

Shared value and responsibility in agriculture: the short supply chain model

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Introduction

The modern model of multifunctional and multi-value farm (Marotta, Nazzaro, 2011; Marotta et al., 2012) through the valorisation of the short food supply chain promote new purchasing behaviours, in which the ethical and social components of products or services become variables determinants (production techniques, product origin, positive externalities, identity, inclusion, etc).

In this models of value creation, the short food supply chain, as an ethical dimension, becomes a competitive tool for multifunctional and diversified farms, a response to the asymmetric contractual power that affects the food supply (Marotta et al., 2013). On the one hand, it allows the farm to regain added value (premium price), on the other hand, it leads the consumer to save on the purchase of healthy products linked to the territory of origin (minus price). Therefore, both entrepreneurs and citizens-consumers share the value created through a strategy of short food supply chain, since the direct relationship between farmers and consumers generates a "wellness effect" linked to the fruition of localized positive externalities (public goods created by the farm: landscape, environment, biodiversity, farm atmosphere, traditions, identity, inclusion, etc.). This makes the citizen-consumer willing to recognize a premium price (*willingness to pay*) to the set of products and services offered by the farm and the territory, compared to competing products distributed through traditional channels. This leads, by means of the premium price, to the creation of a market for the public goods produced by the farm, and through the minus price, to the valorisation of the (value?) created by the citizens-consumers with their responsible and virtuous behaviours.

The short food supply chain generates, in this way, different value chains and performs a function of social responsibility, not only for the producer and the citizen-consumer but also for the entire local context, sharing the value created.

This study analyses the short food supply chain as a competitive strategy for an multifunctional and multi-value farm, since it makes the citizen-consumer closer to the farm

and the territory, creating welfare and shared value and increasing the farm and territory reputation.

This research focuses on the variables that influence the creation and sharing of value in the short food supply chain, with the aim to evaluate the impact of this strategy on the farm competitive repositioning.

Theoretical background

Over the last years, the “Short Food Supply Chains” (SFSC) concept has attracted the interest of several scholars willing to investigate it in terms of value creation strategy for farms. This concept covers interrelations between different actors directly involved in the production, processing and distribution of food products, and is based on the reduction of transactions along the food supply chain and of the distance between the production and the consumption of the products. According to Ilbery and Maye (2005 and 2006), the short supply chain is characterised by the presence of a minimum or non-existent number of intermediaries and represents a sustainable alternative to the long globalised chains of food supply in terms of socio-economic and environmental benefits, thus generating ethical impacts on human health and, more generally, on collective wellbeing. As a result, farmers become protagonists in the retailing of what they produce, leading to a direct contact with consumers (Giuca, 2012), and this can be translated into an effective competitive strategy and shared value creation.

Overall, several authors highlighted how the development of SFSC can lead to advantages both from a social and from an environmental point of view (Bazzani, Canavari, 2013). In particular, some scholars (Goodman, 2004; Renting et al., 2003; Sonnino, Marsden, 2006) pointed out that SFSC imply a re-valuation of farmer’s role along the food supply chain, especially for small-scale farmers who wish to increase their business (Murdoch, 2000). Indeed, Brown and Miller (2008) revealed that the main motivation that encourages small farmers to embrace direct selling is a higher income compared to the one gained in the traditional food system. Farmers can set the price of their products on their own and, consequently, earn the amount they have previously decided (Cicatiello, Franco, 2008). Furthermore, the economic benefit of SFSC rebounds not only on producers, but also on citizens-consumers: since the food products bought directly at the farm are less expensive than in supermarkets, citizens-consumers can save money (Cassani, 2012; Marotta et al., 2013). Therefore, SFSC become a competitive tool for multifunctional and diversified farms, and a response to the asymmetric contractual power that affects the food supply. On the one hand, it allows the farm to regain added value (premium price), on the other hand, it leads the citizen-consumer to save money on the purchase of healthy products linked to the territory of origin (minus price). Hence, a strategy of short food supply chain allows both entrepreneurs and citizens-consumers to share the value created.

The literature has shown that the advantages of a strategy of SFSC come from the creation of a direct relationship between farmers and citizens-consumers (Bullock, 2000; Marsden et al. 2000; Hinrichs, 2003; Rocchi et al., 2010; Marotta et al., 2013). In fact, consumers can enjoy the localized positive externalities produced by the farm (landscape, environment,

biodiversity, farm atmosphere, traditions, etc.), and this will make them willing to recognize a premium price (willingness to pay) to the set of products and services offered by the farm and the territory, compared to competing products distributed through traditional channels. The short food supply chain generates, in this way, different value chains, shared by entrepreneurs and citizens-consumers, and performs a function of social responsibility, not only for producers and citizen-consumers but also for the entire local context.

Methodology

This study aims to investigate how a short food supply chain could affect the citizen-consumer's willingness to pay for the farms' products and to create shared value in multifunctional agriculture.

For the present survey, a questionnaire was submitted to a sample of 100 multifunctional wine-growing firms operating in the territory of the "Valle Telesina" (Telesina Valley) in the Sannio district, province of Benevento. The sample was selected through focus groups with professional organisations, choosing, within the territory object of study, the most significative realities that implemented short supply chain channels, along with other diversification and multifunctionality paths. The objective of the study was to evaluate, through a descriptive analysis, the influence of some social and economic variables on the premium and minus prices (shared value). These indeed represent the advantages gained and shared by the entrepreneur and the citizen-consumer respectively, by means of a short food supply chain.

The entrepreneur will in fact be able to benefit from a premium price obtained from the difference between the bulk price of the bottle of wine and its price obtained from the direct sale by the firm.. At the same time, the citizen-consumer will benefit from of a minus price measured, instead, as the difference between the price of the bottle of wine sold directly by the firm and its average retail price¹.

The social and economic variables considered in the model are grouped into four areas of interest: Human Capital, Farm's Internal Resources, Farm's Public Goods and Social Responsibility. Yet, the results will focus on the variables that are more likely to affect premium and minus prices:

- Age and educational level of the entrepreneur;
- Adhesion to networks;
- Farm's public goods and orientation to social responsibility.

As regards the first variable, the study has considered the following groups:

- Age (<40; 40-50; 51-60; >60);
- Education (Elementary School; Middle School; High School Diploma; Bachelor Degree; Master's Degree).

The second variable is a dummy with only two possible outcomes:

- Yes, if the farm belongs to a network;
- No, if otherwise.

¹ In the present study, the average retail price was estimated on a representative sample of 50 retail outlets located throughout the regional territory.

The third variable the quality level of localized public goods (landscape, biodiversity, farm atmosphere, traditions) and orientation to social responsibility (in particular through activities of social inclusion) of the farm, evaluated by an expert during the interview. The quality level, which may have a maximum score of 60 based on the questionnaire, is divided into three main classes:

- Low (a score below 20);
- Medium (a score between 20 and 40);
- High (a score higher than 40).

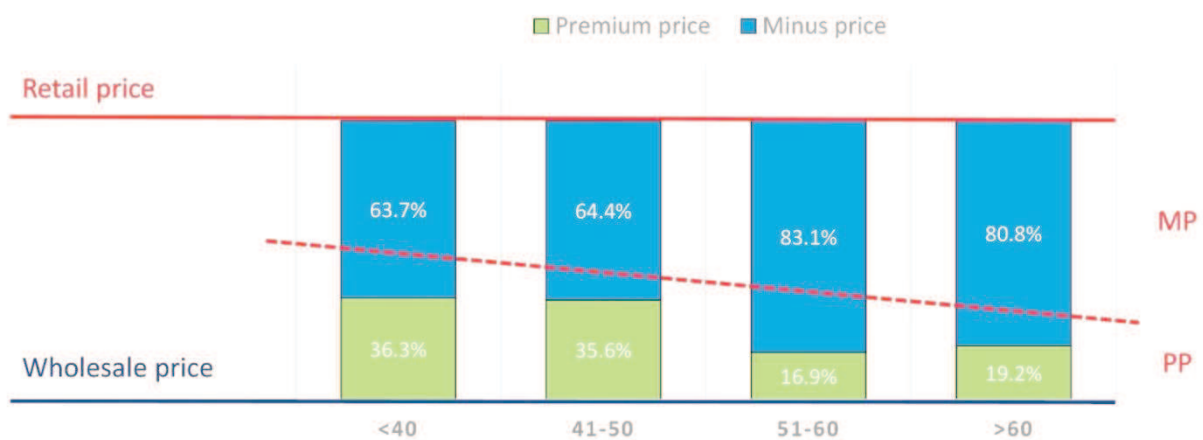
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- Low (a score below 20);
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Results

The main results of the analysis have highlighted a strategic role of the human capital relating to the shared value created through a strategy of short food supply chain. In fact, as regards the age and educational level of the entrepreneur, the analysis has provided evidence of its impact on premium and minus price. On the one hand, the analysis has revealed a negative relationship between premium price and age of the entrepreneur. Indeed, the graph n.1 shows that an entrepreneur of less than 40 years old will reach a premium price of 36.3%, while this proportion drastically declines when considering older owners, arriving at almost 19%. On the other hand, the minus price, which represents the value gained by the citizen-consumer in terms of higher contractual power, results to be greater in the case of older entrepreneurs, starting from a minus price of 63.7% for under 40 entrepreneurs and reaching the 80.8% for the over 60.

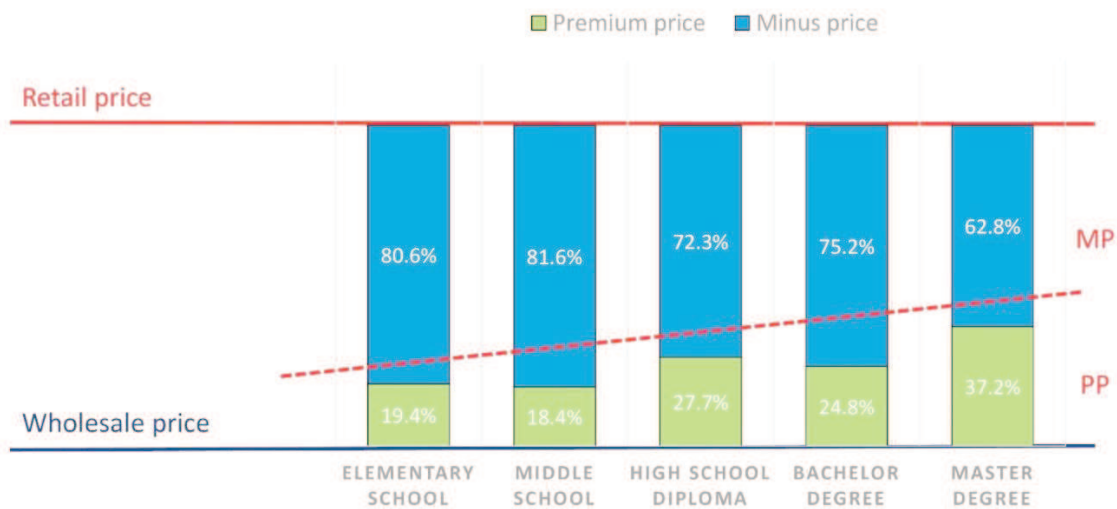
Graph n.1 Premium price and minus price in wine farms by age groups



Source: own elaboration

The analysis has also shown a similar relationship between premium price and educational level. The graph n.2 reveals that premium price ranges between 19.4% and 37.2%, from the lowest class, elementary school, to the highest, master’s degree. In addition, the minus price has presented a similar pattern to that one previously reported about the age. Therefore, this allows us to affirm that younger and educated entrepreneurs lead, at least potentially, to value creation along the short food supply chain. Entrepreneurs and citizens-consumers will share this value in different proportions, which are expressed by the premium and minus prices.

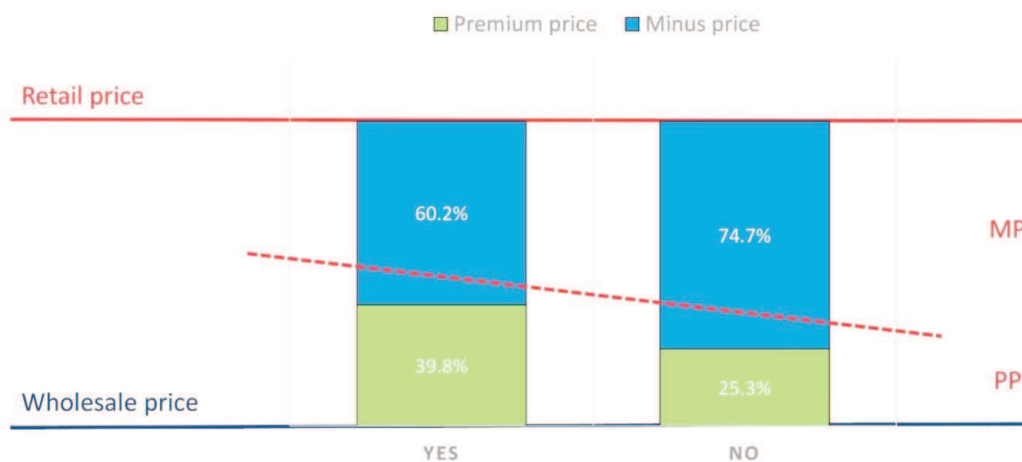
Graph n.2 Premium price and minus price in wine farms by educational level



Source: own elaboration

Finally, the adhesion to networks and the presence of the (localized) farm’s public goods appear to positively affect the premium price (graph n.3 and graph n.4).

Graph n.3 Premium price and minus price in wine farms by adhesion to networks



Source: own elaboration

Graph n.4 Premium price and minus price in wine farms by farm's public goods (landscape, biodiversity, traditions) and social responsibility



Source: own elaboration

In particular, the availability of high quality public goods (landscape, biodiversity, traditions) and a farm's socially responsible behaviour reveal a growth of the premium price from 18,4%, in the case of low quality, to 39,65% for high quality. Thus, it is demonstrated how the relational capital and a multifunctional and socially responsible agriculture positively affect value creation.

Conclusions

The results of this study allow to identify those strategic variables that have a major impact on shared value creation, within the strategy of short food supply chain and the new model of multifunctional and multi-value farm, and to provide useful information for policy makers, emphasizing the need for public intervention and reform in the field, aimed, in particular, at encouraging the development of a young and educated human capital, a greater adhesion to networks and the production of localized public goods.

In conclusion, the study has provided evidence that a short food supply chain can lead to value creation, being also a farm strategy able to create an enduring competitive advantage, and the sharing of such value between farmers and citizens-consumers can be affected by the characteristics of the human capital, the adhesion to networks and the valorisation of the localized public goods produced by the farm.

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