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Baltic Sea Food

BALTIC SEA FOOD PILOTING REPORT

AKKOR - Association of Farmers and Agricultural Cooperatives of the Pskov Region "Pskov Farmer".

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1 Background

AKKOR - Association of Farmers and Agricultural Cooperatives of the Pskov Region “Pskov Farmer”. <http://60fermer.ru>. Association is a legal organization established in 2010.

The report refers to an Association of three organizations – the most active members of the Association: OOO (Ltd) “Drive Express”, Family farm Gribov E.E., Family farm Roshchina Yu.E.

These three organizations have similar business profile in the field of cultivation, storage, pre-sale preparation of potatoes, vegetables and apples, allowing us to develop common recommendations for them.

OOO (Ltd) “Drive Express” carries out production, storage and pre-sale preparation of potatoes and open field vegetables (beets, carrots, cabbage, onions) as well as freight forwarding activities.

For high-quality storage of vegetables and potatoes, the enterprise (together with Family farm Gribov E.E.) built in 2018 a vegetable storehouse for 2,000 tons of products, equipped with modern cooling and ventilation equipment, acquired a set of new modern imported equipment. A second vegetable store with a capacity of 3,500 tons of products was built in February 2021.

Family farm Gribov E.E. is engaged in the production of potatoes and open field vegetables (red beets, carrots, cabbage, onions).

Family farm Roshchina Yu. E. represents a farm enterprise “Sinitsi”. The main activity is production and sale of fresh apples. The farm is new as it was created in 2018. Also, as an extra business direction, the “Sinitsi” farm develops rural tourism. They have a guesthouse, provides a number of services such as a Russian bath (sauna), fishing, and homemade products.

Farm "Sinitsi". The main activity is the production and sale of fresh apples. The farm was established recently, in 2018. The apple orchards have 10,000 apple trees of 9 different varieties, the planting area is 7 hectares.

The activities of the three piloted companies that are members of the Association have a similar profile and are closely related to each other; it is planned to create a cooperative, which allows for the development of common recommendations.

Potatoes sales are over 70% of the sales of the products of the piloted enterprises, members of the Association.

2 Description of B2B model used for piloting

B2B model for Drive Express Ltd and Family Farm Gribov E.E. is growing of seed potato and some vegetables and realization to large retail chain stores.

B2B model for Family Farm Roshchina Yu.E. is growing apples, development of touristic business for client attraction, and start of B2B sales with increased volumes.

2.1 Customer segments and target groups

The main sales of potatoes and vegetables from the association are realized through wholesale companies and the retail food chain of stores "Magnit". Sales to the "Magnit" chain are unstable and in some periods may be absent at all.

In order to diversify the client base, as well as for advertising, the goal is to increase the share of sales in the HoReCa sector in Pskov and the Pskov region, as well as in future to enter the HoReCa market in St. Petersburg.

As part of the developed operational plan, it was offered for the pilot organizations to focus on the following target customer groups:

- ✓ **Wholesale companies and chain retailers** - maintaining the existing sales volume and gradually building up with existing customers, with a further increase in production volume - looking for new partners in these customer segments;
- ✓ **HoReCa** - expanding the client base;
- ✓ **Rural (culinary) tourists** – for family farm Roshchina Yu. E.;
- ✓ **Food processing companies.**

LLC "Drive Express" and Family farm Gribov E.E.. over the next 4 years, they plan to increase gradually the sown area from 80 hectares to 180 hectares, which will more than

double production volume - to about 6,000 tons. Accordingly, as production increases, the search for new B2B clients will continue, primarily among large wholesale companies and network retailers.

For the development of B2B sales of LLC "Drive Express" and Family farm Gribov E.E.the main target groups of clients are wholesalers and chain retailers.

In the future, it is possible to participate in public procurement, expand the client base in the HoReCa sector (both in Pskov and St. Petersburg), cooperation with Pskov travel agencies (in terms of tourism development Family farm Roshchina Yu.E.)

Development is planned taking into account the following target groups of clients:

Requirements of target groups of clients

Target sales group name	Requirements
HoReCa	<ul style="list-style-type: none">- competitive price- regular deliveries- certified products- organized logistics
Trade fairs / festivals / culinary and rural tourism	<ul style="list-style-type: none">- presentability- product quality
Municipal clients / community organizations	<ul style="list-style-type: none">- competitive price- product quality- regular deliveries- certified products- organized logistics
Retailers	<ul style="list-style-type: none">- competitive price- product quality- regular deliveries- certified products- fulfillment of the terms of the contract
Wholesale companies	<ul style="list-style-type: none">- competitive price- product quality- long term business relationship- regular deliveries- certified products- guaranteed delivery volumes

2.2 Customer value proposition

The main value propositions for clients available from LLC "Drive Express", Family farm Gribov E.E. and Family farm Roshchina Yu.E.:

- Product quality;
- All goods are certified (for apples, certification was performed in 2020 as part of the recommendations of the operational plan);
- Possibility to increase production volume;
- Well-established logistics system and the availability of high-quality storage facilities for storage;
- Flexibility, the presence in this association of companies with different taxation systems, allows you to offer the client contract with VAT or without VAT, depending on the client's preferences.

LLC "Drive Express", Family farm Gribov E.E. and Family farm Roshchina Yu.E. have the following advantages:

- Logistics organising;
- There are equipped warehouses for storing goods;
- Sales have been established, including with large chain stores;
- Also a competitive advantage is the proximity to the city of Pskov (50 km)
- Family farm Roshchina Yu.E. located in a picturesque place, which is an additional advantage for rural tourism.
- Sociability, friendliness, ability to contact customers

The value of quality certificates.

Food certification is a legally approved procedure that is carried out in Russia in the form of a mandatory declaration in accordance with the provisions of the current technical regulations of the Customs Union (Eurasian Economic Union).



The presence of certificates is a prerequisite, both for working with retail and chain stores, and a delivery condition for municipal enterprises and HoReCa.

Brand presence. B2B brand use by customers.

A bright and memorable sign, unique logo or name is the face of a product or company that consumers will associate with them.

Today, LLC "Drive Express" and Family farm Gribov E.E. there is a joint name for their association - "Dubrovo" with the slogan "Vegetables for You". There is also a graphic logo, which is applied to existing vehicles (Fig. 1) as an advertisement.



Figure 1. Dubrovo is a trademark with the slogan "Vegetables for You".

2.3 Channels to reach the customers

Main channels using for work with customers are set in the following table.

Channel name	Using Yes/No
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Personal meetings	Yes
Telephone conversations	Yes
Messengers (SMS, WhatsApp, Viber, etc.)	Yes
Social networks (vkontakte.com)	Partially
Website	No
Agro-trading platforms	Yes
Avito (www.avito.ru)	Yes

Web-sites for LLC "Drive Express", Family farm Gribov E.E. and Family farm Roshchina Yu.E was not created yet. There is web-site for AKKOR, all enterprises use it for their goals. It was recommended for piloting organization to create a high-quality informative Internet resource (website, social networks). Family farm Roshchina Yu.E. has created a Vkontakte page <https://vk.com/club177892776>, through which products are promoted and communicated with clients and individuals (there are no B2B clients at the farm today). It is recommended to use the electronic platform <https://edavholoda.ru/> for selling products.

For the development of rural tourism Family farm Roshchina Yu.E is cooperating with travel companies and portals with offers to customers to visit their guest house.

Also all enterprises work with customers with telephone calls, e-mail newsletters, handouts, printed material, personal meetings with a potential buyer, including a presentation of their products.

Ways of delivering information to clients.

Pilot companies use various ways to convey information about their products to customers:

- Social networks (Family farm Roshchina Yu.E);
- Booklets, business cards and other printed advertising materials;
- "Word of mouth";
- Providing product samples.

Marketing in social networks is more important for the "Sinitsi" farm than for Drive Express LLC and Family farm Gribov E.E., which are focused on a wholesale buyer. So he would contribute to the development in the field of providing tourism services (today, on the existing VKontakte page, information about these services is minimal), as well as attracting new buyers

of apples. And despite the fact that at the moment there are no problems with the sale of apples, when the maximum production capacity is reached, the search for new buyers will be necessary.

2.4 Customer relationships

In addition to solving current business issues, there is also informal communication in the B2B sector to increase customer loyalty. They are, for example, congratulations of partners on the holidays or meetings in an informal setting (restaurants, cafes) to resolve any issues or just to establish contacts. All this contributes to the strengthening of business relationships. LLC "Drive Express" and Family farm Gribov E.E. in addition to their daily work, regularly visit all kinds of exhibitions and fairs (Agrorus, Field Day, Pskov fairs and exhibitions) to communicate with clients. Also, current and potential clients are invited to AKKOR meetings, including all-Russian ones. In addition, customers receive congratulations on the holidays. We can say that these organizations have established contact with clients.

Due to the absence of B2B clients, Family farm Roshchina Y.E., at the time of the development of operational plans, had no experience of informal communication with corporate clients.

In 2020, due to the emergence of B2B clients, this experience began to form.

In order to improve their skills and the quality of the services provided, we have established communication with clients and receive feedback. To obtain feedback, personal communication, e-mail, telephone conversations and instant messengers are used.

A customer loyalty program is being formed and events are held as follows:

- Creation of a system of bonuses and promotions for B2B clients – there are discounts and promotions for retailer stores networks depending from volume of sales;
- Individual approach – only discounts depends on volume only (for Family Farm Roshchina Yu.E.), Drive Express LLC gives special prices depends of terms of payments (client with prepayment in earliest time give best pricing offer) , also customers can return percentage of goods.
- Letters of thanks – customers write reviews about their experience of cooperation - visit to family farm, letters from retailer store networks.

2.5 Revenue streams

As it was indicated in section 1. Background / Brief information about the pilot site, the main income of LLC "Drive Express" and Family farm Gribov E.E. consists of wholesale sales of

potatoes, mainly (70%) - to chain stores, 27% through wholesale companies. About 3% goes to target segments - HoReCa, municipal clients, retail and small wholesale sales.

Assortment of LLC "Drive Express" and Family farm Gribov E. Ye.

Product name	Packing	Packing	Wholesale prices, rouble/kg	Sales volume per month	Sales volume Thousand roubles./ month. ¹	Share in total revenue %
Potatoes	25 kg	Net	10-12	125 tons	1 250	70%
Vegetables	25 kg	Net	15-20	29 tons	435	30%

The packaging equipment located in the new storage facility allows packaging products with packaging from 2.5 kg, which expands the possibilities for product offering. Including target segments.

Assortment of Family farm Roshchina Yu. E.

Product name	Packing	Packing	Retail price, Rouble/kg ²	Month sales volume	Sales volume, Thousand s roubles/ month ³	Share in total revenue
Apples	5-10 kg	Box	75	600 kg	45	100%

Main proceeds of Family farm Roshchina Yu.E formed from the sale of apples. In 2020, small incomes began to form from visitors to the farm (tourism), as well as from the sale of berries and products.

Month sales volume is calculated as average of year volume

² Retail price is indicated because farm provides at the moment retail sales only.

³ Indicated sales volume per month is calculated as an average from year volume.

2.6 Key resources

These pilot companies have the following resources:

- Material resources in the form of land resources and production facilities (machinery and equipment, vegetable storage);
- Human resources is a team of people who are interested, involved in the process, have extensive work experience and love their job;

The governance structure is the leadership of the organizations. There is also a sufficient number of operational personnel.

2.7 Key activities

Crop of potatoes and vegetables is delivered to warehouse from fields for storage. Incoming orders are accepted from WhatsApp messenger, including pictures of products. There is special staff operating with incoming orders. 2-3 times per week parties of potatoes are delivered to customers from HoReCa, the packing is large net (25 kg) mostly. There are 2 large groups of customers – for retailer stores network (Magnit, etc) and for other customers.

- **Evaluation of the satisfaction of customers and farmers / producers (partners) working together. Effectiveness of using feedback.**

Experience of cooperation with existing customers is rather successful, in a view of absence of complaints from them, and it shows customer satisfaction with this relationship.

The feedback obtained by personal communication, e-mail, telephone conversations and instant messengers are used.

2.8 Key partnership

Events for establishing long-term business relationships.

Here are some activities to help build long-term partnerships:

- Conclusion of long-term cooperation agreements;
- We recommended to provide analytics, the use of feedback will reveal the needs of customers or partners to improve the quality of work with them, as well as see effective or, on the contrary, ineffective aspects of work;
- Planning of production and sales taking into account the needs of customers; в какой то степени
- Raising customer awareness (interviews in the press, website creation, information through printed materials and personal communication) – actual way is mostly personal communication and social network
- Expansion of production volumes;
- Improvement of the existing loyalty program.

2.9 Cost structure

Pricing model.

As the main and most significant factors in pricing policy, demand, costs and competitors are at the heart of the three most common pricing models. Accordingly, when setting the price, the manufacturer can focus on:

- on demand (demand-oriented pricing);
- to competitors (competitive pricing);
- on costs (costly, or cost-oriented pricing).

The main pricing model of the described pilot organizations is focused on competitors (the prices of competitors for similar products are analyzed) and customers (how much he is willing to pay).

However, clear cost accounting is essential to understand the degree of performance.

The cost price is influenced by the large cost of purchasing seeds, and the volume of purchases - these costs can be attributed to variables. Other items of expenditure are plant protection products, fertilizers as a variable part, fuels and lubricants, electricity, materials (net) and a wages fund. The wage fund is divided into two parts of expenses - variable and constant. For example, the payment of an accountant is a fixed cost, employees are variable. Logistics - variable costs depending on the volume and localization of customers.

Costs are seasonal - planting and harvesting and setting up storage.

Differences in pricing model (by target customer groups).

When working with different segments of customers, the pricing model does not change, the margin included in the cost of the product differs, calculated individually depending on the customer and types of products.

Types of contracts for cooperation with B2B clients.

When working with their clients, pilot organizations use only written types of contracts - the conclusion of a cooperation agreement.

It is possible to offer your customers to choose the most convenient type of settlement for them - with or without VAT.

Also, depending on the client, there are contracts that provide for an advance payment or a deferred payment.

2.10 Organization and strategy

Strategic plans.

For the long term, OOO "Drive Express", Family farm Gribov E.E. and Family farm Roshchina Yu.E the following plans are available:

- Systematic growth of potato production (over 7 years by 3.5 times), due to the introduction of new sown areas, which in the coming years are planned to increase from

80 hectares to 180 hectares, as well as by increasing yields through the use of Dutch technology and use modern technology and equipment;

- Growth in the production of vegetables (an annual increase of 4% for 7 years) due to an increase in yields due to the use of high-tech equipment, effective fertilizers and plant protection products;
- Growth in apple production due to reaching full production capacity;
- Completion of the construction of a vegetable store and bringing it to the planned capacity;
- Expansion of machinery and equipment park;
- Search for new sales markets;
- Creation of an agricultural cooperative.

This is feasible taking into account a number of activities:

- Companies have already developed a business plan to understand the efficiency and feasibility of an investment project for the construction of a vegetable store and business expansion;
- Attraction of additional financing for the implementation of the investment project;
- Raising customer awareness, including through branding, website creation, use of other Internet resources (social networks);
- Expanding the client base through more active marketing;
- Improvement of the loyalty program;
- Competition analysis;
- Planning of production and sales of products based on customer demand;
- Obtaining support from government authorities.

Global strategic plans of AKKOR corresponds and includes plans of all enterprises. AKKOR is getting support from government, helps to provide awareness of customers. Offers its own digital resources for using of members..

3 Changes in operational plan

The main actual changes compared to the developed operating plan are presented below in the qualitative and quantitative results sections. From the general points, it can be noted that, in general, there are few changes in the operational plans of the participants and they are being carried out quite close to the intended results. The results of the work in 2020 would have been better, but many clients in the HoReCa segment have not started their cooperation with the enterprises of the Association, as the COVID 19 pandemic prevented. The pandemic did not affect these companies as much, since the share of sales in target segments for potatoes and vegetables is small. For apples, it is higher, but there, due to small production volumes in a young orchard, Yu. Roshchina's farm managed to sell a significant part of its products to end customers (in the B2C segment) at a fairly high price. A bigger problem for potato and vegetable producers was the difficulty in obtaining financing for the development of the enterprise, but nevertheless the companies are actively trying to solve this issue. Of the unplanned work, it can also be noted that it was possible to organize the supply of potatoes and vegetables to local small "convenience stores" (about 10), which expands the circle of users of these local products in the Pskov region.

4 Quantitative results

Increase in the number of clients in target segments.

LLC "Drive Express" and Family farm Gribov E.E.

The number of clients before the start of the project was 2. In 2019, at the time of the completion of the operational plans, there were 3 of them, at the moment (01.02.2021) there are already 5 of them.

Family farm Roshchina Yu. E. signed contracts with 5 clients (legal entities) for the coming seasons and attracted clients in the form of individuals through social networks. For the 2020 season, about 100 people visited her farm to buy products

Actual B2B clients of Drive Express LLC and Family farm Gribov E.E..

Target B2B clients group name	B2B target clients number in 2019, pcs	B2B target clients number in 2020, pcs.	Characteristics of clients by size (small/medium/ large)	Share in total sales volume, %
Target group (HoReCA, municipal and public organizations, fairs, culinary / rural tourism)	3	5	medium	<3%
Other sales (non-target customer group)	1		Large/medium	97%

Revenues of Drive Express LLC and Family farm Gribov E.E.

Target B2B clients group name	B2B target clients revenue in 2019, roubles per year	B2B target clients revenue in 2019, roubles per year	Characteristics of clients by size (small / medium / large)	Share in total sales volume,%
Target group (HoReCA, municipal and public organizations, fairs, culinary / rural tourism)	0,6 million	0,9 million	Medium	<3%
Other sales (non-target customer group)	19,4 million	29,1 million	Large/medium	97%
Total revenue	20 million	30 million		

Actual B2B clients of the farm "Sinitsa" Family farm Roshchina Yu.E

Target B2B clients group name	B2B target clients revenue in 2019, pcs.	B2B target clients revenue in 2020, pcs	Characteristics of clients by size (small/medium/ large)	Share in total sales volume,%
Target group (HoReCA, municipal and public organizations, fairs, culinary / rural tourism)	0	5	Medium	100

Also in the target group (rural tourism, direct sales from the farm) there were a lot of B2C clients (private buyers of apples, including on the basis of self-picking). It is difficult to determine their exact share, but as sales volumes increase due to higher yields, the share of B2B customers will grow

Revenue of Family farm Roshchina Yu.E

Target B2B clients group name	B2B target clients revenue in 2019, roubles per year	B2B target clients revenue in 2020, roubles per year	Characteristics of clients by size (small/medium/ large)	Share in total sales volume, %
Target group (HoReCA, municipal and public organizations, fairs, culinary / rural tourism)	0,5 million	0, 9 million	Medium	100%

4.1.Number of months of the piloting (pcs):	We ask you to put it yourself because you have more correct information about changes of project time.
4.2.Number of B2B clients (pcs):	<p>Drive Express LLC and Family farm Gribov E.E:</p> <p>2019 – 2 target B2B clients</p> <p>2020 – 5 target B2B clients</p> <p>Family farm Roshchina Yu.E.:</p> <p>2020 – 5 target B2B clients</p>
4.3.Number of producers involved to the piloting (pcs):	3 producers –Drive Express LLC, Family farm Gribov E.E., Family farm Roshchina Yu.E.
4.4.Number of transactions in total and per months (B2B, and if relevant then separately also B2C, pcs):	No information, because it differs for different customers in different months,

4.5. Approximately how many different products were on sale (pcs):	3 – potatoes, vegetables of open growing, apples
4.6. Variety of assortment- which product groups (10 categories, yes or no):	Meat - not Fish and shellfish - no Fruit -yes Vegetables - yes Flour and baking -no Dairy and eggs - no Beverages - no Sweets - no Delicacies - no Others – no
4.7. B2B turnover in total and per months (EUR, if relevant then separately also B2C)	Total: In accordance with seasons differences we can give total average amount per year: 2019 – 0,5 million roubles 2020 – 0,9 million roubles

5 Qualitative results

Obtaining a quality certificate for products.

LLC "Drive Express" and Family farm Gribov E.E. carry out annual certification of their products every year. Family farm Roshchina Yu.E postponed product certification to 2021 due to the pandemic.

Development of tourist services

In accordance with the recommendations of Rusmarketconsulting LLC, negotiations were held with travel agencies on the placement of this information.

In addition, information is also posted on the pages of social networks V Kontakte, Instagram, Facebook.

Creation of an agricultural cooperative.

The work on creating a cooperative continues. The charter of the cooperative is being worked out. Additional informational literature about the opening of an agricultural cooperative is being studied. Meetings with the "My Business" center have been made.

Increase in the share of product sales to large retail chains

Fruitful work is underway with the trade network of JSC "Tander" for the sale of potatoes under the Agro contract.

KFH Roshchina has expanded the flow of tourists who come for natural products. Promotion is carried out through the social network VKontakte <https://vk.com/club177892776>.

Fig. 2 Harvest at family farm of Roschina Yu.E.



Fig. 3 Advertising on the estate of family farm of Roschina Y.E



6 Other local food distribution solutions developed in the region

Pickup of apples and other products, customer visits to farms and purchase of goods directly without retail services.

7 Conclusions

The table below presents the main difficulties and positive aspects that arise when working with existing buyers LLC "Drive Express" and Family farm Gribov E.E.

On LLC "Drive Express" and Family farm Gribov E.E. the pandemic had little impact. High prices for potatoes, vegetables and apples

The pandemic affected the Roshchina farm, but less than other farms. Since the main tourist flow to them for the harvest was in late summer and autumn 2020, when domestic tourism was already recovering after quarantine in spring 2020.

Pluses and minuses of working with target customer groups

Target sales group name	Pluses	Minuses
HoReCa	<ul style="list-style-type: none">- higher purchase price- advertising	<ul style="list-style-type: none">- labor intensity- unpredictable orders may occur, the urgency of delivery is important- small volumes of supplies entail an increase in logistics costs
Fairs / festivals / culinary tourism	<ul style="list-style-type: none">- advertising- "instant" payment	<ul style="list-style-type: none">- dependence on the organizers of the event- the need for personal presence
Municipal clients / community organizations	<ul style="list-style-type: none">- regular deliveries	<ul style="list-style-type: none">- small deliveries

Retailers	<ul style="list-style-type: none"> - long term contractual relationships - large volumes of supplies are possible 	<ul style="list-style-type: none"> - strict conditions of contracts, significant penalties, special conditions of transportation, returns, etc. - low price - irregularity of orders - it is necessary to ensure stable (uniform) quality
Wholesale companies	<ul style="list-style-type: none"> - stable clients - long-term contractual relationship -- large volumes of supplies 	<ul style="list-style-type: none"> - low price

Considering the pluses and minuses of working with various segments, sales volumes with wholesale companies and chain stores are increasing, and the client base in these sectors is gradually expanding.

LLC "Drive Express" and Family farm Gribov E.E.- larger enterprises, their way of development - increasing the volume of up to 6,000 tons of finished products per year. The HoReCa direction is additional for them, while working with networks is the main one.

At Family farm Roshchin Yu.E. the main means of promotion is cooperation with travel companies, organization of events. Tourism service offer - there is a guesthouse for accommodation and a range of services such as sauna, fishing, homemade products, etc.

Harvesting events are held in summer-autumn, interactive activities for picking apples, processing), tastings, seasonal holidays (Maslenitsa).



Fig. 4 Maslenitsa celebration in family farm Roshchin Yu.E

In the future, as the yield in the garden grows in a few years, the company will also need to store and wholesale, and cooperation with the members of the Association can help them to do this.