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Food4CE

ALTERNATIVE FOOD NETWORKS IN AUSTRIA

Short report summary

Food4CE

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1. Executive summary

This report analyses Alternative Food Networks (AFNs) in Austria, highlighting their role in promoting sustainable and locally driven food systems. It examines the current state of AFNs and its business characteristics and assesses their contributions to local economies and community building. The report introduces AFNs and their importance in Austria, details findings from the research on AFNs and outlines the challenges and opportunities, faced by AFNs. In the research nearly 80 AFNs were identified in Austria - with a focus on the eastern region of Austria (NUTS region AT1 Eastern Austria), of which 20 were considered as advanced. The AFNs range from food cooperatives over platform to direct retail initiatives, emphasize strong connections between local farmers and individual consumer. The challenges posed by the structure of the Austrian food system and the pandemic lead to the need for Austrias AFNs to demonstrate adaptability and innovation. In a globalized world short food supply chains ensure the sustainability and resilience of food supply in Austria. AFNs are part of those networks. The acknowledgment by mainstream supermarkets of the potential in organic and regional foods, coupled with the inherent competitiveness of the food market, portrays it as a fiercely contested arena. In this highly competitive market, various players, from traditional grocery stores to alternative food networks, vie for consumer attention and loyalty. Businesses must adapt and differentiate themselves to stay relevant as consumers increasingly prioritize quality, sustainability, and ethical sourcing.

About the Food4CE Project:

Food4CE is a European project funded by the INTERREG Central Europe Programme, aimed at supporting Alternative Food Networks (AFNs) in their efforts to create sustainable and resilient food supply systems. Within Food4CE 5 local and 1 Transnational Innovation Hub (IH) will be established and will focus on advancing AFNs logistics efficiency through the development of innovative tools and solutions.

Two innovative tools, the Knowledge Transfer Platform and the Matchmaking Platform will be developed within the project. The former is intended for sharing logistics best practices and solutions, while the latter is intended for creating new B2B logistics solutions and services. The aim is to facilitate knowledge transfer and exchange between different regions and actors, and to create a unique mutual support network for AFNs in Central Europe.

Food4CE will also provide jointly developed regional action plans for each participating region and transnational (CE) policy guidelines for AFN support. The project aims to establish a sustainable and lasting AFN support mechanism, which will continue working even after the project end.

By establishing local and transnational Innovation Hubs and developing innovative tools and solutions, the project aims to facilitate knowledge exchange and cooperation between different actors and regions, leading to a sustainable and lasting AFN support mechanism.

2. Alternative Food Networks (AFNs) in Austria

The interest in alternative food networks (AFNs) is characterized by a collective dedication to sustainability and local sourcing and resonates with Austrian consumers who prioritize transparency and quality. These networks not only afford access to fresh and nourishing food but also foster direct connections between producers and consumers. Such relationships play a pivotal role in championing sustainable and locally driven short food supply systems, aligning with Austria's commitment to responsible agriculture and environmental stewardship.

More than a quarter of the Austrian farmland is dedicated to organic farming, a number that is stagnating whereas the demand for organic products sold to private consumers in Austria has been rising steadily for years and reached a double-digit figure for the first time in June 2020 at ten percent. In the first half of 2020, the average Austrian household purchased organic fresh produce worth € 97 from food retailers. This corresponds to an increase of almost 17% compared to the same period the year before. Almost every Austrian has bought organic food at least once in the past six months, with 95% of shoppers buying organic food. Both the frequency of purchases and the quantity of organic products bought increased continuously (Amainfo, 2024). Supermarket chains have recognised this trend and have increasingly included organic food in their product ranges. This enabled them to further strengthen their strong position in food sales.

Due to this special situation AFNs seem to be well introduced in Austria for the supply of private customers. Within the Austrian context, AFNs emerge as compelling alternatives to the conventional food system, offering consumers accessible, locally sourced, health-conscious, and environmentally friendly options. In 2019 organic food totalling EUR 2.060 million has been sold in Austria, of which 15% was sold in direct sales and specialist shops and 7% in the catering trade (Amainfo, 2024).

2.1. Research overview

Due to the geographic situation the size of farms is small compared to other countries but also in general the proportion of small and medium-sized enterprises (SME) in Austria is traditionally very high (99.6%). As defined by the EC, SMEs have a maximum of 250 employees. It therefore was assumed that there is a relatively big number of AFNs in Austria. For this reason, the work focuses its observations on the federal states of Vienna, Lower Austria and Burgenland in the eastern region of the Austria (NUTS region AT1 Eastern Austria) due to the high population density in the greater Vienna area and the large areas for cultivation (for Austrian standards) in this area. AFNs located outside these geographical boundaries were only identified if they were of particular interest for the project.

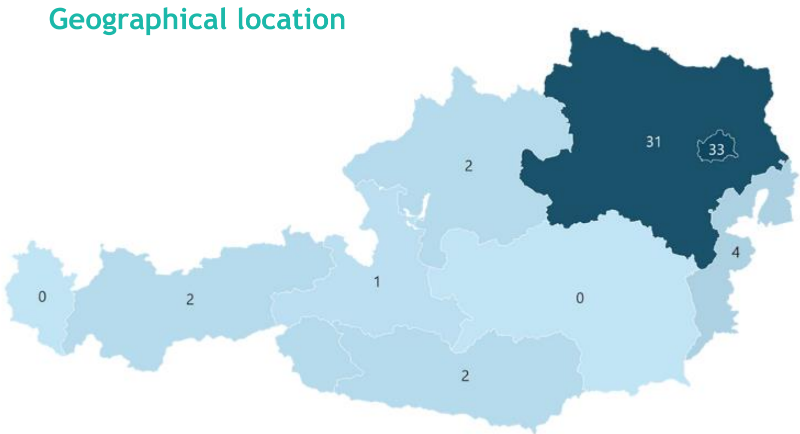
In the first step, predefined details such as location, product scope, main activity and - if available - logistical activities or principles were collected by means of secondary research. All AFNs collected were although categorized in one of the three following categories based on their level of complexity:

- **Direct**: AFNs that deal directly with the production and supply of food products to consumers.
- **Intermediary**: AFNs that sell their products directly and distribute through logistics operators.
- **Advanced**: AFNs that have their online platforms for selling their products and offer delivery with its own vehicles and/or through logistics operators.

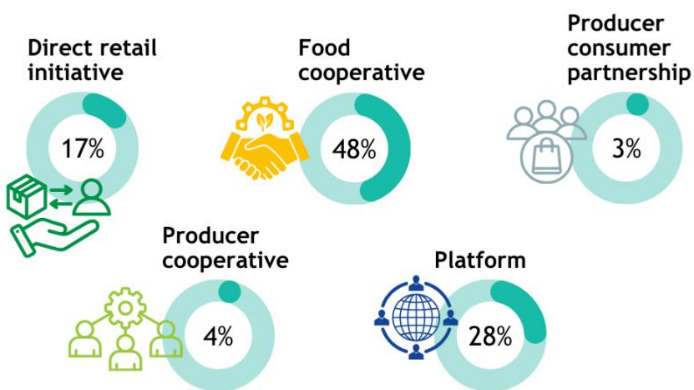
Almost 80 identified AFNs were sent questionnaires, of which a response rate of around 18% was realized.

2.2. Assessment of AFNs

In a focus in the eastern regions of Austria (NUTS region AT1 Eastern Austria) nearly 80 AFNs could be identified. AFNs situated beyond these geographical boundaries were only considered if they presented noteworthy examples with advanced logistics solutions. Among those 33% were categorized as direct, 37% as intermediary, and 30% as advanced – which converts to 20 AFNs - in terms of their complexity level.



Notably 33 AFNs originate from Vienna, accompanied by 31 from Lower Austria, with an additional 4 emerging from Burgenland. In contrast, the Western regions, including Upper Austria, Salzburg, Tyrol, and Carinthia, contribute only 1 or 2 AFNs each, specifically selected by the research team.



Furthermore, the report delves into the types of AFNs present: a majority of 48% can be categorized as (Community) Food Cooperatives, while 28% function as platforms. In contrast, producer cooperatives represent a modest 4%, and producer-consumer partnerships are the least prevalent form of AFNs, accounting for only 3%.

2.2.1. Storage methods

Austrian AFNs offer a wide product range of shelf-stable, refrigerated, and frozen items. The majority of products fall under the category of shelf-stable, with exceptions in eggs and dairy, meat and fish, and substitute products, where refrigerated options predominate. Despite 69% of AFNs offering shelf-stable vegetables and fruits, there is a significant presence of refrigerated vegetables (54%) and fruits (46%). This nuanced pattern underscores the flexibility and adaptability of AFNs in catering to diverse consumer preferences, potentially influenced by factors such as product availability, local demand, and logistical considerations.

2.2.2. Distribution channels

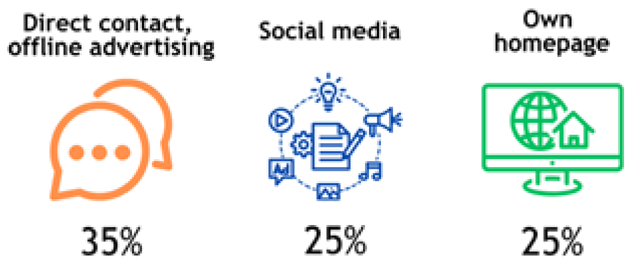
More than half of the AFNs offer self-collection without having a store. This high figure is mainly due to food coops, which often offer self-collection as their only distribution channel. One third of AFNs deliver products themselves, which suggests a high demand for logistics information, and just over 10% use online stores and send their products via parcel services. Just under 10% have a store near or at their production site, from which they sell their goods themselves - either during limited or standard opening hours, and around the same number travel to regular markets (usually weekly markets) to sell their goods directly. What is striking in Austria compared to other countries is that street vending is hardly to be found and is not offered by any of the AFNs surveyed.

2.2.3. Key customers

The predominant focus of Alternative Food Networks (AFNs) is directed towards **private customers**, with an overwhelming majority catering to individual consumers. Only a marginal proportion, approximately 10%, identifies retailers and **HoReCa** (Hotels, Restaurants, Cafes) as their target audience. This consumer-centric approach underscores the importance of fostering direct connections between producers and private customers, necessitating policies that uphold the resilience and sustainability of AFNs within the European Union.

2.2.4. Marketing channels

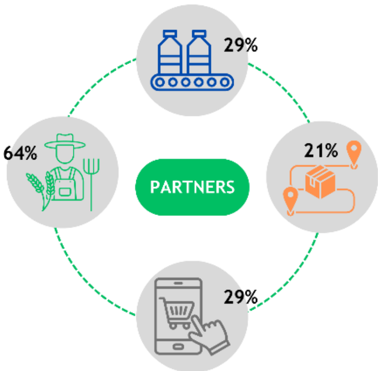
AFNs have identified several advertisement channels for marketing purposes of its local products. In 2022, the marketing landscape of AFNs was predominantly shaped by **social media** advertising, leveraging their **own websites**, and engaging in direct **face-to-face marketing**. These strategies highlight the adaptability of AFNs in utilizing diverse channels to connect with consumers, encompassing the digital realm through social media, establishing an online presence on their websites, and fostering direct, personal connections through face-to-face interactions. Overall, the data suggests a dynamic and multifaceted advertising landscape, where digital marketing are dominant but complemented by a personal marketing strategy.



2.2.5. Value proposition

Regarding identification of key activities needed for AFN to offer desirable value proposition to their customers, a clear emphasis within AFNs is placed on the production of their goods, with a substantial 93% of AFNs highlighting this as their primary focus. Following closely, customer service secures a notable second place, garnering the attention of 71% of AFNs. The significance of packaging is underscored as it claims the third position, with 50% of AFNs acknowledging its importance. Notably, logistics and warehousing occupy a relatively lower rank, holding the fourth position in terms of priority. Quality controls, surprisingly, are placed fifth, with a representation of 29%. This observation can be attributed to the high proportion of internally produced items. The inherent confidence in delivering a superior product is evident when producers are directly involved in the production process. This resonates particularly well when considering that quality and organic origin stand out as the paramount features in AFN offerings, catering to the discerning preferences of their customers.

2.2.6. Key partners



Given the emphasis on high-quality organic products, it is logical that the key partners for AFNs are primarily local farmers (64%), food processors (29%) and intermediaries (29%). Notably, transport and logistics providers hold a less central role (21%), being a priority for only one in five respondents. This underscores the localized and quality-driven nature of the partnerships within AFNs, where a strong connection with local producers takes precedence over extensive reliance on transportation and logistics partners.

2.2.7. Market presence

As regional food consumption is a long driving topic in Austria, it is no surprise that a long list of AFNs could be identified. The Austrian AFNs are varying between their level of complexity – 1/3 each level – but 50% of them are (Community) Food Cooperatives. This suggests a dynamic and evolving historical grown ecosystem for AFNs.

2.3. Challenges and opportunities for AFNs

Cooperations in the field of AFNs present both advantages and challenges for the involved enterprises. One of the most significant advantages lies in the economies of scale that lead to a more efficient consolidation of logistics services.

Another pivotal factor shaping AFNs is the market power of consumers or individuals. A growing demand for organically grown or regional products has driven the continuous evolution of offerings in this sector.

The proliferation of supermarkets and their appeal to consumers due to convenience and pricing makes it hard for AFNs to compete.

A central area for improvement within AFNs lies in marketing and awareness. Many alternative food networks are not sufficiently known among consumers. The lack of awareness may lead to high-quality and sustainable products not receiving the attention they deserve. This applies both to the end customer directly and to access to retail space. Without adequate visibility, consumers interested in alternative foods may miss out on these offerings. Therefore, it is **crucial to invest more in marketing strategies to raise awareness about AFNs and thus enhance their impact and reach**.

On the national level the Federal Ministry for Agriculture, Forestry, Regions and Water Management plays a central role to shape the conditions for AFNs. The ministry promotes and supports organic farming and small-scale local farmers to ensure quality, safety and diversity of food with many nation-wide initiatives. A further relevant player on a national level is the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology, which does not have a specific focus on food and agriculture but a general approach to sustainable development. In this sense, politics plays a central role in creating an environment that supports the development and expansion of AFNs but also means that politics have a responsibility. Small networks can struggle to keep up with ever-changing regulations. Compliance with regulations and standards, as well as the growing bureaucratic burden, is a major challenge for AFN's financial and human resources.

In summary, collaborations, consumer market power, marketing enhancements, and infrastructure expansion are key factors for the sustainable development of Alternative Food Networks. Current challenges, especially in the context of COVID-19 and ESG goals, present opportunities for increased collaboration among businesses, consumers, and political stakeholders to establish alternative food networks as an integral part of a resilient and sustainable food system for the future.