

## New logistic solutions for regional SMEs

The regional food market in the Netherlands has many imperfections. Analysis of the current supply learns that regional products are often more expensive than comparable products produced on the other side of the world. Why is that so? What role does logistics play? And what can be done?

### The Netherlands: Regional versus global



### What is the problem?

Regionally or nationally produced fruit costs more than fruit from Chili or South-Africa. This is counter intuitive. You would expect the costs of transporting fruit from Chili or South-Africa to the Netherlands to be much higher than the costs of transporting fruit from a site in the Netherlands to another site in the Netherlands. However, with fruit from Chili or South-Africa labor could explain the price difference.

With New Zealand the difference in labor costs is much smaller. However, lamb from New Zealand is cheaper than lamb from the Netherlands. The distance cannot explain the price difference. The scale and the efficiency of producing, processing and logistics can explain the price difference. Lamb is produced in New Zealand on a much larger scale than in the Netherlands. The transportation of the lamb itself is so cheap that it hardly matters – especially related to the retail price – if it comes from the other side of the world or from around the corner. Reversely, locally the cost of the transportation of (small quantities) of lamb does affect the price, since it is often not efficient.

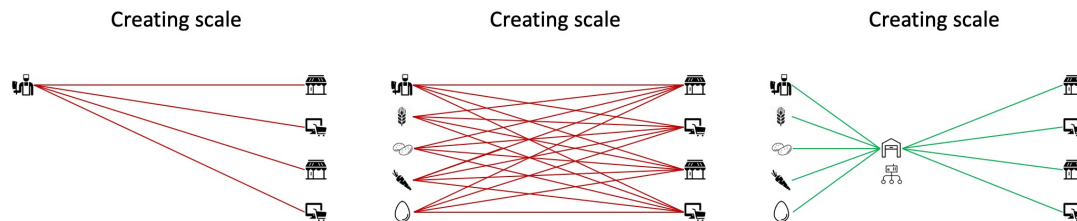
Also, locally the administrative process takes a lot of time. Most products from all over the world can be ordered through a digital platform (of a wholesaler) which offers a wide range of products, one delivery moment and one invoice. Most regional products must be ordered by telephone from individual local producers, with all their own delivery moment and invoice. Thus, the ordering process costs more time, the delivery is less efficient – both from the point of view of the producer and the buyer – and there is a lot more (relatively costly) administration.

## Possible solutions

The regional market can learn from global solutions and thus improve the efficiency of its logistics and reduce the (negative) impact of these logistics on its price.

### *Create scale and administrative efficiency*

Scale is essential to realize efficiency. On a regional level scale can be realized by cooperation between food producing and processing SMEs. The digital instruments and platforms developed for the world market can also be used in a regional market. Through them, through a digital platform the products of different producers can be ordered, followed, delivered and payed.



## Next steps

Reframe Groningen hopes to find regional SMEs interested in experimenting with these solutions.