MODULE 1
Role and importance of aggregation and management in the F&V sector

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MAY 30th

MORNING
- Types of Farmers’ aggregation
- Cooperatives and POs in Italy

AFTERNOON
- Managing a Producer Organisation
- Cooperatives and POs: Case Studies in Italy
The Agriculture, with the opening of markets, has entered a phase of deep change. The Farmers have to:
- plan their development in a medium-long term,
- orient productions in relation to market demands
- link with other participants in the supply chain

The qualitative and dimensional growth of farms is becoming a prerequisite for their development.

The strategies available to the Farmers to get qualitative and dimensional growth, are essentially 2: for 'internal lines' or for 'external lines'.

Aggregated farms in a group may easier face the challenges of the market, essentially connected to:
- realization of economies of scale or scope
- reduction of risks and time to enter new markets or new business areas, or diversification into other sectors.
The Farmers can aggregate by 2 different ways

1. The **collaborations among Farms** at different stages of the value chain.
   - written agreements to implement some activities
   - In a more complex model, a consortium or a cooperative can be established
   - It allows the coordination and development of specific phases of the business activities
   - Consortium (or POs): farms maintain autonomy

2. The **fusion between Farms** to create a new legal and economic entity
   - Strategic objectives: like collaborations.
   - The choice to reach a complete integration depends on the project to be realized.
   - Fusions of Farms is the most structured form of aggregation.

The choice of the best form of aggregation is connected to the objectives to be achieved.
About the legal form that the forms of aggregation can take, in Italy they can be divided into two macro-types: contractual aggregation (consortia and ATI) or Legal aggregation.

In the Italian legal system, the following types of companies are provided, each with its own elements and characters:

1. Company of persons: unlimited and joint liability of the partners, direct relevance of the shareholders' administrative power, non-transferability of the membership.
2. In Companies: members enjoy limited liability; The power of administration is dissociated from the quality of shareholder; membership status is freely transferable.

The most common types of Farmers’ aggregation in Italy are:
1. ASSOCIATION, (CONSORTIA*), 2. COOPERATIVES, 3. EU POs

*Included a special kind of consortium: the Protection Consortia
The Melinda Consortium is an organization of producers whose structure is member farmers, about 4,000 families of fruit farmers who live and grow apple trees in the Val di Non and Val di Sole.

The members of one of the 16 co-operatives members of Melinda Consortium, delegate organization and management of all procedures downstream of harvest (storage, refrigerated storage, selection, packaging, dispatch, promotion, sales, administration, purchases, HR management, etc.).

The 3 principles of the Melinda Consortium are:
1. the 4,000 families of fruit farmers
2. the Melinda brand.
3. how the Consortium is organized.
- **Legislative requirements.** The cooperatives are created for the collective exercise for the mutual purpose of commercial and non-commercial companies. The cooperative's social contract is open to third parties, allowing the entry of new members under the conditions determined by the deed of incorporation.

- **Management.** In the cooperatives the social powers are attributed to each partner as such, regardless of his share of participation in the company. The financing members can be nominated administrators, but the majority of the administrators must be constituted by cooperative members.

- **Supports.** The share capital of a cooperative is not determined in a pre-established amount but is variable.
PRODUCER ORGANISATIONS

- Legislative requirements. Producer organisations are voluntary aggregations of producers of agricultural products. POs are groups of farmers and growers, which have been formed by the initiatives of the producers and are controlled by them. They may concentrate supply, improve the marketing of products, optimise production costs, carry out research and a wide array of other activities. They must be a legal entity or part of a legal entity. The recognition is granted in respect of the product or group of products specified in the application for recognition.

- Management. The regime requires national authorities to recognise any group of producers that applies for PO status - if they meet several requirements,

- Supports. The Union financial assistance to the POs is equal to the amount of the financial contributions of members or of the PO itself to the operational fund of the PO as actually paid but limited to 50 % of the actual expenditure incurred.
MANAGING A PRODUCER ORGANISATION

- Production planning
- Establishment and management of Operational funds
- The market output value
- Measures for prevention and crisis management
- Preparation of F&V Operational programs
- Financial and administrative controls, annual reports
The strengthening of the instruments of organization and concentration of agricultural supply through the development of Producer Organizations (POs) represents one of the strategic actions that the European Commission intends to promote.

POs in the fruit and vegetable sector are subjected to the Community regulation of the CMO which has given rise to a process of growth and reorganization of the production system that has affected all areas of our Country, although with different dynamics and characteristics.

The results achieved so far seem to demonstrate how these OCM tools have their effectiveness in areas with a strong cooperative tradition.
Apofruit Italia is a cooperative that works with its own processing facilities and producer members from the north to the south of Italy. This specialization is demonstrated by the quality and variety of the produce offered, the efforts devoted to introducing innovations to products and processes, services made-to-measure for modern retail, and the organizational and management efficiency.

- Numbers: 4,100 producer members throughout the country, 12 processing plants and 6 warehouses, 228,500 tons of products delivered, value of production 190 ML€, net worth of 102 ML€, 165 permanent and 2240 seasonal employees.
The Apofruit strategy

- innovate products and production processes
- improve competitiveness, making economies of scale
- implement synergies in the supply chain, by MEDITERRANEO GROUP (AOP)
- operate in an effective way to organize the offer
- market directly by direct relationship with the customers

The brands:

- **SOLARELLI** wide range of top-quality produce
- **SOLEMIO** to the Far East
- **ALMAVERDE BIO** Organic fruits
Agenda

MAY 31st

MORNING
- Development of F&V market in Italy

AFTERNOON
- Advantages of networking in the Retail market and negotiation with buyers
Fruit and vegetable products are a significant source of income for the Italian agricultural sector, so much so that they contribute 23% to the formation of the entire National Agricultural Gross Production (PLV).

High quality of Italian fruit and vegetables on the international scene, (first among European countries in EU Quality denominations).

A positive trend in fruit and vegetable consumption from 2014 to today, volumes from less than 7.6 ML tons to 8.5 ML tons in 2017.

Critical points: a fragmentation of the offer and a consequent fragmentation of logistics.
The retail channel (supermarkets, hypermarkets, etc.) is the main instrument for the distribution of fruit in Italy (84.8%).

Large-scale retail distribution (ODC) is the modern retail system

It represents the evolution of the single supermarket. It consists of: Great Distribution and Organized Distribution

Supermarket and hypermarket chains, can belong to a proprietary group or be part of consortium associations
ADVANTAGES OF NETWORKING IN THE RETAIL MARKET AND NEGOTIATION WITH BUYERS

The aggregate of 18 among the main international groups closed 2017 with revenues of 1,258 billion euros, up 3.3% on 2016.

On average, just under a quarter of sales by large operators are made in foreign sales outlets.

The presence of an increasingly strong and concentrated large-scale retail trade that requires inflexible controls without price guarantees that allow agricultural companies to obtain margins to cover ever higher production costs.
State-of-art in Italy

- In Italy, all the biggest names of the large-scale retailers have an exclusively national dimension.

- In general, in Italy, the large-scale retail trade (both GD and DO) suffers from a considerable weakness of the national chains that are overwhelmed by the power of foreign giants.

- Analyzing the relationship between small-to-medium-sized (SMEs) suppliers and large retailers, the organizational and structural conditions that SMEs should guarantee in order to develop stable and long-term relationships.

- Small and medium-sized enterprises continue to often find it difficult to relate to large-scale retail trade.
Strategic work areas for fruit and vegetable suppliers in their relationship with retail

The aggregate of 18 among the main international groups closed 2017 with revenues of 1,258 billion euros, up 3.3% on 2016. Apart from WalMart (23.8% abroad), the other US chains (Kroger, Target, Albertsons and PSM) operate only on the domestic market, as do the British Sainsbury, the Canadian Loblaw and the Spanish Mercadona. But, in Europe, the Dutch Ahold Delhaize invoices 78.2% of sales abroad, followed by three French groups: Auchan (64.3%), Carrefour (54.6%) and Casino (44.7%). In Italy, just under a quarter of sales by large operators are made in foreign sales outlets.

How to think about a balanced relationship?
Strategic work areas for fruit and vegetable suppliers in their relationship with retail

How to think about a balanced relationship?

The organizational and structural conditions that SMEs should guarantee in order to develop stable and long-term relationships with large suppliers highlights two main conditions that a small supplier should accomplish:

1. the strategic approach needed to enhance relationships with retailers, based on deeper market analysis rather than short-term and “occasional” approach.

2. the managerial approach that should balance between managerial long-term orientation in order to develop throughout more planned steps.
What are the strategic work areas for F&V suppliers in their relationship with Retailers?

1. Suppliers must possess the **necessary quality requirements** and recognized certifications. **Product and service** quality are elements that cannot be missed.

2. Retailers apply management logics to the sales network and to the different departments, therefore the **commercial relationship must be based on collaboration**, rather than being limited to the role of spot suppliers.

3. The "**new consumer**", ever more demanding in terms of quality and service, can only be satisfied in a partnership relationship distributor-supplier, having a common objective: **economic sustainability of all players in the supply chain**.

The aggregation allows to face these challenges that the current market system imposes:

- **Efforts of innovation**
- **Promotion**
- **Valorisation**

These can be sustained only through aggregated realities and able to optimize the advantages that come from the union of forces.
THANK YOU FOR YOUR ATTENTION!
ANY QUESTIONS?