



## The reason why

### Changes in rural economy

The agro-food industry in peri-urban and rural areas is changing rapidly. Corporate agricultural businesses thrive while small and middle sized agricultural companies vanish. According to predictions of the European Commission, 5 million rural jobs will disappear before 2016. More than half of all farmers is above the age of 55 years (DG Agri, 2010), have no successors and under current circumstances it is expected that in 10 years' time we have lost 50% of the farmers in Europe.

These changes do not only concern farmers. In their decline all food chain related SMEs will be affected severely as food chains industrialize and globalize. Smaller businesses in the food chain look for new roads in the tension between the demands of global food chains and the local requirements concerning nature and the environment. The diversification of economic activity and improvement of the quality of life in rural areas is a mission shared by the European Union's rural development policy and its Cohesion Policy.

### Coping strategies

In the NSR, SMEs in the food sector have strong potential to be successful on globalizing markets. But the EU Joint Research Centre also concludes that there is evidence that shortening supply chains leads to increased local sales, employment and multiplier effects as well as being an important component of regional tourism product. In addition, Horizon 2020 in its work programme 2017 argues that modernisation of rural economies depends on the capacity of rural businesses to cooperate successfully. Main challenge is to form efficient value chains which will deliver competitive products and services, high-quality and diversified jobs as well as resilience to global economic and climate changes. Increased interest in regional economy, resource-efficient and low carbon value chains generates opportunities to rethink and improve value chain organisation for economic, environmental and social benefits.

### Short chains for innovation

Short Supply Chains (SSCs) are one example of regional value chains. SSCs are mushrooming across Europe (f.i. farm shops, farmers' markets, farm based hospitality, roadside sales, pick-your-own schemes). Traditionally, SSCs connect local food supply and demand, have no intermediary agents and supplies can be traced to every link in the chain. Most SSCs use 'local' as an attractive branding element and for customers to identify themselves with in support of regional products and qualities.

However, business opportunities in SSCs can only be yielded if handled professionally and on a proper scale. Current research (see C.3.2.) shows that most SSCs run short in a vicious circle of small market volumes for local food products, marginal business cases for food related companies, low investment and innovation levels and consequently no incentives to develop to mature regional food markets. In order to move out of this deadlock, short supply chains should increase to higher volumes, which can be found by upscaling from local to regional markets. This presents challenges on several interconnected strands:

- **Data:** Innovation should be based on sound market data. Most regions have limited market relevant data available and if any, not always specific and ready to use by SMEs.
- **Economic/business:** New market opportunities and smart specialization strategies should be translated in sound business models including chain management, joint investments and cooperation.
- **Political:** Public authorities and corporate organisations should play an active role in support of SSCs by changing procurement policies and adopting food policies providing better market potential for SMEs in the region.
- **Organizational/operational:** In order to aggregate to proper market volumes, demand and supply should seek new forms of cooperation and partnership based on common benefits and shared values.
- **Skills:** SMEs and other stakeholders in SSCs need specific skills to identify regional opportunities and develop and implement sound (cooperative) business arrangements.

REFRAME takes up these challenges. In a living lab of regional pilots, the project will pilot 5 regional cooperative arrangements (RCA). Each of them provides a regional framework to accommodate food demand and supply on a regional scale and provide a support infrastructure for food related SMEs to develop and implement their smart specialization strategies. All based on collected data that reveal the regions' own strengths and resources to match food demand by chained supplies from the region. A transnational learning lab will be set up in support of skill development and training of all stakeholders. REFRAME pools the know-how needed to set up these regional food frames in a transnational network of experts, each closely linked and rooted in its pilot region.