

## GERMANY – HOLENLOHE

### Producing and marketing of bread

*The case study illustrates the enhancement of links between agriculture and the wider rural economy in the study area of Hohenlohe (Germany). More specifically, this particular project shows how entrepreneurial thinking leads to a more effective use of agricultural resources and an enlargement of income possibilities for farmers. By that, it increases the local value-added. The project also serves as a good example of combining primary production, processing and marketing (forward-linkage).*

#### **1. Project details:**

##### ***Nature of the project***

*Purpose:* The project is designed to process and market farm-made bakery products made of own grown organic ancient crops (emmer and einkorn wheat).

*Content:* The whole project includes the investment for the on-farm bakery and a café/restaurant. Since the project is realized stepwise, the actual investment concerns the purchasing of a unit for crop treatment (drying, cleaning and dehusking) and the enlarging of the restaurant facilities.

*Inspiration:* The investor produces ancient crops and has processed (baked) and marketed them directly from the beginning. Though, some steps of crop processing were outsourced. The investor wanted to integrate the whole production chain on his farm, to make the way from crop to bread visible for consumers and to be sure that the crop was not blended unintentionally in the contract mill.

*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 crop production. Other sectors included are processing, trade and catering.

*Description of these links:* Crop production, processing, marketing and catering is done by the investor and his family, thus integrating processing, trading and catering into his production chain (forward-integration). Bakery products are offered in his farm shop and on markets by the investor himself, together with dairy products and vegetables from neighbour farms, in return for them selling his bread at their market stands. The project is also linked to several other shops for organic products. Furthermore, cereal products like bread and several cakes, but also emmer-beer made by a nearby brewery is offered in the on-farm restaurant. The investor also purchases products from neighbour farms like eggs, meat and dairy products to be used for the catering. Creating these linkages and implementing new market channels is the main objective of the project.

### **Scale of the project**

*Size:* The project is planned to bake and sell 500-600 breads per week; the café/restaurant has facilities for 150 persons.

*Time scale:* The crop processing unit was installed 2008, the restaurant was established in 2005.

*Coverage:* the geographical coverage for market selling is about 20 km (six markets). The restaurant attracts guests within a radius up to 80 km.

### **Beneficiaries and supporters**

*Beneficiary:* the investor

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

### **Finance**

*Funding:* The funding for bakery and café was twofold. The bakery part of the project was financed by the diversification programme "Maßnahmen- und Entwicklungsplan Ländlicher Raum Baden-Württemberg 2000-2006" (MEPL I), the EAFRD Implementation Programme of Baden-Wuerttemberg, by an interest-reduced credit about 100,000 EUR. The café was funded by "Entwicklungsprogramm für den Ländlichen Raum", the Baden-Württemberg programme to promote economic development in rural regions, with a share of 20% (99,000 EUR) of the total budget (495,000 EUR). The rest was financed privately by capital resources of the investor and by credit from a local bank.

Currently, the investment for the unit for crop treatment is funded with 25% of net costs by the "Maßnahmen- und Entwicklungsplan Ländlicher Raum Baden-Württemberg 2007-2013" (MEPL II), the current EAFRD implementation programme. The private contribution of the investor (3/4 of the investment) is partly at his own expense and partly financed by a local bank. The period of commitment is 10 years for the MEPL II-Funding.

*Budget:* The budget mainly contains the constructional and technical investments for bakery and restaurant and it is around 600,000 EUR in the first year; the current budget contains the investment for the crop treatment unit which is around 67,000 EUR.

### **Results**

*Direct results:* The investor is very satisfied by the current development of the project. The aspired volume of production and sale was reached soon after the start of the project.

*Main target:* local community at large/region

*Wider benefits:* the investor reports that his service and product quality are appreciated very much by the consumers. Also, the marketing linkages with the neighbouring farms were intensified. New recipes and products (like the emmer beer) are tested and thus the scope of available products is continuously enlarged. Furthermore, possible effects on consume of local products can be assumed.

## 2. Relevance of case study experiences for others

*Problems:* The main problem the investor had to face was institutional. Since the project was funded by two different funds, two administrations were responsible, and they did not always agree on how the project should be implemented. The problem was solved "by chance", since the two administrations were integrated under the same office of the county administration due to an institutional reform.

*Transferability and mainstreaming potential:* The project is not dependent on any special local resources and could therefore be replicated in other regions.

*Innovation:* The project is seen as innovative in the county of Hohenlohe, as the investor has provided the first on-farm bakery and on-farm restaurant 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 get funding and to apply for the legal permit. The administration provided the legal necessities, and was very helpful in looking for optimal funding possibilities, communicating with superior administrations etc. The local bank was convinced to support the project by the advocacy of the agricultural administration.

The local LAG was not involved as the project was not included in the Leader programme.

*Social aspects:* The project has yet established one fulltime and two part-time jobs. On weekends or special events, additional temporary employees are engaged.

*Environmental aspects:* The project contributes to the environment by the shortfall of transportations due to the new on-farm processing. Also, the crop production and processing is due to organic farming and food standards.

*Sustainability:* The project seems to be sustainable and allows improving considerably the farm income. The project is expected to create durable linkages between agriculture and other local economic sectors. The investor is already planning to enlarge his facilities and his scope of offers.

*Lessons to pass on:* The main lessons to be passed on are to be solid in preparation and calculating. Furthermore, one should "know what is doing", meaning to be aware of the scope of the project and be aware of every aspect.

### *References:*

Interview with the investor (17/05/2010)

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