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Baltic Sea Food

BALTIC SEA FOOD PILOTING REPORT

Center for Effective Agriculture and Horticulture

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1 Background

The autonomous non-profit organization Center for Effective Agriculture and Horticulture (hereinafter referred to as the Center) – is a socially oriented organization that provides support to gardeners and small-scale farming in the Pskov and Pskov regions in development, cooperation, exchange of experience, and all kinds of organizational issues.

Under the ANO "Center for Effective Agriculture and Horticulture", the Club "Development of the Pskov Region Territories" was created and successfully operates.

The Club "Development of the Pskov Region Territories" (hereinafter the Club) is an association of small producers of local natural products, including organic products. Small producers include farmers, gardeners, family farms.

The report refers to the following organizations: the farm "EcoDerzai" and agricultural consumer co-operative "KIPREI", organizations were established in 2013, that are the members of the Club and the Center and activists of the Club.

Agricultural consumer co-operative "KIPREI" is a professional manufacturer of Pskov Ivan tea.

"EcoDerzai" is a farm-producer of organic vegetables (cabbage, potatoes, carrots, beets, turnips, rutabaga, onions, radishes, garlic, zucchini, pumpkin, girasol, etc.).

The unification takes place on the basis of communication, interaction, cooperation, cooperation, self-government and the implementation of joint projects. Club members constructively interact with representatives of the authorities and administration of the Pskov region and are part of the Club Team.

The Club brings together residents of Pskov and the Pskov region, those who have moved to live and revive the region from St. Petersburg, Moscow, Novgorod and other regions and those who just wish to move to the Pskov region.

Among the members of the Club are active, creative, creative people with their current projects, resources, capabilities, knowledge.

The main goals are to strengthen each other and help revive the Pskov Land.

The Club has more than 600 members, most of them small, uncertified, family farms and gardeners. There are also about 35 local producers of natural food, some of which produce organic products, the quality of which is confirmed by the BIO certificate.

One of the main concepts of the Club is a healthy lifestyle, natural, organic products, and the revival of the village.

As a result of interaction in the Club, some of the participants united and created joint projects and cooperatives that are currently in the process of implementation, including the Active Village project, KIPREY SSCC, Eco-Dare project.

2 Description of B2B model used for piloting

The main sales of Ekoderzai and SSC KIPREY represented for the local retail stores chain Pchelka and processing organizations located in the Stavropol Territory and the Pskov Region, in aggregate over 80% of the total sales.

According to the pilot companies described, as well as according to media reports, there is a risk of closure of this retail stores chain, which is confirmed by the reduction in the assortment on the shelves and the closure of several stores. In this connection, the question arises of sales of products (namely tea), which fell on this segment, in the event of the closure of the Pchelka chain store.

The solution to this problem in the future can be the creation and provision of a specialized single trading platform (the so-called "farmer's market") for the sale of local products to both the population of Pskov and the Pskov region and tourists. But the creation of such a platform is possible only with the support of the state.

The share of tea sales was increased in the HoReCa sectors and supplies to specialized stores in the region, especially since Ivan tea is packaged as souvenir / gift products, and can be offered in hotels, souvenir shops and even restaurants as souvenirs / gifts for tourists.

Processing companies in the Stavropol Territory purchase vegetables from Ekoderzai and SSC KIPREY for further processing (including drying), partially processed products are exported.

In 2020, under the leadership of the Pskov Region Territory Development Club and with the support of the state (within the framework of the Russia - Estonia Cross-Border Cooperation Program for the period 2014 - 2020), it is planned to open a collective drying center near Pskov, which will be available to all members of the Club ... Thanks to this, the vegetable assortment will expand with dried vegetables, fruits and berries, which will also give more opportunities for sale, and the assortment of tea will be replenished with Ivan tea with additives.

Dried vegetables, fruits, berries are in demand in local restaurants and cafes, bakery and confectionery manufacturers (as additives) and at the farmer's market among the population. е у населения.

Table. Actual B2B clients of "Ecoderzai" and SSC "KIPREY"

Name of the target group of B2B clients	Number of clients in the target group, pcs.	Characteristics of clients by size (small / medium / large)	Share in total sales, %	Note
HoReCa	2	Average	10%	Cooperation with the HoReCa segment through a partner. Supplied goods - ivan tea (to Pskov); vegetables (to Moscow).
Trade fairs / festivals / culinary and rural tourism	on average 6 pcs / year	Average	1%	Participation in fairs and festivals.
Municipal clients / community organizations	2	Average	1%	Unions. The supplied goods are tea (gift wrapping).
Specialty stores	1	Average	5%	ECO Shop "Lakshmi"
Retailers	1	Average	43%	Local chain store "Pchelka". The supplied goods are tea.
Wholesale companies	3	Average	40%	Processing companies (Stavropol Territory, Pskov Region).

				The supplied goods are vegetables.
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For the development of B2B sales, the following target groups of clients are offered:

- HoReCa;
- Specialized stores (farm produce stores, premium stores focused on natural products);
- Processing companies.

2.1 Customer segments and target groups

Ekoderzai and SPSK KIPREY covered many target groups of clients, but the number of clients in each group does not exceed three. Based on the number of customers and sales volumes, we can say that the greatest experience is in working with processing companies.

Table. Experience in the context of target customer groups.

Name of the target sales group	Experience
	Beginner / Intermediate / Advanced
HoReCa	Average
Trade fairs / festivals / culinary and rural tourism	Average
Municipal clients / community organizations	Average
Specialty stores	Average
Retailers	Average
Processors	Average

Selecting key client groups

Based on the above, Ekoderzai and SSC KIPREY are proposed to focus on the following target groups of clients:

- ✓ HoReCa, including expanding the client base by offering restaurants and cafes dried vegetables, fruits and berries;
- ✓ Specialized stores, search for new customers - premium stores and online stores of natural products;
- ✓ Processing organizations, maintaining the existing sales volume and gradually increasing.

It is not recommended to rely on development in the sector of federal chain retail stores, due to the labor intensity, low margins, and often unprofitableness when chains operate with small manufacturers.

Preliminary list of potential clients.

- ✓ Restaurants and cafes of Pskov / Pskov region;
- ✓ Hotels of Pskov / Pskov region;
- ✓ Farmer shops, souvenir shops of Pskov / Pskov region;
- ✓ Natural product stores, online stores of farm products in St. Petersburg and Moscow

2.2 Customer value proposition

The main value propositions for customers available from Ekoderzai and SPSK KIPREY:

- Quality (certified products, some of them underwent voluntary certification of BIO products);
- Unique products (rare root vegetables that are rarely found on the shelves of chain stores - turnip, rutabaga, Jerusalem artichoke, parsnip, etc.; in the future, dried vegetables / fruits / berries);
- Gastronomic souvenir (ivan tea as a souvenir);
- Traditional (historical) production;
- Processing of local products (drying);
- An increase in production volumes is possible (due to cooperation with members of the Club, in the case of certification of their products, as well as due to the development of available free sown areas);
- Wide assortment (in case of certification of products of Club members and cooperation).

It should be noted that the vegetable market is highly competitive, and the number of Ivan-tea producers is growing rapidly and the market is saturated (even such large companies as Maisky Tea have added Ivan-tea to their lineup).

In connection with the above, it is worth focusing on rare vegetables that are in the assortment, diversifying the tea line with ivan tea with additives and occupying a niche in the market for natural, environmentally friendly products.

Unique value propositions versus competitors.

In comparison with competitors "Ecoderzai" and SPSK "KIPREY" has the opportunity to offer the following unique products:

- Unique products (rare root vegetables that are rarely found on the shelves of chain stores - turnip, rutabaga, Jerusalem artichoke, parsnip, etc.; in the future, dried vegetables / fruits / berries);
- Processing of local products (drying);
- Products with a BIO certificate.
- As an option for the development of unique and interesting offers, it is possible to resume the experience of working with a consumer basket (set of products) and create several thematic baskets:
 - Fresh vegetable basket (fresh vegetables);
 - Dried vegetable basket (dried vegetables);
 - Tea basket (tea, honey, dried bio-additives for tea, gingerbread), gift basket option;
 - Lines of dried products for tourists (meaning hiking, where space saving and low weight of products are important);
 - A complete consumer basket (products for the week - milk, cheese, bread, meat).

2.3 Customer relationships

Ekoderzai "and SPSK" KIPREY "use different methods of delivering information about their products to customers:

- Social networks;
- Booklets, business cards and other printed advertising materials;
- "Word of mouth";
- Mention in the press;
- Carrying out tastings with the invitation of the buyer's representatives;

 Providing product samples.

Today there are a large number of sites (SSC Kiprey site, SSC Kiprey and Aktivnoe selo, Ecoderzai, ecoshop Pskov, sites of individual manufacturers - members of the Club, as well as numerous pages on social networks). The sites are <https://activillage.ru>,

It is worth noting that little attention has been paid to social media marketing, and in turn, it is an effective tool that allows you to solve a number of problems - increasing customer loyalty; growing brand awareness; reputation management and image strengthening; increasing traffic to the main site; informing clients about promotions.

We recommended work to improve customer awareness. The creation of a brand and a high-quality Internet resource (including work in social networks) would have a beneficial effect on the awareness of current and potential clients of Ekoderzai and SSC KIPREY.

Brand presence. B2B brand use by customers.

Today, as such, Ekoderzai and SSC KIPREY have no separate or joint brands. The vegetable producer has a name - "Ecoderzai". The products of SPSK "KIPREY" are produced under the name "Pskov Tea". There are no logos.



Loyalty program

Currently, Ecoderzai and SPSK KIPREY are inactively using the opportunities to increase customer loyalty.

There is a discount card for regular B2C customers (5-10% for a farm basket). There are promotions for regular B2B clients.

In the future, it is planned to create a system of bonuses and promotions for B2B clients.

It is possible to highlight some activities (in addition to those that are already taking place) that can be carried out in the future:

-  Small gifts / souvenirs;
-  Informal communication;

- Letters of thanks;
- Carrying out actions / campaigns.

2.4 Revenue streams

The main advantages of Ekoderzai and SPSK KIPREY products:

- "Clean Eco": no fertilizers, incl. organic., minimal and surface tillage.
- Manual labor.
- Old Russian seed varieties obtained from conventional breeding (without GMO lines, hybridization, etc.)
- The quality and taste of the product comes first.
- Collection of willow tea exclusively in ecologically clean places of the Pskov region.
- Annual examination of vegetables and tea in a state accredited laboratory.
- Obligatory receipt of the Declaration of Conformity "On food safety".
- **The Active Village project** is a regional project for the uniform development of the territory of the Pskov region, which includes:
 - Complex projects for the development of the region's territory based on the principle of cooperation "Society-State-Business".
 - Promoting the development of local producers.
 - Agricultural cooperation.
 - Infrastructure facilities for collective use (2020 - Center for collective drying near Pskov, processing cooperative "KIPREY", 2023 - Agropark on the principle of ORC (wholesale distribution center)).
 - Revision Union of Agricultural Cooperatives of the Pskov, Leningrad and Novgorod Regions.
 - Club of activists - "Development of the territories of the Pskov region".
 - Sales cooperative "Active Village".
 - Lean farming: consultations, seminars, joint projects.

In addition to the assortment indicated in the Table, produced by Ekoderzai and SSC KIPREY, other members of the Pskov Region Territories Development Club produce a wide range of natural local products (honey, bread, gingerbread, vegetables, cheeses, etc.), but many participants are small family farms that are just starting their way of producers and today do not have quality certificates for products, so they are not included in the assortment table.

Thanks to the opening of the Collective Drying Center in 2020, in plans for 2020-2025 to expand the farm basket with processed products, namely, dried bio-additives for tea, dried vegetables, fruits, berries, mushrooms, vegetable and fruit slices, candied fruits.

There was also the experience of selling a "grocery basket" (set), which included tea and vegetables, but the experience was not successful, the "basket" was not in demand.

Assortment "Ekoderzai" and SSC "KIPREY"

Product name	Packing	Packing	Wholesale prices, rub / kg	Volume of sales, thousand roubles./ month	Share in total revenue %
Farm basket 2019					
Ivan tea fermented	10-500gr	Glass jar (including gift option), package	1800	65	50%
Assorted fresh root vegetables (potatoes, Jerusalem artichoke, turnip, rutabaga, daikon, black and green radish, pumpkin)	Weight product	Without packing	20-60	65	50%
Farm basket 2020					
Ivan tea fermented	10-500gr	Glass jar (including gift option), package	1800	33	13%
Assorted fresh root vegetables (potatoes, Jerusalem artichoke, turnip, rutabaga, daikon, black and green radish, pumpkin)	Weight product	Without packaging	20-60	30	13%
Dried bio-additives for tea, dried vegetables, fruits, berries, mushrooms, vegetable and fruit slices, candied fruits	-	-	-	370	74%

A further increase in sales is planned mainly due to the introduction of a new product - various dried products.

2.5 Key resources

Ekoderzai and SSC KIPREY have:

- Material resources in the form of production facilities (own production facilities, collective facilities - a center for collective drying and packaging);
- Human resources is a team of people who are interested, involved in the process, have extensive work experience and love their job;

It can be noted that Ekoderzai and SSC KIPREY, as well as many members of the Club, experience difficulties with financial resources, like any small agricultural producers.

The management structure of the Club is an asset of self-nominated candidates: Dmitry Marinichev, Anna Voichenko, Roman Golovin, Olga Golubtsova, Mikhail Vasiliev. The head of the Club is selected from the asset, the head of the Club changes regularly.

To develop and replenish financial resources, Club members can use state support - there are grants for the development of family farms, novice farmers, agricultural cooperatives, various subsidies, etc.

To replenish material and human resources, cooperation with farmers in the region is possible.

2.6 Key activities

The key activities of Ekoderzai and SPSK KIPREY are:

- Production
- Sales
- From the side of the Club itself, this is informational, educational and organizational activities to support local producers - members of the Club.

Supporting activities

The auxiliary types of activities available to Ekoderzai and SPSK KIPREY include:

- Marketing;
- Communication with clients;
- Logistics;
- Storage;
- Packaging;
- From the side of the Club itself - holding meetings of the Club members, including trainings / educational / informational events.

2.7 Key partnership

Partnerships with a number of organizations can help improve value propositions:

- Government organizations;
- Unified trading platform for the sale of farm products;
- Logistics companies;
- Consulting companies;
- Distribution companies;
- Local farmers / producers of certified products to unite in order to expand the range, reduce logistics, marketing costs;
- Information agencies of Pskov (groups in social networks, information sites, mass media, print media, advertising agencies) to promote products and raise awareness among buyers.

Cooperation with the above partners will have a positive effect on the following problem areas in the activities of Ekoderzai and SSC KIPREY:

- Organization of sales;
- Logistics;

➤ Marketing.

Incoming orders are received by phone and through web site and also through social network vkontakte, there are about 28 orders per month, and one third of these orders are B2B orders (two third of orders are B2C).

2.8 Cost structure

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

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

Cost price for Ekoderzai is forming of seeds, fertilizers, agricultural machinery, repairs, fuel and lubricants logistics, salary of personnel, obligated certification, transportation.

Cost price for Kiprey is forming of packing, rent price for warehouse, electricity costs, transportation, advertisement, salary of personnel.

2.9 Organization and strategy

For the future, the Club, as well as Ecoderzai and SPSK KIPREY, in particular, have the following plans:

- Expansion of the range of the farm basket, including by drying vegetables / fruits / berries, etc .;

- Growth in production and sales volumes, and accordingly income;
- Opening of the Center for collective drying;
- Creation, together with the local administration, of the well-known gastronomic regional brand of the Pskov region.

This is feasible taking into account a number of activities:

- Certification of products of the Club members to increase the range and production volumes;
- Cooperation between members of the Club in order to implement more efficient management;
- Analytics and planning;
- Raising customer awareness;
- Creation of a single brand and a single Internet resource;
- Expanding the client base through more active marketing and a more interesting assortment;
- Obtaining support from government authorities.

3 Changes in operational plan

The company's turnover fell due to a poor harvest in 2020 and the direction of all resources to the construction of the Organic Center (a cooperative production site).

4 Quantitative results

Actual B2B clients

Name of the target group of B2B clients	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, %
HoReCa	2	8	Average	10%
Trade fairs / festivals / culinary and rural tourism	on average 6 pcs / year	1	Average	1%
Municipal clients / community organizations	2	2	Average	1%
Specialty stores	1	1	Average	5%
Retailers	1	1	Average	43%
Wholesale companies	3	3	Average	40%

Number of clients before the start of the project - 1 (regular deliveries, 3 (irregular deliveries).

The number of regular customers as of Feb 2021 is 8. A significant expansion of the assortment and the number of potential customers in the HoReCa segment due to the opening of the drying center later than the planned date was also postponed to the autumn of 2021.

Deliveries of farm products "to the apartment" are carried out in Pskov, St. Petersburg, Moscow to regular customers-individuals, 30 families.

Contracts have been concluded with 3 travel agencies for the sale of travel services.

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):	2019 – 2 target B2B clients (8 B2B client in total) 2020 – 8 target B2B clients (16 B2B clients in total)
4.3.Number of producers involved to the piloting (pcs):	2 producers – Ekoderzai and Kiprey
4.4.Number of transactions in total and per months (B2B, and if relevant then separately also B2C, pcs):	There are 28 orders per month in average (B2b orders are one third part of them). Number of orders differs for different customers in different months, depending on seasonal demand.
4.5.Approximately how many different products were on sale (pcs):	The products are - ivan tea fermented, assorted fresh root vegetables (potatoes, Jerusalem artichoke, turnip, rutabaga, daikon, black and green radish, pumpkin) – about 8 pcs.
4.6.Variety of assortment- which product groups (10 categories, yes or no):	Meat - no Fish and shellfish - no Fruit -no Vegetables - yes Flour and baking -no Dairy and eggs - no Beverages - yes Sweets - no

	Delicacies - no
	Others – yes (dried products)
4.7.B2B turnover in total and per months (EUR, if relevant then separately also B2C)	<p>Total:</p> <p>In accordance with seasons differences we can give total average amount of profit per year:</p> <p>2019 – 65 thousand roubles per month for SPSK Kiprey, 65 thousand roubles per month for Ekoderzai</p> <p>2020 – 33 thousand roubles per month for SPSK Kiprey, 30 thousand roubles per month for Ekoderzai.</p> <p>Despite of decreasing of profit in target groups of products total value of sales was compensated by other activities.</p>

5 Qualitative results

Obtaining a certificate for products.

SPSPK "KIPREY" received additional to the Customs Declaration bio-certification of ecological and biodynamic management for the range of Ivan tea 2019-2020 according to the voluntary certification system "Clean Dew" (LLC "Eco-control").

In September 2020, a bio-certification ("Natural product" level) was obtained for fresh vegetables (assorted root vegetables).

On October 21, 2020, a new production site (Drying and Packing Center in the village of Logozovichi, OPH "Active Village") was launched. The first test period for the simplest drying

of agricultural products was successful. The second test period for candied fruits, marshmallows and other products is in progress.

The HACCP system, the Production Control Program (PPK), certification in the food safety management system according to the GOST ISO 22000-2007 standard is planned for confirmation in April 2021. Until the end, it is planned to obtain voluntary organic certification for certain types of products.

Cooperative certification for new products is being worked out for 2021: marshmallows, candied fruits, pickled vegetables, dried fruits, vegetables, herbs, berries, smelt, incl. organic and for export - special for a specific country.

Negotiations are underway for export deliveries with the support of the Pskov Region Export Center.

Launched a modern online store on the Bitrix platform: <http://activillage.ru>

Production video:

<https://clck.ru/T7Zjg>

<https://www.youtube.com/watch?v=uFSmPbEv-Dw>

Information is also additionally posted on the pages of social networks VKontakte, Instagram, facebook.

In December, SPSPK "KIPREY" became the winner of the regional stage of the All-Russian competition "Business Success". And also recognized as the best socially-oriented business in the Pskov region, according to the center "My Business".

A farm products store was opened in the center, which also contains information about farmers and their farms.

A new product is being launched - a tourist service for visiting (excursions) the social Drying and Packaging Center "Active Selo" in the village of Logozovichi from March-April 2021. This is a unique for the Pskov region and Russia as a whole - the Organic Center "Active Selo", organized by taking into account the experience of Estonia.

A new tourist project is being prepared for launch on the territory of the Organic Center: a tasting room, a cafe to expand the list of tourist services, the implementation period is 2021-2022.

6 Other local food distribution solutions developed in the region

In the summer, tourist collective products (tourist farm basket) were introduced under a project with ASI - Local Food Boxes (cooperative project). Now the assortment of Boxes is expanding.

7 Conclusions

They keep afloat the sale of farm products "to the apartment" in St. Petersburg and Moscow and the prospects of the Organic Center.

The pandemic has not had a significant impact on sales volumes, as organizations have little focus on distribution channels such as fairs and individual tourism.

There is a significant expansion of customers in HoReCa, which confirms the achievement of the goal set - to get more sales in HoReCa (8 target customers instead of 3) - to minimize revenue losses in case of a possible closure of the distribution channel to the Pchelka chain store.

Turnover fell incl. due to a poor harvest in 2020 and the allocation of all resources to the construction of the Organic Center (a cooperative production site based on the experience of Estonia).

New tourist services for visiting (excursions) of the social Drying and Packaging Center "Active Village" in the village of Logozovichi have appeared. 3 contracts have been concluded with travel companies.

SPSPK "KIPREY" participates in competitions and won the regional stage of the All-Russian competition "Business Success". And also recognized as the best socially-oriented business in the Pskov region, according to the center "My Business".