

This series of informative fiches aim to present, in summary, examples of practices and approaches that EU Member States and Regions have put in place in order to implement their Rural Development Programmes in the current period. These examples want to contribute to the understanding of what has worked well and less well in the delivery of the 2007-2013 RDPs and as far as possible, draw lessons in the view of future improvement of the programmes.

Biomass Trade Centre Waldstein 'Biomassehof Waldstein'



BACKGROUND AND SCOPE OF THE PROJECT

The usage of wood as heating material is definitively no novelty, but while for a long time wood as energy source was substituted, in Austria over the last two decades wood has regained importance as input for heating plants, both for households and industrial needs. These developments, which go along with changing patterns in the wood market, have also been present in Styria, an Austrian region, where apart from large-scale forestry holdings, many farmers, who can be regarded also as small forest owners, benefitted more or less from their forests.

EU Member State: Austria

Keywords: Biomass production, Wood supply-chain, Cooperation, Diversification, Competitiveness

Specific Location: Waldstein, Styria

Main beneficiaries: Cooperative of farmers and other forest owners, Chamber of agriculture, Forestry association

RDP Measure(s): Measure 122 "Improvement of the economic value of forests"

Funds Allocated: Total cost: 85,000€
EAFRD: 25,500€

Implementation Period: May 2007 to June 2009

Given this initial situation, a pivotal role in **developing the project idea of a biomass trade centre** had the Chamber of agriculture in Styria, which was contacted by both market participants (producers of biomass) and customers seeking reliable sources of wood. The project idea can be described as professionalization and structuring of a rather informal market which was characterized with increased demand of wood products by owners of heating stations and sporadically supplied wood by small-scale farmers.

Even though there was no systematic assessment or analysis of the market situation and potentials, the major needs, which have been recognized by the Chamber of agriculture and have driven the development of the initiative, can be summarised as follows:

- * consumers (particularly those, who had just established a wood-based heating system) were seeking for reliable sources of wood and in a certain format (e.g. pellets) and quality;
- * farmers, who occasionally offered wood to the market, were receiving low prices for their produce and faced relatively high costs for it;
- * there was a tendency from some farmers to abandon their forest because they did not see potential economic benefits from this activity; this circumstance could often go along with non-sustainable management of the forests concerned.

Started as a pilot project, "Biomass Trade Centre Waldstein" pursued the following objectives and benefits:

- * Establishing a professional supply structure that can ensure reliable delivery of wood products on the rather informal regional biomass market;
- * Mobilizing the local/regional economy by making use and raising awareness of the regional biomass resources;
- * Increasing farmers' income and strengthening their position in the wood/biomass market.



DEVELOPMENT AND PLANNING

A cooperative of farmers and other forest owners was established and registered as project holder. The concept foresaw that the members of the cooperative received wood delivery rights according to their share in the capital stock of the cooperative. The delivered wood is bought by the cooperative (the biomass trade centre) and then processed to different products (e.g. pellets or dried firewood) which are sold in the regional market. Initially the cooperative and the project development process were managed by an employee of the Chamber of agriculture; subsequently a project manager was hired.

No real feasibility study was carried out for the development of the pilot biomass trade centre. However, the **application form** going along with Measure 122 significantly facilitated the planning process since it required provision of very detailed information on the potential of the project which stimulated rethinking and fine-tuning of project components. The major focus of the application forms was on financial resources planning, particularly on cash-flows. In order to provide sound estimation for the financial planning and comply with the requirements of the application form, the applicants prepared a simple market analysis. In addition to that, issues like insurance conditions of the project investments were identified and addressed.



There was prepared an overall **project plan** for the Waldstein project. It was finalized by joint voluntary work performed by the Chamber of agriculture, the Forest Association and individual experts within one year. The project plan included full description of all investments necessary for establishing and operating the biomass trade centre. Besides investments eligible for EAFRD funding, the plan included also other (non-EAFRD funded) investments essential for the overall implementation of the project and running the biomass trade centre (e.g. already finalised investments, purchasing machineries like lift truck, trailer and tractor, and renting the yard).

Main risks identified during the development and planning stage were:

- * loss of investors (project shareholders/members of the cooperative) – shortly before the submission of the project proposal the plan implementation had to be adapted as 60% of potential cooperative members, who had initially shown interest in the project, bailed out when they had to pay their share to the stock capital;
- * failing to fulfil delivery contracts concluded with larger customers;
- * general risk of possible miss-investment;
- * stimulating overuse of natural resources (this risk was probably not identified by the individual cooperative members, but by the backing organizations).

Key aspect for counteracting the economic-related risks and for seeking cooperative members' allegiance was the pursuance of a "low-investment strategy" meaning that the cooperative invested only in physical assets which were essential for smooth running of the trade centre.

At that stage **no procedure for project quality control/ process management** was explicitly defined beyond the EAFRD reporting obligations and checking annual balances which is obligatory according to the Austrian cooperative law.



Current practices across the EU27



IMPLEMENTATION OF THE PROJECT

The overall investment for establishing the biomass trade centre consisted of two main components: an EAFRD project, co-financed under Measure 122 and additional private investment, financed by the cooperative members.

The components of the biomass trade centre co-funded under Measure 122 were: 1) construction of a warehouse/ storage building; and b) installation of a drying system (using cold air through perforated ducts) for drying of logs and wooden chips.

The complementary private investment included acquiring of machineries (like tractor, trailer and lift truck) necessary for the initial set-up of the biomass trade centre. In addition to that, the yard was rented. It was developed in such a way that the products can be purchased directly from the trade centre facility or alternatively delivered directly to the customer. The total investments initially made (EAFRD project and private investment) amounted to approximately EUR 200 000.

At a later stage, these investments were **supplemented by joint project under Measure 124** that was initiated by five biomass trade centres in the region, including the Waldstein biomass trade centre. Through the project they set up an overarching marketing system together with common promotional activities that encourage biomass use and show its contribution to the energy production in the region. The aim of these activities was not only commercial but also to educate the customers and local society about the regional biomass resources. The joint actions were rounded off with introduction of a common logo and slogan.

Overall, there were no serious changes in the project plan that could lead to a mismatch with the initially expected project results. Nevertheless **some strategic adaptations** (which were not based on any formal evaluation action) had to be made:

1. The array of products offered by the biomass trade centre had to be adapted as demands for wood products in the region changed (e.g. less demand for pellets in some periods).
2. The farmers (members of the cooperative) are also members of the Chamber of Agriculture and/or Forest Association, but both types of organisations are simultaneously members of third party organisations. For that reason after the closure of Measure 122 and with the aim to simplify structures, the cooperative was transformed into Limited Liability Company.
3. Some day-to-day management actions were linked to the neighbouring younger biomass trade centre(s), which led to increased synergies and increased cost-efficiency.
4. Over time, the system for quality assurance of the processed products was strengthened, because it was recognized that quality is important for the customers.
5. Noise abatement measures were implemented.



RESULTS OF THE PROJECT IMPLEMENTATION

As mentioned, *no project-specific monitoring and evaluation system* had been established for the biomass trade centre. The members of the cooperative relied entirely on the project manager and the Chamber of agriculture to ensure quality implementation of the project activities. Certainly, the annual financial balance checks obligatory according to the Cooperative law in Austria as well as the final reporting, required under the EAFRD regulations, were carried out. The latter was not perceived as very burdensome by the project manager.

Current practices across the EU27

As the overall project is still maturing, the final reporting was not apprehended as project completion. Moreover, retrospectively the indicators to be applied in the final reporting (e.g. number of jobs created) were not found as reflecting the real and relevant outcome of the project sufficiently.

In 2013, six to seven years after the start of the project and four years after the closure of Measure 122 activities the **outcomes and achievements of the establishment of the biomass trade centre** are perceived as follows:

- * ½ new long-term job has been created (with the biomass trade centre), and another 9 long-term jobs have been secured through the project considering also the up- and down-streaming branches (e.g. in forestry and logistics).
- * The members of the biomass trade centre strengthened their market power and received better prices for their wood products (respectively increased their income) than when they were acting as individual actors.
- * Forests, for which it have not been taken care at all before the initiation of the project, are now under sustainable management, because the owners have become interested in their development and economic potential.
- * Awareness for the regional natural resources potential has been raised and the idea of biomass trade centres has been promoted within the region.
- * Overall, the regional economy has been mobilized and biomass value chains have been strengthened.



The project generated also some initially **unexpected outcomes**:

- * Together with raising the social awareness among the inhabitants of the region about the regional resources, and even though not all customers buy from the biomass trade centre because the products are from the region, some customers explicitly turned away from buying imported wood products.
- * The biomass trade centre became a point of reference for advice on biomass energy related issues in the region (for example, in cases where power stations were established).
- * Apart from transferring the project idea within the region, which was certainly stimulated and furthered by the Chamber of agriculture, the concept of the biomass trade centres has become internationally acknowledged. The promotion of the project (through the project and ENRD website, and marketing events) raised interest to the biomass centre in other countries which resulted in requests for project presentation, organisation of welcoming tours (e.g. from and to Slovenia and Spain), and eventually provided know-how and support to transfer the concept of the biomass trade centre.
- * Neighbouring biomass trade centres established joint marketing structures. Overall the regional biomass sector was strengthened: not only the trade centres formally cooperate and jointly initiate projects (e.g. establishing heating systems for hotels), but also relations with customers have been strengthened. It has to be noted however that certain patterns of competition were felt to emerge among centres' trading areas.



LESSONS LEARNT

Factors that contributed to the success of the project:

- ⇒ Pre-existing organizational structures (Chamber of agriculture and Forest association) facilitated bringing cooperative members together and establishing management structures, while in the same time provided a source of know-how and could directly respond to farmers' needs.
- ⇒ The requirements of the Measure 122 application form guided the project holders and enhanced the project planning, because due to the form financial and technical issues (such as insurance of the project investments)

were addressed which otherwise would not be considered in the pre-implementation phase.

- ⇒ The requirements resulting from the Austrian cooperative law with regard to checking annual balances provided also useful financial management assistance. Besides, non-fundability of personnel costs for the day-to-day running of the trade centre was a clear stimulus for cost-efficient and sustainable planning right from the beginning;
- ⇒ The “low investment strategy” has been essential for gaining cooperative members, overcoming challenging market situations, and for avoiding critical drawbacks;
- ⇒ Involvement of strong (informal) social networks in the project initiation and implementation process essentially contributed to the success of the project. For instance, through close connection between the project manager and key person in the chamber of agriculture enabled fast exchange of information, facilitated problems solving in the course of implementation, and supported the development of supplementary follow-up projects for establishing bio-mass trade centres. Informal social networks were also decisive for creating and sustaining customer relations.
- ⇒ Freely available expertise from the supporting organisations and supplementary research have been valuable for the development of the project;
- ⇒ Joint marketing and management activities with other biomass trade centres helped to lower running costs. This includes the development of a common logo and slogan which was decisive for the successful marketing of the biomass products. In that relation, the emphasis on products quality assurance turned out to be expedient.
- ⇒ The interest of (local) banks in the project and their acceptance of the guarantee/ confirmation for EAFRD funds in the course of project implementation were supportive for obtaining the needed starting capital.
- ⇒ Education and information campaigns (like “Long night of the biomass trade centres”) had positive impact and strengthened the relations with the local inhabitants, and turned their view to the potential of the region with regard to biomass production. Furthermore, the EU logo at the project site often called the attention of customers and other visitors; as transparent relations turned out to be important, the project holders often were explaining what the tax payments are spent for.
- ⇒ The identification of the right location of the biomass trade centre turned out to be crucial for successful project development and its economic viability – strategically close to major roads and between cities, considering noise emission for achieving acceptance in the local population.



Factors that impeded the success of the project:

- ⇒ While EAFRD-related reporting and controls were not felt as demanding, completing the application form for Measure 122 and dealing with trade-centre specific legal issues (such as emission law) was challenging. In the Waldstein case, applicants could rely on intense support by the Chamber of agriculture and the Forest association, thus it is very likely individual applicants to encounter greater difficulties.
- ⇒ Aversion towards collaboration from some farmers, who prefer to stay independent.
- ⇒ Changing market conditions and competition of imported cheaper wood products.
- ⇒ (Perceived) competition between biomass trade centres in the region.
- ⇒ Project holders have strongly relied on the Chamber of agriculture which somehow resulted in a lack of own initiative.

Current practices across the EU27



WHAT'S NEXT?

Four years after the formal closure of Measure 122 and with diminishing effects of the initial EAFRD support it becomes obvious that investments into the biomass trade centre in Waldstein were undertaken in a sustainable way. After surviving economically difficult situations, the number of customers increases and customer relations become stronger.

The project is not only growing but also stimulated the establishment of other biomass trade centres in the region. The consequent arising competition between biomass trade centres can be also seen as a stimulus for further development. As the Chamber of agriculture is in a position to slightly steer the action radius of the trade centres, this kind of competition is expected to turn out overall positively.

Overall, the future viability of the project appears to be secured through: a) follow-up research; b) transnational cooperation and exchange; c) dissemination and educational activities; d) advisory service to (potential) customers and other actors on biomass energy related questions.



SUMMARY

The set-up of a biomass trade centre was initiated by the chamber of agriculture for the professionalization of the rather informal regional market of wood products. The market was characterized by a growing demand in pellets for heating stations and by a number of small producers – farmers and other forest owners – who could not deliver larger amounts of wood of certain quality at regular basis and thus only received low prices for their produce. The biomass trade centre, where wood is collected, dried, processes and marketed, was established and is run by a cooperative of producers, who have delivery rights according to their share in the invested capital. Through joint forces the critical mass of turn-over, needed for efficient standard-compliant processing of wood, gaining larger and/or firm customers, signing delivery contracts, achieving better prices, initiating marketing initiatives, and therefore increasing farmers' income could be reached.



Tips/lessons related to the beneficiary:

At the project inception phase:

⇒ Aversion towards (formal) collaboration by farmers or foresters should not discourage potential beneficiaries interested in the project idea. Stimuli for cooperative actions, such as economic benefits, are needed.

At the project planning and development phase:

- ⇒ Actors who cannot rely on backing professional organizations with expertise in the specific field should not hesitate to look for external advice/ consultancy assistance.
- ⇒ The legal form of the “project holder” as well as organizational structures have to be carefully selected.
- ⇒ When selecting a project manager his social networks might be an important criteria, as (informal) social relations might turn out crucial for a smooth implementation of the project (facilitating establishment of customer relations, compensation of failure, mobilizing spontaneous assistance and keeping project holders together, and – if applicable – with other trade centres).
- ⇒ Following a “low investment strategy” appears essential for gaining project members, overcoming challenging market situations, and avoiding critical drawbacks.

At the project implementation phase:

- ⇒ Collaboration with other similar projects in the area (e.g joint marketing and management activities) might results in synergies and increased cost-efficiency.
- ⇒ Strategically, the emphasis on quality assurance in the marketing of products might turn out being expedient, as standard-compliant products are less likely to be marketed at informal markets.
- ⇒ Customer education on the product itself, on the way of processing and on the value of the project for the regional economy is likely to be an effective mean for achieving transparency, strengthening the awareness for regional products and counteracting cheap competition.
- ⇒ Embedding the project into a broader project context, e.g. supplementing it by research and exchange projects is likely to increase the project's viability and sustainability as a) research is likely to lead to enhanced production processes; and b) the awareness and interest of project holders and external actors is repeatedly called to the project

Tips/lessons related to managing authorities and other public sector actors:

- ⇒ The requirements in the application form might be extended by the demand for an evaluation plan, detailed financial planning and for information on project management issues in order to enhance planning quality
- ⇒ Offering funding in form of a "Start-up package", which covers partly the costs for preparatory/ planning activities, or for knowledge transfer in the phase of proposal writing would be meaningful for applicants.
- ⇒ Placing incentives for cooperative action within the set of selection criteria, e.g. by giving preference to collective project holders instead to individual applicants, appears to be a fruitful exercise.
- ⇒ The complementary offer of Measure 124 (Cooperation for development of new products, processes and technologies in the agricultural and food sector), under which promotion and marketing activities could be funded turned out to be very valuable for enhancing the investment project funded under Measure 122.
- ⇒ For the sustainability of an investment project it appears constructive that no general staff costs and running costs are funded, as so the project has to strive for cost-efficiency right from the beginning;
- ⇒ Indicators for measuring the effectiveness of a project can be improved: instead of primarily focussing on the number of jobs created, assessing in how far regional enterprises have benefitted from the realization of a project might be constructive.
- ⇒ Establish a direct link between (potential) beneficiaries, advisory service and programme agency, e.g. through the Chamber of agriculture, appears advantageous, particularly for adapting the programme design to local/ regional needs, provided that: a) it does not lead to increased overall administrative costs; b) the neutrality of the programme agency (towards all stakeholder groups) is assured; and c) passivity on part of the project holders, who can rely on backing organizations can be avoided.

