



2004 SCHOLARSHIP REPORT

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Topic: The Use of various producer structures and
Marketing tools to achieve better supply chain
management and price stability

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Executive Summary

Agricultural producers all around the world are now faced with a new challenge to deal with in addition to the historic need of improving production efficiencies and dealing with the cost price squeeze, reduced numbers of retailers to purchase product in a global market. The traditional supply chains targeted supermarkets as the key retailers for agricultural product. The number of Supermarket has kept reducing with a number of the larger ones competing for market share with a least price strategy. This is very concerning for farmers at the bottom of the value chain and often expected to absorb additional costs without and price rises for their produce.

My studies were to investigate how producers were dealing with this issue of how to get better supply chain management and price stability. Have we gone past the point where expansion at the production end is enough in order for farming businesses to survive or do we need to start investing in moving up the supply chain?

There is no doubt that in economies that are strong such as the UK, Canada, USA and Australia that the future of producing bulk generic agricultural commodities, that producers will continue to see and need to manage through large price fluctuations. With reduced buyers and less competition between buyers there is likely to also be high price caps put on prices by these groups.

Some individual farmers and farmer co-operatives or companies have dealt with this proactively by moving up the supply chain using tools such as bulking product, co-operative marketing, branding, product segregation and niche marketing to provide a means of being involved in setting prices and providing some market security. Some have shortened the supply chain through the use of farm shops and farmers markets as a means to achieve prices and profits to make their primary production activities sustainable. Moving up the chain or using these tool are do require different management and marketing skill and careful planning needs to be carried out to ensure success.

Primary producers must be smarter in the market place and marketing their produce if they want improved price stability. To do this it is important that we develop co-operative or company organisational models that enhance farmers to work together and move up the chain to assist those that are unable to do this on their own. It is clear that investing and becoming involved further up the value chain in some form will become a more important investment choice in the future. The best way to predict returns is to invest into the value chain and be involved in setting them.

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Study Aims

My Studies aim is to see the different methods that farmers have developed to have more influence up the supply chain to increase the stability of returns. I wished to look at examples of the various ways in which producers, producer alliances or producer co-operatives have either moved up the supply chain or used methods of adding value to their produce by means of product differentiation, marketing co-operatives, branding or niche marketing to provide some added stability in their returns and hence business's.

When farmers are generally in the routine of producing a generic bulk commodity, how can they change the form or perception about their commodity to exert more power or control up the supply chain? If farmers wish to continue to produce a generic commodity and sell into a world market, price still is the main influence on market share. The true price has to take into consideration exchange rates, government policies in the importing country (import conditions, agricultural policies), health issues to name only a few. In addition to this is the battle of producing a commodity and competing against other countries with significantly lower costs of production influenced by issues such as wage rates, government policies, weaker currencies and land prices. Farmers cannot influence these issues and I therefore do not want to spend time on the issues relating to the uneven playing field of the world agricultural marketplace.

Desired outcomes from my studies are to identify a number of alternatives that have been used internationally by innovative farmers or groups of farmers in order to provide added security to their business viability and improved stability of returns. It is hoped that some of the strategies or models can be utilised by producers of any agricultural commodity.

Introduction

Primary Producers in Australia and around the world are all familiar with the rising farm input costs and diminishing returns for produce, commonly referred to as the “cost price squeeze” or “diminishing terms of trade”. The vast majority of agricultural goods have reduced in price in real terms and there is increasing pressure from consumers to maintain this trend. Coupled with this, input prices continue to rise. Over the last decade in countries such as the UK, USA and Canada, the supermarket chains have also driven the trend of driving prices down. With the number of retailers reducing each year and the increasing demands for quality assurance, and quality standards at a lower price, this has caused many producers around the world to seriously question not only the efficiency and viability of their farming activities but also the marketing options and alternative supply chains available in order to maintain returns. Farmers are in the very awkward position of being at the start of the value chain and very regularly the ones that are expected to absorb additional costs or reduced returns to assist the businesses further up the chain to exert a competitive advantage in the marketplace.

The Value or supply chain

The Value Chain is made up of a number of segments starting with the supply of Raw Materials, primary processing, secondary processing, Marketing and distribution and finishing with Sales and Competition. In many commodities the length of the value chain can be very long and it has been documented by Thompson (2001) that there is commonly 20-30 % loss due to inefficiencies and wastage between the start and end of the chain. This provides companies with an opportunity to increase profits and reduce prices simply by managing the value or supply chain better. This realisation by industry has led to a number of businesses, incorporating supply chain management as a tool to manage the supply chain and improve profitability and competitiveness within the marketplace.

There are additional benefits for participants utilising supply chain management, which are:

- Better market signals of exactly what consumer’s preferences are enabling them to produce more accurately the correct product.
- Increased security for all participants in the Chain.
- Potentially higher returns.

The International Agricultural Marketplace

The majority of agricultural product is sold as either bulk commodity or as generic products. For example: wheat, beef, lamb, sugar and oranges. This means that frequently the greatest influence on prices are the basic costs of production (what the producer is prepared to sell at), the price of competing suppliers (in the case of Australian sugar it may be the price of Brazilian sugar), the exchange rate (this is one of the most significant factors in Australian beef competing with US beef in Asian markets such as Japan), world supply and demand commonly being influenced by weather conditions around the globe at critical times of food production such as harvest, politics such as trade sanctions (apartite in South Africa, health such as US beef being excluded from the Japanese market due to mad Cow) and the strength of the economy in importing countries.

There are generally a number of intermediaries and agents between the segments in the value chain placing a greater distance between the producer and retailer. Frequently these participants are able to make themselves stronger and improve their margins by reducing and controlling the information sent to their suppliers.

Generally there are low price fluctuations at the retail end of the supply chain for agricultural produce but significant price fluctuations at the producer end. This means that participants throughout the chain are absorbing the impact of price fluctuations reducing the likelihood of the better years being passed onto the producer. The length of the supply chain also influences this. For horticultural products such as fruit or fish that do not need significant processing, more of the price fluctuations are passed onto the producer due to the short supply chain compared to a commodity such as wheat.

There is also now, greater competition for markets both overseas and domestically. Due to the nature of primary production, there are very large numbers of producers generally who do not cooperatively market and generally view their neighbours as competitors.

The world marketplace is not an even playing field, and international and domestic politics are likely to maintain this trend. Producer assistance in many countries is likely to be repackaged into products that are less or not directly trade distorting however farmer support in many countries will remain as long as their farmers remain. In many countries agricultural producers rely on this type of assistance for survival.

The Supermarkets

The Supermarkets, where are they headed, and how sustainable is the least cost marketing strategy?

Many of the large supermarkets such as ASDA, Sainsburys, Tescos and Morrisons are fighting for market share in saturated markets such as the UK through continual price-cutting. For example in the foyer of ASDA's head office is a chart which continually benchmarks how many pence difference there is in an average shopping trolley between them, Tesco's and Morrisons. On my visit there was only 3.2 pence difference the current week compared to 2.9 last week. This is how ASDA is benchmarking its performance. The questions remain; how sustainable is this trend?, and when does it stop being reduced prices from increased efficiencies to that of participants further down the chains having to subsidise the reduced prices. As farmers are at the bottom of the chain they have already had to absorb additional costs of Quality Assurance standards and carrying some of the QA risks further up the chain in addition to normal production risks. For many farmers the issue is not only how much more economies of scale can be achieved and at what cost to enable them to still survive under these conditions but also how do they compete in a free market where some competitors have lower costs structures (such as wages), input costs, costs of living and weaker exchange rates. To sustain the constant reductions in price long into the future it would require that the supermarkets, continually alter their suppliers and importing countries (eg Brazilian Chicken and sugar, shift from Irish mushrooms to Polish mushrooms) and hope that the wage structures, freight rates and standard of living in these countries does not rise. With political pressures, rising freight rates, and changes in biosecurity risks the sustainability of this strategy is questionable.

Table Approximate market Share in the UK of the leading supermarkets 2005

Supermarket	Market Share
Tescos	30%
Sainsburys	16-17%
ASDA	16-17%
Morrisons	11%
Co-op	5-6%
Others	19-22%

	ASDA INDEX	4 WEEK AVERAGE INDEX	GAP TO TESCO	GAP TO MORRISONS	ASDA PRICE INCS/DECS	GROCER 33 WINNER
³¹ THIS WEEK	938		3.2	5.9	91/201	JS
³¹ LAST WEEK	941		2.9	5.8	85/174	JS

Photo: ASDA Benchmarking board in ASDA head office foyer

Supply chain management from the top down (supermarket down towards the producer) for many years in the UK reduced costs through better relationships with intermediaries and producers. This assisted to reduce the length of the supply chain and assisted the different segments to produce exactly what the customer and retailer required (reducing handling, repacking, etc). The trend has pushed suppliers to become larger or bulk up product as co-operatives, consortiums or sell to new entities that deal with a number of producers as coordinators as the supermarkets only wish to have a small number of suppliers that they deal with. For example I was informed that ASDA's target was to have 10 suppliers. In many instances the suppliers are also required to package the goods under the supermarket chains label, which reduces the identity and branding of the product limiting the ability of the consumer to differentiate the origin of product easily. If prices need to be reduced then the squeeze is relayed down the chain and the producer has to try to continually evolve in order to survive. Many of the producers in the UK and Ireland suggested that the subsidies they received were in fact their profit margin. This would suggest that there will be a significant restructuring and rationalisation throughout Europe if and when subsidies are reduced.

The theory of supply chain management in order to improve efficiencies throughout the value chain while ensuring that all participants throughout the chain maintain sustainable business growth seems to have been either knowingly abused or not managed as to ensure that the benefits are passed to all within the chain. There are examples of where supply chain management has worked, however these seem to be few and far between compared to examples of where it has worked in the reverse for producers by reducing marketing options, increasing compliance costs, increasing delivery costs and so on. Throughout the UK there is the widespread perception even within the staff of the supermarkets that the supermarkets and buyers have used this tool to understand the costs of production between producers and then instead of building long term relationships with them and co-operatively trying to reduce costs and improve efficiencies have used it as a tool to understand how far they can push farmers prices while just keeping them in business while achieving their marketing and profit goals. Cheapest prices and good shareholder profits. Farmers due to their lack of unity and ability to work together are becoming a casualty of large successful retail businesses. So are Supermarkets friend or foe? It is highly likely that the true essence of supply chain management may have been initially implemented by the supermarket chains, however over time with evolving staff, more increasing competition to remain the cheapest has caused the supermarkets to lose sight of the producers sustainability. By partaking in this strategic alliance with the supermarkets and being transparent with costs in order to try and be more efficient, has provided the information by which price can be continually pushed down to the limit of marginal profits to the producer or loss in many cases. There are exceptions to this rule however they are usually represented by farmers or groups that have positioned themselves to be able to negotiate with the supermarkets with increased certainty through the use of supplying large quantities of produce, branding, packaging etc. The usual answer to this question by farmers in the UK and US is Foe.

The use of supply chain management and perception of how it can and should be used appears to be poles apart in its interpretation by the different ends of the supply chain. It appears that this relationship can only truly succeed where there is balance in the distribution of benefits, trust, high ethics and a shared vision throughout the supply chain. Basically all parties in the supply chain must feel a genuine need or benefit for the relationship. Sustainable supply chain management must have “enough fat in each section”.

Dealing with the Supermarkets

The perception I had before travelling on this study program was that producers had very limited options to negotiate with the supermarkets and were gradually but surely losing any basis for negotiation, creating the situation of being genuine price takers. I observed numerous ways in which different producers managed to successfully do business with the supermarket chains, many of which were similar no matter which country I visited. The issue of dealing with supermarket chains is that there are fewer each decade and hence less market options to producers. So how does a producer try and ensure that the relation does not become dictatorial and that both parties can maintain sustainable profits and growth?

Large Scale

The obvious one that producers have continually used in the past has been to keep increasing scale. This equates to greater economies of scale and efficiencies and with this, commonly results in the ability to either provide a significant quantity of consistent product or to use better management technology or skills to produce a product that is better than or at least equal to the other bulk suppliers (competitors). By expansion, some producers have become large enough for the supermarkets to recognise them as important suppliers, enabling more balanced negotiations on price. Large producers also tend to have their own packing plants, or storage facilities and ability to brand product.

Producer Co-ops/ strategic alliances

Through the use of producer co-ops and strategic alliances producers can develop formal relationships with other producers and market their product as one. In addition to the increased volume of product available to market providing the same benefits as increased scale many of these structures will add some value to product by packaging, branding and increased economies of scale. This once again reduces the number of suppliers that the supermarkets need to deal with to access large quantities of product in a form that can supply them and when branded add value to their shelves.

An increased economy of scales through the use of this type of structure creates more opportunities for portion control, packaging and branding. With this type of infrastructure many in fact carry out contract packaging or processing for home brand labels for the supermarkets.

These home brands are the generic brand and often the same product just in a different label. By carrying this service out it provides the producer structure with two important outcomes:

- economies of scale and additional throughput for their processing business
- an additional relationship and therefore reason for the supermarket chain to deal with them hence a greater interdependence.
- Better relationship to ensure their brand also gets on their shelves

Producer co-ops and strategic alliances can often provide a structured way in which farmers can work together to achieve benefits of supply chain management, vertical integration and improved market security. I do not wish to look at the legal structures as they vary in each country. There is also significant variance between different organizations within the same countries all with a different competitive advantage or recipe for success. It is not the legal structure that provides the success but the business plan, management structures and producer relationships of how to put the plan or desired outcomes in place successfully that is of real interest.

Branding

The use of branding as a tool to add value to supermarkets has also been used very effectively. It is surprising for many people to see a home brand product coming out of the same plant and equipment with the same materials as a branded product. In many cases the two products may not be direct competitors as they service different customer segments. The use of a brand is important to provide product with an identity. The customer's perception of the two brands will be quite different and in fact even knowing that the contents of the two may be similar or in fact identically the same will still influence the purchasing decision. In this case there are two customer bases being catered for by the two different brands. Branding is definitely one of the most powerful tools to provide added market security provided it is linked with good quality consistent product. Brands can also work in reverse if the customer is not getting the quality or packaging they want. When visiting a couple of plants that carry out contract work for home brands as well as well known brands in the UK an important need of the supermarkets was pointed out. Even if customers want the cheapest goods and the supermarkets want to increase their margins through stocking home brands, the consumers still want **choice**. Supermarkets still need other brands to provide this, which provides non home brands with some level of security of getting onto their shelves.

Branding is a critical component when moving up the chain as it forms the identity that assists the consumer to purchase the product and recognise it in the future. The packaging and brand information is the last opportunity to get the customer to pick up your product rather than anyone else's. It is therefore very important to know exactly the attributes of your product that the customer places value in. In many cases the farmers perception of this compared to the customers perception is quite different. For example in the US I saw "organic" beef being sold next to "range fed" beef for the same price with no difference in sales volumes. Organic is more expensive to produce but it is clear that the perception of range fed has as much impact on the consumers as organic.

Case Studies

Foodtrust Fresh Obsessions (Potatoes)

Background

This case study shows that any generic primary product can be branded and value added. The humble potatoe, branded, labelled and sold at a price that previously was unheard of for potatoes. Potatoes on Prince Edward Island (Canada) are one of the regions most important primary production crops. With significantly depressed prices for potatoes, large numbers of producers were making loses. This pressure stimulated the Province to invest into a research project to look at how potatoes could have added value and made profitable for farmers. The board were all handpicked individuals that were all successful and innovators.

Key features and results

- have full involvement in total supply chain
- generally only top 35% of potatoes make the premium brand based on quality and size
- select the best varieties for each use of the potato and sell these for this use
- full display unit at end of supermarket isle part of supply agreement with supermarket which holds all different types of potatoes in sections, labelled with their use and guide on how best to use them
- Display unit therefore provides a one stop shop for anyone purchasing potatoes with added value of cooking instructions and correct potato for each use.

- Prices are much more expensive than other potatoes however a value based product due to the significant grading and information to ensure product is best quality for each use
- Potatoes are branded as Fresh Obsession
- This line is returning the farmer 5-10 times the profit to standard potatoes
- In the supermarkets that now stock Fresh Obsession potatoes. they have represented 25% of volume sold and 50% of supermarkets profit for potato sales.
- Packaged in paper bags to ensure no sprouting

The key to the success of fresh obsession potatoes is having a better knowledge of the product and exactly what the customer wants and assisting the customer in having a good experience with the product. The consumer will pay more for certainty and the ease of knowing exactly how to prepare the product to achieve a good result. The following picture shows one of the products, the humble baking potato. These are pre-wrapped in foil, best variety for baking, standard sizes to enable accurate cooking instructions to be provided and clearly branded.

It is important to identify that this process has added better returns to farmers while increasing profits to the supermarkets and adding value to the consumer. All participants in the chain are benefiting from this process. The key to this relationship continuing into the future is the long term ownership structure of foodtrust to ensure that the balance of returns benefits all in the chain.

Photo: Fresh Obsession Baking Potatoes



KG Fruits Ltd (Kentish Garden fresh fruit cooperative)

Background

As with many cooperatives the initial motivation for establishment was to reduce costs of production and in this case efficiencies in delivery of produce to wholesale markets. KG (Kentish Garden) was established by seven growers in 1972 and now represents between 70 and 100 growers after the purchase of Hereford Fruit Limited in 2001, mergers with Plantsman growers and strategic alliances with other producers such as Alconeras in Spain. The cooperative has typically grown from delivering production efficiencies to co-operative packing, and marketing services to its members targeting a shrinking number of retailers.

Key Features

- change in 1995 from solely a focus on production and delivery efficiencies to a marketing focus.
- Turnover increased due to moving up the value chain by delivering marketing services to members from 18 million pounds in 1995 to over 100 million pounds in 2004
- Investment in market requirements (R&D) such as consumer packaging and promotional activities to move peak levels of production.
- Alliances with other groups to package produce out of season and hence increasing the strength of KG with supermarkets due to extended period of product supply of soft and stone fruits.
- Supply chain benefits through investment into packaging plants collectively, research, marketing and distribution. This significantly shortens the supply chain and improves efficiency and profits allowing greater investment into these areas while still being driven by farmers priorities.
- Management expertise brought in with appropriate business skills in to meet co-ops targets and objectives.
- Scale to provide the necessary QA, packaging, continuity of supply and distribution logistics to add value to negotiations with retailers.

KG has provided many producers in the UK with increased certainty to continue and expand their businesses in a period where there is a significant lack of confidence in agriculture due to the continual reforms to subsidies. The key to this is KG's role for producers to be involved in vertical integration to the delivery point with retailers. Significant supply chain management benefits were achieved in this process while the increased scale and extended growing season for produce has increased the value of retailers to do business with KG.

Alternative Supply Chains

Some producers through choice and some necessity have looked outside the traditional supply chains in order to provide an alternative means of providing market security and control over returns. Some of the options being used more frequently around the world are farmers markets and farm shops. Both of these options require the participants to be involved in the distribution/retail end of the chain. These options are easier for produce that requires little or no processing to change it into a form acceptable to consumers such as fruit and vegetables, and is used frequently with vineyards. These options do not simply offer a quick fix as they require a significant amount of work and planning to ensure their success.

Farm Shops

I observed increasing numbers of farm shops throughout my travels particularly in the UK and Canada however this is a growth area particularly where there are significant population bases. The style of these shops and core business was extremely varied and the best way to look at these is through examples to illustrate the different structures and constant evolution of these.

Becketts Farm Shop (Birmingham UK)

The current appearance of Becketts farms shop is of a modern food outlet positioned on a main junction on the way out of Birmingham. Originally the shop was fairly basic and structured to sell (value add) eggs directly to the public that were produced on the farm. The shop has been redeveloped 5 times and expanded greatly with its core lines now being Bakery, Sandwich Bar, Cheese Bar, Meat Bar, Deli and Hot food. In addition there has now been a restaurant added to one end. The chook sheds have now all been redeveloped into factories to be leased out and egg production contracted out to other farmers.

Key features of success:

- Bakery is now main line that brings people through the door.
- Positioned on a main road junction.
- Positioned near a very large population base
- Good management as many staff have been there over 10 years which adds value to the customers and comfort when shopping.
- Focus more on upmarket/deli rather than trying to compete with general food stores.



Photos: Becketts Farm Shop

Gonalston Farm Shop (Nottingham UK)

Gonalston farm shop originated through the desire to value adding beef. It now has a number of sections including fruit and vegetables, dairy produce, deli and some general produce. It is not in a position where it is likely to routinely attract new customers and therefore the core client base would be local repeat purchases seeking quality produce.

Key features of success:

- close to a one stop shop for fresh perishable items.
- has a boutique feel about it.
- High staff and therefore service to customers.
- Still near high population density



Peppe Shop (Colorado USA)

Peppe's Shop originally started in order to sell horticultural produce, particularly peppers to the general public. Once again the stimulus to make this step was to stabilise and improve returns for the farms horticultural production. One problem initially was the seasonality of the leading product "peppers" which were sought after by the local community. This was solved by value adding them by roasting and freezing the product and hence providing a much longer shelf life. As with most other farm shops that wish to maintain staff and infrastructure overheads, additional products were needed to maintain a good customer base. The addition of a deli section and small staple foods section ensures that locals will use it for small shops or a top up of general foods when needed. Within the shop the most profitable section is a pre-packaged/value added convenience foods such as fruit salads and fresh lunches.

Key Features of success

- all farms produce goes through shop.
- a staple foods section to ensure convenience shopping is fulfilled.
- Value adding of peppers catering for a local sought after food
- Convenience foods section with the bakery, value adding providing pre-prepared fruit salads, lunches
- Competitors a significant drive for locals.



Photos Peppe Farm Shop (Colorado)

Discussion Farm Shops

Generally the motivating factor in many of the farm shops visited was to value add produce by selling directly to the public, most encountered that they needed to add to the range to maintain their customer base and spread overheads. In some cases it was a necessary move for survival of their primary production business rather than value adding or increased profits. Once the commitment is made it is a completely separate cost centre unless it is carried out in

a very add hock manner with customers venturing in from time to time to purchase some goods at the farm. The necessity to ensure it is viable in its own right generally pushes the owners to expand the product range and hence into running a shop and by default managing two ends of the supply chain. Some as in the case of Becketts have in the process removed themselves from the primary production activities that supply the shop. This option requires significant planning and knowledge of the targeted customer base. In several countries there are consumers now seeking these outlets in preference to the cheaper option of the supermarkets due to a loss in trust regarding food quality. Other motives are a perception of fresher produce, confidence of the origin of the food (straight from the farmer), supporting local producers and the shopping experience.

Farmers Markets

Farmers Markets are different from farm shops in that they have a large number of different producers selling their goods at the one site. The farmers are taking their goods closer to the customer and the quality and diversity of other site holders is as important in attracting customers as their own produce. The attraction of farmers markets to site holders is the significantly lower overheads than a farm shop and increased flexibility of when then have to attend or choice of which markets to attend. I visited 2 main types of markets.

The first was a traditional market structure where producer's set up their stalls on an open site periodically. Some older markets still operate 7 days per week. Many of these are outdoors and therefore the weather conditions influence the attendance of customers. The position of these to high population densities and marketing or promotion of these is very important also to maintain customers attendance.

The organising group plays a critical role in trying to get the right mix of site holders, maintaining site holders and to attract enough customers to service the site holders. An example of an old market open 7 days per week is the Vic Market in Melbourne compared to the Colorado Farm and Art Market in Colorado every Saturday from June to October.



Photo Colorado Farm and Art Market

The second is where the site is fixed and there is the opportunity to put up permanent displays or sites that are manned on the promoted market days. Some of these markets operate 7 days a week. The Marche de Dieppe Farmers Market on Prince Edward Island in Canada uses the ratio of 30% food stalls, 30% novelty/brick o brack and 40% farmers stalls as a guide to the desired successful mix to retain a good customer base. Although it is new, in its first weeks of being open it had 10,000 + people through in a 4 hr period.

Key Features

- focus on local produce from within 60 km from Dieppe.
- farmers generally selling produce at retail prices improving profits.
- Positioned in the town centre.
- Shire owns building and farm organisers lease it.
- Customer support due to focus on local produce so shopping here supports their immediate region.



Photo: Dieppe Farmers Market PEI Canada

Discussion

Getting the following mix correct can represent the success or failure of these markets. The keys to success are the right location, good marketing, quality and diverse site holders, in a position with a good population base to support it. There are much lower overheads for farmers to attend these than putting up a farm shop however with this comes a far greater dependence on the organisers to promote the market well and on the quality of other site holders to provide perceived value to the customers attending.

Conclusion

It is very refreshing to see that farmers all around the world are facing many of the same challenges and constantly innovating to succeed when new ones are thrown at them. The challenge of a global market place, increased political pressures distorting free trade, differing currency values and each countries agricultural policies will continue to place pressure on farmers. The greatest pressure will be on farmers that live in countries with strong economies and trying to produce bulk generic commodities. For example wheat in UK, beef in Ireland, apples in Canada, sugar in Australia. Strong economies usually feature high wage structures, expensive land, higher input costs and stronger currencies than weaker economies. It is hard to compete with generic bulk commodities where price is usually king in determining the demand for the product and the cheapest world producer usually dictating price. It is within the countries with stronger economies that farmers can achieve significant benefits through the use of the various marketing and supply chain management tools such as: producer driven marketing and processing companies, product branding and niche marketing. Where countries have a stronger economy there is usually conditions such as higher disposable incomes and higher population densities, providing market niches that producers can target. This environment also can provide the right environment for farmers to use alternative supply chains than the traditional one of supplying the shrinking number of supermarket chains such as farmers markets and farm shops.

All of the options discussed in this report are options to have more involvement up the value chain and all have different levels of personal and financial commitment to achieve success. All require additional skills to be learnt by farmers or bought in the case of a farmer co-op or company in order to be successful. There is no doubt that there is usually more market security, and fair distribution of profits throughout the chain the higher up the chain producers' become involved. However the higher up the chain involvement is achieved usually the higher the capital investment and greater the management skills required in order to be successful. This is where producer alliances and co-operatives could play a significant role in pooling resources.

The demands and strength of the supermarket chains will drive producers eventually to change how they do business in the future. There are some very clear options that can place producers and producer groups in a very good position to build strong relationships with these chains to provide greater market security. With this also comes the benefit of being in the position to supply a number of retailers.

In the past the old saying of get bigger or get out may have been valid however it has become very clear that a significant number of farmers around the world have decided that instead of investing capital into production based expansion, the greater return for their investment is to move up the supply chain to get better market security and consistent returns. Farmers are no longer competing with a neighbour or producer 1000 km away they are competing with farmers in countries such as Brazil in a global market.

After my trip I firmly believe that we must be smarter in our marketing, develop co-operative or company organisational models that enhance farmers to work together and move up the chain using all available marketing tools and expertise at their disposal. The challenge is how do we now facilitate farmers to access the necessary skills and be unified to take more control of the supply chain. The best way to predict returns is to invest into the value chain and be involved in setting them.

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