PROJECTRESULTS 'LEARNING FROM OTHER CHAINS'

1. FRANCE (By Annick Schmeddes)

Terminology

In France the word 'supply chain' is used by the term 'partenariats': partnerships. This means that contracts are included. Also verbal agreements are used very often.

The supply chain Savéol

The supply chain Savéol is located in Bretagne. Savéol is the brand name of a tomato, which is sold by the selling office Savéol. Bretagne is responsible for 14% of the total French tomato production and Savéol regards 80% of the Breton production.

Activities

In this chain the **Farmers** produce the brand tomatoes Savéol. The **co-operatives** concentrate the supply, sort out, calibrate and homogenise the tomatoes and pack them in standard packages with labels. **Savéol** function as an intermediate between the market (e.g. wholesalers, retailers, purchase offices) and the farmers and co-operatives. They control the quality, they are responsible for the transport and they give directions to the farmers and the co-operatives how to produce. The **wholesaler** and the **central purchasing office** purchase the Savéol produce. They have a wholesaler's function to the LSS (Large Surface Stores). The LSS sells tomatoes in its hyper- and supermarkets to the consumer. **GIE La Croix** is a laboratory, owned by the co-operatives, which supports the products' developments and plays an important role in planning the production plans.

The most important **knowledge institution** for the Savéol-chain is the 'Cerafel', which represents the economic committee of Bretagne. It provides Savéol national and international information about tomato sales and prices. Savéol **exports 1 5%** of its products but this part isn't researched in this supply chain.

Relations

Savéol is owned by the co-operatives. The farmers and the co-operatives have long term contracts lasting several years. The farmers also have annual contracts with Savéol, called 'cahier de charge' in which the production plan for the whole season is stated. Savéol is managed by managers from the co-operatives and represents the farmers. Savéol and the wholesalers have long term relationships. The relation between wholesalers and the LSS shop is purely based on transactions.

Management of the supply chain

A real partnership only can be found in the beginning of the supply chain. Here, Savéol manages the chain. Going downstream in the chain, the relations between the actors become more equal.

Operational Organisation

At every step in the supply chain, the quality is controlled and registered. The quality information is added to the goods for the next step in the supply chain. Producers are paid for the quality of their tomatoes which is determined by the co-operatives. Each quality class has a fixed price. For Savéol, the price is negotiated every day and indicated by all the information gathered. For export prices are fixed for a week. For wholesalers the prices are negotiated each day.

The use of information technology is very important within the chain. All communication is done by fax, telephone or on-line. The fresh produce can be traced throughout the chain, because the labelling indicates the brand-name, the quantity, the date of conditioning, the producer's name and the date of stock.

Developrnents
To improve the information supply between the different elements of the chain EDI will be used. In this case contracts between the central purchasing office and the shops will be developed. Also an information system will be developed to predict sales of fresh fruit and vegetables. Other developments in the French fruit and vegetable sector are:

- The number of large supermarkets is still increasing. This will affect the wholesalers' activities because these supermarkets lower the price and start to create relationships with suppliers and shippers;
- The French government is at this moment developing a new law to protect small retailers and wholesalers from the increasing power of supermarkets;
- Vertical partnerships are going to be developed. A development already **is** to use fixed prices more and more for a period, for example, "hebdomadaires", agreements for a week;
- The opening of the European market will affect the trade. For example, the use of the ECU or EURO will level the Spanish and French currencies. In this way, Spain will no longer have a competitive advantage by fluctuations in these currencies;

2. DENMARK (By Marc van Oers)

The meat sector in Denmark

The pork sector is the most important sector in Denmark and is very concentrated. 20% of the farmers produce more than 80% of the pigs. 85% of the pork is exported, of which 60% within Europe and the rest mainly to Japan, USA, Poland and Russia. Only 3% of the pigs are sold alive or as half carcasses, the rest **is** processed further on. In Holland for example 50% is sold alive or as half carcasses. In four co-operative slaughterhouses 95% of the pigs are slaughtered.

The Danish pork supply chain

The Danish pork supply chain can be characterized by co-operative collaboration and is therefore seen as the most common form of supply chains. It is one big supply chain from breeder to retailer.

Together they produce the product Danish which is a standard lean and uniform pork that can be delivered in big volumes of exact cuts at any time all over the world. Besides this product the sector also achieved a very high veterinarian status due to this collaboration

Actors

First there are the breeders and primary producers who fatten the pigs. These groups also grow most of their own feed. The four co-operative slaughterhouses take care of collection of the pigs, slaughtering, deboning, cutting and the distribution of the pigs to co-operatively owned process industries and trade organisations, to particular trade organisations and process industries not co-operatively owned and directly to retailers. An important role is formed by The Federation of Danish Pig Producers and Slaughterhouses (Danske Siagterier). This organisation functions as an intermediary between the market at one side and the farmers and co-operatives at the other side.

Relationships

The relation between the primary producers and the co-operatives is characterised by certain co-operative principles:

- Farmers' obligation to deliver;
- Co-operatives obligation to take all the pigs;
- Equality of opportunity that find expression in an open and voluntary membership;
- Equality of condition that finds expression in The National Price Quotation System. Due to this system, every farmer in Denmark gets the same price for pigs of the same quality.

The relation between Danske Siagterier and the rest of the supply chain:

- Danske Siagterier is the service organisation of the chain;
- The board is formed by representatives of the co-operatives;
- It can be seen as an efficiency improver while it advises pig farmers for example on housing systems and nutrition;
- Danske Siagterier also changes market information into production information for breeders, pig farmers and slaughterhouses;
- Danske Siagterier collects its information from consumers, the co-operatively owned trade organisations and process industries.

Some of the process industries and trade organisations are owned by the co-operatives. This does not mean that the trade organisations only sell Danish meat. They also buy foreign meat. One of the reasons is the necessity to fulfil all the demands of the clients. Clients sometimes ask for certain type of pigs that can not be delivered by Danish Co-operatives. Than the trade organisations buy it somewhere else.

Developrnents

- Consumers want pork that fulfils all their demands and not an intermediary product that partly fulfils their demands;
- Therefore the co-operatives start to produce alternative pigs on individual basis besides the production of the 'standard pig of the pork supply chain'. New supply chains are developed within the existing chain, f.e.:
  - Vestjyske developed in collaboration with a retailer a private label;
  - Danish Crown is developing a 'Euro pig' which can cope with the demands of the German and French customers, without the use of a retailer;
  - Steff Houlberg bought the Antonius Company. This company developed the brand Antonius which is well known on the Danish homemarket.

Bottlenecks

- Due to the co-operative system, a lot of people are involved in decision making. Especially concerning strategic questions. This can have influence on the market flexibility of the whole chain;
- Due to the co-operative principles of equality of condition and equality of opportunity it appeared to be hard to develop a payment system for the alternative pig producers and to select them proparily;
- Farmers appear to be very reluctant to invest in process industries and trade organisations. The investments have a long payback time and a low direct profitability.

Succesfactors

- A well organised basic structure in which the whole sector is involved;
- Because of this involvement it appeared to be possible to have a high level of coordination of the supply chain of the Danish pork;

- The structure of the farms, where 80% of the pigs is produced by 20% of the farmers makes it easier to produce a uniform pig;
- The big sales force which is situated all over the world makes it possible that the farmers do not depend on a few markets.

3. GERMANY (By Tonnis Dijksterhuis)

An important organisation In relation with co-operation between firms or organisations in the German agricultural sector is the CMA. The CMA is a central marketing organisation for Germany that is financed by levies of all German farmers. This organisation promotes agricultural products and develops special programs for improving sales of agricultural products (for example the "Ackergold-project", in the potato-sector). Besides this the CMA issues quality-marks for agricultural products. Firms that fulfil the CMA's directives for the product they produce may use the quality mark on the package of the product.

The branded pork partnership

One of the partnerships is a branded pork partnership. This is a partnership between farmers and a co-operative slaugherhouse for the production of branded quality pork. The partnership is founded by a farmers' union. The farmers' union have the main task to advise their memberfarmers on all aspects of pig-farming. Within this program the farmers union also takes care for control and quality improvement on farm-level.

The partnership is developed to improve the financial results of the members of the farmers' unions. Therefore the farmers union founded the farmers' association. The farmers association has the function of concluding contracts with the farmers, cattle traders and the slaughterhouse.

All the porkers produced for the program are slaughtered in a co-operative slaughterhouse. The slaughterhouse takes care for the quality control of the porkers and the meat. Important criteria for the program are slaughtered weight and meat quality, like percent of fat. The slaughterhouse sells the meat to market organisations, like retailers.

Contracting systems

In Germany contract are often used in relationships between firms. Three different kinds of contract systems have been found: single contract system, group contract system and framework contract system. The single contract system means that firms conclude contracts with individual farmers for producing and delivering a product under certain conditions. The other two systems deals with cooperation on horizontal level by farmers who are gathered in a farmers association. This construction with farmers' associations that conclude contracts with traders or processing industry occurs in much sectors of the German agriculture, such as cereals (especially barley and wheat), potatoes, vegetables for conserving industry and pork.

It is remarkable that the retail-organisations are not participating in partnerships in the agricultural sector. The purchases of the retail are price-orientated so relationship with suppliers is only based on transactions. Few partnerships are found in special products, like ecological vegetables. In this relationship fits also the developments of ISO-certification in the German agriculture. Nowadays many processing firms are ISO-certified and it seems that farmers also need to be certified in the future.

Bottlenecks

A problem in the group contracting system is the opportunism of the farmers and the industry. When the farmers can become a higher price at other firms they are trying not to fulfil the contract between the farmers association and the contract-partner. When firms have more supply than they need, the are inclined to refuse the product on quality aspects. They only will take the very best quality and say that the rest don't have the right quality, even if these products fulfil the quality-conditions.

Opportunities
Because of the central role of the farmers' association in the contract-system it can tune the contract condition to become a closed quality system. By describing the quality conditions in the contracts every party knows which quality aspects they have to fulfill and they are responsible for it.

4. GREAT-BRITAIN (By Alex de Clerck)

The Brassica-Supply Chain

Actors within the supply chain are retailers, the suppliers (co-operatives, private production companies and import/distribution companies), the growers (domestic and foreign growers), and the third-party service companies (transport companies). Co-operatives have domestic or foreign growers producing for them. Private production companies too, but they also grow themselves. Actors who are not directly involved in the chain but who have an influence are: consumers, institutions, alternative buyers and ancillary suppliers.

Relationships

Relationship: retailer <-> suppliers
Retailers have verbal agreements with co-operatives, private production companies or distribution companies for the supply of brassica. These take the form of annual programs which are based on the supply during the past year and on the expected quantity and quality of product required for the next year.

Requirements of retailers can be considered as an important element of yearly programs. Requirements are used by retailers to guarantee that the product they offer to their consumers is the product they want to supply. These products which meet the requirements can be considered as a quality guaranteed product. The Food Safety Act has an important influence on the establishment of requirements.

Although retailers do have yearly programs with their suppliers, it is always possible to end the co-operation. Most retailers use league tables: tables that show which suppliers delivered the best quality at the correct price. Suppliers who fail can be delisted.

Relationship: suppliers <-> growers
Suppliers have written or verbal contracts for one year with their growers. Members of co-operatives are obliged to deliver their brassica to the co-operative if they made an agreement for a special kind of produce. Suppliers restrict alternative sales possibilities of growers by dedicated supply. As soon as the growers decide to have an agreement with suppliers they are obliged to deliver 100% of the product.

Relationship: transport companies < - > actors of the supply chain

These companies offer their service to companies in the brassica-supply chain. They are informed on how to transport the product by receiving specific requirements of retailers.

The management of the supply chain
The requirements of the retailer can be considered as the common element of the relationships between buyers and suppliers in the brassica-supply chain. Suppliers have an important part in the tuning process of retailers and growers. Because of their direct link to the retailer they receive information regarding the fresh products. Within their direct links with growers they are actively involved in monitoring and controlling the growing and harvesting process. Growers have a restricted part in the management of relationships in the supply chain.

Efficient Consumer Response
Relationships which have developed over years and have resulted in trust offer the actors improved investment possibilities. By investing, companies can improve their way of doing business with the aim of reducing costs and maximizing efficiency. Trust between retailers, suppliers and growers has led to the situation that retailers pursue a smaller base of suppliers. This means that fewer suppliers have to supply more. Growing, packing and transporting large quantities of product can reduce costs made in connection with economies of scale. Besides this, a relationship with fewer suppliers leads to the opportunity to spend more time and attention to every supplier. This time can be used to create a more balanced and better tuned relationship.

Actors in the brassica - supply chain believe that, in comparison to ten years ago, consumers can buy a more quality guaranteed product (more fresh; more reliable) for the same price or at least at a price which is relatively the same.

Bottlenecks
- The quality control of products when leaving distribution centres of the retailer. Damage occasionally occurs during the process between the distribution centre and the shelf. Suppliers are fully responsible for the delivery of products which do not fulfil the requirements of the retailer. They do their utmost best to keep their product at the right temperature.

  Retailers want to improve the way the produce is treated when 't leaves the distribution centre. They also want to prevent a situation where the suppliers don't feel responsible after delivering their product to the distribution depots. They are thinking about pushing down more activities to suppliers. A possibility, which is being considered at the present time, 'Is to give suppliers the shelf-management of their product in the supermarket. This situation will broaden total responsibility of the suppliers and bring them closer to the consumer.

- A part of the growers is still product oriented. A lot of developments have taken place in the food industry. However the attitude of farmers has not adapted to these changes. They are still not aware enough of the opportunities of adding more value to the product by producing more of what the consumer is asking for.

WHAT DID WE LEARN?

The main question in the project 'Learning from other chains' was:
> *'What can be learned from cooperation in and between agri-industrial chains, research*

institutes and government in Europe?'.

1 . The developing and existing of agri-industrial chains or cooperation between various actors depends heavily on the influence of the retail. They can highly inluence chain organisation and chain activities.

2. Cooperation in the meatsector is in Denmark more succesful than in comparing sectors in Great-Britain, France, Germany or The Netherlands. The reason for this is that the integration of production and processing within the cooperatives is very strong. Therefore the Danish meatsector can cope with the requirements of the retail to fuifill the needs of the consumers;

3. Cooperation between actors in agri-industrial chains is mainly driven by environmental influence, such as market, legislation and informationtechnology;

4. Quality control in and within agri-industrial chains, new agri-logistic concepts focussed on an efficient and quick distribution of products, the need for information and the use of information technology (ECR, SCM) and organisational innovation are important new concepts for the further development of agri-industrial chains;

5. Cooperation between actors in chains has been found in different ways, -such as contracts (written or verbal) in Germany, partnerships based on verbal agreements and trust in France and close cooperation between partners in supply chains in Great-Britain.

6. Strengthening of agri-industrial chains and research institutes is stimulated by governmental subsidy-programs. These programs stimulate the cooperation between research institutes and the agri-business community by shared payed (public and private means) projects. The foundation Agri Chain Competence in the Netherlands, the MAPP-centre in Denmark and the Link-program in the United Kingdom are examples of such stimulation programs.

7. A common definition of agri-industrial chains, vertical co-ordination or supply chains is notfound.