



# Enhancing Farm-level viability through supply chain integration; the potential of Producer Organisations

Teresa Hooks

Ruralization Project Conference

14<sup>th</sup> December 2020

# Overview

- Supply chain definitions
- Overview of POs
- POs in the EU & Ireland
- Barriers to PO Development
- Conclusions

# Introduction

- Family farm model - predominant model of agriculture in EU & Ireland
- Central to policy:
  - ❖ Economic goals - increasing agricultural output
  - ❖ Social goals - preserving rural population density / rural sustainability
  - ❖ Environmental goals - protecting ecological health/ ecosystem services
- Economically unviable / off-farm income or subsidies
- Low economic viability - Commodity markets: lack the required economies of scale (Gray and Stevenson, 2008: Stevenson et al., 2011: Kirschemann et al., 2008)

# Supply Chain Issues - Ireland

## A turbulent year in agriculture: 'Inequality in the food supply chain isn't sustainable'

Kathleen O'Sullivan | Sep 14, 2020, 3:35pm



"Inequality in the food supply chain isn't sustainable," according to Iseult Ward, CEO and co-founder of FoodCloud.

"There are issues that need to be addressed at each stage of the chain."

In an interview with *AgriLand*, in reference to the turbulent year it has been for the agriculture sector between Brexit, Covid-19 in meat plants and wider society, beef protests along with political upheaval, Ward said that inequalities at any stage of the food supply chain set an unfortunate precedent.

Through its work, social enterprise FoodCloud seeks a more sustainable food system in Ireland – one that eliminates food poverty and food waste and most importantly prioritises feeding people, especially those who struggle to do so themselves.

## Alleged collusion not the biggest issue facing beef sector - Power

Government should seek Protected Geographical Indication for beef, according to the long-awaited Power report, writes Margaret Donnelly



Power report: Jim Power presents his report to IFA

Margaret Donnelly    
March 12 2020 02:30 AM



There are bigger issues facing beef producers than alleged collusion, but the lack of transparency just exacerbates the issue, according to the recently published Power report into the beef sector.

The report, by economist Jim Power, states that the country's suckler herd is worth preserving for a social, natural and economic perspective.

# Supply chain vs. Value(s) Chains

- **Supply chain:** producers as *input suppliers* (Feller *et al.*, 2006)
- **Value Chain:** a focus on the *distribution* of power and profits (Feller *et al.*, 2006)
- **Values Chains / Values-Based Supply Chains (VBSC):** a focus on *values* and *relationships* (Stevenson *et al.*, 2011)
- **Short food supply chains:** reemphasize the *social embeddedness of locally* produced food and aim to reduce the distance between producer and consumer (Callum *et al.*, 2014)



# What are Producer Organisations (POs)

- Producer Organisations - legally constituted groups of farmers/producers (EU Commission, 2017)
- POs = Co-operatives: user-owned, user controlled and user benefit organisations
- POs can legally take form as **co-operatives**, associations, or private companies in which agricultural **producers** are the main **shareholders**
- “Established to address a market failure, for example to provide a route to market that didn’t exist or to rebalance power in the supply chain” (DEFRA, 2014:2)



# POs & the Common Market Organisation (CMO)

- The CMO provides a framework for market support schemes within the remit of the Common Agricultural Policy (CAP)
- The CMO enables the EU to monitor and manage the markets of agricultural products through POs (EU Commission, 2015)
  - ❖ Stabilises the food markets
  - ❖ Ensures that farmers do not suffer low price returns on goods produced
  - ❖ Consumers have good quality food which is reasonably priced
- These CMO measures were initially extended to the fruit and vegetable sector in 1996

# Rules governing PO establishment

- POs regulated at EU level and are implemented at national level through legislation (statutory instrument) as to how they can operate
- Every PO must be recognised within their member state and must comply with their sector specific rules as set out in the SI
- Broad rules:
  - ❖ POs must be set up on the initiative of producers and be led by producers
  - ❖ POs must have a minimum number of members
  - ❖ POs must have a minimum volume or value of product
  - ❖ Pursue at least one of the objectives set out per PO sector rules
  - ❖ POs must be registered as a legal entity with the Companies Registration Office
  - ❖ POs must also apply to the Department of Agriculture Food and the Marine (DAFM) for recognition and report to the DAFM annually

# Advantages of POs

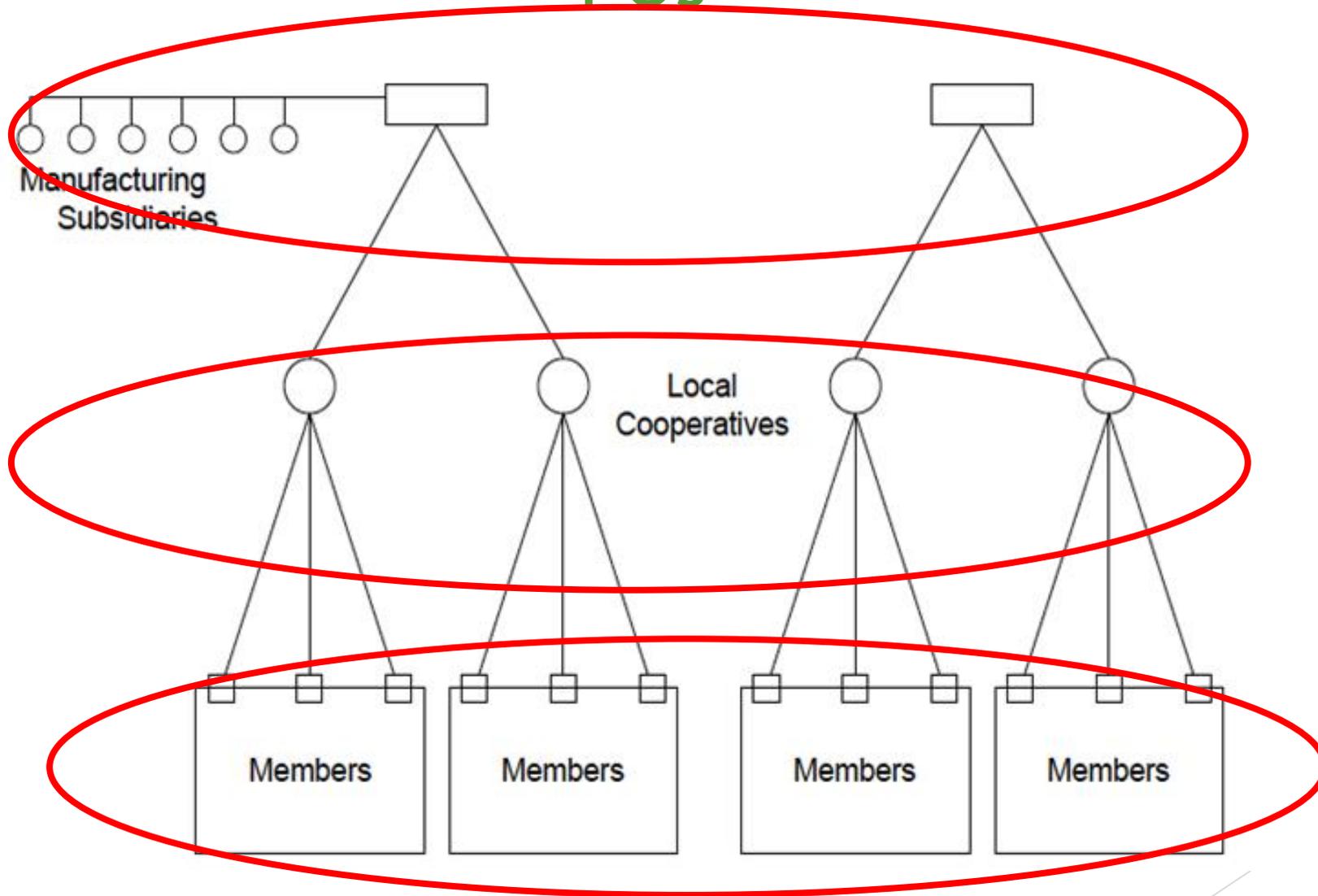
- Fairer prices and enhanced integration to the supply chain;
- Co-ordination of supply to match demand;
- Knowledge transfer and information sharing between members;
- Improved marketing and promotional opportunities;
- Ability to co-ordinate higher quality produce;
- Greater chance to add value to produce and target higher value added markets;
  - ❖ (*“but not...in the context of traditional commodity production systems” (Berdegué, 2008,p.10)*)
- Ability to address the management of by-products or waste
  - ❖ to protect the environment
  - ❖ contribute to the sustainable use of natural resources e.g. bioeconomy address and to climate change mitigation

# POs across the EU

- 3,700 POs operating across the EU (DG Agri, 2018)
- Just over 400 POs in the early 1990s

Country	No. of POs
France	759
Germany	658
Spain	558
Italy	563
Poland	250
Greece	239
Portugal	139

# Interbranch Organisation/ Association of POs



Source: Gray, 2012

# POs in Ireland

POs have been legislated for in Ireland since 1996 for different sectors:

- Fruit and vegetable (1996)
- Seafood (2000)
- Dairy (2011)
- Beef and veal (2016)

Sector	Number of POs in Ireland
Fruit & Vegetable	2
Beef	2
Fisheries	5

# POs in Ireland

- POs in different sectors operate in different ways & specific rules / principles for POs in each sector
- There are many objectives a PO can engage in, in certain sectors this can be more controlled
  - ❖ Beef POs operating - sole purpose is to negotiate on the sale and supply of cattle
  - ❖ Seafood sector POs - supported for the purposes of creating production and marketing plans

# Barriers to PO Development

- Trust / loyalty to PO
- Aging farming population / Part-time nature of farming
- Difficulties in securing price information - Contracting
- Availability of supplies
- Market forces e.g. Brexit / Mercosur



# Summary

- POs offer a conduit for farmer integration to the supply chain / value(s) chains through economies of scale
- Can help transition farmers from price takers to price makers
- Have a number of advantages e.g. knowledge transfer, higher quality produce, target value added markets
- Targeting more premium markets can give an enhanced buffer
- Offer the IBO / Associations of PO structure for enhanced scale
  
- But...
  - ❖ Co-operation is a social process...
  - ❖ Macro economic forces e.g. Brexit

# Acknowledgements



UCC

Coláiste na hOllscoile Corcaigh, Éire  
University College Cork, Ireland