

LATVIA

Improving competitiveness of primary producers

Location
Ķekava

Programming period
2014 - 2020

Priority
P3 – Food chain organisation
& risk management

Measure
M04 - Investments in
physical assets

Funding (EUR)
Total budget 165 000
EAFRD 24 990
National/Regional 11 760
Private 128 250

Project duration
2015 – 2016

Project promoter
JOLLE, Ltd.

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A company developed a new allergen free healthy snack and used RDP support to set up the commercial production process.

Summary

The goal of this project was to set up the commercial production process of a new healthy diet food developed in the laboratory.

The project covered the construction, rebuilding and renovation of the factory building in accordance to the previously defined specifications.



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In addition the project included the purchase and installation of the production line and the supply line. The supply line set up took place last because the production of the machine could be completed only when the rest of the production line was installed. In total, 17 different companies were involved in the implementation of the project.

Results

The new product got introduced in the market under the brand KRIPPU.

The new generation of snacks is crisp, rich and healthy, which is a good alternative for salty snacks, confectionery and traditional flour products.

A new production technology was introduced in Latvia and international markets.

Five new jobs were created.

Until May 2017, the company had signed distribution agreements with 19 different companies.

Lessons & Recommendations

- ❑ The plans of such investments should always foresee for extra time than estimated. In this case each phase required an additional 2-3 weeks for various reasons. Delays might mean that the cash flow and expected income might be significantly affected.
- ❑ Public procurement can also create problems. All the information about the process and requirements was provided in Latvian and thus potential foreign suppliers that did not speak Latvian found it difficult to follow the strict requirements of the procedure.
- ❑ In case rules of co-financing are amended during the implementation of the project, this will create extra costs and might negatively affect the cash flow of the project.

Context

Ltd. "JOLLE" was founded in 2014. Its share capital is EUR 80 000. The company was working for several years on the development of new product – pea crackers that do not contain allergens. The recipe was developed in the experimental way in the laboratory in cooperation with experts from the Latvian Agricultural University.

In order to introduce the product to the market and to offer it to consumers, it was necessary to set up the production and to introduce new production technologies in the company. The factory had to be designed in a way that ensures the unique value of the product – which is the lack of allergens. Therefore, the production process needed to be free of the presence of any allergens from the very beginning of the setting up of production line. However, production equipment that was initially bought, did not meet either the sanitary requirements and the standards necessary for the production of new product. This is why there was need to renovation and construct new facilities.

Objectives

The objectives of JOLLE Ltd. through this project were to:

- develop an innovative and nutritious product to be marketed both in the domestic and international market.
- set up production facilities which are able to utilise the technology developed by "JOLLA" Ltd.

Activities

JOLLE Ltd. involved architects to prepare the renovation project which was adopted by the company. The project included setting up of ventilation and air conditioning, water and sewage infrastructure, a low voltage electrical system, and fire and security alarm systems.

The production of the product in the laboratory had defined the requirements for the mass production process and equipment. The company was exploring the availability of the necessary production equipment however, they realised that it would be necessary to produce customised equipment.

The implementation of the project was organized in three phases, considering the specific requirements of the work to be done, the deadlines and the company's projected cash flow. According to initially developed business plan two phases started at the same time and most of the advance payments had to be done at the beginning of each phase. Each completed phase had to be inspected by the Food Veterinary Service and the Rural Support Service (Paying Agency) before receiving EAFRD funds.

The implementation of the project began in January 2016 with negotiations with a potential lender, to ensure that the implementation of the business plan has sufficient cash flow. In March 2016, all necessary contracts were concluded, permissions received and procurement procedures developed.

Phase 1. Construction, rebuilding and renovation of the building, in accordance with the previously developed specifications. This phase had to be completed by the end of June 2016.

Phase 2. Purchase and installation of the production line. This phase had to be completed by the end of July 2016.

Phase 3. Purchase and installation of the supply line. This phase took place last because the production of the machine could be completed only when the rest of the production line was installed. This was necessary for aligning with the speed of the production line and other criteria. The initial deadline of this stage was extended for 3 months because of delays in delivery of the production line from Italy in the 2nd phase. The phase was completed on December 12, 2016.

In total, 17 different companies were involved in the implementation of the project.



Main Results

The new product got introduced in the market under the brand KRIPPU.

Pea crackers and sticks KRIPPU are produced by an original recipe-prescription. Products contain a lot of proteins (25%), dietary fiber (13%) and rich in natural vitamins, free from allergens, artificial additives, sweeteners and additional fat.

The new generation of snacks are crisp, rich and healthy, which is a good alternative for salty snacks, confectionery and traditional flour products. Product consumption can be varied - as crispbread, snacks, healthy snacks, added to salads or main courses.

KRIPPU crackers do not contain gluten, milk, eggs, sesame seeds, nuts, soybeans, lupins, nor any other allergens, so they are suitable for people with allergies and vegetarians and vegans.

A new product technology - of peas snack production was introduced in Latvia and international markets.

Five new jobs were created.

Until May 2017, "JOLLA" Ltd. has had signed distribution agreements with 19 different companies.

Key lessons

Even though the implementation of the project was a success for the company and it helped to develop and to introduce a new product in the market, there are some lessons learned:

- Each phase required an additional 2-3 weeks for their

completion. That was due to the need of the control institutions to check the results and certify their compliance with the food hygiene requirements, working conditions, etc.

- It was needed to plan additional time also for the purchase, supply and installation of the equipment, especially if the supplier is from other country. Some additional difficulties were related to the Public Procurement process where all the information about the process and requirements is provided in Latvian. However, potential foreign suppliers did not speak Latvian and this made it difficult to follow the strict requirements of the procedure.
- Unexpected problems might come up in case some rules of co-financing are amended during the implementation of the project. This can create extra costs and might negatively affect the cash flow of the project.
- The biggest lesson learned was the coincide of a series of delays in project selection process that resulted in significantly prolonged implementation period of the project. The project was approved shortly before Christmas holidays, which did not allow to start initially planned activities immediately. This delay caused the situation that the delivery of the purchased equipment coincided with the summer vacation period, which resulted to more delays in addition to the extended project activities. Such unfortunate coincidences resulted an 8 month of delay compared to what was initially planned. This means that also the product was introduced to the market 8 month later than initially planned and it generated additional costs and income losses for the company.

Additional sources of information

www.facebook.com/krippu.lv/

www.instagram.com/krippu/