

Improved forms of business collaboration for Primary Producers operating within the UK food supply chain.

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Abstract

The lack of collaboration in the food chain has long been recognised as a barrier to improved efficiency. A series of three interviews, using the Delphi technique, were conducted to inform on the specific nature of the reasons for this and to also suggest methods for overcoming the difficulties. The interviewees were carefully selected so that all participants were senior enough in organisations to reflect authoritative views and that several stake holder categories were represented.

The first round of interviews demonstrated that farmers had a domestic focus and a lack of business vision. There was also no clear sense of ownership within existing farmer cooperatives and these organisations often had a lack of commitment and dedication, inadequate structures and inflexible rules. Finally the personal qualities of the members often showed a lack of good leadership, no clear definition of roles and not enough professional training.

The second and third round of interviews tested three theoretical models that were constructed as a result of the first round of interviews. These models were called Net Associations, Net Cooperatives and Net Businesses. Each one was a more complex structure than the previous one. The conclusions from these interviews was that what is required is more tangible benefits for members, clearer property rights and financial frameworks which could attract investments and payments to members and managers in accordance with performance.

The key factor in the UK was to gain recognition among participants of the food chain in general and farmers in particular of the need to fundamentally address organisational structure.

An increase in the business education level would be necessary in order to professionalise the different roles.

Keywords: Cooperation, food chain, business

The lack of collaboration in the food chain has long been recognised as a barrier to improved efficiency.

The aim of the research was to identify new forms of collaboration between farmers with the need to gain significantly greater scale and flexibility, in an increasingly global food chain.

The Delphi technique permits the gathering of information and judgements from participants who do not physically meet (Dunham, 1998)

The Delphi technique looks for consensus among a panel of experts through a series of structured rounds (Hasson F. Keeney S. and McKenna H.P, 2000)

A total number of twelve panellists should be enough for the correct implementation of this technique (Navakowski and Weller, 2008). For this piece of work, each stage of the research project is represented by a round of face to face interviews. The result of every interview is used as input for the next round. The presentation of summarised information at every round reinforces the validity of the final results making the research process more transparent (Hasson et al, 2000)

The logic behind the selection of interviewees was as follows: The initial shortlist of key interviewees emerged from a combination of the literature review and recommendations from people in the industry encountered during the secondary research. These recommendations were triangulated by identifying the most senior person associated with the organisations comprising the key stakeholders groups such as farmers, FCBs, academics, government officials, advisors, processors and retailers. At each interview, individuals were asked who should be added to the interview list. Again names were triangulated between 'nominations'. Only when a name had been strongly recommended by at least three others were they invited to be interviewed. Finally, if after a number of interviews among a particular group, the information gathered was quite homogenous, it was considered that the most important points had been acquired and considered. The Delphi technique also allowed the sampling process to develop simultaneously with gathering and analysis of information.

The results were categorised by the views on farmer collaboration giving the limitations, benefits, culture and needs.

These are outlined in Diagram 1, 2, 3 and 4.

Diagram 1

Views on farmer collaboration : Government Officials

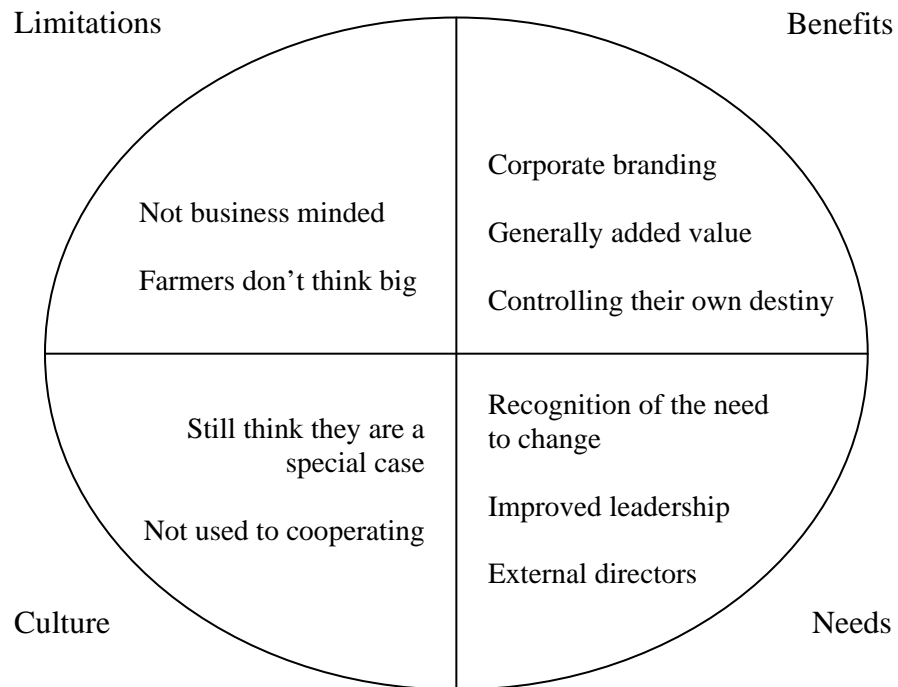


Diagram 2

Views on farmer collaboration : Leading Academics

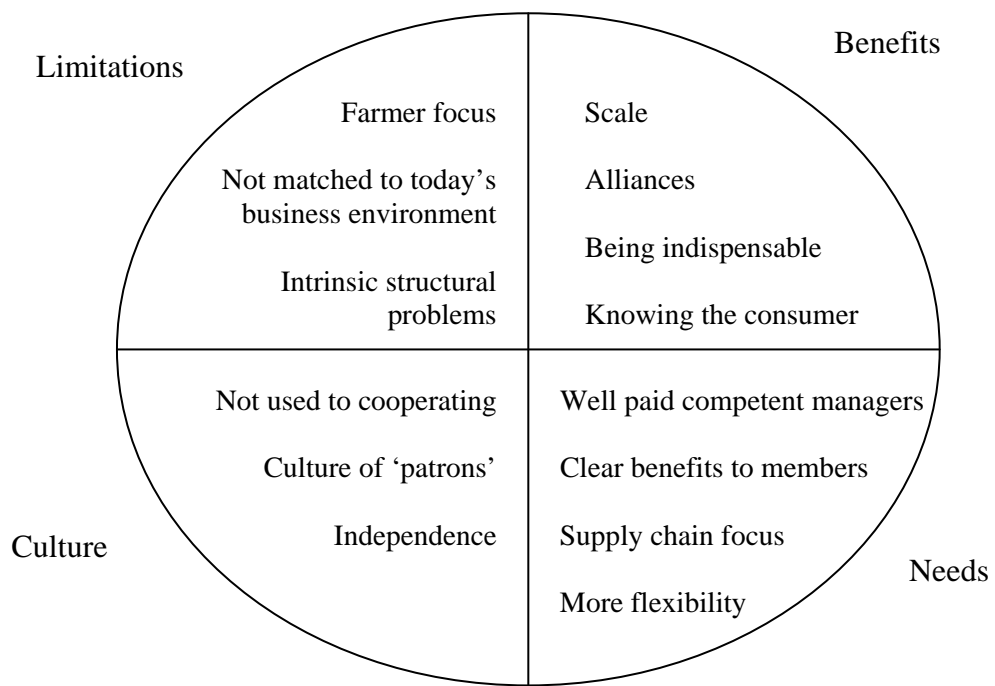


Diagram 3

Views on farmer collaboration : Managers of Traditional Cooperatives

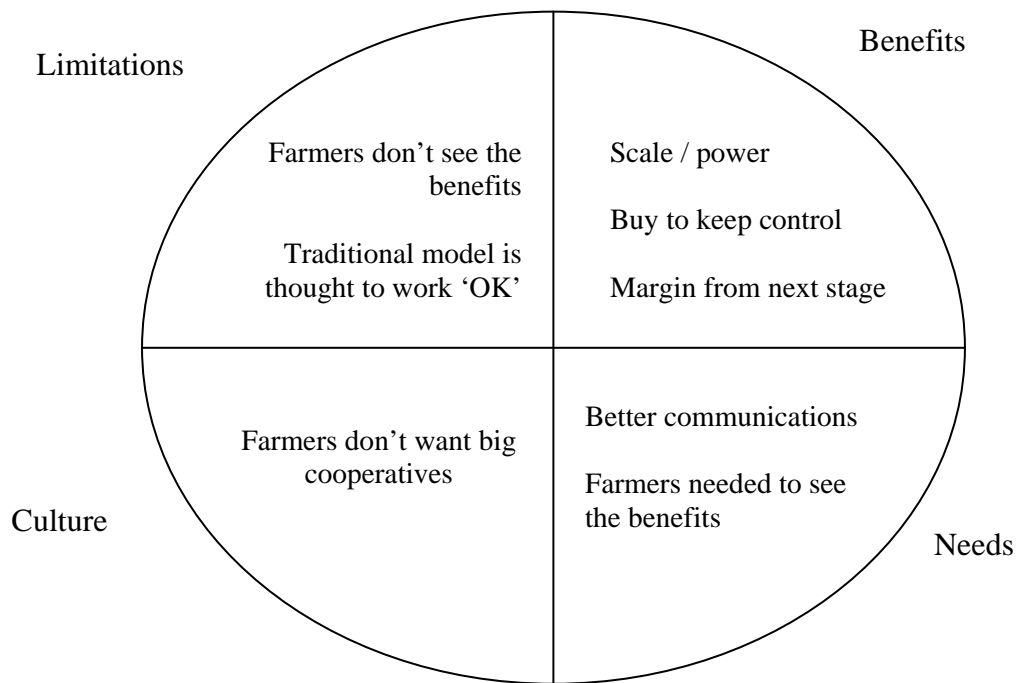
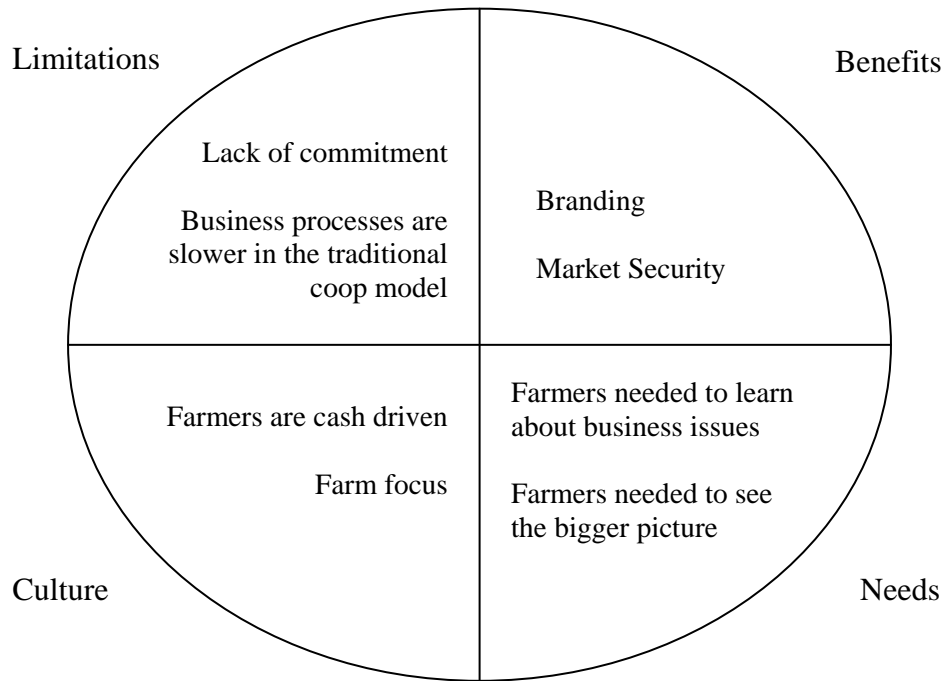


Diagram 4

Views on farmer collaboration : Managers of Non-Traditional Cooperatives



From this it can be concluded that the very important factors are a culture of farm focus and a lack of global understanding.

Barriers	Ideal characteristics
Domestic vision (production focus, independency)	Supply chain focus, consumer focus
Lack of business vision (lack of professional management)	Understanding of the business environment (run by professionals)

The intrinsic limitations of the traditional model are:

Barriers	Ideal characteristics
No clear sense of ownership	Tangible assets and benefits
Lack of commitment and dedication	100% commitment and professionalism
Inadequate structure and inflexible rules	Lean structure and flexible rules

Whilst the relevant factors concerning the personal characteristics and skill of the members are:-

Barriers	Ideal characteristics
Lack of good leadership	Leaders with the right vision and attitude
No clear division of roles	Professionalism/clear roles
Not enough training and education	Education, training and support

A key issue which was identified from the interview results was the limited and inconsistent perception of UK farmers for the need for change.

Thelwell (2004) suggested that farmers remain production driven, whilst Fulton and Gibbins (2000) identified that the key driver for increased market power was the knowledge and response to consumer demands.

This would support the theory that a different model of cooperation could promote and develop a new kind of culture in the British Farm industry.

Kyriakopoulos K. and van Bekkum O.F. (1999) stated very clearly that the limitations of the traditional model of cooperation acted in most cases as a barrier which did not allow farmers to change their focus from a production orientated to a market orientated business.

O'Connor J. and Thomson G. (2001) has stated that the problem lay in the treatment of the capital as common property, the weak links to voting powers and the difficulty of withdrawing investments. Cook M. L. (1995) highlighted the importance of the members commitment to guarantee control of cooperative. The lack of commitment and participation from members was a common factor through all the interviews and lack of time was the principal explanation of that issue.

A lack of business skills among members, and therefore in the controlling boards, was unanimously identified by cooperatives managers and experts. A finding by O'Connor J. and Thomson G. (2001) similarly identified a lack in a range of business skills.

These models of cooperation have been previously proposed and presented to the IFMA Congress 16 in Cork, Ireland. Gonzalez-Diaz, Newton and Alliston (2007).

During the second round of interviews the proposed models were refined in order to be tested in the third and final round of the research. The main aim of the third round of interviews was to test the feasibility, adaptability and acceptability of the models with farming industry practitioners.

The models are:-

Models	Netassoc	Netcoop	Netbus
General description	A place where supply and demand matched their needs under very little supervision or control. Extremely flexible for the members. Loose rights, no entry or exit barriers. Could have contracts between participants	A flexible model that changed its shape according to demands. Similar to a New Generation Cooperative. Each participant owned 'participations' and 'rights'. Could be used as a kind of federative model.	A flexible model that changed its shape according to the demands. It would be a normal company but its shareholders could come from all the supply chain.
Shape	Network – club – association	Network of farmers or FCB	Network of business
Legal framework	Association / group	Limited company or coop	Limited Company
Orientation / Scope	Horizontal & Vertical	Horizontal & Vertical	Horizontal & Vertical
Members / shareholders	Mainly farmers but could be some processors	Farmers or coops or FCBs	Any type of participants in the supply chain
Participation / votes	One member one vote	According to use, 'participation and rights'	According to investment (different categories of Shares) and control policy
Dividends or bonus	No need	Should pay some kind of benefits according to use or participation. Also the right to pay bonuses.	Has to pay benefits according to investment
Finance	Low requirements. Funded by the members	Members and financial institutions	Members, financial institutions, and investors
Governance	No problem, standardise contracts	Extremely important	Extremely important
Directors	Representative of the members	Members and externals. Business skills	Members and externals. Business skills
Members agreement	No need, the contracts could do the work	Recommendable, but not indispensable at the beginning.	Very important to clarify roles and responsibilities
Entrance fee	Insignificant for the paperwork	Purchase of 'participations' and 'rights'	Investment in company shares (categories, farmers, investors)
Retirement payment	No need	Participations would be tradable, sell them (could have some restrictions)	Sell of the shares at market price (could have some restrictions)
Membership	Open	Could be open until the capacity was full (mainly processing)	Could be open until the capacity was full (mainly processing)
Advantages	Get supply and demand together. Production according to some requirements. Increase communication and flow of information. Extremely flexible for the participants. No initial investment. Basic governance structure (arbitrary). <u>Increase the scope of farmers into collaboration. Could be part of the NetCoop</u>	The Netcoop would introduce the needed consumer and supply chain focus. Clear sense of pertinence and high commitment of the members. Tangible benefits (dividends and bonus) and better evaluation of the professional management. Production according to costumers' requirements. Scale. <u>Could be used as a Federated model.</u>	Participation of the whole food chain. Clear sense of pertinence and high commitment. Tangible benefits and better evaluation of the management. Increased flow of information. General Scale. <u>Ideal to compete against other supply chains and to develop new product or markets.</u>

Model 1: Net Association			
Group	VERY HIGH	HIGH	COMMENTS
Processors and Retailers	<ul style="list-style-type: none"> - <u>Processor/retailer as driver & coordinator</u> - Commitment from farmers - <u>Added value products</u> - Farmers not interested in feed back - <u>Lack business skills</u> - The shorter the more transparent - To learn about the supply chain 	<ul style="list-style-type: none"> - Focus on the consumer - Higher prices to pass on to consumer - Tailored contracts with incentives - Farmers lack initiative - As starting point - Build trust 	<ul style="list-style-type: none"> - May be no premium, processor would takes more risk - Could work without processor - Tight control - Two way contracts - Benchmarking - Bigger scale needed contracts - Good would be a loose association
Farmers	<ul style="list-style-type: none"> - Good because it would be simple & transparent - <u>Retailer or processor should be the drivers</u> - With trust would be easy - <u>Niche market</u> - Secure price - How to share the profits 	<ul style="list-style-type: none"> - Members' selection - Clear objectives - Mechanisms to solve problems - Clear rules and governance - Sharing final price and risk later - Reach the quality standards 	<ul style="list-style-type: none"> - Changes known in advance - New farmer would be more consumer focused - Probably too loose needed more structure for the long term - Not different enough - Who would guarantee that the product was good enough for a premium
FCBs	<ul style="list-style-type: none"> - <u>Processor or retailer as coordinator & leader</u> - <u>Niche markets</u> - Efficient, trustworthy and consumer focus - Growth strategy - Needed good feedback from processor 	<ul style="list-style-type: none"> - Production according to requirements - Avoid internal competition - Avoid internal competition - Less risk, less return - Business plan - Clear share of benefits - Good no barriers - Too loose could lose commitment 	<ul style="list-style-type: none"> - Benefits different from cash - Farmer could contribute with time and work (cutting, distribution) - Perhaps the processor would sell a service - All members should promote
Experts and Bank and Others	<ul style="list-style-type: none"> - <u>Needed coordinator</u> - <u>Niche market/added value</u> - Good management - Flexibility to supply from outside - Feedback to all farmers - Price grid indicating desirable qualities 	<ul style="list-style-type: none"> - Non farmers as members would be good - <u>Difficult with uneducated farmers</u> - Minimum scale would be bigger than one shop - Good contracts 	<ul style="list-style-type: none"> - Cooperation needed a culture - Good to make farmers socialise - Only produce with a secure market

The Net Association Model was thought to be feasible and acceptable and the recommendations focused on the need for a coordinator (retailer or processor) and to target niche markets. It covers a good way of introducing a supply chain focus into farming.

Group	Model 1: Net Cooperative		
	VERY HIGH	HIGH	COMMENTS
Processors and Retailers	<ul style="list-style-type: none"> - Needed a leader & controller - <u>Good idea the price split</u> - Bonus as % of price - <u>Decisions process very complicated among farmers</u> - <u>Bonuses every 3 or 4 months</u> - Emphasis on quality - Bonus according to quality 	<ul style="list-style-type: none"> - Culture would be big problem, for cooperation - The problem would be to explain the models - In the right circumstances - To convince farmers to invest - Not too much democracy, there would be no responsibility 	<ul style="list-style-type: none"> - Better for the long term than traditional coops - Would work if farmers has no options - Easier with lettuces than beef (too many sub products) - For entrepreneurs who needed scale
Farmers	<ul style="list-style-type: none"> - <u>Good price mechanism</u> - <u>Good the delivery right and the capital gain</u> - Bonus related to quality - Initial investment - <u>Too many farmers would be complicated</u> - Careful with governance 	<ul style="list-style-type: none"> - <u>Invested somewhere else</u> - <u>Board with no farmers' majority</u> - <u>Supply from third parties</u> - Transparent accounts to avoid manipulation of bonuses 	<ul style="list-style-type: none"> - To use overcapacity - Good to control over managers - Good for biofuel, be proactive - Mechanisms for bad years - Only marketing, no need for investment
FCBs	<ul style="list-style-type: none"> - Had to add value, specialise in one product - <u>Good for the bonuses and voting according to use</u> - <u>Professional manager with people skills</u> - Membership agreement - Bonus over the year 	<ul style="list-style-type: none"> - Farmers were not special - Farmers wanted a good price, bonus was extra - Should invest in people - Bonus expectations, less flexibility for managers 	<ul style="list-style-type: none"> - Difficult to explain – Let the market make the selection - Delivery rights and participations for retirement - Based on success - Finishing unit, right to finish x amount of animals
Experts and Bank and Others	<ul style="list-style-type: none"> - Guarantee price - <u>Member agreement</u> - Run for the benefits of their members - <u>Bonus over the year</u> - <u>Management would be key</u> - Management reward tied to bonus and the price of delivery rights 	<ul style="list-style-type: none"> - Register as I&PS - Easy in short chain - <u>Invest in coop or diversify</u> - Bank would lend for initial investment - <u>Bonus would be good not to inflate market prices</u> - Members supply 80% to not inflate the market price 	<ul style="list-style-type: none"> - Not a coop, because of voting and tradable delivery rights - As a supply coop - Better suited for the consumer dimension - Entrepreneurship not to hold back for the group

The conclusions for the Net Cooperative model was an increasing understanding of the importance of having professional management and non-farmer directors. It was suggested that the number of members should be limited. The model gave tangible benefits that promoted consumer-focused cooperation based on the leadership of professional managers and directors.

Model 1: Net Business			
Group	VERY HIGH	HIGH	COMMENTS
Processors and Retailers	<ul style="list-style-type: none"> - Too complicated for farmers - Why invest here - <u>Convince retailers, and bring information</u> - <u>Stuck with the wrong partner</u> - <u>Very good idea for short supply chains</u> - <u>Good for suppliers</u> 	<ul style="list-style-type: none"> - Focus in farming and professionals run the whole business - Transfer prices - Big scale and a driver - May be if retailer owned everything and controlled 	<ul style="list-style-type: none"> - Farmers not interested in other businesses - Farmers should buy food manufacturers and realise the pressure of the city, pay a good manager - Good with shortage of products
Farmers	<ul style="list-style-type: none"> - <u>Convince the retailer</u> - <u>Retailers want freedom to negotiate</u> - Retailer as drivers - Negotiation on price - <u>Attractive for consumers</u> - Problem with the initial investment 	<ul style="list-style-type: none"> - Long term contracts but not shares - <u>Good option for the future, needed solutions today</u> - <u>Good idea, could work</u> - Over supply 	<ul style="list-style-type: none"> - Enforce retailers to look at the long term - Scare retailers by not growing - What would happen if the business went bad - Invest in shell instead - Avoid corporate takeover
FCBs	<ul style="list-style-type: none"> - <u>Interesting idea but uncertain</u> - Do not add costs - Premium prices - <u>Good model but had to convince the participants</u> - Only needed some effective price mechanism - Farmers did not have the right mindset - Needed good people - The key would be trust 	<ul style="list-style-type: none"> - <u>The best model for a most efficient supply chain</u> - It is based on its scale and its capacity to be very efficient - <u>The most exiting model</u> - Better to buy into the model if farmers had less options 	<ul style="list-style-type: none"> - If the company was not as efficient as the market - Difficult for farmer to commit 100% of their production - Bonus was better than shares information - Investment should be tied to production
Experts and Bank and Others	<ul style="list-style-type: none"> - <u>Possible, good to tied the retailers</u> - Would work if the processor felt like it was part of the group - <u>Good idea to put the supply chain together to balance the retailer power</u> 	<ul style="list-style-type: none"> - Could work - Good combination of farmers and non-farmers - <u>Difficult at the moment, but may be in the future</u> 	<ul style="list-style-type: none"> - Same could be obtained with the Netcoop - International members might be difficult - Go international with farmers from overseas - Easy to start with globalised chains like poultry. May be services.

The main barrier to acceptability of the Net business model was the difficulty in convincing major retailers to invest and commit to an enterprise such as this. At the moment they were in a very powerful position without any need to take risks. The retailers did not see themselves as being part of this model, but they recognised that this could be a good model to organise suppliers and particularly short supply chains.

Where the model could be used to organise the supply chain up to the stage prior to the retailers there was concern about how to agree the prices of transferences between participants and how to make the processor (or other farmer members) involved and really feel a member of the enterprise.

The conclusion was that the Net Business model had a great potential for the future but, at present, the industry was not ready and/or the economic environment was not the most appropriate for it.

In conclusion what is required is more tangible benefits for the members, clearer property rights, and financial frameworks which could attract investments and payments to members and managers in accordance with performance.

The key factor in the UK was to gain recognition among participants of the food chain in general and farmers in particular of the need to fundamentally address organisational structure.

An increase in the business education level would be necessary in order to professionalise the different roles.

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