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Investigating the impact of short food supply chain on emigration: A study of Valencia community in Spain


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Abstract: Recent financial crisis had a severe impact on many economies around the globe. In Spain, it has resulted in increasing job loss, increasing short food supply chain businesses and rise in emigration. This research investigates how direct trades between producers and consumers (short supply chain) affect decisions of those who have decided to emigrate abroad. This paper also questions whether short supply chains can be part of the solution to restrict emigration by creating employment opportunities in depressed economies such as autonomous community of Valencia in Spain. This research adopts quantitative approach and a survey strategy. The research concludes that short food supply chain (SFSC) businesses could be one of the potential solutions to address some of the issues raised by the globalization, such as the unemployment and environmental damage. In addition, data findings also show that launching an SFSC business could be a way to avoid issues associated with emigration.

Keywords: Short food supply chain, emigration, Valencia, quantitative method, globalization

1. INTRODUCTION

Global financial crisis had a severe impact on many economies around the globe and Spanish economy was no different (Karanikolos et al., 2013). Until 1960, farming was the leading sector in the Spanish economy (Simpson, 2003; Castellanos et al., 2010). However, reduction of European grants, the desertion of agricultural activities, and the international concurrence of substitutes (Castellanos et al., 2010) have led to a reduction of activities in the Spanish agricultural sector as well as loss of employment (Godenaú et al., 2012). The financial crisis has also brought about other forms of pressures thereby discouraging farmers. It has become tough for them to secure loans. Also, large retailers force farmers to sell at low prices, because the consumption demand is shrinking (Kneafsey et al., 2013). Currently 24.5% of the Spanish population is unemployed (INE, 2014).

Financial crisis and the lack of employment opportunities have led many people to emigrate to other countries (El Mundo, 2013). Approximately 700,000 Spanish nationals emigrated between 2008 and 2012, according to González-Ferrer (2013). This emigration wave has so far affected 41% of the young Spanish population in 2013 (El Mundo, 2013).

However, since the 2000’s, the launch of Short Food Supply Chain (SFSC) businesses has increased in Spain (OPA, Ministerio AAMA, 2013). Such businesses are either take traditional forms like street and farm markets, or more innovative modes such as automatic food distributors, collective selling points (e.g.: local producers’ fairs) and e-commerce (Renting et al., 2003; Langhade et al., 2010). The short supply chains (SSC) distribution modes are local systems where intermediates between producer and consumer are reduced (Petit et al., 2010). This mode of commercialisation has always existed (Langhade et al., 2010), but the globalisation process has led consumers to switch their consumption behaviour from a local production style to super-and-hypermarkets. This is a result of mass production and consumption, enabled by the global sourcing processes that tend to reduce final product prices (Coronado et al., 2004). A study done by the OPA and Ministerio AAMA (2013) shows that a quarter of their off-line SFSC businesses respondents and half of their online SFSC businesses respondents have launched their business between 2010 and 2013 which was a period of financial crisis. Research (Renting et al., 2003; Goodman, 2004) has shown that the SFSC distribution modes maintain and create employment in rural areas.

It is evident that Spanish emigration has increased during the 2008 crisis period as a result of the lack of job opportunities (El Mundo, 2013). On the other hand, SFSC businesses are seen by many studies as a vector of employment creation in rural areas, and their number have increased during this same period of financial turmoil (Aubry and Chiffoleau, 2009; Langhade et al., 2010; DuPuis and Goodman, 2005). Therefore, this study questions whether the short supply chain businesses can be part of the solution to limit emigration, by creating employment opportunities, in depressed economies such as the Valencia. The aim of this study is to investigate the relationship between the three factors — emigration, launch of SFSC business, and
unemployment. The short supply chain businesses explored in this study are either direct (direct sales between producer and consumer) or with a maximum one intermediary. A review of literature has indicated that no study so far attempted to demonstrate the existence of such relationship which is the originality of this research.

The rest of the paper is organized as follows. Section 2 deals with reviewing literature around the discussion on globalisation, SFSC, emigration and unemployment. Section 3 briefly discusses the research methodology followed to collect the data. Result and analysis is presented in section 4. Finally conclusion, discussions and future research directions are presented in section 5.

2. LITERATURE REVIEW

2.1 Impact of Globalisation on Employment

Globalisation is characterised by an increase in international trade across borders (Appadurai, 2001). It corresponds nowadays to a concept of reduction of global barriers. It also implies an increase of social relations linking distant localities in a way that local events can have an impact on far away locations (Cox and Mair, 1988; Giddens, 1990). There are two main debates on the impact of globalisation. The first debate corresponds to a pro-globalisation approach, which considers the global process as one of the solutions for the world’s inequalities and economic problems. This ideology asserts that globalisation brings the greatest benefits for a large number of people (Dicken, 2011). In line with this view, research shows that globalisation has resulted in an increase in cross-border trade and foreign direct investment as well as international population migration, ideas and capital (Dicken, 2011; Hamilton and Quinland, 2008). As a consequence, globalisation results in a significant degree of interdependency and interrelatedness among the different countries (Archibugi and Iammarino, 2002). During the past four decades, globalisation has led to changes in production, distribution, and consumption of food as they have become increasingly commercial (Dicken, 2011). Forces like rapid technological diffusions, better trade opportunities, domestic policy reforms, and a reduction of barriers to investment have created higher flow of goods, services, capital, people and ideas. Overall, an increase of cross-border trade and investment has improved the GDP growth, created jobs and enhanced incomes. For instance, in 2006 globalisation resulted in 3 million jobs in the EU region, while 2.3 million jobs in the USA as reported by Hamilton and Quinland (2008).

The second main debate corresponds to anti-globalisation. Unregulated markets and free trades are considered destructive forces that create inequalities as well as environmental damage. Some anti-globalists suggest that the only solution to those inequalities would be to return to a ‘local’ process of production and distribution (Dicken, 2011). According to Rosecrance (1996:82), globalisation has led to insecurity in domestic jobs as “states are downsizing” and because corporations are looking to locate their production where the best economies of scale are offered.

Nonetheless, globalisation has led to the creation of many jobs as Hamilton and Quinland (2008) indicates that globalisation has created more jobs than it destroyed. Rosecrance (1996) also suggests that states should internationalize their activities and offer international education and training as this would enable people to have better opportunities overseas. To summarise, globalisation has affected employment by creating work opportunities. Creating employment nationally and locally is of interest to this study, as this paper aims to suggest a way of restricting the emigration wave.

2.2 Short Food Supply Chain Businesses in Spain

Short supply chain businesses are a local sale system, where intermediates between producer and consumer are reduced (Renting et al., 2003). Such businesses can secure producers’ revenues by removing the intermediate margins, and avoiding delayed payments (Langhade et al., 2010). There exist two types of short supply chains, short circuits and direct trades. Short circuits correspond to the selling of a product through one intermediary. Direct trade corresponds to the selling by the producer itself. Both types can be done though a collective way (via cooperatives for instance) or in an individual way (in street market, or sale from home). Nowadays, short supply chain businesses can either take traditional modes like street and farm markets, or more innovative modes such as automatic food distributors, collective selling points (e.g.: local producers’ fairs), and e-commerce (Langhade et al., 2010).

Short supply chain distributions systems in Europe have always existed (Langhade et al., 2010). But, their decline in the middle of the twentieth century can be explained by the increase of big chain retailers responding to the Common Agricultural Politics (CAP), willing to feed lager populations (Ôhate et al., 2007; Aubry and Chiffoleau, 2009; Langhade et al., 2010). Ramón-Maulén (2001) stated that the trend in Spain was to buy food through supermarkets. As a part of the globalisation process and increasing price competition in the food sector, large retailers acquired many of the traditional food retailer companies. As a result in the late 1990’s, there were 16% less traditional shops than in the early 1990 (Ramón-Maulén, 2001). Short supply chain businesses also suffered, but not as much as those traditional shop businesses as most of them had already disappeared with the beginning of the CAP policies which supported the development of long supply chains companies to feed the Europeans, since 1962 (Langhade et al., 2010; Aubry and Chiffoleau, 2009).

Nevertheless, the number of short food supply chain businesses started to increase again since the 1990’s because of a rise in demand for better sanitary conditions, traceability, closer relationships with the producers and for creating employment opportunities (González-Calo et al., 2012). According to Maté (2014), there is no official data concerning the number of SFSC businesses in Spain. However, Calatrava-Recuena (2012) states that in 2007, the SFSC businesses represented 6% of the total Spanish food trade which rose to 6.5% in 2010. Furthermore, according to a survey analysis done by OPA, Ministerio AAMA (2013),
the increase of short supply chain businesses has accelerated since the beginning of the current financial crisis. As reported, a significant percentage of their respondents owning an offline SFSC company (26%) and those owning an online SFSC company (51%) started their business during the years following the 2008 crisis.

Ramón-Mauleón (2001) states that the prices of food are the main criteria that influence consumer purchase. As indicated in the study of DuPuis and Goodman (2005), the willingness to buy local products can be translated into higher prices. According to Kneafsey et al. (2013), farm production costs per units are higher than the industrialised production. The reduction or elimination of intermediaries enables farmers to sell their production directly to the public and thus maximising the return. However, things are changing nowadays as farmers are competing with the large retailers by adapting their prices according to the supermarket and hypermarket offers (Guthrie et al., 2006). Additionally, local production enables a cheaper final product price as the distribution takes place closer to the production area (Kneafsey et al., 2013). This contrasts the previous idea that large retailers are cheaper. Consequently, buying locally and directly from the producer enables affordable products with a higher quality. This is beneficial for the agricultural sector as it helps to maintain and create employment opportunities in rural areas (Kneafsey et al., 2013).

Thus, SFSC businesses create employment opportunities in rural areas, and enable to limit the abandonment of the countryside to the cities (Renting et al., 2003). However, there is a lack of studies that focuses on investigating the effect of SFSC businesses on emigration. This paper aims to fill this gap of research by investigating the linkage between SFSC and emigration in Valencia region.

2.3 The Spanish Emigration and its Future Impact on the Country’s Economy

Globalisation and trade interdependence led the financial issues to spread quickly around 2007-2008 to entire Europe. During the start of the financial crisis EU was already experiencing others difficulties with the sovereign debt crisis, governmental and political deregulations, and economical inequalities (Klaus, 2012 and Richard, 2012). Since 2008, there has also been a sharp increase in the public debt from the Europe countries. Spain, along with Greece, Ireland, Portugal and Italy, were the European members that were most affected by the crisis.

In Spain, inflated prices and growth of construction and real estate sectors created a bubble. The bursting of this bubble was the beginning of the Spanish crisis, the consequence of which led destruction in employment opportunities (Godenau et al., 2012). Hamilton and Quinland (2008) showed that the inflation, following the burst of the housing bubble, eroded the country’s competitiveness, and increased its deficit. Currently 26.6% of the Spanish population is unemployed, with 56.6% people under the age of 25 year old (Country Economy, 2014).

Since 2010, in response to the strong increase of the debt payment, national and regional Spanish government had decided to cut social spending allocated to public activities. In 2010, the central parliament in Madrid voted a reduction of 5-7% of all civil servants jobs (BEO, 2010). Furthermore, all services in the public sector received a 5% cut in their budget, and this strongly impacted the health sector (Gené-Badia et al., 2012). The austerity policy led to strong dissatisfactions among public and professionals who could not voice their concern on the debate. This also brought negative impacts on citizen health, and a common feeling that authorities neglected alternative or complementary measures (Gené-Badia et al., 2012). According to the Spanish National Institute of Statistics (INE, 2012), since 2011 the emigration rate was higher than the usual immigration rate. The 2010 migration balance of 18,182 reduced to -73,975 in 2012. Moreover, the emigration rate increased by 66% between 2008 and 2012 (Mayo, 2013). González-Ferré (2013) found that the number of people that have left Spain between 2008 and 2012 was closer to 700,000. Another study by Randstad (2013) found that in 2011 42% of the working age Spanish population declared being ready to emigrate in order to find a job abroad. This percentage further increased to reach 60% in 2012.

Interestingly, some studies showed that emigration could be beneficial for the home country. Buttonwood (2013) states that single markets work better when workers are mobile. For instance, in USA, as manufacturing jobs in the rust belt disappeared or switched to new technologies, many Americans moved from the South to the West over the years to earn money. In Europe, the Schengen agreements of 1985 (1992 for Spain) enabled the free circulation of European workers (Toute L’Europe, 2013). Elsner (2013), by using a structural factor demand model, demonstrates that the current emigration wave from Eastern Europe to the UK and Ireland enabled improvements to the income distribution in the home country, but only for the young population. In many cases, emigration has enabled improvement in wages of the home country as workers are becoming scarce in particular sectors of home country (Elsner, 2013). Additionally, according to a study-and-demand framework by Elsner (2013), Lithuania’s emigration reduced the labour supply and enabled a wage rise. These findings show that emigration can reduce unemployment in the home country.

From 2000 to 2008, Spain was one of the European countries receiving the largest influx of migrants, while the country’s economy was growing at the fast pace (Hugh, 2013). In 2006, 38.3% of Spanish people believed that the main reason for the recession was linked to high immigration rate (Ventura, 2013). However, since 2008, Spain faced a sharp reduction of migration, and the crisis still strongly affected the country (Hugh, 2013). After the 2008 crisis, most of the immigrants left Spain together with native Spanish people and the GDP per capita kept on decreasing, indicating that the migrants coming in were not the prime factor responsible of the crisis. Hugh (2013) goes further in his reasoning, and argues that between the period of 1999 and 2006, while a lot of migrants came to Spain, the country growth was usually about 3% to 4% per year. Since 2008, and since their “desertion”, the
Spanish growth has decreased and is still under 0. Therefore, according to Hugh (2013), the high emigration or decline in immigration has not enabled a better growth of the Spanish GDP.

2.4 Summary

Literature review shows that globalisation process has led movement in the production and the consumption processes of food products towards mass-production and hypermarkets. On the other hand, research also indicates that recently the trend has reversed focusing on local production, as consumers have become more concerned with quality and traceability. Review of literature further shows that globalisation has also affected employment by creating new work opportunities abroad. It has been suggested in literature that emigration and SFSC businesses are two potential solutions that can help Spain fight against the lack of jobs problem (Calatrava-Requena, 2012). Spain currently faces a high emigration wage, which mainly affects the young population (El Mundo, 2013) and studies highlight that emigration could be beneficial for the home/sending country (Elsner, 2013), other studies also demonstrate that it can also lead the country to economic issues in the longer run. A high emigration rate can bring a reduction of innovation and productivity in the home country because of the loss of young population and can lead to deficits in the funding of the pensions and benefits systems. Nonetheless, there is no study that seems to focus on the future impacts of the high emigration wave in Spain neither any study seems to focus on the benefits of SFSC businesses in a crisis period and their impact in reducing emigration. This paper, therefore, aims to fill this research gap with the objective; to investigate the reasons for, and implications, of the following factors: emigration, unemployment and the increase of short supply chain businesses, since the start of the financial crisis; to demonstrate whether or not a relationship exist between the launch of a short supply chain business, the employment creation and the current Spanish emigration problem; and to explore the effect of globalisation in some aspects that are linked to those three previous factors. From the literature review, the following hypotheses have been drawn:

H1: Going back to a local system of food production could solve some of the issues raised by globalisation

H2: Launching an SFSC business is a solution to fight against the current crisis

H3: Launching SFSC businesses is a solution to reduce the emigration wave

3. RESEARCH METHODOLOGY

This paper adopts a quantitative research design, as it requires collecting data from a large number of respondents who present specific characteristics. The research focuses more on measuring and quantifying people’s behaviours (Moutinho and Hutcheson, 2011), than on an individual’s particular attitudes, provided by a qualitative research strategy (Myers, 2013). Since this research follows positivism approach, the quantitative method of the research design fits best with this study (Saunders et al., 2012; Glynn and Woodside, 2009). The data for the study was collected following a survey strategy. According to Saunders et al. (2012), surveys can lead to the production of models of relationships between variables, and the paper aims to achieve this by testing hypotheses. The survey strategy involves the use of questionnaires as the main method to collect data.

Questionnaires were distributed and collected directly from participants running a SFSC business in Valencia during the period of 2014. Respondents were met in places such as street markets, shops, job centres and homes. This was the preferred method to reach this population, as it was expected that individuals who run an SFSC business would be less likely to answer online surveys and/or to have access to the Internet. To get accurate responses, especially when people’s opinions are concerned, forced choice type questions measured on ‘likert scales’ and list questions were preferred over open questions and agreement or disagreement type questions. The likert-scale question enabled collection of data in a standard manner (Saunders et al., 2012; Glynn and Woodside, 2009). This also enables to avoid ambiguity and saves time in the analysis. With regard to the questionnaires distributed directly, the researcher had to make sure that all questions were completed before leaving the respondent. To ensure the reliability and validity of the questionnaire it was made sure that each item in the design of the questionnaires was relevant. In addition, a pilot test was carried out with a small sample and feedback was used to modify the survey tool before circulation. The survey resulted in 212 valid responses. SPSS designed specifically to deal with quantitative data (Quinlan, 2011; Horn, 2012) was used in this research to analyse the survey data.

4. RESULT AND DISCUSSION

This section reports the findings of the data collected through the survey questionnaire from the three targeted groups of stakeholders from the Valencian Community: emigrants, people running an SFSC businesses and unemployed citizens. A total of 212 valid responses were obtained where 71 were from emigrants, 51 from people running a SFSC business and 90 responses were from unemployed people. The data was collected over a period of one week during the summer period of 2014 in Valencia, Spain. Table 1 shows the gender distribution of the final sample population who responded to the survey.

The first hypothesis was concerned with the opinions on globalisation and its impact on employment and environmental problems, i.e., going back to a local system of food production could solve some of the issues raised by globalisation (H1). The survey analysis shows that respondents’ agree with the fact that globalisation might have led to environmental problems (63.4% for emigrants respondents and 59.6% for people running an SFSC business). However, a significant proportion of the emigrants tend to be neutral (32.4%), probably because the effect of globalisation on environment does not affect them. A large
proportion (69.6%) of the respondents running an SFSC business decided to launch an SFSC business as they see it as a way to reduce their impact on the environment. A positive correlation of .387** (P<0.01) was found between the effects of globalisation on the environment and the benefits that globalisation had on the improvement of technologies. Additionally, another positive correlation .726** (P<0.01) was found between people who have launched their SFSC business to reduce their impact on the environment, and their decision to avoid the price pressure brought on by big chain retailers. These relationships signify that the mass production has brought negative environmental implication. This corresponds to Kneafsey et al.’s (2013) finding which highlighted that big retailers apply pressure on farmers to buy high quantities at the lowest price to answer large requirements. Thus, farmers normally use chemicals that pollute the environment a claim that was also supported by Aubry and Chiffoleau (2009). These findings therefore verify Hypothesis H1.

Table 1. Sample distribution

<table>
<thead>
<tr>
<th>Groups</th>
<th>Respondents</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emigrants</td>
<td>Male</td>
<td>23</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>48</td>
<td>68%</td>
</tr>
<tr>
<td>SFSC Businesses</td>
<td>Male</td>
<td>27</td>
<td>53%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>24</td>
<td>47%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>Male</td>
<td>28</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>62</td>
<td>69%</td>
</tr>
</tbody>
</table>

In order to examine hypothesis H2 (Launching an SFSC business is a solution to fight against the current crisis) the survey data was further analysed. The analysis shows that a positive correlation of .470** (P<0.01) was found between the number of respondents who started their own SFSC business and those who wanted to be self-employed and work in the countryside. According to the study of Countryside Agency (2001, in Ramón-Mauleón, 2010), SFSC businesses enable the maintenance of employment in the countryside. Survey data shows that 47.8% of the respondents launched SFSC business because they were not able to find a job in the other sector. Data further shows that most of the respondents have started their business between 2008 and 2013, i.e., during the crisis period as highlighted earlier in the literature review. Thus, the data provides support for H2.

To test the third hypothesis (H3) ‘Launching SFSC businesses is a solution to reduce the emigration wave’ the survey data was analysed. Analysis shows that most of the respondents (72%) tend to agree with the fact that launching a SFSC business could be considered as a solution to find a job instead of emigrating (Fig. 1). Data also shows that respondents owning a SFSC business (66%) would also advise others to launch their own SFSC business instead of emigrating (Fig. 2). This could be due to the reason that they think that running an SFSC business is an alternative opportunity to the lack of job and the fact that people can work closely to where they live. Data also shows that 24% of the SFSC respondents have launched their business to avoid emigrating, which represents a significant part of the population. In addition, findings also demonstrate that the people that have launched their own business due to the crisis/ lack of job are also the ones who have at some point thought about emigrating. Therefore, it can be suggested that launching such a business might have aided them in avoiding leaving Spain. These findings therefore to some extent provide support to H3.

Fig 1. Do you think that launching a short food supply chain could be a solution instead of emigrating?

Fig. 2. Would you advise people to launch their own SFSC business instead of going abroad?

5. CONCLUSIONS

The primary aim of this study was to demonstrate that the launch of SFSC businesses is a solution, amongst others, to potentially reduce the emigration wave in Spain. Accordingly, this research explored the reasons and consequences that major factors such as emigration, unemployment and short supply chain businesses have had in Spain since the start of the financial crisis. The relationships between the launch of SFSC businesses, employment creation and the current Spanish emigration wave have also been investigated. This research examined whether short food supply chain businesses could be considered as a solution as opposed to emigration.

The findings of this research questions whether the Spanish government could play a role in the reduction of the emigration rate, by supporting such organisations. Therefore, future research can aim at identifying the role of the government in supporting the development of SFSC businesses. This would probably contribute to a fuller understanding of how they could affect the reduction of the
emigration. Future research can also aim at investigating these factors in another country like France. It has been demonstrated in the research conducted by Ministère de l’AAF (2014) that the number of SFSC businesses is increasing, and these are well supported by the French government. As global crisis also affected France it would be interesting to how SFSC business have had an impact on French emigration.

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