

HiPP (DE)

Background

The HiPP CIL focuses on promoting ecosystem services in various organic value chains. The participating food manufacturers operate at the regional to global level and all have a long tradition of environmental awareness and commitment. The most prominent company is HiPP, a leading manufacturer of organic baby food. The company is operating internationally with approximately 8,000 organic farmers supplying products. HiPP places special demands on compliance with environmental and social standards and initiates various sustainability projects. For example, since 2010 HiPP runs a “Model Farm for Biodiversity” to research grassland farming methods, to improve soil fertility and biodiversity.



Objective

The objective of the HiPP CIL is to improve the process integrating of environmental goals into the value chain under the constraints of ensuring high quality standards (giving the very young target group) of the products as well as to benefit farmers and nature (while keeping a close eye on the economics). Contracts are based on quality and quantity of the raw materials, but also on environmental protection measures and social benefits and involve producers, processors, retailers and consumers.

Methods & Results

The overall process of defining the ideal set up for a sustainable corporate value chain has been approached from the food processors’ perspective (HiPP Company). There were interviews held and workshops organized which involved the following actors: Food processors, producers, food processors’ representative organisation, consultants and farmers. For the next step the integration of retailers (as important and “powerful” actors in the value chain) and politics is planned.

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Potential Contract Solution (“Dream Contract”)

Objective

The objective of the dream chain is to achieve a sustainable organic value chain consisting of producers, processors, retailers and consumers. Contracts are based on quality and quantity of the raw materials, but also on environmental protection measures and social benefits. In comparison to typical organic value chains, an add-on impact for biodiversity and ecosystem services is to be achieved, in that the measures of the producers, but also of the companies, go far beyond the usual commitment in the sector. Such contracts between the processor and farmers are the first step in a more sustainable value chain. In a next stage, agreements with other actors in the value chain (such as retailers, consumers) can follow to include all actors of the value chain.

Measures

Measures will be add-on measures to organic farming. They should strengthen organic farming objectives but also have more specific effects on biodiversity as well as water and soil protection (e.g. humus content). The food manufacturer will propose a catalogue with environmental measures adapted to the respective region, probably linked to a Scorecard-system. The farmer can choose those measures that fit well within his business, as long s/he achieves a minimum score.

Contract Type

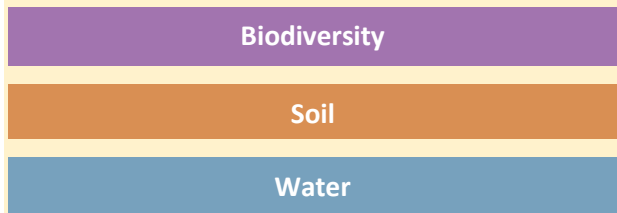
- Value Chain Approach



Contract Features

- Action- based Payments
- Individual Contracts

Targeted Public Goods



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Actors & Structure

Besides the farmers and the food processor as a contractor, there will be organic farming associations involved to provide advice and to check the implementation of the measures (according to organic farming standard) by the farmers.

Contract Duration

5 years (in line with usual business contracts with farmers)

Payments

Currently, the companies are financing the measures themselves. However, there are efforts to have retailers and consumers share the costs. A rising number of consumers are informed and willing to pay a higher price for these foods. Also possibilities for involvement of public funding are investigated. The payments are action-based payments aimed to cover the costs. Result-based payment could be an option but is difficult to be controlled by the food processors. Farmers will either get a higher price for their agriculture products or more money for completing certain environmental and social measures.

Controls & Checks

The monitoring will be conducted by in-house agricultural advisers (of HiPP), quality departments of the companies, organic farming associations, or by self-control by the farmer. The practice will be monitored, as well as the product quality via criteria of the organic farming associations.

Expected Benefits**Social/Ecological Advantages**

Contracts have so far focused on product quality. This will be the first time that the provision of ecosystem services will be part of a contract. The targeted agri-environmental benefits include biodiversity, soil and water protection. The idea is that farmers and food processors, retailers, consumers take over the responsibility for a sustainable production and share the costs. The retail sector is increasingly taking on its role as an active player and supporting organic food processors and producers. Farmers, processors, and retailers follow a vision that is based on the same values and in which profit maximisation must be well-balanced. The customers' awareness of sustainably produced healthy food is also strengthened.

Advantages for Farmers

The farmers get contractual financial security but will also get non-financial support via advice or seeds or trees for hedges that they can plant. In addition, (organic) farming will also benefit by the consequences of the environmental measures, such as increased biodiversity, better soil life, etc. Especially for farmers outside Europe the compliance with additional social standards will improve their living conditions.