

Short food supply chains and local food systems in the EU

SUMMARY

In recent times, short food supply chains and local markets, where farmers sell their produce directly to consumers or with a minimum of intermediaries, have flourished in all EU countries, both in rural and urban areas. They represent an alternative to conventional longer food chains where small farmers often have little bargaining power and the consumer cannot trace the food to a known producer or local area. On average, 15% of EU farms sell more than half of their production directly to consumers.

From producers' markets to basket delivery systems or community-supported agriculture, there is a great diversity of short food supply chains and local food systems in the EU. Their advantages include a fairer price for farmers, access to fresh and seasonal produce for consumers, a reduced environmental impact and greater social cohesion at local level. Local economies also benefit from such schemes, which have the potential to create jobs.

The current EU rural development policy 2014-2020 puts more emphasis than before on short food supply chains and defines them precisely for the first time. Producers wishing to involve themselves in local food systems can benefit from several measures co-financed by the European Agricultural Fund for Rural Development.

In 2015, research was conducted within the agricultural European Innovation Partnership on the possibility to develop those systems in order to improve farmers' incomes. In several recent resolutions, the European Parliament has also expressed its support for short food supply chains and local markets, as a way to ensure a fair price for producers and reconnect food products with their locality of origin.



In this briefing:

- Background
- Overview of short food supply chains and local food systems in the EU
- Benefits/weaknesses of SFSC and barriers to their development
- EU support to SFSC and local food systems
- The labelling issue
- Main references

Background

Across the EU, a growing number of consumers choose to buy food products on local farmers' markets, directly at the farm, through basket/box delivery systems or other community-supported agriculture schemes. European customers tend to associate local products with higher quality standards (freshness, nutritional value), healthy eating, more environment-friendly production methods and a lower carbon footprint. They also appreciate the possibility to have direct contact with the producers, to know the provenance of the food they buy and to support local agriculture and the economy by purchasing goods at a fair price. A 2011 [Eurobarometer](#) survey shows that nine out of ten citizens agree that there are benefits to buying products from a local farm. According to another more recent [Eurobarometer](#) survey (2016), four out of five European citizens consider that 'strengthening the farmer's role in the food chain' is either fairly or very important.

On the producers' side, selling agricultural products directly to consumers enables them to retain a greater share of the products' market value, through the elimination of intermediaries, which can potentially increase their income. The mutual benefits brought about by local food systems and short food supply chains (SFSC) explain why the latter have been gaining ground in recent times in all EU Member States. They constitute an alternative to conventional longer food supply chains, with large retailers such as supermarkets, where consumers purchase anonymous food products without any indication of the price actually paid to the producer. They are a way to reconnect producers and consumers and to re-localise agricultural production.

Imbalances in the food supply chain

The food supply chain connects three main sectors: agriculture, the food-processing industry and the distribution sector, and involves a wide diversity of stakeholders: farmers, food processors, traders, wholesalers and retailers, with both SMEs and very large companies. There are often significant imbalances in bargaining power within the food supply chain, which can lead to unfair trading practices. Small farmers or cooperatives, as well as small food processors, often deal with large buyers which represent their only access to the market and can exert strong pressure on prices and margins. They may even be forced to sell at a loss. In a [resolution](#) adopted in June 2016, the European Parliament urges the Commission to put forward proposals against unfair trading practices so as to ensure fair earnings for farmers and a better choice for customers.

As regards their importance, it can generally be said that local food schemes remain marginal within the wider European agro-food system.¹ On average, about [15%](#) of EU farms sell more than half of their production directly to consumers. However, these are mainly small farms (between 1 and 8 ESU²), with only 3% of the farms above 100 ESU selling more than half of their production directly to consumers. There are significant differences between countries: while the share of farms involved in direct sales is nearly 25% in Greece, 19% in Slovakia and around 18% in Hungary, Romania and Estonia, it is less than 5% in Malta, Austria and Spain. In France, [21%](#) of farmers sell their products within SFSC, and half of those producing vegetables and honey are involved in SFSC.

A question of definition

The numerous studies that have been conducted on the subject of local food systems and SFSC in the EU all point to their great diversity within and between countries, which can result in a lack of comparability.

Until recently, there was no common definition of **short food supply chains** at EU level, although they are broadly understood as including a minimal number of intermediaries (or even none in the case of direct sales from the producer). However, as they are now explicitly recognised by the EU as an area that should be supported within EU rural development policy, they are covered by a definition in Article 2 of [Regulation](#) (EU) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), which entered into force with the reformed Common Agricultural Policy for 2014-2020: a short supply chain means 'a supply chain involving a limited number of economic operators, committed to cooperation, local economic development, and close geographical and social relations between producers, processors and consumers'. This definition is complemented by Article 11 of European Commission Delegated [Regulation](#) (EU) No 807/2014 supplementing the Rural Development Regulation, which stipulates that 'Support for the establishment and development of short supply chains ... shall cover only supply chains involving no more than one intermediary between farmer and consumer'. In France, SFSC have been officially defined by the French [Ministry](#) of Agriculture as a marketing mode involving either the direct sale of products from the producer to the consumer, or the indirect sale with no more than one intermediary.

Defining a **local food system** is more complex. [Regulation](#) (EU) No 807/2014 merely provides that the definition of local markets eligible for support by the EAFRD shall be defined in Member States' rural development programmes. In reality, local is often defined in terms of distance between the point of production and the point of sale. It can also be understood in relation to a recognised geographical area such as a county or a national park. A possible [definition](#) is given in the Joint Research Centre (JRC) 2013 scientific and policy [report](#) on short food supply chains and local food systems: 'a food system in which foods are produced, processed and retailed within a defined geographical area' (depending on the sources, within a 20 to 100 km radius approximately). The notion of 'local' food is subjective and depends on the context of the local area: the density of population, accessibility, and urban or rural character. The term 'local' can also refer to the closeness of the relationship between producers and consumers, based on mutual trust and cooperation.

Overview of short food supply chains and local food systems in the EU

Types of SFSC and local food systems

Most studies on the subject have tried to establish a classification of the various forms of SFSC. From the research,³ it appears that they can be classified into three types:

- Direct sales by individuals,
- Collective direct sales,
- Partnerships.

Direct sales are the simplest form of SFSC and involve a direct transaction between farmer and consumer. They can take place on the farm, where the farmer has developed a shop, or outside, for example at farmers' markets. Food products can also be delivered to homes through a basket or box scheme, especially in urban or peri-urban areas. On-line shopping is another form of direct sale.

Producers may also cooperate to sell their products **collectively** to individuals or consumer groups. These direct sales can be organised on a farm or in local outlets. Local food festivals or fairs are also a good opportunity for groups of farmers to exhibit and

sell their products. In most European countries, organisations of producers participate in local public procurement for the supply of local quality food products for school or hospital catering.

SFSC can also be found in the form of **partnerships** between producers and consumers, where partners are bound by a written agreement. Such partnerships can be seen in **community-supported agriculture**, which exists under different names in the EU: AMAP (Association pour le maintien d'une agriculture paysanne) in France, RECIPROCO (Relações de Cidadania entre Produtores e Consumidores) in Portugal, GAS (Gruppi di Acquisto Solidale) in Italy, SoLaWi (Solarische Landwirtschaft) in Germany.

Another approach is to classify food supply chains in two broad categories:

- traditional SFSC which tend to be farm-based, in rural areas, and are more likely to take the form of on-farm sales through farm shops, roadside sales and 'pick-your-own' systems, or sales at producer markets. They are usually operated by farming families and often use traditional and artisan methods.
- neo-traditional SFSC are more complex operations consisting of collaborative networks of producers, consumers and institutions, but they often seek to sustain traditional farming practices through new models and social innovation. Examples include: delivery schemes, urban-located farm shops, collectively owned farming systems usually located either in the city or on the urban fringe. They can be seen as local food movements that are often driven and supported primarily by urban residents.

Community-supported agriculture (CSA)

CSA is a partnership in which consumers (usually called members) are associated with the producers' decisions and work, and share part of the risks and rewards of production. Consumers are therefore directly linked to the farm and production of food. They usually purchase a share of the season's harvest upfront to cover the farm's yearly operating costs and receive in return a share of fresh, local and seasonal products, grown according to agro-ecological or organic farming methods. In some cases, members even provide labour on the farm. Benefits for the farmer include a more stable and secure income and a closer connection to the community. According to [estimates](#) (2015), CSA provide food for almost half a million Europeans. Of the 22 countries studied, France is by far the country with the highest number of CSA (2000), followed by Belgium (138) and Italy (104). At the other end of the scale are Ireland and Greece with only 8 CSA partnerships.

There is a large variety of SFSC and local food systems across the EU, and nearly all types of organisation can be found in every part of the EU. Variations can be found in each organisational type: selling a single type of product or a range of products; cooperatives, voluntary sector or private businesses; selling on the internet; adding products from other farms to one's own supply, etc.

Main features

The JRC scientific and policy [report](#) compiling data on 84 illustrative cases of various types of SFSC throughout Europe shows some general tendencies. The traditional on-farm schemes occur more frequently in Member States that have joined the EU from 2004 and in the Mediterranean countries. This pattern also applies to off-farm 'traditional' marketing schemes such as farmers' markets. Community-supported agriculture is more represented in north-west Europe (particularly in the United Kingdom, France and Belgium).

The JRC report shows that the main products traded in SFSC are fresh fruit and vegetables, followed by animal products, fresh and prepared (mainly meat), and dairy products/beverages. Most SFSC are characterised by full or partial organic farming methods, but they are not always certified. Some Member States have developed national labelling schemes, such as FARMA in the UK, a nation-wide label for farmers' markets, or Gutes von Bauernhof in Austria. Labels can be also be regional or local, as Ici.C.Local in the south of France, a label indicating that the products are sold in short supply chains.

As regards their size, SFSC can be divided into two main groups: on the one hand there are large numbers of small schemes (fewer than 10 producers and not more than 10 employees/volunteer workers), including micro-enterprises (one producer selling their own products directly); on the other, there are a few large systems involving many farmers (over 100), particularly in north-west Europe.

According to another [study](#), the quality of products is perceived differently across Europe. In northern and western Europe, quality criteria tend to concern environmental sustainability and animal welfare, whereas in eastern and central Europe, food quality is associated with rural tradition, local knowledge and culture. In southern Europe, it is more the context of production which determines quality: culture, tradition, climate, soil and local knowledge.

A highly concentrated food distribution market

At EU level, direct sales between farmers and consumers represent only 2% of the fresh food market. Food is mostly distributed through supermarkets, hypermarkets and discounters, which account for 54% of total edible grocery sales in the EU.

In 2014, the share of the top five retailers exceeded [60%](#) in 13 Member States. In 2011, four retailers controlled [85%](#) of the food market in Germany, and three retailers controlled 90% of the Portuguese food market. Such concentration of power can result in unfair trading practices, undermining the livelihood of small farmers and producers.

Benefits/weaknesses of SFSC and barriers to their development

Advantages for both producers and consumers

For farmers, selling agricultural products directly or through SFSC enables them to retain a higher share of the final sales price. It can represent a significant source of revenue, and an opportunity to invest in their farm in order to expand or modernise it.

There are also benefits for the consumers who get fresh and seasonal products traceable to a known producer. They can reconnect the food they eat with the farming process. In addition, such local markets and SFSC enable people with low incomes to buy healthy food at an affordable price. In a more general way, they create better understanding and a relationship of trust between producers and consumers.

Growing demand for local food can also boost local economies. There is evidence that local food systems strengthen cooperation between businesses involved in the food chain and create jobs in agriculture and food production. This is particularly important for peripheral and disadvantaged regions. A strong local food sector can also encourage tourism by strengthening the cultural identity of an area around its food products.

Environmental benefits can also be mentioned: products sold in local food systems are generally produced in an environmentally sustainable way, using less of inputs such as pesticides, synthetic fertilisers, animal feed, water and energy. They require less packaging than in supermarkets and less energy for storage, as they are fresh and seasonal. Less transport also means energy savings and reduced environmental impact.

Local food systems are often seen as a way to strengthen social cohesion and community development, particularly in disadvantaged rural regions where low farm incomes and lack of opportunities can lead to out-migration. They also contribute to social cohesion in urban areas, by reconnecting the population to the place of food production and by providing fresh and quality products at affordable prices.

Weaknesses

A SWOT (strengths, weaknesses, opportunities and threats) analysis conducted for the JRC report shows that production volumes within short food supply chains can be limited and these chains cannot always meet the demand from larger customers, such as public-sector bodies. They also have limited ability to expand due to higher costs of production, processing and transport, and to their location, which confines them to small, local markets. They have limited resources for marketing and communication, even if they benefit from institutional support. In the case of on-farm SFSC, there can be over-reliance on key individuals.

Barriers to the development of SFSC and local food systems

Although the demand for local products has been growing in the EU, the development of SFSC and local food systems is hampered by different factors, as identified in a European Commission staff working [document](#).

Starting a new activity of selling directly to consumers requires knowledge and skills that farmers do not always have, and training is often necessary. The lack of an entrepreneurial culture can act as a barrier. Younger farmers would be more willing to engage in direct sales but they generally face difficulties in getting access to land as prices keep on increasing sharply in many Member States. Access to bank loans has also become difficult in a period of economic crisis.

Moreover, farmers have to find appropriate facilities and may have to invest in buildings and selling facilities. A major difficulty for farmers, especially small ones, is the administrative burden associated with direct sales, in particular the paperwork and costs linked to food hygiene legislation. However, the EU hygiene package includes '[flexibility provisions](#)' (different exclusions, derogations and adaptations) that makes it easier for small producers to comply with the rules without compromising food safety.

Another obstacle is the limited range and volume as well as the seasonal nature of produce sold in SFSC and local food systems. This can restrict individual farmers' competitiveness vis-à-vis other conventional players in the food chain and limit their ability to take part in public procurement, for example, for local schools or hospitals.

Many consumers mention that local products are not easy to identify and that there is scarce information on where to buy them. Sometimes it is the proliferation of local or regional brands and labels that confuses the consumer. Local food systems suffer from a general lack of visibility.

EU support to SFSC and local food systems

EU rural development programme (RDP) measures

A toolkit of measures at Member States and regions' disposal

EU rural development policy, funded by the European Agricultural Fund for Rural Development (EAFRD), has been offering measures to help in setting up and developing SFSC and local food systems through support for investment, training, the LEADER approach,⁴ and organisation of producers. Moreover, the 2013 CAP reform has strengthened this approach and made SFSC and local markets an explicit element of EU

rural development policy for 2014-2020. A wide range of measures and combinations of measures can be mobilised by Member States and regions to support projects along the food supply chain.

Of the six main EU priorities for rural development, set out in Regulation (EU) No 1305/2013, **Priority 3** relates to the **promotion of food chain organisation**. It is subdivided into two focus areas, **Focus Area 3A**, 'Improving competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in **local markets and short supply circuits**, producer groups and organisations and inter-branch organisations', and **Focus Area 3B**, 'Risk management'.

Of the 20 rural development measures proposed by the Regulation, the [most relevant](#) to the establishment of SFSC and local markets are:

- Knowledge transfer and information actions (Art. 14)
- Advisory services, farm management and farm relief services (Art. 15)
- Quality schemes for agricultural products and foodstuffs (Art. 16)
- Investments in physical assets (Art. 17)
- Farm and business development (Art. 19)
- Basic services and village revival in rural areas (Art. 20)
- Setting up of producer groups and organisations
- Animal welfare (Art. 33)
- **Cooperation** (Art. 35)
- The LEADER approach (Art. 42-44)

Moreover, the new Rural Development Regulation has introduced the possibility for Member States to devote particular attention to a specific topic by including **thematic sub-programmes** within their rural development programmes. One of the six sub-programmes proposed addresses short food supply chains. Measures supporting operations within that sub-programme benefit from a higher co-financing rate by the EAFRD.

How have Member States targeted the food supply chain organisation in their rural development programmes for 2014-2020?

The European Commission analysis of all 118 national and regional rural development programmes (RDP) shows that around [300 000 farmers](#) should receive support to participate in quality schemes, producer groups and organisations, and to develop local markets and short supply chains.

According to a 2016 [study](#) commissioned for the European Parliament Committee on Agriculture and Rural Development, 10% of all rural development programme expenditure is devoted to Priority 3, 75% of these funds being allocated to its Focus Area 3A on improving competitiveness through integration in the food chain. Eleven Member States devote 95% or more of their Priority 3 funds to Focus Area 3A, while only five countries devote less than 50% of their Priority 3 funds to this.

How is EU rural development policy implemented?

At the beginning of the programming period, Member States and regions draw up multiannual rural development programmes on the basis of four to six main EU priorities and their sub-priorities, called focus areas. For each of these, they set quantified targets and choose the measures they will use to achieve them, from a menu of 20 measures listed in Regulation (EU) No 1305/2013. All measures are co-financed by the EAFRD. Each programme constitutes a specific strategy that should meet a country/region's specific needs while respecting EU priorities for rural development. There are 118 regional and national programmes for the current period, which have all been adopted by the European Commission.

A total of [101 RDPs](#) will invest €11.1 billion of public funds in Focus Area 3A, accounting for more than 7% of planned total public expenditure on the RDPs. In terms of numbers of RDPs using different measures, the most important are: Physical investments, Cooperation, Quality schemes, Knowledge transfer, Advisory services, Producer groups and Animal welfare (see Figure 1).

When considering budgetary amounts, the measure 'Investments in physical assets', accounting for nearly 60% of the budget allocated to Focus Area 3A across the EU, is by far the most important (see Figure 2). Support under this measure is usually provided in the form of grant aid schemes which help farmers and rural businesses to modernise and enhance their position within the food supply chain. It can be combined with 'soft' RDP measures such as 'information and knowledge transfer', 'quality schemes', or 'advisory services' so as to increase its effectiveness.

The **cooperation measure** offers explicit support for 'horizontal and vertical cooperation among supply chain actors for the establishment and development of short supply chains and local markets', and for 'promotion activities in a local context relating to the development of short supply chains and local markets'. Support is granted to new cooperation projects only, for a maximum period of seven years.

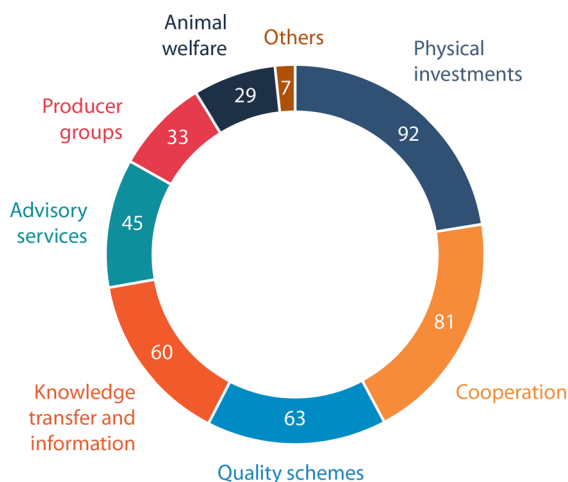
For the programming period 2014-2020, the cooperation measure attracts 1.84% of all rural development public funding, and nearly 7% of the budget devoted to FA 3A.

Despite being used by only 29 RDPs, the 'Animal welfare' measure attracts nearly 20% of the budget devoted to FA 3A. This seems to reflect the fact that many Member States' managing authorities consider it important that the food supply chain is able to meet increasingly demanding consumer requirements in this field.

Research and innovation

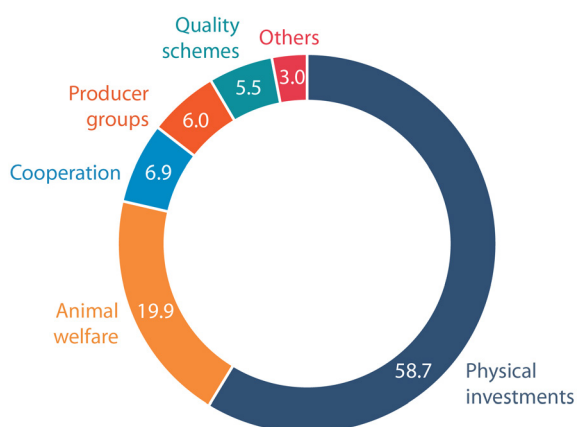
The Agricultural European Innovation Partnership ([EIP-Agri](#)) contributes to the Europe 2020 strategy for smart and sustainable growth. It was launched in 2012 and aims at fostering competitive and sustainable farming and forestry that achieves 'more and better from less'. In 2015, the European Commission launched the EIP-AGRI Focus

Figure 1 – Numbers of RDPs (out of 101 targeting Focus Area 3A) activating measures on FA 3A



Source: European Network for Rural Development. EU Rural Review No 22 'Smart and competitive food and drink supply chains', 2016.

Figure 2 – Focus area 3A planned public expenditure per measure (in %)



Source: European Network for Rural Development. EU Rural Review No 22 'Smart and competitive food and drink supply chains', 2016.

Group on Short Food Supply Chains to conduct research on the way to 'stimulate growth of short food supply chains in Europe, both in terms of numbers of producers involved and volumes traded, to increase farm income'. A group of 20 experts analysed the different SFSC in Europe and concluded that **collaborative SFSC** offers the most potential for scaling up. This type of food system, where several farmers, organisations or individuals agree to work together, offers many benefits, such as an improved product range for consumers, resource sharing amongst producers and processors, increased negotiating power, reduced competition between small producers, and mutual support. Their final [report](#) identifies possible solutions to the technical, organisational and financial barriers to the scaling up of SFSC.

European Parliament's position

In recent resolutions,⁵ Parliament has expressed its support for SFSC and local food systems as a way to ensure a fair price for producers and to strengthen the link between food products and their locality of origin. In its [resolution](#) of 8 July 2010 on the future of the Common Agricultural Policy after 2013, Parliament insisted that improving competitiveness of farming at different levels, including local markets, should be a fundamental objective of the CAP post-2013. In its [resolution](#) of 7 September 2010 on 'Fair revenues for farmers: a better functioning food supply chain in Europe', it called on the Commission 'to propose the adoption of instruments to support and promote farmer-managed food supply chains, short supply chains and farmers' markets, in order to establish a direct relationship with consumers and to enable farmers to obtain a fairer share of the value of the final sale price by reducing the number of middlemen and of stages in the process'. In March 2015, Parliament held a [workshop](#) on unfair trading practices in the food supply chain, to take stock of such practices and consider possible regulatory solutions.

The labelling issue

Across the EU, a wide variety of local or regional labels have been developed so that consumers can identify agricultural products with local provenance. A [Eurobarometer](#) survey from 2011⁶ shows that a huge majority of citizens agree that such labels are useful. However, given the proliferation of brands and labels, some studies suggest 'label fatigue' and distrust of food assurance schemes.

In this context, the issue of a **European label for local products** has been on the table for the last few years. The Committee of the Regions, in its 2011 [Opinion](#) on 'Local food systems', recommended the adoption of a European labelling scheme. Furthermore, the Agricultural Product Quality Scheme [Regulation](#) (2012) includes a request to the European Commission to draw up a report on a possible 'new local farming and direct sales **labelling scheme** to assist producers to market their produce locally' (Article 55).

In order to carry out this task, the Commission undertook Member State and stakeholder consultations, created a dedicated working group, organised a high-level conference in 2012 and commissioned from its Joint Research Centre an external [study](#) on SFSC and local food systems, published in 2013. On the basis of the information collected, the Commission drew up a [report](#) which concluded that a voluntary labelling scheme could help protect locally produced food from imitations and provide information to consumers. It would have to be voluntary and easy to handle for producers. However, the many challenges faced by the development of short food supply chains also require other tools, and those currently available at EU and national

level are not applied consistently. The European Parliament and the Council are invited to discuss this report and provide their views.

Main references

Innovative Short Food Supply Chain management. Final [report](#), EIP-AGRI Focus Group, 2015.

[Marketing on local markets](#), Progress Consulting S.r.l. and Living Prospects Ltd, 2010.

[Short food supply chains and Local Food Systems in the EU](#), A State of Play of their Socio-Economic Characteristics, JRC Scientific and Policy Reports, 2013.

[Local Food Systems in Europe](#), Facilitating Alternative Agro-Food Networks (FAAN), 2010.

Endnotes

¹ 'Marketing on local markets', Study by Progress Consulting S.r.l. and Living Prospects Ltd for the Committee of the Regions, 2010.

² A European Size Unit ([ESU](#)) expresses the economic size of a farm; it corresponds to approximately 1.3 ha of cereals or one dairy cow or 25 sheep or an equivalent combination of these.

³ EU Rural Review, No 12, Summer 2012.

⁴ [Leader](#) ('Liaison Entre Actions de Développement de l'Économie Rurale' – 'Links between rural development actions') is a local development method whereby local actors are involved in the design and implementation of strategies, decision-making and resource allocation for the development of local areas.

⁵ European Parliament (EP) [resolution](#) of 19 January 2012 on the imbalances in the food supply chain (RSP 2011/2904); EP [resolution](#) of 7 September 2010 on fair revenues for farmers: a better functioning food supply chain in Europe (INI 2009/2237); EP [resolution](#) of 25 March 2010 on Agricultural product quality policy: what strategy to follow? (2009/2105(INI)); EP [resolution](#) of 7 June 2016 on unfair trading practices in the food supply chain (2015/2065(INI)).

⁶ Other interesting results from this survey are that 54% of citizens totally agree that there are benefits to buying local food, and that only 19% of citizens agree that local products are easy to identify.

⁶ 'Marketing on local markets', Study by Progress Consulting S.r.l. and Living Prospects Ltd for the Committee of the Regions, 2010.

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