

GERMANY – ROTTAL-INN

High Quality milk production – Milk filling station

The case study described here illustrates the enhancement of links between agriculture and the wider rural economy in the study area of Rottal-Inn (Germany). The case study shows how innovative entrepreneurial thinking leads to additional income possibilities for dairy farmers, which helps maintaining dairy farming in the region. By that, it increases the local value-added. The project also serves as a good example of combining primary production and processing (forward-linkage)

1. Project details

Nature of the project

Purpose: The project is designed to process and sell high quality milk directly to consumers according to their individual quantity preferences. Additionally, milk is also provided in schools. Enhancing milk consume by students is aimed by a Bavarian programme to foster a healthy diet among young people.

Content: The project contains a pasteurization unit (capacity not limited), currently two milk filling stations where quantities of 0,2 - 5 litre can be drawn off, and a vending automat for milk shakes, which is installed at the local middle school.

Inspiration: The investor produces high quality milk superior to common dairy standards. He was seeking for alternative possibilities of milk marketing, partly due to the sharp milk price competition in Germany driven by large dairy businesses, and partly to find a market niche for his high quality product. The investor has already experience in direct marketing of fruits and vegetables.

Policy coherence: The project is connected to the local and regional development strategy which aims to maintain agricultural production and processing in the region by promoting further income possibilities for farmers.

Links between agriculture and the rest of the economy

Main agricultural sub-sectors involved: The main agricultural sub-sector involved is dairy farming. Other sectors included are processing and trade.

Description of these links: Milk production, processing and marketing is 100% done by the investor and his family, thus integrating processing and trading into his production chain (forward-integration). The project is linked to a local shop for farm products, and supplying a local restaurant and a local chocolatier is planned. By offering locally produced high-quality milk,

also the range of products of the shop is enlarged. Creating this linkage and implementing new market channels is the main objective of the project. It is realised as an individual initiative.

Scale of the project

Size: The project is planned at small scale, predominantly to be manageable by the investor and his family. It is aimed to process and sell 20.000 litre of milk per year.

Time scale: The pasteurization unit and the first milk filling station were installed in August 2009. The milk shake automat was set up in March 2010. Further filling stations could be installed due to consumers' demands.

Coverage: the geographical coverage is local/regional.

Beneficiaries and supporters

Beneficiary: the investor.

Supporters: the project was directly supported by the local agricultural and regional administration, and the local bank which provided credit. The project was also indirectly supported by consumers who expressed their demand for local high quality milk in conversations with the investor.

Finance

Funding: The project is funded by the *Bavarian Programme Future Agriculture and Rural Areas 2007-2013 (BayZAL)*, the Bavarian EAFRD Implementation Programme, under measure 3.1.1 "Diversification into non agricultural activities", which covered 20% of net costs.

A small scale of funding was provided by the Bavarian "milk for students" allowance.

The private contribution of the investor was financed by a local bank. The investor attempted to keep the credit volume at a low level by providing internal labour. The period of commitment is 12 years for the BayZAL-Funding, and 5 years for the "milk for students" allowance.

Budget: the budget mainly contains the initial technical investments (pasteurizing unit, filling stations, milk shake automat) and about 55,000 EUR in the first year.

Results

Direct results: The investor is content with the current development of the project. Although he has not reached his aspired volume of sale he is confident to do so soon.

Main target: local community at large

Wider benefits: the duration of the project is yet too short to be evaluated with respect to possible spill over effects, but the investor reports that his service and product quality are appreciated very much by the consumers. Preliminarily, possible effects on consume of local products can be assumed.

2. Relevance of case study experiences for others

Problems: The biggest problems the investor had to face were

- a) institutional: As milk processing in Germany is only allowed for dairies, the investor had to apply for a permit to establish an on-farm dairy and thereby observe all regulations of the German Food Law including building law prescriptions and a proof of competence.
- b) By that, to some degree problems related to people occurred because of a lack of knowledge on these issues on the side of the agricultural and regional administration. These problems were solved by a strong willingness to gather information by investor and administration to make the permission for milk processing possible.

Transferability and mainstreaming potential: The project is not dependent on any special local resources and could therefore easily be replicated in other regions. Possibly, it has to be adapted to the local legal regulations.

Innovation: The project is seen as innovative in the county of Lower Bavaria, as the investor has provided the first on-farm dairy with milk filling stations in the region.

Institutional aspects: The project was well planned and calculated by the investor at the time he asked the local administration for assistance to applying for the legal permit and for funding. The administration provided the legal necessities. The local bank was convinced to support the project by the sound business plan of the investor.

The local LAG was not involved as the project was not subject to the Leader programme.

Social aspects: The project aims to awaken consumers and especially young people (students) for the importance of high quality food and a healthy diet.

Environmental aspects: The project contributes to the environment by the following: the dairy production is nature-friendly, the distribution is aimed to require only short transportation distances, and waste is reduced by providing reusable milk churns for drawing off.

Sustainability: The project is aimed to be sustainable within the next four years. The project is expected to create durable linkages between agriculture and other local economic sectors; further points of sale are planned in cooperation with additional schools and a nearby monastery. Additional marketing channels are aimed on, like the local gastronomy.

Lessons to pass on: The main lessons to be passed on are to be solid in preparation and calculating, and not to underestimate the effort on fulfilling the legal regulations. Besides, to make a sound market analysis to identify potential consumers and market channels also seems to be important.