HealthyGrowth

From niche to volume with integrity and trust

# FULL CASE STUDY REPORT

# Bio vom Berg - Austria


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## Content

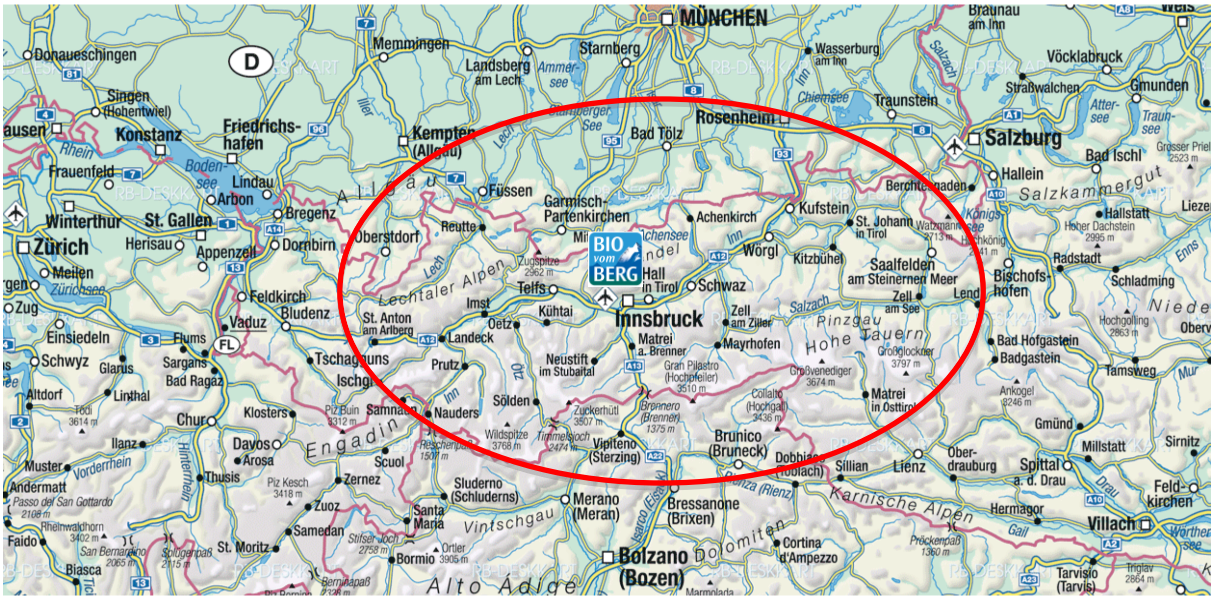
*Most local organic market chains have inherent problems in moving from niche to volume, and mainstream large-scale market chains have inherent difficulties in securing and advancing organic values. The project "Healthy Growth: from niche to volume with integrity and trust" investigated a range of successful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

## 1 Introduction

'Bio vom Berg' is best described as a producer owned brand, operated by the cooperative 'Bioalpin-eGen.', which covers a full range of organic products, produced, processed and sold mainly in the region of Tyrol/Austria (see red circle in Graphic 1). The supply chains involve about 600 farmers who produce mainly milk but also fruits and vegetables, eggs, meat or cereals. Additionally, a number of processors (one big regional dairy for fresh milk and yoghurt, 10 local small dairy cooperatives for cheese, a butcher for meat, a chocolatier, a bakery and most recently a mill and a dairy processor for yoghurt in South Tyrol) are involved.

Marketing and distribution is done mainly (accounting for about 60% of the turnover) through a regional family based supermarket chain (MPreis). Furthermore, the grain is processed by a large regional bakery (Ruetz), which sells its organic bread under the brand name 'Bio vom Berg'. Other (minor) marketing channels include organic wholesalers in Germany, a specialist chocolatier in Styria and a number of partners supplying via wholesalers the gastronomy sector and some small specialized shops in the region.

The case was considered for investigation under the HealthyGrowth project because Austria has a very strong retailer/discounter sector and a remarkable direct marketing sector as well. ‚Bio vom Berg' aims to link these two aspects by selling the best from the organic mountain farmers in the regional retailing supermarket.



**Graphic 1: Geographical Location of the headquarter-office and main operating area**

## 2 Case-study approach: materials and methods

The available data is based on various qualitative survey methods and gets complemented by a number of written materials and collected video clips. For the public representation of ‚Bio vom Berg', the material was deducted from the following available material: An image-clip (2012) on vimeo, an image-clip on the webpage, commercial clips on youtube, the homepage, the facebook page, publicly available leaflets, several press releases in local media and brochures or flyers which are usually placed at the points of sale for promotion. Additionally, the descriptions in the text below are based on internal documents (turnover charts, minutes of meetings, founding protocol), on several interviews (three of them conducted in 2008 within the EU-funded project EuroMARC, respectively another five conducted for HealthyGrowth between May and December 2014) and on the audio files from an internal workshop (January 31st to February 1st 2014 in Neustift/Brixen in South Tyrol) the project team held with the chairman, the manager and three further employees of Bioalpin. Within these two days, the five core responsible persons of the cooperative discussed the visions and strategic developments for the future. Thereby, they provided a useful input for selecting a specific value chain to examine (fruit yoghurt in glass) and for choosing the respective interview partners. These were [1] a representative of the organic farmers in milk delivery cooperative of Wipptal/Stubai [2] a representative of the milk processing side and the responsible buyer from the retailing partner MPreis Moreover, the chairmen and the manager of the cooperative as key persons were approached before the other supply chain actors were interviewed. This way it was possible to ask on the one hand general questions concerning the cooperative which were still open after studying the public material, the internal documents and the scientifically available material [IFSA conference papers (Steinlechner et al. 2010 & Schermer et al. 2010) related to the EuroMARC project respectively a PhD Thesis (Schermer 2003) including the founding history of the cooperative) and on the other hand to get a more precise overview regarding the specific chosen value chain. Hence, the workshop meeting and the detailed interview with the two cooperative key persons allowed having already a profound overview and thus to adapt and ask specific questions to the other interviewees of the chain. The interviews were transcribed verbatim, analyzed and interpreted with respect towards answering the predefined descriptive questions by applying a qualitative content analysis.

## 3 Austria – The national context

As an alpine state, Austria's agrarian structure shows some peculiarities compared to other European states. For instance it has a high percentage (more than ⅓) of small (extensive) mountain farmers. This leads to the situation that the proportion of grassland production with livestock and dairy farming compared to arable land is higher than in other countries. More than 90% of the 167 500 farms (agriculture and forestry), are family owned, around 40% of them run as main occupation and 60% in part-time (BMLFUW2014).

The rise of the organic sector began in beginning of the 1990ies when Austria prepared for joining the EU. While before 1992 there were less than 2000 organic farms, currently (as of 2014) there are 21 810 which account for 16.9% of all agricultural farms in Austria (BMLFUW2014). However, the increase of organic farms is closely related to the direct payments offered. The following factors all contributed to Austria achieving the highest percentage of organic farms in Europe: the early development of guidelines for organic crop production and animal husbandry and inclusion into the Austrian Codex Alimentarius, the government support for organic farms during and after conversion by compensatory payments, favourable market conditions due to the entrance of supermarket chains, the establishment of a marketing company, an active policy by the organic associations and the development of advisory services (Freyer et al. 2001) .

Due to these factors the organic market in Austria is currently one of the best developed in the European Union and is dominated by conventional supermarket chains and discounters, which cover about two-thirds of annual turnover (67%). Besides, 14% were sold via specialized retail trade (organic/health/nature shops), 7% via direct marketing, 7% went to export (corresponding to approximately 66 million Euros) and 5 % to catering (Kilcher et. al., 2011). The market share of organic products was around an estimated 6% of the total food sales in 2009. In 2013 organic farming accounted for more than 500 000 hectares (including alpine pastures), which adds up to around 20% of the total agricultural area (Grüner Bericht 2014).

In Austria, more than two out of three organic farmers are members of one of the organic farming associations. The largest association is Bio Austria, which was founded in 2005, with about 13 000 members.

## 4. Overview of the case

| | |
|---|---|
| **Product types:** | Various types [milk & dairy products (cheese/yoghurt) vegetables & fruits, eggs, cereals, meat, honey, herbs] |
| **Homepage:** | www.biovomberg.at |
| **Main actor:** | Trading platform with cooperative background |
| **Number of Employees:** | 5 [+3 subcontracted employees with limited tasks (one for facebook communication; one for shelf support in the retailing stores)] |
| **Distribution channels:** | Primarily retailer/grocery stores (between 60-70%); wholesale; chocolate processor; local small shops/markets, |
| **Value chain studied:** | Fruit yoghurt in glass-packaging processed by their new partner in South Tyrol (Milchhof Sterzing); available in MPreis and small nature shops since June 3rd 2014 |
| **Current Turnover:** | 6,4 Mio. € (2014) |
| **Facebook Likes:** | 1.432 (January 8th 2015) |
| **Google Hits:** | 19.400 (January 8th 2015) |

### 4.1 Presentation and trajectory

**The history of the 'Bioalpin eGen' cooperative**

To describe all the historical developments and actors paving the way towards the foundation of the brand 'Bio vom Berg' in detail, would be too extensive and require too much space within this report. Nevertheless, in order to understand the origins, it is necessary to highlight some developments which significantly influenced the creation of the cooperative Bioalpin.

Attempts to establish a cooperation between farmers and the quite important and strong tourism sector in Tyrol in order to promote and market regional food specialities with a particular seal have been there already since the late 1980ies (Schermer, 2003; 126). When the regional agricultural marketing association 'Agrarmarketing Tyrol[1]' (AMT) at the end of the 1990ies started to set up a cooperation between farmers and the tourism sector, there was however no distinctive reference made to 'organic' yet. First and foremost because it was not considered as politically appropriate to distinguish the farmers into organic and conventional and secondly, the establishment of a separate organic product line was not seen as feasible, as there would be not enough market volume (Schermer, 2003; 126). During the same period of time, the idea to launch an "organic region"[2] 'Wilder Kaiser' touching two Tyrolean districts (Kitzbühel & Kufstein) had been discussed on higher

[1] The association consists of the following four members: The federal government of Tyrol, the Chamber of Agriculture, the Chamber of Commerce and the Tirol Werbung (advertisement/publicity).
[2] See the report of Bioregion Mühlviertel for more background on the concept of "organic regions"

levels between the conventional organic farmers union ('Tiroler Bauernbund'/TBB), the AMT ('Agrarmarketing Tyrol') and the organic farmers association ('Ernte') aiming to harmonize production guidelines between the conventional 'Quality Seal Tyrol' and the criteria set by the organic farmers association. During the process the conventional farmers however, soon fell behind and were excluded from discussions for two reasons. On the one hand, they didn't have such a high degree of professionalization and no clear objectives, on the other hand, the demand for organic rose significantly with the BSE crisis which took place at that time.

Nonetheless, the discussion whether the organic region 'Wilder Kaiser' should be exclusively for organic farmers or whether also conventional farmers could participate was continuing between the AMT and the organic farming association 'Ernte'. The dispute between the more conventional farming oriented AMT and 'Ernte' of how to proceed was finally concluded when the Tyrolean retailer MPreis considered establishing its own organic brand. Consequently, the manager of the AMT suggested creating an organic trading platform on the level of the entire province.

As these explanations above show, the cooperative did not have to start right from scratch. There have already been prior meetings, a lot of planning and thinking happened beforehand and the cooperative was already able to build up strong connections to a number of important actors on the field of organic marketing as well as to political and economic stakeholders.

Nevertheless, the kick-off for the cooperative was still somehow a lucky coincidence: The organic farmers of the federal state Tyrol wanted to establish a trading platform to collect their products and sell them collectively to retailers. They found assistance by the AMT, which subsidized initial personnel costs (Furtschegger, Schermer, 2013b). At the same time, the regionally dominating family owned supermarket chain MPreis was aiming to establish a brand for organic products. As they profile themselves against other retail chains with regional and preferable organic products, they teamed up with the cooperative.[3] Finally, they decided that listing a producer-owned brand would enhance consumer trust more than a retail brand. Thus, in 2002, the cooperative ‚Bioalpin' was founded by primarily Tyrolean organic farmers and small scale processors [including also some representatives from public institutions/associations → see chapter 5.1]. They created their own brand ‚Bio vom Berg' (organic from the mountains) which evolved to be their main asset. Right from the start, the founders wanted to establish this brand in contrast to the already existing organic retailer brands. As the cooperative owns the brand, it has a stronger position in marketing negotiations. Furthermore, the brand ownership prevents substitution by other providers who might undercut prices and qualities.

Nowadays ‚Bio vom Berg' represents an inspiring example how organic products from a mountain region can be marketed successfully under a common brand since more than 10 years. For instance, the product range has increased from initially 8 products (two meat products and six dairy products) to approximately 130 as off today. Besides, to our knowledge, it still represents the only organic producer-owned brand in Europe operating a full product range in a supermarket chain.The cooperative Bioalpin acts as a trading platform mediating between farmers, processing enterprises and retailers. A rather small organization coordinates production, negotiates price and quantity with

[3] Initially however, MPreis had planned to do its own organic brand, and at the beginning also the Bioalpin cooperative was looking for another (even bigger) retailer, operating all over Austria (SPAR). However, both plans did not really work well (the first because MPreis could only cover fresh fruits and vegetables, the latter because SPAR didn't want to sell it under the name 'Bio vom Berg' and later on established its own organic retailing brand – 'NaturPur' - anyway).

their retail purchasing partners and organizes logistics. Besides the vertical coordination along the supply chain, Bioalpin organizes, coordinates and synchronizes horizontally individual farmers into producer groups. This helps to reduce the number of contact persons and improves the personal relationship between partners. Similarly, they coordinate the participating local dairies which allows each dairy specializing on a few products, and at the same time increasing volume and quality of each dairy product.

**Finding business partners**

The way the cooperative found and still finds new partners seems to happen rather accidentally and is built on shared values, as the manager describes: *„There are simply people who, due to certain reasons, like what you are doing. Be it the products or how you conduct your business. And there are chains that are able to reflect on a higher price level. There is a kind of harmony and then you either manage to build something constructive for a certain time or you don't."* Nevertheless, although Bioalpin had quite a strong and reliable partner with MPreis right away, they still look actively for appropriate partners. Step by step, comparably small partners from other sectors, who generate a reasonable turnover for the cooperative, entered into cooperation. In this regard, some partners had to be sorted out for economic reasons (i.e. the wholesaler 'Ökonova' from Germany or the bakery Kempf which went bankrupt) or because the business philosophies were too far apart from each other. For instance the wholesaler 'Metro' was a partner for a short period of time. However, after a while, the partnership failed, because the profit margins and the amounts sold were lower than expected for both sides and Metro's main objective was to achieve fast turnover.

Furthermore, according to the manager, successful partnerships only emerge if they aremutualy beneficial: "...*business relationships are like intimate relationships. It's only going to result in something positive, if it is a mutual partnership. A unilateral or one-sided relationship is not productive in my understanding; it's always about the personal/private matters. It happens between people. Development of sympathy is very important (Interview EuroMARC, 2008)."* This explanation perfectly fits to what the manager says 6 years later in 2014 when he adds that all their retail partners have to be interested in a real partnership. However, as personal experiences of the cooperative would have shown, to establish sympathy in a relationship takes time. In the end however, they enter constantly new partnerships, as according to the manager of the cooperative, otherwise there would be no development. Whether the cooperative actively seeks them or others approach them does not really matter.

**Th emergence of the supply chain studied**

Since end of May/beginning of June 2014, Bioalpin entered into a new cooperation with a milk processor in South Tyrol (Milchhof Sterzing), who processes a 150g fruit yoghurt filled in glass for 'Bio vom Berg'. This cooperation can be seen as a new step expanding the business to adjacent alpine regions, which was the reason why we chose this new specific value chain to investigate more in detail.

The retailer MPreis (since June 3rd 2014 the fruit yoghurt is sold in the stores), claims to have made the first contact between the processor and the cooperative, as the processor and the retailer already knew each other[4]. As there were then negotiations about a potential cooperation between dairy farmers from North and South Tyrol, MPreis approached the South Tyrolean milk processor asking about collaborating with Bioalpin.

[4] The milk processor and MPreis are already in a partnership since 2003 regarding conventional products.

In summer/fall 2013 the chairman and the manager of the Bioalpin discussed a potential collaboration with the director of the Milchhof Sterzing as it got clear that the milk processor was going to get supplied with mainly conventional, but partly also organic milk from farmers of Wipptal/Stubai due to ideological, geographical (closer) and financial (higher milk price[5]) reasons (TT, 02.04.2014, p.3). A new milk delivery cooperative was formed[6] and a contract concluded, which foresaw that during the first year, the north Tyrolean farmers would deliver around 8 million liters of milk of which approximately 10% (750.000 liters) are organic.

When asking how the two sides came together, the processor in his interview put it this way: *„…we wanted to be more active in the Wipptal anyway, […] and we do have a good quality and packaging units that they* [Bioalpin] *liked and we were getting along quite well right from the start, speaking somehow the same language."* Hence, he roots the success of the collaboration also in the obviously important mutual sympathy, although the processor is convinced that Bioalpin for sure also had other reasons for choosing him as a partner as well. For example he believes that in case Bioalpin is getting too dependent from big partners, they would have no say in things and are at the mercy of those companies, whereas with him as a comparably smaller enterprise they can communicate on another level, on an equal footing so to speak. Besides, also the delivery amounts are a factor which might make him more attractive as a partner as in Germany no one would take the small amounts Bioalpin is able to deliver.

According to the spokesman of the organic farmers within the milk delivery cooperative Wipptal/Stubai, another and maybe even bigger incentive for the Milchhof Sterzing to enter in cooperation could have been that the processor was generally lacking organic milk in South Tyrol and that he moreover had recently lost one of his biggest supplying organic farmers. With organic milk from farmers of the Wipptal, the processor would thus be able to compensate this loss and in total get about 50% more organic milk than before.

The milk processor considers Bioalpin as someone being a real partner in comparison to the retailer MPreis, who - though being an important customer - still is regarded just a customer. This has to do with the fact that the type of business relationship between Milchhof Sterzing and MPreis differs significantly from the one with Bioalpin. While he has to pay MPreis in order to be listed, the yoghurt project is developed jointly with Bioalpin and they can speak openly about prices. Other business partners would often just nail him down on prices and amounts, whereas with Bioalpin, talks would be more free and casual.

## 4.2 Basic facts

**Membership structure**

On an 'active' membership level (as of July 2014), the cooperative comprises 49 members + 3 silent shareholders. The 49 members are the 10 small local/regional dairies, a number of farmers, private persons and other processors (i.e. the butcher Juffinger or the fruit processor of the 'Obstlager

[5] In 2013, within the yoghurt supply chain, the South tyrolean milk processor was able to pay his organic farmers 67 Cent and the conventional ones 57 Cent per liter (in North Tyrol the price for organic milk was around 47 Cent per liter at that time). This means that in South Tyrol organic farmers achieve roughly a 20% higher milk price compared to North Tyrol. Therefore, a pivotal incentive for the milk farmers to change delivering milk to 'Tirol-Milch' in North Tyrol to Milchhof Sterzing in South Tyrol since April 1st 2014, is the higher price they get paid.

[6] These are around 175-190 farmers, out of which 30 are organic.

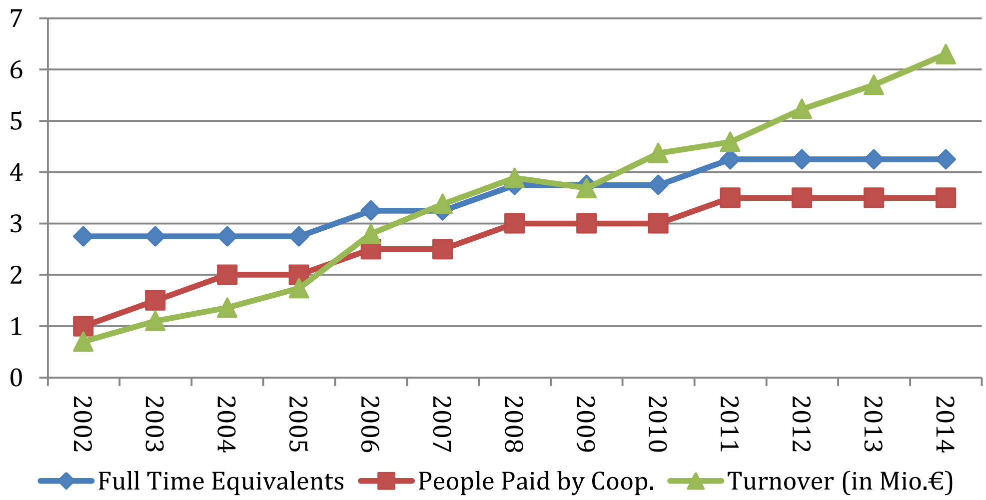
Haiming') plus institutional members [i.e. the city of Innsbruck, the rural institute for advanced education (LFI), the Tyrolean cattle breeding association, the Tyrolean chamber of agriculture, the organic farmers association (BioAustria) and the Tyrolean farmers' association (TBB)].

**Turnover development**

The turnover of the cooperative developed from initially 672.000 € to 6.4 million € in 2014. This includes also distribution channels which do not operate with the 'Bio vom Berg' brand. In 2013, these retail channels accounted for a turnover of 384.000€. The growth rate was rather constant with a yearly increase of around half a million € in average.

**Development of employees**

Concerning the development of employees, the graphic below (graphic 2) needs some explanation. At the beginning, there was only one person fully paid and hired full-time by the cooperative. The chairman was already working with an expense allowance (not included in the chart) working on 30h/week, while the manager, working full-time for Bioalpin, was financed by the AMT (Agrarmarketing Tyrol). Then stepwise, over the first three years the employment of the manager gradually shifted from AMT to Bioalpin. In 2006 a third person was employed initially for the first two years on a part time position, which got extended in 2008 to a full-time-position (38,5 hours/week). In 2011 a fourth 20h position (secretary) could be assigned.




**Graphic 2: Bioalpin-eGen. Turnover and employees**

In addition to this, there are persons partially employed, working 8-16 hours per week. This includes one person (since almost the beginning) who drives from store to store supporting shop managers of MPreis, checking which products sell well and which don't. Since 2013, a facebook administrator got employed, commenting, answering and giving feedback to consumers' requests. In addition, a driver who however is not officially hired (already retired), invoices them as an independent contractor, on average working two full days per week for the cooperative. His main activity is to supply (according to a fixed route) those MPreis stores which have a special placement on a cheese cutting table with large cheese loafs, additionally, he includes whatever is needed into the route, like supplying random small customers, delivering and collecting samples from processors, handling special orders or distributing promotion material. Together these persons account for approximately another ¾ full-time equivalent position which is however not displayed in this chart.

**Development of supplying and processing partners**

At the time of establishment, Bioalpin served about half as many farmers (250-300) and processors. For example, right from the start there have been around half a dozen small dairies and one meat processor. Over time, more small dairies joined, whereas others were closed down. Today, the cooperative comprises ten small scale dairies (two of them are rather farm dairies) and two larger dairy processors (Tirol Milch/Berglandmilch and Milchhof Sterzing)

Other processing partners include a specialised butcher, a milk powder plant, an egg packager and an apple-juice production site. In 2014, Bioalpin was looking for an organic grain milling partner as they did not want to continue transporting grain to a processor in the east of Austria. The regional mill in Innsbruck (North-Tyrol) would have been a suitable partner, but required double the amount the cooperative members could supply. According to their market partner (the bakery), the demand for more organic grain would be there, but so far supply from farmers did not increase adequately, although they promoted this project towards farmers and were able to get 2-3 new farmers to produce organic grain for them last year. When the manager happened to run across the Meraner mill in South Tyrol/Italy, Bioalpin set up a meeting between the mill and the cooperatives' downstream bakery partner and forged a contract with them.

The latest partner for 'Bio vom Berg' is an ice-cream manufacturer (Eismanufaktur Dolce Vita) from Vorarlberg (adjacent federal state) who – since the end of 2014 – processes different varieties of ice-cream for them. So presently, more than 600 farmers (roughly 500 dairy farmers and 100 others, mainly grouped together in producer associations) out of a total of around 3000 organic farmers in Tyrol benefit from the initiative.

**Development of retail/vending partners**

The vast majority of the products is sold in North Tyrol through their most important partner, the regional retailer MPreis (accounting today for around 60% of the turnover). MPreis operates 235 stores within Tyrol and in adjacent areas (MPreis, 2014)[7]. In its early years, the cooperative also tried to enter the German market via an offset of the Bavarian dairy Andechser but it also didn't function due to internal restructurings. In 2006, another big retail chain in Austria (Spar) became a retailing partner for vegetables, without however placing the brand of 'Bio vom Berg' on the products as this would have created tensions with MPreis.

Hence, MPreis remains a strong partner for the cooperative and is closely involved with product development and marketing. Although the close relationship with a strong retail partner obviously has a number of advantages, it also has its flaws (see chapter 5.6). For example, it becomes difficult to maintain independence. Henceforth, the cooperative has initiated a number of initiatives and projects with other partners.

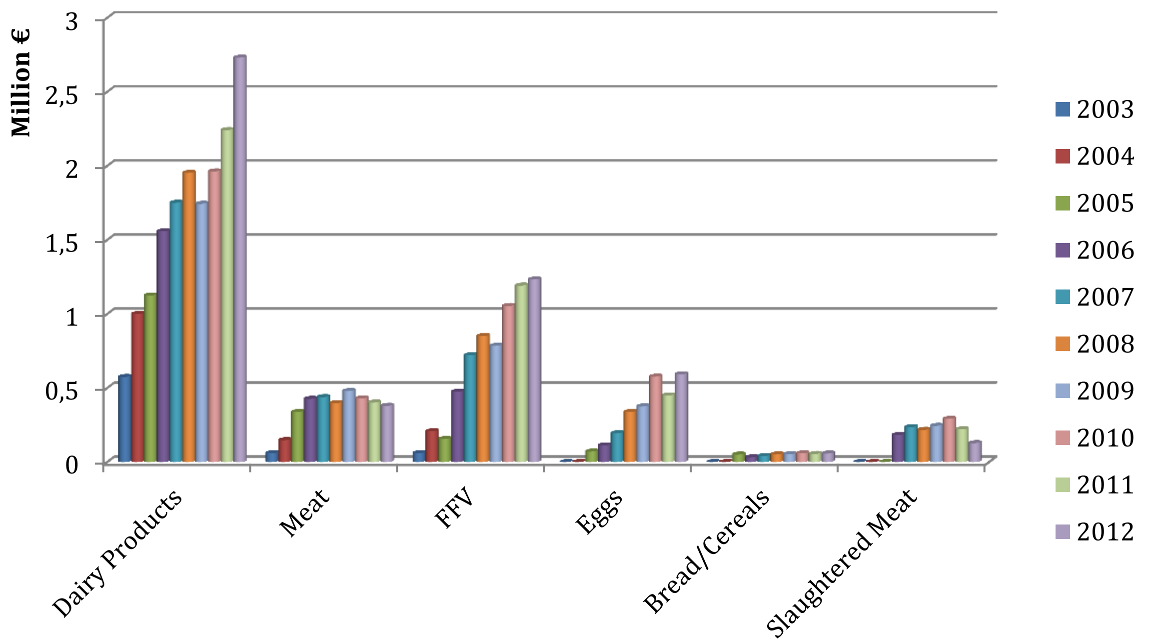
In 2004 they initiated a special grain project based on traditional old varieties with the major regional bakery (Ruetz), which sells organic bread under the ‚Bio vom Berg' brand in 70 outlets throughout Tyrol(Mittermayr, 2012). Since 2006 Bioalpin supplies organic milk powder to one of Austria's leading chocolate manufacturers (Zotter). In 2008 a gastronomy supplier and in 2009 several other new partners (natural food shops as well as big retailers and wholesalers to gastronomy) entered into a partnership with Bioalpin. Therefore, this period appears to be decisive. In 2010 they finally managed

[7] The enterprise has currently also 13 stores in Carinthia, 16 in South Tyrol and 17 in Salzburg. Source: http://www.mpreis.at/unternehmen/mpreis-heute/index.htm (24.11.2014) and plans to open up also stores in Styria and Vorarlberg.

to enter also the German market and established a partnership with an important wholesaling partner (Weiling). This partnership happend rather coincidentally, but retrospectively marks a decisive step in the history of the cooperative. However, in order for this partnership to work out at all, it was decisive that Bioalpin had already gained several years of experiences in the retailing and marketing business and was able to represent itself as a relaible partner. Recently, the cooperative tries again to return to the original founding idea and wants to focus on the tourism sector (regional hotels and restaurants).

**Product development**

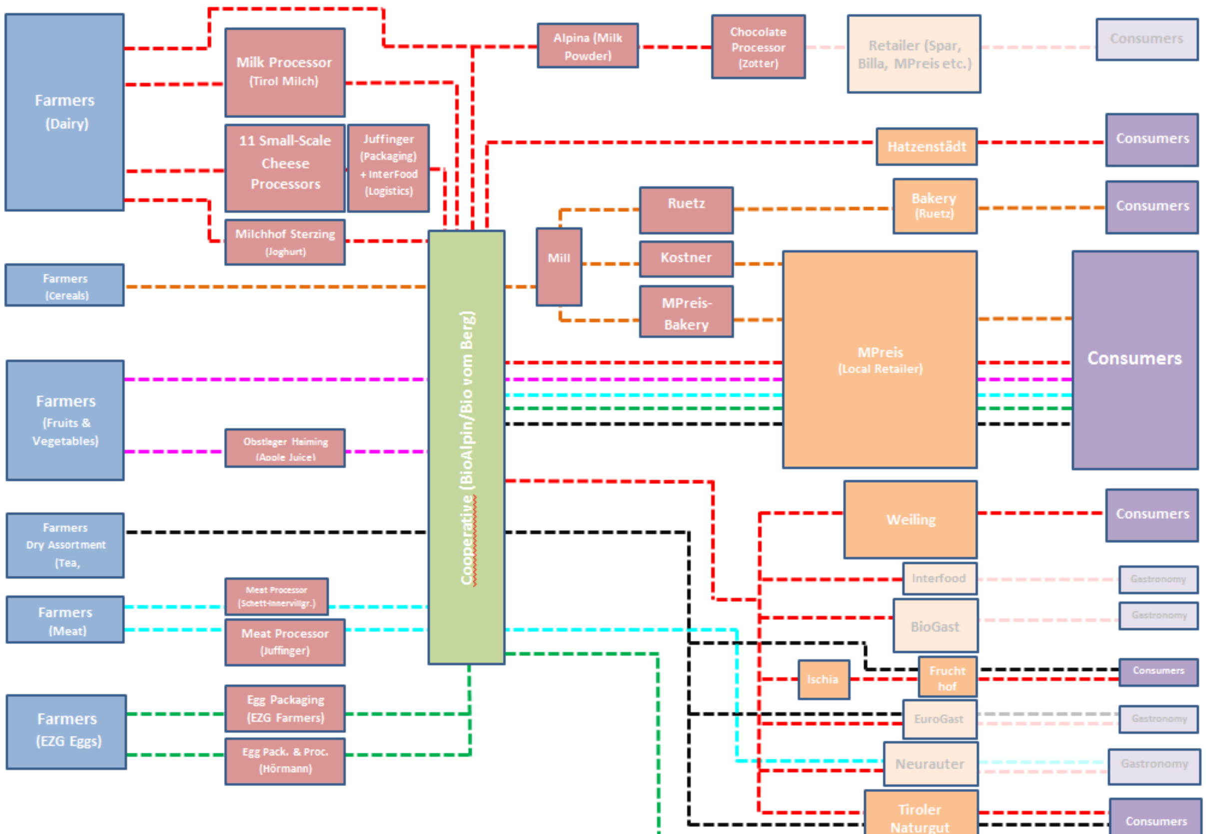
Understandably, in an alpine region with a high share of permanent grassland, the product range initially focused on the dairy sector. Therefore, the cooperative Bioalpin started with six milk/dairy products and two meat products. The range and the turnover of dairy products has been growing continuously at a steady rate of around half a million € every two years. However, the sector of fresh fruits and vegetables (FFV has grown fastest in the perception of the cooperative: *"The fresh fruits and vegetables went within a very short time from 0 to 400 tons, especially pumpkin proved to be an innovative product"*. Today, Bioalpin sells almost the same volumes (in tons) of pumpkins (around 100 000 pieces) as potatoes. Also, eggs represent a successful product. At the beginning there was just one organic egg farmer in Tyrol, today there are 10 and they are still not fully covering the demand. However, as can be seen in Graphic 3, dairy products (cheese, milk, and yoghurt) still contribute by far the most to turnover.




**Graphic 3: Turnover - Most important products**

It is important to mention that usually the prices for products from mountain areas are higher. Apart from the fact that the milk collection in alpine areas is more difficult, that there are limits to the degree of technologizing and rationalizing processes and there is still a high amount of labor done by hand, the farmers for example also need more time for mowing. Basically, the small-structures in processing and production make it impossible to compete with favored flat areas. All this adds up to the higher costs, be it for the price paid per liter of milk or for the final product.

## 4.3 Value chain organization of Bioalpin

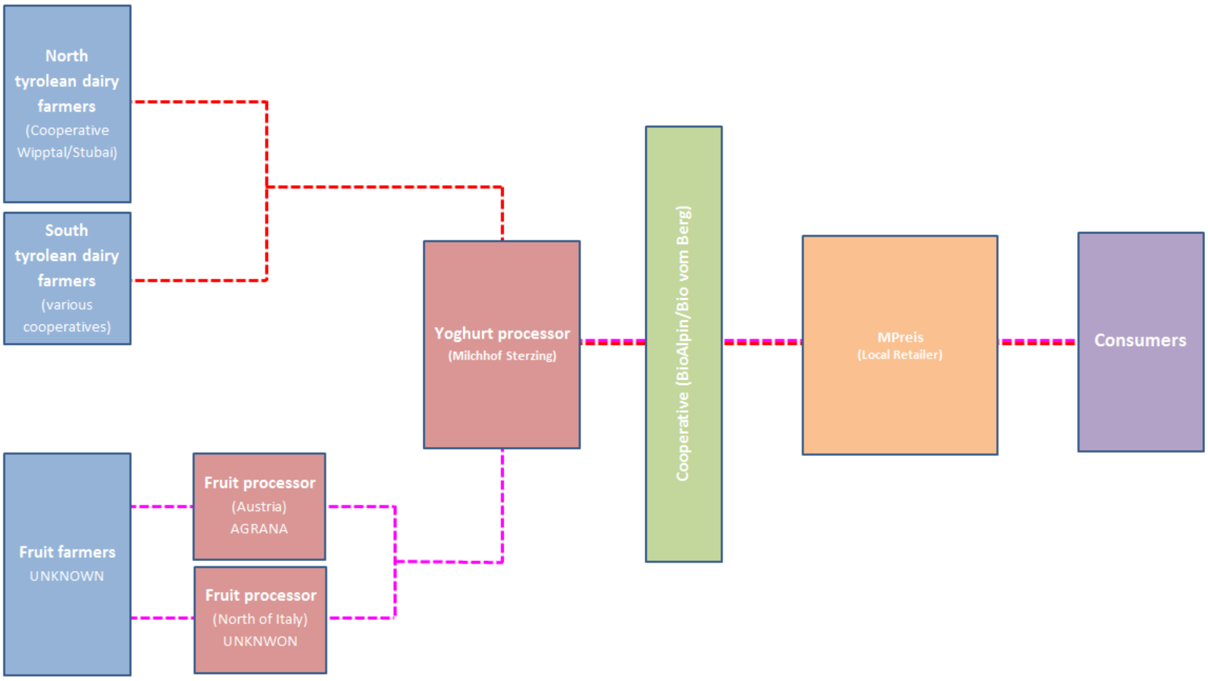



*The size of the boxes represents the importance in terms of turnover

| Supply Chains | |
|---|---|
| | Value Chain 1 – Dairy products (Cheese, Joghurt, Milk) |
| | Value Chain 2 – Cereals (Grain, Bread, Cookies) |
| | Value Chain 3 – Vegetable & Fruits |
| | Value Chain 4 – Meat Production Line |
| | Value Chain 5 – Dry Assortment (Honey, Tea, Herbs) |
| | Value Chain 6 – Egg Production |

External stakeholders not displayed in this network are for instance organic certification bodies, the organic farmers association (BioAustria) or the Agrarmarketing Tyrol (AMT) who strongly supports the marketing activities. Furthermore, the cooperative outsourced a lot of business activities to external partners. For instance almost the complete accountancy (i.e. payrolls) and bookkeeping is done by an external office (in fact the auditing division of the cooperative controlling institution) which saves them a lot of time to focus on their core-business activities. Besides, also the IT support (hardware, software, servers, databases, computer, telephone etc.), the logistics (MPreis, Interfood etc.) and some marketing related aspects (publicity and graphic layout/design) are ‘outsourced’ to external partners. Concerning market trend analysis or customer surveys, Bioalpin draws back on available secondary data (Nielsen reports, triennial graphics/studies by AMA) and members attend every now and then trainings/seminars/workshops in order to keep up to date in market development. In addition, their market partner AMT conducts sometimes studies and for instance the Tyrolean Female Farmers Association did a customer survey at MPreis stores where they also collected material (i.e. questions on price, quality, availability, appearance etc.) on some Bio vom Berg products.

**Value chain organization of the specific supply chain studied**




The specific supply chain investigated comprises the following entities displayed above: On the milk supplying side (red line), there are dairy farmers from North as well as South Tyrol, organized in the respective cooperatives. Concerning the fruits production (pink line), the problem is that the exact origin of the fruits remains unknown. Bioalpin only knows that, depending on the season, the fruits would be either from Ukraine or Romania. This clearly has implications for the self-set objective of Bioalpin to apply a full transparency policy (including upstream partners) and regarding the possibility to guarantee that ethical and social production standards are met. Besides, also one of the two processors of the fruits is only known to be located somewhere in the north of Italy. The central partner for Bioalpin in this chain is the processor Milchhof Sterzing. The final product is sold via MPreis retail stores to consumers.

## 5. Analytical perspectives

### 5.1 Organization and governance

**Modes of management and governance**

Right at the beginning, a key decision was to deliberately choose the legal form of a cooperative, although there had been discussions whether to install a trading company instead. In the end, the reasons in favor for a cooperative were of ideological nature. On the one hand, there was the wish to guarantee a strong involvement and thus identification of farmers with 'Bio vom Berg', on the other hand the founders wanted to prevent being bought up by MPreis sooner or later, which - according to the manager of Bioalpin - would otherwise already had happened by now. Furthermore, a trading company would have meant, that profits are paid-to shareholders directly. In turn, by founding a cooperative, the revenues are paid indirectly in form of higher producer prices.

At the founding assembly on April 18$^{th}$ 2002, 22 people were present. The audience consisted of mainly farmers, some small cheese processors plus one meat processor, the AMT [Agrarian Marketing Tyrol], the city of IBK, the LFI (rural education and training institute) and a representative of the farmers' association (TBB). At this event, the cooperative also installed a managing and a supervising board consisting of 3 persons each. Every member has a direct head voting right. Today, the cooperative comprises 52 members whereas at the beginning it counted 40 people.

Concerning the internal proceedings, the manager remarks: *„Principally, there is a constitution and there are internal rules of procedure to which we have to orient ourselves and on which we depend. However, until now we* (ann.: the manager and the chairmen) *have managed to guide/steer the cooperative in a way that most of the decisions are either taken between the two of us, on a team level* (the employees and the chairman of the cooperative) *or that decisions are prepared for the supervising and management board in a way that they can then be agreed upon and be passed on this level."* Whether these decisions have to be unanimous or whether a simple or qualified majority is needed depends on the type and profoundness of the decision [i.e. important personal decisions like hiring new employees], but the everyday political and strategic decisions have to be made often on short notice and then the chairman and the manager have to negotiate and agree upon things, as one just simply does not have the time to always convene and address the boards. Luckily, the manager says, the board has supported this form of decision making so far on all levels. An illustrative quote that exemplifies how decisions are usually made is the following: *„We are setting the sails and say, the boat is now on its way and if we are then facing headwind from the management board, then we gotta say that we commonly have to set the anchor, which has so far never happened though."* For other decisions like for instance developing a new product, all partners along the supply chain get included. *"We have to get them all together and align their interests. It's always the same. It serves no purpose if you reach a common understanding with the farmers and develop a product which the retailers do not need and the same applies if you dictate farmers a product the retailers need, but the farmers do not want to produce, then that's of no use."*

Concerning the investigated fruit yoghurt supply chain there is an administrative board installed between the milk delivering cooperative Wipptal/Stubai and the processor Milchhof Sterzing. The cooperative also holds shares on the Milchhof Sterzing, which is a cooperative in South Tyrol. This decision was unanimously adopted by all members at the general assembly of Milchhof Sterzing. According to the interviewed milk supplier, the cooperation in the yoghurt chain with the yoghurt processor is valid as long as the two cooperatives (farmer cooperative Wipptal/Stubai and Milchhof Sterzing) exist, so they are until further notice endless or without a fixed end date so to speak.

Benefits that derive from this new cooperation with their Italian counterparts are for instance, that there are new possibilities for farmers to use machines together and to buy feed and other external inputs collectively. In addition, the opening up of the Italian market for cooperation is also seen being a big asset according to the interviewed farmer, particularly as their new partners in South Tyrolean bring in the ability to speak two languages.

With respect towards this new cooperation, there are however also two particular aspects that are somehow difficult in this supply chain and that have to do with the situation of cross-border collaboration. One issue is that Bioalpin is not allowed to put the quality seal ('Qualität Tirol') of the embroidered belt of the AMT on the new products of the 'Bio vom Berg' yoghurt as they do not allow promotion of products partly produced or processed outside the province North Tyrol on the yoghurt and can thus not label it as being Tyrolean. A second challenge was to harmonize the certification of the dairy farmers from two different organic farmers associations (Bio Austria in North Tyrol and Bioland in South Tyrol). The first get certified by BiKo, the latter by ABCERT. The solution found was that Bioland who has slightly higher standards with respect to traceability of fodder accepted the BiKo standards of the few organic milk suppliers from North Tyrol. So, these farmers are now actually double certified as otherwise the processor would have had to take off the Bioland label of all his other (not 'Bio vom Berg') products where organic milk of the North Tyrolean farmers is used. For the processor, the strict regulations of Bioland regarding traceability and quality of fodder seemed to be a major asset as it prevented the Milchhof Sterzing suffering from scandals which have occurred on the organic sector (i.e. wrongly declared organic fodder). This way, the only solution was that the North Tyrolean farmers also get accepted by Bioland.

**General agreements and modes of arrangements to secure long term strategic cooperation**

Bioalpin attempts to have enriched and deepened partnerships with all of their partners. A quote which illustrates this maybe better is one from the manager who states: *„Ok, the successful relationships are more or less all more than mere business or neutral relationships. There just has to be more. […] There has to be an interest for jointly doing the marketing and the mutual will to specialize in this marketing segment. Without that, it would get really difficult and challenging for most of the products, be it on the level of customers, retailers or producers (EuuroMARC2008).“* Around 70% of their trade partners and more than 90% of their suppliers (producers, processors) are already partners for more than 5 years and the outlook towards keeping up the collaboration in the future is very positive. Besides, there would also be an enhanced collaboration between the small dairies which is partly due to their partnership with Bioalpin, as for instance the cooperative buys the packaging materials for them and so they all get a better price. Apart from this, the dairies also exchange know-how, help each other out with milk quantities or merge logistics.

The coordination of the various actors the cooperative happens on various levels. Bioalpin does have some form of written agreement with every partner concerning amounts the cooperative plans to purchase. This happens usually on a regular basis, with some partners every three months, with others more often. Apart from that, they sometimes also have further oral agreements, the chairman explains: ”*With the majority we have contracts, because you just need to have certain guarantees, but with the small natural food stores (who are also regular customers) we have oral agreements. Of course I tell them in writing what the quality of the product is, but apart from that…”* . On the level of direct orderings, they are in contact with their dairies at least quarterly (since 2010/11 as they got a new employee they are even more often in contact with them). Beforehand however, the cooperative calls their processors and checks how things are going, what they plan to do or asks when they can deliver which amounts. These things are agreed upon orally on the phone and documented in a written protocol. If it is about substantial amounts, the transaction happens in form of a standard written ordering sheet including date, amount, delivery conditions, price and all other agreements. On the side of their downstream partners, there are of course also written agreements for the whole year where conditions and goals for the common economic period get fixed (also already concerning amounts and prices) again during at least quarterly talks with written protocols and ordering sheets and so on (EuroMARC, 2008).

So, the delivery agreements are made once between the Bioalpin and its producers/processors and then between the cooperative and the purchasers, mainly concerning price negotiations. By and large, MPreis as the most important downstream purchaser describes the relationships as follows: *”The relationship is really fair, collaborative, interactive (two-way; alternating) and open,* *which is completely uncommon for the retailing side but we see this being necessary to sustain the brand. Our relationship was strongly shaped due to the intense engagement and support in the first years (EuroMARC, 2008)."* Concerning the formal agreements he further explicates: *„That is running all via Bioalpin. Principally, we define a budget which is a certain percentage of the turnover which from our perspective is the fairest. The more turnover we make, the more we profit from it, and in order to make turnover, I gotta invest something, that's obvious and that's it. Thus, we do not charge Bioalpin with any extra costs which are otherwise common and try to steer that somehow via this percentage (EuroMARC, 2008)."* When Bioalpin plans to launch a new product, the demand has to be checked beforehand. It has to be clear which amounts are required for example for plain-yoghurt filling and what the costs are going to be in order to still have a reasonable price for the consumers (2008). Apart from cheese and dairy products, Bioalpin also gets a fixed yearly price for products like apples, eggs or grain. *"That is quite exceptional, especially with apples where usually you have weekly prices. That has to do with the structure of 'Bio vom Berg' and the broad variety of products which get marketed via MPreis. By the time, it got common sense somehow to say ‚ok that's simply the prize we set for now for this product' (EuroMARC, 2008)."* Needless to say, this has huge advantages for the cooperative's suppliers who have a higher planning security.

In this regard, another informal agreement between MPreis and Bioalpin concerns the second organic brand the retailer has ('Natürlich für uns') as comprehensively he wants to cover also the organic product range which 'Bio vom Berg' does not offer. However, as soon as Bioalpin comes forward with a new product that they could potentially provide as well (i.e. cereals, cream or mozzarella), MPreis would immediately sort out the 'Natürlich für uns' products and replace them with 'Bio vom Berg' ones. Hence, there is a clear preference for and commitment to ‚Bio vom Berg' over the retailing brand, as obviously also ‚Natürlich für uns' would be able to provide mountain cheese or an Emmental cheese, and this not at a minor quality but even cheaper.

Moreover, MPreis sometimes sells a 'Bio vom Berg' product at a higher price although the prices at which the cooperative purchases the products from its suppliers have not risen. This however works only for products that are somehow a bit more 'price elastic' and where the retailer sees that the demand equals the supply and therefore the product sells anyway. So the precondition has to be that it is not negatively affecting the retailers' profit margins. In turn, there are also products where the cooperative simply communicates the price they need to pay to farmers. However, a really distinctive feature and asset to the retailer would be that the cooperative Bioalpin tells them what their actual production costs are. This would have been rather new to them in the beginning as this is very uncommon for trade relationships. Until today, there have actually been no major changes in these contractual agreements.

**Agreements and modes of arrangements in the investigated supply chain (yoghurt)**

A formal arrangement between the milk delivering cooperative Wipptal/Stubai (North Tyrol) and their processor in Sterzing included the requirement to become members of the South Tyrolean milk processing enterprise Milchhof-Sterzing (Dolomiten, 02.04.2014, p.30). Additionally, there are agreements between the milk supplying farmers and the Milchhof Sterzing concerning delivery amounts. Concretely, the regulation foresees that apart from those farmers who have a milk quota and who can deliver anytime, the farmers have to deliver 50% in the summer (from May to October) and 50% in winter, to battle unequal delivery due to alpine pasturing. This agreement disables some farmers who lack the possibility to transport the milk from the alpine pastures down to the valley, to let their dairy cows stay on alpine pastures during the summer season. These farmers would therefore often leave their cows in the barn.

Another interesting fact is that the right for delivering potentially higher amounts for the winter period is tied to the amounts delivered in summer when the demand for yoghurt is comparably higher than in winter. Consequently, except from the 2% of increase in delivery possible for all farmers, those who want to increase more can ultimately do so only on the basis of their summer delivery amounts. At maximum it is possible to deliver 0,8 times more in winter than in summer .

In this supply chain, farmers deal more or less exclusively with their milk processor and rather rarely with Bioalpin. If then they are in contact mainly via the regional branch of the organic farming association BioAustria. This is in line with the overall impression that actors along the chain communicate primarily with their direct up- and/or downstream partners in the value chain. This means, farmers who do not have an intermediary processor between them, are more dependent on Bioalpin whereas milk producing farmers establish a feeling of relying more on their dairy. This of course contributes also to the aspect which partners are seen as being strategic partners along the chain and also which ones identify more strongly with the brand 'Bio vom Berg'.

For the coordination between the farmers in the yoghurt supply chain, there are meetings where organic milk suppliers of North and South Tyrol meet to discuss collective purchase of organic concentrate fodder in order to achieve a better price and to secure a better quality.

On the retailing side, the coordination is primarily about volumes, which initial amounts should be produced and to estimate further market development. Retailer and processor bargained a minimum quantity which was fixed in the internal ordering systems of MPreis. Adjustments are made on a weekly basis. At the end of the year, according to turnover, terms and volumes get renegotiated.

**Effects of public policies**

A lot of organic mountain farmers in Tyrol feel that the organic regulations are too strict. In this regard, the chairman of Bioalpin criticizes: *„According to my estimation, all these regulations would need to be cut by 75%. There should only be a few simple and straightforward regulations which are also accomplishable. At the moment, the organic sector unfortunately suffers massively from these regulations."* For example, with respect to the new food labeling regulation, there would be such a bulge of things to consider that it complicates the work enormously. Hence, the manager doubts that these regulations have been in the intentions of their inventors. Today, the small and medium enterprises would be put under pressure by such regulations, whereas the large ones would always find a way to work around these issues or adjust to them.

And the current revision of EU organic standards would impose even higher constraints on the farmers. Therefore, quite a lot of organic farmers nowadays consider re-converting to conventional farming. This is to be seen in the perspective that they often don't see big differences between organic and traditional practices of farming as the topographical conditions of a mountain region limit the potential for scale and intensification anyway.

Another point not to forget is the huge bureaucratic burden which comes along with such regulations. 25 years ago, the chairman explains, he would have spent two afternoons a month in his dairy to do the office work, whereas today, apart from him, an additional and expensive employee has to deal with such matters about ¾ of the time. Yet, he is convinced that their dairy products wouldn't have become equivalently safer due to all the certifications or food hygienists controlling them.

Furthermore, he feels that it is unreasonable to apply the same regulations for small-scale farmers and processors as for example for big players. This would neither be to the benefit of the consumers nor of a regulating policy. This would also apply for the aspired seed regulation, which also isn't favoring small farmers or consumers. Of course he is aware that there has been done a lot of lobbying on EU level by large corporations, but this shouldn't hamper having also reasonable contrasting regulations for small-scale producers. *"Sadly however, there are not a lot of members of the European parliament who have ever been to a Tyrolean mountain pasture and who would therefore know how hygienic provisions can best be implemented meaningfully"* and he concludes: *"But one thing is absolutely for sure, the Tyrolean alp has never 'killed' as many people as the modern food economy, but if they want to find mistakes they always easily find one … ".*

**Relationships to public institutions and civil society organizations**

At the very beginning, the cooperative received public funding (for cooperation in the agriculture sector) which covered for instance expenditures on office material. In addition, also personnel costs got funded twice, albeit on a decreasing percentage over three years. However, at the very beginning, the Bioalpin manager got paid by the AMT and in 2011 the newly employed innovation manager was initially also funded for three years.

Among public bodies to which the cooperative maintains relations, the AMT accompanies and supports them financially in market strategic considerations. Besides, also the relationships to the organic farmers association BioAustria Tyrol got explicitly emphasized in the interviews as being a key connection.

On a political level Bioalpin believes to stand in contact with all relevant actors and institutions (e.g. the political parties, the Tyrolean farmers union, the agricultural chamber or the Federal ombudsoffice of environmental protection). In this regard, the cooperative continuously tries to make clear to them what 'Bio vom Berg' stands for and what it aims to accomplish as there has been and sometimes still is misunderstanding. Moreover, the cooperative supports a number of projects together with civil society organisations, NGOs and institutions. For example they cooperate with tourism ('Tirol Werbung'), education ('Schule am Bauernhof' - farm education) and culture (i.e. the film festival called 'nature-film-days'), sponsor or offer tastings or caterings at regional sport events (city runs, marathons). For example, they are doing the catering for the 'Karwendelmarsch' which is a mountain sports competition and also deliver products to the 'Welthaus' which is something like a Christian charity organization and regularly does an organic/fair breakfast. These interactions are perceived to be a mutual giving and taking.

To sum up, be it the relationships with the political or the civil society side, the manager concludes that it is important to know each other, to keep each other informed and to carry further the ideas and advantages to the respective target groups surrounding the organizations/institutions. These are all partnerships that are important and which have to be encouraged, activated or revitalized on a regular basis.

## 5.2 Business and management logic

The main business logic is very clear. The primary objective of Bioalpin is to sustain and facilitate organic and regional small-scale mountain farming by providing farmers with processing facilities and market access (Wolf, 2013). On the homepage of the cooperative, the chairman defines his vision as follows: *"In a controlled organic and local production I see the most sensible way to produce in tune with traditional values of food of incomparable quality. With our work, we sustain small structured Tyrolean mountain farms for future generations and provide valuable, natural products from the region (homepage)."* As the cooperative is not designed to make profits, the majority of revenues is used for paying (as far as possible) higher prices to their producers. This gets negotiated between farmers respectively processors[8] and the cooperative. In case certain products achieve different profit margins due to the willingness of consumers to pay higher prices, the cooperative tries to balance this by paying members of less profitable products a higher price. For example, dairy products like butter and cheese appear to be more price elastic than let's say salad or bread and achieve a higher gross margin.

Part of the revenues are put in a kind of reserve fund. As the manager remarks, if business partners are not able to pay orders or go bankrupt it is pivotal to keep some reserves, which can at least partially compensate that. However, the main purpose of this reserve fund is to be able to help out farmers or small-scale processors who face economic problems. This attributes to the perception shared by the involved partners along the different value chains that relationships are based on fairness and that adequate prices are paid (Steinlechner, 2009).

With respect towards growth, Bioalpin follows the strategy of continuously increasing its number of regional organic producers in order to cover the demand for grain, milk, eggs and fruits. Bioalpin thus rather tries to find new partners than force the single units to grow or to exchange small producers for big ones. Bearing in mind that 600 out of around 3000 organic farmers in the region supply the cooperative, more producers could theoretically be found within the province of Tyrol. Anyway, this logic is based on an alternative conception of growth. Instead of the usual growth per unit, rather the growth of the entire organic network is aspired. This means that while the number of farms involved is constantly growing, each farm can still maintain the positive features of a small structure and specialize part of its production. This is underpinned by one of the initial egg suppliers who claimed that the formation of the producer group of egg farmers within 'Bio vom Berg' allowed him to remain being a small egg producer when MPreis urged him to grow in order to stay competitive. The formation of producer groups also secures internal coordination and exchange and helps keeping the costs for the cooperative minimal. The bundling of products in terms of variety and quantity increases the cooperative's bargaining power and thus helps secure reasonable prices for primary producers.

For the future, an 'organic' growth, with the ambitious goal to double the turnover in the next three years, is aspired (Internal Workshop, 31.01.-01.02.2014).This makes adjustments on the side of processing necessary. The expansion to South Tyrol (see more in detail in the next chapter 5.3) as

[8] However, 'Bio vom Berg' has no influence on what prices the milk supplying farmers get by their processors (i.e. North Tyrolean farmers delivering milk to the Milchhof Sterzing for the fruit yoghurt get a higher price than those who deliver milk to other dairies for cheese production). The cooperative is not the one who is negotiating or paying a certain milk price. Furthermore, the milk supplying farmers are generally not members of the cooperative and do only supply milk for 'Bio vom Berg' products.

well as collaborating with processors in adjacent regions (like the ice-manufacturer in Vorarlberg) can be seen as a first steps in this direction. Therefore, from the cooperative's point of view, the plan is to partially expand the territory to adjacent areas concerning selected partners.

In this respect it would be very important though to find a balance between the self- set requirements to be innovative (while still sticking to once origins and business philosophy) and the demands of the market (especially communicated by their predominant retailing partner MPreis). There is a necessity for (at least) an 'organic' growth of the business in order (1) not lose the negotiating power towards their biggest retailing partner, (2) to reach as many consumers as possible and most importantly (3) to increasingly provide more organic farmers with an attractive marketing platform for their products and by doing do supporting the survival of small-scale organic farming in the defined 'region'.

A further part of the business logic is that, the cooperative aims to sustain the natural and cultural landscape and to support the economy in Tyrol (homepage). In order to achieve this, they sell exclusively regional products. This in turn merits also other objectives like short and environmentally friendly transportation or guaranteeing maximal freshness and an original and natural taste (homepage). Moreover, in their online promotion material (i.e. on youtube and facebook), the high-quality of the products is emphasized which is realized by applying highest animal welfare standards, prohibiting genetic engineering or pesticides, fertilizers as well as artificial flavors and food additives (Image Clip, youtube). In this respect, quality controls are conducted regularly and display one central business instrument.

The products are thus advertised being something special (most products are additionally also assigned with the regional seal of 'Qualität Tirol'). In this respect, the business strategy is that the combination of a distinctive corporate identity together with a detailed labelling and the thoughtful placement of producers in the advertisement of products enable Bioalpin to convey a successful story-telling and to give its products a face. Likewise, the printed materials and commercials constitute the impression that the Tyrolean organic famers live in an idyllic world and that 'Bio vom Berg' is more than 'only organic'. With their purchasing power, the customers would contribute to preserve the typical landscape, the traditional artisanry and organic farming in the mountains. Besides, the existence and economic activity of Tyrolean agriculture benefits other companies and supports businesses in the region. Another aspect is that the appreciation farmers experience via consumers would in turn be a motivation and recognition to their work at the same time. With the objective of committing themselves to sustainable and small-structured regional farming system and by fostering the preservation of the cultural heritage, the brand thus incorporates a variety of traditional values and stands in a very strong relationship to its region and its inhabitants.

The cooperative also tries to foster innovation by encouraging its partners to try out new things. For example, old grain varieties got re-cultivated and display an innovative product inheriting traditional values. So, Bioalpin is definitely conducting a differentiation strategy. Instead of attracting customers by low prices, 'Bio vom Berg' rather offers value-adding features such as traditional and special quality or regionality.

**Business strategies and instruments in the investigated supply chain (yoghurt)**

The new cooperation with the processor in Sterzing had several reasons. One is that the large dairy factory in North Tyrol (Tirol Milch) who still fills the silage free organic milk and the other 'Bio vom Berg' yoghurts in cups merged with the national company 'Berglandmilch' and formed the largest dairy corporation within Austria. This meant that the business philosophies of Tirol Milch and Bioalpin developed into different directions (geographically as well as ideologically) which has partly to do also with personal changes on the higher management and official levels of Tirol Milch who did not care as much about the agendas of Bioalpin. An expression of this is that there has never been a common product development or innovation as they produce the same yoghurt product for already 10 years now. Another reason to turn towards the Milchhof Sterzing in South Tyrol was that they are the only processor close by who offers yoghurt in a glass. Maybe even more importantly they are facing similar problems and have similar goals (i.e. trying to successfully positioning themselves on the market with an organic product from the alpine mountain region). According to the chairmen of Bioalpin, both sides address similar issues and, the business logic of the Milchhof Sterzing matches Bioalpin better than the one of Tirol Milch[9]. Additionally, to expand the region towards South Tyrol is seen to be a further step in the development of the cooperative's business as well as for the brand 'Bio vom Berg'. The collaboration is aspired to be long term and - as long as the mutual expectations don't get disappointed - to go beyond only the yoghurt product.

The second partner who is involved in this supply chain is the one who prepares and delivers the fruits for the yoghurt. Bioalpin does not directly deal with this processor, thus it is somehow an exchangeable partner. 'Somehow' because the cooperative made clear towards the Milchhof Sterzing that it is crucial to them that social and ethical production standards are met in the producing countries. Transparency and fairness are important values to the cooperative, although in this case they cannot guarantee them, but only emphasize it to the processor.

When looking at concrete business instruments that are applied, the interviewed director of the Milchhof Sterzing lists their quality assurance system. Twice a week samples are taken and analyzed by a certified laboratory in Bozen. Besides, they also have an in house laboratory, where they constantly do the most important controls. In addition they are IFS certified and apply the HACCP system.

Regarding the pricing strategy, the Milchhof Sterzing handles it this way: The prices are fixed in advance, every month the processor pays a fixed amount which is 80% of the milk price of the recent year on an account and makes a first additional payment at Christmas, a second one in February and a third and final payment after the balance is drawn. Therefore, market instability and price volatility have a comparably low impact on the Milchhof Sterzing.

In the particular yoghurt supply chain, instead of the supplier, MPreis takes the storage risk, which is rather unusual. Furthermore, the retailer maintains a well-functioning control of incoming goods and installed a rapid reclamation management where complaints get directly communicated upstream along the chain to the manager of the cooperative. In fact MPreis was already awarded twice for having the best consumer compliant service in Austria on the trade sector, including also non-food branches. However, the purchase manager of the retailer claims complaints concerning 'Bio vom Berg' products are not frequent.

To conclude, there definitely is an overarching business logic that can be identified and which links business goals, strategies and instruments. Philosophy, aims and objectives are very much in line with their actions and therefore, the whole picture becomes very consistent.

[9] Still, Tirol Milch remains to be a partner of ‚Bio vom Berg' (i.e. fruit yoghurt in plastic cups)

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

**Differentiation strategy and values put forehead**

The most outstanding added-value by which the cooperative distinguishes from mainstream organic is the support and maintenance of small-scale mountain farming, followed by regionality and fairness (i.e. in form of fair prices for producers or regarding business relations/partnerships). Therefore, one outstanding and decisive precondition for new business partners is that they produce or process products from small farms of the alpine Tyrolean mountain region. As the manager of the cooperative explicates: *"This is actually the decisive quality criteria after which we select our partners, be it on the supplying, but also on the purchasing side. Mountain products do often cost more as comparable products who do not come from the mountain regions and therefore we need purchasing partners who are accepting to and also can pay the higher price, also because they have the appropriate and necessary customer base (EuroMARC, 2008).“*

Furthermore, the high product quality (i.e. silage free hay milk or traditional artisanry/handicraft in processing) is important. In the investigated value chain, offering the new yoghurt in a glass should underline the ambitions towards resource management and sustainability. Hence, it should not only symbolize but really incorporate the high value of the product although there will no deposit for returning the glass. In the same directions the director of the processing site points out: *"Organic and the material glass, that's simply something which mutually fits each other and which somewhere in the added value underlines the quality."*

Based on the findings of the internal workshop (January 31$^{th}$ and February 1$^{st}$ 2014) the most important attributes/expressions the chairman, the manager and the employees attach to the brand are: small-scale organic mountain farming, regionality "from Tyrol for Tyrol", sustainability, fairness towards producers and consumers, product quality, promise, credibility, traceability, originality & innovation, identification and honesty. These attributes relate strongly to what is conveyed in the public representation of the case and thus reflect to a large extent the same values, which get communicated to the public. Additionally, high product quality and innovation are essential characteristics in the public representation with which the producers and consumers should in the end ideally be able to identify with. Concerning the compliance of these values with the perceptions of the other involved stakeholders a very high overlap is displayed. This quite strong coherence of qualities/values could furthermore already be observed in the EuroMARC study in 2008 (Furtschegger & Schermer 2013a).

**Potential trade-offs due to growth and their challenges for quality differentiation**

The internal workshop was actually set up in order to discuss the planned geographical expansion of the cooperative towards South Tyrol. Therefore, the following remarks do focus on the arguments exchanged about this expansion strategy and its implications for the production and processing strategy of Bioalpin.

Apparently, for Bioalpin the often communicated value of regionality appears to affect the growth prospects the most. The question is, whether the aspired growth can only be achieved by expanding the territory in which the cooperative is mainly operating or whether this target can also be realized by intensifying efforts within the current borders. An absolutely crucial point is therefore the delineation of the term 'regional'. In 2002, when the cooperative was founded, the definition of the term 'regional' was tied to the mountain origin, confined to be the alpine arc according to the 'Alpine

Convention'[10]. This however, is currently perceived to be a too broad definition, whereas the mere limitation to the political/administrative boundaries of Tyrol is seen to be too narrow. One decisive influence on the delineation of the region comes from the close association with MPreis, who defines itself as a regional company and operates mainly within Tyrol, continuously though extends into adjacent regions. As the brand 'Bio vom Berg' is frequently associated with the retailer, this has an influence on the consumers' perception. Moreover, as in the last years the regional provenance of Tyrol got promoted in the cooperatives' marketing efforts, this is strongly rooted in the conscience of the consumers. However, it is assumed that an extension into the adjacent Italian province of South Tyrol will not make much of a difference to the consumers as there is an emotional, historical and cultural feeling of connectedness, which actually exceeds political boundaries. In addition, it is perceived to be also a necessity somehow to commonly align forces and to market the mountain products as something special together with partners from South Tyrol. Otherwise, producers and processors from the two provinces would meet each other again at the same market, while facing actually the same problems. So, the arguments for justifying this step are already developed.

'Regionality' is however stressed as a successful sales argument also by several other brands of bigger supermarkets and discounters [i.e. by Hofer (Aldi-South) with *„Zurück zum Ursprung"* (Back to the roots)] operating also in Tyrol. But in contrast to Hofer who 'localizes' the origin from a certain region and sells the products nationwide, Bioalpin is more rigid in this respect and aims for products "from Tyrol for Tyrol". This raises the question where all the ingredients for ‚Bio vom Berg' products have to come from in order to market them as 'regional' in the cooperative's understanding.

A conclusion at their internal meeting was to develop an appropriate and comprehensive production and processing strategy. From their perspective, the Austrian province of Tyrol is and will remain to be the core-region and center of origin for ‚Bio vom Berg' products. This means that [1] the main product ingredients have to come from that region and [2] that processing steps should (as far as feasible) happen within the region. Moreover, if these raw products would (even if only potentially) be able to get cultivated in the core region of Tyrol, the production strategy foresees that ‚Bio vom Berg' will make any effort to make them regionally available in the long run. The same accounts for processing steps. Thus, a mid-term to long-term goal for them is that as many processing steps as possible should happen in the core-region. For instance, by doubling the amounts of their grain production, the local milling company might consider processing for them.

For raw materials which are not and will not be able to be produced or processed in Tyrol, ‚Bio vom Berg' seeks appropriate partners in adjacent regions in the province of Salzburg and especially in South-Tyrol. Ingredients like tropical fruits, coffee, olive oil, linseeds etc. are only used if they are necessary components of a local "Bio vom Berg" product (e.g. oranges/lemons for yoghurt; sesame for bread; olive oil for goat cheese balls). Furthermore, for such ingredients, organic and fair trade standards (i.e. fair wages, working conditions etc.) are a precondition. Moreover, if there are different options the geographically closest partner fulfilling these criteria gets chosen. So, apart from regionality, there would be also other added-values to communicate as well. However, such values are more challenging to get successfully communicated to consumers than the value of regionality, especially as *"today you have to appear to the consumers with a short message that signalizes that there is really something behind the product, something that you can communicate in*

[10] The 'Alpenkonvention' (Alpine Convention) is an international agreement targeting sustainable development between the alpine states Germany, France, Italy, Liechtenstein, Monaco, Austria, Switzerland and Slovenia.

*a multi-stage marketing process… (EuroMARC, 2008)*". In communicating these values, Bioalpin is very ambitious to guarantee full transparency in all supply chains and to actively convince their partners to do so as well. Last but not least, this should also benefit the identification of involved actors with the business logic and values the cooperative tries to convey.

To sum up: The wish to grow is definitely there. One reason for this is that the manager of the cooperative says that if they really want to meet their self-set objective to provide farmers with a viable market access and to significantly contribute maintaining small-scale mountain farming, then the cooperative simply needs to become a more relevant actor who is taken more serious as a competitor. Another reason is the strong competition over organic products on the market. First of all, there are other and bigger organic retail brands whose organic products are comparably cheaper and the product range is higher. That's why MPreis as their retailing partner wants to provide more 'Bio vom Berg' products like for instance organic curd or cream, for which there is however no organic processor in Tyrol. Therefore, such issues need internal discussions on their compatibility with the own business logic. These examples show that Bioalpin always has to see where to draw the line and to say 'no, we are never going to offer such a product' and to comply with the self-set restrictions in terms of regionality and production/processing strategy, while still staying competitive. Consequently, they would always have to cross-check a potential extension of the product range with their business philosophy. As MPreis has listed a second organic brand ('Natürlich für uns') and supplements those products which are currently not available in organic quality from 'Bio vom Berg'. The pressure to expand their product range can be evaluated as being manageable., However, as soon as 'Natürlich für uns' can be substituted by 'Bio vom Berg' products, MPreis immediately starts to list their products instead.

## 5.4 Communication of values and qualities

In this chapter we want to describe on the one hand the internal (according to type, frequency and content) as well as the external communication in a more general description for the overall case and on the other hand elaborate specifically how the communication is structured in the chosen value chain under investigation.

**General internal communication structure**

The results of the interviews show that communication between actors involved in the various supply chains differs very much regarding the frequency and the content of the interaction. Additionally, there are also changes in the historical timeline. For instance, especially during the first two to three years (until 2004/05) the communication between the cooperative and the retailer was much more intense as the cooperative needed a lot of help at the beginning to get things running smoothly. As the purchase of MPreis recalls: *"The first two to three years were very intense and there was an extreme assistance […] We had times where over months we had been in contact several times a day and that is exceptional. There are suppliers with whom I make twice as much turnover and with whom I speak three times a year (EuroMARC, 2008)."* Today, apart from several yearly face-to-face meetings, the communication between the cooperative and the retailer MPreis is described by the latter as follows: *„We* [still] *have to do with Bioalpin in average every day, also if it's just an email."*

Also the communication between the cooperative and the local dairies has been rather high during the initial phase of establishing the 'Bio vom Berg' brand. This was because the assurance of a continued quality made a regular exchange about aspects of hygiene and processing techniques necessary. Over time a lot of routine communication processes got formalized.

On the contrary, as growth processes comprehensively have an influence on communication, in some respects communication also increased, as the chairman exemplarily explains: *"As we were growing […] it became automatically necessary to somehow have a better communication with your partners… Formerly, if you had a partner who delivered 5 tons of cheese a year, you do not really need such a strong communication. Maybe it would be needed, but the daily business can be handled rather easily. As soon as you start to purchase from a dairy not only one but let's say three different varieties of cheese and also in three different sizes and packaging designs and you have 60 or 70 tons of cheese then it becomes increasingly important that communication is working. And this has to go further than just to send a request form via Fax or email."*

A lot of the internal communication flow, like on price negotiations, delivery amounts and orderings, is highly formalized. These communications happen at least quarterly via phone with their cheese and dairy suppliers and their purchasers and with vegetable and fruit producers additionally several weekly contacts during the season. Mainly initial talks on the phone become formalized via delivery notes or order sheets. In fact, the manager estimates that generally the main communication is via phone. *„Most of it I'd say is via telephone, very often. But increasingly we also try to drive directly to the people or to have them here in our office […]Strategically however, there are meetings twice a year, once at the end of the season and once at the beginning of a new season, to sum up the old one and to plan the new, but those are talks that happen in a roundtable, where everyone is physically present, where there are minutes that are also sent around and where everybody can comment on whether everything was documented correctly."* With the processors it is similar. Today, apart from the fixed quarterly meetings, Bioalpin has the small dairies on phone also more or less weekly, talking about the daily business or about product qualities and the supply and demands of retailers. Furthermore, two employees of Bioalpin visit frequently for various reasons personally the dairies and discuss with chairmen or managers about new products, assess the situation and give feedback.

This is in line with what the Bioalpin manager said about the relation between type and form of communication, explaining that the more important the content of the communication or the type of decision seems (e.g. with respect to turnover, a potentially new future orientation of the enterprise, developing new products or entering into a cross-border collaboration with new partners), the more Bioalpin tends to talk to the people in person.

Furthermore, members of Bioalpin are in contact on a formal level once a year during the cooperative's general assembly. Hence, most of the dairy farmers, being members of the local dairies, but not of Bioalpin are not in an exchange with the cooperative itself. Therefore, predominantly those producers supplying the cooperative with a final product are in contact with Bioalpin concerning price negotiations and about the production/quality standards they have to fulfil. Generally, supplying contracts are signed on a yearly basis and exchanged electronically.

Today, the way of communicating and the content depends on whether communication happens upstream or downstream the supply chains. For instance, producers talk to processors either regularly on a personal level (phone or face-to-face) or do more or less not communicate with each other at all. Frankly, the exchange between farmers and processors is often limited to circumstances where quality issues become apparent and the raw material lacks certain quality features that the processors demand. This is of course depending again on the product type. For example, while cheese processors and milk producers are regularly in contact about raw milk and processing quality, the cereal or egg farmers are not as much in contact with their processors in the mill or the bakery, maybe also because the raw material is not as sensitive as it is the case for milk.

Some producers say communication between producers and consumers is very important to them and that's why they would try to be in interaction with consumers via farmers markets (i.e. once a year farmers promote their products at a market organized by 'Bio vom Berg' where they can get personal feedback). Indirectly producers are related to consumers as the cooperative promotes them on the internet (especially via facebook but also on their webpage) and puts their names in brochures and leaflets at the point of sale.

Last but not least the internal communication between the people actually working in the cooperative's office is very open, mainly informally during coffee, cigarette or snack breaks or at lunch. Additionally, there are the yearly appraisal interviews with the employees and one internal strategy workshop. Hence, there is a strong team building, also because the group is rather small.

Asked how satisfied their partners are with the type and frequency of communication, the manager of Bioalpin believes that this depends on the partner. For instance, in spring 2014 the cooperative organized, together with MPreis, a partnering meeting between producers, processors and the retailer which was perceived to be rather unique and exceptional as direct communication had been very limited, if not to say non-existent, before. So, in order to close the communication gap between the retailer and Bioalpin's upstream partners (producers and processors) the cooperative invited the small dairies including their chairmen, managers, CEOs, employees and so on and so forth to an excursion at MPreis. They got a warehouse tour and the managers of MPreis were present with speeches and presentations. According to the interviewed retail representative, such events are crucial as they enable upstream partners to gain some insights into procedures which would be very important, *"because then the people who have been there this day or afternoon also do see once the problems we* (ann.: MPreis) *are facing. We have guided them then through our storage facilities – deliberately – so that they can see what happens to all their products".*

This time, this was done for small scale dairies, but it is planned to arrange similar events with other producers and processors as well. The ambition to bring the primary producers and the retailer closer together is an expression that especially the communication to the biggest retailing partner is seen to be of high importance to the cooperative. In the end, the success of Bioalpin also depends on the fact that not only the management level of MPreis is convinced of their business logic, but that also the middle and lower levels from buyers to sales personal promote the 'Bio vom Berg' products.

Similar meetings have been organized between grain farmers and the bakery partner (Ruetz). Additionally, there are on field workshops planned where producers and technicians/experts come together to discuss which varieties could be cultivated and where there is space for improvement. These initiatives are designed to foster communication amongfarmers particularly within the respective producer groups (EZGs). Usually these meetings are actively organized and accompanied by the cooperative, but sometimes the producer groups approach the cooperative and ask for help. However, after setting up the contact, the cooperative continuously steps back as there are usually technical aspects and not marketing related issues discussed.

Bioalpin believes they are putting quite some effort into matters of communication, but of course they are also aware that they communicate with some partners more than with others. All in all however, they believe to be on a good way, especially as their supportive relationships/assistance improved with the new employee they hired in 2011. Since then they would be in a more frequent exchange especially with the local dairies asking them about their requirements, wishes, and desires. So they believe that most of their partners are relatively satisfied how the communication is working and that they would recognize that there have been improvements implemented by Bioalpin.

**Communication to the public**

Chain partners criticized that the external communication to consumers could be better. For instance, the purchasing manager of MPreis names following potential improvements: *"The media which the people evaluate positively need to be stronger integrated. We try this towards our employees via our own magazine, but in general the added-value should get more emphasised. This is however an ongoing process. The message regarding content from 'Bio vom Berg' to consumers is sufficient, but it could be communicated more often and trough different media channels (EuroMARC, 2008)."* Certainly, MPreis tries to include such things in its advertisement efforts but as the interviewed retailing person comments, a QR-code could be a useful tool in this regard in order for consumers to easily trace back the product online. In turn, the Bioalpin chairman places a somewhat different focus again on communication*: „By and large, I come to the conclusion, although we do nowadays have all the new media and so forth that a really good communication happens from people to people. Of course I can't place salesmen besides every glass of yoghurt and make him talk to the consumers, but in the end it should be like that."* In the end, possibilities for marketing and external communication would however be a question of budgetary resources.

So what does the communication to consumers look like: First of all, there is a lot of publicity material (leaflets, brochures, information sheets etc.) informing about farmers, products and production sites, which the cooperative and its retailing/buying partners distribute at the point of sale. This is actually the most important communication channel to consumers. *"In first sight we communicate our quality via the brand, its name and its high corporate identity. Apart from that, we let the products speak for themselves and just have the typical placements at the point of sale with classic marketing (EuroMARC, 2008)."*

Likewise, the interviewed representative of the retailer remarks with respect towards the communication to consumers, that their own marketing division would continuously try to include ‚Bio vom Berg' products in their editorial inserts in the local newspaper (Tiroler Tageszeitung), or promote them via the retailers' homepage or via their facebook page. So MPreis does actively promote organic and regional products and moreover has additionally explicitly committed themselves in the company's guiding principles to the 'Bio vom Berg' brand. That's why MPreis does a lot of publicity for 'Bio vom Berg' by placing leaflets and brochures at for example the cheese-bar, where they inform about the farmers and the production or processing methods.[11] Therefore it can be said that in the strategy of the retailer, 'Bio vom Berg' is credibly positioned being the flagship of the retailer's message of sustainability and regionality.

Since 2010/11 there are also commercials which are shown in a local cinema before the start of the actual movie. These commercials were produced out of the image-clip the cooperative produced for 'Bio vom Berg'. So, it was rather cheap to cut the sequences which were already there and to use them for the cinema commercials.

[11] A remark has to be made here however, as - at least by the time of 2008 - around 30% of the advertisement expenditures spend by the retailer on 'Bio vom Berg' got refunded by the federal government.

In addition, Bio vom Berg also operates a (rather simple) homepage on which mainly their philosophy, their partners and the products are introduced. As it is already 6 or 7 years old and not really up to date anymore, the manager of Bioalpin is not really satisfied with the homepage, but so far the cooperative did not find the time to thoroughly think about and develop a concept. There is a plan to relaunch a new homepage in 2015, putting producers in the focus.

Furthermore, since April 23rd 2010 they operate a facebook-webpage which has approximately 1500 followers [1547 by March 12th 2015] where farmers and food related information gets promoted. Usually, the manager and the person responsible for the administration of the facebook account meet every now and then to discuss when, how and in which frequency which things should be posted. Furthermore they think about topics of interest, when to do a Prize competition or whether to promote certain posts via paid announcements. The manager's attitude towards facebook is two-fold though somehow, saying: *"You cannot do without it, that's for sure. I would say it is important, but not crucial."* Basically, he recalls being precautious with social media communication channels like facebook.

Last but not least, as was already listed above, the cooperative maintains contacts with civil society organizations (CSOs) respectively public institutions. Additionally, regarding public institutions, there are numerous networking events of which the cooperative has to evaluate their importance, but usually attempts to send a representative (i.e. for a breakfast at the provincial environmental advocate). *„Of course, no one forces us to go there and listen to that […] but there are a lot of other people and somehow it's also a topic of interest to us, because it addresses sustainability issues. And it is a 'get-together'. You meet other people again and it's somehow a kind of lobbying and a framework of interests. […] You need the contacts, you need to know the people, you have to go once in a while to festivities, ceremonies or appointments, that's how it is."*

**Communication in the investigated supply chain**

The specific supply chain of fruit yoghurt includes the producers of the fruits for the yoghurt, the processors of the fruits, the raw milk producers, the processor of the yoghurt, the trading platform Bioalpin, the retailer MPreis as the more or less exclusive distributing partner for this product and the consumers. However, the perspective of the consumers as well as the fruit processing line have been left aside in this particular case study, simply because the producers of the fruits are (as outlined above) not exactly known by Bioalpin and covering also the consumer perspective was not feasible.

However, the downstream communication is mainly between the processor Milchhof Sterzing, the cooperative Bioalpin and the retailer MPreis. Most of the time, they communicate via phone or negotiate about prices and delivery amounts. During the initial phase of the project (until the product got on the market) the communication would have also been on a personal level (face-to-face) which today is limited to occurring problems with the product quality. Regarding the communication towards the consumers in this particular supply chain, it is actually not possible for the consumers to find out who the primary producers are. Only the yoghurt processor 'Milchhof Sterzing' is put on the final product. To achieve full traceability of all ingredients, it would be required to name the fruit producers, fruit processors, raw milk producers and the yoghurt processor, which seems to be not possible, let alone feasible due to lack of space on the labels. Furthermore, legal restrictions already determine the kind of information which needs to be included. So far, there were also no measures taken to inform about the new product on the Facebook webpages of the retailer or the cooperative nor were there really public announcements in the newspapers to be found[12]. Still the manager was - after about 9 month (in February 2014) - quite satisfied with the sales and claimed the sales of the yoghurt in cups did not decrease, thus additional volume was realized.

In this chain, there are no steps implemented which would allow producers to actually identify with their final product and there are no possibilities provided for consumers which would allow them to get find out about or get in contact with the producers. Quite surprisingly though, the interviewed farmer stated that as long as the name of 'his' processor is on the yoghurt, he would consider it being somehow also his product [*"If it is the yoghurt with the organic milk in it, it is my product"*]. It seems the identification along the chain does not depend on being explicitly listed on the product or to be in contact with end-consumers respectively to receive feedback from them.

**The new fruit yoghurt filled in glass © MPreis**

Regarding the organic yoghurt, Milchhof Sterzing is either in contact upstream with the representative of the organic farmers within the cooperative Wipptal/Stubai or with the manager of Bioalpin. At the beginning, the communication to the Bioalpin manager would have been more often (also personally) but it is expected that after things like delivery amounts and logistics got cleared out, the communication would ideally happen mainly via email or phone and also less often. Asking which form of communication the director would prefer, he stated that to him email would always be more comfortable if the message is important, as you have something written at hand, whereas on the phone you would always have to make notes. For instance, when you exchange packaging designs, email is more useful. However, important topics have to be discussed face-to-face and a physical meeting is more suitable. From the retailing side, the everyday business in this chain is all done via Bioalpin as they forward orderings and they do have the control and the overview over amounts and there is just a payment to be invoiced. In fact, the responsible purchaser of MPreis says that once the things are on the run, he is dropping out of the formalized communication process and the warehouse expeditor takes over such things. He would then only keep an overview over sales and turnovers and do the general supervising. In the starting phase of this new product they were however in contact more often to estimate the volumes, first delivery amounts and negotiated about introducing the new product to consumers with a trial price as the Austrian consumer responds very well to special offers.

The farmers' representative actually speaks more or less exclusively with the director of the Milchhof primarily about amounts they are able or allowed to deliver as farmers, about the amounts the processor can and could sell in the future and they do also exchange thoughts and ideas about the marketing plans or strategies of the processor. *"Of course we do also talk about where and how to target new consumer groups and where to perfectly place the product"*. Currently, this communication would take place on all levels but mostly face-to-face on a personal level, meaning that either the representative of the organic farmers from the dairy cooperative Wipptal/Stubai drives to the processor or vice versa. So, in the starting phase, the face-to-face communication appears to be important although, as the farmer remarks, it was not really on a regular basis. Afterwards, the communication about important things will happen via email. Still, he believes that

[12]There have only been two articles, one in the local newspaper of North and South Tyrol (Tiroler Tageszeitung & Dolomiten) on April 2nd 2014.

for the next two years, he and the director of the Milchhof will continue to stay in close contact as long as there are such difficult things to handle as delivery amounts and separate milk collection. Outside the value chain there would be a communication with the chairman and the board of their milk delivery cooperative (Wipptal/Stubai) concerning more general parameters of organic producers.

Regarding the communication amongst the organic dairy farmers, the different organic farmers, which deliver to the Milchhof Sterzing from South Tyrol (i.e. Ahrntal, Brixen, Bruneck and Sterzing), organized once a meeting in order to exchange experiences and to discover possibilities of working together. A second meeting was initiated thereafter by the processor in the end of April 2014, where they have been discussing whether to collectively purchase the fodder to get a better price. At this meeting the organic farmers of South Tyrol also did an excursion, visiting farmers in North Tyrol in order to get to know each other and exchange on a more informal level. The organic farmer's spokesman of the cooperative Wipptal/Stubai remarks though, that such meetings would be quite difficult to arrange, especially during summer. Most of them would then be on the alpine pastures and apart from that, they would not have a lot of time to spend on such things. Still, it seems that such more informal relationships like excursions and so on are very important and that these are occasions where one talks about things apart from work (weather, football etc.) and which would be also important for establishing more personal relationships leading again to higher trust.

Another example underpinning this assumption is that from time to time, the purchaser of MPreis and the Bioalpin manager meet for lunch or for a joint cycling tour where the lines between the private leisure time and business get blurred. This is only the case though, as both share the same interests. Moreover, such informal meetings display a good opportunity to reflect, to be creative and develop new things together, free from the daily routine.

To sum up: Concerning the aspect of which type of communication channels were perceived more suitable than others: Communicating indirectly via email is perceived by all partners to be suitable for routine communication of supply and demand orders whereas for maintaining good and long standing relationships direct face-to-face meetings were agreed by all actors along the chain to be decisive for establishing trust and confidence and would furthermore also be a sign of respect and appreciation. However, the intensity and demand of direct and personal interactions (whether it is once a year or once a month) depends on the closeness of actors within the chain. For instance, for the farmer it is important to establish close and also personal relationships during face-to-face conversation with the processing partner Milchhof Sterzing whereas he is not really interested for example in the retailing partner MPreis nor has he a lot to do with Bioalpin. In general, these close and personal relationships are comprehensively more important to the immediate upstream and downstream partners an actor is mainly depending on and interfering with regularly.

## 5.5 Quality mediation through the chain

**Quality mediation in the yoghurt supply chain**

Apart from the already mentioned price for raw milk, which is higher in the investigated fruit yoghurt supply chain than in others, there are also other qualities for the interviewed dairy farmer which are linked to production and processing. For example, the freshness of his raw product would distinguish his milk from other providers who ship, transport or have to treat their milk. To him this would also be a decisive quality for the processor: *"The freshness is of utmost importance because then the pH-value is the best and then the germs do work the way you want them to, in a way that you can plan it, you know? All these cultures and so, this is difficult with shipped milk."* These quality differences between fresh raw milk and partially already processed milk is thus, in the perception of the farmer, a huge advantage for the processor, who gets now more fresh organic milk nearby, which he would otherwise have to buy on the German market.

Additionally, according to the interviewed organic dairy farmer, the processor represents an image of an alpine production area, small structured mountain farming and biodiversity in his external communication. The Milchhof Sterzing would thus get perceived by the people as being rooted in the alpine region, which, in the eye of the farmer, makes the whole story more authentic with him as a close by organic milk supplier. Hence, regionality is a further value for the farmer which he also believes is increasingly important for more and more consumers. Additionally, no farmer has problems with livestock density (GVE-Units), indicating low intensity. There are no pesticides or artificial fertilizers used and the whole production process is designed to be as sustainable as possible.

Besides, for the farmer it is also a quality that the processor (for certification reasons) collects the organic milk separately, which is a logistic challenge, as the milk truck needs to have a separate milk tank and a separate suction. In this respect there has to be a planning of how to best arrange the milk collection. Another aspect, the farmer adds is that in his eyes the processor would also support the quality and resilience along the chain to the final product by purchasing high quality processed fruits for the yoghurt from two different companies in order to be able to compare the price and quality and to not fully rely on just one.

Another quality for the North Tyrolean farmer, similar to other partners in the chain is that the product is filled in a glass, which is believed to be a more suitable packaging material to transmit the respective qualities and values. All in all, the milk farmer thinks the values and qualities getting mediated are quite consistent along the chain. He has the feeling that his downstream partners would take into account the qualities the farmers want to mediate so that in the end there is a strong coherence *("I think that in this regard we are not really far apart from each other"*. Finally however, the farmer hands the decisions on which qualities should be mediated over to the processor and Bioalpin, as he believes that they are better in marketing and predicting the consumer´s demand.

Looking then downwards the value chain, the first consecutive link is the processor. When asked in how far the Milchhof Sterzing is sharing qualities with his suppliers the director assumes that not all farmers would be very much convinced by the organic principles and that some would stop organic farming as soon as they would face minor problems. This way, he would have lost some of his supplying organic milk farmers already. Hence, perhaps not all of them are interested in collectively shaping the qualities that in the end get communicated. Apart from such cases though, the other farmers would share the same values as the ones that he as a processor would again try to mediate. These would be the high added quality of the product due to animal welfare, health aspects, the mountain origin and the regionality of the product ('from Sterzing'). *"And those are qualities that we* (ann.: farmer and processor) *try to communicate together."* Furthermore, the director of the Milchhof is convinced that also the attitude and philosophy of Bioalpin would be very similar and for instance regarding the support of organic small-scale mountain farming even be 100% in line with each other: *„Yes, we do have the same aims, so we would like to see that organic agriculture can proceed to exist, that the farmers can survive, that the farmers get a good price because otherwise, that's of course an issue, if you don't pay them a good price, they will re-convert."* Moreover, the processor evaluates the collaboration with Bioalpin as a positive step, as it would benefit his credibility and luckily complement his business strategy to position the Milchhof Sterzing as an enterprise which is actively supporting organic agriculture. Comparatively, however, the added-value the retailer MPreis achieves with the brand 'Bio vom Berg' for the image would be way higher!

The next intermediary and in fact central actor is then the cooperative Bioalpin itself. According to the Bioalpin manager, it would have been noticeable during the negotiations with the Milchhof Sterzing that an outstanding added value to the processor would be that he has a regional milk supply and that he does not have to buy milk from elsewhere. *"That's obviously a statement which is rather determinant for the people in Sterzing and a value which they want to develop, carry further and market together with us, that's for sure."* Asked whether 'Bio vom Berg' also considers the qualities the farmers want to communicate, the manager strongly agrees, but remarks that he believes that for the farmers it would be primarily important that they can sustain their farms, that they get a good milk price and that they are well inked to the milk collection route. *"That's principally the value that he* (ann.: the farmer) *wants to have incorporated. Maybe, he then also wants to see someday that his product is also placed in the shelves and that it is sold and evaluated positively, but I'd put that rather in the background for the moment."* Still, as the manager points out, he really considers the yoghurt a consistent, harmonious and also exceptional product, as it is the only yoghurt he knows of, produced without milk powder and (since the beginning of 2015) even without natural flavorings, containing only fruits.

**Further examples of quality mediation apart from the yoghurt chain**

Some general references regarding quality mediation, apart from the specific supply chain, can be found in an interview from 2008 with the chairman of the cooperative, when he was asked how he would define the quality of a dairy product (in this case it was cheese): *„First and foremost it has to be of good quality, meaning the taste and the limberness. All that has to go together, at least that's what I require. Otherwise you are not able to communicate the qualities. Because if you go into a MPreis store and buy a piece of Emmentaler and it wasn't good, then I can attach as much story-telling as I want, but you will say 'that was not really it'... (EuroMARC, 2008)."* And he further explicates:*"With regard to qualities it's about authenticity. 'Bio vom Berg' combines therefore ecological and regional aspects. Only both things together make it honest. If I make a stable with 1000 cows in the alpine region, that's no honest regionality and if I transport organic milk down from the Netherlands, that's no honest organic milk. One thing must not play-off the other."* These quotes demonstrate perfectly that there is a strong coherence with the values between the ones the dairy farmer and the processor of the yoghurt supply chain lists and those mediated by the cooperative (i.e. regionality, animal welfare, no pesticide use etc.). Still, there are also some differences as the farmer tends to refer more to qualities related to processing (pH value and germs), whereas Bioalpin concentrates more on translating and transmitting these product qualities into the ones important for downstream partners (authenticity, sensory properties like taste).

In turn, from the perspective of the retailer, the values and qualities to be potentially communicated have generally broadened together with the development of the brand. These would also get more or less fixed exclusively by the cooperative Bioalpin and the retailing partner they would just advise them. This is, though somehow critically, also confirmed by the chairman who says that the retailer would not contribute a lot in commonly developing a communication strategy and that most of the quality attributes would have to be set by the cooperative and the upstream producers and processors. *"If I have to explain to the retailer why this cheese costs 20 Cent more, he wants me to* *communicate this to him already in a way so that also his consumers would understand it and not only him. Of course that is kind of an art and extremely time consuming."* The chairman thus clarifies it would be easier to convince consumers of the qualities when they directly come to the processor because then also the surrounding and the alpine setting/environment of a small scale dairy would explain already a lot by itself. Hence, the cooperative would – although in accordance with the retailer – do all the promotion more or less on its own.

Other things the retailing partner MPreis does towards mediating the quality aspects to consumers are for instance tastings, where the personal is trained to tell something about the 'Bio vom Berg' product and its story. Additionally, the retailer places advertisements in the local newspaper emphasizing the nutritious value of products from the mountains and promotes three times a year a 'Bio vom Berg' cheese as the cheese of the month. Still, there is seen potential for improvement also from their side as a retailer: *"There could be done more altogether"*, the retailing person commits, *"but the problem is that this is always seen a bit critically by the consumers"*. If for instance MPreis publishes brochures, people might say 'well, they're not going to say something negative about themselves', so in terms of credibility it's always better if someone external writes about 'Bio vom Berg' [i.e. the independent consumer magazine "Der Konsument in one of his editions (12/2013) quoting a study done by the University of Graz (Raith et al., 2013) who rated MPreis and Bio vom Berg the most sustainable food brand among supermarkets].

Moreover, there are courses which are part of staff training where a member of Bioalpin once in a while gives a presentation on the background of 'Bio vom Berg' and what distinguishes the products from others. *"These aspects get steadily integrated and people are also interested in that and then it multiplies, but it's a long process because we have 800 employees working at the delicatessen-counter and until they are all trained… EuroMARC, 2008)."* In a later interview in 2014 the purchaser however relativizes this to a certain extent when he states that the management level could simply say what has to be done. This might have to do with the fact that the interviewed retail representative admits that there are sometimes problems with mediating the qualities as internally at MPreis there are quite a lot of people who are not interested in organic at all. There is a lot of talking about it, but actually it is perceived by many as being simply annoying and inconvenient. *"I have to talk very often to the other purchasers […] because everything that is not running smoothly, nobody wants to do it, and in this respect 'Bio vom Berg' is keeping us busy like ten other suppliers."* Of course, this is also due to the broad product range and that all purchasing areas of MPreis are affected. Nevertheless, the interviewed buyer explains that he would still try to convince his colleagues that if they would not deal with the Bioalpin, then they would in turn have the troubles with twenty other companies. Hence, many people working at MPreis would not see the important role Bioalpin plays as a consolidator concentrating the flow of goods. Furthermore, they of course still have seminars for the employees working at the deli or specialty counter and who get trained about the background and core values of 'Bio vom Berg'.

So, the qualities are developed on various sides. The farmers are contributing to the quality with a high value product, the processors add artisanal knowledge and technological skills, whereas the cooperative for instance adds the quality of being a reliable and strong marketing partner paying fair prices to its producers. The maintenance of these qualities are assured also by a number of factors, be it the quality assurance systems (i.e. of the dairy processors), the very good reclamation management (i.e. of MPreis) or that the cooperative organizes on field technical support workshops for their farmers. The measures undertaken to mediate qualities are therefore manifold.

## 5.6 Resilience

**Effects of the economic crisis**

Until today, the cooperative did not have to face real fundamental changes, fluctuations or crisis. At least no interviewee could think of any. The chairman and the manager of the cooperative said that they couldn't tell that the economic crisis in 2008 had any negative effect on the business, although the turnover graph flattened a bit (see graphic 2), but it is very difficult to directly link this to the economic crisis. They can only imagine that maybe certain retail partners were more cautious and sensitive just because everyone was talking about the crisis. Also the Milchhof Sterzing didn't really feel an effect. Admittedly, the director said, there had been a decline in the organic sector, but according to him, only high-class and high-priced organic products would have been affected.

So, right from the start until now, 'Bio vom Berg' was never really been facing a crisis. There have been gradual changes like the increase of the number of employees, expanding the product range or the supply and distribution partners (especially with the strategy of decreasing the dependency from MPreis[13]) whereas shock-like changes were not mentioned. However, the manager also remarks: *"We have never been extremely euphoric in a way that we were able to say 'yeah let's put money aside'. Rather there have been years where we said 'ok, it must not get worse'. Yet, basically I believe that until now we have managed it quite well to everybody's satisfaction."* At least in more recent years, the cooperative was able to build up some reserves, which however stand in an extreme disproportion to the cooperatives' turnover so with these reserves Bioalpin would not really be able to cover up the losses in case they lose one of their major business partners. The question of laying aside some money is also resulting in a kind of cleavage as on the one hand it is in the responsibility of the management to create such reserves (in order to have certain flexibility for scopes of action) whereas on the other hand, the supervisory board often wants them to focus on the gross profits. Hence, being financially more resilient will still take time and a lot of preparatory work. Another point to be taken into account is that in line with the cooperatives' business logic, they ought to pay farmers the best price possible and to keep expenditures for administrative and internal structures to a minimum which comprehensively limits the possibilities to create reserves.

**Motives to grow**

In the founding statutes, Bioalpin set itself the goal to contribute maintaining small-scale organic mountain farming in the alpine region. This is the major impetus and driving impulse why the cooperative strives for growth. The cooperative currently provides 600 small-scale farmers with a market access, but given the fact that there are around 3000 organic farmers in the province the cooperative admits that this is not sufficient. Therefore, Bioalpin tries to increase turnover on the market by increasing their customer as well as consumer base. If they succeed, then they can argue even more to have contributed maintaining/sustaining small-scale farming in the alpine region of Tyrol by paying farmers a better price and by having created a corporate identity to which existing consumers are loyal and new ones are attracted to.

**Obstacles towards growth**

Although the cooperative Bioalpin was never really facing a crisis there have been and there still are however restrictions or obstacles towards growth of the cooperative in general. One big obstacle

[13] Still, Bio vom Berg needs MPreis more than vice versa, although both parties do have mutual interests in keeping good business relationships up on the long term. However, the cooperative Bioalpin continuously aspires to achieve turnover also elsewhere and to thereby reduce the dependency on MPreis.

towards growth is of course that there are other, even bigger players who dominate the market and as of now, all retailers have developed their organic brands. This limits the options for a producer owned brand. Another obstacle that derives from the structural reasons of small-scale structured mountain farming is the competitiveness in prices. The structures simply demand somehow a higher price and therefore, it is hard to compete in markets outside of the region where the added values are harder to be reasonably communicated to consumers. For instance, why should a consumer (well, beforehand actually the processor) buy a more expensive but qualitatively worse (e.g. concerning backing feature or falling number) raw material for bread from an alpine region, especially when the consumers show no emotional attachment to it? Additionally, financial restrictions for marketing limit growth and also the possibilities to find more organic farmers to join the cooperative and to produce for Bioalpin can be seen as an obstacle. This has to do also with the problem described more in detail in chapter 6 that actually many organic farmers are either giving up their business or converting back due to the bureaucratic burdens the new organic regulations impose.

In the eyes of the purchaser of MPreis, significant further growth is evaluated to be difficult to reach also because 'Bio vom Berg' has a lot of what the buyer calls C and D products which benefit more the image than the turnover. Hence, the retailer stressed that in order to achieve growth, 'Bio vom Berg' actually would need to produce a second 'A-product' like milk and to expand its operating area to the whole alpine arch, as was written in the founding statutes of the cooperative. *"For sure there would be disputes and customer reclamations for a year, but otherwise I don't develop the brand further. Actually we have arrived at a deadlock, a blind end, where* (ann.: with respect to new products) *there are not a lot of turnover generators."*

In this respect, the challenge for Bioalpin though is to achieve a good balance between the demands of the retailing partners and the producers. This is also reflected internally in the everyday business of the cooperative where it would be a continuous balancing act to negotiate supply and demand and to appraise, in which respect the product range can be expanded and where this is not possible. For instance, there would be a demand from the consumer side for organic chicken which however, farmers would not produce at a reasonable price. In turn, those products which are almost in abundant amounts produced (dairy products) should be marketed successfully. In this regard, a limiting factor for 'Bio vom Berg' is how the product range can get diversified, respectively which products can be produced at all in an alpine region. Moreover, only parts of their product range are able to get appropriately exported. At the moment, the German market is primarily served with cheese for which an export is possible, whereas for yoghurt and fresh fruits or vegetables, this is tricky. Products which in turn would be more suitable for export like cereal products like bread, grain, flour or fruit juices are in turn not available in reasonable volumes. Still, also the retailer is convinced, that in the area of bread, there has to and also will happen more in the future (i.e. besides the Ruetz bakery also MPreis wants to increasingly offer 'Bio vom Berg' bread) and that Bioalpin has to keep orientating itself even more to markets across the borders.

To deal with all of these problems is in the end up and foremost in the responsibility of the manager and the chairman, respectively the other three persons working in the office of the cooperative who try to come up with solutions and only in case the supervising board sees profound discrepancies it intervenes or consults the general assembly. Yet, the core responsibility comprehensively lies within the office of the cooperative. Nevertheless, partners like for instance MPreis are definitely eager to commonly work on solutions and they support the cooperative where they can.

**Weaknesses and Vulnerabilities**

Looking now more into the issues of vulnerability, one fact is that the cooperative - to a large extent - is always dependent on the retailing partners. For example, the manager explicates: *"…there are numerous factors one depends on. The retailer wants homogeneous products with a long shelf live, the dairies want products which are easy and fast to handle, with not too many and complicated processing steps in between. […] Down to consumers who want their cheeses sliced and properly sealed. There simply are desires from all sites which we have to balance and react to."* There are always developments, the cooperative would have to adapt to and those are difficult to predict. Of course, one big trend is towards cheap prices and in this segment the cooperative is not competitive (in no branch, be it milk or eggs or whatever). Bioalpin rather tries to follow the differentiation strategy to market regional products of premium quality with organic plus values and a story behind. Hence, if the cooperative wants to develop its brand, then, according to the chairman, it is about authentically carrying this message from the producers, processors and the marketer to the consumer, because the consumer is already haunted by a lot of fraudsters.

During the interviews, there were also other vulnerabilities or weaknesses mentioned. One problem the retail representative lists already in 2008 and again in the more recent interview in 2014, are the sometimes differing qualities or the fluctuating quantities of 'Bio vom Berg' products. Either the optical appearance or the ripening of the cheese would not be standardized to an extent to guarantee that products have a certain level of continuity in taste. However, the retailing person is convinced that around 30% more could be sold[14]. In this regard, also the processor of the Milchhof Sterzing states that from his outside perspective, limited delivery volumes or available amounts might generally be restricting for potential business partners of Bioalpin. According to the manager of Bioalpin quantities are fluctuating due to crop failure or seasonality.

So, these are points the cooperative respectively the employees have to deal with by intensifying for instance the communication/assistance to their suppliers (i.e. small dairies), asking them what kind of help they need to avoid these mistakes that negatively affect the continuous quality and by trying to get more farmers to cover the quantities.

Another aspect, tied to the sometimes lacking quantities, is the problem of finding suitable processors, which are an absolutely central point for Bioalpin in various supply chains. For instance, there is neither a close by small cheese packager nor a close by suitable local mill that would process the amounts they deliver. But it's not only about quantities, regarding the product range, there are products, which aren't yet offered by ‚Bio vom Berg' (like cream or curd), which could increase turnover. Another point is that Bioalpin doesn't have its own logistics. To achieve vertical integration in some business branches could therefore be seen as potential future objective.

On the contrary, a problematic point for Bioalpin also can be that there are surpluses of certain products in stock. Then, MPreis would have to look to somehow sell these products and as it is in the business philosophy of the retailer to avoid food wastage, these products will be on reduced sale which is somehow a devaluation of the product. *"Of course I can sell everything at a lower price, but when I come as a customer and always get the same product ‚for sale' then you start to think ‚this product can't be worth a lot, that's always reduced in price', that's a huge challenge […] as it does not*

[14] These estimations by the retailer are based on what their numbers about customer request/consumer demand tell them. As a purchaser you can see which products are already out of sale after 2 days, although the next delivery is planned to be again the next week.

*look good to the consumers."* Thus, adaptation of volumes would have always been and also will remain to be an issue (*"That's a problem which we have since the beginning and this will take time, that's an everyday issue*.

Another potential weakness refers to the dependency on MPreis. Of course, at the moment it is a strength that the chairman and manager of Bioalpin have a good relationship to the respective people working at MPreis. However, in case of personal changes on either of both sides this could become a critical issue. Nevertheless, by hiring young employees like for instance the innovation manager in 2011 and by integrating and educating such employees as good as possible, they try to meet this challenge. So there are new employees who acquire already a lot of knowledge and built up relationships. On the other side, there will of course sooner or later also be changes on the side of MPreis and the family owned business will be handed over to the next generation who already is partly involved in various departments. Once they take over the lead, *"they - although having the same surname as their predecessors - can have a completely different mentality; they have a different education, different expectations, other objectives, other calculations"*, one interviewee remarks.

Another aspect affecting the sustainability of Bioalpin is on the internal level of the retailer. Employees working in the various departments of MPreis, who do not really have to deal with 'Bio vom Berg' more often, would not be really convinced of the brand 'Bio vom Berg'. In fact, some do not see why there is the willingness from the side of MPreis to accept the comparably higher efforts that have to be invested. For example, Bioalpin would only account for marginal amounts in the turnover, whereas "*the administrative expenses to list a product which brings 100 000€ and one which makes only 2000€ is the same."* This attitude towards 'Bio vom Berg' would of course partly be due to the limitations in training possibilities of their personal, as you cannot train everyone.

Additionally there are problems in the area of meat. Partially this has to do with the AMT who does is reluctant to market potentially available higher volumes of organic meat under the brand 'Bio vom Berg' although demand would be there. This is related to the fact that AMT is cooperating with a regional meat processor who is perceived to sell highest quality meat products but is not interested in converting to organic. Therefore this is rather a problem in the cooperation between AMT and Bioalpin. Hence the high quality meat market (also of conventional meat) is already characterized by strong competition in Tyrol. So, organic meat is a product being highly influenced by the competing conventional suppliers to whom the price differences are striking Another advantage is that regarding processed meat, due to the use of flavor enhancers and stabilizers, the consumers would have the subjective impression to have a tasty and good product whereas organic meat might taste comparably stale. Still, the manager also said that he thinks that more organic meat could be sold in retail stores but that the current problems on the organic meat sector concerning gross margins and the gridlocks in this branch would make it very difficult.

**Functionality of feedback loops**

Generally, the interviewees of MPreis and the cooperative claim that feedback is instantly passed on by MPreis (i.e. by the cashier or the shelf & counter personal of the retailer upstream to the store manager and then to the cooperative's manager who would then pass the information on along the value chain). It must however be doubted that this always works that well and that the shop personal is passing on negative feedback to the store managers as sometimes they might even be negatively addressed by the feedback themselves. Examples where the feedback works are that i.e. MPreis passes on information of customers when they would continuously ask for a specific 'Bio vom Berg' product which is not available or when a new packaging material like biodegradable foil not that well accepted by consumers. This is also what the manager said in his interviews, namely that for instance concerning fruits and vegetables, the cooperative continuously reacts to feedback, be it from producers, consumers or the goods income department of MPreis which may complain that packaging units are too large or too small or so.

Other reaction due to feedback of various sides are prices for consumers and whether they are too high or too low, packaging amounts (should two large and one small piece get packed together or all the big and small ones separately) or when producers say they cannot use a certain packaging material or comply with the wish to do the layout of a product in another design. Basically it seems more or less impossible to pass on *all* the feedback and will always be more or less just a snapshot of a bigger picture.

Furthermore, consumers would have the possibility to always give feedback to MPreis or the cooperative via Facebook or via email. In very urgent cases the purchaser of the retailer would even talk to customers on the phone, but this would happen only up to 5 times a year maybe. Usually however, people would file their complaints via the internet (email or facebook). This runs then through an internal process and a response will be given within 24 hours on working days. Apart from this, the cooperative and MPreis have also installed a reclamation management for direct feedback in the stores, which works very well in the perception of the interviewed retailing person and the manager of the cooperative who explicitly emphasize this point when asked for existing feedback loops. Hence, if something's wrong with a product or so, the branch manager, the counter personal, the cashier or the saleswoman in the supermarket usually communicate this upstream from the retailers' side so that it lands within 'no-time' at desk of the office of the cooperative. This means, that also oral ad-hoc complaints find their way back to the cooperative. Together with MPreis, it gets then decided where in the chain the mistake or the source of error occurred so that the response to the compliant could then be prepared by either of those two sides (the cooperative will prepare a response if the mistake was on their side, meaning on production or processing, whereas if it was due to wrong storage or false promotion etc. the retailer will reply). In more rural areas feedback loops sometimes also work more on a personal level as you have usually 70-80% regular customers and then the customers tend to inform themselves or give feedback directly at the employees of the store who they often know personally. In the cities with a lot of casual/occasional customers this is getting more difficult. Finally, an impression which might however not only apply for this case but can be seen as a general phenomenon, is that unfortunately there is the tendency that more of the negative and not the positive feedback gets back to upstream actors.

Hence, to sum up once more, the factors on which according to the interviewees the long-term sustainability of the cooperative Bioalpin and its whole value chains depend on are mainly addressed with respect towards being able to provide quantities (gaining enough farmers to produce enough volumes – favoured via multiplicative growth), to gain suitable regional processors (currently some processing steps are outsourced to other regions), to guarantee a continuous quality, to manage to institutionalize human capital (personal relationships of trust) and to successfully react and adapt to received feedback.

However, as has been explained in chapter 5.1 the agreements with MPreis regarding the immediate substitution of 'Natürlich für uns' with 'Bio vom Berg' products as soon as they are available, has implications on their need to grow (see also chapter 5.3) as well as on their planning security strengthening thus the resilience. And as long as they keep on selecting their business partners according to the strategy they do apply now (i.e. that it is pivotal to them to be in a steady exchange with their partners, to respect and value each other, to purchase the same goals and to have the same or at least largely overlapping business logics etc.) 'Bio vom Berg' is very likely going to remain successful.

## 6 Future orientation

The retailer is convinced that organic will continue to grow comparably more than the conventional market. A challenge in Tyrol he sees is that in terms of consumer preference, regional products have a higher value for the people than organic, although the combination of both would of course be on the very top. Other points to him are the price dumping tendencies in the milk sector and the comparably higher costs in organic production. If the price differences in these two segments of production keep on rising as it would be at the moment and the willingness of the consumers to pay a higher price is ending, then the danger is that due to the higher costs in production, many organic farmers switch back to conventional farming as the additional expenditures to produce for example an organic cheese would be striking. Furthermore, the younger generations who take over the farms from their parents would not have the same primarily idealistic attitude to organic farming and therefore financial aspects would prevail. Hence, organic has to be something that's profitable and that's why MPreis would try to pay their regional farmers the prices they demand.

The interviewed farmer believes organic is not going to grow extremely in the future as it will get more and more difficult to meet the organic regulations. However, he thinks that even if organic would keep on growing, he would not see why there should be a problem then for communicating the values to consumers as *"organic is the elite of agriculture, and in the elite you trust, It's like that."* The most important thing would be that there are no scandals. Then the appreciation would be ok but as soon as there is fraud, the discussions would of course start again.

Beyond that, the impression the interviewed farmer has when talking to his colleagues is that they would often not be willing to commit themselves for a period of 5 years to the agro-environmental program including subsidies for organic. Moreover future regulations are preventive. For example, especially small scale organic mountain farming would rather decrease also due to the prescribed exercise pens (also referred to as free run barns for animals) which are a topic, particularly in such mountain areas with small villages having compact structures. According to the farmer, providing animals all year with free run possibilities is not feasible for many farmers. Also topological conditions for farms which immediately have the slopes behind the backdoor of the stable would limit even those actually having exercise pens, but who still should leave their animals out twice a week.

Likewise he understands some farmers are going to turn back towards conventional farming as then a number of uncomfortable restrictions and controls would fall away and also as compared to conventional products the profit margins wouldn't be that high for organic. Especially for the small farms having only 20 to 25 animals there is not much difference in turnover. *"Whether you market 50.000 liter of milk conventionally or as organic, does not make much of a difference at the end of the year."* Questioned what he would think of the possibility to manage a farm together with someone else he declares: *"That is always something to consider but you know, for this, the people are too* *narrow minded. In the end everyone wants his personal freedom." H*e believes that with this new cooperation with Sterzing things will improve for him in the coming 5 years.

Apart from the future challenges Bioalpin is facing the manager of the cooperative estimates that in order to reasonably meet the objective of the cooperative, the future turnover would need to be doubled in the next 2-3 years and the cooperative would need to continuously get new employees as well as more farmers and business partners.. *"I say, at the moment we are trudging around somewhere at the 5 million Euro turnover and we all look that we keep our jobs, get the monthly salary and that's nice, but that's small fry. In the end, if we really want to achieve something for the future of mountain farming, we have to at least double the turnover in the next three years. That's the minimum target. Everything else, that are all nice projects and of course there has been already been built up a lot, but in order to develop a real strength there got to be substantially more (Internal Workshop, 01.02.2014)."* Furthermore, the manager recalls that their main objective of creating a market which significantly benefits the survival of organic farming in the alpine region is when looking at the numbers (turnover, farmers involved) of course not really fulfilled, although he relativizes that of course not everything the cooperative would have done by now was wrong. Yet, the turnover would need a boost. Also the chairman sees this problem as with 600 farmers and a turnover of 6 million € this would be only 10 000€ per farmer, which makes it difficult to say that the cooperative has secured their survival. Still, he underlines the importance of an organic growth, recalling the potential consequences in case growth happens to fast.

With the aspired growth the internal structure is most likely also going to change: *"Of course it is not written somewhere in our portfolio that until the end of 2014 we hire two new employees",* the manager explains*, „but the target definitely is that we expand our product range and we do have goals regarding turnover and then there will be such discussions, as sooner or later you will hit the limits of personal capacities. It was the same with S.* (ann.: full time hired person in 2011)*; without him, the current business range and the assistance of our partners would be unimaginable to cover".*

Regarding the future tendencies in the yoghurt supply chain: The processor evaluates the development of the organic sector positively, although in Italy the organic consumption isn't that high as in Austria or Germany, so in this respect they would be a step behind. *"Generally however, the organic market has been strongly growing in the last years and also at the moment the organic market grows faster than the conventional one."* In case the project with the Milchhof Sterzing proves to work out (concerning the glass yoghurt product) and the partnership proofs to be successful (whether the relationship developed is continuing being that friendly and on an eye-level) then both sides Bioalpin and Milchhof Sterzing can image to do further projects/products together. Then the cooperative would have set a further key step in their development and cooperation with South Tyrol can be planned for years if not decades. This would also contribute to achieve the target of increasing the turnover significantly. This view is shared also by the processor saying: *"We do have the next project already in mind, but I don't want to say something about it yet, as we have just talked about it, because you always have to say 'step by step'. For now, we are doing this and look how it is going and when it is somehow consolidated then we tackle the next project. "* However, more than half a year after the yoghurt entered the market, the fruit yoghurt appears to be a product with which the cooperative is quite satisfied and which will therefore be pursued further. They extended the variety also with a plane white yoghurt and will (beginning 2015) relinquish even natural flavorings so that it contains 100% only the fruits which add the taste to the yoghurt.

## 7 Verification of results and concluding reflections

Generally, it was quite challenging during the interviews to cover the broad range of detailed descriptive questions the respective chapters of the analytical perspective demand answers to. Especially as the questions were very detailed, it was sometimes maybe not understood correctly by the interviewees what information the interviewers actually wanted to retrieve. Moreover, during the verbatim transcription some things appeared to not be very clear. In such cases, there have been clarifications via phone calls or emails with employees of the cooperative.

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