

Intelligence

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Towards an integrated development of local dairy chains in the Mediterranean: the example of LACTIMED

LACTIMED is a cross-border cooperation project funded by the European Union in the framework of the ENPI CBC MED Programme. It aims to foster the production and distribution of typical and innovative dairy products in the Mediterranean by organizing local value chains, supporting producers in their development projects and creating new markets for their products. More than a hundred actions were implemented from November 2012 to December 2015, gathering different stakeholders with complementary skills: academics, professionals, innovation poles, chambers of commerce, networks and public authorities. Involving six countries (Egypt, France, Greece, Italy, Lebanon and Tunisia), these actions were implemented on five pilot territories: Alexandria and Beheira in Egypt, Thessaly in Greece, Bekaa in Lebanon, Sicily in Italy and Bizerte and Beja in Tunisia.

The first step of the local dairy chains diagnosis and the existing opportunities paved the way of collective actions conducted with the SMEs from each territory, in particular the creation of 8 pilot projects of clusters which allowed solving common problems faced by companies, increasing their competitiveness or improving the quality or the commercialisation of their products. LACTIMED also accompanied and funded innovators in their development projects, and contributed to the promotion and commercialisation of typical dairy products of the beneficiary companies. This article presents the approach adopted for the implementation of the different actions and the main results obtained.

Local diagnoses to adopt a strategy through a dialog between the territory stakeholders

The literature review and the work conducted in the field by the LACTIMED team with 400 livestock farmers, collectors, processors, support organisations, etc. allowed to carry out an inventory of 5 local dairy chains in order to show their assets and weaknesses, related local and national policies and the expectation of the stakeholders. This work allowed to identify 60 typical dairy products. The 5 diagnoses and complementary studies resulting from this work provided inputs for the definition and adoption, undertaken in cooperation with the SMEs and other territories actors, of a shared strategy to promote local typical dairy products for a better structuration of the value chain and its commercial development.

The results of the diagnoses were then consolidated in order to raise awareness of public authorities about the sector constraints, with the objective to increase their support. It has been shown that some of the challenges faced by the companies are

of different level of importance depending on the territories. In Italy and Greece for example, the priority fields are the promotion and the commercialisation of the products. In Lebanon and Egypt, the challenges are rather situated in the upstream part of the value chain (feeding, hygiene, animal health and milk quality) and particularly affect the relations between farmers and processors. In Tunisia, these problems were also present but seems to be easier to surmount. The certification and promotion are of greater concern of the professionals.

Despite the diversity of production systems and the different degrees of obstacles, the Mediterranean territories are facing common challenges that limit the development of the dairy chain and weaken small producers. In order to relay the value chain priority needs and to create favourable conditions for its inclusive development, the awareness raising has been supported by a white paper aiming at the adoption of pragmatic support policies based on 5 lines:

1. Ensuring quality livestock feed and decreasing production costs of feeding as it results in direct effects on profitability of farms, in particular in decreasing the national dependency on imports of concentrates;
2. Improving food safety by improving the milk sanitary quality (bacteriological quality as well as the composition of raw milk in fat and protein content adapted to processing) at all links of the value chain;
3. Promoting the origin of products and supporting collective actions to promote typical local products;
4. Improving accessibility to bank financing to facilitate the professionalisation of the stakeholders and the structuration of value chains;
5. Supporting the organisation of stakeholders in a network at territorial level to allow them to find tangible solutions to local problems.

Territorial clusters to address together common challenges

The development of clusters at territorial level prove to be the most suitable form of organisation to facilitate and / or reinforce horizontal and vertical links between the dairy value chain stakeholders, inserting the institutional and professional spheres in the networks created around and within these clusters. A cluster is an agglomeration or a "grape" of companies geographically closed and making a network of interrelations. Linking of local businesses and their coordination as a business network are generally considered to be beneficial for its members. LACTIMED therefore encouraged and supported companies and other actors from the value chain to pool resources and skills and to develop a network and new forms of collective access to market. This resulted, in particular, in reducing the common constraints, in scale economies and also in gains of competitiveness.

The "bottom-up" approach allowed to meet the needs and the aspirations of the involved stakeholders and to ensure the appropriation of these clusters. Several potential collective projects have been analysed and ranked before the formalisation of clusters and the implementation of pilot projects. A roadmap was also drawn up with the objective of their sustainability. Thus, the 8 emerged clusters had true consequences in the field. In Tunisia, for example, the access to financing for small livestock farmers is at the heart of the cluster developed in Bizerte. With the participation of the National Agricultural Bank, new financial instruments have been developed and tested to meet the specific needs of small dairy farmers.

Their lack of creditworthiness constitutes, in fact, the main impediment to access credit, despite the existence of specific and dedicated mechanisms. This limits their possibilities to increase their livestock and the production of milk demanding by the

Tunisian market and in particular by the processors. A tripartite scheme involving the collecting centre (guaranteeing a part of the loan), the bank and the farmer, allowed to distribute between the parties the risk linked to solvency, and therefore to limit it. The trust is a key factor of this scheme and the selection of beneficiaries was established by a selection committee, which include the collection centre as well as other members of the cluster. Based on specific criteria's, 153 farmers could benefit from an investment "Tripartite" credit for the acquisition of heifers and material, and from an "Interface" credit to cover expenses during the low lactation period. A third financial product is currently under development.

In the framework of this cluster, livestock farmers could already benefit from about 4.4 million of dinars (about EUR 2 million) in several phases. These financial products have a significant impact as they stimulate investments in the value chain, necessary for its development, and directly reach small farmers, generally in a fragile economic situation and even in a poverty situation. These financial instruments also showed a greater and shared profitability, a weak and manageable risk as well as a positive impact in rural area. This example illustrates the importance of associating farmers to the research of solutions for financing problems. Finally, this financial approach considers the whole value chain by involving the different links and allows answering to their respective needs with a comprehensive financing strategy of the sector. It seems appropriate to replicate this scheme to other territories and other value chains.

A personalised accompanying to foster entrepreneurship and innovation

Encouraging innovation and stimulating entrepreneurship within a chain based on traditional methods is essential to adapt to market dynamics, in constant evolution. The organisation of a LACTIMED competition on each of the five pilot territories covered by the project allowed to support the most virtuous and innovative stakeholders in the consolidation of their project. This also reinforced their capacities, thus contributing to the emergence of an innovative and entrepreneurship spirit in rural territories and in a traditional value chain, too often forgotten by this type of measures.

Based on a clear strategy, a call for proposals was opened and widely disseminated in each country, generating the submission of about fifty projects from candidates characterised by a the variety of profiles: entrepreneurs (farmers, cheesemakers, etc.), researchers and inventors, cooperative representatives and development agencies and associations. A common evaluation grid, elaborated beforehand, allowed to preselect 38 candidates while focusing on the organisation, technical and commercial capacity of candidates, on the innovative dimension of the projects and their market potential, on the promotion of local resources and skills, as well as on the impact in terms of sustainable development. Besides, young entrepreneurs and women were particularly incited to participate.

The preparation for the final competition has been the key step of this action. First, informative content aiming at developing and acquiring entrepreneurial skills has been disseminated in the framework of collective trainings. An individual and personalised accompanying of candidates by a coach at technical, financial and commercial levels then helped candidates to prepare and present a more developed version of their pre-business plans, before defending their project in front of an international jury during a pitching session. This group of now better-prepared innovators has an additional asset to present projects to investors, banks or other potential partners.

The ten winners benefited from EUR 10,000 each (all in all then EUR 100,000 of sub grants) to develop their innovative project, with the support of LACTIMED partners

and associates in the form of technical and commercial assistance and networking. This financing could contribute to fundraising from banks or other donors. These winning projects illustrated the different forms that innovation can adopt in the dairy chain and their close links with the specificities of territories: promotion of traditional products, utilisation of auto-produced lactic ferments, production of tools ensuring the sanitary quality, preservation of a native breed threatened, agri-tourism project, etc. Started during the LACTIMED implementation, all these projects will continue their development after. In fact, the mechanism adopted in the framework of the competition is adapted to the needs issued from the “field” and from the local chain stakeholders. It allows to ensure the implementation of sustainable cooperation actions generating an impact well anchored in the territories.

We will also note the “activator” role played by the competition for the innovators, illustrated for example by a duo of Tunisian women researchers: after patenting the creation of a bio-detergent made from lactic bacterias, resulting from their research, they thought about starting a commercial activity to give value to their discovery. However, they never dared to start. That is when they became aware of the opportunity offered by LACTIMED that they decided to propose a production and commercialisation project. Laureates of the competition in Tunisia, they benefited from a personalised support and from a conclusive market and feasibility study. This might be a powerful springboard for a semi-industrial production if they decide to go further. This example, certainly less close from tradition but very innovative, shows to what extent this kind of initiative can contribute to foster innovation, and even research.

Collective promotion action to enhance the specificities of typical dairy products

Another major challenge to which the small dairy producers and processors are tackling is the distinction of their products from the large retailers. In fact, these last decades were characterised by a deep industrialisation process and concentration of the value chain, controlled by significant groups developing at international level. This evolution has certainly helped to meet a demand for dairy products growing rapidly, especially in developing countries, but also intensified competition and pulled the prices down, weakening small farmers and processors. The industrialisation of production also leads to standardisation of tastes and to the predominance of marketing arguments rather than organoleptic characteristics in the development of products, to the detriment of non-industrial products. This phenomenon is particularly significant in the Maghreb and the Middle East due to the attractiveness of western lifestyle and products.

However, both in north and south of the Mediterranean, a segment of the population is turning more and more today towards local products, endowed by their own taste and reflecting the traditions and know-how of the territory they come from. These are considered more healthy and natural compared to industrial products, often perceived as aseptic and artificial. The sales explosion of labeled products manifests this return to the roots. However, the added value of these products still eludes too often from small farmers and cheese makers, the benefit being largely captured by the distribution networks. Large industrial groups are not left out: by dint of massive advertising campaigns, they manage to convince consumers about the authentic and traditional character of their products and try to position themselves on the designation signs products market by requesting the modification of production specifications. It is therefore essential for small producers to take action together to get the quality and authenticity of their products recognized, and to promote it through adapted promotion actions.

This is what the LACTIMED project was created for. In order to strengthen the presence of typical dairy products in domestic markets, and to support them in finding new markets at international level, the project mobilised the distribution, catering and tourism operators, as well as consumers and media, during the “Weeks of typical dairy products”, which are real showcases for producers and their products. Promotional stands and tasting workshops have been organised in the different project countries in order to make consumers rediscover tastes, history, method of production and the organoleptic characteristics of local products from their countries. LACTIMED has also participated in international exhibitions in Egypt, France, Greece, Italy, Lebanon and Tunisia, during which each pilot territory of the project was represented by a stand gathering selected cheesemakers and representatives in charge of the tourism promotion of the territories. These weeks have resulted in more than 1300 business meetings between 104 producers and 150 national and international buyers, generating new contracts and business links for the beneficiaries.

Finally, aware of the strong potential offered by tourism for the promotion of local products, LACTIMED initiated a Route of Mediterranean dairy products and produced a guide facilitating the travel. This journey travels through the five pilot territories of the project, from Bizerte to Alexandria via Sicily, Thessaly and the Bekaa, and highlights 28 agri-tourism sites: hikes through pastures, discovering farms rearing sheep, goats and cows, learning how to make Pecorino, Halloumi, Rumi cheeses, dinner and nights at the farm, etc. By offering these types of activities, farmers can generate additional income, come into direct contact with the consumer and share their passion for their occupation and their countryside. For the traveler, it is a chance to rediscover rural life, to become acquainted with farming and artisanal techniques and to become aware of the value of local products.

Conclusions and perspectives

The LACTIMED project contributed to the development of the dairy sector, both through targeted actions on the territories and through exchanges on a Mediterranean scale. While many obstacles must be overcome at the local or national level, this regional approach increased the potential of local actions and has resulted in many benefits in the field.

Strengthening of the dairy chain requires longer-term actions, and exchanges between Mediterranean countries could contribute at different levels. First, for the promotion and commercialisation of local products: although the domestic market should be prioritised, it is also necessary to support initiatives in favor of exports between Euro-Mediterranean countries to meet the growing consumer demand for local products, especially those from the diaspora. Although the possibility of exports to the European Union is an important source of motivation, it remains distant for the countries from the southern Mediterranean, which still have significant progress to make in order to satisfy the regulations on food safety.

Intensification of regional trade and the development of the downstream part of the value chain therefore require major efforts at the upstream level: improving animal feed and especially milk quality at all links of the chain. For this, the role of public authorities is essential. Exchanges between European and Mediterranean administrations would disseminate good practices and allow to develop regulations and supporting measures. Professionals have also shown a significant interest in peer exchanges on technical issues.

This rise in quality also requires more investment and a better access to financing for small producers, often forgotten by the banking sector. A dialogue between financial institutions on the establishment of dedicated instruments would provide innovative solutions tailored to their situation. Finally, structuring value chains requires organising of producers. Well, different forms of organisation have been developed in Europe and in the southern Mediterranean, each of them with its advantages and disadvantages. These experiences would deserve to be shared among the stakeholders involved.

Actions implemented by LACTIMED at regional level laid the foundations of a Mediterranean network of clusters and other organisations supporting small and medium enterprises from the dairy chain. It is called to become a place of exchange and cooperation on these issues in the future.