

Gwell Cysylltiadau Busnes Organig



Better Organic Business Links

# Improving the Organic Sector in Wales Sustainability Footprinting Project Report

September 2011

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## Acknowledgements

### **Better Organic Business Links – Gwell Cysylltiadau Busnes Organig**

Organic Centre Wales has secured nearly £2 million for The Better Organic Business Links (BOBL) project, to deliver sustainable growth to the Welsh organic sector over three years: 2009-2012.

#### **Opportunity to promote sustainability**

The BOBL project gives the organic sector in Wales a unique opportunity to:

- Develop new, emerging and existing markets for organic produce.
- Innovate in farming, processing and product development.
- Promote sustainable practices on farms, in abattoirs, in cutting rooms and kitchens and along the food chain.
- Raise market awareness among producers and increase sales across the range of outlets.

#### **Tackling all parts of the supply chain**

The BOBL project is working in partnership with a range of specialist providers to deliver these opportunities by focusing on:

1. Driving innovation through trials and research.
2. Supporting market development opportunities such as agri-tourism and supply chain efficiency programmes.
3. Disseminating up to date market intelligence, by commissioning detailed, focused consumer attitude surveys.
4. Addressing key structural problems within the sector, such as imbalances in organic horticulture supply and demand, and the availability of organic pullets.
5. Cross cutting issues: Sustainable Food Communities and Secure Alternative Markets.
6. Running an integrated communications campaign to help the sector deliver clear messages about the benefits of organic food and farming.

By strengthening the sector at all points along the supply chain, the project aims to leave a legacy of a more robust, responsive and sustainable organic industry in Wales.

The project is funded under the Rural Development Plan for Wales 2007-2013, which in turn is funded by the Welsh Assembly Government and the European Agricultural Fund for Rural Development.

For further information on the project please see:

<http://www.organiccentrewales.org.uk/index.php>

Or contact The BOBL Project, c/o Organic Centre Wales. Phone 01970 622248

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## Executive Summary

A Sustainability focus, including environmental, resource and social aspects, is becoming increasingly necessary to support the long term viability and growth of the Organic sector. This focus is needed to enable the sector to compete in the market with a recognised leadership position, and also to reduce business costs and risks to enable the sector to thrive.

Many previous initiatives in the sector have tended to focus on the Sustainability of the producer in isolation. These initiatives have helped to improve direct production performance but have had limitations as they did not take into account the impacts on other parts of the chain - such as sourcing of material and packaging inputs, inbound and outbound transport, and effective demand fulfilment.

Organic Centre Wales (OCW) therefore commissioned this project to support Organic businesses in Wales to understand and improve the Sustainability of their operations and their supply chains. Through intensive engagement across the sector, 27 organisations volunteered to participate during the project and this has resulted in a good representative cross section of businesses, ranging from dairy to meat to fresh produce to processed products and to retail.

Clear findings have been documented across the industry and at sub- sector level.

- The status of Sustainability progress of the organic businesses is similar to that of non-Organic businesses – there are some examples of excellent progress but also many businesses that are not currently addressing the issues
- Inbound Supply needs more focus to reduce costs through collaborative procurement and reduce risks of supply failure or losing customer trust
- Operational Excellence is not widely understood and offers a wide range of improvement opportunities for both financial and Sustainability benefits
- Organic businesses require continued support to encourage them to reduce their Supply Chain footprint and obtain the costs benefits that result
- Collaboration and sharing of best practice is essential for the sector as a whole to make progress in reducing costs and footprint
- Business Growth could be enhanced by extending the definition of Organic to “Beyond Organic” (or more appealing/marketable term) through embracing Total supply chain Sustainability. This will help to increase consumer buy-in which is critical to progress on enhancing the Sustainability of the sector

It is now important to build on the foundations for progress provided in this report. This means ensuring that the findings, recommendations, and action plans are widely disseminated and promoted.

These are clearly difficult times for the sector and business in general, such that implementing the learnings and recommendations given may be challenging. However, the Organic sector needs to invest in its future, and with further support (e.g. self-assessment tools and templates, ongoing business advice, strategic collaboration projects), progress can be made.



In conducting this work on a total supply chain level, OCW has again shown that it is at the leading edge of Sustainability thinking. By combining this thinking with practical small steps businesses will make real advances towards the ambitious goal of 100% Total Supply Chain Sustainability. The project team therefore encourages all businesses to develop their own Sustainability action plans and to identify and empower champions at all levels in the organisation. Prioritising “quick wins” and demonstrating the benefits provides the impetus for the larger steps that will bring about wider scale change. Once momentum is achieved, the progress will support a co-ordinated movement towards a more Sustainable future – a key policy goal of the Welsh Government and one which is sought by the Organic consumer.

## 1 Background to Project

Organic Centre Wales has a role of supporting the development of the organic sector in Wales. Through the Better Organic Business Links (BOBL) initiative, organic businesses are being supported to improve their operations and their supply chains.

### 1.1 *The need for a Sustainability focus across the Supply Chain*

Sustainability has a number of definitions but a commonly used one is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. OCW/BOBL and other initiatives have largely focused on the direct or internal aspects of improving Sustainability of individual organic producers. Examples of this include improving soil quality, reducing energy and water use and improving animal health.

These initiatives have significant Sustainability impact, but it was recognised that many of the environmental and other Sustainability aspects can occur outside the producer and along the chain. Examples of these impacts are sourcing of material and packaging inputs from overseas locations, emissions from inefficient inbound and outbound transport, and product waste from not matching supply to customer demand.

What was needed was an end-to-end view of the footprint of organic supply chains – i.e. “from field to fork”. The Total Supply Chain Sustainability approach takes account of all the impacts of the chain, wherever they occur, and looks at risks and opportunities for each of the players in the chain.

This project was established using the **Weir-tscs** approach - to develop and apply methodologies for footprinting supply chains and to enable businesses to understand the issues and opportunities for improvement.

### 1.2 *Scope of the project*

The key focus of the project was to apply the methodologies with selected representative companies from across the organic sector in Wales, including the meat, dairy, horticulture, process and retail sectors. The work involved initially carrying out a “Healthcheck” - benchmarking of their supply chains and identifying risks and opportunities. This was to be followed by developing Sustainability Action Plans that guide the businesses on how to achieve a significant reduction in supply chain costs, to reduce environmental impacts and risks, and to improve business reputation and market share.

The project scope was designed to cover the supply chain of the whole process, from the sourcing and buying of raw materials; through processing, packaging and storage; to the distribution, selling and consumption of the products; and finally to post-consumer waste.

A full range of Sustainability aspects were covered including environmental factors such as energy, waste, water, land stewardship and food miles. It also extended into the ethical and social factors such as working practices, commercial relationships and community development.

From the work with individual businesses, key learnings for the whole sector and for the sub-sectors would be established, and a forum developed for disseminating the results and enabling further sharing of ideas and best practice.

## 2 Project Approach

To ensure that the project looked at real supply chains and drew out relevant issues and opportunities for the whole sector an approach of proactive engagement and participation was chosen.

This approach followed 3 phases over a 5 month timeframe as shown in the summary project plan:

1. Mobilisation and Healthchecks
2. Footprinting and Sustainability Action Plans
3. Integration of learnings and dissemination

Ref	Action	mid-April	May	June	July	August	mid-Sept
<b>PHASE 1 - Project mobilisation and Healthchecks</b>							
A1	Define the scope of the project and establish clear series of target outcomes						
A2	Prepare messaging and briefing webinars for potential participating businesses						
A3	Identify and contact potential participants						
	Conduct 25 healthchecks against benchmark						
	Review the healthcheck outputs, map results and draw initial conclusions						
	Apply selection criteria and choose final set of 10 participants for Phase B						
A4	<b>Milestone 1: Confirm completion of Phase 1</b>			1			
<b>PHASE 2 - Engagement with participants in footprinting and Sustainability Action Plans</b>							
B1	Finalise footprint process and tools and pilot on one participant						
	Carry out the detailed sustainability footprinting for each of the participants						
B2	Collate findings from footprints by sub-sector						
	<b>Milestone 2: Confirm Collated footprint results</b>				2		
B3	Engage in the development of Sustainability Action Plans (SAP) with each organisation						
	Finalise benefits and action plans for each participant						
B4	<b>Milestone 3: Confirm completion of Phase 2</b>					3	
<b>PHASE 3 - Integration of Learnings and dissemination</b>							
C1	Prepare summary of learnings and opportunities for the sector and sub-sectors						
C2	Initiate the integration of findings and develop key themes and conclusions						
	Develop communication plan and materials						
	<b>Milestone 4: Confirm readiness for reporting to sector and other stakeholders</b>					4	
C3	Establish next stages to maximise the impact and spread of this work						
C4	Create industry forum, track progress and create case studies						
C5	<b>Milestone 5: Project completion and sign-off</b>						5

During Phase 1, over 120 Organic businesses were actively targeted and invited to participate via various communication methods, including briefing webinars and press coverage. 35 companies expressed interest in undergoing the initial Sustainability Healthcheck. 25 were then selected as representative of the different sub-sectors – meat, dairy, fresh produce, process, and wholesale/retail. The results of the healthchecks were then collated and 10 companies identified for participation in Phase 2.

For Phase 2, the Sustainability Footprinting process was developed and applied to each of the sub-sectors and for each of the participating businesses. Operational data was collected and analysed to extend the depth of the healthcheck, and specific Sustainability Action Plans developed for each business.

During Phase 3, the learnings for each sub-sector and for the whole Organic sector were collated and reviewed. An initial presentation of findings was made at the Royal Welsh Show. A dissemination plan was then developed including an on-line web forum where the project outputs can be viewed, and where ideas, questions, and best practice can be shared by the whole sector.

### 3 Sustainability Healthcheck Results

#### 3.1 Healthcheck process summary

The Sustainability Footprinting project looked at the whole supply chain – from bringing in raw materials through to the delivery of final products to the end customer. The Weir-tscs Sustainability Healthcheck benchmark tool was adapted for use with the businesses in this project to provide a clear picture of strengths, risks and opportunities for improvement.

The healthcheck process measured performance against 23 aspects in the Sustainability excellence benchmark, in 4 groups:

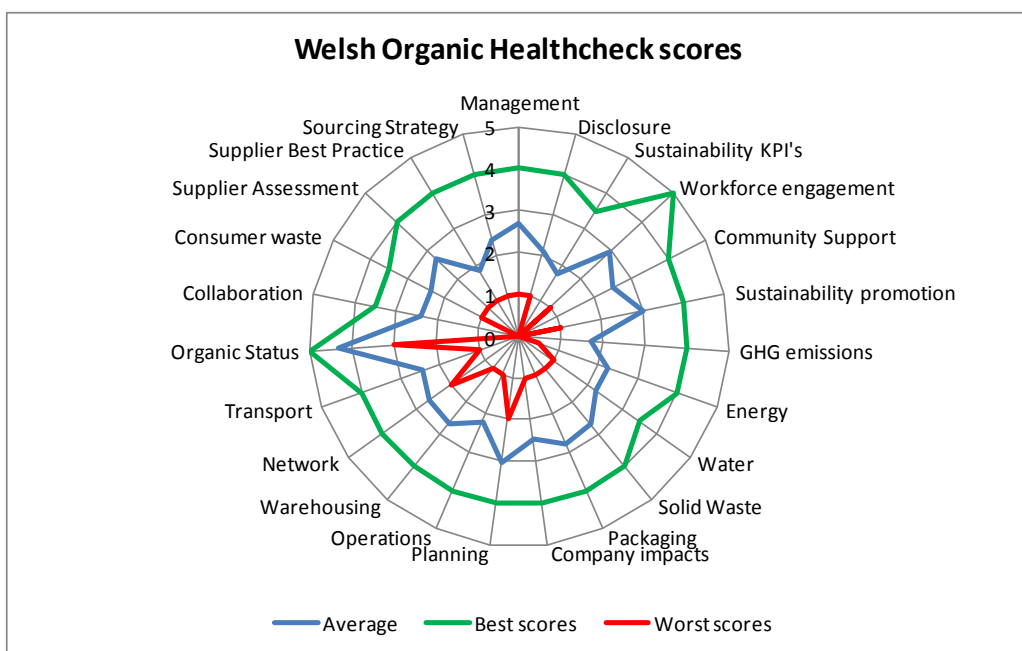
- Sustainability management,
- Supply Chain impacts,
- Supply Chain Effectiveness,
- Sourcing and supply

26 companies have been through the Healthcheck, which was carried out by interviewing the management of each business and assessing their responses to the 23 questions. There was a wide range of practice exhibited.

- Some businesses were particularly strong at promoting their products and in engaging stakeholders, and also in reducing waste and packaging.
- However, there was generally less focus on effectively managing other environmental impacts, optimising transport, collaboration, and sourcing, and most lacked a structured approach to managing Sustainability.

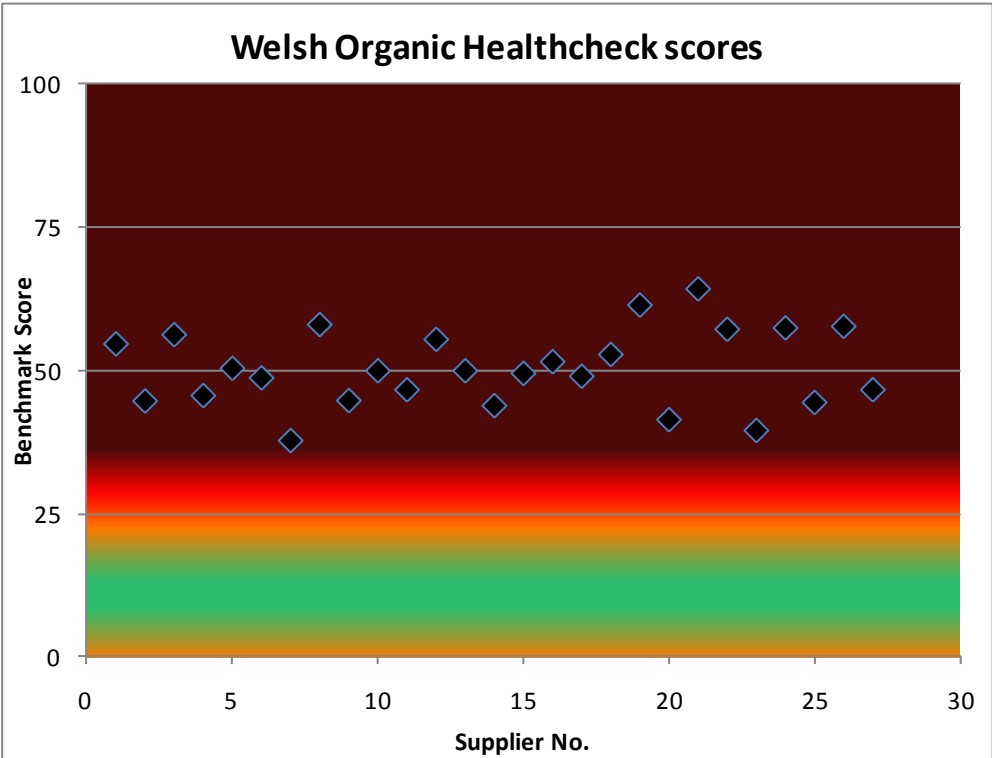
#### 3.2 Results Maps

The healthcheck scores are summarised on a 5 point scale “radar” chart, where a score of 5 represents Excellence and a score of 1 or below means the area is not being addressed. The chart highlights the wide range of scores for each element, with only Workforce engagement and Organic Status reaching a score of 5 among any of the businesses assessed.





The scores for each element were aggregated and normalised to provide an overall comparison as shown in the chart below. By way of comparison to our benchmark database for food companies, the Organic businesses scores are generally fairly similar to the rest of the industry.



## 4 Sustainability Action Plans

### 4.1 Process for developing Sustainability Action Plans (SAP)

For each of the selected participants, the process followed was:

- Detailed feedback and joint review of their Healthcheck findings
- Collection and collation of key supply chain and operating data where it is available
- Development of the outline footprint of their supply chain
- Definition of key opportunities, their potential business value, and the time for implementation
- Development of a prioritised opportunity map to guide where the business needs to focus
- Defining a detailed action plan for the business to address the Sustainability issues and opportunities so that they can increase their score against the benchmark

### 4.2 Sustainability Action Plan content

Each business received a detailed plan with the following content:

1. Executive summary
  - Key healthcheck findings, risks, opportunities, and recommended actions
2. Supply chain footprint (**examples by sub-sector are included in Appendix 7.3**)
  - Carbon, risks, and costs allocated across the business's operations and supply chain to highlight the key areas for focus
  - Examples of the footprints developed for each sub-sector are provided in **Appendix 7.3**. These were modified as appropriate for the individual businesses to reflect any specific differences in their operations and supply chains
3. Main issues and opportunities
  - The main Sustainability and related business improvement opportunities summarised in a table that defines the Sustainability impacts, potential financial benefits, and likely time to implement

Example:

Supply Chain Area	Carbon %	Risk	Cost %	ID	Issue	Action	Sustainability Impact	£k value	Months to implement
Materials	5	m	5	A1	Packaging in one-way containers	Re-evaluate bags and refillable containers	H	5	6
Sourcing & Procurement	2	h	5	B1	Using imported feedstuffs for feed	Support farmers to source more local materials through cooperative buying	H	10	6
				B2	Rising input costs, especially fuel	Support farmers through fuel and utility buying groups	L	20	3
Inbound Transport	2	l	3	C1	Vehicle utilisation often low	Coordinate transport with other farmers	M	10	12
On Farm	50	m	25	D1	Not measuring key areas and therefore uncertain of impacts and potential for improvement	Measure and target key areas such as energy, water, waste, production efficiency, land use.	H	20	9
				D2	Water use not minimised	Use boreholes, establish own reservoirs, increase water efficiency	H	2	12
				D3	Inefficient nutrient budgeting	Evaluation of current practices, benchmarking and training	H	20	12
				D4	Soil quality not measured or improved	Measure and apply techniques to improve quality, fertility and sequestration	H	10	24
				D5	Renewable energy options not addressed	AD for dairy, biomass, wind, solar PV, hydro if streams etc available.	H	0	24
				D6	Best practice not shared between farmers	Implement benchmarking and share results	M	10	6
				D7	Farming practices not integrated	Full recovery and re-use of slurry, maximum use of surplus grass	H	20	12
				D8	High costs for infrequent use of labour and machinery	Shared labour, machinery rings, complementary production cycles.	M	10	12
Packing	15	m	20	E1	Packers not providing key metrics	Obtain metrics for energy, water, waste	H	10	6
				F1	product shipped long distances to central packing plants	Investment and development of more local facilities (in hand)	H	10	12
Primary Transport	5	l	8	F2	Vehicle mileage and utilisation low on outward collection leg	Coordinate transport with other producers	M	5	6
Secondary Transport	5	l	8	G1	Products shipped long distances to customer and end consumer	Focus on serving local customers with shared distribution arrangements.	H	0	12
Wholesale & Retail	10	l	25	H1	Price paid too low to enable producer to make profit	Direct sales to higher margin customers. Exploit export markets	L	30	12
				H3	Product availability is seasonal due to grass feeding only	Move to all year round production	M	20	24
Consumer	3	m		J1	Consumer does not sufficiently recognise benefits of Organic products to justify higher price.	More information on pack and promotional material to explain benefits, including ethical standards	H	30	12
End-of-life	3	l	1	K1	Short shelf life of fresh product results in consumer waste	Consider use of minimal packaging	H	50	12
				K2	Packaging not recycled	Provide more incentives to consumer to recycle pack	M		6

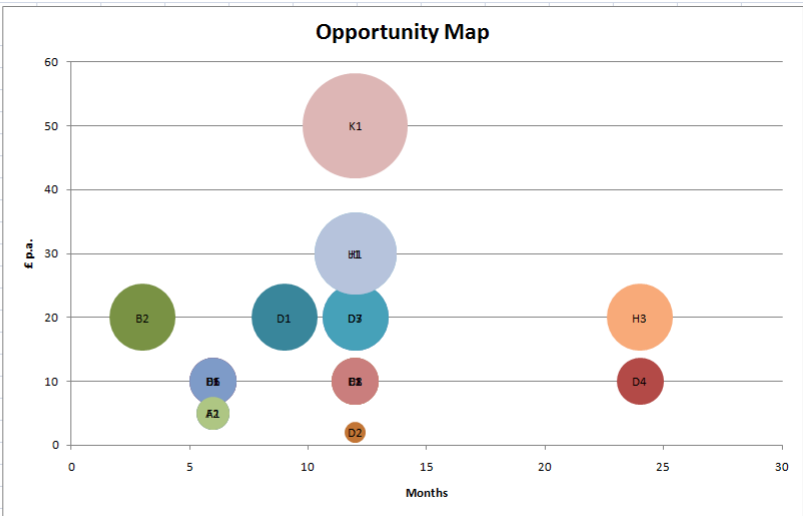
### 4. Priority Map

- This shows the opportunities classified by business value against time, including “quick win” areas which can be implemented within 6 months



Example:

ID	Sustainability Impact	£k value	Months to implement
A1	H	5	6
B1	H	10	6
B2	L	20	3
C1	M	10	12
D1	H	20	9
D2	H	2	12
D3	H	20	12
D4	H	10	24
D5	H	0	24
D6	M	10	6
D7	H	20	12
D8	M	10	12
E1	H	10	6
F1	H	10	12
F2	M	5	6
G1	H	0	12
H1	L	30	12
H3	M	20	24
J1	H	30	12
K1	H	50	12
K2	M	0	6



5. Key Actions to be implemented

This lists the actions against the 23 Sustainability areas to obtain the business benefits and to move the business towards a higher category of the Sustainability benchmark. Each business is advised to assign owners and completion dates to ensure the plan is put into action. Example:

Ref	Sustainability element	Current Score	Target Score	Action Needed	By When	Resp
1	Management	2.5	5	Establish a formal Sustainability policy and objectives, defining key areas of focus for the Company over the next 2 years	tbc	tbc
2	Disclosure	2.5	5	Develop a framework for regular reporting to stakeholders on key Sustainability objectives and progress against the plan	tbc	tbc
3	Sustainability KPI's	1	tbc	Measure and track relevant KPIs. These should include: - Farm: Energy, waste, water, fuel, labour efficiency; soil quality, biodiversity; feed supply source, nutritional budgeting - Supply Chain: Transport miles, fuel, carbon footprint; process energy, waste	tbc	tbc
4	Workforce engagement	3	tbc	Further engage to share ideas and best practice	tbc	tbc
5	Community Support	3	4	Define a formal programme and budget to support the local community and to leverage this for brand promotion	tbc	tbc
6	Sustainability promotion	4	5	Further explicit promotion of the Sustainability aspects of the products and the Sustainability philosophy of the Company. An focus on local and ethical is likely to have most impact	tbc	tbc
7	GHG emissions	1	4	Measure Company's own footprint, covering Scope 1 and 2, and Scope 3 transport emissions. Set targets for reduction.	tbc	tbc
8	Energy	1	5	Track energy usage on farms and set reduction targets. Consider options for renewable energy such as Solar PV, AD, Biomass and support members with access to expertise	tbc	tbc
9	Water	1	5	Measure and set reduction targets, and take actions such as boreholes, and establishing own reservoirs.	tbc	tbc
10	Solid Waste	2	5	Set a zero waste to landfill objective, including recycling of plastics	tbc	tbc
11	Packaging	3.5	5	Continue to progress lighter weight and recyclable packaging options	tbc	tbc
12	Company impacts	2	4	Involve all staff in a challenge to reduce the impacts	tbc	tbc
13	Planning	2.5	4	Review product wastage across the supply chain and identify ways to reduce through better stock planning and handling	tbc	tbc
14	Operations	2	4	Implement operational benchmarking and share results. Obtain metrics for energy, water, waste from processors/packers and agree reduction targets	tbc	tbc
15	Warehousing	1	4	Measure energy used by Company's share of cold store	tbc	tbc
16	Network	2	4	Review current arrangements and costs of inbound collection and delivery	tbc	tbc
17	Transport	2	4	Measure and target fuel and vehicle utilisation. Review opportunities to share transport	tbc	tbc
18	Organic Status	4	5	Ensure additional checks on Organic status of feeds used	tbc	tbc
19	Collaboration	3	4	Extend buying group participation to all key inputs. Share learnings and best practice with other Organic businesses in Wales	tbc	tbc
20	Consumer waste	3.5	4	Re-evaluate packaging alternatives that will extend product shelf life	tbc	tbc
21	Supplier Assessment	3	4	Develop set of enhanced Sustainability standards for key suppliers, collect information and track performance.	tbc	tbc
22	Supplier Best Practice	1.5	4	Schedule regular sessions with key suppliers focused on Sustainability best practice	tbc	tbc
23	Sourcing Strategy	1.5	5	Implement formal risk assessment of key supplies, and set plans for reducing and managing sourcing risks	tbc	tbc

## 5 Key Issues and Opportunities for the Organic supply chain

Five main themes have emerged from this project.

### 5.1 Support

- Organic businesses require support to reduce their Supply Chain footprint and costs
- The sector is fragmented and mainly comprises SMEs who have good intentions but in most cases lack a structured approach, and do not have the resources and capability to look at wider aspects beyond their own operations.
- Continued support is needed to help prioritise where action is needed and to provide guidance on best practice and practical steps.
- **Recommendations on follow on work is given in Section 6 below**

### 5.2 Operational Excellence is a key to overall improvement

- Many of the smaller businesses in the sector focus well on the Organic aspects but often do not take a structured approach to their business although there are pockets of excellence. Support in assessing both the commercial and Sustainability aspects will enable progress to be made.
- In particular, Organic businesses need to measure and target Sustainability aspects such as energy, fuel, carbon, waste, water, sustainable materials, transport utilisation, certified suppliers etc. Through targeting and tracking progress, businesses will be able to increase their Sustainability score and to reduce supply chain costs.
- Greater focus is also needed on business performance and efficiency measurement to prioritise areas for cost reduction focus and to ensure these are followed through.
- **Action guidelines are provided in Appendix 7.4**

### 5.3 Inbound Supply needs more focus to reduce risks

- Although Organic businesses, particularly agricultural ones, have limited input needs, often the sources are not fully aligned with Sustainability goals - such as importing feeds from distant locations. With customers increasingly seeking “local” products this practice presents potential risk to customer confidence in the “Organic” brand. Local sources therefore need to be identified and pursued where economic, with a clear rationale if imported supplies have to be otherwise used.
- Suppliers need to be assessed beyond organic certification to ensure they meet ethical, social, and other environmental standards.
- **Action guidelines are provided in Appendix 7.4**

### 5.4 Collaboration

- Collaboration is an important lever that could be more widely used for reducing costs and footprint
- As most Organic businesses in Wales are relatively small, they need to work together more - and with non-Organic businesses where appropriate. Best practice is sometimes shared informally but there is a need for more active

encouragement and participation so that the leaders can share their ideas and achievements with the whole sector.

- There is some usage of buying groups, but greater participation will enable leverage to reduce purchasing costs. Target categories for this include fuel, electricity, animal feed, packaging, transport, and waste collection/recycling.
- Inbound and outbound transport is rarely approached in an integrated way, resulting in low utilisation of vehicles on some legs. There is an opportunity to share transport which will reduce costs and footprint, though support from partners outside the sector will be required.

## 5.5 Business Growth

- Business growth can be enhanced through extending Organic into Total Supply Chain Sustainability
- Many current and potential customers do not fully understand how Organic already embraces many aspects of Sustainability in its supply chains. A new term is needed to raise awareness of Total Supply Chain Sustainability (TSCS) and how this offers significant additional value to people, profit and planet.
- Organic businesses need to promote these aspects - such as local sourcing, minimising environmental impacts, and ethical practices - backed up by demonstrating that they are working on and progressing these areas. This will help to enhance the “Beyond Organic” brand by extending it into supply chain areas that consumers increasingly care about.
- There is a need to define the appropriate Sustainability standards and messages that will influence consumers to change their purchasing decisions towards the “Beyond Organic” brand. The result will be significant advance in market share and with this an ability to capture greater benefits through increasing economies of scale. This change will also be a significant step towards meeting the Welsh Government’s sustainable development policies and goals, as well as those of rest of the UK, and of the EU. Education is key, and with this demonstrations of real world practical application and benefits of TSCS.
- **Action guidelines are provided in Appendix 7.4**

## 5.6 Key themes for the various Organic sub-sectors

The project has looked at the supply chains of the whole Organic sector in Wales. The various sub-sectors share the same Organic philosophy but there are specific priorities for improved business performance and improved Sustainability of their supply chains. There are also strategic issues for each sub-sector that need to be addressed for long term survival and success.

### Meat

- Aim to avoid importing feedstuffs and minimise use of feed altogether – rely on own arable crop resources or commission (local) arable production via buying groups to provide availability and reduce costs
- Improve business management processes to better understand risks & costs, and thereby to improve profitability. Measure and manage the right things, including key Sustainability aspects
- Reduce supply chain wastages through greater collaboration in distribution
- Collaborate on marketing and distribution to enable greater power of scale in the market place – through co-operatives or wholesalers. A greater focus on direct channels to the restaurant and food service sector will also increase sales volume

- STRATEGIC consideration – Diversify from meat production alone as the core target consumers are increasingly aware of the need to eat less meat

### Dairy

- Aim to avoid importing feedstuffs and minimise use of feed altogether – develop own arable crop resources or commission (local) arable production via buying groups to provide availability and reduce costs
- Improve business management processes to better understand and control risks & costs, and thereby to improve profitability. Measure and manage the right things, including key Sustainability aspects
- Establish local dairy and processing facilities to shorten transport legs. Optimise transport through collaboration across sector
- STRATEGIC consideration – Develop and promote premium products such as filtered milk for longer shelf life, and evaluate opportunities in UHT and powder

### Fresh Produce

- Carry out packing of produce close to field to reduce transport, and to preserve freshness and appearance
- Collaborate where possible - packing/transport/marketing - to get economies of scale and to leverage distribution to widen market penetration
- Continue to target Local marketing and sales, maximising sales to farmers markets and direct to restaurants/catering establishments
- STRATEGIC consideration - Persuade customers to buy and eat only seasonal and local produce

### Process

- Review sourcing of all inputs and product components to reduce sourcing risks and to reduce transport distances
- Improve business management processes to better understand risks & costs, and thereby to improve profitability. Measure and manage the right things, including key Sustainability aspects
- Ensure clear visibility of all waste in the entire Supply Chain – a robust evaluation and monitoring process is required
- STRATEGIC consideration – Step up the marketing of your own unique competitive advantage, emphasising how Sustainability philosophy and practices are built in

### Wholesale & Retail

- Source more products locally (at least within Wales) where possible
- Measure and manage the right things, including key Sustainability aspects of own operations and the supply chain
- Engage in a full assessment process to reduce Sustainability risks in products supplied and to provide customers assurance of full supply chain management
- Gain economies of scale through collaboration on procurement with non-competing businesses and also on transport
- STRATEGIC consideration – Communicate and educate consumer on the Sustainability aspects of Organic, especially the Local and Ethical aspects

## 6 Recommendations and Next Steps

The project has confirmed that Sustainability progress has been made by businesses across the Organic supply chain in Wales but that:

- Organic businesses require continued support to reduce their Supply Chain footprint and costs
- Operational Excellence is a key to overall improvement
- Inbound Supply needs more focus to reduce risks
- Collaboration is an important lever that could be more widely used for reducing costs and footprint
- Business Growth can be enhanced through extending Organic into Total Supply Chain Sustainability

It is now important to build on the foundations for progress provided in this report.

This means ensuring that the findings, recommendations, and action plans (see **Appendix 7.3**) are widely disseminated and promoted. The Organic Supply Chain Forum that has been established through this work will provide a useful basis but there is also a need for further support such as self-assessment tools and templates, ongoing business advice, and projects that will enable productive collaboration across the industry.

The project team recommend the following programme of actions which will provide a range of benefits to the sector, and which can be implemented within the next 12 months. These have been grouped into three categories of direct continuation support, projects arising from the work, and strategy implementation. (*The recommendations are also tabulated in Appendix 7.5*)

### 6.1 A: Direct continuation support

#### A1. Roadshow – active engagement with the project learnings

It is clear from the experience in involving Organic businesses in this project that best results are achieved by directly engaging with business leaders in their area or at their place of work.

**Recommendation:** A roadshow format which can take the learnings direct to these businesses, engage, and promote understanding as a key to encouraging action.

#### A2. Development of the online Organic Supply Chain Forum

A forum has already been set up as part of this project for the exchange of issues and ideas. While this provides a useful foundation, it needs to be continually promoted in order to get significant usages.

**Recommendation:** Develop and extend the Forum to make it a “One Stop Shop” on supply chain Sustainability for the sector, with the inclusion of compelling case studies, detailed guidelines and reports, and on-line tools.

#### A3. Healthcheck and Sustainability Action Plan service

A number of Organic businesses took part in the current project and received a healthcheck and a Sustainability Action Plan (SAP).

**Recommendation:** Extend the service to reach the majority of Organic businesses in Wales so that they benefit from both being benchmarked and from a tailored plan for better Sustainability and other business benefits. To ensure take-up, some form of subsidy will be required to enable these SME businesses to benefit from this service.

#### **A4. Education of consumers and market stimulation**

While sales and marketing of Organic products was mainly outside the scope of the current project, it became clear through discussions with producers, the trade, and consumers, that the Organic “brand” needs to be revived and extended. A key aspect is to identify and document those opportunities from the current supply chain Sustainability project that will support this.

**Recommendation:** Carry out further work jointly with marketing and other agencies to capture the understanding of the supply chain impacts and how these can be used to support the “beyond Organic” positioning and messages, and also to help protect the Organic brand from being undermined.

### **6.2 B: Projects arising from this work**

#### **B1 Sustainability Action Plan implementation support**

Some of the businesses that received a Sustainability Action Plan have limited resources to be able to implement some of the planned actions, particularly ones which require technical input or collaboration with other businesses.

**Recommendation:** Provide ongoing support to these businesses to implement their plans and to achieve real and recognised business results. This support should also include help to regularly report and publicise their progress to encourage the rest of the sector, and to provide information to customers and other stakeholders.

#### **B2 Tools development**

Proprietary tools have been applied by Weir-tscs to benchmark the Organic businesses and to footprint their supply chains. These tools were designed for “expert” use, but there are clear advantages if businesses can use tailored tools to assess their own situation and to identify more clearly what actions they should take to improve their Sustainability. This will increase ownership and buy-in to understanding and to taking action.

**Recommendation:** Develop and promote a range of relevant self-assessment, footprinting, SAP, and other Sustainability tools for use by Organic businesses.

#### **B3 Organic business supply chain Sustainability advisory service**

Organic businesses in Wales are mainly SMEs and find it difficult to find the resources and knowledge to help progress on their Sustainability journey. Provision of information and tools is important but in many cases direct advice can help to accelerate understanding and action.

**Recommendation:** Provide a support/advisory service - e.g. businesses can access X days of (subsidised) support. Individual businesses will benefit from support tailored to their needs – these could include staff awareness, specific research, logistics advisory support etc.

## **B4 Sustainability leadership programme**

Experience from other parts of the UK has shown that programmes that bring business leaders together to share ideas, knowledge and issues, result in improvements to a whole sector. A formal programme provides better capability than ad-hoc networking for enabling Organic business leaders to actively demonstrate leadership to the whole sector and to key stakeholders.

**Recommendation:** Develop and run a Sustainability leadership programme with monthly events/meetings, expert inputs and discussion forum

## **6.3 C: Strategy Implementation**

### **C1 Collaborative Buying Groups**

A clear outcome of this project has been the need for further collaboration between Organic businesses to reduce their input costs, and to reduce supply risks. A proven way to achieve this is by pooling purchasing power through collaborative buying groups. This will also enable better coordination of supplier deliveries to further reduce inbound transport and miles. Some good examples of this do exist, but a more comprehensive and structured approach covering all targeted spend areas will bring wider benefits.

**Recommendation:** Develop a collaborative buying group model for direct and indirect purchases (such as feed, fuel, electricity, packaging, transport), select preferred suppliers and negotiate best deals. Establish ongoing supplier management service and coordination to sustain the results.

### **C2 Collaborative Logistics**

Another clear learning from the project was the need for greater collaboration on both inbound and outbound transport and logistics. Progress for the sector has been limited because of the fragmented nature of the sector and the small size of many of the players, but by combining requirements it will be possible to improve transport efficiency on inbound and outbound legs, reduce mileage travelled, and reduce costs.

**Recommendation:** Define the collaborative logistics network for Organic businesses in Wales. Apply modelling tools and design the network options, define the operating models, and define appropriate business models. Engage potential user businesses and transport providers to define the practical network. Support the establishment and operation of the network.

### **C3 Supply Chain Sustainability certification**

The Sustainability healthcheck and action plans provide a useful basis for progress for Organic businesses. However, as has been discussed earlier, progress will need to be more formally recognised to support the marketing and growth objectives of the sector. Some schemes do exist to promote Sustainability (E.g. Green Dragon) but they are internally focused and do not adequately consider the whole supply chain in which businesses operate. A consistent and recognised certified framework for supply chain Sustainability will provide a roadmap for development and for promoting the benefits to customers and other stakeholders.

**Recommendation:** Define and develop a Welsh Supply Chain Sustainability certification scheme so that Organic businesses are guided through a process to



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achieve rising levels of attainment, and are assessed and certified so that they can promote their achievements.

## 7 APPENDICES

### 7.1 List of participating businesses

<b>Company</b>	<b>Sector</b>
Little Pencoed	Dairy
CWM	Dairy
New House Farm	Dairy
Calon Wen	Dairy
Hill Cottage	Veg
Brynderi Honey	Process
Aardvark	Retail
Capestone	Meat
Kealth	Process
Aberorganics	Veg
Graig Producers	Trade
J H Willis	Other
Evan-Evans	Process
Treehouse	Trade
Abaca	Process
Slade Farm	Meat
Organic Fresh Food	Trade
Blaencamel	Veg
National Trust	Veg
Aberbran-Fawr	Arable
Rachels	Process
Rhug	Meat
Tany Fedw	Meat
OMSCO	Dairy
Mentro Lluest	Veg
Primrose Organic	Veg

## 7.2 Communication plan

A key objective of this work was to ensure that the output of the project is disseminated in an effective way to Organic businesses in Wales, so that they could directly engage with the results. This needs to be done in a consistent way, integrated with the OCW/BOBL communication strategy and methods.

Communications have therefore been designed to reach as many businesses as possible by deploying a range of methods and media. Various interventions and releases were planned to take place during the project and immediately afterwards. These include:

- Trade press releases at several points during the project, coordinated by MGB
- A presentation of project objectives and initial findings to invited businesses at the Royal Welsh Show, July 2011
- A feature article on the project findings and recommendations in the BOBL newsletter which is sent to all business contacts of BOBL
- Inclusion of the same material on the OCW/BOBL website
- Trade press releases of the main findings
- Case study presentation at the annual OCW conference in October 2011

Two further requirements are:

- Making the detailed output and results widely available. This includes the sub-sector findings and footprints, action guidelines and case studies
- The need to further encourage and facilitate collaboration across the sector and beyond. Feedback from many businesses was collaboration is inhibited by not knowing who to share ideas and problems with, and also where to access best practice information.

A new **Organic Supply Chain Forum** website has therefore been created to provide this capability in one place. It is hosted by **Weir-tscs** at [www.weir-tscs.com/organicforum/index.php](http://www.weir-tscs.com/organicforum/index.php) and will be linked to the OCW/BOBL website. The administration and moderation will be carried out jointly by BOBL and Weir.

The Forum is designed as a common platform to enable Organic businesses to benefit from the project and to progress further. In particular, they will be able to:

- Learn more about the project and its findings
- Directly access and download the key project learnings, guides, and footprints (categorised by sub-sector where appropriate)
- Share their experience and best practice ideas
- Highlight their issues and problems where they are seeking help, and get directed to help and support
- Initiate collaboration with others to progress areas like joint buying, coordinated transport, joint selling etc.

### Forum Development

The Forum will require active promotion and development, so that certain Organic business leaders become visible contributors and effective Sustainability champions which should then encourage others to participate and progress.

**Recommendation:** Develop and extend the Forum to make it a “One Stop Shop” on supply chain Sustainability for the sector, with the inclusion of compelling case studies, detailed guidelines and reports, and on-line tools

In addition to the Forum, it is recommended that BOBL continue to promote the need for action by Organic businesses, both individually and in collaboration, to address Sustainability issues and opportunities.

### Roadshow – active engagement with the project learnings

It is clear from the experience in involving Organic businesses in this project that best results are achieved by directly engaging with business leaders in their area or at their place of work.

**Recommendation:** A roadshow format which can take the learnings direct to these businesses, engage, and promote understanding as a key to encouraging action.

### Sustainability leadership programme

Experience from other parts of the UK has shown that programmes that bring business leaders together to share ideas, knowledge and issues, result in improvements to a whole sector. A formal programme provides better capability than ad-hoc networking for enable Organic business leaders to actively demonstrate leadership to the whole sector and to key stakeholders.

**Recommendation:** Develop and run a Sustainability leadership programme with monthly events/meetings, expert inputs and discussion forum

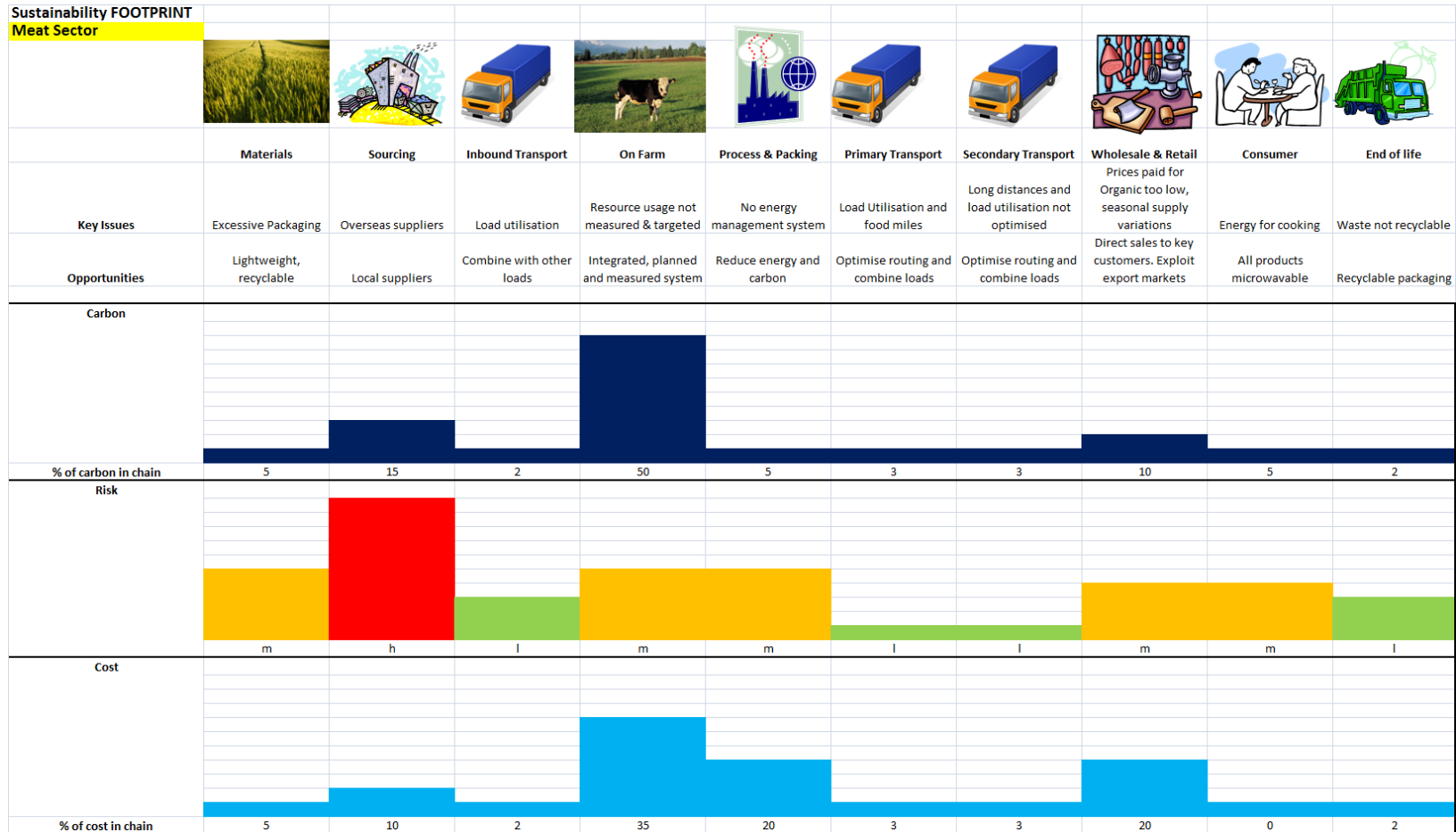
### On-going progress reporting

The various businesses that participated in this project will be working on various actions aimed at improving the Sustainability and financial strength of their businesses. It will be important to share their progress and successes more widely (with their agreement) so that other businesses are encouraged and can better understand the benefits.











**Recommendation:** Re-engage with the specific businesses on a regular (6 monthly) basis to assess progress and to define the actions and benefits obtained. Then prepare updated case studies for publication via press releases, Organic Forum, BOBL newsletter etc.

### 7.3 Sector Footprints

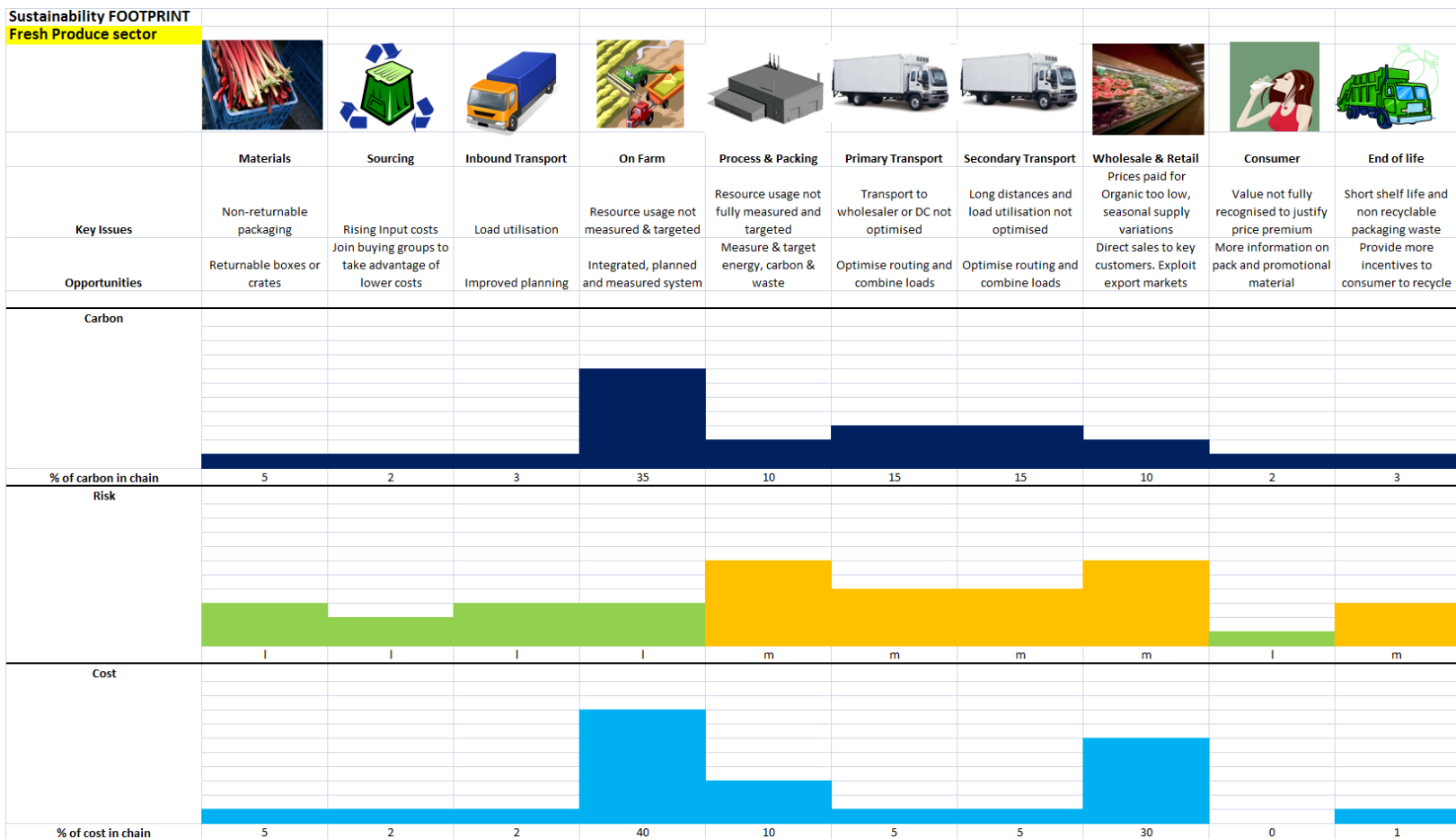
#### 7.3.1 Meat sector






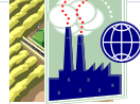





### 7.3.2 Dairy sector

Sustainability FOOTPRINT										
Dairy										
										
	Materials	Sourcing	Inbound Transport	On Farm	Process & Packing	Primary Transport	Secondary Transport	Wholesale & Retail	Consumer	End of life
Key Issues	Excessive Packaging and some not recyclable	Overseas suppliers of feed ingredients	Long distances and load utilisation not optimised	Resource usage not measured & targeted	Resource usage not fully measured and targeted	Milk collection transport not optimised	Long distances and load utilisation not optimised	Prices paid for Organic too low, seasonal supply variations	Limited recognition of value	Short shelf life and non recyclable packaging waste
Opportunities	Lightweight, recyclable	Local suppliers	Combine with other loads	Integrated, planned and measured system	Measure & target energy, carbon & waste	Optimise routing and combine loads	Optimise routing and combine loads	Direct sales to key customers. Exploit export markets	More information on pack and promotional material	Provide more incentives to consumer to recycle
Carbon										
% of carbon in chain	5	2	2	50	15	5	5	10	5	3
Risk										
Cost										
% of cost in chain	5	5	3	25	20	8	8	25	0	1

### 7.3.3 Fresh produce sector



### 7.3.4 Process sub-sector

Sustainability FOOTPRINT									
Process sub-sector									
									
	Materials	Sourcing	Inbound Transport	Process & Packing	Primary Transport	Secondary Transport	Wholesale & Retail	Consumer	End of life
Key Issues	Excessive Packaging	Overseas suppliers	Load utilisation	Resource usage not fully measured and targeted	Transport to wholesaler or DC not optimised	Long distances and load utilisation not optimised	Prices paid for Organic too low, seasonal supply variations	Energy for cooking	Waste not recyclable
Opportunities	Lightweight, recyclable	Local suppliers	Improved planning	Measure & target energy, carbon & waste	Optimise routing and combine loads	Optimise routing and combine loads	Direct sales to key customers. Exploit export markets	All products microwavable	Recyclable packaging
Carbon	1	60	2	15	2	2	1	15	2
Risk	m	h	l	m	l	l	l	m	l
Cost	3	22	4	40	3	5	20	0	3

### 7.3.5 Wholesale/retail sector

Sustainability Action Plan							
Wholesale/Retail							
	Materials	Sourcing	Inbound Transport	Wholesale & Retail	Transport to customer	Consumer	End of life
<b>Key Issues</b>	Excessive Packaging	Overseas suppliers. High costs	Load utilisation and cost	Resource usage not fully measured and targeted	High fuel and maintenance costs	Non-return of boxes	Waste not recyclable
<b>Opportunities</b>	Lightweight, recyclable	Local suppliers. Use buying groups	Coordinate transport for fewer deliveries	Measure & target energy, carbon & waste	Driver training	Incentivise return and re-use	Recyclable packaging
<b>Supply Chain Carbon</b>							
	10	60	2	10	5	10	3
<b>Risk</b>							
	m	h	l	m	m	m	l
<b>Cost</b>							
	10	45	5	30	10	0	0

## 7.4 Developing your own action plan

### 7.4.1 Top 10 tips for a more Sustainable Supply Chain

There are many simple things that a Business can do to improve the Sustainability of its supply chain.

Check this list – how many does your business do?

TOP TIP	CHECK?
1. Source the majority of supplies and services locally	
2. Have an ethical or fair trade policy with suppliers	
3. Order in supplies in bulk containers or on pallets	
4. Avoid packaging or use returnables or packaging from renewable resources	
5. Measure and monitor electricity and fuel use, with targets for reduction	
6. Measure and monitor water use, with a target for reduction	
7. Measure and monitor all waste, set reduction target, and recycle always	
8. Run active company suggestion scheme on Sustainability ideas	
9. Ensure that all vehicles leave with full loads	
10. Ensure vehicle tyres are at the correct pressure	

#### YOUR SCORE:

**0-4 A low score is symptomatic of a lack of management control.** Your business may also need a greater focus on costs to stay in business

**5-7 Some basic areas are under control.** Look at the remaining areas, identify what is preventing full implementation, and prioritise for action

**8-10 Good progress and good level of control.** Look at your results – what else can be done to improve? Set further improvement targets and continue to track.

These tips are a starting point for checking if you are on the right track. To progress to a higher degree of Supply Chain Sustainability requires a coordinated approach and a focus on these areas:

- **Operational Excellence**
- **Inbound Supply**
- **Sustainable Business Growth**

The following sections provide more detail of what actions should be prioritised.

## 7.4.2 Operational Excellence

Objective - to enhance business planning, operational effectiveness and to reduce the levels of waste in Organic Supply chains.

Carry out these actions to improve the Sustainability of your business:

1. Identify key Sustainability metrics for your business
  - Energy, carbon, water, waste, unsustainable materials
2. Measure and target energy and fuel consumption
  - Measure electricity, gas, fuel oil, LPG
  - Appoint “energy champion”
3. Measure carbon footprint and identify main areas for reduction
  - Scope 1 (own emissions from fuel)
  - Scope 2 (electricity)
  - High level Scope 3
4. Measure and target water consumption
5. Target zero waste to landfill
  - Separate recyclable materials
  - Establish waste team
6. Establish joint planning process with one plan used by all business functions
  - Monthly or weekly cycle that drives the business operations
7. Adopt *Overall Equipment Effectiveness* (OEE - <http://www.oee.uk.com/>) or similar efficiency measure for all operations
  - Primary focus is processing and manufacturing operations
8. Identify opportunities to improve transport utilisation and set targets for improvement
  - Get utilisation data from transport companies
9. Establish sustainable travel and offices policy and implement with staff
10. Use KPIs to measure progress (monthly, quarterly or annual basis)
  - Total energy consumption (kWh)
  - Energy consumption per unit of output (kWh per kg)
  - Total water consumption (cu metres)
  - Water consumption per unit of output (litres per kg or litre)
  - Total waste (including recycled waste) (tonnes)
  - Waste to landfill (tonnes)
  - Carbon footprint Scope 1 and 2 (tonnes CO<sub>2</sub>e)
  - Energy and fuel used by company offices and business travel
  - Stock write-offs
  - Planning forecast accuracy
  - % utilisation of outbound transport
  - Average miles travelled by product to customer

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### 7.4.3 Inbound Supply

**Objective:** To reduce risk in Sourcing and supply of materials, and improve the effectiveness of buying processes

Carry out these actions to improve the Sustainability of your business:

1. Identify sources of all key raw materials and packaging
  - Ask suppliers for evidence of origin
2. Use Sustainability checklists with suppliers
  - 10 questions about the Sustainability of their supply
3. Assess sourcing risks and eliminate non-sustainable sources
  - Review responses and supplier knowledge to define actions
4. Source 100% of materials locally where practical
  - Seek to eliminate materials sourced from long distances
  - Identify local suppliers
5. Encourage key suppliers to improve and to provide ideas through best practice sharing sessions
  - Show leadership by setting up quarterly conference calls
6. Join buying groups to reduce purchasing costs of key materials
7. Use buying groups and collaboration to optimise vehicle utilisation
  - Look at both legs of the journey
8. Use buying groups and collaboration to reduce non-returnable transit packaging
9. Use buying groups to reduce cost of indirect/non-core items and services
10. Use KPIs to measure progress
  - % of suppliers that have been assessed
  - % of suppliers that meet checklist requirements
  - No. of non-sustainable materials used
  - % of suppliers outside UK
  - Cost reduction achieved on key materials
  - Cost reduction achieved on indirect/non-core
  - % Vehicle utilisation

## 7.4.4 Sustainable Business Growth

Key Objective: to increase the market awareness / visibility / growth potential of organic businesses

Carry out these actions to enable the sustainable growth of your business:

1. Survey your current and target customers and identify what they value about your products and services.
2. Identify the Sustainability aspects that are important to your customers and how they can be incorporated into your products and marketing
3. Develop set of core Sustainability values and promote throughout the business
4. Develop and implement a Sustainability Action Plan (SAP)
5. Appoint a Sustainability champion to ensure clear awareness throughout the business of the Sustainability values and the details of the SAP
6. Regularly monitor and report progress against the SAP
7. Establish a scorecard of key Sustainability metrics, set targets, and report progress to all suppliers, customers and consumers.
8. Communicate the output of your carbon footprint (Scope 1, 2 or 3) to customers.
9. Contribute to and join Industry awareness groups such as Business in the Community and Profit through Ethics. Actively participate and learn from other businesses. Promote your participation in marketing and promotional material.
10. Engage “whole company thinking” on how Sustainability is truly going to add value to the company. Consider (a) Actions and behaviour of people; (b) Operational and supply chain aspects; (c) Product design, promotion and sales
11. Promote the Sustainability values on all products, material, websites and other marketing media
12. On all product, packaging and branding evolutions, ensure Sustainability is a fundamental driver of thinking, design, material choice, use and disposal steps
13. Use KPI's to measure progress. Monitor and report against Best Practice.
  - % of suppliers that have an SAP and are actively demonstrating these values in their products and supply chain actions
  - % of management team who are familiar with 100% of the SAP actions (by random interview on a monthly basis)
  - % of workers who are familiar with at least 50% of the SAP actions (by random interview on a monthly basis)
  - % of products that are designed using the principles of the SAP
  - % of products that clearly illustrate and speak of the Sustainability values
  - Number of customer engagements to ensure that the Sustainability message is being heard
  - % of customer response that clearly demonstrates that the Sustainability message is having an impact

### 7.5 Recommended further work to support sustainable sector growth

Area	Title	Key Outcome	Actions	Benefits
<b>A. Continuation support</b>	<b>A1. Roadshow</b>	<b>Active engagement with project learnings</b>	Develop a roadshow format and take out to each industry sector to share the learnings and engage	Ensure whole sector is actively engaged in project learnings and understands the benefits of action
	<b>A2. Forum development</b>	<b>One stop shop for Supply Chain Sustainability</b>	Develop and build up the forum including great case studies, detailed guidelines, reports, tools etc	Whole sector has access to information, continues the sharing and building of ideas, and is supported to put improvements into practice
	<b>A3. Healthcheck &amp; SAP service</b>	<b>Action plans against benchmarks</b>	Provide (subsidised) healthchecks and Sustainability Action Plans for the remaining Organic businesses	A wider proportion of specific businesses improve, helping the health of the whole sector
	<b>A4. Education of consumers and market stimulation.</b>	<b>"Organic" brand revived and extended</b>	Work with marketing and other agencies to establish the key points that Sustainability adds to Organic and define the marketing messages to support	Improved customer connection resulting in increased market penetration, minimum 5% increased sales, long term business survival and growth
<b>B. New projects arising</b>	<b>B1. SAP implementation support</b>	<b>Business results achieved</b>	Deliver implementation support to the companies that now have Sustainability Action Plans	Ensure that plans actually get implemented and real results are achieved and recognised
	<b>B2. Tools development</b>	<b>Businesses enabled to help themselves</b>	Develop and promote self-assessment, footprinting, SAP, and other tools for use by Organic businesses	Enable all Organic businesses to choose how they assess and develop their own businesses, and take greater ownership

	<b>B3. Advisory service</b>	<b>SME resource restraints overcome</b>	Run a support/advisory service – businesses can access X days of (subsidised) support	Individual businesses benefit from support tailored to their needs - could include staff awareness, specific research, logistics support etc.
	<b>B4. Leadership programme</b>	<b>Sustainability leadership developed and equipped</b>	Develop and run a Sustainability leadership programme with monthly events/meetings and forum (similar to Plato Sustain programme)	Organic business leaders learn, share, and develop - and demonstrate leadership to whole sector
<b>C. Strategy implementation</b>	<b>C1. Buying Groups</b>	<b>Lower purchasing costs</b>	Develop collaborative buying group model for direct and indirect purchases (such as Feed, fuel, electricity, packaging, transport), select preferred suppliers and negotiate best deals	Achieve lower purchasing costs for sector through pooling of requirements and buying power, and better coordinated inbound supply to reduce supply costs
	<b>C2. Collaborative Logistics</b>	<b>Lower logistics costs and lower footprint</b>	Define collaborative logistics network for Organic businesses in Wales. Model and design network options, define operating models, define business models, engage businesses and transport providers	Enable lower logistics costs and footprint for whole sector and hence ensure that Local supply is cost-effective and sustainable
	<b>C3. Sustainability certification</b>	<b>Businesses Incentivised and guided on Sustainability journey</b>	Define and develop a Welsh Supply Chain Sustainability certification scheme so that Organic businesses can work up through the levels and promote their achievements	A consistent and recognised framework for sustainable business development and for promoting the Sustainability benefits to customers