FAO-EBRD Workshop on “Best practices and approaches for enhanced F&V supply chain management”

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An Italian experience on supplier-retailer relations and supply organization focused on F&V value chain

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European Bank for Reconstruction and Development
1. Role of the Cooperative towards their members

2. Business relations with modern market: private labels and retailers standards

3. Evolution of packaging
COOPERAZIONE,
INSIEME PER IL FUTURO

992 cooperatives

2015: members 214,454

23,598 employees

turnover in € 8,629,000,000
OVERVIEW

<table>
<thead>
<tr>
<th></th>
<th>Cooperatives</th>
<th>Members</th>
<th>Employees</th>
<th>Turnover</th>
<th>Average turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Δ 2015/2003</td>
<td>-23 %</td>
<td>-14 %</td>
<td>+4 %</td>
<td>+37 %</td>
<td>+70%</td>
</tr>
</tbody>
</table>

## Legacoop cooperatives vs non cooperative companies

<table>
<thead>
<tr>
<th>ITALY, 2015</th>
<th>Non cooperative company</th>
<th>Legacoop Agroalimentare cooperative</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average turnover (€)</strong></td>
<td>2,300</td>
<td>8,700</td>
<td>3,8</td>
</tr>
<tr>
<td><strong>Average number of employees</strong></td>
<td>6,6</td>
<td>24</td>
<td>3,6</td>
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</tbody>
</table>
Cooperatives provides advisory services for farmers.

This means an important support in research and development, (e.g. new varieties and technologies), which is extremely important to improve quality and market standards.
Role of the Cooperative towards their members

Through the Cooperative, the Farmers realize the possibility to concentrate the offer and optimize the costs.

Development of logistic and marketing services let increase the market opportunities and best prices, through economy of scale along the Chain. A rational Packing House is a base for the modern market.
Administrative services reduce individual costs and help Farmers in their fiscal and/or financial needs.

Cooperatives can operate collective investments with a better purchase/bargaining power. Similarly, insurance against accidental events (hail, frosts, etc.) is more convenient if contracted collectively.
Role of the Cooperatives towards their members

They operate as Trade union facilities presenting Farmers' requests to politics

Cooperatives are members of the National Association (ACI – Alleanza delle Cooperative) delegating any discussion with political representatives or Ministry, European Union (by COPA-COGECA).
Cooperatives supply to their members services of Logistics, market standards, certifications, fundamentals to approach modern Retailers.

Today, in Europe, Supermarkets are the main players for fruit and vegetables sales. Supermarkets prefer organized suppliers, with an high level of service and quality.
PLs doubled its target since 2007 (10 BL€, +10% on annual average)

In 7 countries, the incidence reached or exceeded 40%: United Kingdom, Germany, Austria, Belgium, Switzerland, Spain and Portugal.

The hugest increases were recorded in Austria (43%, +2.8) , followed by Germany (45%, +2.1) and Poland (30%, +1.4%).
The situation in Italy

"In Italy, PLs have grown for the fifth consecutive year, being the highest among the Mediterranean countries. From 2013, the annual increase has been of 10% "]*

In 2017, the market share of PL in super-hypermarkets is 18.5%. In discount stores, PL reached a 57.1% share (56.7% in 2016) of distributor brand. Consequently, almost 1,500 SMEs in Italy are copacker of PL.

*Private Label Manufacturer Association -Yearbook 2016
Retailer Standards

The PLs include fresh products (fruit, vegetables, meat, poultry, fish) from a controlled supply chain, produced with an integrated control systems, and from organic farming.

The operators eligible for the use of the label are production and processing/marketing companies able to comply with the Retailer collective standards of practices e.g.:

- **Farming:** Good Agricultural Practices (GAP), Organic
- **Processing:** Good Manufacturing Practices (GMP) or
- **Exclusive to Retailer owners**
Export by PL

The scenery does not change for export to other Retailers in EU.
German Retailers are the most exigent.

All these PL standards present overlaps with EU Directives and Control systems and create more costs for Farmers.
Basic request of Fruit and Vegetable Market is represented by the traditional box, more in plastic than wood.

Supermarkets require mainly carton boxes (preferred 1 layer open-top with trays). The demand of reusable plastic boxes (e.g. IFCO, Europool) is quickly increasing.

Each package needs a specific **product**. **Variety, class and category** are requested only when mandatory (e.g. apples, pears, lettuces, tomatoes). **Origin and weight** should be declared on the label, so as the date of packaging and traceability code.
There are many different types of packaging, depending on the products: boxes, bags, punets, etc.

Each package can depend from the way of sale. Small packages, with high level of service, can be related to the added value of the produce.
Evolution of packaging

2 examples: vegetables are usually sold into different types of packages

Small fruits, such as Berries, usually require smaller (125-150g), dedicated package, due to the care they need.
Packaging is sourced from companies usually specialized in fruit & veg sector.

The costs for packaging is charged on the suppliers (e.g. cooperative, farmer, trader) and included in the sale price.

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The market of shelf-sale (Supermarkets) requires closed packages

Different packaging systems are mainly preferred today: flow pack, thermoforming, tray sealing, and stretch film, or nets, bags and similar
Retailers requires specific packages to the suppliers and usually they don’t accept different ones.

The request of specific own packages from Retailers is increasing all over Europe, depending from their sale strategies. This is improving the amount of pack storage for suppliers.
Package is the new frontier for saving fruits and vegetables limited shelf life. A widest range of packaging solutions are facing the market with specialized technology for extending the conservation of F&V

On the other side, the emerging problem of waste is pushing packaging solutions towards with compostable or recyclable materials
Thank you for your attention!

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