HealthyGrowth

From niche to volume with integrity and trust

FULL CASE STUDY REPORT

Bohlsener Mühle – Germany

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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 10 European countries contributed with 19 case studies. More information and documentation can be found at: www.healthygrowth.eu

Funded by the German Ministry of Food and Agriculture with the Federal Program for Organic Agriculture and other forms of Sustainable Agriculture (BÖLN)

1 Introduction

The Bohlsener Mühle GmbH & Co. KG (Mill of Bohlsen Ltd & limited partners) is a processing enterprise handling only organic cereals and other mill and bakery products. The enterprise is specialised on the processing of cereals and legume crops which are grown in northern Germany such as mainly spelt, wheat, oats and rye; as well as legume and oil seeds crops from several countries.

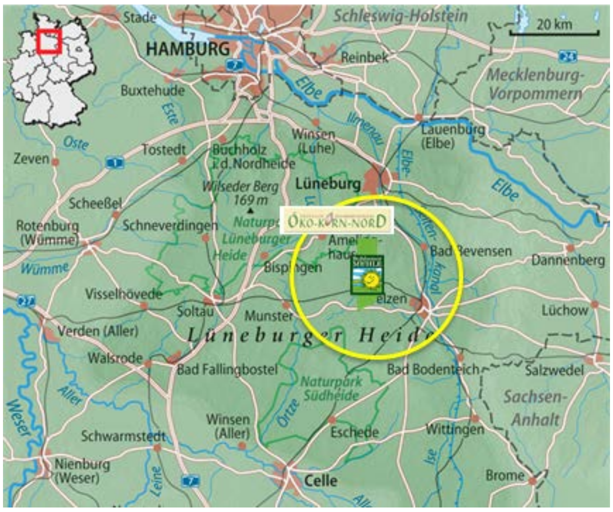

Figure 1: Location of Bohlsen and the core area of regional impact of the mill business

The location and regional context are highly relevant for understanding the sustainability objectives and the related values as well as the interrelations between chain partners within one of the most important organic cereal value chain in Northern Germany. The mill business has grown significantly since the early 1980 when the next generation took over the small mill family business and turned it to organic. During the growth process, the organisation, production, internal communication and the marketing has changed significantly. These change processes contributed to the establishment of a sustainable and resilient –as shown in times of the economic crisis – medium-size family business with around 200 employees in a rural area.

The report focusses on the mill with a particular interest in its embeddedness in the value chain discussing in particular the role of the producer association 'Öko-Korn-Nord w.V.' that is – though completely independent – closely linked to Bohlsener Mühle since its foundation.

2 Case-study approach - Materials and methods

The data collected is based on a variety of written materials and interviews. The public representation of the ‚Bohlsener Mühle' was deducted from the following available material: an interview-clip on the homepage, the webpage of enterprise and a variety of brochures, leaflets, or articles in local newspaper. In addition, the webpages of network partners and stakeholders were an important source of information. However, most information comes from personal interviews of the managers and management team members.

3 Germany – The national context

The German food market in general and the organic market in particular are the largest in Europe. The annual volume of organic sales tripled since 2000 reaching 7 billion Euros in 2012.And yet, only 3.5% of total food expenditures and 3.9% of total agricultural sales were organic in Germany. However, the annual German expenses for organic food rises about 30% (from 56 € to 74 €) between 2006 and 2010 (Köpke and Küpper 2013). The comparison of total expenditures for food with total agricultural sales shows the share of farmers in total value added to be only about one fifth, and to be more or less the same in conventional and organic farming (BÖLW 2013). In 2012, 8% (23,096) of all farms and 6.3% (1,043,528 ha)of UAA were under organic cultivation (BÖLW 2013). Nearly 60% of organic farmers belong to a German growers´ association. The most important in terms of farm numbers are Bioland, Naturland and Demeter. The remainder is cultivating in accordance with the EU organic regulation (Löwenstein et al. 2004). About 60% of the national demand for organic products is satisfied by domestic production. Germany is the largest importer of organic food in Europe with 2-95% of consumption, depending on the product (FIBL 2011, BÖLW 2013).

In Germany more than 10,500 processors were part of the organic sector in 2009. The market is traditionally characterised by a strong position of organic health food shops like 'Naturkostladen' and 'Reformhaus' (FIBL 2011). In the early 1990s, the conventional food retailing industry started to sell organic products. Since then, it has been benefiting from a significant increase in turnover for organic products. Today the most important organic brands of the conventional retail industry are "GutBio", "Biotrend", "BioBio", B!O", "Naturgut", "EDEKA Bio" and "REWE Bio". Currently Germany has 2,346 organic shops, thereof 1,644 health food shops (Naturkostläden), 400 organic supermarkets und 302 farm shops.

Despite the importance of the organic sector in Germany, it faces significant challenges; production volumes are growing slower than the demand. The market is also shaped by conflicts between the conventional food retailing and mid-scale structures of the specialised organic trade including structural disruptions and contrary economic interests, illustrated by new large-scale organic supermarkets which frequently replace traditional organic stockists (Gerlach et al. 2005).

In 2012, 4,145 organic food processors were marking 65,725 products with the German organic farming label 'Biosiegel'. Numbers increased steadily from 2003 when the 'Biosiegel' was introduced (BMELV 2012). The significant expansion within the German organic market impacts on the structure of supply chains:

- Transparency within producer-consumer relations became an important marketing tool.
- Numbers of traditional organic health stores (Naturkostläden, Reformhäuser) rose – although pressure increases on the competitiveness of owner-managed shops.
- Organic supermarket chains expanded (e.g. 'Alnatura', 'Basic'), and new companies entered the market e.g. 'Denn's' and 'BioCompany'.
- Since the 1990s, conventional retail markets, supermarkets and discount stores developed their own organic product retail trade marks because the demand for organic food rose as organic was more and more a mainstream product (significant scaling-up of the organic food market, development of retail brands for organic food such as 'bio-bio', 'REWE Bio', or 'biotrend').
- Overall the importance of conventional retailers in organic value chains increased. The "conventionalization" of the organic food sector was affecting quality requirements (open question of new form of cooperation etc. coming up in the last two decades).

Economic context – organic grain, a highly competitive market

In northern Germany, three medium-size organic mills, Bohlsener Mühle GmbH & Co. KG, Bauckhof GmbH & Co. KG and Gut Rosenkrantz GmbH are producing organic flour, flour mixtures and other baking products for individual organic bakeries and chains. The supply of numerous organic bakeries in Germany as well as abroad is an important market for organic grain products. For example, the

Bavarian organic mill Meier (better known by the attached Munich bakery 'Hofpfisterei') is supplying organic bakeries not only in Bavaria or southern Germany but as well in the north. The supply of organic bakeries is a highly competitive market throughout Germany. One main reason is that the farmer's grain as well as the milled products can be transported long distances and stored quite easily.

Grain and flour have not been hit by any food scandals so far. That might be the reason why the consumer seems to require less transparency throughout the chain than with products that are more difficult to manage, and trust, such as fresh meat, eggs or fresh fruit. Instead, consumers of organic bread and cake mainly appreciate the artisanal baking and the personal connection to the local bakery. As a consequence, "the Bohlsener Mühle is subject to tough price negotiations for their competitiveness" purchasing grain or sell the inputs for organic bakeries. (Öko-Korn-Nord 2014, 2)

4 Overview of the case

Product types:	Various fresh and dry bakery products and full assortment of organic bakery supply
Main actor:	Lead single processor, business to business and marketing of end-user products; two bakery shops]
Legal form:	Limited liability Company and Liable Partners (GmbH & Co KG)
Number of Employees:	196 employees, full-time and part-time, 10 apprentices (2014/2015)
Distribution channels:	Organic bakeries, Naturkost shops, organic wholesale, own bakery shops
Turnover:	30,3 Mio. € in 2013

Figure 2: The grinding mill and modern bakery plant

Bohlsener Mühle distribution is based on four marketing channels; private label products for Alnatura (dry end-user products), the marketing of fresh bread and bakery products (own shops and Naturkost shops), distribution of organic bakery supply (raw material/trade products) and dry end-user products. Moreover, the export team sells to processors and trade businesses in European and non-European countries. The mill has three production areas: the mill (Figure 2, left), the 'fresh products area' (fresh bakery), and the industrial plant for dry end-user products (Figure 2, right).

In terms of processing facilities, Bohlsener Mühle has:

- the flour mill (milling of 7,000 tonnes of organic grain per year)

- the artisanal bakery for fresh bread, rolls and pastry (Frischebäckerei),
- the 'Cookie Street' (Keksstrasse),
- the toasting or 'Crunchy Plant' (Cruchy-Anlage),
- the production of long-life bakery products (Dauerbackwaren), and
- the production of dry convenience meals (Trockenfertiggerichte) such as couscous, tabbouleh or veggie burgers.

Bohlsener Mühle has mainly two value chains. Both value chains consist of the same large group of primary producers (individual crop farms or farmers' cooperatives) represented by the 'Erzeugergemeinschaft' (EZG) of crop farmers but differ in downstream chain partners:

1) The value chain of Bohlsener Mühle's end-user products consists a) of 'fresh products area' products and b) dry and long-life products. This value-based chain connects the mill with Naturkost shops/chains or wholesale and retail businesses.
2) The value chain of Bohlsener Mühle's bakery supply is completely different. With the delivery of bakeries, Bohlsener Mühle is a processor that is followed by downstream processors – the organic bakeries. They are producing fresh end-user products or selling fresh produce of Bohlsener Mühle in addition to their own daily bakery goods. For the convenience of the organic bakeries, Bohlsener Mühle offers a full-range assortment covering the required supply. Bakeries can not only order flour, semolina, grain and seeds but as well baking agents, custard powder or dry fruits. This is a particular service of Bohlsener Mühle showing the particular engagement of the mill in the supply of organic bakeries throughout Germany and in other countries (export division). This marketing relates to professional advice provided by experts of Bohlsener Mühle's sales staff.

The understanding of the quality (baking properties versus regionality and on-farm process quality) and the related communication of Bohlsener Mühle differs significantly (5.3)

4.1 Presentation and trajectory

Figure 3: Historic picture, Bohlsen Mill in the 1950s

In the 1970s, the Bohlsen mill was one of many small flour mills. Most of local and regional mills disappeared due to structure changes of the industry. Bohlsen is one of the very old milling places in Lower Saxony. First records indicate that a mill has been located in Bohlsen since the 13th century (1265). In 1952, Helmut Krause was the founder of the mill business Bohlsener Mühle.

In 1979, the mill was taken over by the next generation who focussed on the organic chain and contracted arable farmers in the area (north-eastern Lower Saxony). It was his son who became the main driver of the mill business since then. His philosophy focussing on organic production and 'responsibile enterpreneurship' started to evolve. Originally, only flour and grain products was marketed. Very soon, the young CEO realised that a higher value added was needed in order to improve the economic situation of the mill. He initiated the cooperation with a baker who took over contract baking for the mill. Fresh bakery products were the first enlarged assortment of the mill business, followed by cookies, flakes, and most recently dry convenience meals. Initially the mill supplied organic bakeries with flour and farms with fodder grain. In 1980, the first development step was the baking of fresh bread with a contract baker. Fresh bakery products were distributed locally. In 1983, the Bohlsener Mühle started baking of own fresh bakery products in the first bakery which was quite small.

Figure 4: Young generation taking over the mill in 1979

In 1988, the first flakes plant was built which was special in the industry due the use of an innovative technology for flakes production (Flockenherstellung). This investment was followed by the construction of the 'fresh bakery' (Frischebäckerei) in 1989/90 which is still – although much too small – working today. When the 'fresh bakery' started working, sales slowed down. "It took some time until customers got used to the new taste which was slightly different to the former breads and rolls. Working processes and some recipes had changed" (BM 2014, 6). At that time, 33 people were employed working closely together with two leaders who managed supply, production and marketing.

In 1994, a new office building, shown in Figure 5, and grain storage were put in place near the mill. This development step was challenging because the team grew by more than a third up to 44 employees resulting in divisions that had to be build and take over responsibilities for procurement, storage, milling/baking, product development and marketing. The establishment of new management and decision-making structures was a major challenge during this growth phase. (BM 2014, 5)

Figure 5: Office building "down" in Bohlsen village (1994)

In 2003/04, new office and production facilities were built outside the village. This construction of 'cookie street' and new office building was a significant investment and an important development step (additional office area of 700 m^2, two new bakery processing lines (100 m long), as well as an enlargement of stock house by 5,400 m^2). At the time, the mill employed around 78 persons with full-time positions. With the new investment, the enterprise was located at two different sites, down in Bohlsen and up the hill on the other side of the main road

Figure 6: New construction of production plant and office building in 2004

In 2007/2008 the milling sectors suffered from high producer price that started to rise in 2006 and only stopped when the bubble of the international commodity markets collapsed at the end of 2008. The period of very high grain prices as well as the following years of the economic crisis was a very critical time for the Bohlsener Mühle. However, the mill had 110 employees and

120 organic farms producing organic grain for the mill. During the time of the financial crisis and its aftermath (2007-2010), staff numbers were stable and turnover figures were not falling either, but the equity ratio shrank significantly. Today, the enterprise has grown up to a medium-size industrial enterprise (nearly 200 employees) with the related value chain volumes downstream and upstream.

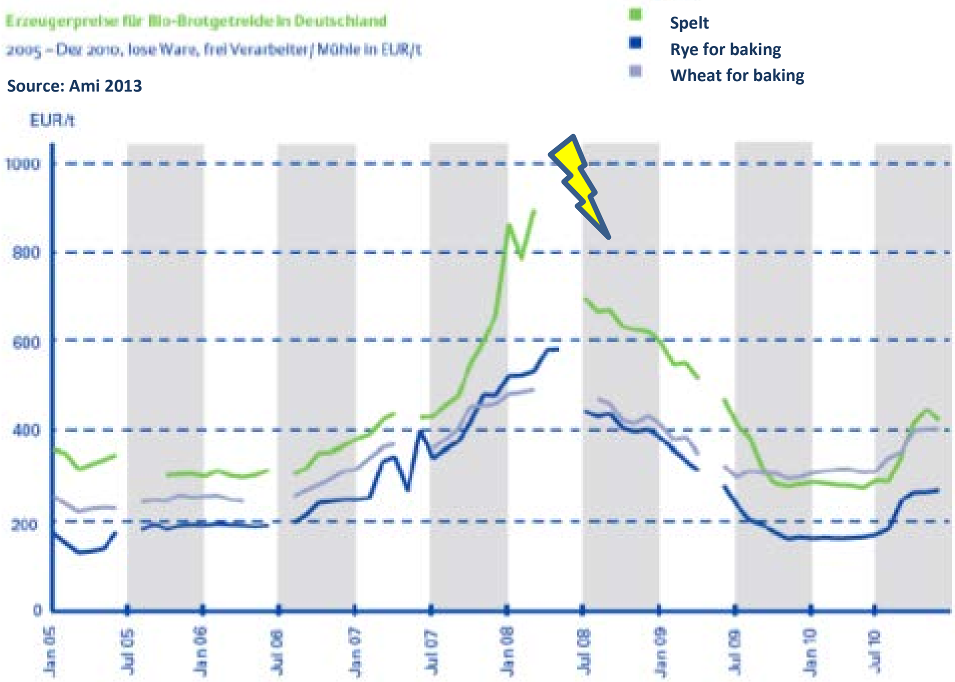

Figure 7: Producer price of organic spelt, rye, and wheat for baking, 2005-2010, loose grain in €/tonne

The phase of extremely high producer prices was the most challenging for the relationship between the mill and the grain suppliers (Figure 7 and section 5.6). Due to the price peak of producer prices for grain in 2008, some long-term business connections between farmers and the mill fell apart for good. (BM 2014, 5) In the retrospective, this period fostered the diversification of supply and procurement on both sides: the producers and producers' cooperatives were splitting their delivery providing a larger number of processors and trade businesses; and the processing enterprise diversified its procurement aiming to reduce dependencies from supply chain partners (5.1 and 5.6).

Grain prices rose from 2006 to 2008 significantly. Figure 7 shows the development of organic spelt, rye and wheat prices that represent specific inputs for organic bakery products. The peak in 2007/2008 grain prices caused significant crises in the mill business, in general and for Bohlsener Mühle as well (5.6).

Trends in market development with increasing grain prices and shrinking profit margins are highly relevant for the organic grain and flour market in Germany and Europe. In general, producer prices as well as input prices are rising since 2000. The situation for the processing sector became difficult in particular with the price peak in 2008, and in the wake of the economic crisis (2009 onwards).

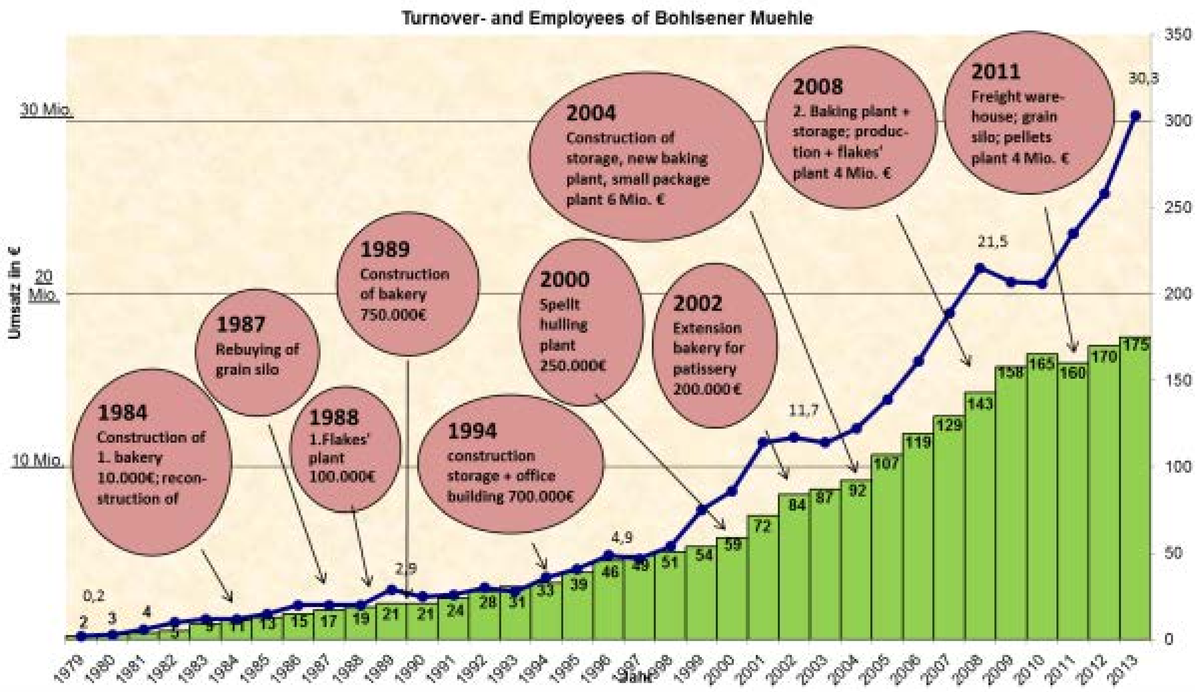

Figure 8: Development of Bohlsener Mühle, 1997-2013 – presented in turnover (Euro/year), total number of employees and investment volumes (total Euro)

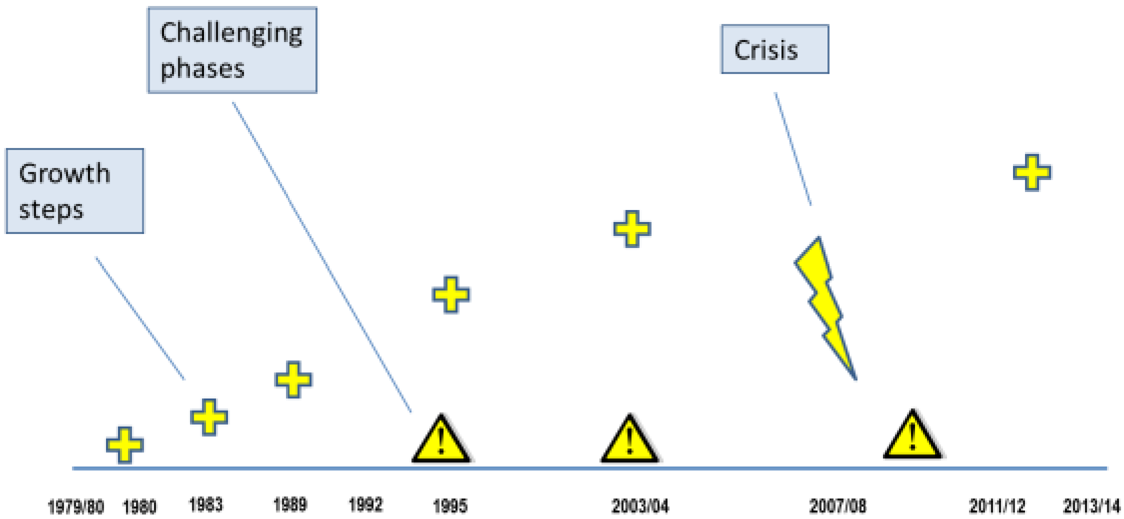

Figure 9: Growth steps and challenging phases of Bohlsen mill's expansion process (1997-2013/14)

4.2 Basic facts

The turnover of Bohlsener Mühle developed exponentially since 1978. Firstly, times were difficult in 1989/90 when the new fresh bakery facilities started working. A reduction in turnover was caused by changing bread varieties, different recipes of the new bakery team etc. Secondly, the industrialisation of the new baking street which was put in place in 2004 ensured a growing trend in turnover. A few years earlier, the turnover had been slightly shrinking (2000-2003). Thirdly, the most significant crisis was in the wake of the price boom of the international commodity markets. The latter (2008/2009) was a threatening time for the mill business (5.6).

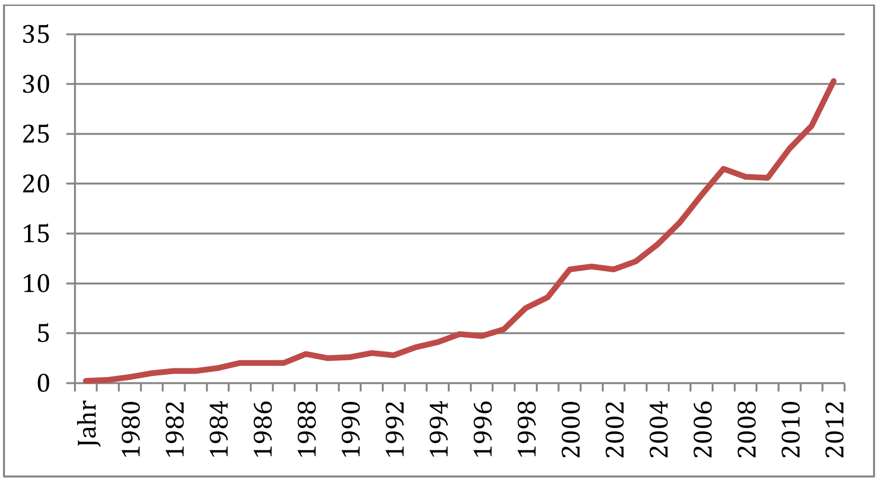

Figure 10: Turnover of Bohlsener Mühle GmbH, 1979-2013 in million Euros per year

The numbers of supplying farms and the average size of crop farms have changed significantly since the beginning of the organic mill business. The EZG for organic grain represent the downstream business partner of Bohlsener Mühle. The number of supplying farms is not available because not all EZG production is delivered to Bohlsen. It's a matter of fact that the German reunification has supported the expansion of the regional organic grain market significantly because the extensive, low-input arable farming in north-eastern Germany enhanced the conversion to organic of many farms during the 1990s.

The product range has increased since the beginning. The diversification of the assortment was significant a) in the area of bakery supply goods and b) since 2010 with a particular focus on end-user products. This development started with the first baking unit in the late 80s. At that time, a large number of conventional local mills stopped working in northern Europe. In contrast, Bohlsener Mühle management changed to organic by conviction and added the further processing of flour, the baking of bread and rolls, to the traditional milling business.

Marketing channels changed with the product range and with the development of the overall market for organic products in Germany. Bohlsener Mühle has several production branches and is present in a variety of organic food marketing channels. It is not possible to count the number of points of sale for the long-life dry product range due to several wholesalers distributing the products further to shops, outlets, internet etc. Bohlsener Mühle has two own points of sale for fresh bakery products.

The organic processing could grow without losing the connection to a 'region-based' primary production. Supply partners are fluctuating annually. The flexibility of supply and marketing partners has proved to be an advantage for both, the supplying farmers as well as the processor during the economic crisis (in 2009/2010) when the economic situation became more competitive than before. For a long time, main focus was the delivery of flour and other inputs for organic bakeries. Only in 2010, a market analysis was undertaken. Results emphasised a shift towards end-user products. Due to this, the range of end-user products grew and the distribution channel of Naturkost shops and organic wholesale and retail businesses became more important.

With the expansion partners changed: Less individual farmers and more farmers' association became business partners for the supply of organic grain. With an increasing diversification of production processes and products sold, supply and delivery changed. Apparently, it was not a problem to find suitable partners for all development steps.

4.3 Value chain organization

The following section presents the partner enterprises and initiatives of the medium-size values-based chain of organic cereal production and processing with the Bohlsener Mühle in its centre. The relationship between chain partners is very important for the mill (5.1). Bohlsener Mühle enterprise is the core member and driver of the organic grain value chain and the organic business network in the north-east of Niedersachsen, as well as the neighbouring Schleswig-Holstein and Mecklenburg-Vorpommern. The organic value chain for arable crops is strongly focussing on grain and flour and the related product assortment. A number of different stakeholders are involved in the organic grain production, processing and marketing. One could say that four different stakeholder networks around the Bohlsener Mühle exist:

- network of primary producers with several EZG and other business partners providing goods and services to the mill;
- network of organic bakeries in northern Germany ordering from Bohlsener Mühle;
- network of downstream processors and marketing businesses and initiatives;
- local network of organic enterprises and organisations 'ÖKORegio' (see below)

The first section shows the supplying sector. In general, producers' associations (Erzeugergemeinschaften, EZG) are very relevant partners for cereal-based value chains in Germany. The description is based on the cooperation with Öko-Korn-Nord w.V. which is one of several EZG supplying Bohlsener Mühle. The second section highlights the downstream sector showing the marketing channels of Bohlsener Mühle and the specific requirements of organic bakeries, individual retail shops and retail enterprises with trademark products of Bohlsener Mühle. The third section discusses the relevance of other network partners such as cooperating processors or service partners.

Primary producers – cooperation with Öko-Korn-Nord w.V.

Back in history, Bohlsener Mühle was buying directly from organic farms but this has changed due to efficiency reasons. The personal contact to the primary producer was positive in particular for communication reasons (5.4). Today, Öko-Korn-Nord is one of several providers of regional organic grain to the Bohlsener Mühle. Other farmers' consortia, the so-called 'Erzeugergemeinschaften' (EZG), are EZG Schleswig-Holstein, EZG-Ost in Eastern Germany and a smaller EZG from southern Denmark. Two decades ago, the relation between the mill and Öko-Korn-Nord consortium was much closer than today. In the following paragraphs present the development of the producers' consortium ('Erzeugerzusammenschluss') Öko-Korn-Nord and the changes of the business relationship between the mill and the EZG.

The Öko-Korn-Nord w.V. is a so called 'profit-making association' (wirtschaftlicher Verein, w.V.). It is organised like a medium-size grain trading business with significant storage and quality testing capacities. The legal form of the association[1] has advantages for farmers because it is easy to add or release members without notary registration or consolidated financial statements (Wirtschaftsprüfung).

[1] A 'Wirtschaftlicher Verein' (w.V.) is legally based on § 22 BGB (German Civil Law Book) with some significant differences to the legal forms of a registered cooperative (eingetragene Genossenschaft, e.G.) or a limited liability company (LtD) (Gesellschaft mit beschränkter Haftung, GmbH).

Öko-Korn-Norn has around 100 member farms in Niedersachsen and Sachsen-Anhalt that market cereal and legume crop products together. All participating farms need to be member of an organic association. Around 80% of the farms are members of Bioland. Apart from the members, a large number of farmers sell grain to Öko-Korn-Nord. They are not only located in Niedersachsen and Sachsen-Anhalt but as well in Mecklenburg-Vorpommern or Brandenburg.

Öko-Korn-Nord sells food and feed cereals, as well as a wide range of seeds. It has three locations for grain storage with testing and drying equipment (in Betzendorf, Uelzen and Bad Bevensen).

Figure 11: Logo of Öko-Korn-Nord w. V.

In 1991, the EZG was founded, mainly by the original suppliers of Bohlsener Mühle. The Bohlsener Mühle was an initiator of the foundation because

- the farmers had produced too much cereal crops resulting in an overproduction of rye for the Bohlsener Mühle that was at that time obliged to receive the total harvest and to store it - resulting in a significant problem for the mill;
- the Lower Saxony Ministry of Agriculture had launched a policy scheme supporting the start-up of farmers' EZG; and
- the advisory service (Beratungsring) 'Öko-Ring' strongly encouraged farmers to organise the marketing of their field crops cooperatively.

At the beginning, the EZG was responsible for the organisation of the members and the delivery orders of the mill while Bohlsener Mühle continued to organise transport, quality checks and the coordination of the deliveries and the grain storage for the EZG. The payment system was based on the idea of (as far as possible) just and fair price negotiations with a price pooling system: for standard cereal crops each member farmer received the same price per 100 kg grain – independent from the volume and quality delivered. Originally, idealist ideas within the EZG even argued that farmers with less-productive soils might receive a higher payment due to natural disadvantages. The argument highlights the historic context of the organic movement in the 1980s. (Öko-Korn-Nord 2014, 2) However, these ideas were not realised.

Only in 1992 and 1993, the EZG started to work more independently with an own CEO and one employee. At that time, only the feed grain products were marketed independently which was around 25% of the total volume of sold farm crops of the EGZ. In 1994, the EZG purchased and renovated an old industrial site in Betzendorf, a village 32 km located to the north of Bohlsen. In 1996, the EZG moved completely out from Bohlsener Mühle facilities because they were able to open up their own grain storage facilities, laboratory as well as office rooms. The investment was possible due to the reliable business partnership with the Bohlsener Mühle which was the regional Bank's partner for decades. "The EZG … in the shadow of Bohlsener Mühle which was like a safe harbour…" („die Erzeugergemeinschaft… im Windschatten der Bohlsener Mühle… eine sichere Bank"). (Öko-Korn-Nord 2014, 2)

In 2003, Öko-Korn-Nord opened up a modern grain storage plant in Uelzen, around 10 km away from Bohlsen. It was the biggest investment so far and ensures the marketing of high quality seed products. Due to the significant grain storage capacities with modern drying, testing, and grain handling facilities, Öko-Korn-Nord became the biggest propagator for organic certified seeds in

Europe. The expansion pathway of the EZG continued with the opening of the third operational unit in Bad Bevensen in 2005 (25 km from Bohlsen) and the fourth storage location in the city of Magdeburg in 2010, located further away in Sachsen-Anhalt. At present, Öko-Korn-Nord is the largest organic cereal producer association (EZG) in Lower Saxony.

Öko-Korn-Nord stores and sells mainly the harvest of the member farms. Since the EZG sells as well grain from non-member farmers, the flexibility of the business improves aiming to supply volumes and qualities according to the particular needs of the processing enterprises. Bohlsener Mühle receives 10 to 25% of the total sales volumes of EZG Öko-Korn-Nord. The proportion of food grain delivered to the mill is higher with 20 to 35 % of the total amount. With spelt, Öko-Korn-Nord is even delivering a large proportion of this organic cereal processed by the Bohlsener Mühle. The spelt market has been special in the last years due to the production gap in Europe. Prices rose significantly and partly, spelt was/is not available. (Öko-Korn-Nord 2014, 2).

The changes of the strategic cooperation between Öko-Korn-Nord and Bohlsener Mühle were significant and represent well the adjustments in strategic cooperation of both businesses (5.6). The change from a very close cooperation and interdependence to a less exclusive cooperation is seen as a positive development because it reduces economic dependencies on both sides. At the same time, none of the chain partners doubts the long-term and relatable strategic cooperation between the EZG and the mill. (BM 2014, 5/6 and Öko-Korn-Nord 2014, 2) For more details on the partnership and business cooperation between the EZG and Bohlsener Mühle see sections 5.1, 5.2.

Marketing and distribution – bakeries, wholesalers, retailers, internet

Organic bakery supply: The Bohlsener Mühle is selling a variety of products for organic bakeries (flour, flour mixtures etc.). These products are inputs for the downstream processor, the organic bakeries which order from Bohlsener Mühle up to their needs. For bakeries, baking qualities and the transmission of the values plays a particular role because an additional intermediate actor. The organic bakery and bakery chain link the farmer with the consumer. The bakeries are mainly located in the northern and central part of Germany which is a very large area.

Figure 12: Homepage of an organic bakery presenting the suppliers of flour and grain

The homepage is an example showing that even an artisanal bakery situated in Dortmund (distance from Uelzen of about 330 km) shows on its homepage that they receive flour and grain from Bohlsener Mühle and EZG Öko-Korn-Nord (see Figure 12, homepage of the bakery Backdat, an example for a small downstream partner, www.backdat.de).

Long-life bakery products: A wide range of products is labelled with the Bohlsener Mühle brand. These are long-life sweet bakery goods like cookies ('süße Dauerbackwaren'), muesli, crunchy/flakes and dry convenience meal products for vegetarian burgers, couscous, tabbouleh etc. These end-user products are marketed to

- individual, owner-managed Naturkost[2] shops (Inhabergeführte Naturkostläden)
- shops of smaller Naturkost chains (Filiale von Naturkostketten)
- large-scale organic supermarkets Alnatura (www.alnatura.de), Denn's Biomarkt (http://www.denns-biomarkt.de), and Basic (www.basic-bio-genuss-fuer-alle.de)
- organic wholesale businesses such as Grell (www.grell.de) or Dennree (www.dennree-biohandelshaus.de)
- major consumer services such as nabuko (www.nabuko-biogvs.de), and
- internet platforms such as Biovyna (www.biovyana.com).

The Naturkost business is the most important downstream retail partner of Bohlsener Mühle. "They are our 'most pristine' points of sale ('die Ursprünglichsten')" (BM 2014, 6). Naturkost shops all over Germany sell Bohlsener Mühle products. Naturkost chains, shops and organic processors/traders are members of the federal association of organic shops BNN. All BNN members signed the 'codex of appropriate marketing of organic products' (5.1). The membership with BNN is normally impossible for conventional retail businesses because they are not able to provide the required product positioning and support services for organic products with trained shop assistants.[3]

The CEO of Bohlsener Mühle highlights the particular role of owner-managed retail businesses, representing around one third of German Naturkost shops. This group of shop owners are asking more and more for transparency along the chain and specific knowledge about the origin and the particular qualities of the organic products they are offering in his/her shop. The shop owners wish to be able to communicate the "story" behind the products and processes because the consumers are asking for it. Consequently, the managers of the small retail businesses were asking particularly for the specific values of the handled products because they are forced to sharpen their shops' profile. "With this strategy, they aim to resist the increasing pressure of the wholesale business that tries to offer more and more products branded with their own trademark (e.g. the organic wholesaler Dennree)." (BM 2014, 5)

Such organic trademarks intersect the transmission of information (and therefore of the additional values) from the producing and processing sector to the shop's counter and consumer. "That's a niche for the owner-managed Naturkost shops!" (No6) The Bohlsener Mühle has realised that this in turn provides a good opportunity for a medium-size processor with a strong producer brand and convincing communication strategies linking the consumers' wish for proven origin and organic qualities back to the primary producer, the crop farmer, in the 'region' (for 'regionality', see 5.3.).

"The Naturkost customers show sovereignty, these consumers can influence the production process" ("Das ist Souveränität, wenn der Verbraucher Einfluss auf die Erzeugung nimmt"… "and it's the

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[2] Naturkost shops (Naturkostläden) are organic food and natural goods shops and chains which have a long tradition in Germany. All shops, outlets and wholesalers of the German organic food and non-food industry are members of the umbrella organisation Association of Organic Processors, Wholesalers and Retailers (Bundesverband Naturkost Naturwaren (BNN) e.V.), http://www.n-bnn.de/.

[3] Food retailers or individual shops have to decide whether they market organic products or not. If they aim to sell organic, they have to sign BNN codex otherwise will not be able to purchase organic products from a member processor of BNN. This is specific about the German organic marketing policy and has significant implications.

medium-sized business that has the sovereignty and the creativity …" ("Das ist der Mittelstand mit seiner Souveränität und Kreativität…"). (BM 2014, 5)

A conventional retail partner is 'Budni' (Budnikowsky) in Hamburg, a drugstore supermarket chain aiming to play the role of the corner shop ('Tante Emma Laden') in the neighbourhood offering all goods of daily needs[4]. Budnikowsky's philosophy aims to serve people ('für die Menschen'), having a strong social and ethical orientation concerning employment and customer services. However, the image or main message of Budnikowsky is rather authentic than educative. Organic products or product groups are so-called 'corner articles' (Eckartikel) at Budnikowsky's. They are offered in a particular area of the outlet apart from the conventional assortments (for strategic role of retailers like Budni, see section 5.2).

The long-life products are available all over Germany and partly also in health/organic shops abroad. Large volumes of dry long-life products are marketed through organic wholesale businesses such as 'die Regionalen' (http://www.die-regionalen.de/die-grosshaendler) with Grell Naturkost, Naturkost Elkershausen and Terra Naturkost in northern Germany) and major customer services such as Nabuko (http://www.nabuko-biogvs.de) that hand over the products to smaller retailers and individual shops. Organic supermarket chains such as Alnatura (www.alnatura.de), Denn's (www.denns-biomarkt.de/) or Basic (www.basic-bio-genuss-fuer-alle.de) order directly from Bohlsener Mühle.

Figure 13: Logistic area of Bohlsener Mühle plant

Only organic wholesalers that market organic products have signed the BNN codex regarding organic goods' handling and marketing. "Normally, they would not be allowed to sell organic goods without ensuring the compliance of the buyer. But some don't take it so serious." (BM 2014, 6) A small or medium-size organic producer like Bohlsener Mühle has very limited opportunities to react in this case.

Bohlsener Mühle products are available for online orders. End-consumers can order products for example via 'Biokorb' or 'Biovyana', online businesses selling organic food in Germany

[4] Budnikowsky, called 'Budni', was a local drugstore (Drogeriemarkt) in Hamburg. It grew into a local retailer with a focus on drugstore goods and other daily needs articles. The webpage shows a wide range of organic food labels and trademarks: www.budni.de/unsere-produkte/gesundheit/bio/marken/

(http://biovyana.com/28-bio-getreide). Bohlsener Mühle itself is not dealing with end-consumer orders apart from the two local bakery shops in Bohlsen village and in the neighbouring town of Uelzen. The business delivery department just serves bakeries, wholesale, and retail businesses such as Naturkost shops or organic supermarkets.

Moreover, Bohlsener Mühle produces organic long-life dry products for organic and conventional retail enterprises such as Alnatura and Rossmann. The recipes of these products differ from the cookies packed and marketed as Bohlsen Mill products. (BM 2014, 6) The private label products compete with Bohlsener Mühle products in the shelves of organic supermarkets such as Alnatura. These products have no reference to a regional based production or the socio-economic embeddedness of the producer and/or the processor.

Fresh bread and bakery products: The distribution of fresh baked goods like bread and cake is realized by

- direct marketing in own shops, a small outlet opposite the mill in Bohlsen and the bakery shop 'Lässig' in the Hundertwasser train station of Uelzen (Figure 17),
- delivery to Naturkost shops, organic supermarkets with fresh bakery area and smaller organic bakeries enriching their product assortment in the closer and further region (total of around 300 shops, delivery distances up to 150 km from Bohlsen),
- Internal consumption of bread and rolls for staff members in the canteen (Fresh products such as bread, roles, cake and pastry are offered for a free breakfast to staff members in the canteen and sold to staff members (reduced prices). (BM 2014, 6)

The mill has an own distribution unit with grain and dry product storage facilities and logistic capacities. Numerous trucks ensure the daily delivery of fresh goods and bakery supply (Figure 13).

Other network partners

Bohlsener Mühle has a long-term cooperation with another grain processor because the use of oat grains requires pre-processing before entering the flakes plant at Bohlsen. The total volume of oats coming from the EZG and purchased by Bohlsener Mühle is hulled (process of removing the husk of cereal grains) by the very well-known German enterprise Kölln Flocken (Peter Kölln KGaA, Glückstadt, https://www.koelln.de). Kölln is a traditional oats processor selling organic and conventional oats products. Kölln is another owner-managed medium-size enterprise functioning as a reliable partner in the value chain. It is processing large volumes of organic grain and cereal products in Northern Germany. Kölln itself has production contracts with its oats growers.

Moreover, Bohlsener Mühle has a very close cooperation with the tax accountancy office that is closely involved in strategic planning and financial controlling. The tax advisory office plays an important role for controlling and planning issues. A long-term business relationship links the mill with an individual advertising agency – a two ladies office – in Hamburg who developed the current logo and the layout of a variety of packages and advertisement material. The agency is not specialized in organic communication. These non-organic food partner businesses are part of the mill's stakeholder network and are significant for decision-making processes of the business (5.1).

Bohlsener Mühle orders a number of products (food ingredients such as dairy products or eggs) and services from professional companies. Highly relevant for the management and marketing decisions are the analyses of the marketing research agency bioVista. BioVista offers data and information on organic markets and provides advice to organic producers. (http://biovista.de/)

Another group of stakeholders of Bohlsener Mühle is the organic bakery network, located mainly in northern Germany. Some of the bakeries are long-term business partner that contributed to the development of the bakery supply product range and the success of this traditional branch of the mill. However, competition in the organic bakery supply market increased and this group of stakeholders is not anymore as important as it used to be. A market analysis has shown that Bohlsener Mühle should have but more effort in the marketing of own end-user products. (BM 2014, 6)

Consequently, the engagement in the network of partners selling products with the Bohlsener Mühle brand grew. In particular, stakeholder networks of distributing and marketing businesses such as the Naturkost shops, organic wholesalers and some retail enterprises were more important than in the past. This network is broad with stakeholders operating nationwide. The umbrella association of BNN plays a significant role. The CEO of Bohlsener Mühle is member of the BNN board. (For more information on the BNN Codex, see 5.1.). Another event that relates strongly to the organic network in northern Germany is the trade fair BioNord (http://www.bionord.de).

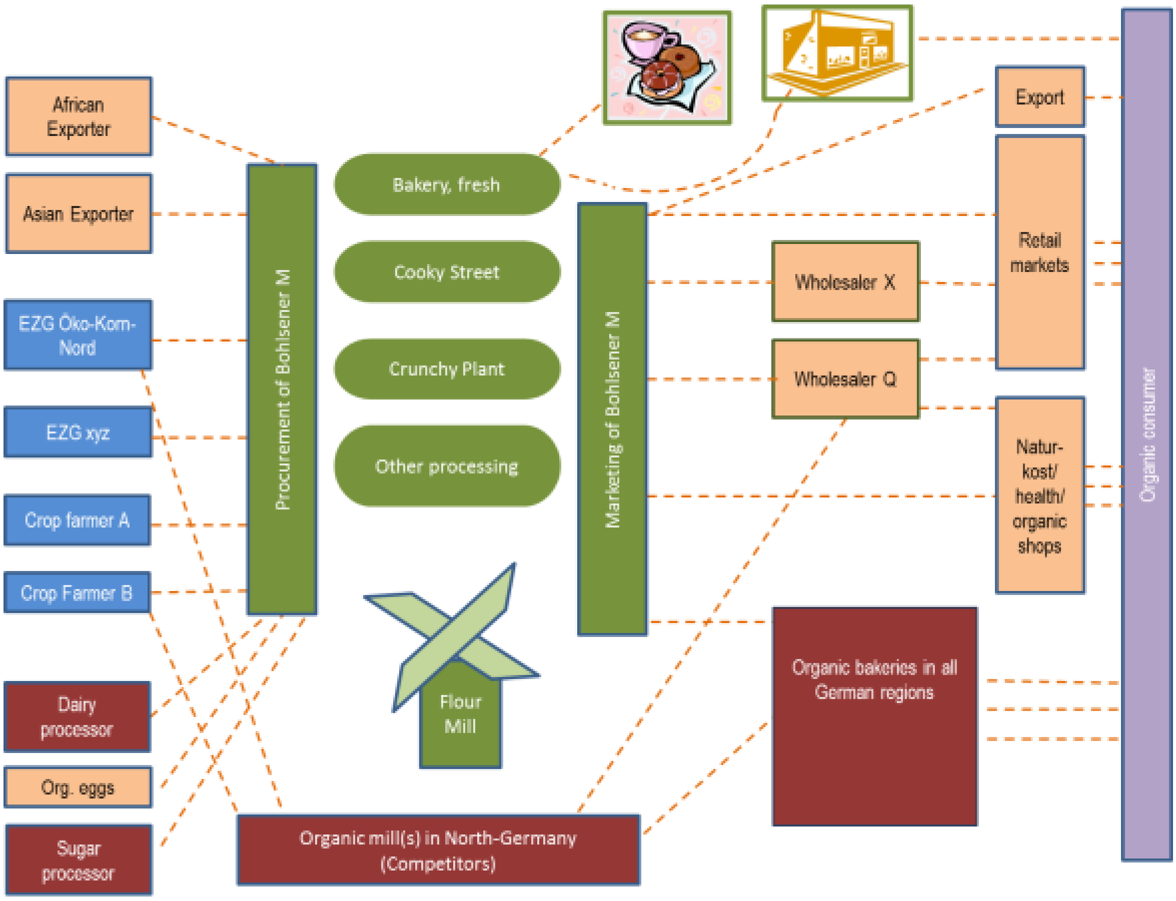

Figure 14: Constellation analysis of Bohlsener Mühle GmbH

Figure 14 shows the embeddedness of Bohlsener Mühle in the values-based food chain of organic grain production, processing and marketing in northern Germany. The suppliers of the mill are:

- Farmers' EZG such as Öko-Korn-Nord
- Wholesaler businesses importing spices and other ingredients (e.g. coco flakes, chick peas, raisins, cane sugar, palm fat etc.)

- Organic dairy processor from the neighbouring Federal State of Mecklenburg-Vorpommern, Die gläserne Meierei GmbH (DE MV 017)
- Sugar processor, organic egg producer and other national/regional producers and processors of baking product ingredients

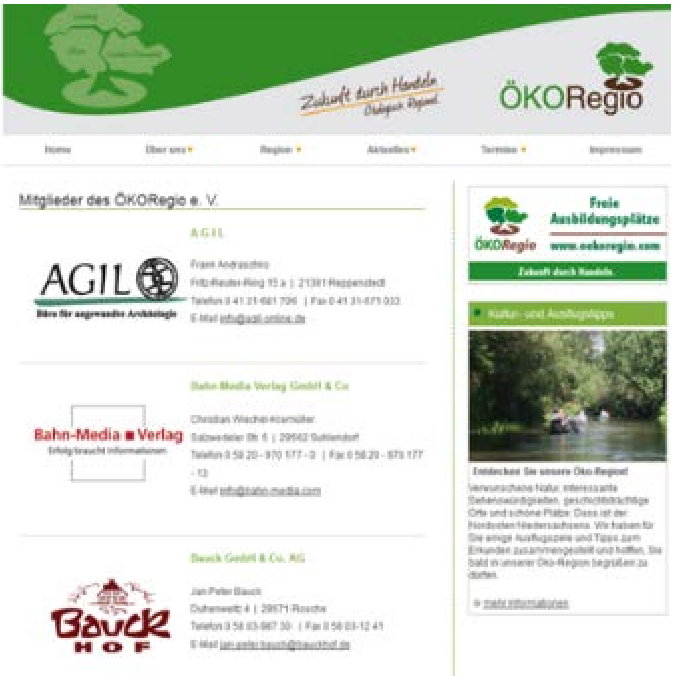

Figure 15: Homepage of ÖKORegio association in north-eastern Niedersachsen

The local network of organic businesses in the area is another important stakeholder network of the mill. Bohlsener Mühle, and its managing director in particular, have contributed significantly to the establishment of the regional network ÖKORegio that connects organic businesses and initiatives. The aim is to enhance organic ideas and businesses, foster their contribution to the local economy and improve quality of live in the rural region (Figure 15; www.oekoregio.com). This association was founded in 2005, and currently consists of 40 mainly organic organisations and businesses.

This value is put into practice through the engagement in the ÖKORegio Verband. Moreover, Bohlsener Mühle is engaged in the project ALENA (Akademie für ländliche Entwicklung und Nachhaltig-keit). „Alena is an open consortium of people wishing to engage in and for the area of Uelzen. The aim is to foster a sustainable development 'economically, ecologically, socially and culturally'. ALENA collects ideas and groups people with similar interests. Cooperation, communication, participation and personal engagement of different stakeholders are defined as key drivers for a sustainable development of the region.

The main train station, the 'Hundertwasser-Bahnhof' is a tourist attraction of Uelzen city (www.hundertwasserbahnhof.de, Figure 17). The building was part of EXPO 2000 in the Hannover region. It is run by an association and hosts a few stores and one bistro. Bohlsener Mühle runs the bakery shop with fresh and a selection of the cookies and crackers. Moreover, the mill is partner of the organic bistro 'Lässig im Bahnhof' ('easy-going in the station') which is owned by a group of local organic businesses. Partners are Bauck, Löwe and Nabuko (http://www.laessig-im-bahnhof.de/partner.shtml); they are as well members of ÖkoRegio Verband. An organic menu is on offer and the café and bistro is a local venue for cultural events (Figure 16).

Figure 16: Entrance area of Bistro Lässig

Figure 17: Hundertwasser Bahnhof Uelzen with Bistro Lässig

5 Analytical perspectives

5.1 Organization and governance

Modes of management and governance

In the beginning, there were a very limited number of persons responsible for the mill business (4.1). Management decisions related to procurement, processing and marketing were made in the one office room. This changed significantly when the business grew. The EZG Öko-Korn-Nord moved out and became an independent business (4.3). The mill's internal organisation of supply, processing, production, quality testing, storage, logistics and marketing changed into a hierarchic management system with departments. The splitting of responsibilities between staff members was an important step which evolved steadily with each investment step (see Figure 8).

The owner and CEO of Bohlsener Mühle is key person of decision-making processes. Board members contribute significantly with their experience (financial feasibility, future reliability towards partners/stakeholders etc.). However, the decisions are based on internal discussions too which are fuelled by employees with particular expertise such as market development, communication, product quality etc. (BM 2014, 6) Depending on the strategic orientation of any plan, the CEO puts together groups or asks for advice from external or internal experts. The management works well with the particular responsibilities delegated to the departments/units (see 'value of openness', 5.3).

The decision-making power related to the chain as a whole rests largely with the entrepreneurs in the highly competitive market of organic grain marketing and milling. The market is organised on an over-regional and international level due to relatively easy storage and transport of grain and flour. Organic market volumes in Germany are big with a large number of significant players at all stages of the values-based food chain. Each managing director has the decision-making power for the specific business and business area: farmers and their representation on the level of EZG, processing enterprise (CEO of Bohlsener Mühle, Kölln GmbH etc.) and Naturkost shop owners, wholesale/retail CEOs). It is likely that there are interdependencies but overall, each CEO has the decision-making power and is relatively free to act within the given market or legal framework.

In the past, profit margins on the level of primary production and of milling were reduced until grain prices rose significantly (2008 onwards). That changed many business relationships in the sector. Nowadays, market power seems to be relatively evenly distributed along the chain due to

- relatively high prices for grain suppliers (farmers and producers' cooperatives)
- relatively high consumer prices for bread and cereal products
- a significant number of medium-size organic mill businesses in Germany
- a very large number of bakery and other processors of organic grain.

Agreements and modes of arrangements to secure long term strategic cooperation

The involved chain partners and stakeholders agree on the four main values even without significant discussions about these values (5.3). Most values related to production and processing are based on the organic standards of Bioland or Demeter. Other values such as 'regionality' or 'entrepreneurship' are widely shared among chain partners (4.3).

Annual agreements on volumes and prices have to be made. Bohlsener Mühle has been interested in covering the production costs of the cereal producers in the long term and was discussing the issue.

“However, the EZG will always have difficulties to identify such a minimum price for their grain products”. (BM 2014, 5) The definition of such a minimum price was not possible due to

- heterogeneity of natural conditions resulting in e.g. oat yields that are significantly higher and have better qualities near the coast in Schleswig-Holstein than in the eastern part of Lower Saxony;
- different farm structures with a high proportion of family farms in Niedersachsen versus a very low proportion of small scale crop farms in Sachsen-Anhalt, the neighbouring state that is characterized by large scale corporate farms;
- a variety of production systems with e.g. a vegetable farm where oat growing contributes mainly to soil fertility and health of the vegetable crops while the oat sales are of minor relevance for the total farm returns.

These few examples show that some oat growing farmers would even continue to grow oats when the price was so low that it would ruin a large number of farming colleagues. For that reason, the value of fairness seems to be rather “the way how chain partners communicate and interact with each other” than setting fixed or high producer prices. (“Fairness bezieht sich also eher auf die Kommunikation, und darauf wie man miteinander umgeht...”) (BM 2014, 5)

For the chain partners Öko-Korn-Nord and Bohlsener Mühle the long-term partnership has been of particular importance. The regional origin and the high-quality of the grain are core values for both. The mill evaluates the laboratory tested quality of cereals and legume crops, the reliability of the producer association and the particular services (storage, transport and delivery up to the particular needs of the processor). Their business talks start in the beginning of each calendar year. Each business partner is relatively free where to buy and sell. Both businesses, the owner-managed processor and the EZG, share the values based on organic principles and the value of regionality and regional embeddedness. (5.3)

Other stakeholders in the grain value chain agree on shared values too. During the growth process, a variety of business relationships evolved. If there was disagreement on values, it is most likely that chain partners would have chosen other business partners in the past (see economic context, 3). The grain market in northern Germany is dynamic, competitive and open. For that reason, it would be difficult to distinguish between controversies related to values or contracts (prices, volumes, services). The value chain with Bohlsener Mühle in its centre is mainly characterised by non-formal agreements e.g. between EZG, cooperating processors such as Kölln, or wholesale or retail enterprises. There is no forward contracting for future grain deliveries. Reliability of the owner-managed businesses that build up the values-based food chain is the main driver of the long-term cooperation between chain partners (Erzeugergemeinschaften, mills, wholesale and retail businesses).

Apart from that, Bohlsener Mühle has a variety of contracts and formal agreements such as

- Financial agreements with the local bank related to the investment in processing plants.
- Business contracts with the management advisor and tax consultant who are deeply involved in the supervision of the enterprise.
- Supply contracts with import trade companies and wholesalers.
- Some contracts with EZG for grain supply in the next season (no long-term contracting).

In addition, there is some contract based purchase e.g. with the supplying wholesalers, the raisin delivery partner, a PR-agency, and the private label enterprises such as Alnatura or Rossmann. There are contracts with service businesses such as machinery/production system services, local/regional craftsmen or the taxation office etc. "For the management of Bohlsener Mühle reliable and long-term trust-based relationships are highly relevant". (BM 2014, 6)

"With supply partners such as importing traders and the wholesale business Nabuko and a large number of other suppliers, management is careful to ensure reliability and quality of the supplied goods. This is more important than the 'best' offer – as long as the price is 'within reason'. Quality of delivered products and the quality of the process are highly relevant e.g. for butter, eggs, maize or imported inputs such as sunflower seeds." (BM 2014, 6)

Informal agreements are based on e.g. regular meetings or telephone calls between the EZG and the mill; in particular the business talks take always place in the beginning of each year. The mill is organising informal events aiming to foster the relationship between staff members, interested people from the village or other nearby communities. Personal interactions are important for the CEO of Bohlsener Mühle because he lives in the village and is strongly engaged in local activities (5.4).

The number of contacts and meetings depends on goods or services. There is no general answer to the question. Not only business talks and relations are highly relevant but honorary engagement as well due to the particular focus on region-specific activities. "The relationship is very good with other businesses and initiatives/associations. We have long-term business relationship and other close relationships with many stakeholders related to e.g. the networks of ÖkoRegio, ALENA or BNN. We were able to establish many strong partnerships over time and we are an important player in the organic processing network of Niedersachsen and even northern Germany."… "Sure, over time, you sometimes loose contacts or go different ways, that's normal." (BM 2014, 5)

Public policies

Bohlsener Mühle received EU-funds for the investment projects such as the construction of the new office building, 'cookies' street', flakes plant etc. (Figure 8 and Figure 18). The EU funding of investment projects were important for the mill's expansion pathway.

German policy encouraging private or local energy production had a significant impact too. The energy system of the mill is modern although it is still using the traditional water power of the local river. Further energy production facilities are in place – funding measures supported the implementation of the new technologies (EEG). The Federal State of Niedersachsen provides funding for training and education. The Center for Education in Niedersachsen (Bildungswerk der niedersächsischen Wirtschaft) offers courses for managers. Moreover, Bohlsener Mühle profits from a cooperation with Lüneburg University Leuphana organising an so-called ‚Incubator Project' with workshops, analyses etc. (funded by European Social Fund, ESF).

European and national public policies and the related funding had an impact on the opportunity to establishment such a values-based enterprise in a relatively remote rural area. However, the policy impacts are of some importance in the retrospective. Personal believes and the general attitude of the managing director and his core team e.g. the chief miller seemed to be more important for the development of the business (5.6).

Figure 18: Sign at Bohlsener Mühle building for EU and Niedersachsen funding

Relationships with civil society groups

The relationship with civil society groups drives the mill's regional embeddedness (4.3) and this contribution to regional development plays a significant role for the self-understanding of the business and its management team. Bohlsener Mühle and other partners initiated or support: The local group of organic businesses ÖKORegio; ALENA - a civil society project; the Museumsdorf Hösseringen(http://www.museumsdorf-hoesseringen.de/) which is run by local culture associations; and the Otterzentrum Hankensbüttel, a centre for nature conservation (protection of the Otter).

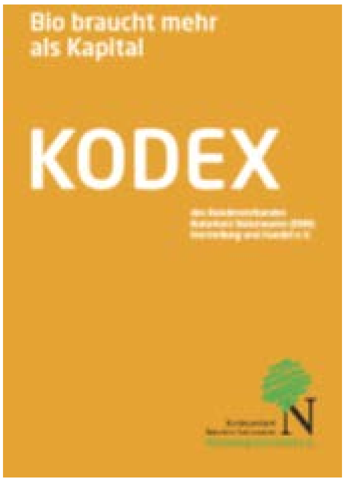

Figure 19: Codex of Naturkost umbrella association BNN

On its website, Bohlsener Mühle refers to its membership with German Organic Food Association (Bundesverband Naturkost Naturwaren Hersteller und Handel e.V., BNN, Figure 19)). The BNN codex has to be signed by all member businesses. This codex is based on the organic principles and aims to restrict organic products to be sold in shops and outlets ensuring consumer assistance qualified in organics, high standards of handling and marketing of the products (e.g. no discount marketing). The codex does not exclude internet marketing platforms such as Amazon.

"For us, organic certifying bodies are very important. We rely on them for the testing of the purchased grain but all our production plants and processes are certified". (BM 2014, 5 and Öko-Korn-Nord 2014, 2)

In contrast: "Fair trade organisations are our competitors." (BM 2014, 5) They offer labelled products on the market of values-based organic food. Fair trade organisations are mainly import companies competing partly with producers on the national market.

Overall, Bohlsener Mühle is very much engaged in the governance of local association but organisations or public bodies are not involved either in the governance of the value chain or the management of the businesses.

5.2 Business and management logic

During the significant growth process, the organisation of the business and the processing, the chain partner cooperation and the communication has changed due to internal and external division of labour and duties. For example, new business areas with particular responsibilities were needed such as a purchase, market analysis, or public relations unit. The number of areas and the tasks and responsibilities per area grew significantly with the expansion of the business. “However, some organisational adjustments are to be implemented. That could not be realised yet but the related strategy process has started and will continue steadily.” (BM 2014, 6)

Bohlsener Mühle was a limited company (GmbH) for a long time but recently was transformed into a GmbH & Co KG (Kommanditgesellschaft[5], founded in 2011[6]). The farmers’ consortium of Öko-Korn-Nord has a legal registration as an economic association (Wirtschaftlicher Verein). Other EZG might be cooperatives. The processing parting Kölln Flocken is a limited company (GmbH) while medium or large-scale downstream partners, the wholesale and retail businesses, are legally registered GmbH or AG (shareholding enterprise). Monetary costs need to be covered by sales revenues. There is no additional income of the business than the marketing of mill and bakery products. Bohlsener Mühle is not providing any public services. The investment projects are supported by European and national funds (5.1).

Business strategies
Bohlsener Mühle has a written mission statement (Leitbild) which is not yet an encompassing business strategy covering all management areas in detail. However, the Leitbild highlights the importance of organic values and sustainability goals. The philosophy of the Bohlsener Mühle enterprise is based on an integration of the sustainability dimensions: the economic and management objectives are integrated aiming to stimulate/”vitalise” the region. (“… die Sozialstrukturen fördern und somit die Region beleben” (BM 2014, 5)

The CEO of Bohlsener Mühle thinks that it would be very helpful “if one knew better what precisely the impacts of certain decisions were, one could put in place more targeted interventions”. “Then, we could install a sustainable way of production, became a social role model, be interesting for school and university students and engage in culture as it was wished by the community.” (“Wenn man weiß, wie die Wirkung ist, dann könnte man noch gezielter eingreifen und eine nachhaltige Produktionsweise so gestalten, dass sie sozial vorbildlich, interessant für Schüler und Studenten ist und kulturell vorbildlich ist.“ (BM 2014, 5)

The upstream chain partner Öko-Korn-Nord does not have such an elaborated strategy but the Articles of Association document overall objectives, as well as roles and responsibilities of the board and of individual members. The downstream chain partners like retail businesses such as Alnatura normally have a well-elaborated sustainability strategy. Individual Naturkost shops and Naturkost chains follow the umbrella strategy of BNN (see BNN Codex, Figure 19, 5.1). The marketing through BNN certified channels ensures the communication of organic values and helps to ensure as well

[5] The GmbH can be managed by only one limited person while the KG has a group of limited partners (Kommanditist). Responsibilities and duties are shared among limited partners; that can be of particular relevance for long-term planning of the enterprise and their business partners.

[6] The enterprise Bohlsener Mühle GmbH & Co. KG is registered with the Commercial Register number HRA 201433 in ’Handelsregister’ of Amtsgericht Lüneburg, founded on the 22.8.2011.

social standards through the chain. However, the variety of marketing channels includes that the transmission/communication of values can be limited to the package of the product.

The strategic orientation is important for the realisation of overarching business objectives. Bohlsener Mühle has a long-term strategic partnership with Bioland based on the organic conviction. Other strategic partners are the Chamber of Commerce (Industrie und Handelskammer, IHK), the Employers Association (Arbeitgeberverband), and the local business development agency (Wirtschaftsförderung).

All partnerships are seen as 'real' partners (not only for strategic reasons) because Bohlsener Mühle aims to establish long-term and trust-based relationships. (BM 2014, 6) Apparently, each member of the value chain has a strategic orientation with individual written or non-written strategies focus on organic values, on regionality, integrity and trust. "We don't have any tactically targeted partnerships." (BM 2014, 6) An example: "Budni is a type of retail partner we like to cooperate with. It's a shop for everybody, not only for organic grass-root people. It's a chance for us because consumer groups get to know our products that would never enter a Naturkost shop." (BM 2014, 6) (see as well the challenge related to 'young organic consumers', 5.6). "When Edeka, the big conventional, but high-quality retailer, was asking us for cooperation, we had several internal discussions asking ourselves; do we want to sell with Edeka or should we rather avoid the offer of products with Bohlsener Mühle logo in these conventional outlets? We took the decision to only market products labelled with the private label of e.g. Alnatura or Rossmann in conventional outlets. Such Bohlsener Mühle cookies are based on different recipes but are packed and labelled differently. That was a strategic decision" (BM 2014, 6). These decisions were based on the analysis of strengths and weaknesses in different segments of the market for organic cereal and baking products. "We rely on excellent information on sales numbers with different retailers, data of competitors' products, specific problems in distribution or marketing etc." (BM 2014, 6)

The development of new products (Produktentwicklung) is important for Bohlsener Mühle because the offer of new long-life bakery or convenience products or cereals drive the image of the business. "Originally, only flour for further processing was core product of the mill. In 2010/11 a market analysis showed that the Bohlsener Mühle had a relatively weak image for the marketing of end-consumer product but has a potential in this area. For that reason, the strategic orientation focused much more on end-user products such as breakfast cereals, cracker, and grain products such as instant tabbouleh and couscous mixtures. These products fit easily the image and a trust-based marketing of the organic processor with strong regional embeddedness." (BM 2014, 6)

Management instruments

The management instrument fit well the business strategy and the overarching objectives and values such as

- professional development of long-term investment plans,
- external quality insurance system (IFS-Quality standards),
- involvement of an external office for the development of marketing campaigns, advertisements, design of info material etc.,
- internal market analyses, enriched by professional external market analysis undertaken by bioVista;
- financial and tax advisory service by a local agency (represented in the board).

Acting on the basis of the value of reliability which is enabled by e.g. financial reliability, quick payments, open communication, a trustful/supportive relationship with employees and business partners.

Management instruments of high relevance are:

- Employment of professional staff for particular technical or management areas
- Encompassing regional engagement in social, environmental and cultural associations, groups and projects
- Ensuring long-term business relations and contracts with distributers and with certified and audited suppliers over three decades already
- Involvement of young people by offering apprenticeships in the different branches of the enterprise including participation of an international apprenticeship programme
- Supporting young members of the business by offering of a room in a village house for apprentices, guests, employee in difficult situation etc.
- Sponsorship related to the award for the best mid-scale enterprise in the Luneburg region
- Participation in the over-regional campaign, the 'Bio-Brotbox' for primary schools
- Consumer events such as the annual mill festival in summer
- Organising of cultural events in the mill e.g. literature evening with the book 'Krabat', feature of films related to global sustainability topics etc., thematic cooking courses in the evening

Trust and responsibility as well as participation are very important for the internal organisation. An excellent internal and external communication based on the value of openness are defined as highly important but in practice not all internal processes match the set goal. Competiveness in the market is very important due to limited margins in the market of flour and baking products. Even the market for organic end-user bakery products is highly competitive.

Pricing systems and fairness

Grain supply: the sales talks between Öko-Korn-Nord and the Bohlsener Mühle begin in early summer before the harvest starts aiming to check offer and demand for the different types of cereals. At this time, each business partner is relatively free where they are going to sell or to buy. “If prices are in a 'reasonable' range, we tend not to change business partners.” (BM 2014, 5). The traded volumes over the year are the result of a series of business talks. Grain prices are based on a general agreement which has been negotiated in the wake of the economic crisis of 2008/09. There is a premium price paid for primary producers when the quality of grain is high (depending on testing results at grain storage place or at the mill). However, Bohlsener Mühle is not paying premiums for contracted or long term business relationships. It is just paying for high quality grain. All payments are based on the average organic grain prices as nominated by all processors at the public grain price agency (nominations at 'Getreidebörse').

Member farms of Öko-Korn-Nord EZG have the right and the obligation to deliver their harvest to Öko-Korn-Nord. For the members the pricing system is of core relevance. Since the beginning, it has been based on a 'pooling price model' which became more detailed over time.

- The 'pool price' is a baseline price for a standard quality.
- The 'pool price' is an average price that each farmer receives as a minimum price.
- The level of standard quality is defined annually depending on weather conditions.

- Top-up payments are paid for qualities above standard (e.g. protein content, baking properties); top-ups vary over years.
- The payments are based on the cereal delivered, although, these criteria are not relevant for the sales of the EZG (incentive for high quality delivery, Öko-Korn-Nord 2014, 2)

The marketing prices of the grain delivered to the Bohlsener Mühle are based on the current notations of the cereal prices. These prices are collected and published by the German market and price organisation (AMI). The published prices are averages of the processors' price reports; these prices represent the baseline for price negations. Since price fluctuations are negative for suppliers and purchasing enterprises, Bohlsener Mühle and Öko-Korn-Nord agreed on a pricing system that ensures that the temporary deflections of the grain prices are split in half. The common aim is to reduce positive as well as negative shifts of product prices. Apart from this, there are no fixed production and delivery contracts (Anbauverträge) between Öko-Korn-Nord and the mill business.

This system is seen as a relatively fair system for both primary producers and the processor. Prices are fluctuating which could be good or bad for either of the chain partners (Figure 7). Grain prices are driven by the national organic market and the international commodity market. Even when organic and regional prices differ slightly from international prices, they still depend strongly on general grain market trends. "Fair pricing – that's a bit tricky" ("Faire Preise – das ist so eine Sache"). Bohlsener Mühle implemented a pricing system that reduces the risks of price volatility for both sides. "Fairness is sometimes hard to implement because it reduces flexibility" (BM 2014, 5). The Bohlsener Mühle once was discussing opportunities to secure cost covering in arable farming in the long-term. "However, the EZG associations will always have difficulties to identify such a minimum price for the cereal products due to

- Heterogeneity of natural conditions resulting in e.g. oat yields that are significantly higher and have better qualities near the coast in Schleswig-Holstein than in the eastern part of Lower Saxony;
- Different farm structures with a high proportion of family farms in Niedersachsen versus a very low proportion of small scale crop farms in Sachsen-Anhalt, the neighbouring state that is characterized by large scale corporate farms;
- A variety of production systems with e.g. a vegetable farm where oat growing contributes mainly to soil fertility and health of the vegetable crops while the oat sales are of minor relevance for the total farm returns." (BM 2014, 5)

"These examples show that some oat growing farmers even would continue to grow oats when the price was so low that it would ruin a large number of other farmers." For that reason, the value of fairness seems to be rather "the communication how chain partners interact with each other" than setting fixed or high producer prices. ("Fairness bezieht sich also eher auf die Kommunikation, und darauf wie man miteinander umgeht...") (BM 2014, 5)

Marketing channels: Bohlsener Mühle has not a fixed price for end-consumer products. The price realized between the mill, the wholesaler and/or retail businesses is based on the price in the shop. Trade margin accounts for about 60% when several trading steps are taken into account. Long-life products with Bohlsener Mühle label are more expensive than the private label products e.g. in the Alnatura outlet. However, it is difficult to compare exactly because the ingredients and the production process might differ between products with Bohlsener Mühle label and private label products. (BM 2014, 6)

Handling of margins: organic grain for baking produced in Northern-Germany has the quality property of ‘regionality’ and products are certified organic by organic bodies. Moreover, the grain is tested for the properties highly relevant for processing such as baking quality, protein content etc. Such properties are a precondition for the production of high-quality flour. Due to lab testing, high-quality grain realises a higher producer price. Apart from that, it is not possible to reflect on equally split margins because prices and pricing are not transparent on the different levels of the chain.

Overarching business logic

The business strategies and long-term orientation of business relationships follow an overarching logic. This logic is based on clearly formulated values. The ‘Leitbild’ is a document showing objectives and core ideas of the management. The system of supply, processing and marketing is consistent. Even without contract based relationships, the systems of values and business management instruments fits well. All chain members select their business partners and focus on similar values. Long-term relationships have been established and persisted during the time of the crises. However, business strategies might differ between chain partners depending on products, services and target groups (downstream processor or consumer). The transmission of values was ensured even in times of rapid growth. Bohlsener Mühle has grown rapidly and currently, the development of the enterprise has not yet come to an end. Management areas are still in the process of consolidation by e.g. defining clearly responsibilities and efficient communication processes.

5.3 Trade-offs between quality differentiation and volume and economic performance

Main values put forehead

Four values are of core relevance for the Bohlsener Mühle enterprise: Quality, entrepreneurship, regionality and openness. These values are highlighted on the homepage and brochures, articles etc. (BM 2014, 1; 2014, 2; 2014, 4)

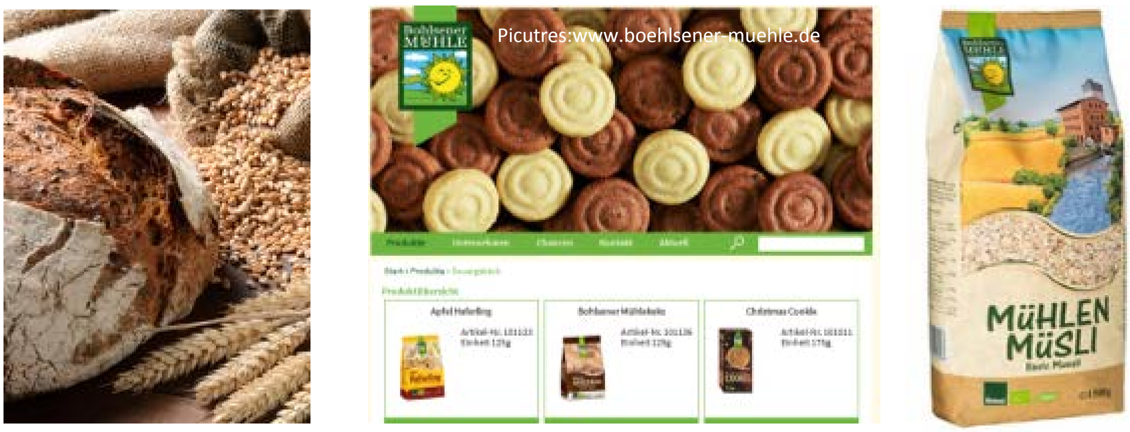

Figure 20: High-quality fresh artisanal bread and dry long-life cookies and breakfast muesli

1) High quality products

The Bohlsener Mühle aims at producing products with a low degree of denaturation, e.g. trying to avoid the addition of extradited products in breakfast cereals, no added aromatic substances etc.

Organic production, mainly based on Bioland production standards, processed and packed under high technical standards. (For more details about ‘quality’, see 5.5)

2) Entrepreneurial sovereignty

The ‘principles of the entrepreneur’, the entrepreneurial attitude and conviction, is a very important value which is expressed by reliability and responsibility as a business partner. These entrepreneurial principles are highly appreciated by the mill's business partners. The entrepreneurial spirit is driving the development of Bohlsener Mühle, to a considerable degree leading also to its economic success.

3) Regionality

Regionality includes the supply region, as well as the impact on the regional economy: “Regionality – that’s a relative size, not measured in kilometres – as close as possible and as binding as feasible for suppliers” (”Regionalität nicht gemessen in Kilometern, vielmehr als relative Größe – so nah wie möglich und so verbindlich wie möglich für die Lieferanten.” BM 2014, 5)

The term ‘regionality’ in a wider sense refers to the grain supply originating from all over Northern-Germany. This ‘regionality’ is relevant for end-consumer marketing of fresh bakery goods and for the communication of organic bakeries. When these downstream chain partners, mostly located in Northern Germany too, offer their bread at the bakery’s sales counter, the origin of the grain might play a role for the enquiring consumer. In this case, the value of regional cropping might be significant. (Even if the bakery is in Cologne area and the rye’s origin might be in Vorpommern near the Polish border, the shop assistant would claim the flour used for bread making as a ‘regional’ product.) With long-life bakery products and dry products which are sold through-out Germany and even exported, the regional origin of the grain is becoming less important. Due to the above mentioned ‘relativity of regionality’, dry products are not labelled as ‘regional’ products.

In contrast, the local socio-economic impact of the mill is highlighted as a core value of the mill business. It is obvious that Bohlsener Mühle has a significant economic and social impact on the region as it is employing nearly 200 persons, demanding goods and service of local enterprises and enhancing regional economic cycles due to the engagement for the Öko-Regio association. In terms of healthy food supply, the bakery offers daily fresh wholesome bakery products for local consumption. “The mill is particularly embedded in the regional economy” (BM 2014, 5). This region refers to the eastern part of Lüneburger Heide with the rural centre of Uelzen, around 33,000 inhabitants (Figure 1).

Additionally, Bohlsener Mühle is engaged in the protection of the cultural landscape of Lüneburger Heide. The business supports institutions aiming to foster life and quality of life in the area. For example, the village museum Hössering which is a place of traditional knowledge and cultural heritage; the Otter Centre Hankensbüttel that protects the natural environment of local wetlands (4.3 and 5.1); the engagement with health and ecology education of school students; supporting sports activities in the commune; as well as other efforts enhancing regional development such as the foundation of a virtual academy for rural development and sustainability (see section 5.1). The mill is organising or supporting cultural events in the mill.

4) Transparency and openness

Transparency of material flows; origin of grain and other inputs: Openness stands for the attitude towards new ideas and changes as well as internal criticism.

- “Openness does not mean telling the consumer what we like and what we don’t like.”

- “Transparency about salaries is a given anyway. However, salaries are never just comparing the incomes of manufacturing and office employees.”
- “Young people doing an apprenticeship are producing the internal newspaper supported by a PR-staff member.” (BM 2014, 5)

The value of ‘entrepreneurial sovereignty’ refers closely to organisational and governance structures of the business partners in the chain. The CEO of Bohlsener Mühle highlights the role of owner-managed processors (such as Bohlsener Mühle or Kölln) and individual Naturkost shops. About one third of German Naturkost shops are owner-managed. “This group of shop owners is asking more and more for transparency along the chain and specific knowledge about the origin and the particular qualities of the organic products they are offering in his/her shop. Shop owners wish to be able to communicate the ‘story’ behind the products and processes because the consumers are asking for it. So, the managers of the shops were asking particularly for the specific values of the handled products because they are forced to sharpen their shops’ profile. With this strategy, they aim to resist the increasing pressure of wholesale businesses who want to offer more and more products branded with their own trademark (e.g. the organic wholesaler Dennree).” (BM 2014, 5)

Apparently, this group shares the opinion that the trade labels intersect the transmission of information (and therefore of the additional values) from the producing and processing sector to the shop’s counter and consumer. Bohlsener Mühle management has realised that this in turn provides a good opportunity for a medium-size processor with a strong producer brand and convincing communication strategies linking the consumers’ wish for proven origin and organic quality back to the primary producer, the crop farmer, in the ‘region’.

“The Naturkost customers show sovereignty, these consumers can influence the production process” (“Das ist Souveränität, wenn der Verbraucher Einfluss auf die Erzeugung nimmt” … “and it’s the medium-sized business that has the sovereignty and the creativity …” (“Das ist der Mittelstand mit seiner Souveränität und Kreativität…). (BM 2014, 5)

Understanding of Quality

‘Quality’ is a very important aspect for Bohlsener Mühle! When talking about ‘quality’, the term usually refers to product quality in a narrower sense which means quality properties that refer to the measurable physical composition and appearance of the products. Products such as flour, bread, cookie, etc. are tested in the laboratory for ingredients, chemical composition, shape, colour and taste by the mill’s team of quality insurance. Formal quality management systems are in place ensuring a high standard of quality control. This is of particular importance for the communication with downstream partners such as organic bakeries, wholesale and retail partners as well as consumers (see 4.4. consumer inquiries). The related slogans were: ‘The energy of the whole grain!’ (‘Die Kraft des vollen Korns!’) and ‘Naturally good!’ (‘Von Natur aus gut!’). (BM 2014, 6, Figure 21)

Figure 21: Bohlsener Mühle truck with marketing slogan

Today, the currently used marketing slogan is ‘LebensWert!’ - Life’s value! or value for life...

In contrast, process qualities such as ‘organic production’ or ‘from biodynamic farms’ are ensured by external certification of primary producers and therefore, require less engagement and responsibility of Bohlsener Mühle management. Quality aspect of high organic production standards based on Bioland or Demeter rules appears to be a more ‘general’ quality property of the processor’s inputs. Process qualities are guaranteed by the supplying EZG, organic wholesalers or traders/importers. Bohlsener Mühle trusts its upstream chain partners because external certification is ensured. Moreover, the mill’s purchase policy is based on preference for long-term and trustworthy business relationships (5.2).

Bohlsener Mühle’s understanding of high quality focuses on the analysis of raw material from cropping up to the end-user food product. The aim is to offer ‘tasty’ (‘geschmacklich hochwertig’) and ‘wholesome’ (‘vollwertige’) food products. The preference is to use the whole grain for further processing. Only natural herbs and spices (no artificial aroma substances) are added. ‘Enjoyment quality’ (‘Genussqualität’) is a characteristic which is based on the selection of sensorially, hygienically chemically pure raw material.

Organic quality of grain is certified by Bioland and Naturland certificates. Moreover, Bohlsener Mühle holds organic certifications and the IFS food certificate based on the auditing of long-life bakery products, breakfast cereals and dry products (Figure 22).

Quality testing on all levels of production, processing and distribution is the key instrument of Bohlsener Mühle:

- Laboratories with testing methodologies for grain on the level of supply (Öko-Korn-Nord). The EZG ensures the qualities of the ordered volumes of different type of arable crops.
- The Bohlsener Mühle quality unit practices own quality testing of input and output (milling, baking, packing etc.).
- During distribution and marketing, common measures of storage and delivery controls are in place. Organic standards are tested by certifying bodies such as Bioland and Demeter.

The homepage referring to ‚Bohlsener Mühle quality‘ highlights some characteristics which are summarized by the motto ‘Bohlsen can more!’ (‘Bohlsen kann mehr!’) (BM 2014, 1):

- We only ‘make’ organic – 100%.
- We ‘make’ our organic ourselves. We drive the production technology and take into account all ecological requirements – in our own mill, in our own ‘fresh bakery’ (Frischebäckerei) and in own ‘backing street’ (Backstrasse).
- We know the origin of our organic grain: from Northern Germany.
- Based on this – we foster organic farming in our region.
- We enhance economic and social development of our region.
- ‘Bohlsener Mühle’ brand is transparent and authentic – a synonym for organic products and the organic production system.
- And due to all of ‘this’, we are a ‘part of tomorrow’; and “There is no alternative to this development. “ (BM 2014, 1)

Figure 22: Certificate for organic processing and IFS food certificate of Bohlsener Mühle

A general phenomenon the processor has to deal with is related to the different understanding of quality or the different expectations related to product/process qualities: While the end-consumer at the bakery's counter is asking mainly for the origin and the reliability of the primary producer, the baker in the back of the bakery is asking for the particular ingredients and the baking qualities of the flour in particular. Both requirements have to be fulfilled by the mill supplying organic bakeries all over the country and even (German) bakeries abroad. The end-consumer using a dry convenience product will have high expectations on the easy way of preparing a menu and an excellent taste of the tabbouleh or couscous.

Growth and its challenge for quality differentiation strategies and economic performance

The development of the mill in the 1980s started with the conversion to organic and the baking. This was a significant increase in production which was a precondition for the survival of the local mill. (4.1) Concentration processes with increasing processing volumes were on-going over time in the milling sector. This trend was even stronger in the conventional than in the organic sector where medium-size businesses like Bohlsener Mühle were able to establish a distinct position on the market.

Only the growth process with the construction of new and more specific production facilities with the new testing and laboratory areas offered the opportunity of a standardised and high-quality production of a variety of end-user products (see understanding of 'high-quality' in 4.3 introduction). With the high-technology production, quality became a measurable standard. This understanding of quality includes the uniformity of e.g. the cookies.

"Some of the people who know Bohlsener Mühle for a long time say that the 'old' cookies had a better taste than the modern ones. This is maybe true because current quality testing requires a uniform shape and a less short/crumbly texture of the cookie. This makes it very clear how hard it is to define the excellent quality of a cookie." (BM 2014, 6)

Not only the ingredients and the process of baking changed with the modern processing facilities/'streets' changed but as well the opportunity to produce more products. Such modern processing plants are a precondition for the development of new grain-based products (couscous, convenience veggie/vegan burger mixtures etc.). In contrast, the fresh bakery is still using outdated baking facilities and therefore, it has reached the limit of the product range for fresh bread and pastry. Daily production volumes have reached the capacity of the 'Frischebäckerei' ('fresh bakery').

The steady growth in volumes and product range was based on significant investments. New buildings and production facilities aimed to produce more, better/high-quality and different long-life dry products from grain. "We put a lot of emphasis on quality insurance and quality improvement of traditional and new products. Our investments in modern technologies helped to maintain our quality standards and quality testing." (BM 2014, 5) The Bohlsener Mühle sells different products but does not practice an internal quality differentiation with higher and lower quality products. Even private label products are expected to be of a very good quality. "Quality did not suffer from growth. We are proud of a solid development of new products and product ranges." (BM 2014, 5)

Concerns exist because of the situation on the market for organic grain products. The mill business has a strong orientation towards more competitiveness. The 'future-orientation' of the management team is seen as a key instrument. "We take into account new trends and developments of competing businesses. "We follow market developments" (BM 2014, 6) (4.3, 5.2). "Our management has a good 'entrepreneurial intuition' ('unternehmerisches Gespür') which we combine with information from professional analyses. This is the basis for our decision-making processes." (BM 2014, 5)

New products have been developed but very few new qualities. The 'crunchy plant' was a technical innovation with a very gentle process of roasting. 'New' quality properties might have come up with the enlargement of the organic bakery supply (easier processing of flour) or the 'easy to cook' convenience products such as taboulleh.

Economic performance was the precondition for new investments. Without increasing turnover and extended product range Bohlsener Mühle would not have been able to establish business development plans for bank loans and public funding. In the wake of the investment, growth in volumes and turnover has driven the economic performance (see "turnover" and "employment", Figure 10). The expansion of organic flour mills in Schleswig-Holstein and Niedersachsen was a precondition for the significant growth of the organic farming sector in Mecklenburg-Vorpommern and Brandenburg after reunification (in 1990). For neighbouring communities of Bohlsen, the growth of the mill had an impact on regional economics (income and employment). Overall, the stakeholders' satisfaction with the development of their economic performance depends on mainly on the general market trends.

Grain suppliers' satisfaction: Since economics of arable farming improved during the last decade, grain producers tend to be happy with their economic performance. Due to the competition, EZG can change between mills when the price negotiations are not in line with the expectations. The organic market for organic grain is a high-quality grain market with elevated grain prices compared to conventional grain. If the quality of the grain is good, farmers are satisfied with the economic performance of the Bohlsener Mühle processing chain.

Marketing partners' satisfaction: Due to growth in organic markets and premium prices paid by the consumer of organic values-based food products, satisfaction was not influenced by primary producers or the mill processor. Transparency of the market is not given so that costs and trade margin ratio are not to be analysed.

Quality differentiation was part of the growth strategies in the past. Bohlsener Mühle has been using differentiation strategies for different areas:

- Product differentiation strategy with a significant increase in the product range and an on-going development of new products (product development unit, 'Produktentwicklung')
- Quality differentiation on the market for organic bakery products has been realised by maintaining the image of a traditional, artisanal processor with organic values. Regionality and the fact of own processing of the labelled products is an asset of Bohlsener Mühle.
- A market differentiation strategy within the range of own products has been implemented by the introduction of the private label product range. Bohlsener develops and produces dry long-life bakery goods for trademarks like Alnatura.
- The processing of Demeter certified grain is a particular niche. Some organic consumers prefer biodynamic farming because production standards are higher and different to Bioland standards. This niche market within organic existed since the beginning and has not been enabled by a differentiation strategy.

The communication of core values and main product properties of Bohlsener Mühle products was improved because the use of professional marketing tools for end-user products were not strongly implemented before 2010. In particular the fact of own processing and testing of regional produce has only started to be transmitted. Successful product lines in the market might not be able to offer these quality properties. However, the professional marketing was able to realise significant shares in the market with cookies. Bohlsener Mühle emphases these values because trademark products will not be able to communicate it alike.

Quality differentiation by itself did not seem to a particular challenge for Bohlsener Mühle. However, the differentiation on the market with a large number of products and brands is a challenge for medium-size enterprises because the mill's growth strategies have been based on maintaining the original/traditional values of the enterprise. On the other side, large cooperations are strong competitors on the market because they started to label and market organic product lines. This is new and represents a challenge for relatively small producers such as Bohlsener Mühle (4.6).

5.4 Communication of values and qualities

Bohlsener Mühle is a well-stablished enterprise. For that reason, the communication of values and qualities has occurred over decades. The CEO of Bohlsener Mühle has been the key person shaping structures and activities. All values and quality requirements are driven by him with professional support of staff members.

Internal communication is important but still an area to be improved (BM 2014, 6). Internally, the communication is mainly based on personal contacts, meetings or phone calls. Partly working processes have been formalised during the last years aiming to improve efficiency (BM 2014, 6). External communication within the chain – except with consumers – varies between persons or organisations. Overall, personal contacts such as meetings and telephone calls still play a major role when the CEO or leaders of the different management areas (5.1) have to address new or sensitive issues (new or sensitive business talks, cooperation, organisation of marketing or other events, regional activities etc.).

When business communication refers to day-to-day business with external partners, it is mainly delegated to the subordinated level of responsibility. Depending on the particular task or responsibility (planning, production, supply, marketing, controlling, strategic orientation etc.), the communication differs. There is short- and long-term ordering, mainly based on contracts with e.g. supply partners (confirmation of delivery done via Email or telephone call).

Moreover, values such as reliability are supported mainly by ‘action’ (quick payments, service orientation, open minded, integrative etc., 5.3). The management of the owner-driven enterprise represents the variety of core values and communicates these values directly and indirectly. When the CEO of Bohlsener Mühle meets with business partners, his arguments (and his personality) represent the core values either explicitly mentioned or transmitted by talking about production system, quality management, product development etc. The latter would be a more indirect messaging of the underlying values.

With consumers, the communication differs because the director is not involved in consumer communication. “An excellent and very successful communication to the customer is the ‘freshness’ of a product. A fresh and tasty bread, pastry or piece of cake is more convincing than many words.” (BM 2014, 6)

Normally, inquiries (telephone, email or posted mail) arrive at the central office. Many customer contacts are based on emails. The office distributes each inquiry to the division which is responsible for the particular issue. For example, a consumer inquiry is asking for dietary requirements would be directed to the quality division. A more superficial inquiry e.g. related to a recipe or the location of Bohlsen would be delegated to the person responsible for public relations (PR). (BM 2014, 6)

There is no general responsibility for consumer contacts. For that reason, the answers leaving Bohlsener Mühle are not standardised in language or in formal requirements but depend on the person dealing with the particular inquiry. The more specific in terms of health or technology the inquiry is, the more sophisticated the language of the response will be because the technician or quality expert answering to the consumer is normally not trained in PR communication. “That is precisely what is sought. That’s why the quality division is much bigger than the PR and marketing division” (BM 2014, 6). Both, PR and marketing division are each represented by two persons. They are not able to discuss strategic issues often due to a lack of time in daily business. (BM 2014, 6)

In the past, Bohlsener Mühle was communicating directly with farmers, in particular related to conversion towards organic production in the early days of organic milling. Currently, communication with primary producers refers mainly to the farmers’ associations. The contact to single farmers is reduced to either some large scale suppliers who have a grain marketing independent from EZG and some farmers who are in personal contact (friendship, long-term cooperation in non-business areas). “The personal contact with farmers has been lost. That’s a disadvantage: farmers don’t have the personal relationship to the mill as they used to have in the beginning of the organic business. This bond (Verbundenheit) vanished. For example, there might have been a situation in the past when the management of the mill had helped a farmer (e.g. financial problems). In consequence the farmer felt closely related to the mill. For that reason, the farmer a) had a strong feeling of give-and-take (Kompromissbereitschaft) and he would be more tolerant when a new business was not as favourable as expected; and b) was particularly reliable (verlässlich). In 2008, the mill realised that this strong bond, loyalty and reliability had partly disappeared. It was not anymore what it used to be back in the 80^{th} or early 90^{th}." (BM 2014, 6)

On the other side, "the General Manager represents openness and aims to keep the personal contact alive between him, the 'organic-value entrepreneur', and the consumers, neighbours or business partner and farmers. However, due to the expansion of the enterprise, this contact is more difficult to maintain than in the past." (BM 2014, 6) The value of an open and fair communication is of particular importance for the CEO (3.5). It is still a characteristic of the 'natural' understanding among actors in the German organic industry to stick to the grassroot 'green' believes and the basic social values like 'communication on eyes-level with everybody'. "It's a matter of fact; an 'eco-enterpreneur' keeps in contact…" (BM 2014, 6)

The participatory principle of communication is a legacy of the early green movement that is still present among groups of organic pioneers of the early 1980s. "It is an open question what might happen to these grassroot organic/green believes, markets and industries when the first generation of organic entrepreneurs retires." (BM 2014, 6)

"The communication and the way of keeping up with old and new contacts are very specific in the organic industry. It was somehow different from what we had experienced in our earlier jobs. One has to learn a lot about the values and the thinking behind organic production and marketing. That was very new to us in the beginning. It's interesting to see how good the general understanding between key actors is. It's like a community – they have experienced a lot together during the development of the organic sector and the green political movement." (BM 2014, 6, 10) The organic projects and association are grounded in the general understanding of these larger national or smaller local stakeholder networks such as BNN association, Biofach fair, ÖkoRegio, Alena, Lässig, Museumsdorf. (see 4.3).

Topics and ways of communication

There is a regular communication with most of the business partners. The communication focuses on business – ordering or supplying. There is a particular focus on communication regarding timeline and quality expectation or requirements for supply/delivery. Bohlsener Mühle management aims to practice a clear and well-focused communication on relevant details regarding qualities and services – open communication (no hidden agenda) (5.2). The management emphasises that reliability, trust and integrity are results of excellent communication measures between long-term partners. "Awareness of a long-term perspective of business partnership is driving the communication on eyes-level between chain partners." (BM 2014, 5) This seems to be one strategy to address the highly competitive situation in the grain and milling sector.

The communication channels between stakeholders are those of general use such as personal communication (business meetings, long term planning, etc.), telephone calls (ordering, discussion of details, organisation of non-business social or environmental events etc.), and E-mail communication.

The frequency of communication depends on subjects (product/service/organisational issue) and season. Due to the large product range and the variety of on-going processes, communication is very different. "Bohlsener Mühle has large production plants with different teams responsible for supply, processing, packaging, storage and delivery. The manifold interconnections of processing and management staff are, the large the variety of communication with the related stakeholder is. Fresh bakery production is based on daily orders and supplies. Other contacts take place more on a weekly or monthly basis. Contacts with organic bakeries might be frequent or seldom, just depending on the needs of the particular downstream stakeholder. Small bakeries stick to the fax-machine or the telephone for their convenience and habit. They do not yet order by email or other do not use any other online order system. Bohlsener Mühle has a sales team that cares about the requirements of the organic bakeries. They visit their customers on a regular basis; sell grain products and the additional bakery supply products. The personal contact and the professional advice related to baking properties of the different products are appreciated by the organic bakeries. Some of them are long-term business partners of Bohlsener Mühle. “Our sales person and the bakery owners know each other well; some of them became really close over the years. It’s very important to ensure continuity and reliability in these business relationships.” (BM 2014, 6)

In general, as soon as something new is planned or set-up such as a new product, large investment or a new initiative (ALENA, organic lunch box, etc.), the related communication is very intense. Management processes like strategic planning or the development of marketing campaigns require a frequent communication on different levels internally and with chain partners and service enterprises. “The organisation of new things requires a lot of engagement and so there are many meetings or phone calls.” (BM 2014, 6)

Often strategic talks are taken over by the CEO himself. He has his network contact and people appreciate his encompassing engagement in many organic business and honorary projects.” (BM 2014, 6). “Main tool of communication is still the telephone.” (BM 2014, 5 and Öko-Korn-Nord 2014, 2). “Email is very important for many employees of Bohlsener Mühle, including the customer contacts”. (BM 2014, 6)

Interaction between primary producers and consumers: The value chain of Bohlsener Mühle is not characterised by a close link between consumer and producer. Usually, there is no interaction between crop farmer and consumer (exception: specific events such as open farm days or the annual mill festival, das ‘Mühlenfest’, in Bohlsen; AZ 2014). Farmers usually are represented by the EZG which is responsible for the business with the mill. Most supplying farmers are relatively far away from the mill which would make a personal contact difficult (Figure 1).

Apart from the annual mill festival, Bohlsener Mühle organises a traditional, annual ‘eel feast’ (‘Aalessen’), a local bowling and a running group, the ‘Lauftreff’, the monthly cooking events for staff and friends of the mill, excursions to closely organic business partners such as the fruit farm of Augustin enterprise, or organic courses for employees which are organised in cooperation with Bioland (‘Biogrundlagenschulung’, 4.1). These events foster the community of Bohlsener Mühle employees which helps to bridge the (felt and articulated) ‘gap’ between the milling and the fresh bakery units “down in the village” and the management and ‘high-tech cookie street’ units “up the hill” (“DIE da oben!”). (BM 2014, 6)

Moreover, consumers’ inquiries show that the main interest is on imported ingredients and overall, more related to the product than to the production of the very basic inputs such as wheat or rye flour and oat flakes. For example, consumers tend to often ask for the origin of sunflower seeds. The general attitude is that imported seeds from Turkey have a good reputation while imports from China have a bad reputation. Indeed, Bohlsener Mühle is importing sunflower seeds from China due to quality reasons (high quality = no residues from any pesticides, pureness, size and form of seeds, oil content, taste etc.). All imported ingredients are QS certified organic. “Even if the quality from Turkey was bad, the reputation of the ingredient would have been better than from China. It’s a lot of work to explain again and again. It is not rational – it’s just because of China origin.” (BM 2014, 6)

This way, consumers provide feedback via email or telephone call. They send enquiries to the mill (email or online message/homepage of Bohlsener Mühle). Target group regarding consumer contacts are mainly women/mothers in responsibility for a healthy nutrition of their family. When inquiries come in, the receptionist distributes to the different divisions depending on the subject. Many enquiries relate to quality issues and are therefore send to Bohlsener Mühle quality unit. This group is dealing with technical, chemical or nutritional issues that require more technical or scientific answers than general inquiries which are distributed to the PR responsible. Since incoming calls or emails of consumers are not collected systematically, there is no detailed record about numbers and type of subjects.

IT based communication channel: "Most employees in leading positions are older than the typical Facebook generation. We haven't started to work with it. It is not our hobby. Probably, we should go for it. Most businesses with busy Facebook pages have a person, for example a family member, who enjoys social media and takes over the job for the whole business. We are a bit afraid of the time that is often spent with these internet activities – there is so much other important work that needs to be done…" (BM 2014, 6)

Growth and communication

Growth processes were the reason for the employment of many new persons working with both, production plants, packing and logistic teams, as well as with management and administration divisions. Due to expansion, new divisions were introduced in the field of management and organisation. Experts with a particular knowledge entered the team. Fluctuation of staff and changing responsibilities were quite common in recent years as a result of the expansion of Bohlsener Mühle. The organisation of a clear communication within work processes is still in the development process. Teams have been elaborating process descriptions aiming to organise communication and responsibilities between team members efficiently. Process descriptions and definitions of responsibilities with the some working areas or communication processes are still to be established. (BM 2014, 6)

During the growth process, the mill has been aiming to realise and ensure the image of openness and transparency. Quality control processes are on a very high standard. The selection and testing of ingredients is very specific. All inputs and production processes are certified organic and aim to realise and document organic principles. For that reason, core business of consumer contacts is the communication of given information. Moreover, the mill aimed to show a close connection to employees and the local community. The management is convinced that medium-size organic enterprises should offers more than just an economic contribution to the community or the society.

Main event is the annual festival of the mill which is a public event in Bohlsen village. In addition, several events are offered of staff and friends or neighbours. "These events are open for everybody" (BM 2014, 6). Cooking evenings or lectures take place in the canteen area in the basement of the office building. For the cooking evenings, one has to register and pays a little fee that covers ingredients and the meal itself. All evenings have a country motto represented by staff member of the country like Spain, Turkey, India etc. The country representative tells stories of her/his home-country kitchen. "This is good fun and sometime our kitchen introduces these new ideas into the weekly menu plan." (BM 2014, 6)

Bohlsener Mühle participates in many organic food trade fairs and events such as 'Biofach', Organic fair northern Germany, 'Südback', 'BioNord fair, 'Bio erleben' in Schleswig-Holstein, Scandinavian

Organic Fair etc.. Biofach trade fair in Nuremberg is one of the most important fairs. Bohlsener Mühle is exhibitor with around 25 staff members present on the fair. The organic fairs mainly focus on business relations and sales activities but contribute as well to internal communication and the development of marketing strategies. Moreover, Bohlsener Mühle is represented on the bakery supply fair 'Südback'. The largest German food and nutrition fair Anuga in Cologne was not yet of particular interest for the organic industry because the Naturkost sales partner and other organic market players was not present. That might change in the future because Anuga fair organisers try to become more attractive for the organic food sector. (BM 2014, 6)

Since Bohlsener Mühle is not yet using social media for consumer communication, this could be an area to get involved. However, this would require a lot of additional work time and engagement of a staff member. Currently, the head of the PR division has not had the opportunity to get involved in social media activities such as Facebook but she thinks it would be time for Bohlsener Mühle to be present. Probably, another person would be needed to care about social media presence of the business. (BM 2014, 6)

Moreover, a more mainstream internal organisation and communication policy of Bohlsener Mühle office would propably include a centralisation and more formal dealing with consumer inquiries. This might be a possible result of the strategy process that started and develops slowly. (BM 2014, 6)

5.5 Quality mediation through the chain

Farmers' perception of superior qualities

The grain producing farmers in northern Germany are a large heterogeneous group: local and regional traditions in the different federal states and even southern Denmark, farm structures ranging from small family farms to large-size cooperatives in the east; and production systems differ driven by organic standards of Bioland, Demeter or other organic bodies. Key values and farm business objective focus on a variety of quality attributes (introduction of 5.3).

It is most likely that the organic farmers selling organic spelt, oat, wheat, rye or legume and oilseed grains to Bohlsen, see at least the tested baking qualities, the organic production standards and the regionality aspect of their harvest as key quality properties. Other quality attributes such as environmental protection, soil conservation or social responsibility are more indirectly linked to the high and encompassing organic standards of certifying bodies such as Bioland and Demeter (5.3).

Since the technical grain quality is the most common and wide spread understanding of high quality, farmers focus on the production of such a high-quality grain harvest by following organic standards and locally adjusted soil-rotation and other know-how intense arable farming practices. If weather conditions in the year are favourable in the area, the quality is good or excellent depending on the region. The use of breeds or plant varieties is an important management decision for arable farmers which can impact significantly on producer prices. Breeding is a hot topic in organic farming with a clear decision for GMO free systems. However, the related quality aspects are not communicated in detail through the chain. The well-informed organic consumer knows about this background but it is not part of a particular Bohlsener Mühle value chain campaign.

Farmers coordinate the quality of their harvest by the testing undertaken by the EZG. The EZG test the delivered grain volumes for hygiene criteria and baking properties and communicate the tested and certified qualities to the processors. Among farmers learning and knowledge exchange is enhanced by organic advisory services, EZG and organic bodies. The related communication and information is not particularly targeted to Bohlsener Mühle qualities but refers to the general standard of organic grain for baking. However, the sales persons of the mill visiting the organic bakeries (5.4) point out the quality testing on all levels of the supply chain. The quality controlling systems are of core relevance for the organic bakery supply chain as well as for the internal transfer of high-quality flours to the own baking facilities in Bohlsen.

Mediation of qualities through the chain

EZG have an important role as mediators of the quality attributes that test, clean, store and deliver the grain to the processor. Moreover, EZGs and their laboratories report back quality details to grain producers (see quality related pricing, 5.2), and the EZG-team helps with the improvement of the production by e.g. giving advice in respect to the selection of seeds. (Öko-Korn-Nord is one of the biggest organic seed vendors in Europe). (Öko-Korn-Nord 2014, 2)

EZG and Bohlsener Mühle run different storage and transport lines for Bioland and, Demeter, as well as different quality volumes. Apart from these two product qualities, no additional quality attributes are handles such as ‘specific region’, ‘from family farms’, ‘from old varieties’ or ‘from nature conservation areas’.

Quality mediation from field to mill and bakery is relatively easy because the involved partners depend ‘technically’ on the baking and hygiene quality of the handled goods. Organic bakeries and bakery shops have a personal contact to the end-consumer and ‘tell the story’ of regionality.

Quality mediation is more challenging from the mill to the customer. More intermediate chain partners like wholesalers and retailers might be involved that have to contribute to value transmission to the end-consumer. Different measures are in place for the communication of qualities. The retailer Alnatura for example shows Bohlsener Mühle as a supplier on its homepage representing the production of high-quality organic grain/cereal products. The price setting for different products or qualities depends on price negotiations influenced by volumes, type of shops or services (Naturkost, online, major consumers etc.) The wide product range of long-life dry products is relatively easy to handle (no cooling needed, long fresh etc.). Wholesalers and retailers manage to ensure Bohlsener Mühle product quality without additional facilities or know-how. The BNN system of organic marketing convention supports value communication in marketing (BNN codex, 5.1). Wholesalers, retailers and Naturkost shops define end-consumer prices (no fixed pricing, see 5.2).

Changing qualities throughout the chain

The processor adds a variety of qualities to the products which differ significantly from organic grain. Grain is processed (hulling, flakes making, roasting, milling). In bakery processes, the flour and other mill products are transformed into fresh and long-life bakery products (sweet and salty product lines). A variety of ingredients are added to bakery and cereal products such as muesli and cereal mixtures). The ingredients are ordinary organic inputs like butter, yoghurt, eggs, dry fruit and nuts, dried seeds, coconut flakes, cacao etc. All ingredients are test for chemical residues, hygiene standards and other technical quality aspects (5.3). The purchased ingredients and their qualities are not labelled specifically. “Our ingredients are organic products and have to meet our very high quality requirements. This is not always easy to communicate. For example, the consumer image of Turkish qualities is much better than our testing results for sunflower seeds show. We purchase seeds from China because they meet our expectations. There is a bias between our quality understanding and the ideas of the consumer.” (BM 2014, 6) Bohlsener Mühle itself adds the values of organic processes and the certification of IFS quality standards for auditing of food producers. IFS-Standards are easy to communicate to customers, for example on the homepage. (BM 2014, 1; 5.3)

Qualities at retail level: retail businesses usually highlight particular products, labels, trade-marks or corporate brands; Bohlsener Mühle might be one of the labels that is sometimes highlighted and helps supporting the image and the value communication of the retailer (www.alnatura.de). Bohlsener Mühle is well suitable for this type of narratives highlighting processors representing trust and reliability of an organic food processor. Overall, wholesalers and retailer are not adding any 'new' narratives but – if they 'tell any stories' of the products, it would be the story of organic farming, traditional milling, artisanal baking or high-quality cereal production in the attractive landscape of the Lüneburger Heide. Partly, retailers add their own label to the product because Bohlsener Mühle produces dry end-user bakery goods for trademark marketing. (3.2)

Major strength of the value chain of Bohlsener Mühle

Key stakeholders of the supply chain see – apart from organic standards - the major strength of regional production, distribution and processing in northern Germany. The intermediate processer (Bohlsener Mühle, Kölln) and the service partners see the owner-management characteristics with the personal responsibility and reliability of the CEO in its centre as a major strength. Owner-managed SMEs are strong because they have "a person who is taking care of the business and its processes." (BM 2014, 5) Owner-managed Naturkost shops share this opinion. Wholesalers and large-scale retail businesses see their major strengths in the wide organic assortment of fresh food and grocery products that they deliver up to the customers' needs. Most of the organic trade enterprises are proud of their know-how, their organisational/logistic capacities and their strong organic networks which are based on personal contacts and shared values with all chain partners.

"We realised that we could have been even more successful in showing how we work and realise our values-based processes. We could focus much more on the customer's needs and explain much better how the whole-grain products of Bohlsener Mühle meet the contemporary requirements of different consumer groups: healthy for digestion, reduced sugar/salt for children, fast kitchen for busy people, long-lasting energy resources for sporty people etc.)" (Bohlsener Mühle 2014, 6)

5.6 Resilience

Section 4.1 and 4.2 highlight the main changes of the mill business and the related value chain since inception. Main changes took place when the system or general structure of the mill business changed:

- Conversion from conventional into organic grain milling (1979)
- Implementation of the next step of flour processing by starting the baking (1980/1983)
- Investment in milling facilities – increasing grain volumes – enlargement of group of primary producers (foundation of 'own' EZG) – 'regional expansion'
- There was a constant process of expansion as Figure 10 shows[7] with e.g. the use of the new 'fresh bakery' (1989): new taste, 'old' customers, and slower sales! Need for new costumers; Grain storage and office extension (1994): 10 employees more - challenging the organization!
- Marketing to Naturkost shops started only in 1990s
- Industrialisation of baking: Construction of second location "up the hill" with 'flakes plant', 'cookie street', packaging/storage facilities, new office; since then: physical distance between the management office and the mill (2004)
- The experiences with the crises (2008/2009) and the lessons learned from the difficult situations changed 'somehow' attitudes or decision-making processes (see below)
- Focus on marketing of end-consumer products only in 2010
- Transformation from legal form of GmbH to GmbH & Co KG

Major critical stages

The exploding producer prices were a shock for the milling sector in general. Figure 7 shows the high rise of grain prices in the beginning of the year 2008, followed by the long-term price development with significantly higher price levels than before 2007. The shock was caused by the quick increase of the mills' input prices that reduced margins of the processors immediately during summer 2008. For months, the assets of Bohlsener Mühle shrank while this crisis was not visible in figures like turnover or employment. "Some people could not sleep anymore but we were so lucky that our local bank partners kept their nerves. So we managed to survive the period of the crisis in 2008/09." (BM 2014, 5) It is not clear how long the mill and the bank would have continued to run the mill. Since economic figures stopped dropping at one point or were slightly improved, even the involved actors would not have been aware of the most 'critical point'.

In the wake of the economic crisis, the financial situation was difficult but improved steadily over time. Apart from the problems visible on the balance sheet of the enterprise, difficult price negotiations between farmers and the mill caused arguments and drove some long-term partner apart. The phase of extremely high producer prices was the most challenging Bohlsener Mühle. In the retrospective, this period fostered the diversification of supply and procurement. Bohlsener Mühle diversified its procurement aiming to reduce dependencies from very few supplying grain partners. This development seems to having been positive for both, primary producers as well as for

[7] Note: When the interviewees told the story about the different investment project, it sounded more like an ongoing process of building, product development, hiring of more expert staff, adjustments of processes, and then new ideas came up again with more planning and so forth. For that reason, not each growth step seemed to be related to a change. Maybe, the steady change caused by the on-going construction works and new product developments represented the constant within the rapid growth process?

the intermediate chain partners (BM 2014, 5 and Öko-Korn-Nord 2014, 2). The delivery volumes of grain were spread more on the four EZG while Öko-Korn-Nord expanded significantly into new marketing channels. Both assume that the diversification of chain partners has been a positive development and gives both businesses stronger market positions. However, dependencies still exist. "The risk is relatively low because we know each other for a very long time". (BM 2014, 5)

In contrast to this externally caused stress, no major internal crisis happened in the past. During the phases of investment, changing technical facilities, involvement of new staff, grouping of new teams, definition of new processes etc., and smaller disturbances had to be managed constantly. "There were always problems to solve when new production systems were installed, new products had to be placed on the market, or other marketing strategies were tested etc. But somehow solutions were found." (BM 2014, 6)

The changes mentioned above did not happen suddenly. It was only the shock with the exploding producer prices in 2008 that was completely overwhelming. These changes were mainly driven by the expansion of milling and baking volumes and the construction of the new buildings and technical, storage, and logistics facilities on the office building (4.1). It is difficult to define the driving power for the on-going significant growth process of the enterprise. Probably, there are three key drivers:

- Firstly, the incredible charismatic energy of the owner and manager of Bohlsener Mühle. "His certainty is unbeatable: 'I always knew that organic food production will only function this way,' he said." („Die Gewissheit von ihm ist entwaffnend: „Ich habe immer gewusst, dass die Lebensmittelproduktion nur so funktioniert", sagt er.") "I have a forced optimism." („Ich bin Zweckoptimist.") „The consumer has the right to have our label on offer! People who are interested in the origin of products will not find a more transparent enterprise." („Der Verbraucher hat ein Anrecht auf unsere Marke. Wer sich für die Herkunft der Produkte interessiert, findet kein transparenteres Unternehmen.") (IHK 2014) The CEO is not only optimistic, he has as well a very strong entrepreneurial spirit and a deep believe in the organic idea and the development of organic food markets.
- Secondly, the CEO has been the owner of the growing, promising and reliable mill business in the rural region of Uelzen. The local bank and the economic development agency (Wirtschaftförderung) provided the financial background for the investment projects. The enterprise had access to long-term bank loans.
- Thirdly, strong partners are with the CEO. In 1983, a senior baker was hired who was one of the first organic bakers in Germany. Back at that time, he was looking for a new work and lifestyle environment. Together, the team planned and realised the construction of the first bakery and they started the development of new products. "Some of these original products are still made today. The sesame cracker, from a far-east recipe, is one of them. In the beginning, tonnes of them were hand-made. Today, they are a factory product of the 'baking street'." (IHK 2014) There is millers, technicians, office or canteen staff, that help to run the business. "When we have got a problem, there is always somebody who can help and who is willing to help. It's a bit like a big family – including anger sometimes." (BM 2014, 6)

Managing the critical stages

The shock in the beginning of the economic crisis was managed by the CEO and a very small group of people. Most workers did not realise the big problems when the existence of the enterprise was at risk. In the retrospective, the crisis was overcome by open communication and trust between long-term financial partners (CEO, bank, accountancy office). Additional financial means were not available, no policy support was involved. However, the mill was in good economic condition before the shock hit it. During the crisis, all teams contributed to kept production and marketing running. The group of responsible people worked very closely together aiming to solve the up-coming issues as good as possible. The wish to manage the crisis together became prominent.

Mainly the CEOs of the involved businesses were responsible for the changes as well as the management of the crisis, supported by his financial advisors.

Due to the long-term reliable business relationship with the local bank based on trust, the crisis in 2008/09 could be managed. The change of the legal form was a step of future risk reduction: a group of limited partners (Kommanditisten) reduces the potential problem of unexpected changes in management. The limited partners who stepped in have taken over responsibility in case of a future challenge or crisis.

Over time, the market and marketing of organic grain and cereal products in Germany has been changing significantly. Not only primary production and processing changed but marketing channels, marketed volumes and consumer groups expanded even more (production gap in German organic market – increasing proportion of organic food imports). (Section 2) Diversification trends of products, markets and market partner relationships are significant.

Fostering adaptive capacity and resilience

During the economic crisis, Bohlsener Mühle proved to be resilient under the given conditions. The business survived even though the economic situation was very close to collapse. (It is not clear how close it was). It was a concerted action ensuring the further existence of the enterprise. In the wake of this challenging period, values such as long-term relationships, openness and good communication, as well as reliability were highlighted between chain partners. Not only during the big crisis, had the enterprise showed adaptive capacity. It had changed and survived during the decades of significant challenges for the milling sector. Since the 1970s, many local flour mills vanished while Bohlsener Mühle survived due to quality differentiation (organic production), growth and diversification of products and distribution channels. Organic stakeholder networks were of particular importance for the overall embeddedness of the business (4.3).

There seems to be little feedback or regular communication flows that reflect on the state of the chain as whole. Too many actors are involved in different business and geographical areas. The overarching umbrella of the BNN organisation (4.3) helps to connect processors and wholesalers, retailers and Naturkostläden all over Germany. The association mainly focuses on the transmission of organic values and professional marketing at the point of sales of organic products. However, BNN represents all organic value chains and not only the organic grain value chain with Bohlsener Mühle in the centre. Bohlsener Mühle purchases market analysis data and information and has a trained marketing analyst in the team. This market information is a very important feedback tool feeding back into the enterprise. Based on this data and information, Bohlsener Mühle can reflect upon business or marketing strategies, target groups and main competitors (no detailed information available due to confidentiality).

The market analyses show that large cooperations are strong competitors on the market because they started to label and market organic product lines. This is new and represents a challenge for relatively small producers such as Bohlsener Mühle. Bohlsener Mühle aims to foster the relationship with the individual owner-managed Naturkost shops. “The organic food market in Germany has seen significant changes in the past, and still is in the process of transformation. We have to follow the developments and maybe, make adjustments. One issue is the change in consumer attitudes." (BM 2014, 6) For example, the objective of the marketing partner 'Budni' in Hamburg is to reach even those customers without organic or sustainability orientation - target: 'reaching everybody' ('alle erreichen'). "That probably a first step into a new direction – it will be important to address the young consumers. That will be a challenge. We will keep an eye of these changes in the organic markets." (BM 2014, 6)

"The communication of our values and our transparent production system will be improved because we have to show what we do and how this meets the needs of the consumer" (BM 2014, 6 and section 5.5). The value of 'openness' (open for internal critics and new ideas of staff members communicated to the management) is closely linked to the external communication of the core values of the enterprise.

Finally, the Bohlsener Mühle profits from internal feedback (staff, friends of the enterprise, stakeholder network partners etc. These feedback loops are informal (no information on any details available). Internal feedback is taken into account for on-going adjustments of the management or the production process. However this feedback is not yet formalised. The internal organisation of such strategic processes is in the process of further development (5.2). Not every feedback of staff members or end-consumers ends-up in changes. This depends on the needs and other conditions or requirements related to the particular issue. For example, if a technical process can be improved, the new idea of the employee would be put into practice. However, if a feedback relates to less 'important' issue, it is likely that changes are postponed or refused (no particular examples available).

Sustainability

All partners in the chain have a strong organic orientation. Organic values are closely linked to the sustainability concept. The agro-ecosystem is mainly driven by Bioland or Demeter (or other organic) production standards. The Bohlsener Mühle or retailers do not highlight further requirements.

Organic grain markets are not limited to national mills. Significant amounts of organic grain are imported from eastern European countries (TI, 2014). If Bohlsener Mühle or another medium-size mill business disappeared, the impact on the commune would be much more obvious that on the national organic grain market. This market is highly competitive and organic grain can be easily stored and transported (section 2). In the past, there even was a shortage in organic spelt.

The realisation of good economic performances mainly seems to depend on the successful marketing of the product lines with Bohlsener Mühle label. Several challenges related to consumer choices, target group development, as well as distribution and product placement strategies in the different type of marketing channels have been identified. (BM 2014, 6) However, the economic sustainability is visible because Bohlsener Mühle survived the high-grain price crisis (2008) and the financial crisis (2008/09). The medium-size enterprise has a positive regional economic impact. It is seen as an important economic player in the rural area of Uelzen.

The investment in environmentally friendly processing (saving water, reducing emissions, energy efficiency) has been always relevant issues for Bohlsener Mühle. The engagement in environmental sustainability of the enterprise is currently mainly focused on an alternative energy supply. Such an establishment of a sustainable energy supply is a long-term high-priority area for the CEO of Bohlsener Mühle (BM 2014, 5). Milling and baking require a high amount of electricity. Traditionally, the local mill of Bohlsen was driven by water power from the little river. Currently, some of this energy is still coming from own water power feed into the system. In the future, more sustainable energy will come from the organic material waste of grain processing which will be pressed and burned. The power plant for the Bohlsener Mühle and the village of Bohlsenen (use of heat) is in the planning process. “We have to get back to closed cycles” („Wir müssen in die geschlossenen Kreisläufe zurückkehren“). (IHK 2014)

Modern logistics and transportation systems for grain and products are important for the mill business too. All transport goes by trucks currently (Figure 13). The other dimensions of environmental sustainability (protection of water, soil, biodiversity, landscape) are mainly based on the standards of Bioland and Demeter. Since milling relates to primary production, it is important for the whole chain but the personal involvement of the downstream partners is less important.

Bohlsener Mühle is strongly engaged in social activities. The processor, together with the closely related organic businesses in the area, is engaged in a variety of projects and activities that focus on social and cultural sustainability for a long time (4.3).

Long-term perspective and potential vulnerabilities

The CEO of Bohlsener Mühle was not willing to discuss a 5-10 year outlook with any projections for the future (BM 2014, 5). “The expansion pathway was significant in the past – now, we will have a period of consolidation and stability – things have to settle down.” (BM 2014, 5)

One key issue of concerns is the availability of qualified employees in the rural area of Lüneburger Heide. “It will be an issue in all areas, in production and in management to find the next generation people who will take over responsibility in the near future.” (BM 2014, 5) Bohlsener Mühle has a group of young apprentices in production and management areas. They contribute to social activities such as the internal newsletter (Figure 23).

Figure 23: Information on apprenticeship – aiming to be attractive for young people out of the region

Externally, the competition in the market of organic flour and baking products will be a challenge because there are limited opportunities for further expansion. The number of organic bakeries is limited and the competitors supply organic flour too. Apart from this, “the internal management would need to be changed and adjusted – not easy in a very short term because management structures need to grow steadily" (BM 2014, 5).

Potential vulnerabilities: The pioneer generation of the organic movement in Germany will retire within the next 5-10 years. (Organic pioneer generation and founder/members of the early green movement/party in the 1970s). The related change might impact on values and implicit understanding of organic values, understanding and movements. (BM 2014, 6) This generational change related to "organic demographics" is likely to be significant not only for Bohlsener Mühle but for many organic value chains such as Alnatura retailer, Schweissfurt Foundation, and many more.

6 Future orientation

Actors see market developments in a positive way but, more and more mainstream and low-price organic. So they expect more differentiation to be needed. The situation will continue to be highly competitive or even become more difficult with the new generation of customers.

Bohlsener Mühle and the related chain partners see good opportunities to position themselves in relation to "mainstream organic" due to the high-quality of bakery products from Northern Germany crop farming. This quality understanding is based on aspects such as

- 'good' like 'home-made' organic products,
- provision of transparency as an owner-managed medium-size brand, and
- goods that are not high-price premium product but qualities above average organic standards due to regionality and transparency of the production.

In terms of future growth or future development plans, Bohlsener Mühle seems to be not yet completely 'grown-up' although it is a well-established medium size owner-managed enterprise. The enterprise has grown so quickly that management adjustments seem to be partly lacking behind realised production capacities. The logistics and storage systems are in the projection of investment, improvement and a higher degree of professionalization. Apart from this, further growth is not seen as necessary currently. Qualitative growth (replacement, incorporation of innovative approaches etc.) remains an issue.

Future visions focus mainly on alternative energy sources aiming to close production cycles. Two other issue are a) the gain of market shares in particular organic grain products (cereals, muesli) which are of key relevance and b) the involvement of the next generation of enthusiast management team members as well as office and production staff.

7 Verification of results and concluding reflections

Compared to the other cases where former research material was available, it was quite difficult to get hold of some of employees and other the stakeholders. Internal documents of the business or more detailed economic information was not available. Bohlsener Mühle is a very busy enterprise with highly specialised teams.

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