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# Short food chain systems as opportunities for rural development: experience from Poland

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## FOREWORD

This background paper offers information and some observations about the current and potential role of short food chain systems - SFCs (also known as local food systems) in rural development in Poland, especially in areas dominated by agricultural small holders, small farms and part-time farming.

The observations and lessons learnt are based on personal experience gained first-hand by the author who has been directly involved in designing and implementing a local food system in Malopolska (called the Malopolska Local Product<sup>1</sup>) and has campaigned (successfully) for the development of national level policy and a more supportive regulatory environment.

It is important to note that the paper is not intended to be a comprehensive review of Poland's experience with short-food chain systems, but rather an introduction to some of the key developments that appear to be 'making a difference' in the opinion of practitioners most directly involved. The paper is offered as background and inspiration for further discussion and investigation. References are included for those wishing to follow-up and understand in more detail the challenges of scaling up the social and economic impact of local food systems in Poland and other countries in Europe.

The paper and opinions presented here are not the official position of Poland's Ministry of Agriculture and Rural Development.

## INTRODUCTION

To be meaningful, rural development must deliver benefits that are tangible so that individuals, families and local communities live better (food and water, shelter, safety, education, health & more spending power). Revitalising rural economies is a special challenge in areas dominated by smallholder or part-time farmers, who are focused primarily on subsistence rather than participation in markets. Whereas there is no single definition of what constitutes a small farm, there is agreement that such agricultural holdings or farms vary in size from less than one hectare to 10 hectares and that they are characterized by traditional or family-focused motives favouring the stability of the farm household system. They use mainly family labour for production and part of what is produced for family consumption.<sup>2</sup>

For countries with agricultural sectors with large numbers of small farms, such as Poland (approx. 1 million) and Serbia (approx 500.000), a key opportunity for revitalise rural economies lies in working out ways in which small farms can be treated as an opportunity and not a problem. Short-food chain systems (SFCs) are an important opportunity in this regard as they provide a way for engaging geographically-dispersed agricultural smallholders, small farmers and part-time farmer in joint action

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<sup>1</sup> [www.local-food.pl](http://www.local-food.pl)

<sup>2</sup> [www.fao.org/nr/water/docs/Enduring\\_Farms.pdf](http://www.fao.org/nr/water/docs/Enduring_Farms.pdf)

aimed at connecting with consumers – contributing directly to generating rural livelihoods and increasing farm incomes.

Short-food chain systems, also referred to as local food systems or farm to fork schemes are organizational arrangements which enable consumers to buy food directly (i.e. without intermediaries) from producers in a systematic and ongoing way. These include farmers' markets, on-farm sales, shops run by farmers, farm boxes, buying clubs, food cooperatives or internet sales. The common feature is that consumers connect directly and more personally with food producers when buying their products. The idea is to link people, places and products in new ways.<sup>3</sup>

A European Commission working group<sup>4</sup> on scaling up short-food chains in terms of impact, defined them as follows:

*A food chain describes the distance between a food producer and a food consumer. In contemporary agro-industrial systems, food chains are complex with numerous intermediaries.*

*Short food chains have as **few links as possible** between the food producer and the citizen who eats the food. Agreeing on a maximum number of links (or intermediaries) is difficult because the number of intermediaries needed varies for different products, in different places. For example, there is a debate about whether 'service providers' such as abattoirs should be counted as part of the chain.*

*The reasons for having reduced links in the chain are the most important factor when considering whether a food chain is 'short' or not. 'Short' food chains are not simply reducible to the number of links in the chain, because they are concerned with a set of values and principles and address societal demands:*

- *The citizen who eats the food knows exactly where the food comes from and can contact the producer directly for information – in other words the food chain is **transparent** [addressing citizen demand for food that can be trusted]*
- *The producer is able to retain a greater share of the **value** of the food that is sold [addressing producer need to sustain or expand their income]*
- *The 'social proximity' between producers and citizens is of more importance than the 'physical distance' [addressing societal demands for a better, more equitable and **sustainable** food system].*

*Whilst SFCs are often part of local food systems (in which food is produced, traded and eaten within a defined geographical area, respecting seasonality and procuring territorial added value), they are not restricted to locally based exchanges. They can also be spatially extended to enable products from different climates to be sourced as directly as possible. SFCs can be built in many different forms, according to circumstances. The concept of SFC is dynamic and evolving as societal actors engage in a range of innovations and experimental food chain structures in their efforts to build sustainable food futures.*

<sup>3</sup> Vandecandelaere, E., Arfini, F., Belletti G. and A. Marescotti (2010) Linking people, places and products: A guide for promoting quality linked to geographical origin and sustainable geographical indications. Produced jointly by the Food and Agriculture Organization of the United Nations (FAO) and SINER-GI. FAO: Rome. Download: <http://www.fao.org/docrep/013/i1760e/i1760e.pdf>

<sup>4</sup> EIP-Agri Focus on group on short food chains <http://ec.europa.eu/eip/agriculture/en/content/innovative-short-food-supply-chain-management>

## WHAT IS THE CURRENT SITUATION WITH RESPECT TO SHORT-FOOD CHAINS IN POLAND?

Enthusiasm for locally-produced food is growing among consumers across Poland, as is happening across Europe.<sup>5</sup> This has been the main driver for changes in recent years, which are leading towards a recognition that Poland's small farms are not a problem, but an opportunity. This recognition is growing slowly, but is also now driving changes at the level of public policy and regulations. In 2017, the Polish Government declared shortening food chains to benefit small farms and small farmers, a policy priority:<sup>6</sup>

*More effective support is needed for alternative distribution channels, including short-chain food systems and local markets, which increase the share of farmers in the value-chain, helping to develop organic and traditional production and strengthen the ties between farmers and consumers.*

- *Instruments for supporting development of alternative distribution channels need to be strengthened, especially in the context of creating opportunities for small farms, producing mainly for local markets. This should be followed with support for direct selling systems.*
- *It is necessary also to identify ways of supporting the development of internet-based platforms for sales of agri-food products, which should improve the effectiveness and transparency of markets which involve larger commercial farms.*
- *Systemic support needs to be assured for organic and GMO-free production, which can become an European specialty on international markets. Taking advantage of this possibility will require inter alia strengthening (innovative) systems for traceability of products.*

Agricultural and rural programmes are now having to include this priority at the operational and implementation level. The priority will be of growing importance in next EU budgeting period. An important programme in this regard is the EIP-Agri programme on partnerships innovation in agriculture, which is to include a special priority for innovations for scaling up the impact of local food systems.<sup>7</sup>

The policy-level interest in local food systems and small farms needs to be understood in an historical context. Agricultural and rural development policy in the pre-accession period and EU membership was characterized by a separation of agriculture and rural development. Agriculture policy has focused on strengthening and developing larger farms to increase their production capabilities, which in turn has successfully fueled Poland's export-led agricultural model. Food exports generate a surplus for the economy as a whole. Rural development policies, have in turn, focused largely on moving people out

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<sup>5</sup> Friends of the Earth (2015) [From farm to folk: public support for local and sustainable food](https://www.foeeurope.org/local-food-briefing-full-opinion-poll-results-140115). Download: <https://www.foeeurope.org/local-food-briefing-full-opinion-poll-results-140115>

<sup>6</sup> <http://www.minrol.gov.pl/Ministerstwo/Biuo-Prasowe/Informacje-Prasowe/Rada-Ministrow-przyjela-dokument-Wspolna-polityka-rolna-po-2020-roku-polskie-priorytety>

<sup>7</sup> <http://www.minrol.gov.pl/Wsparcie-rolnictwa/Program-Rozwoju-Obszarow-Wiejskich-2014-2020/Instrumenty-wsparcia-PROW-2014-2020/Wspolpraca.Wsparcie-tworzenia-i-dzialania-grup-operacyjnych-EPI-na-Recz-wydajnego-i-zrownowazonego-rolnictwa>

of agriculture through programmes aimed at generating non-agricultural jobs in rural areas. Small farms and fragmented agricultural holdings have been treated largely as a social problem to be solved rather than opportunity for regenerating rural economies. Due to the large numbers of people involved, the small farming sector has also great political significance, yet only now (2017) public policy on small farms is being put into place.

Poland's farmers operate within a tax regime that distinguishes them from businesses. Whereas there are benefits in this regard, there are also problems. For example, until 2017, farmers were unable – officially -- to process and sell what they produced (they could sell only unprocessed products). This meant that small farmers had no choice but to continue to operate in a grey economy or change their legal status to business. The tax regime barrier is peculiar to Poland in the EU as in other countries, farmers operate within a single tax framework.

A second barrier that has to be faced by small farmers, interested in processing and selling their products directly to consumers, is that of implementing sanitary regulations, in line with EU directives, which in Poland have been transposed largely to meet the needs and circumstances of large farms and production facilities. In other words, a small farmer had to apply the same sanitary rules for producing jam from fruit from the farm as a large factory processing jam. Over the past 5 years, sanitary rules have been modified to accommodate small-scale local production and the process is ongoing. The important point here is that introducing sanitary regulations to favour small-scale, on-farm processing, is relatively new in Poland.

Rural development policy has also recognized that rural development without agriculture and small farmers is likely to be a disbenefit for rural areas and threaten also food security locally, regionally and nationally. From a broader perspective, the desire is for increased access to healthy, tasty, locally-grown food, for combating food fraud and for reduced dependency on industrialised farming and food processing.

The Polish Government is looking to local food systems as a compliment (not replacement) of Poland's successful export-led agricultural model. The motivation is more about building greater food security, reducing food waste, fighting obesity and curtailing environmental impacts linked to transporting food long distances.

The challenge is seen as being about working out ways to promote and enable more responsible eating among consumers and creating more opportunity for farmers to increase their incomes through food-processing and direct sales.

## **WHAT IS THE IDEAL OR DESIRED SITUATION WITH RESPECT TO SHORT-FOOD CHAINS?**

The ideal or desired situation is that of a sustainable food system - one that is reliable, resilient and transparent, which produces food within ecological limits, empowers food producers, and ensures accessible, nutritious food for all. Revitalising rural economies is key to building more sustainable food systems. But this requires agricultural production capability to be integrated into rural

programmes and not separated from them as has been largely the case to date. It also requires engaging young people and farmers directly in working with others to develop and sustain local food systems in ways that bring food security locally, regionally and nationally.

Yet rural areas, in many parts of Poland are seeing an OUTFLUX of young people, who do not see a future for themselves, and especially not in farming. This is a trend across Europe that needs to be addressed in rural development policy-making. In Poland, there are many reasons for the outflux, including lack of jobs and business opportunities locally, lure of the big city, rejection of the way of life of their parents with smallholder farming is seen as 'backward' & hard work with no future.

In consequence, those left behind are increasingly socially excluded and consigned to poverty. The challenge is to reverse this downward spiral by revitalising rural economies to make them more attractive places to live and work, especially for young people – making them more green, inclusive and competitive!

It is also important to note that short-food chain systems are not an end in of themselves, but a contributor or tool for revitalizing rural economies by increasing farm incomes and creating new employment and economic development opportunities. They need to be deployed as part of broader strategies, programmes and projects that revitalise rural economies in terms of:

- more spending power locally
- increased self-reliance & food security
- more resilient and rewarding livelihoods
- joint action based on effective partnering
- access to latest technologies and innovations & capacity to make use of them
- engaging effectiely with local, regional and global markets
- better access to social protection, health & education services
- safe-guarding and restoring natural resources, including clean water, soil fertility, biodiversity
- solutions to environmental degradation and climate change.

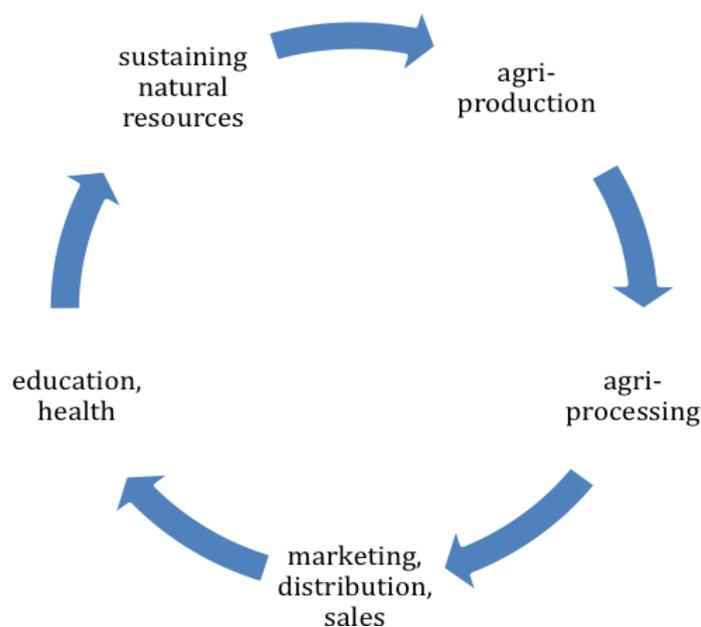
## **HOW TO MOVE FROM THE CURRENT TO THE DESIRED SITUATION WITH RESPECT TO SHORT FOOD CHAINS?**

The key to moving from the current situation to an ideal one through SFC systems requires a focus on ensuring traceability of food. In other words, food is of known-origin is the key to building confidence in local food systems among both food producers and food consumers.

In practical terms, there are many challenges related to scaling up the impact of SFCs for them to have a significant impact on rural development and the way food systems operate. Perhaps the most important challenge to overcome is that of collaboration or partnerships. SFCs will succeed and achieve scale/impact, when they are based on partnerships, despite the lack of intermediaries in a

direct selling system. This is because SFCs must bring together a variety of stakeholders into a common operational framework, including farmers, food producers, food processors, local community leaders, municipal authorities, regulators from sanitary, environmental, agricultural and tax agencies, health authorities, political leaders, restaurants, schools, food retailers, as well as individual consumers. The key to ensuring traceability, quality and authenticity of locally-grown food offered for sale centres on building a mutually-reinforcing system of building trust among stakeholders, which transforms them into being partners in creating and operating local food system. Partnership here is based on the idea of sharing cost, risks and benefits (rather than seeking benefits, but transferring risks/costs to others) that must assure mutual benefit for all those involved (not just the farmers!).

The SFC system is method or model that engages farmers, consumers and other stakeholders in joint action to build a food system that is more sustainable, setting into motion a virtuous circle that impacts all stages of the food supply chain – from production to consumption (see figure below).



The SFC method needs to be adapted to local needs, circumstances and opportunities, which are continuously defined and redefined by those involved.

To achieve scale and impact SFCs need to overcome 6 challenges:

### 1. **FINANCING SFCs** (Setting up and Getting Support for Collaborative SFCs)

**The problem:** Collaborative SFCs often face difficulties in securing the finance needed to invest in new technology or equipment that could be needed for product innovation or testing. Banks and institutions are often reluctant to invest because of the perceived high level of risk and the lack of techno-economical references on these projects.

**Possible solutions:** to establish reliable references and indicators that can be used by potential investees to help them make sound business cases, and investors who need a full understanding of risk and returns. Another proposal for initiators for dealing with this problem could be to initiate, and evaluate, innovative funding models such as crowdfunding; these are proving quite popular in some places but are not well-established or well-understood in terms of their long term impact and economic viability.

## 2. PRODUCT DEVELOPMENT

**The problem:** collaborative SFCs often involve a number of small or even micro enterprises which are unable to access technological innovations individually due to costs, lack of knowledge, or lack of equipment suitable for small-scale and on-farm application. The types of technology in question could include processing and packaging machinery, IT or logistics solutions. For some participants in SFCs, environmental impact would be a key criterion for selection of appropriate technology solutions.

**Possible solutions:** innovation brokerage to match business needs with technology providers or to investigate how existing technological innovations could be better adapted to the needs of the SFC sector (through for example, down-sizing, simplifying, ‘soft technologies’).

## 3. TRACEABILITY/QUALITY CONTROL

**The problem:** there is a proliferation of products claiming to be ‘local’ or ‘from the farm’ but it is currently difficult for consumers to judge the accuracy of these claims, or for genuine local producers and short food chains to protect their added value.

**Possible solutions:** to set up territorial guarantee schemes suitable for small-scale farmers and producers operating within SFCs. These could take the form of participatory control systems as an alternative to costly third party certification.

## 4. ACCESS TO MARKETS

**The problem:** one barrier to ‘scaling up’ SFCs is that they often struggle to meet the demands of larger customers, especially in the public sector.

**Possible solutions:** to set up territorial ‘food hubs’ or ‘one stop shops’ which enable groups of farmers and producers to collaborate to serve the needs of large customers. Food hubs could also be used to improve the ability of SFCs to service the local tourism industry. They would need to include facilities for transporting, assembling and processing orders as well as processing payments. Personnel able to negotiate contracts would also be required.

## 5. INFRASTRUCTURE & LOGISTICS

**The problem:** many small-scale farmers and producers transporting their goods separately to individual homes, shops or markets, when more efficient, environmentally friendly and cost-effective solutions could be found through collaborative logistics and distribution.

**Possible solutions:** to set up collaborative logistics and distribution solutions. These would include sourcing the most appropriate and energy efficient vehicles (such as those which can combine as overnight storage solutions), using IT to identify the most efficient routes and opportunities for back-

filling and joint deliveries. It would also include the development of online portals so that many producers can share the costs of having a sophisticated online presence that can also process orders, deliveries and payments.

## 6. LOCAL FOOD AS VALUE

**The problem:** many consumers, especially those who have no regular contact with food producers, simply do not value locally-produced food. They choose industrially-produced food because it is easily accessible, competitively priced, convenient and because they do not treat food as a value in the lifestyles that they lead.

**Possible solutions:** to develop consumer education schemes that re-connect urban consumers to rural producers, helping them gain an appreciation for how the food system works. Engaging urban consumers in farming activities on an ongoing basis.

Overcoming these challenges are opportunities organizational innovation, especially in relation to working out ways of getting small farmers to collaborate with one another more effectively. The benefits were noted at a recent FAO e-conference on “The Role of Small Farms Within a Larger Context of Food Security”<sup>8</sup> as follows

*Cooperation is common practice among farmers. It occurs in a variety of ways, ranging from informal collaboration with relatives and neighbours at times of high workload (e.g., Hay harvesting) to farmer associations where farmers purchase production inputs, process primary products (like farmer-owned dairies) or market their produce together. In the wider context of rising competition from industrial farming and other challenges and risks, horizontal cooperation (among farmers and/or among processors) as well as vertical cooperation (among actors in the food chain) has been shown to have critically improved the situation of individual producers and of groups of producers. Through cooperation, small farms can have more individual power and control over production, can reduce production costs and strengthen their position in the market. In addition, social capital and social control are benefits.*

Yet initiating, scaling and maintaining collaboration among small farmers in ways that enable them to compete successfully in an increasingly competitive marketplace remains a challenge.

## WHAT NEEDS TO BE DONE TO MOVE FROM THE CURRENT TO THE DESIRED SITUATION?

In Poland, there are now numerous community-based and business-led initiatives to link producers to consumers in a direct way. In every big city, farmers’ markets have appeared with farmers (as opposed to intermediaries) selling to consumers. In smaller towns, farmers’ markets which have survived are enjoying renewed interest. Initiatives that offer opportunity for increasing the scale and impact of SFCs relate to internet solutions. Noteworthy examples include:

- ‘Parcel from the Farmer’ <http://www.paczkaodrolnika.pl/>

<sup>8</sup> <http://www.fao.org/3/BU493en/bu493en.pdf>

- ‘Buyers Clubs in the Malopolska Local Product system’ see for example: <http://zakupy.koszyklisiecki.pl/>
- ‘Local Farmer’ [www.lokalnyrolnik.pl](http://www.lokalnyrolnik.pl)
- ‘I know what I’m eating’ [www.wiemcojem.pl](http://www.wiemcojem.pl)

At the same time, the Polish Government is formulating national policy focused on supporting traditional farming, increasing the role and benefit in the food value chain. These activities are no longer just about friendlier tax and sanitary rules, but about promoting and supporting systems solutions. From the Polish Government point of view, the key programme for supporting innovation in this regard is the EIP-Agri programme, which is to provide financial support for innovation for increasing the impact of local food systems.

## LESSONS LEARNED

The lessons from Polish experience are as follows:

1. Strengthening the role of local food systems in rural development and food economy demands action at both operational/implementation levels (i.e. piloting local food systems) and at public policy level. Activities at these two levels reinforce each other to:
  - a. build a climate of public support for concrete changes, such as tax provisions and sanitary rule relating to agricultural activity enabling small farmers to sell their own products;
  - b. propose specific changes in specific regulations, eg. on processing fruit and vegetables in on-farm kitchens;
  - c. making regulatory changes part of practice by, for example, actually registering on-farm kitchens for production purposes or actually establishing and operating shared kitchen or processing facilities such as kitchen incubators linked to specific sales/marketing outlets, such as farmer-operated shops or markets.

It is important to find ways of accommodating these two dimensions rather than choosing one in favour of the other.

2. The collaborative nature of SFCs and the need to sustain engagement of many small farmers means that the most attractive business model is one rooted in social economy – models that seek to use market mechanisms for achieving public/social purpose. This requires creating the conditions for attracting investment funds to establish fit-for-purpose legal entities that look after the interests of the small farmer (i.e. prevent the emergence of oligarchal arrangements, where a few farmers or participants seize control of the SFC). Capital is essential for working out prototype solutions that are most appropriate to local needs, circumstances and opportunities. It is important to distinguish social economy initiatives with a market-orientation from grant-aided programmes that do not entail an explicit business objective. A programme of low or zero interest loans for social innovation or social bonds might be a more appropriate mechanism for financing SFC projects than a grants scheme.

3. NGOs and non-government entities can be effective investors, also with regard to material investments as demonstrated in kitchen incubator projects that are now proliferating across Poland. There are two fundamental conditions, however:
  - a. investments must involve collaboration with public sector partners, but not be controlled by them;
  - b. NGO investors must have a means to secure a return on investment to enable them to continue to play their role in ensuring the investment proves a success. The benefit of NGO investors is that the timing and form of the investment is relevant to social needs, circumstances and opportunities, as well as market potential.

## IMPLICATIONS FOR POLISH-SERBIAN COLLABORATION

Polish (& Serb) experience with local food systems will be more and more relevant to the many regions in Europe, which have lost their small farmers and their capability for growing and producing food locally. It is a resource for urban farming movements so prominent in the ‘Old Europe’ are driving a desire to rediscover, reinvent and restore local food systems that many still remember.

Polish (& Serb) small farmers represent an opportunity and resource for local food systems that need to be brokered locally, regionally and internationally. Every region or territory must develop its own local food system, which is adapted to local needs, circumstances and opportunities. There is no recipe or blue-print. Only a partnership building process for mobilising people and resources that can be shared, enriched and learned. An important innovation opportunity relates to using partnership action to overcome barriers to achieving scale to meeting the growing demand for locally-produced food direct from farmers

In Poland (& Serbia), the chief difficulty lies in finding ways of sourcing larger volumes from small, dispersed and subsistence-oriented farming. A possible answer lies in two developments. First, scaling up a collaborative or partnership based quality/authenticity assurance system (as a basis for building brand value) by involving also government and corporates not just as stakeholders, but as co-creating partners. And second, scaling up of distribution channels/sales opportunities to cater for a larger number and variety of small producers through innovative IT and logistical systems, which can bring consumers the variety, diversity and seasonality of locally-produced food in a way that fits into changing lifestyles, which emphasise healthy and responsible eating.

Potential Polish-Serbian collaboration on scaling up the impact of SFC systems should be focused not on transferring experience and expertise, but rather on a collaboration focused on sharing experience and expertise in order to develop completely new solutions to scaling up SFCs that can be applied both in Poland and Serbia (and potentially in other countries). These include IT, financing and consumer & producer education solutions that engage both consumers and producers in joint or collective action. This might lead not only to IT innovations, but also innovations in business models that can exploit the geographically-dispersed nature of the consumers and producers involved and benefit all those involved (social or shared economy) and not just a few. The EU’s European Partnership for Innovation

- EPI-Agri - programme<sup>9</sup> offers opportunities in this regard both for funding and for accessing relevant know-how.

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<sup>9</sup> <https://ec.europa.eu/eip/agriculture/en>