-Beef and the SwissPrimBeef channel).

Due to the character as a producer association the producers have retained some autonomy and power in the supply chain. In 1990 it introduced a sales licence system for all those trading or selling Natura-Beef. In this way, SVAMH on the one side ensured that they remained united in their negotiation position, and on the other hand SVAMH kept control over the product flow and the quantities traded. Nevertheless, COOP – as the main seller of Natura-Beef – is a powerful market partner. It had tried to push Natura-Beef towards purely organic production in order to extend its organic product line, and finally a compromise was reached that all new entrants to the Natura-Beef production must be organic (Damary 2006). This compromise thus reflects the relatively strong position of the producers in the supply chain. It is an example for the mutual dependency between COOP and SVAMH which both parties perceive as important (Lehmann 2007).

SVAMH is organised in ten regional groups each represented in the management board with one member. In addition, there are two commissions with specified the tasks of market development and breeding (concerning the herdbook). An office supports the work of the board and commissions. These four units work together to fulfil the four objectives of the organisation, while the management board is particularly engaged in political lobbying (Vogt et al. 2007).

4.1.4 The role of common interests - the importance of collectivity

As outlined above, the SVAMH follows a variety of objectives and can thus include a variety of farmers producing beef with different emphasis on ‘nature’ and ‘quality’, organic and non-organic. It offers different services to its members, namely information exchange and transfer of ‘technological’ knowledge, creation and development of a herdbook, political lobbying and market development. Damary (2006) pointed out that with this variety all members feel serviced, and they can each choose which service they want to use. Thus, this broad offer

and objectives works as integration tool for a wide membership. This can be seen as contrasting to BWB where the interests are more focussed on one clearly defined production method (organic; on pasture basis) and in particular quality standards for the meat produced.

An important factor underlined by Damary (2006) is that it is the producers who have developed the name and the label of Natura-Beef, and they still own it. The farmers named the product at the general assembly in 1980, and this is still important for their sense of belonging and responsibility.

In addition, the organisation into regional groups facilitates participation of members in regional activities and assemblies.

SVAMH engages in a number of activities to ensure the identification of its members with the association. Such activities include training courses, regional and thematic meetings which are used for information exchange and knowledge transfer (Vogt et al. 2007), as well as fairs. In addition, the organisations' magazine "die Mutterkuh" is published four times a year and provides members with regular information.

4.1.5 Conclusion on the Natura-Beef case

In comparison to BWB we can conclude that Natura-Beef, i.e. SVAMH shows a higher degree of collectivity and its interests are formulated broad enough to include a wide variety of farmers. As an exclusively producer organisation the interests are more 'common' than in the case of BWB which includes not only producers, but also the cattle trader and retailer. So far, SVAMH has managed to maintain its 'collective' identity and has established a considerable power in the market, as well as for political lobbying. Unifying the interests of producers in one organisation has been an important aspect to build up market power and the feeling of responsibility and loyalty of the members (Damary 2006) contributes much to maintaining this position.

For BWB we have reported a change from the initial identification of producers with the idea of the initiative to an increasing identification with the label 'BWB' while remaining ignorant of the initiative behind this label. Such a trend could not be observed in the case of Natura-Beef which is a much larger initiative and thus could be more prone to such processes. By contrast, farmers here much more identify with the organisation of SVAMH offering various services to its members, and the identification with the label Natura-Beef primarily plays a role for those farmers who sell their products directly to the consumers. Although marketing has become increasingly important in the SVAMH, the strengthening of this part has not happened at the expense of other business areas (Lehmann 2007).

4.2 Napfmilch: Satellite case for the Swiss case study bio-direct

As described earlier, a key factor for the establishment of bio-direct was the ability to enhance the existing human capital stock in the field of IT application, business administration and marketing.

Against this background special attention has been given in the second case-study analysis to the question how bio-direct acquired missing / new skills and knowledge. In order to deepen the results of this case-study, the Napfmilch AG - a successful dairy initiated by farmers of the region Napf - has been selected as a comparable satellite case. Existing research material as well as internet resources has been analysed, in order to identify

- **the role of human capital enhancement for the establishment of Napfmilch**
- **the adopted strategy / approach of farmers from the region Napf to acquire missing knowledge in the field of marketing and business administration.**

The farmers' marketing initiative Napfmilch has been previously studied in the EU research project OMIARD from which two research reports as well as interview notes were available for this satellite case analysis. Furthermore, a wide range of grey-literature has been gathered from the internet. In order to clarify remaining questions, an additional phone interview has been conducted with one stakeholder involved in the company.

4.2.1 General description of the satellite case

The Napfmilch dairy is located in Central Switzerland in the Napf region close to the city of Lucerne (see Figure 4-1). It is a rural mountainous area with outstanding natural and landscape qualities. Agriculture is the most important sector for the rural economy. The present farming structure is characterised by small family farms that produce mainly milk and herbs. The foundation of Napfmilch goes back to the beginning of the deregulation and liberalisation policies of the Swiss milk market, through which the milk price declined substantially in the 1990s. Since most farms in the Napf region depend highly on revenues from milk production, this policy threatened the financial viability of most family farms.

Against this background Isidor Kunz, a local organic farmer, was seeking for new possibilities and strategies aiming at strengthening the rural economy in general and the local farming industry in particular. He was convinced that agriculture in the Napf region would only survive if farmers were able to increase the added value of their production.

Figure 4-1: Location of the Napfregion



So far, most dairy farmers sold their milk to the largest dairy in Switzerland (Emmi) and were therefore directly affected by lower milk prices. Isidor Kunz approached his colleagues in the years 1996-1997 with the idea to establish a local dairy and to process and market their milk independently from Emmi. In 1996, the financial feasibility of this idea was analysed by students of the Lucerne business school. They came in their study to the conclusion that the production of high-quality herb cream cheese would have a great economic potential; particularly, because there was no cream cheese produced in Switzerland in the market. In the following year, Isidor Kunz was able to convince a number farmers and external experts to be involved in the project. In April 1998, the Napfmilch AG was founded with approximately 200 shareholders. The company possessed a share holder capital of about 620'000 CHF and got a loan of about 1.5 million CHF from several banks and charities. The money was used to reopen the milk-collecting depot in Hergiswil that was closed some years ago. In 1998 they started to produce drinking milk and cream cheese from approximately 2.1 million kilogram milk. Napfmilch has focussed its business activities on processing and marketing of milk and herbs from the Napf region. Milk collection is still carried out by Emmi. Shortly after Napfmilch started with the production, they were able to initiate a business partnership together with COOP - one of the main Swiss retailers. This partnership enabled Napfmilch to market their cream cheese countrywide.

From the beginning, the Napfmilch was highly engaged to develop / maintain a strong link to the region. These efforts resulted in various regional activities such as excursions or regional festivals. Because financial funds were (and are) limited, each supplier is obligated to be involved in face-to-face marketing (either in supermarkets or at fairs). This marketing concept has strengthened the image of Napfmilch products as innovative and authentic. Today, the company has 18 employees and achieves an annual turnover of about 6 million CHF. In

total, Napfmilch produces forty different dairy and herb products. Approximately 90% of all products are sold via retailers (besides COOP, also Migros started to sell Napfmilch products). The remaining 10% are sold to other processing companies and wholesalers.

4.2.2 Contribution of the satellite-case to deepen the case-study results

As described above, Napfmilch is a self-help project that was initiated by a local farmer of the Napf region as a response to changing economic framework conditions and with the aim to increase the added value generation in the Napf region. To develop and implement the business idea it was necessary to increase the existing human capital stock available in the farming community. The first important external input was given by the feasibility study from students of the Lucerne business school. In addition to that, it was necessary to acquire knowledge in the area of business administration, processing and marketing. This was mainly achieved by including external experts.

A very important key player in this context is H.U. Pfister who is the president of the board of directors. Pfister was the former director of the dairy cooperative MIBA and provided in-depth knowledge and important business contacts to the milk industry. Pfister retired when he left MIBA and works for Napfmilch without commercial interest. Further important persons are H. Fraefel (business manager) P. Birrer (production manager) and T. Schöpfer (cheese maker), who provided substantial marketing, business administration and processing skills.

The enlargement of human capital is closely connected to the untiring work of Isidor Kunz, who was able to convince and motivate other farmers and external expert to join the initiative. Furthermore, it was crucial that the initiative was supported by the charitable trust “Schweizer Patenschaft für Berggemeinden” and the agricultural bank “Landwirtschaftliche Rentenbank” who both provided financial funds for the first investments as well as to employ external knowledge holder.

Napfmilch can be regarded as a very good example how limited resources can be used in the most optimal way transforming limitations to strengths. Napfmilch is quite a remote area and has therefore substantial structural disadvantages. On the other hand it is well known for its outstanding natural and landscape quality. The marketing concept uses these regional characteristics to build up a corresponding product image. The cream cheese is market as a high-quality product and Napfmilch is able to obtain a premium price for their cream cheese. Furthermore, because expenditures for marketing activities are limited each farmer is obligated to participate in various face-to-face marketing activities. This marketing policy strengthens the authentic character of the product and – on the other hand – gives farmers the opportunity to get in touch directly with consumers.

4.2.3 Conclusions on the Napfmilch case

Napfmilch is another very good example that farmers require access to additional human capital, in order to respond adequately to changes in the economic framework conditions and to improve the use existing resources. Since most farmers will have difficulties in building up the required skills and knowledge, it is essential that farmers are looking for new alliances. As described for bio-direct, Napfmilch was able to involve other key-experts and therewith increased the human capital stock of the initiative. In addition to that, the Napfmilch shows also the important role of a key-person that is able to motivate and convince other people to be involved in a COFAMI. Finally, this satellite case highlights the importance of financial support given by charitable trust or banks, in order to employ professionals and – in the case of Napfmilch – to be able to invest in processing plants. For the latter reason, the financial support was particularly relevant for Napfmilch, while bio-direct required less borrowed capital to realise its business idea.

5. Input from the focus group discussions

A key result of the two case studies refers to the role of social and human capital for the development of COFAMIs. In order to deepen the understand of both capitals in the Swiss context, two focus group discussions were conducted that took place on November 5th, 2007 in Olten, each of about 30 minutes length.

It can be concluded that the question whether or not Swiss farmers dispose of enough human capital to cope with the challenges of the agriculture's environment cannot be answered by a clear "yes" or "no". The discussants mentioned a number of different issues, and often did not react on what had just been said. Whereas no group consensus was found, there were also no important conflicts about single issues.

The discussion can be divided into three thematic groups: a). the level of human and social capital available, b) the question of how to activate the capital, and 3. approaches addressing the two forms of capital. The following section presents the results of the two focus group discussions according to these thematic groups, whereby in each group we will distinguish between human and social capital.

5.1 The level of human and social capital available (or not available) in agriculture

Both types of capital can be divided into hard skills and soft skills as shown below.

a) Human capital

Human capital was discussed mainly in connection with collective initiatives of farmers, not with regard to their general level of knowledge.

Critical points mentioned regarding hard skills (such as knowledge about techniques, and production) were:

- Farmers are more interested in gaining technical knowledge in production and cost reduction than in marketing
- Often, skilled workers are missing so that small initiatives have difficulties in enlarging their human capital
- Sometimes, it is difficult to organise the specific work that is needed for participating in an initiative
- Farmers are reluctant to engage in a long term commitment to an initiative

Critical points mentioned regarding soft skills (such as personality traits, and personal habits) were:

- Farmers lack own initiative
- Farmers lack energy to start new activities or engage in collective initiatives
- Soft skills are very personal:
 - Not all farmers have an “entrepreneur personality”
 - The majority of farmers is risk averse
- Many farmers prefer to work on their own (“lone fighters”)
- Farmers often are not willing to work together
- Involvement in collective initiatives needs time

b) Social capital

Although it was mentioned in the end that there are numerous examples where collaboration in agriculture works, mostly negative social capital, i.e. capital which is missing was discussed.

Soft skills/aspects/facts:

- Jealousy between neighbouring farmers inhibits collaboration
- Partly, there are conflicts within a village which last for generations
- The skill of working together is a personal disposition which cannot be easily acquired
- Social competence cannot be learned, however, there are many farmers who dispose of enough social competence to start an initiative

Relevant constraints affecting social capital:

- Agricultural enterprises (farms) are not mobile, both in geography and with regard to generations
- Decisions taken by farmers about collective action do not only concern the farm itself, but also the farmer’s family
- Living too close to each other complicates working together
- Collaboration almost always has economic advantages
- Collaboration makes it possible to reach a ‘critical’ size in the market
- Collaboration leads to the creation of free capacity which allows for developing new ideas

5.2 Activation of capital

a) Generic aspects limiting the activation of capital

- A problem in Switzerland is the abundance of labels which makes it difficult to establish new market niches
- The dominance of the two large retailers inhibits the geographical expansion of initiatives; after reaching or targeting a particular level of expansion, initiatives mostly need to cooperate in some way with these retailers, thereby losing market power
- Initiatives are often created / established in times of crisis
- The regional environment of a farm is important. When it is open for innovation and welcoming to new ideas, it is easier for the individual farmer to develop new ideas

b) Human capital

- Farmers do not use their chances to increase market power
- Possibilities for training entrepreneurial skills are available, but not used by farmers
- There is a need for more training and education in soft skills
- If there is no potential to sell the products produced in an initiative the initiative won't be successful; there needs to be an additional value in participating in an initiative
- Direct payments hinder farmers' initiatives

c) Social capital

- Social capital can often be activated in acute situations of need
- Support from neighbours etc. has to be accepted
- There are not less examples of collaboration in agriculture than in other (small) trade
- Direct payments hinder farmers' initiatives
-

5.3 Possible approaches

a) Human capital

- Collect new ideas in other countries
- Develop educational offers in a direction that allows to combine farming and additional training, and adapted to the specific needs of farmers in terms of soft skills
- Personal support from skilled people is important

b) Social capital

- When planning collaboration, one should include thoughts about the current and future situation of the family (including the next generation)
- Collaboration (between neighbours) needs to be cultivated on a regular basis
- Include neighbours in the working of the farm, open the farm to them
- Currently, there is a support programme from the FOAG for preliminary studies for agricultural initiatives which needs a financial contribution of farmers of 50% of the total amount. Such initiatives can focus on processing, marketing, networking (for creating biotope networks). Through an obligatory contribution of the farmers the initiatives of farmers are maintained.

6. Conclusions

The interest of the analysis of the two Swiss case studies “Bio Weide-Beef” and “bio-direct AG” was to better understand the interrelations between contextual factors, types of producer co-operation, and performance of COFAMIs. Main issues revealed by studying the cases were the power relations in the organizational structure of an initiative, and the dynamics of human and social capital in an initiative.

The research showed that it is often not possible to clearly decide on whether the impact of a contextual factor is enabling or limiting a collective marketing initiative of farmers, and some factors can be both enabling and limiting.

In the case of the economic and market context, on the one hand, both initiatives profit from the potential in Switzerland for developing a niche market (beef produced with distinct quality characteristics in the case of BWB, and a farmer-owned exclusively-organic webshop in the case of bio-direct). On the other hand, they have to compete on a market which is dominated by the two large retailers MIGROS and COOP. In order to reach a certain size on the Swiss market it is necessary that the initiatives arrange themselves with these retailers. Thus, these large market players determine an initiative’s strategy to some extent which can be a limiting factor for their development. They also have to compete with similar products on the market (high quality beef from overseas and other webshops also offering organic products, respectively).

In addition, the trust in the market partners is another aspect of the economic context that had a positive influence on the development of the initiatives.

In the policy context, the state subsidies available to Swiss farmers are relevant. Whereas subsidies for keeping livestock consuming roughage support farmers producing beef on a pasture basis, thus helping the BWB initiative to find their members, the high level of state support to farmers may be seen critically – an issue which has also been raised by the national stakeholders. In Switzerland, a relative high share of the farm income is coming from direct payments that are given directly to farmers to compensate them for the provision of public goods and services. Moreover, due to high border protection measures farm gate prices are considerably higher compared to the price levels in neighbouring countries. Both factors have the effect that farmers perceive their opportunity costs for collective action as relatively low and therefore are less motivated to put effort in their marketing. This is particularly true for part-time farmers. For more than four decades, the level of producer prices was guaranteed by the state. This system has been phased out recently. As a result of this long period, most farmers rather act as producers but not as entrepreneur who is willing to take risk or seeks to exploit market potentials.

A major factor influencing the development of the surveyed COFAMIs is the degree of collectivity. The lack of such a feeling of togetherness is a crucial hurdle for BWB. By contrast, the initiators of bio-direct profited from sharing the same attitudes and values with regard to organic farming and collaboration.

Collective identity is an important aspect of bonding social capital in a COFAMI. The case studies showed that social capital is important for the initiatives. Although there are many examples in Switzerland where collaboration between farmers works well, the reasons for lacking social capital were discussed as deeply rooted and not easily addressed. On the one hand, bonding social capital needs shared values and similar attitudes towards collaboration. Furthermore, members of a COFAMI have to be sensitive enough to accept that all members have to be able to profit from the COFAMI. On the other hand, linking social capital is complicated by characteristics of the agricultural sector which is characterized by stakeholders as consisting of enterprises which are not mobile, difficulties of working together between direct neighbours, traditional village structures having an impact on the willingness to work together, and so on. Trust both between market partners and partner within the initiative plays an important role.

It has already been mentioned that human capital in the form of a broad knowledge would be needed to develop COFAMIs. The analysis of the two initiatives furthermore showed that the learning context plays a role in the initiative's development. Whereas BWB had close links to knowledge institutions in its pioneer phase, bio-direct integrated lacking knowledge directly in their company. However, additional knowledge would still be needed, but is difficult to access. As challenges in the field of human capital in COFAMIs in Switzerland the lack in interest in marketing issues (as opposed to technical know-how) was mentioned. Furthermore, farmers do not always show a high level of initiative and the energy needed to start a new initiative.

As our conclusions are based on the analysis of two cases, and an additional scan of two satellite cases, the question needs to be addressed whether the findings presented in this report are representative for Switzerland. First, the dominance of the two large retailers in the Swiss food market has an impact on both initiatives, and determines the context for all initiatives who wish to start and develop in Switzerland. The two (four) cases have all responded to this framework condition in a specific way, but cannot ignore it. Second, the general lack in soft skills of many Swiss farmers has been corroborated in other projects, as well as by the stakeholders involved in this project. Therefore, we can generalize that in Switzerland, there is a need for increasing the level of soft skills of farmers that are relevant for marketing. The characteristics of the analysed initiatives are, however, less representative

for COFAMIs in Switzerland. BWB might be typical as it developed a brand for a particular product to distinguish it on the market. It is a fairly untypical COFAMI with regard to its organizational structure which integrates all supply chain actors in one organization. As to bio-direct, this is a fairly outstanding initiative of farmers as it started from the beginning with the focus on the whole Swiss consumer market, and not developing from a regional initiative on a small scale.

In conclusion, the challenge to support COFAMIs in Switzerland is to find a way of supporting farmers in becoming active. As has been shown in the second national stakeholder forum, a promising strategy is to involve all relevant stakeholders in developing suitable support strategies which are adapted to the farmers' needs. A particular issue will be to raise the awareness of farmers that COFAMIs have the potential to meet the future challenges with which the agricultural market will be confronted.

7. References

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