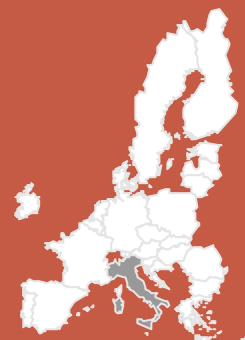




Supply
chains

AKIS-in-Practice! 10.1

The integrated supply chain model as a booster of local AKIS actors and innovations



Keywords/Tags



Advisors



Supply chain



Quality production



Farmers positioning



Interaction



Potential users



Managing authorities of the CAP
strategic Plans



Advisors and innovation support
services providers



Farmers and other operators along the
supply chains



Consumers



RATIONALE



The CAP 2023-2027 aims to improve farmers' position in the value chain as part of its broader goals of promoting a smart, resilient, and diversified agricultural sector. Despite the EU agri-food sector's competitive edge in global markets and its leadership in variety and quality, farmers are less experiencing growth in their share of added value within the supply chain.

Key problems of the farmers' position in the value chains include:

1. Limited Market Power: Farmers struggle to capitalize on opportunities to enhance their market power due to low integration and asymmetric price transmission throughout the supply chain.
2. Low Concentration: The agricultural sector remains less concentrated than other sectors, including rapidly evolving upstream input markets, hindering efficiency and bargaining power.
3. Changing Consumer Demands: Increasingly discerning consumers expect higher quality, health-conscious products, and sustainability, necessitating better communication and cooperation between consumers and producers.

In Italy, the number of actors and their positioning and competitiveness along the segments of the different agri-food supply chains vary significantly. The system is not competitive, as market structures at various stages between consumers and farms deviate significantly from perfect competition. This structure generally weakens farmers' bargaining power with both input and service suppliers and buyers of their products.

To address these issues, the CAP programmes traditionally endorse strategies that encourage farmers to strengthen cooperation along the supply chains, to focus on higher value-added segments through diversification, certified quality production, and local supply chains. Additionally, CAP strategies include enhancing value chain synergies, improving trading relationships, increasing transparency in market information, and promoting futures markets for commodities.

SOLUTION



Since the programming period 2000-2006, funding the integrated supply chain projects (ISCP) was successful to achieve goals that under the CAP 2023-2027 regards OS3 and represent a model of intervention that Italy has been experimenting with to favour aggregation processes in the agri-food sector. In this sense, an ISCP aims to create or boost the main agri-food supply chains and the forestry chain by favouring the emergence of systemic relations between actors of different nature and proposes more complex and articulated solutions to sectoral or territorial problems. Therefore, it needs to be a complex and integrated project (business plan) that includes different types of CAP SP interventions aimed at systematizing public intervention by calibrating it for the needs of the specific local value chain.

From the various experiences in Italy, the main purposes attributed to the ISCPs are the following: i) promotion of the integrated approach along the specific value chain, ii) experimentation and reinforcement of collaborative practices, iii) improvement of the offer of local collective assets, consolidation of networks and creation of socio-economic capital, iv) creation of conditions for a fairer re-distribution of the added value among the different segments of the agri-food supply chains and v) improvement of work quality. Other specific objectives connected to the primary purposes of the development of a regional production sector are added to the general objectives: i) increase of added value in all the sector's segments, ii) growth of competitiveness and iii) orientation towards the supply chains' market.

In general, this model of intervention has a sectorial dimension and are defined around business development plans (namely the ISCP) that include AKIS or other system-types interventions, like training, cooperation for innovation and advise along with investments on modernization and quality schemes, and typical structural-types interventions: other forms of productive and unproductive investments, diversification, setting up of young farmers, forestry investments, small operators and rural tourism, other forms of cooperation, etc.

The model of the ISCP foresees that a project must respect certain basic principles:

- **Bottom-up approach:** the integrated project starts from the requirements of a group of actors who, identified the specific needs, outlines a sectorial or territorial intervention strategy.
- **Inter-branch:** the integrated project is a complex project that attempts to involve all those who participate in a production process or who live and operate in a specific territory, creating specific synergies and influencing economic and social relationships.
- **Coordinated use of several intervention instruments:** the integrated project must allow access to several CAP intervention and eventually to other public policy instruments, in order to support all the interventions deemed useful for the purposes of the planned strategy.
- **Presence of a specific development strategy:** integration between several subjects needs to be supported by a specific strategy that outlines peculiarities and justifies the actions undertaken within the project.
- **Creation of a more or less structured partnership:** whose members are representative of the interests of the sectors and territories involved. The partnership must have precise responsibility and ensure realisation of the project.



A supply chain project proposes a sectorial intervention strategy and at the same time collects the different individual requests imputable to the development objectives of the supply chain.

The elements that configure an ISCP and that must be clearly stated by the applications are:

- Multiplicity of objectives of the different partners and for the entire supply chain to be integrated into an overall sectorial intervention strategy.
- Clear and consistent combination of the different types of interventions at the service of the project strategy and pursued objectives.
- Aggregation of financial resources around a project idea and their clearly distribution to each partner consistently with the individual commitments to interventions.
- Integration between the operators all along the supply chain, namely, from farm to fork.
- Co-ordinated actions, aimed at returning economic benefits to all partners.
- Use of different skills and professionalism necessary to design and implement actions.

On this respect each applicant ISCP must be based on a cooperation agreement of the partners that stands for the formal contract and binds them to implement all the interventions and tasks foreseen by the project. This includes the following information:

- List of partners, roles and responsibilities.
- Identification of the Lead Partner and assignment of the tasks: application, coordination, organisation and monitoring, financial reference for the managing authority and reporting.
- Producers are clearly committed to supplying the processing/marketing entities with a minimum percentage of their farm production. While, processors and retailers must commit to utilise in the processing/marketing plants the agreed minimum fixed amounts.
- Duration of the agreement, which must be longer than that foreseen for the implementation of the supply chain project, definition of possible penalties in the event of non-compliance with the commitments made by partners and operational modalities in the event of takeover/integration of partners.
- Identification of a productions traceability system.



PRACTICAL IMPLICATIONS FOR REPLICABILITY



- Managing authorities launch calls for applications for this type of integrated intervention.
- Once selected, public funding is assigned to the project leader that is the legal represent of the partnership.
- Partnerships are normally set up by a legal cooperation agreement which juridical form is due to national laws.
- Funds are paid to the project leader and then reversed to the partners based on the rules established by thecooperation agreement.
- The reservation of CAP funds to this model of intervention is normally based on a context and SWOT analysis that let emerge the needs and opportunities of the specific supply chains to address. However, less directionality might be put in use to enable more grass-roots ideas and approaches.
- Common procedures (administrative, financial) and templates for project description and reporting must be clearly defined by the public calls for application.

BENEFITS



- Enlargement of business models' perspectives, improved capacities of global farm management based on the combined use of multiple types of interventions and a major orientation to market opportunities.
- Targeted AKIS funding to contribute to OS3 of the CAP by tailoring sectoral interventions on the specificities of the different supply chains and rural areas.
- Creation of an enabling environment for innovations and local systems'/supply chains' transitions, bridging the gaps between research and production.
- Empowerment of farms and their better positioning along the supply chains.
- The partnership helps going beyond the technical-economic economic capacity and the productive dimension of individual actors of the specific supply chain.
- Creation of trust and strengthened interconnections within the AKIS.
- Enhancement of a collective culture of innovation along the supply chains and of local systems, based on changes in the entrepreneurial behaviors and strengthen innovative/adaptive capabilities.
- Creation of inter-sectorial connections.
- Development of innovations support services capacities and experiential learning that are specifically focused on the integration and better positioning of farmers along the supply chains.



FURTHER SOURCES OF INFORMATION



- Database of the ISCP in Italy.
- Analysis of the cooperation models of the supply value chains in Italy.
- Publication on the results of the ISCP in Region Tuscany.
- Article on the issues and implication of ISCP in Italy.
- Guidelines for the implementation of ISCP.
- Independent evaluations of the ISCP in Italy.



Italy, Regions: Abruzzo, Marche, Friuli-Venezia Giulia, Emilia-Romagna, Lazio, Sardegna, Basilicata, Toscana, Lombardia, Veneto



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