

HealthyGrowth

From niche to volume with integrity and trust

FULL CASE STUDY REPORT

Røros Meat - Norway



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Most local organic market chains have inherent problems in moving from niche to volume, and mainstream large-scale market chains have inherent difficulties in securing and advancing organic values. The project “Healthy Growth: from niche to volume with integrity and trust” investigated a range of successful mid-scale organic value chains in order to learn how they are able to combine volume and values, and to use this knowledge to support the further development of organic businesses, networks and initiatives. Research teams from ten European countries contributed with 20 case studies. More information and documentation can be found at: www.healthygrowth.eu

1 Introduction

Røros Meat is a local meat processing company emphasizing local and traditional products. Since 2011 the company has produced organic products to the retail chain Rema 1000. Before and today the main activity is processing non-organic and traditional

products for the HoReCa (Hotel, Restaurant and Catering)-market in the region. Røros Meat is located in Os, a neighboring municipality of Røros. Despite the fact that the two locations belong to different counties; they are located in the same mountain region of the eastern parts of Southern Norway. The reason for using the name Røros in their business name is the already established value of this name/brand due to Røros status as a historical mining town on UNESCO's World Heritage List, and Røros is a well-known name and travelling spot for both national and international tourism. Beside traditional economic activities such as agriculture and forestry, tourism is a very important activity for the town and the district.

Røros Meat, established in 2003, took over another meat processor company, which had a low performance. Regional organic farmers were decisive in establishing the meat processing company just as they were for Røros Dairy. They wanted a local milk- and meat processing opportunity for their organic productions. The regional organic farmer cooperative, Økomat Røros BA, was a driving force for starting the company. Five private actors, the organic cooperative Økomat Røros, and Røros Dairy came in as shareholders. Røros Abattoir was one of the owners. In 2007 they bought new shares in the company and they now own about 60 % of the shares. The abattoir has two persons in the board of Røros Meat, where one of these are the chair of board. From 2014 the General Manager of Røros Abattoir now also hold this position in Røros Meat. The plan is to merge the two companies.

The main reason why we wanted to study the value chain of Røros Meat as part of the Healthy Growth project is their production of organic products for the supermarket chain REMA 1000. REMA 1000 is a typical discount chain in Norway and until recently organic food has not been a focus. We have not studied the value chain of Røros Meat in depth according to the template developed for the Healthy Growth project, rather we mainly shed light on the cooperation with REMA 1000 as part of a growth strategy of the company.



Figure 1: Map of Norway and Røros

Røros Dairy is the only organic dairy in Norway, established in 2001. It has experienced a steady growth since established and has today 20 employees and a turnover of 45.5 mill NOK (5,5 mill EUR) in 2013. There have been periods of economic struggles, but today the dairy is profitable and perceived as one of the most successful organic firms and value chains in Norway. Their success in combining growth with organic and other product qualities is the reason why we selected the dairy and its value chain as a case in the Healthy Growth project.

2. Case-study approach – materials and methods

The data collected is based on a variety of written materials and interviews. The public representation of Røros Meat was deduced from the webpage of the enterprise. The self-representation of Røros Dairy is based on nine semi-structured interviews conducted between March and September 2014 with people involved in the supply chain. It comprises two interviews with organic farmers, one with the GM of today and two interviews with former GM's, one interview with former chair of board and GM of Røros Food, and two interviews with customers and one with an actor from the support system.

3. Norway – The national context

Norway consists of about 5 million inhabitants and an area of 385 186 km². Just 3 per cent of the land surface is cultivated and only one-third of this land is suitable for arable farming and cultivating grain for human consumption. The remainder is used for pasture and fodder

production (Statistics Norway 2012). In 2012 there were 44,700 farmers in Norway. The number is decreasing substantial every year, and since 1999 there has been a farm closure of 64 per cent (ibid). In a European context, Norwegian farms are small where the average farm size is 22.2 ha. The main agriculture productions are milk, meat, grain and vegetables (Debio 2013). In 2012, 1.8 per cent of the total workforce was employed in agriculture, and agriculture accounted for 0.3 per cent of the gross national product (Statistic Norway 2012). However, many rural communities have a high dependency on agriculture.

EU-regulations for organic production were established in 1991 and Norway adapted these in 1992. The organisation Debio got the responsibility for certification and inspections (Debio.no). Organic farming has grown from 1980 with about 20 farms until today where the number is 2590 (SLF 2013). The number peaked in 2009, with 2851 farms. Organic farms constitute 5.8 per cent of all farms in Norway. The average farm size for organic farmers is 19.4 ha, when the average for conventional is 22.2 ha. Organic land in use has grown from 18 000 ha in 2000 to 50 100 ha in 2012, i.e. that 5.1 per cent of land in use are organic in 2013 (ibid.). Just 27 per cent of organic meat was sold as organic in 2012, 38 per cent of milk, 72 per cent of eggs, chicken and turkey, and 100 per cent of grain (Statistics Norway 2013). Norway is on the bottom of the list compared to the other Nordic countries according to organic food production. Consumption of organic food is growing gradually but represented in 2012 only 1.2 per cent of turnover in the grocery trade, i.e. 1, 45 billion NOK (Bye and Løvberget, 2013). However, sale has increased the last years from a turnover of 500 million NOK in 2006, i.e. a growth of about 290 percentages. Turnover includes both national production and imports. Measured in value, dairy products represent the largest group of organic products, which is of importance for Norwegian agriculture. Vegetables and potatoes represent the second largest group and the third is grain- and baker's products. Organic food for children have experienced a strong growth the last year, and represent 23 percent of total sale in 2012 (SLF 2013).The main marketing channels for organic products in Norway is the grocery trade (81 percentage). Other channels are sale from wholesale to hotel, restaurants and catering, box-schemes, Farmers Market and bakeries, which represents about 19 percentages (ibid.)

Norway hopes to reach 15 per cent organic agricultural production and 15 per cent organic consumption by the year 2020 (LMD 2009).The goal include 15 per cent agricultural land and that 15 per cent of the total husbandry should be organic. The main reason for Norwegian authorities to emphasis organic production and consumption is that organic agriculture emphasis environmental consideration more than the conventional agriculture and new knowledge and methods developed may benefit agriculture in general (ibid). Several policy instruments were developed to encourage growth in organic farming during the 90-ies and new ones have been established for reaching new and ambiguous goals (ibid). As already mentioned, status in 2012 are far below these goals both according to production, organic agricultural land in use and consumption. According to husbandry, only 0.9 per cent are organic in 2012, a number that has decreased the last years. The Norwegian Agricultural Authority has stipulated growth where results show that goals are far from being reached within 2020 (SLF 2013).

4. Overview of the case

Main actor: Røros Meat

Established: 2003

Legal form: Ltd.

Products: a variety of local meat products from conventional and organic meat (cattle and lamb). Since 2011 organic hamburgers for Ream 1000.

Distributions channels: Non-organic products are mainly sold through the HoReCa-market in the region. Organic products are mainly sold in REMA 1000 shops in the Oslo (capital)- area and in REMA 1000 shops in the region of Røros Meat location. Sale of organic products to the retail chain Coop was established in 2014.

Employees: 5-6, +4-5 extra in season (2014)

Turnover: 2013: 18.9 mill NOK (2.1 Mio Euro), 2014: 28 mill NOK (3.2 Mio EUR)

Google Hits: (02.04.2015)

4.1 Presentation, basic facts and trajectory

The history of Røros Meat started long time ago. Back in the late 1980s the liberalization of the world food trade, through the Uruguay Round of the GATT-negotiations, were perceived by many Norwegian farmers as a possible threat for the future development of Norwegian agriculture. In 1987, farmers from the region of Nord-Østerdal and Røros initiated a campaign against the national agricultural policy and later against the Common Agricultural Policy of EU. The campaign did not live up to the expected results of the campaign, and the farmers started to look for new strategies (Christie 1994).

A new strategy ended in establishing an alliance of producers and local NGOs concerned food-health-environment issues, which in turn led to the creation of a network of different local stakeholders in an organization called "Food from the Mountain Region". This local socio-economic actor became a strategic alliance between primary producers, local food processors, local authorities, retailers and consumers (Amilien et al 2005). The major common issue for these stakeholder was the support for local food production, which is still of vital importance for employment in the numerous small communities of the region.

Many of the organic producers in the region converted to organic agriculture in the 1980s, when a very engaged person employed by the Regional Agricultural Advisory Organization, convinced them to convert. Hence the organic producers and their cooperative, Økomat Røros BA established in 2000, were crucial for the establishment of the dairy and Røros Meat.

Before the production for REMA 1000, the market for Røros Meat was regional and hotels and restaurants were the main customers. The non-organic traditional products, are still mainly sold to the regional HoReCa-market. Until now, they could not afford to develop new packaging and design for selling to retail, but perceived this as necessary

when they plan to sell larger volumes through retail stores. During 2014 they have developed a new profile in cooperation with Røros Abattoir.

Røros Meat tried for some time to find a retailer chain that was interested in selling their organic hamburgers, but the feedback was they were too small in volume. They had a surplus of "production meat", i.e. the rest of the meat when filets and beefs are taken away. The marketing manager of REMA 1000 in Oslo made sale possible in 2011. Røros Meat started to produce organic hamburgers for Rema 1000 in 2011 and increased the production the following year with two new, but quite similar products "hakkbøff" and "kjøttkake" (different types of fried meat cakes). The product strategy was based on the fact that the average household in Oslo is 1.4 person. The products were therefore packed and sold in portions for two persons. Last year REMA 1000 in Oslo also wanted to buy organic lamb, but the general manager has not gained any feedback on the sale of these products. He describes the marketing manager of REMA 1000 Oslo as very positive towards organic products and the central person for establishing this production in Røros Meat (Former GM2).

Today Røros Meat sell three organic meat products both in REMA Oslo and in some REMA shops in the county of Vestfold, in some local REMA shops and in Trondheim. About 80% are sold in Oslo and about 20% to the city Trondheim. The products are categorized as voluntary in the REMA 1000-system, which means that the merchant decide themselves if they want to sell these products. The collaboration with Rema 1000 has been important for Røros Meat. From 2011 to 2012, the turnover for organic products increased steadily. In 2013, the turnover was the same as in 2012, despite offering three products in 2013. According to REMA 1000 this is because Røros Meat did not use much resources on demos in 2013. *"Many customers do not know what organic mean and added value when buying organic, therefore it is very important to inform people about this" (...)* This is in particular important when there are 16 types of hamburgers and most of them are much cheaper than the one from Røros" (REMA 1000). The sale was 12 tons in 2012 and in 2013.

Because of challenges according to capacity, Røros Meat has established a cooperation with two other meat processors, Rendalen Meat and Smedstuen, the first one to cut and the last one to process and pack the organic meat products. These products are sent by own transport to Oslo to merge with REMA's distribution. Products for REMA 1000 Trondheim and locally are sent via Røros Meat distribution system. Røros Meat has developed the organic products themselves based on own receipts, it is their own product with their name on the package. Additionally they use the organic label, the keyhole label and the Røros brand on these packages.

An important support for sale of organic products has been financial support from the Norwegian Agricultural Authority (Landbruksdirektoratet) from 2011 to 2013. For this support, they hired a woman to arrange demos in REMA 1000 shops. She offered consumers to taste the products and tell the story about the firm, products and what organic means. There were from 400 – to 450 demos in this period. The company perceive this effort as very important to sell products, because of the high price compared to other similar products sold in the same shops. *"It is decisive for sale that people taste the products". "To sell the product consumers have to taste a difference, they usually not buy a product because it is organic"* (Former GM2). In 2013 Røros Meat did not get any particular support (such as rural development instruments etc) for

organizing demos in the retail market, something they experience as unfortunate. Only a little group of consumers in Oslo belongs to such a category (organic/specialty food consumer) according to the former general manager (Former GM2). What differentiates the products is the high content of meat (80%) and the taste. The price is about 70 NOK per kilo, when conventional hamburgers may cost as little as 20 NOK per kilo. REMA is quite conscious about price, and the margins are not very high. The price level cannot be too much higher than for similar conventional products (REMA 1000/Former GM2). The products have the same price in all REMA shops. Compared to other products sold, Røros Meat earn less money on products sold through REMA.

Figure 3 give a picture of important events in the development of Røros Meat.

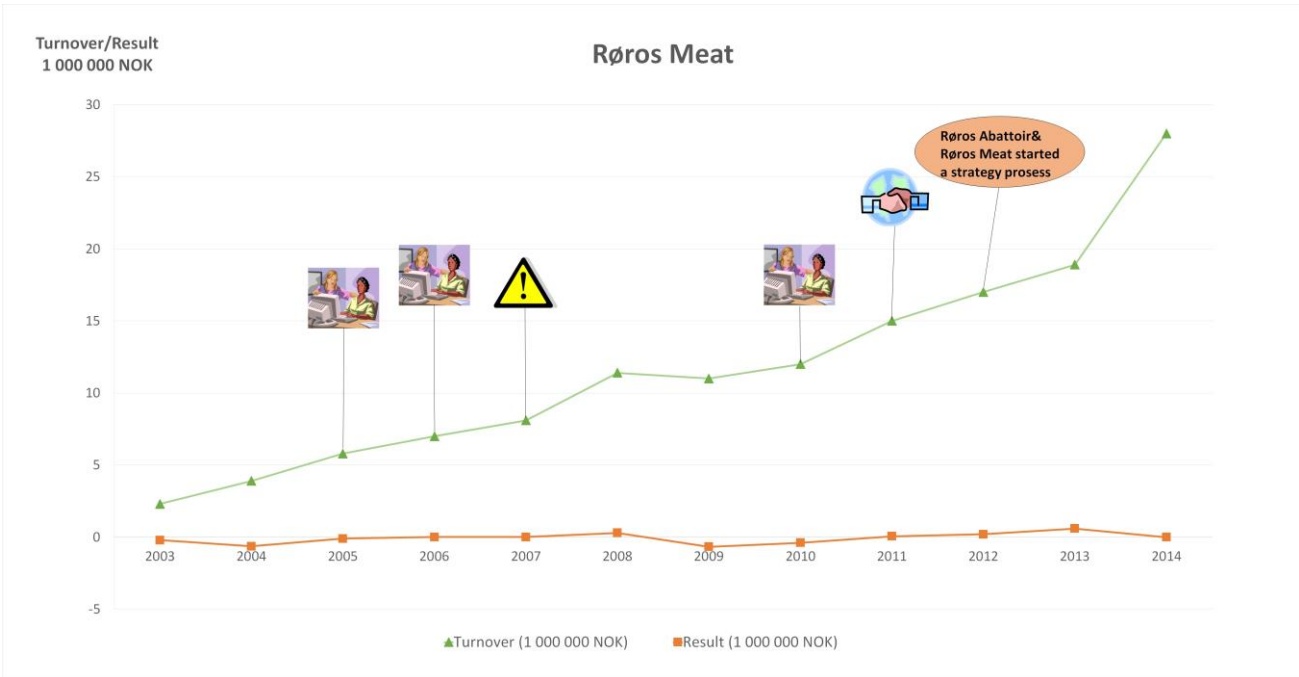


Figure 3: Important events in the development of Røros Meat

Turnover the first year was 2.3 mill NOK (Figure 3 and Table 3 below). It has increased to about 28 mill NOK in 2014. From 2013 to 2014 there has been a huge growth in turnover. The result before tax has been variable during the years. Result in 2013 was 600 000 NOK, and in 2012 it was 200 000 NOK. In 2014 the result go in balance (Table 4).

Since established, Røros Meat has had four general managers (Figure 3). The most resent change was decided as part of a strategy process in 2012/2013. First change was in 2005; then one person shared the role as GM for both Røros Meat, Røros Dairy and Røros Food for 1 year. In 2006 a new GM started in Røros Meat. He was replaced in 2010 because of unfortunate events. The GM in 2011 had this position until June 2014.

In 2007, Røros Abattoir bought new shares in Røros Meat and now own about 60 % of the shares (Table 4). For the abattoir, they realized they have to process meat to earn money, and Røros Meat represented a possibility for doing this. At the same time Røros Meat needed capital. New capital in 2007 was on 1.647.000 NOK from the abattoir. An important event was the agreement with REMA 1000 in 2011. The strategy process initiated by Røros

Abattoir in 2012 resulted in a big change in the strategy of the two firms. Now they have established common goals and strategies and have established a common administration. During 2014 they have also developed a new and common profile.

Røros Abattoir is a traditional abattoir established in 1955. The company have a solid economy with positive results, which has made it possible to build equity. They have realized that there is not much money in being just an abattoir. The profitability lay in processing. Therefore, they bought Røros meat and the plan is to merge in the future. Now they prefer to be two companies, if one get bankrupt. The abattoir have 70 percent private owners, mainly farmers, and Røros Municipality, Os municipality and Stensås Abattoir own the rest. The company has 17 employees and more in season. The management team consist of 2.5 persons. They slaughter about 1300-ton cattle and sheep per year. The abattoir has capacity to take more, but the competition is high. Both shareholders and other producers deliver animals to the abattoir. There are no contracts with producers, the abattoir compete on price. They have not had any focus on organic production. The main part of the animals are sent to Nortura (the big meat cooperative in Norway) for processing, about 80 percent. They have a formal contract with Nortura about deliveries. The advantage for farmers to choose the local abattoir is according to GM, the short distance - maximum two hours transport for animals- opportunities for “emergency slaughtering” and the possibility for farmers to take meat back for own processing and license production based on farmers recipes (GM).

In both Røros Meat and Røros Abattoir many employees comes from eastern European countries. Some of these people have settled in the region. They have usually background from working in a slaughterhouse, practical experience and some are educated in food processing. Røros Meat has experienced some challenges according to language, and today they demand employees to join courses in Norwegian. It is a challenge that there are too little apprentices in Norway on fields such as cooks, slaughtering and cutting meat (Former GM2).

Røros Meat receives all calves from Røros Abattoir, both conventional and organic (670), and lambs (2500) and organic cattle. They process a range of products, mainly traditional products for the region. The firm has managed to obtain approval for use of the Specialty brand for the lamb roll – cooked and raw (Figure 4). Additionally they use the organic label for organic products and the Røros brand and own brand for all products.



Figure 4: The lamb roll

Røros Meat and Røros Abattoir have plans for further growth within 5-8 years. This plan includes merging and to process all meat. In 2013, Røros Meat processed about 12

percentages of the meat from the abattoir. Before implementing this plan, a huge investment is needed. The main goal for the company is a 50-50 share of HoReCa and retail- markets. Growth strategies include to increase production of organic products for retail chains in the Oslo area where the largest group of people buying organic food is located, but also to access other retail chains with their local non-organic products.

4.2 Stakeholder network

Figure 5 show the value chain for organic meat products from Rørros Meat.

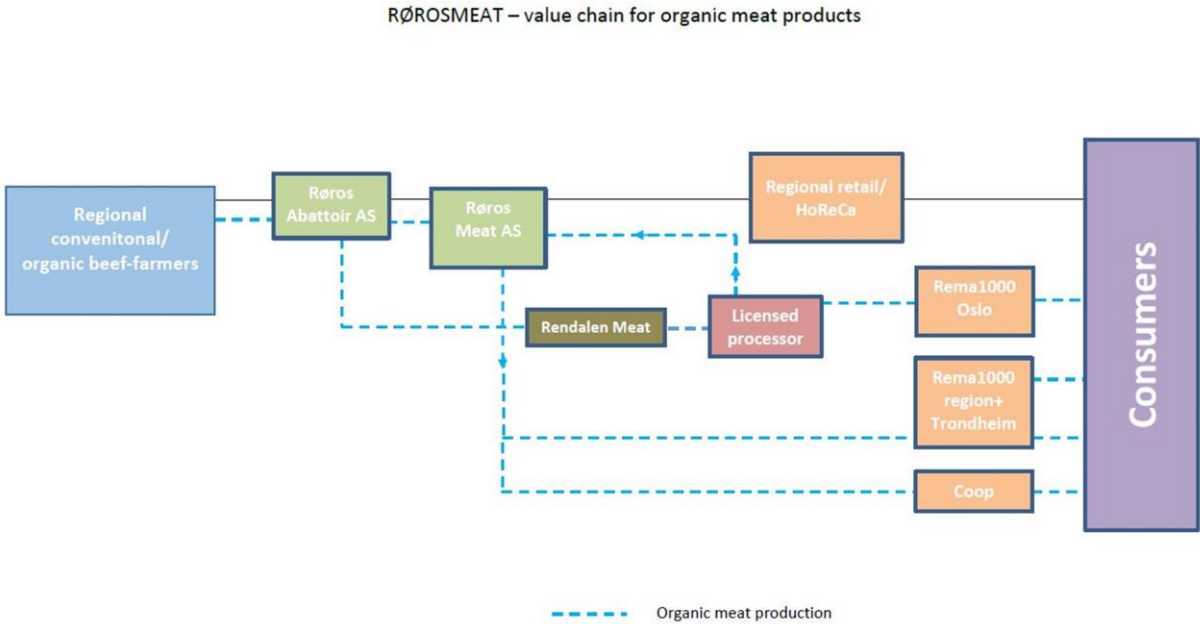


Figure 5: Value chain for organic meat

Regional farmers producing organic meat are mainly organised in Økomat Rørros. They send the cattle to Rørros Abattoir. Rørros Meat is responsible for processing, but they do not have the capacity to process organic products. Therefore the meat is sent directly from the abattoir to Rendalen Meat to be cut and then to Smedstuen, a licensed processor, that process the organic products. Rørros Meat organise transport from Smedstuen to REMA 1000 in Oslo. A part of the production (about 20 percent) returns to Rørros Meat and is sent to REMA 1000 shops in Trondheim and locally. In 2014 also Coop started to buy organic products from Rørros Meat.

5. Analytical perspectives

5. 1 Organisation and governance

Modes of management and governance

There were discussions about the agreement with REMA 1000, and if Røros Meat should make an agreement with this retail chain which is well known for focusing on cheap food – and not at all on organic products (at least not in Norway). In particular, the organic meat producers were sceptical to this cooperation. On the other hand, they really wanted to sell their meat as organic, and not as conventional meat. Before the agreement with REMA 1000 all meat was sold as conventional meat. Røros Meat tried for a period to find customers to its new developed organic hamburger, but no one of the other retail chains wanted buy this product because of too small quantities (Former GM2). Because they did not gain another opportunity to sell organic products, they agreed upon the cooperation with REMA 1000. They decided it was better to sell the organic product to REMA 1000 than not to sell it as organic.

There have been discussions about focusing more on organic meat, but the demand has been small. The last year they have recognised a change and more demand for organic meat in the Norwegian market. There has not been conflict about this, but discussions. A conflict mentioned is between organic and conventional farmers. According to organic farmers, this is because the conventional farmers believe they deliver as good products as the organic once.

The stakeholders agreed that it was important to start selling organic products, and when REMA 1000 was the only retail that wanted to sell products, they did not feel they had much choice. Økomat Røros is very satisfied with the new strategy on focusing on organic meat. They feel Røros Meat has developed very slowly in developing organic products, which was the point of departure when the organic farmers established Røros Meat in 2003.

The company is a private limited company, with a board that take main decisions. The board consists of the GM, Økomat Røros and some other organic farmers that own their own shares of the company. Five private shareholders, Røros Dairy, and Økomat Røros where the organic farmers were organised owned shares when Røros Meat was established. These actors were represented in the board. Today the shares are hold by the following actors: Røros Abattoir (57,5%), Økomat Røros (15,94), employees and farmers (5 persons) (24,43), and Røros Dairy (2,13).The board consist of a new chair of board, the same chair as Røros Abattoir has.

During the years, the GM and the board have been criticized. The GM has been criticized because of lack of competence and the board because they have been too careful according to development (Former chair of board). The GM are replaced/changed several times. The last change happened this year, 2014, when the GM of Røros Abattoir took over this role in Røros Meat. This was a planned change, based on a common strategy process. The former GM is now a production and marketing manager. There was a replacement of GM in 2011, because the GM did not achieve his role very well. In 2006 the GM turned to be GM for Røros Dairy, and Røros Meat needed a new manager.

Røros Meat has had some challenges according to economy. When Røros Abattoir bought shares in the company in 2007 this was very important for Røros Meat. The closer

cooperation established with the common strategy process in 2012 was another important initiative for both companies for growth and necessary development to survive in the market. Part of this growth process was to develop a new profile, define and communicate values along the chain.

The cooperative, Økomat Røros, is shareholder and join the board 5-6 times a year. Røros Abattoir has no formal contracts with farmers. Farmers gain a premium price for organic beef meat. This is the same price as the big meat cooperative give their organic farmers. Røros Meat has contract with farmers delivering vale meat about higher price. There is an informal agreement between the abattoir and Røros Meat about cooperation on processing. The plan is that these two companies merge into one company in some years. These companies have a lot of contact, both according to deliveries, they share administration and they have, as mentioned, just accomplished a common strategy process. Røros Meat has a formal contract with Rendalen meat (earlier Nortura) about cutting and Smedstuen about processing organic products. There is also a formal contract between the Røros Meat and Røros Food about sale and distribution. These two actors have regularly contact, by mail and phone about deliveries. Røros Food also gives feedback on wishes from customers and discuss new possible productions. Røros Meat has no formal contracts with customers, neither local customers nor REMA 1000. The contact is mainly about deliveries, and by mail or phone. Between REMA 1000 and Røros Meat there is an agreement about price on organic products that is discussed twice a year.

Røros Meat felt REMA was tight on prices, but at the same time, they realized that their price could not be too much higher than prices on nearly similar products (conventional products). Because it was important for the Røros Meat to start selling organic products, they established an agreement with some REMA 1000 shops in the Oslo area. Røros Meat sells their non-organic products mainly to local and regional HoReCa-customers, and these agreements are mainly informal and trust-based. Also the relationship between Røros Abattoir and Røros Meat is very informal and trust based.

A big change occurs in 2007 when Røros Abattoir bought a big amount of shares in Røros Meat. Then Røros Abattoir got the role as chair of board. Another big change has been the agreement with REMA 1000 in 2011. The involvement and close cooperation with Økomat Røros and farmers have been decisive for the development of the value chain (Former GM2, Økomat Røros 1 and 2, Former chair of board). The common strategy process initiated by Røros Abattoir in 2012 has been decisive for developing a new and common strategy for the two companies and a new and more conscious strategy for growth.

Økomat Røros have a close relationship with Røros Meat, this is agreed on by both parties. There are also a close relationship between Røros Abattoir, Røros Meat and Stensaas Abattoir, where the last one also own shares in Røros Abattoir. Røros Food, which is the marketing and sale organization for local food in the Røros area, is an important partner. Røros Meat is one of the main owners, and established Røros Food in cooperation with Røris Dairy as their sale and marketing company. Røros Food own the Røros brand, used by its members. Røros Meat is also a member of Røros Food. Earlier Røros Meat preferred to distribute their products on their own. Now they have decided to use Røros Food more than earlier in distributing products. This is because Røros Food has developed to be more professional and more active in marketing and sale. Today Røros Food distribute most products for Røros Meat to the regional HoReCa-market. Røros Food support Røros Meat also in organizing demos in shops for organic products. Røros

Meat (and the dairy) is also an important supporter to Røros Food in the way they contribute with volume sale and thus important income for Røros Food.

Røros Meat has developed a good relationship to many chefs. Mikael Forselius, director at Røros Hotel, tests products and is a big customer. Another chef mentioned was Geir Barstad at Britannia Hotel, Trondheim. He also buy many products. Many apprentices from different hotels and restaurants have been at Røros Meat for learning how to cut, handle and process meat. In this way, they learn about the company and the employees and this might be important for further contact and sale. Røros meat describes their relationship to REMA 1000 a basically a business relationship.

Matråd (FoodAdvice) is a consultancy firm located in the region. Røros Meat use this company regularly. The Food Research Institute (Nofima), perceived to be an important partner, in particular a specific sausage maker. The firm has also a trainee supporting them on product development, a person educated at the Agricultural University at Ås. In addition, the former general manager mentioned the Norwegian Food Safety Authority as an important partner. He also mentioned the close relationship with actors in the region and that people try to support each other. *"We owe each other success". "If some of the other actors are successful, then the Røros brand is strengthened and this is positive for all actors"*.

The company has attained support from different support programs through Innovation Norway. An important support for sale of organic products has been financial support from the Norwegian Agricultural Authority (Landbruksdirektoratet) from 2011 to 2013. For this support, they hired a woman to arrange demos in REMA 1000 shops. She offer consumers to taste the products and tell the story about the firm, products and what organic means. The company perceives this effort as very important for selling products, because of the high price compared to other similar products sold in the same shops. *"It is decisive for sale that people taste the products". "To sell the product consumers have to taste a difference, they usually not buy a product because it is just organic"* (Former GM2).

5.2 Business and management logics: the process behind ensuring economic performance and efficiency in mid-scale food value chains

The last two years Røros Meat has been profitable. In 2014 the result before taxes reach into break-even. The result has been close to break even for many years (Table 4). For organic products the price from REMA 1000 does not cover the premium price to farmers according to the GM. The abattoir subsidise this premium price paid to organic farmers.

Main Goal: to process all meat from Røros Abattoire in 4-5 years. This is important for both parties to survive.

Other goals:

- To increase in the retail market. 50/50 retail and HoReCa - market.
- To increase the processing of organic products
- Move processing for organic products to the Røros region
- Invest in new buildings - there is a need for increased capacity for processing
- Develop new profile and design on products – communication strategy for the retail market (done in 2014)

The company has not developed a motto/core sentence. The underlying strategy is to develop regional products based on meat from the region, quality product (“real”, “clean” “no cheating”, organic, etc.) as the most important values/product qualities. The present GM also focused on animal welfare according to distance to the abattoir, and mountain agriculture and advantages in connection with feed for animals. A quite new strategy is to focus on organic products to consumer groups demanding for organic quality. Because lack of demand from customers organic has not been a focus area earlier.

During the new strategy process established in 2012, it was emphasised to involve the farmers, both conventional farmers and Økomat Røros in this process and employees. Farmers wanted to increase local processing. According to the GM, the strategy process was strongly anchored in owners. For both the GM and the board it was important that farmers support the new strategy. Former chair of board has a lot of experience from changes in the organisation of Røros Dairy, where he was chair of board from 2008 to 2013. He has supported the change of strategy in Røros Meat also afterwards in different ways and last winter he initiated a meeting to convince the board and owners about possible routes to go. The advisor from Innovation Norway and the business manager of the municipality joined this meeting.

When Røros Abattoir bought shares in Røros Meat in 2007, the plan then was that the companies should merge in the future. Røros Meat and Røros Abattoir have just joined a strategy process to define common goals, values and strategies. They are still in this process of deciding what strategies to follow based on this strategy process initiated by Røros Abattoir. Relative to earlier they want to have a focus on organic meat as part of their offering and they want to develop new markets for their products. A result from the process so far is that the GM of Røros Abattoir has also taken this role in Røros Meat. The former GM is responsible for production and marketing. Another result is that the two companies have initiated a program for developing a new profile (supported by Innovation Norway) and a process for financing and finding new locations or building new location for processing meat. There are also discussions about an even closer relationship with the reindeer abattoir in the region, with which they already have a close cooperation (Former chair of board).

A joint strategy process including farmers and employees is important. A joint strategy process with other local firms, among others Røros Food and Stensås Abattoir, has been important for defining common values. The common values established among food firms, retail, hotels, and restaurants at Røros have been important for supporting cooperation between these actors.

Competitiveness is very important. The supply chain for meat in Norway has a main focus on price, and retail chains have not, until now, demanded organic meat. Retail chains have traditionally competed on price, and the low price chains sell meat for under cost price in their shops. It means that organic meat products become very expensive compared to conventional meat. For Røros Meat it is thus important to produce to the lowest price possible. On the other hand, it is also important to differentiate products from conventional once, and to secure differentiation.

Økomat Røros are strategic partners and owners. The partnership with Røros Abattoir is decisive for Røros Meat. Because of little capacity, Røros Meat had to licence production of organic products. The company owned by Nortura, the big meat cooperative in Norway, Rendalen Meat have cut the cattle, and another processor (Smestuen) has processes the

organic hamburgers and other meat cakes. This cooperation was necessary to deliver organic products to REMA 1000, but this relationship is according to GM more a business relationship. The cooperation with Røros Food on sale and distribution is a partnership, and based on common values. In addition, local customers and some regional hotels and restaurants are perceived as partners. The Røros Meat brand, the organic brand and the Røros Brand secure the quality of organic products. Demos in retail is important. The new profile developed is also important.

Organic cattle farmers get a price premium for their organic meat used in organic products. Røros Abattoir pay this premium price to farmers. Organic sheep farmers does not gain this premium price because their meat is not sold as organic in shops.

Røros Meat does not earn money on organic products as explained before. To sell the products in REMA 1000 they had to agree on a price not covering the premium price to farmers. According to the GM, it is important to pay a premium price for organic cattle meat anyway; to be sure these farmers want to sell organic animals to Røros Abattoir. In the future the abattoir suppose organic will be more demanded in particular in some niche markets. For other partners in the HoReCa market Røros Meat gain a premium price for traditional products. There is a price premium paid to organic beef farmers. This price the abattoir pay the farmers. Nortura, the big meat cooperative in Norway, pay the same premium price for organic beef.

The organic cattle farmers profit from selling organic meat to Røros Meat. According to the GM, Røros Abattoir subsidise Røros Meat in the organic production. This means that Røros Abattoir lose money when selling organic beef to Røros Meat. For Røros Meat the organic production cover cost, but profitability is low. According to REMA 1000 they profit on products from Røros. Økomat Røros, Røros Abattoire and Røros Meat perceive each other as strategic partners. Also Røros Food is perceived to be a partner and some local and regional hotels and restaurants.

Økomat Røros is dependent on Røros Abattoir and Røros Meat to get their organic meat processed and sold as organic products. In the same way are Røros Meat dependent on organic farmers for producing organic products. Røros Meat and Røros Abattoir are dependent on each other for reaching goals. Røros Food has Røros Meat as one of many members, but the meat processor is one of the bigger members that contribute quite a lot to the turnover in Røros Food. Today Røros Meat mainly use the sale and distribution company for distribution their products in the region, and thus the company is important for Røros Meat. Røros Meat was in the beginning dependent of REMA 1000 to sell organic hamburgers and other meat cakes, but today this situation has changed. REMA 1000 is not dependent on Røros Meat. The products represent only a very small part of their turnover. On the other hand, such products will probably be more demanded in the future, and make the chain more attractive for some customer groups. The chains new focus on food from Norway (an own brand is developed) make such local products important to offer to distinct the chain from others.

Rendølen Meat which cut and Smedstue, which process the products, are mere business contacts. The agreement with these actors is based on written contracts. REMA 1000 is a business contact more than a partner, but there are no contracts written in this case. It seems like regular communication secure the business relationship.

Økomat Røros, Røros Meat, Røros Abattoire and Røros Food are linked together by common business logics. In addition, the local HoReCa-market are linked to this logic. They want to develop Røros as a food region based on local food production, traditional products, clean products, and real products and to some extent organic products. There is close cooperation between these actors, they have joined common strategy processes, and they have ownership in each other's businesses. They have developed many of the same values and they work together to support each other. They "*owe each other success*" – which is a motto mentioned by many of the stakeholders.

5.3 The balance/trade-off between quality differentiation and volume and economic performance

For all products, both organic and not organic: Regional products, quality products, real products and clean products. Real and clean means according to the former GM that the products are free of additives (clean) and real in the way they are made in a traditional way based on traditional processing methods and old recipes. For organic hamburgers, and the other organic meat cakes, the former GM emphasis a high content of meat compared to competing products. This is part of being real and not cheating with products. Organic is a differentiator, because retail do not sell many organic meat products in Norway. Other factors for differentiation is using local raw materials, high quality because the use of a high contents of meat compared to other products.

Growth has made it necessary to cut and process products outside the region because lack of capacity. This is not according to established values and it is not in accordance with the Røros Food brand which states that products has to be processed inside the region. Therefore, Røros Meat has got dispersion to process outside the region for one year challenge. The need for growth made it "necessary" to establish cooperation with REMA 1000. It is a typical discount chain and not necessarily in accordance with values of Røros Meat. On the other hand, growth has influenced the new strategy under formulation where the goal is to focus even more on differentiation toward organic niche markets willing to pay a premium price. The plan is to process organic products themselves in the region and to find customer groups willing to pay premium price for products. Røros Meat thus considers other customers than REMA 1000 for their organic products in the future. The economic result of Røros Meat has been positive the last 2 years. Turnover has increased much, but profitability has not followed until now. Røros Meat is still struggling to reach break-even and increase its capital, and particularly the organic effort has not been profitable.

According to the GM the abattoir is subsidizing Røros Meat due to their sale to REMA 1000. Røros Abattoir loose on this products and Røros Meat do not earn money on the organic production. Farmers benefit, they got premium price for the organic meat. REMA 1000 benefit, but probably marginally, but consumers that demands organic meat benefit. Røros Abattoir and Røros Meat are not satisfied with the economic performance of the organic production. Røros Food is more satisfied, because they earn money on an increased sale of products from Røros Meat. REMA 1000 is satisfied with the cooperation with Røros Meat, and they want to increase the cooperation with new organic products.

It has been important not to cheat with products, keep factors that differentiate products. According to the new GM they have to revise existing strategy and see if other retail chains may be more suitable for their organic products. They want to focus more on the Oslo market

for retail where most organic customers live, i.e. customers that prefer organic food and are willing to pay premium for these products. The economic performance was decisive to for the decision to grow. Both Røros Meat and Røros Abattoir needed increased turnover to get profitable. There was a need to increase production to cover fix cost and increase profitability. The business want to focus on quality products also in the future. The former GM define quality products as products with good taste, traditional products based on traditional recipes, real products (not to cheat with products), clean products (no additives), and the new strategy which is to emphasis more on the development of organic products. The new GM also emphasis animal welfare as a value to emphasis, and small mountain farm holdings in the region as possible values to emphasis more in the future.

5.4 Communication of values and qualities among the members of the food chain

According to communication, Økomat Røros is represented in the board of Røros Meat and join 5-6 board meetings a year. Økomat Røros has been part of the strategy process of Røros Meat and Røros Abattoir as board member. Røros Meat and Røros Abattoir have contact many times a week, both by phone and mail. In particular the GM and sale manager (Former GM2) meet regularly to discuss strategies and questions that are more concrete about day-to-day activities. Røros Meat and Røros Food communicate daily about products and sale. Mainly by phone and mail. Røros Meat also communicates regularly with REMA 1000 shops selling their products. This communication is also by phone or mail and about ordering products or checking if they are empty of products. Additionally they have a yearly meeting where prices are decided, discuss the relationship and eventually new products to sell. According to the former GM the communication with customers in mainly by phone or e-mail. Røros Meat has a closer relationship with some local and regional customers such as Røros Hotel locally and Rica Nidelven Hotel in Trondheim. The communication with these actors is more regular also about product development and other kind of cooperation in the future. There are no communication between producers and consumers in this chain. Channels for communication depends on the type of information.

There are established feedback loops for consumers to channel appreciation or critique. Consumers usually send mail and ask questions about products, where to find products and tell if there is a lack of products in some shops. There are some critical questions in e-mail but mainly positive feedback. Demos in retail (REMA 1000) give consumers the possibility to face-to-face contact with the processor. In the retail chain REMA 1000 local food firms are invited to the shop and offer demos to consumers. Røros Meat have spent a lot of time on this activity since starting to sell organic hamburgers. They have hired a person for this job visiting REMA 1000 shops and offering demos. This activity has been supported by organic support money. A main feedback from such demos in shops is that people are very satisfied with the organic products, but many customers do not know what organic mean (Former GM2).

Røros Food has struggled economically and has not spend much money on marketing and profiling activities. This is one reason why they have not focused on the retail sector before; they did not afford to develop packaging adapted for retail sale. When starting to sell organic products they got some support money for marketing activities such as demos in shops. Without this support the former GM perceive it would be very difficult to sell organic products through REMA shops. In 2014 they did not get any support money any longer, and they are now cooperating with Røros Food to organise demos in shops. REMA have no

specific focus on organic products, and the organic hamburgers and meat cakes are placed together with very cheap private labelled hamburgers. If customers do not attain any information about the organic product, they will not pay more than double price for such a product (Former GM2).

Røros Meat is very conscious that communication with customers is deficient. They realise that growth is dependent on an increased focus on communication of products value and distinctiveness. As part of a strategy process, they are now in a process to develop a new profile as a start on improving communication with customers. Innovation Norway supports this process. Neither Røros Meat nor Røros Abattoir are on Facebook or other social media. They have their own web page, but those are not very well developed. They also have information about the companies through Røros Foods' web pages. Feedback from consumers is mainly communicated through e-mail. Røros Meat joins some food festivals where consumers meet them face-to-face. These festivals are established to market local food products, and this is a nice way to promote products and gain feedback on products.

5.5 Quality dimension of primary production and mediation through the chain

The farmers see environmental care, organic, mountain agriculture, animal welfare, as superior qualities linked to the way of production. Some farmers are very focused on lowering resource use and they produce their own fodder instead of buying organic fodder. Some farmers have specific breeds; some farmers are “more” organic than others are. The organic farmers have been very conscious about milk quality and have worked together and in cooperation with Tine to increase this quality. They have also been very conscious about increasing their knowledge in organic agriculture and many courses and seminars are held to increase their competence. The organic farmers by their organisation, Økomat Røros, arrange many meetings through the year to discuss and to increase quality; this has been the situation in particular on milk quality. Another organisation, Nord-Østerdal økologiske landbrukslag (regional member organisation for organic farmers), has been very important for increasing the farmer's competence in organic agriculture. The organic farmers do not have to follow standards beyond organic. As mentioned earlier, they are paid premium for organic cattle meat used in organic products. The abattoir keeps organic beef separate. The value chain is very transparent so it is possible to track the products. When a specific quality of an animal is coming in to the abattoir, the GM call Røros Meat and inform about this so it is possible to sell to specific customers demanding a specific quality. For organic hamburgers and meat cakes the processor increase product quality in securing high meat content compared to other processors, by emphasising a regional product and a clean and quality product.

According to the GM it seems like the organic quality is not fully included in price setting. According to REMA 1000 they are very conscious that producers earn money on their products. In REMA 1000, producers of local food are welcome to give demos, and tell consumers the story of the product. Sometimes such demos are marketed in newspapers. REMA 1000 place a small organic sign on the organic products. They do not support the products or qualities in other ways. It does not seem like REMA 1000 have a strategy supporting organic food. As the marketing manager state: *“we want to offer organic products because customers ask for it”*. Only shops where the shop manager want to focus on organic, order such products.

The price for organic hamburgers and meat cakes is much higher than for most other similar products. There are some exceptions for one type of handmade hamburgers. The sale manager

of REMA 1000 in Oslo was afraid a too much higher price for organic would make sale very difficult. He also argue that when the price was much higher than for ordinary hamburgers, it was important to include also other qualities beside organic, such as a very good taste. The processor add qualities to the product when using more meat than is usual in such products and secure that the products are clean without additives. The only thing REMA 1000 do is to place a small sign on the product that show it is organic. .

The processor, Røros Meat and Røros Abattoir front many challenges according to mediating qualities. They have accomplished a strategy process where main values are established and are in a process where the two companies are developing a new joint profile to support this mediation. Earlier the processor laced money to develop an overall profile. The qualification for the brand Specialty is one way that Røros Meat has mediated quality for one non-organic product. In addition, the Røros brand is an important way of mediating quality. This brand is on all products. Because this brand from Røros Food are only for products processes in the Røros area, Røros Food demands that Røros Meat find another regional solution for their organic processing within a defined time limit. Stakeholder emphasis more weaknesses than strength of the mediation of today. However, demos in shops seems to be very important for mediating qualities. The sale manager of REMA 1000 perceive the reason for the lower sale growth of organic products from Røros Meat in 2014 is because of less focus on demos in shops.

Stakeholders agree that the market for organic meat in Norway has been very small. The reason why Røros Meat developed the organic products was that organic farmers wanted them to test organic meat products in the retail market. All retail chains have experienced an increase in demand for organic products, but REMA 1000 was the only chain that was interested in the small volume Røros Meat could offer. Stakeholders agree that mediation has been too bad in general, but the company did not afford to develop a profile and design needed for the retail market and have until now lacked money for marketing products. No incitement is produced to encourage organic producers beside a premium price for cattle. For the organic producers in the Røros region the main incitement is that their organic products are processed and sold as organic meat, because in Norway just a small part of organic meat is sold as organic.

5.6 Resilience of the value chain and the initiative/business

The main external change was the financial crises of 2008. This hit the company that was already in trouble according to economy. Of internal changes, the GM has changed four times. The change in 2014 was decided during the strategy process where the former and new GM agreed upon this decision. The former GM got the responsibility for production and marketing. Because results have been quite poor for Røros Meat over many years, they have not been able to save money for investments. Lack of competence may be part of the reason why Røros Meat have struggled. On the other hand, the meat sector has struggled in general in Norway the last years. The retail chains that compete on selling meat as cheap as possible push prices on meat. This has made the situation for all processors difficult, and profitability has been low among processors in general. The internal challenges and changes have occurred gradually and led to a need for change.

Røros Meat met some challenges economically partly because of the financial crisis, but the economic situation was bad also before the crisis. The company needed new capital and Røros Abattoir decided to invest in the company in 2007 and gained majority of shares. Their

plan was that Røros Meat should take care of the processing and the abattoir the slaughtering. In the end there were not possible to survive just slaughtering animals.

Local meat products are usually quite expensive compared to conventional meat, and in particular because of sale and competition among retail chains. When the financial crises expected to hit Norway people saved money to avoid suffering from it.

According to the former chair of board, there were a lack of competence in the management of the company. In particular competence in running a growing firm, handle routines, organising the company, know what to do to earn money, finding suitable partners, marketing, finding new customers, etc. A more professional style of management was needed when the company grew. In a region such as Røros there are not that many persons to choose among for different jobs. Therefore, the board have chosen persons with some experience in the field of meat processing. Usually one persons may not be the right manager in different phases of growth.

Lack of competence were handled with employing a new GM and a new chair of board (2010/2011). Its boards handle the challenge of the companies, but other stakeholders also try to influence the development. Former chair of board and other actors try to influence the direction of the companies, they join meetings where strategies are discusses and bring in people that may contribute with insight, input and inspiration to the process. The board of Røros abattoir has been very traditional in the way of thinking, careful and not very innovative.

The board has taken responsibility to changes in management. The chair of board in 2010, who was a conventional meat producer, is member of Økomat Røros. He has a number of positions as chair of board in companies in the region, and can show very good results from this work. Other stakeholders talk very positive about this person and his ability to make changes and increase profitability in firms. According to establishing contact with REMA 1000, this was done by the former GM and Chair of board then. Røros Abattoir took responsibility to establish and run a common strategy process between Røros Meat and the abattoir.

Organic farmers belonging to Økomat Røros are represented in the board meetings of Røros Meat and gain feedback from their representatives. Farmers selling to the abattoir communicate with them regularly. Some farmers own shares in the abattoir beside Økomat Røros, and join board meeting as owners. Røros Meat did not gain much feedback from REMA 1000. The contact was concentrated around ordering and one meeting during the year where prices and the cooperation was discussed. According to REMA 1000, they are very satisfied with the cooperation with Røros Meat and the retail chain want to increase the cooperation because their customers are very satisfied with the products. Røros Meat get some feedback from customers, mainly by e-mail. Customers asks about prices, tell them if there are no product left in the spesific REMA shop, and asked questions about the products.

Røros Meat tries to respond to demands from customers as far as possible. Many products developed are based on demands from customers. The processor always answer questions from customers and consumers. The demand for organic meat increase, and Røros Meat and the abattoir want to focus more on organic products.

Farmers are very satisfied when their organic meat are sold as organic. The situation is that these farmers also sell their organic milk to Røros Dairy where the milk has been sold as organic since 2001. This in not obvious in Norway, where a lot of milk and meat have been

sold as conventional products because of low demands for organic foods. Organic dairy farmers in the Røros region established both a regional dairy and a regional meat processing company where the aim was that these companies should process their products and sell them as organic. However, according to meat, there has been very low demands, and the abattoir and Røros Meat have not focused on organic products until now when retail chains starts to ask for organic meat.

If Røros Meat grow and demand more organic meat this is a very positive development for organic farmers in the region. As we have described in the Røros Dairy case, Norwegian authorities does not support conversion to organic agriculture today. This is because there has been a surplus of organic milk and meat at national level. This is a big challenge for Røros Dairy that needs more regional organic milk as part of a huge growth.

In the Norwegian agricultural policy system, prices of some important agricultural products are decided in negotiations between the authorities and the farmer's organisations. Many farmers have produced organic meat and milk for many years selling through the big milk and/or meat cooperative, but the production has been sold as conventional products. This is because the big cooperatives have not managed to increase the sale of organic products, and/or they have not emphasised sale of organic products because just a very few of their members are organic producers. Nevertheless, the organic farmers have received a premium price for their organic production until now. Today, because of surplus, new organic farmer will not get any support for conversion. Organic farmers interviewed are very satisfied with the development in Røros Meat and Røros Abattoir. They primary wish another customer than REMA 1000, but is, on the other hand, satisfied to have a customer.

All stakeholders believe that demands for organic meat will grow in the future. This is mainly based on the growing demand for such products the last years and an increased focus by consumers on environmental questions, animal welfare and in general quality food. Stakeholders agree that Røros Abattoir and Røros Meat front a huge challenge in following an organic and quality strategy. On the other hand, it seems to be their only way to survive (GM/ Former chair of board). As mentioned earlier in the document, this strategy is not clearly formulated yet. Nevertheless, the new GM is very conscious that they have to find the customer groups that are willing to pay a higher price for organic products. These groups seem today to be located in the area around Oslo. The goal is to process all meat they receive, which mean that they need to sell to retail chains to get rid of the volume. The GM is not sure if the retail chain REMA 1000 is the best choice for the future. Also the HoReCa-market will be important also in the future.

The growth strategy mean that the two companies need money to finance growth, the shareholders need to agree on a new strategy, and they need competence to take the right decisions and implement strategies. This strategy is based on a number of organic farmers in the region, which is important for access to meat. A reduction in the number of farmers might have a very negative effect on social sustainability, where a good organic environment is today an important basis for the development in this region. The new right wing government in Norway want to focus on larger farms and more efficient farming. The small mountain farms in the Røros region does probably not belong to this group of farms. On the other hand, these type of farming is very environmental sustainable where farmers interviewed are very conscious about this. Sustainability is a main goal in today's goal in agriculture policy. A quality strategy is also a goal in the agricultural policy, and an increase in organic production (researcher).

Stakeholders perceive the market demand will increase in the future, thus there is a potential for growth. The strategy is to develop the two companies and grow substantially during the next years. Most actors interviewed believe the companies have the potential to reach goals, but that it will be a very demanding process in many ways. The aim is to be a substantial regional meat processing company owned by regional actors.

We did not experience any conflicting views of the new strategy of the companies among interviewees. All stakeholders interviewed agree on the need finally to develop the companies to a more stable local meat quality processor. There were some worries about the board and board members that was perceived to be very careful and thus if it was possible to convince them to take decisions on a new and challenging strategy.

Low demand for organic meat, high competition in the meat market, weak economy, low competence in management and board have been the main obstacles for growth. The weak economy is according to stakeholders a result of lack of management competence to develop a profitable firm. This factor combined with lack of demand for organic meat have been an obstacle for growth in organic meat processing.

The capacity of the new GM and her ability to build and develop the companies and the chain is decisive for successful growth. Stakeholders interviewed believe she is the right person to accomplish such a change. Røros Meat has a weak economy, but Røros Abattoir, on the other hand, has quit a solid economy. This is a good point of departure for development and for further investments. Finding a good location is also a challenge for future development and to a price that is affordable, and a more efficient production that lower prices on products. Prices on neither organic nor quality products can be too much higher than for conventional products. According to organic production, there is a need to develop more quality products demanded for in the market and to find the market that is willing to pay a premium price. The combination of organic and non-organic local products may be a challenge. In many cases such products represents different chains and thus different focus (researcher). Today Røros Meat offers a huge range of local specialty products. A more focus on a few quality products, and being very good at these, may be a better strategy for the future (researcher).

6. Future orientation

There is a growth in demand for organic products in Norway. Stakeholders want to take advantages of this development. For the organic production of Røros Meat emphasis is on local, clean and real products with a high meat content, and a transparent chain. The new GM have ideas to focus more on mountain agriculture, the special herbs cattle eat there, animal welfare – short transport to abattoir, etc. She want to add qualities in addition to organic qualities. The main actors, Økomat Røros, the abattoir and Røros Meat, see the need for growth to survive in the future. Also retail chains and the HoReCa-market have experienced a growth in demands for organic food. Stakeholders all see this need for growth. Organic farmers want their organic meat processed as organic products. They also emphasis the development of the region. The abattoir has realised the need to process meat to be profitable in the future, and growth in processing is necessary to survive. Røros Meat need new building and equipment to grow, be more efficient and to gain profitable. There are different perceptions among board members, where some seems to be very sceptical to a huge investment. The GM and the former GM agree on the need for growth and changes.

In the on-going strategy process, main stakeholders were included, such as employees and owners. According to the GM it is very important to convince shareholders that this is the right way to go. Some owners are very traditional and not that willing to change. This is in particular the situation in Røros Abattoir. External actors are brought into this process to discuss possible strategies and solutions. Both Former chair of board, the advisor from Innovation Norway and the business manager in the municipality have joined such meetings. The former chair of board think it is a tough job to convince the boards to decide to go for a new and demanding strategy. The GM see the need for changes to succeed in their new strategy. The organisation has to become more professional, they have to focus more on profile and market orientation, where these processes have just started. The two organisations have to merge, new retail customers may be in focus instead of REMA 1000. Røros Meat has to increase their capacity to process meat and they have to find new localities. A huge investment is necessary to build a common building for the two companies. Most actors in the chain see the need for big changes to handle growth. Some board members are more reluctant to changes. In particular in Røros Abattoir there is a lot of traditions, a lot of owners and many opinions. Most farmers are conventional, and do not want too much focus on organic production. Many stakeholders mentioned shareholders of Røros Abattoir as a possible barrier to changes and growth.

7. Verification of results

The core informants got the ability to read the report and secure the quality of the work. This resulted in some adjustments. What was interesting but also a bit challenging was the fact that big changes occurred during the period of interviewing the core company. A challenge was also the many questions to ask and a to time consuming process for the stakeholders to answer them. In addition, the fact that many questions were very similar and some a bit difficult to understand was challenging for both researchers and the interviewees.

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