

Small Farms and Short Chain



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Introduction

The transformation of production organisation, from artisan and local models to industrial and globalized models has resulted in a steady increase of geographical and cultural distances between consumers and producers, as well as high environmental impacts, due to intensive preparation, processing and packaging techniques and long-distance transport.

In the current socio-economic context, direct marketing or short chain are really interesting because they qualify as a great alternative to a food system based on intensive technical specialisation and market orientation; a food system which penalizes particularly the first link in the chain, the farmers, which are powerlessly compressed between the rising cost of production factors and the low prices in the wholesale market. The “supermarket” system endangers the very survival of many farms, especially small and medium sized, exactly the farms whose presence is essential for the maintenance and development of the social, economic and cultural fabric of rural areas.

Indeed, for some time now, it has been difficult and often not very appropriate to speak of a single agriculture. The crisis of conventional industrial agriculture - which fits into the overall crisis context of the dominant economic model - has had and has an important role in the re-emergence in the market of “other” methods of farming that characterise some segments of our system, halfway between the preservation of local traditions and the innovative drive of new generations of farmers and consumers. Small farms are clearly part of this “other” in as much as they produce not just food but other types of goods: environmental, social, educational, relational, and so on ... This means that small farms are responsible for other functions, other than what is typically productive, and they must diversify their activities by focusing on new sources of income, such as rural tourism, teaching activities, the business transformation of the products and, specifically, direct sale. In fact, short chain is a key aspect of small farm viability as it assures a direct and unmediated access to market.

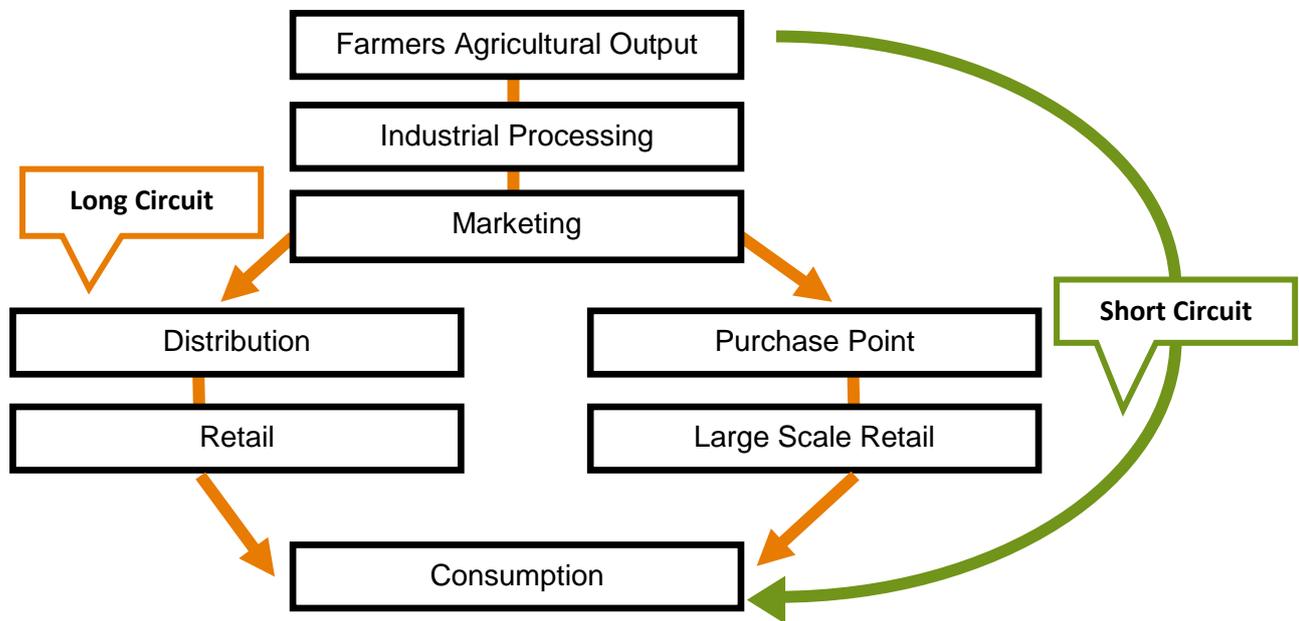
What is a short chain?

But what exactly do we mean by short chain? The Short Food Supply Chain definition adopted by the European Commission states: “The foods involved are identified by, and traceable to a farmer. The number of intermediaries between farmer and consumer should be 'minimal' or ideally nil.”¹

To get a clearer understanding we can go back to the definition of chain: “the French agronomist Malassis described the supply chain as the set of agents (firms and governments) and operations (production, distribution, financing) that contribute to the formation and transfer of the product (or group of products) to the final stage of use, as well as all connected flows. If reducing the steps in the supply chain (long circuit) shortens the product’s route through the agri-food system, we can speak

¹ 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 – EUROPEAN COMMISSION

generally of the short chain (short circuit) until, in the absence of intermediaries, there is direct access to the final market, in which case the short chain coincides with so-called “direct sales”, in which the consumer or other actors, such as restaurants or retail outlets, interact directly with the farm without other steps.”²



Therefore, what is central to the analysis of the chain is:

food goods	regulating mechanisms
<ul style="list-style-type: none"> — identification of products, — routes, — agents and operations 	<ul style="list-style-type: none"> — behaviour of agents, — functioning of markets, — price formation

Alternative Food Networks: the shapes of the short chain and its characteristics

All of the above mentioned features can take as many forms as places in which a short chain is in operation. Therefore the set of processes of shortening the chain has been generally defined as AFN - Alternative Food Networks. Part of the AFN are farmers’ markets, box schemes, solidarity purchase groups (GAS - gruppo d’acquisto solidale), self-organized distribution groups (GODO- Gruppo Organizzati Domanda Offerta), pick your own, adopt a sheep, raw milk distributors, CSA ...

The reason behind the rise of AFN can be identified in the dissatisfaction with an industrial-type distribution system which disappointed both producers and consumers.

² *Understanding the short chain* – Sabrina Giuca , p.12

From the small farmers' point of view, the reason is very practical and is the difficulty in entering the mainstream conventional marketing for the relatively small production and lack of regularity, difficulty which they pay with loss of decision-making power and smaller prices.

On the opposite, the main feature of direct sales is the farmer's decision-making autonomy: farmers are protagonists in the process and are free to make productive and commercial choices. Self-management of the farm led to the creation of highly diversified organization forms, because every farm and family steered its activities according to their productive and entrepreneurial vocations. This variety is also due to direct selling features, which can take on different connotations in relation to types of products (olive oil or fresh vegetables relate two different kinds of direct sale), farm size (farm shop or stall on the road), geographical location, age or other characteristics of the holder or of his family.

According to Sabrina Giuca, “The short chain thus makes it possible to experiment with new forms of marketing, modulated in relation to the interests of producers and consumers, and with positive effects for the collective/local community, shifting emphasis to the territory, the quality of production processes and consumption, and a rural development model based on multi-functionality and sustainability. These forms of sales, in fact, are part of a virtuous circle of local development that includes rural tourism, educational activities, the promotion of local products, transformation and processing of agricultural products on the spot and on the farm, and various opportunities which refer to the productive, ecological, scenic, cultural and social importance of agriculture, and the diversification of activities and sources of income; without forgetting that shortening the distance food travels from the place of production to consumption can reduce environmental impacts in terms of packaging, transport and energy.”³



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Il Piccardino Farm

Turning to short chain, farmers manage to regain the profit margins eroded by negotiation rules and conditions of sales in force in agri-food chains with highly concentrated commercial power. At the same time, they not only forge a strong link between producer and consumer, but also simplify the traceability of products, reassuring consumers about what they consume. Moreover, the development of short chains does not only straighten up the power balance but is a step towards a local food system defined as “a combination of four factors: a short chain; a limited physical distance between the place of production and place of consumption; a process that

³ *Understanding the short chain* – Sabrina Giuca, p. 24

takes into account factors such as transport, distribution, waste treatment, renewable energy, marketing, promotion and quality control; a process that is managed at the local and regional level”.⁴

This is also the reason why, over the last two decades, the re-emergence of forms of agriculture other than conventional have been supported by the European Community (the future of the rural world, 1988; Reg. 1257/99 and 1698/05), and today trends are slightly changing towards new models of multifunctional agriculture and diversified economy.

Legislative protection for direct sales in Italy



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The weakness of small farms and small food producers in a market controlled by big actors is recognized by the Italian legal system with a special legislation for direct sales. This special regulation dates back to earlier than 1942, even before the Civil Code, and is applied on the basis of the prevalence criterion. In short, selling is a farming activity if the *prevalence* criterion is satisfied.

Namely, the prevalence criterion states that a farm that sells directly to the consumer can take advantage of the special regulations reserved for farm shops only if the goods it is selling are prevalently his own produce and products. If so, the farm shop will be seen as a part of the farm and will keep the farm legal status with its relatively simplified taxation. Otherwise, when the majority of the goods sold by the farm shop are not its own produce, the farm shop is behaving as a commercial enterprise (buying and selling, not

producing and selling as in the previous case) and the farm shop will be legally recognized as a commercial business.

In other words, satisfied the prevalence criterion, selling is seen as a normal farm activity which doesn't need special permissions and which can be done in the farm itself or on private premises, in public premises, in farmer's markets, in an itinerant way (like along the main streets) or via web as e-commerce.

As reported by Irene Canfora, Art. 4 of L.D. 228/2001, defines “the rules applicable to farmers who sell their products directly, by providing a simplified procedure for access to sales activities, to encourage agricultural enterprises to sell their products directly. The arrangement differs depending on whether the sale takes place: in itinerant form, including electronic commerce; or on outdoor areas of the farm, including the private areas available to farmers; or finally in a non-itinerant form on public areas or those open to the public.

⁴ Opinion of the Committee of Regions “Local agri-food systems”, adopted in plenary session on 27 and 28 January 2011 (OJ C 104 of 2.4.2011) and Opinion of the Committee of Regions “For an ambitious European policy favouring quality schemes for agricultural products”, adopted in plenary session on 11 and 12 May 2011 (OJ C 192 of 1.7.2011) in *Understanding the short chain* – Sabrina Giuca, p.17



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To sell agricultural products directly in itinerant form, after the latest changes introduced by art. 27 of Legislative Decree (simplifications) n. 5/2012, only requires informing the municipality where the farm is, and selling can commence as soon as notice is sent (rather than 30 days after receipt of the communication). For outdoor sales in areas belonging to the farm or belonging to the business, L.D. n. 2/2006 has liberalised activity to the point of excluding even notice of commencement of activity. If, however, the sale takes place on public areas or premises open to the public, it is mandatory to report to the mayor of the municipality in which the sale takes place.

There are two limits in how this provision is applied. First, it requires the observance of sanitary regulations in force, matched by the prohibition of direct sales by entrepreneurs found guilty of health violations and food fraud. Second, the provision establishes a criterion that affects the size of the enterprise's activity, individual and cooperative, limiting the application of the rule beyond the general criterion of prevalence”

The peculiarity of short chain and its importance for small farmers is recognized also through the farmers' markets, which are specially regulated in Italy by Legislative Decree no. 228/2001 and Ministerial Decree of November 20, 2007. The farmer's markets are managed by farmers gathered in joint form or through their associations or by the staff of the municipalities that host them and promote them⁵.

Looking at the future

However, more recently, the *favour* for the farmer compared to the business enterprise over the same act of direct sale is turning from protection to promotion: “In the most recent Italian legislation, however, the rediscovery of the role of the farmer in the short chain takes on a different meaning, which also takes account of other factors. It operates primarily as a tool to rebalance the market. In fact, the reduction of the supply chain, as well as meeting the needs of entrepreneurs for a greater return on their business (the farmer can achieve a profit margin that would otherwise be dispersed in other segments of the supply chain), also contributes to meet the apparently opposite consumer demand for a reduction in food prices. These individually important economic aspects are supplemented with other complementary objectives of collective protection: environmental protection (reducing the cost of transport of goods), but also social objectives of bringing citizens closer to rural reality. One sees, then, a new central role for the farmer in the direct contractual relationship with the consumer; the law's role is to promote and encourage this distribution channel of “direct sales” or “short chain”. In it, the local dimension of the market combines the interests of farms with those of consumers, indirect recipients of an economic and social benefit.”⁶

⁵ *Understanding the short chain* – Sabrina Giuca , p.21

⁶ *From the land to the Territory: the role of the farmer in the short chain* – Irene Canfora ,pp. 30-31.

Conclusion

Again quoting Sabrina Giuca, author of the report *Understanding the short chain*: “The potential benefit of the short chain is generally recognised by producers and, in particular, of direct sales, is strongly linked, however, to locational, structural and production characteristics of farms. The direct relationship established between producer and consumer offers, as strengths for sellers, the opportunity to control price and added value, to exploit the quality and characteristics of the product, and to build customer loyalty, while also offering related services (e.g. amplitude of supply, timely deliveries, availability of recipes based on seasonal products); but there are critical elements related to logistics (especially for fresh products or farms far from towns or roads), breadth and quantity of supply (linked with seasonality of products) and, of course, the size of farms and their marketing possibilities.

Larger farms, therefore, which can sustain the cost of production in the face of the availability of technological innovation and adequate production volumes, have a non-exclusive approach to the short chain, using it in addition to traditional market channels; for smaller farms, however, the short circuit and direct sales represent a viable alternative for their very survival, which is, moreover, a key requirement for sustainable development of the territory”.

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