

RDP sub-Measures analysis: M16.4 Short supply chains and local markets

In 2015, the Contact Point of the European Network for Rural Development (ENRD CP) carried out a broad analysis of the 2014-2020 Rural Development Programmes (RDPs). The following text forms part of a series of summaries outlining the information gathered on specific Measures (M) and sub-Measures. The summaries aim to provide an overview of the common trends and main differences in the programming decisions taken across the range of RDPs. If you believe that any of the information presented does not accurately reflect the content of one of the RDPs, please communicate your concerns to info@enrd.eu.

Where specific RDPs are referenced in the analysis, they are indicated with the official EU country codes (e.g. EE for Estonia). In the case of regional RDPs, the name of the region is given after the country code (e.g. IT-Lazio).

1. Regulation background

1.1 Measure 16 cooperation¹

Supported actions under the Measure 16 (M16) sub-Measures will be implemented by groups of at least two cooperating entities. The Regulation explicitly mentions clusters and networks as well as EIP Operational Groups as possible forms of cooperation. In this report we will refer to this variety of clusters and networks with the word 'cooperation group'.

Cooperation groups supported by M16 are expected to implement projects fostering *“cooperation approaches among different actors in the Union agriculture sector, forestry sector and food chain and other actors that contribute to achieving the objectives and priorities of rural development policy...”*

M16 sub-Measures offer potential support for:

- establishing and running cooperation activities, covering the cooperation groups' and the projects' coordination and organisation costs, and
- carrying out projects, covering the costs that arise from the activities of the project.

However, RDPs' Managing Authorities have the freedom to decide to support only the creation and operation of the cooperation group. The projects of the cooperation group can also be funded by other RDP Measures.²

¹ Reg. 1305/2013 Art.35

² “Where support is paid as a global amount and the project implemented is of a type covered under another measure of this Regulation, the relevant maximum amount or rate of support shall apply.” Reg. 1305/2013 Art.35.6

1.2 Sub-Measure 16.4

Support under Measure 16 relates to a number of strategic objectives including for:

“horizontal and vertical cooperation among supply chain actors for the establishment and development of short supply chains and local markets”; and for “promotion activities in a local context relating to the development of short supply chains and local markets”³

Public financial support for these aspects is provided through ‘sub-measure 16.4’.⁴

With Art.35.2(d) and (e), the regulation establishes the basis for the provision of **support for the whole development of short supply chains (SSCs) and local markets, including support for their establishment and promotion.**

Sub-measure 16.4 exclusively targets supply chains which are “short” and markets which are “local”. Support for these forms of market organisation is justified by the fact that ‘standard’ supply chains and markets are predominant while their smaller versions have not yet reached their potential in many areas.

The delegated acts define a ‘**short supply chain**’ as a **supply chain involving no more than one intermediary between farmer and consumer.** An ‘intermediary’ in this context is an entity which buys the product from the farmer for the purpose of selling it on.

RDPs are expected to define ‘**local markets**’ with the same definition of short supply chains. Alternatively, RDPs will have to specify the **maximum radius of km between the place the product originates and the place where the activities of processing and sales to the final consumer take place.** As a final alternative, the RDPs have the freedom to present a convincing alternative approach to defining what is considered a ‘local’ market.

As indicated, eligible costs relate to **setting up the supply chain but also to its promotion.** More specifically, support for promotion activities should relate to the local market in question or short supply chain in its entirety. Support would include any promotional material and activity raising awareness on the existence of the supply chain or local market in question and communicating the benefits of purchasing via this route.

³ Reg. 1305/2013 Art.35.2 (d) (e)

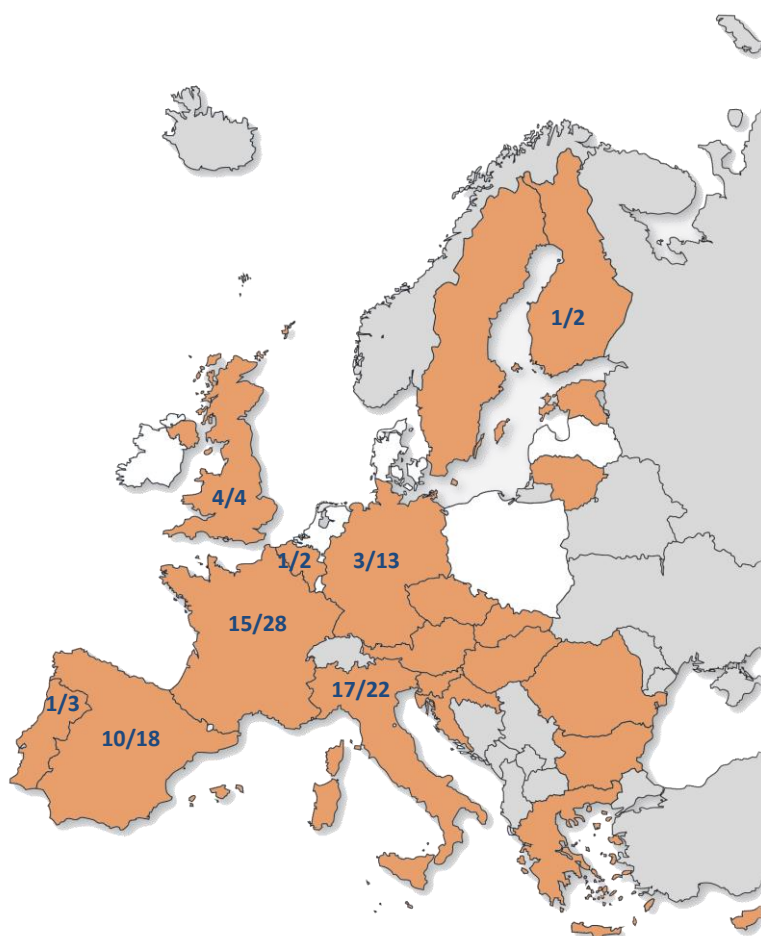
⁴ Commission Implementing Regulation (EU) No 808/2014

2. RDPs programming the sub-Measure

M16.4 is programmed in 66 RDPs across 22 MS.

Table 1 - List of RDPs programming M16.4

N	RDPs ⁵
1	Austria (AT)
2	BE-Flanders
3	Bulgaria (BG)
4	Cyprus (CY)
5	Czech Republic (CZ)
6	DE-Hessen
7	DE-Rheinland-Pfalz
8	DE-Thuringen
9	Estonia (EE)
10	ES-Andalucia
11	ES-Asturias
12	ES-Castilla- Leon
13	ES-Cataluna
14	ES-Extremadura
15	ES-Galicia
16	ES-I Baleares
17	ES-I Canarias
18	ES-Madrid
19	ES-Pais Vasco
20	FI-Mainland
21	FR-Aquitaine
22	FR-Auvergne
23	FR-Basse-Normandie
24	FR-Bourgogne
25	FR-Centre
26	FR-Guadeloupe
27	FR-Guyane
28	FR-Haute-Normandie
29	FR-Ile-De-France
30	FR-Limousin
31	FR-Martinique
32	FR-Mayotte
33	FR-Paca
34	FR-Poitou-Charentes
35	FR-Rhone-Alpes
36	Greece (GR)
37	Croatia (HR)
38	Hungary (HU)
39	IT-Abruzzo
40	IT-Basilicata
41	IT-Calabria
42	IT-Campania
43	IT-Emilia Romagna
44	IT-Lazio
45	IT-Liguria
46	IT-Lombardia
47	IT-Marche
48	IT-Molise
49	IT-Piemonte
50	IT-Puglia
51	IT-Sardegna
52	IT-Sicilia
53	IT-Toscana
54	IT-Umbria
55	IT-Veneto
56	Lithuania (LT)
57	Malta (MT)
58	PT-Acores
59	Romania (RO)
60	Sweden (SE)
61	Slovenia (SI)
62	Slovakia (Sk)
63	UK-England
64	UK-Northern Ireland
65	UK-Scotland
66	UK-Wales



Map 1 - RDPs programming M16.4

For MS having regional RDPs, the map indicates the number of RDPs that programmed M16.4 out of the national total.

⁵ Belgium (BE); Germany (DE); Spain (ES); Finland (FI); Italy (IT); United Kingdom (UK).

3. Scope of activities

RDPs identify two main objectives for sub-measure 16.4.

Vertical & horizontal cooperation

The first aim concerns the creation, **reorganisation and strengthening of local markets and short supply chains (SSC)** through horizontal and vertical cooperation. Activities funded will mainly involve agents in agri-food chain and agri-food industries (SME) and will mainly consist in the organisation of joint work processes and/or organisation of solutions for sharing facilities and resources. The great majority of the RDPs will focus 16.4 support in the agri-food chain including the meat supply chain. In some rare cases 16.4 will also support the wood sector (e.g. in FR-Limousin).

Marketing & promotion

The second aim concerns **promoting SSC, local markets and, in general, more local products**. These marketing activities aim at increasing the awareness of the existence of SSC and/or local markets and are necessary in order to make these local markets viable. 16.4 therefore aims to **strengthen the network and enhance bonds** between agri-food stakeholders as well as among producers and consumers.

Economic outcomes

By restructuring and strengthening the local markets and SSCs, actions funded under 16.4 will contribute to create **economies of scale and make enterprises more competitive** in the market.

SSC are considered able to provide consumers with fresher and better quality products at more competitive prices, while **contributing to the regular flow of farm products, and to a fairer payment for their products**. This is noticeably possible through the reduction of the largest possible number of intermediaries between producers and consumers. As a result, SSC and local markets can bring **greater economic returns** to the producer and enable **diversification** of local production.

A number of RDPs, such as ES-Catalunia and CZ, clearly specify that the overarching objective of the sub-measure is to **increase farmer's income and competitiveness** with the mainstream food distribution chain.

Stronger & new market opportunities

16.4 will mainly fund the creation of **new SSC and local markets** opening local producers to new market opportunities. It is also expected to bring innovation by promoting the creation of **new products and by supporting differentiation** of agriculture products (e.g. ES-Canarias).

Some regions and MS foresee supporting their local markets with the introduction of **new services, new technologies and ICT** (e.g. FI-Mainland, IT-Umbria and IT-Molise). In the same regions, 16.4 will also give the opportunity to develop **new delivery methods and new business models** for SMEs that operate in the local markets.

In IT-Umbria, for example, 16.4 is required to be creative introducing new marketing solutions that are different from direct sales channels already existing in the region.

Sub-measure 16.4 however in some cases will also be open to **existing SSCs** and in these cases will aim to improve and strengthen their organisation.

Case: Direct selling in FR-PACA

In the FR-PACA region, one third of farmers sell directly through an important network of selling spots, locally delivered produce boxes and market places.

16.4 will better structure the logistic side in PACA, allowing for higher volumes of supply, particularly in peri-urban areas. This strategy complements the preservation strategy for agricultural land against urban sprawl and real estate pressure.

Other virtues

Economic impacts are not the only positive benefits brought by the introduction of SSC and local markets. SSC and local markets are also recognised to contribute to the market offer with more **quality products** and are expected to foster the creation of quality schemes (e.g. FR-Guadeloupe and AT).

Finally, Some RDPs clearly state the use of sub-measure 16.4 to reduce the transportation of commodities, thereby contributing to **limiting CO₂ emissions and climate change** (e.g. ES-Canarias, IT-Umbria and ES-Cataluña).

Points of sales

M16.4 will intervene in markets, often **creating points of sales and/or supporting cooperatives**, NGOs and other forms of partnerships (e.g. in ES-Canarias).

In other cases, RDPs go behind the basic definition of SSC - identifying the presence of only one intermediary - and aim to **promote cooperation among farmers directly selling to consumers** (e.g. in FR-Guadeloupe and ES-Baleares). In ES-Baleares, for example, the sub-measure will support cooperation among farmers that will directly sell their own as well as others' farmers products.

These RDPs recognise that SSCs have an increasing level of attractiveness to consumers and that it is therefore worth investing in them.

Demand for SSCs

In some regions/MS, the use of 16.4 is demand driven. In FR-Aquitaine and Hungary, for example, this sub-measure will help the market to adapt to the **growing demand of more 'conscious' consumers** for local supply chains and local products. Although in these countries the demand is already high, farmers in the past did not have the instruments or were not encouraged enough to organise forms of SSCs.

Some RDPs present the opposing situation. Where the demand for SSC and local markets is very low, the RDP can anticipate that **an improved supply of local products will lead to a higher demand** and consequently to a rise in production rates (e.g. in ES-Castilla y Leon).

Special market needs

16.4 might also have a role in tackling specific issues in local markets. Islands for example often suffer from a high **dependency on imported goods**. At the same time they are penalised by the high transport costs and the negative consequences of importing/exporting perishable products like fruits (e.g. IT-Sicilia).

Other regions being major exporters of specific agricultural commodities may have the same import dependency problem (e.g. FR-Bourgogne).

In other cases, such as in IT-Sardinia and MT, the RDPs recognise that their main weaknesses are in **the way the market structure is organised**. The regions are good producers and distances between producer and consumer are short, yet the fresh produce market provides limited returns to primary producers and lacks traceability. 16.4 support might intervene in these markets increasing the share of agricultural products produced and sold locally.

In Italy (IT-Abruzzo, IT-Basilicata, IT-Campania) but also in MT, 16.4 is expected to help problems of **fragmentation of the farm sector** characterised by small size and uncoordinated rural operators. In these regions economies of scale and market efficiencies will only be gained through horizontal and vertical cooperative actions.

Transnational Cooperation

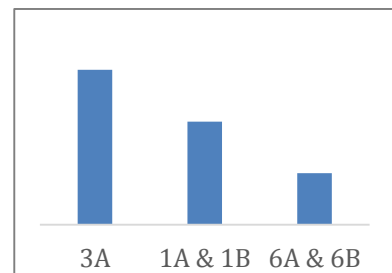
A number of RDPs, including BE-Flanders FI-Mainland, FR-Auvergne, UK-Wales, SE and SK, allow for 16.4 supported projects to engage in cross-border cooperation with other MS/regions in the EU.

FI-Mainland, in particular, decided to incentivise transnational cooperation projects by allocating them a higher support rate (100% of eligible costs).

4. Contribution to Focus Areas and linkages to other Measures

16.4 is expected mostly to contribute to Focus Area 3A targeting the agri-food chain integration and quality, to priority one on knowledge transfer and innovation and focus areas 6A and 6B contributing to diversification, job creation and local development.

In some cases, the RDP also anticipates what other measures will be used together or complementary to sub-measure 16.4. Here are some examples of RDPs that will combine 16.4 with other measures:



M1 - Knowledge transfer and information actions	<i>ES-Castilla y Leon</i> <i>FR-Poitou-Charentes</i> <i>FR-Haute Normandie</i> <i>IT-Basilicata</i> <i>IT-Lazio</i> <i>IT-Liguria</i>
M4 - Investments in physical assets	<i>FR-Auvergne</i> <i>FR- Poitou-Charentes</i> <i>FR-Haute Normandie</i> <i>IT- Basilicata</i> <i>IT-Marche</i> <i>IT-Lazio</i> <i>IT-Liguria</i> <i>UK-Northern Ireland</i> <i>UK-Wales</i>

M6 - Farm and business development	<i>FR-Auvergne</i> <i>FR-Poitou-Charentes</i> <i>IT-Lazio</i> <i>IT-Liguria</i>
M7 - Basic services and village renewal	<i>FR-Auvergne</i> <i>FR-Poitou-Charentes</i>
M8 - Forestry	<i>FR-Auvergne</i> <i>FR-Poitou-Charentes</i>
M11 - Organic farming	<i>ES-Castilla y Leon</i>

Here are two examples of M16.4's implementation together with other sub-Measures:

- In UK-Wales the relatively high age profile in agriculture tends to hold back innovation in the sector, with an excessive attachment to traditional products and practices. Use of this sub-measure is combined with **Knowledge Transfer and Information actions (M1)** and will support operators to put ideas into practice.
- In ES-Castilla Leon, however, sub-Measure 16.4 can be implemented together with Measure 3.1 'participation in new quality schemes', measure 11 'organic farming' and measure 1 'knowledge transfer' and will focus on strengthening **organic farming**.

5. Eligibility criteria and selection process

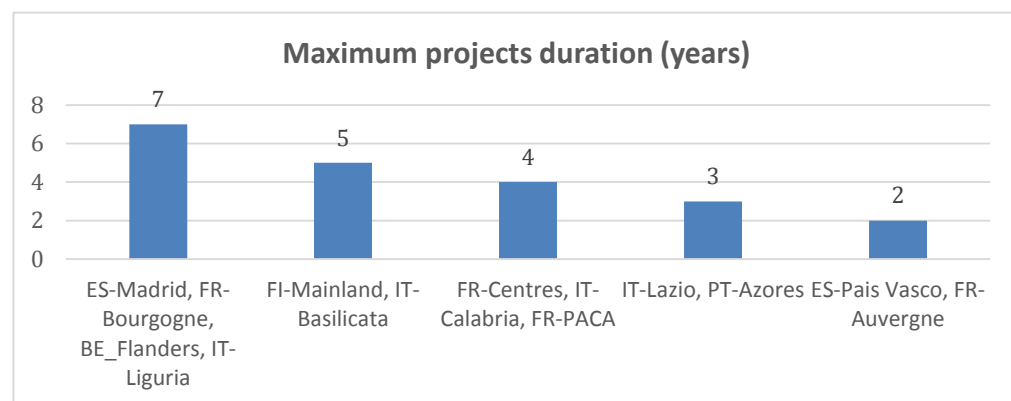
Eligible costs

In the majority of the RDPs, the eligible costs under 16.4 will cover costs related to:

- development of viability studies and business plans;
- implementation of animation and cooperation activities;
- project implementation including physical investments needed & pilot projects;
- promotion and communication activities aiming at informing of the existence of SSCs and local markets; and
- dissemination activities on the outcomes of the project.

Duration

RDPs established that the maximum project duration will go from 2 years in some RDPs to a maximum of 7 years in others (covering the whole programming period.)



Partnership

Contrary to other M16 sub-Measures, RDPs did not precisely define criteria on the composition of the cooperation group implementing the projects in the majority of cases. Where information was available, the RDPs defined that the cooperation group should be composed of **at least two entities, one being an entity linked to the agriculture, food or forestry sectors**. In some cases, RDPs establish that the cooperation group should be composed of at least three entities (e.g. AT; SK; ES-Catalunia; IT-Sardinia).

To establish successful SCCs, the partnership will have heavy coordination duties and it is for this reason that several RDPs foresee that **one of the partners involved must take a leading position** (e.g. GR; IT-Marche, IT-Lazio, FR-Limousine, FR-Guyane). Some specify that this should involve taking responsibility for project implementation (e.g. IT-Umbria), representing the interests of the group (e.g. IT-Marche), or being in charge of administrative coordination and project evaluation (e.g. FR-Bourgogne).

Several RDPs will give priority to partnerships involving a **high number of participants** (e.g. BG, IT-Lazio, IT-Marche) or that will involve **specific categories of producers**, such as small farms and producer groups (e.g. BG) or young farmers (e.g. IT-Lazio).

In some RDPs, **local authorities** may participate as partners and/or promoters of the project (e.g. CZ; FI; GR; RO; SE; ES-Galicia, FR-Basse Normandie). In the case of IT-Emilia Romagna, however, the RDP specified that public institutions cannot access support under this sub measure.

Several RDPs mention also that the partnership may include **R&D organisations, advisors and educational bodies** (e.g. FI; RO; DE-Hessen; DE-Rhine Pfalz; FR-Auvergne, FR-Haute Normandie; IT-Molise; IT-Liguria).

Local market size

Local markets funded by sub-Measure 16.4 will have a maximum distance between producers and consumers of between 20 and 100 km. Most RDPs define the **maximum distance at around 70 or 75 km**.

Examples of RDPs	Maximum distance between producer and consumer
SK	100 km
IT-Basilicata	80 km
SI; FR-Haute Normandie ES-Andalucia; IT-Abruzzo	75 km
IT-Calabria; IT-Marche; IT-Piemonte; IT-Molise	70 km
CZ	50 km
UK-Northern Ireland	48 km
ES-Galicia	20 km

To take full advantage of 16.4 and ensure the maximum impact, a limited number of RDPs defined that promotional activities funded should give visibility to **local markets and short supply chains of the entire region** and should exclude promotion activities limited to restricted number of products (e.g. SI and IT-Sardegna).

Case: Local markets in UK-Northern Ireland

In UK-Northern Ireland, local markets are defined as supply chains where the radius of the region extends no more than 30 miles (48 km). However, contrary to the majority of RDPs, Northern Ireland's RDP provided **further specifications**. The maximum distance between producer and consumer can be up to 75 miles (120 km) in the following circumstances:

- For remote or sparsely populated areas;
- For specialised artisan foods where there are limited market opportunities available;
- For major regional events which raise awareness of regional produce.

Products & location

Some RDPs will favour projects highlighting **specific areas of their territory**, giving particular attention to areas with **special production commitments**, such as mountainous areas (e.g. BG), disadvantaged areas (e.g. IT-Marche) and areas under agro-environmental commitments (e.g. IT-Marche).

Projects related to the production and distribution of **specific quality products** through SSCs will also be favoured in selection processes. Specific attention is given to **perishable products** (e.g. BG), or products subject to a **tracing delivery system** or assigned with the **indication of geographical origin** (e.g. HU; IT-Marche).

EIP / M16.1

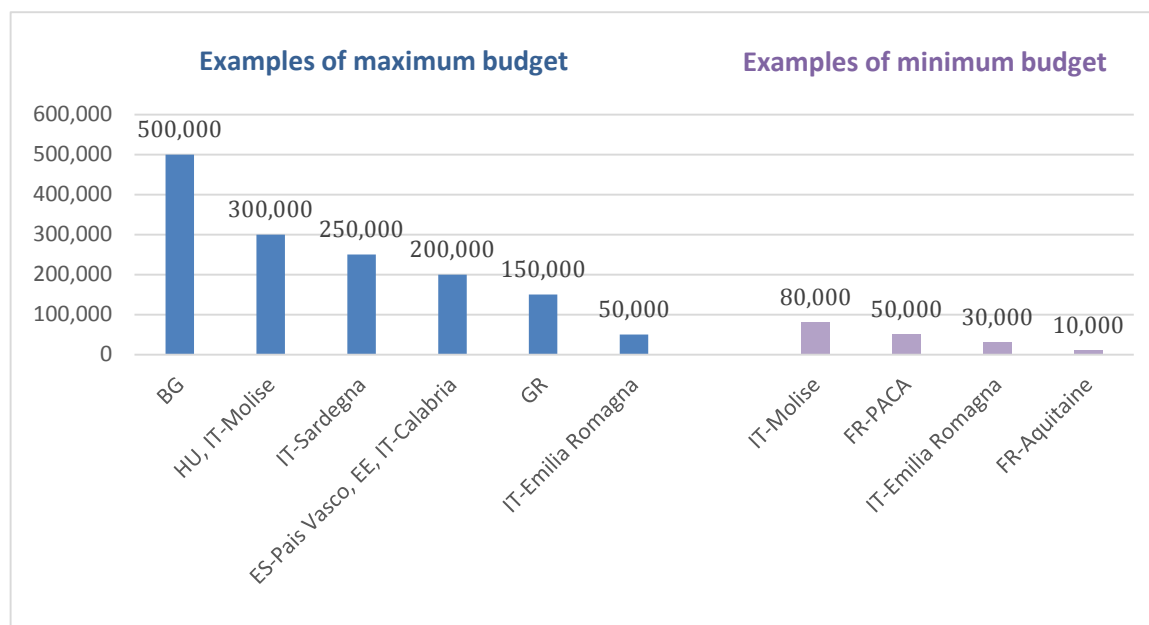
Where the RDPs established that 16.4 can be implemented together with sub-Measure 16.1⁶, these specified that the **results of the projects funded under 16.4 should be disseminated in the EIP network** (e.g. SI, CY, MT, FR-Ile de France, UK-Wales).

⁶ Support for the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability.

6. Financial aspects

Budget The maximum budget allocated to the projects may vary from € 50 000 in IT-Emilia Romagna to € 500 000 in BG. The majority of RDPs set a maximum budget allocation of around € 250 000.

The minimum budget allocated will vary from € 10 000 in FR-Aquitaine to € 80 000 in IT-Molise.



Interestingly, BE-Flanders distinguishes between the initial phase characterised by the viability study and the creation of the implementing strategy funded up to € 20 000, and the implementation of the project funded up to € 80 000.

Support rates Support rates will vary from 70% to 100% with a majority of RDPs supporting 100% of eligible costs.

Examples of RDPs	Support rate
FR-Centre; FR-Guyane; IT-Abruzzo; IT-Basilicata; IT-Lazio; IT-Liguria; IT-Puglia; IT-Sardegna; IT-Sicilia; UK-Northern Ireland	100%
ES-Extremadura; FR-Martinique	90%
FR-Basse Normandie; FR-Guadeloupe; FR-Haute Normandie; FR-Ile de France; FR-PACA; IT-Calabria	80%
FR-Aquitaine; IT-Emilia Romagna; IT-Marche; PT-Azores	70%

Some RDPs did not set a unique support rate but established specific conditions:

- In ES-Galicia the project support rate allocated will be **proportional to the score** they received in the selection phase. Eligible costs of the project with the highest score will be 100% funded.
- In UK-England and UK-Wales SSC projects in the agricultural sector will be 100% funded while projects in non-agriculture sectors only by 50%.
- In UK-Scotland (among other criteria), support rates will vary depending on the size of the applicant.
- In UK-Northern Ireland, projects will receive the same support rate as M4 set at 40%. If the project is supported with EIP activities the support rate is increased to 50%.

Case: Support rates in IT-Umbria

In Umbria, a sophisticated system is put in place:

1. Setting and running a SSC:

- When beneficiaries are farm groupings, the level of support is 40%, which can be increased by 20% if the cooperation is part of a particularly collective and integrated project;
- When beneficiaries are public institutions and the aim of the project is to renovate buildings/areas to be used as market areas, the level of support can be raised to 100%.
- When beneficiaries are public-private partnerships, support is 90%.

2. Promotional activities:

- For projects implemented by cooperation groups formed by farms, local institutions and agricultural associations, costs are 100% supported;
- For projects implemented by farmers' cooperation groups, costs are 70% supported.

Support to management costs furthermore are decreasing over time: 100% for the 1st year, 60% for the 2nd year and 40% for the 3rd year.

Simplified cost options

Examples are found on the use of simplified cost options (SCOs).

For example, GR, UK-Northern Ireland and UK-Wales will make use of SCOs.

In other cases, FR-Bourgogne and FR-Centre will apply the 15% flat rate on direct staff costs.