
Support for Farmers' Cooperatives

Case Study Report **European Fruit Co-operation (EFC)**

Jos Bijman
Anne Saris



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The SFC project is managed by Wageningen UR’s Agricultural Economics Research Institute LEI and Wageningen University. Project managers: Krijn J. Poppe and Jos Bijman.

Other members of the consortium are:

- Pellervo Economic Research PTT, Finland: Perttu Pyykkönen
- University of Helsinki, Finland: Petri Ollila
- Agricultural Economics Research Institute, Greece: Constantine Iliopoulos
- Justus Liebig University Giessen, Germany: Rainer Kühl
- Humboldt University Berlin, Germany: Konrad Hagedorn, Markus Hanisch and Renate Judis
- HIVA Katholieke Universiteit Leuven, Belgium: Caroline Gijssels
- Rotterdam School of Management, Erasmus University, The Netherlands: George Hendrikse and Tony Hak

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Jos Bijman

Wageningen University, The Netherlands

Anne Saris

Wageningen University, The Netherlands

November 2012

Corresponding author:

Jos Bijman
Wageningen University
Management Studies Group
Hollandseweg 1
6707 JB Wageningen,
The Netherlands
E-mail: jos.bijman@wur.nl

Preface and acknowledgements

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, "Support for Farmers' Cooperatives (SFC)", that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project, this case study report on the transnational partnership European Fruit Co-operation (EFC) has been written. Data collection for this report has been done in the spring of 2012.

In addition to this report, the SFC project has delivered 32 other case study reports, 27 country reports, 8 sector reports, 6 EU synthesis and comparative analysis reports, a report on cluster analysis, a report on the development of agricultural cooperatives in other OECD countries, and a final report.

The authors would like to thank Mrs. I. Hayen of EFC and Mr. S. Kruiper of Royal FruitmastersGroup for their willingness to collaborate in this project and to share information on structure and strategy of EFC. We also like to thank Mr. A. Schlessers to share information on the initiative to establish an European Association of Producer Organisations.

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List of abbreviations

APO	Association of Producer Organisations
CAP	Common Agricultural Policy
CMO	Common Market Organisation
EFC	European Fruit Co-operation
F&V	Fruit and Vegetables
PO	(recognized) Producer Organisation
OP	Operational Programme

1. Introduction

In this introductory chapter, first the objective and research questions will be discussed. In section 1.2 the analytical framework of this project is presented, after which the methods of data collection are described in section 1.3. Section 1.4 then continues with a literature background. The major developments in the fruit and vegetable sector are shortly described, and finally section 1.6 discusses the CMO policy and its evolution.

1.1 Objective and research questions

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers' Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the information on the collaboration between Belgian, Dutch and German cooperatives in the European Fruit Co-operation (EFC).

Instead of going international themselves, cooperatives may also set up close collaboration with cooperatives from another country. Several European cooperatives have set up collaborations with cooperatives in other countries. These collaborations can be in the form of a strategic alliance or a joint venture.

Particularly in the F&V sector, the number of collaborations among nationally based cooperatives have been increasing, partly due to the support from the EU policy on (Associations of) Producer Organisations.

One such collaborations that has been operating for several years now, is the European Fruit Co-operation (EFC). This case is a good example of transnational collaboration in the F&V industry in order to improve the competitiveness of the farmers and their cooperatives. The case gives valuable insights into the effect of both EU and national/regional policies on the options for and success of international collaboration. In addition, by showing how the participating cooperatives have dealt with differences in structure, markets and culture, will improve our understanding of the challenges and opportunities of international collaborations.

Although farmers are encouraged to unite themselves in Producer Organisations and to further concentrate themselves in order to strengthen their countervailing power, little research has been conducted on the effect of EU policies on the establishment of international collaborations between cooperatives. This report will address this issue and will give recommendations on how EU, national and regional policies may support the creation of international collaborations.

In this case study, the following research questions have been guiding the research. First, what are the trends in the market for F&V that lead to more international collaboration, particularly in APOs? Second, what are potential barriers for effective international collaboration? Third, how has EFC dealt with such barriers? Fourth, what consequences does the collaboration have for the member organisations, both in terms of function and structure? Fifth, what has been the (positive and negative) influence of regional, national and EU policies on the formation and effectiveness of these collaborations? And finally sixth, what can policymakers at regional,

national or EU level do to strengthen international collaboration in APOs or other type of joint ventures among cooperatives and producer organisations?

1.2 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

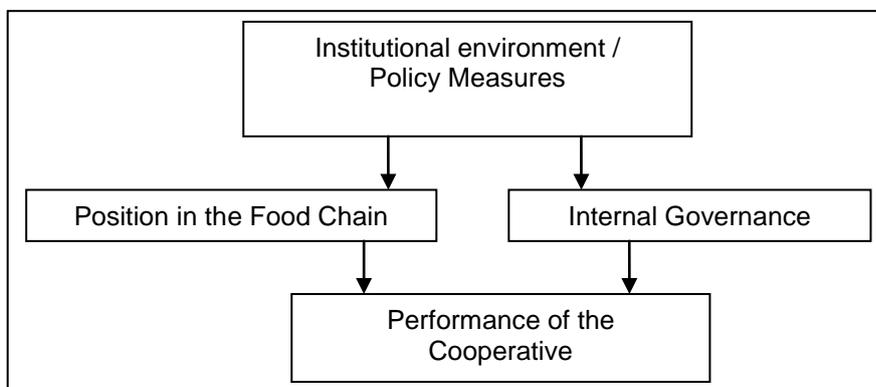


Figure 1. The core concepts of the study and their interrelatedness

1.3 Method of data collection

The case study is based on multiple data sources. First of all, secondary data was used such as academic literature, country reports of the Support for Farmers' Cooperatives project, popular press and electronic media, various archives and other sources of information.

Additional information has been collected through personal and telephone interviews with various cooperative stakeholders. For this particular study, the CEO of EFC has been interviewed, as well as the financial manager of FruitmastersGroup. Standard techniques and approaches used in case study research were used in order to maximise reliability and avoid biases.

This case study has also benefitted from a number of interviews that authors have had with other cooperatives in the Dutch, Belgian and French F&V industry. Those interviews were held for input to case studies in the SFC project, but the issue of international collaboration among cooperatives in the European F&V industry was often discussed.

1.4 Literature background

To get a full understanding of the international collaborations between cooperatives, we will first give a short review of the incentives and strategies for (international) collaborations.

In scientific literature, a number of incentives for developing partnerships have been described (e.g. Child et al., 2005). First there are the external drivers, such as:

- turbulence in world markets and high economy uncertainty;
- the existence of economies of scale and/or scope as competitive cost-reducing agents;
- the globalization or regionalization of industries;
- the globalization of technology;
- fast technological change leading to ever-increasing investment requirements; and
- shortening product life cycles.

Secondly, the development or improvement of an organisation's competitive advantage might serve as the main motivation to collaborate, such as creating economies of scale, gaining access to other's tangible and intangible resources, and reducing risk by sharing it (Child et al., 2005).

Interorganizational collaborations exist in a wide range of forms, that usually differ in their level of integration. Firms may choose to develop a contractual partnership, or may set up a totally separate entity, which is mostly referred to as a joint-venture (Kale and Singh, 2009). Successful examples of contractual partnerships are the Japanese supplier-buyer relationships (also referred to as keiretsu models); R&D collaborations in pharmaceuticals and biotechnology; multi-firm consortia in the construction industry; and the strategic alliances in the airline industry (Child et al., 2005; Dyer, 1996). Joint ventures are more often observed in medium and low technological industries, such as the food and beverage sector (Hagedoorn, 2002).

Organizations that choose to collaborate for one of the abovementioned reasons, have to select a partner which meets their needs. In other words, the organizations need strategic fit. The organizations need to be complementary to each other, whether it concerns their assets or capabilities, and need to be able to create synergies from their complementarity. Furthermore, cultural fit has been described as essential for the operation of the alliance. Differences in both national and corporate cultures could lead to relatively simple misunderstandings or to fundamental conflicts in values (Child et al., 2005). Developing an understanding of the partner's beliefs and behaviour and setting up unitary management processes, might overcome any cultural diversity problems (Parkhe, 1991).

1.5 Developments in the fruit and vegetable industry

In the F&V industry, several external factors may create incentives to collaborate with other organisations in the chain.

Changing consumer demand

Consumer demand has changed over the last decades. Lifestyles have become both more diverse and health conscious, and end consumers want to be able to choose from a wide variety of fresh fruits and vegetables all year round. For suppliers this has far reaching implications. First, they have to supply a wider range of products, such as exotic fruits and organic produce. Second, products have to be sourced from countries with counter seasonality. Third, suppliers have to differentiate in the level of added value. For instance, products may be packed or processed (pre-cut and/or mixed) (Neven and Reardon, 2002).

In addition, the consumption of fruit and vegetables has stagnated in most European countries. Within the EU-27, the consumption of fresh fruit declined by 8% and the consumption of vegetables by 7% in 2010. This is somewhat below the average of respectively 9% and 10% over the period 2005 – 2011. Despite all the actions to promote the consumption of fruit and vegetables, consumers actually have been eating less (Freshfel, 2012).

Concentration in the food retail

Consumers buy most of their fruit and vegetables in supermarkets. For the major retail chains, F&V are an important category, since fresh produce is one of the categories that can attract new customers and it is an important source of profit. Throughout Europe, the share of large retailers in the sales of fruit and vegetables to consumers ranges from over 40% in Spain, to 75% in the UK, France and the Netherlands (Bijman, 2012; Bunte, 2009)

Concentration in the food retail sector is very high in most northern European countries, and is increasing in southern EU countries. In the Netherlands, the purchasing powers of supermarkets also very strong, as only 3 purchasing organisations account for 73% of all food purchases (Bunte, 2009). The concentration of food sales by just a few retail companies has implications for the position of their suppliers, and the balance of power between suppliers and buyers. In general, suppliers are much more dependent on the retailers than the retailers are on their suppliers. Therefore, concentration in food retail is generally considered as disadvantageous for suppliers. However, concentration may also have some advantages. Larger companies have been more supportive of product innovation in the F&V industry. Large supermarket companies are better able to bear the risk of the introduction of new products, can store and present more different varieties of products, and have the resources to launch large-scale advertising campaigns to introduce new products and new product varieties (Bijman, 2012). Furthermore, it has led to significant improvement in the efficiency of supply chains as the large supermarkets use sophisticated ICT and logistic systems (Bunte et al., 2011).

The concentration and dominance of supermarkets in the sales of F&V to consumers has also an effect on the functions and structure of the wholesale companies that supply these supermarkets. Retail companies prefer to trade with a limited number of preferred suppliers. As a result, wholesalers are competing among each other to become preferred supplier (Bijman, 2012).

Increasing competition from third countries

European producers of F&V are experiencing increased competition from countries outside of the Union. Temperate climate fruits are imported from the Southern hemisphere countries like Chile, South Africa and New Zealand, particularly in the European winter season, but even beyond this season. In fresh vegetables like beans and peas the European producer has found significant competition from African producers, such as from Senegal, Kenya, Ethiopia, Morocco, and Egypt (Bijman, 2012).

In the processing industry, the competition from outside the EU has a longer history. This competition is most strong in the low price category. For instance, China has become one of the world's largest exporters of processed fruits and vegetables. Most European processors have shifted towards products with added value, such as high quality products and organic products (Bijman, 2012).

1.6 European policy on Association of Producer Organisations (APOs)

Background of the Common Market Organisation for fruit and vegetables

Since the establishment of the Common Market Organisation (CMO) in 1972, Producer Organisations (POs) have played an important role in the fruit and vegetable sector. In its early years, the CMO focussed mainly on the management of withdrawals. However, in 1996 the a reform was adopted to reinforce the position of the producers on the market and to simplify the regulations. The grouping of supply was considered a necessity to respond to the increasing concentration of the retail (Camanzi et al., 2009).

The CMO offers fruit and vegetable growers an aid for 50% of the costs of measures taken by growers in so-called 'Operational Programmes' (OPs), which aims to improve product quality, reduce production costs and improve environmental practices. The aid is only available to groups of growers that collectively market their produce in 'producer organisations' (POs). Member States are responsible for approving Operational Programmes and paying the aid (European Commission, 2006).

Despite the efforts of the European Commission and the fact that the establishment of Producer Organisations had proven to be an effective mechanism for strengthening the position of growers, the marketed production value of POs stagnated in the period 2000 – 2004, in contrast to the production value marketed outside POs. Concurrently, as described in the previous section, the sector was facing some negative developments, in addition to regular crises of the market, which resulted in price fluctuation.

In order to respond to these developments, a reform of the CMO was adopted in 2007. The following goals were formulated in this reform (European Commission, 2010):

- to improve competitiveness and market orientation of the EU fruit and vegetable sector, thus contributing to achieving sustainable production that is competitive both on internal and external markets;
- to reduce fluctuations in fruit and vegetables producers' income resulting from crises;
- to contribute to increasing consumption of fruit and vegetables in the EU;
- to continue the efforts made by the sector to maintain and protect the environment;
- to simplify and, where possible, reduce the administrative burden for all concerned.

Concerning Producer Organisations, the reform included measures to improve their attractiveness, by allowing for more flexibility in their operation. New provisions were made on the product range, the extent of direct sales permitted, the extension of rules to non-members and, under certain conditions, the possibility of delegating powers or functions to an Association of Producer Organisations (APO) and the possibility of outsourcing certain activities, including to subsidiaries (European Commission, 2010).

Moreover, an increase of the Community contribution to the Operational Programmes from 50% to 60% was introduced to encourage the concentration of farmers by merging POs or establishing APOs. However, the POs or APOs will receive this higher contribution only for their first OP (European Commission, 2010).

Associations of Producer Organisations

In addition to the regulations for the POs, to which the APOs have to comply, there are also some specific regulations for farmer members of an APO (European Commission, 2011):

- apply the rules adopted by the producer organisation relating to production reporting, production, marketing and protection of the environment;
- belong to only one producer organisation in respect of a given product covered by the regime;
- market their entire concerned production through the producer organisation;
- provide the information requested by the PO for statistical purposes, in particular on growing areas, quantities cropped, yields and direct sales;
- pay the financial contributions provided for in the articles of the association of POs, for the establishment and replenishment of the operational fund.

The number of producer organisations which became members of an Association of Producer Organisations (APO) doubled between 2000 and 2006. The largest APOs are found in Belgium and Italy (Copa-Cogeca, 2009). However, the number of APOs in Europe is still small, and seems to depend on the POs perception of the necessity to improve their competitiveness and to reduce their transaction costs. This perception is likely to be influenced by the existence of POs that already have a commercial partnership with large retail chains. It is also believed that, at least up to 2007, the Operational Programmes provided weak incentives for the establishment of APOs, because the POs had to sacrifice part of their funds in order to set up a new organisation and develop a new Operational Programme accordingly (Agrosynergie, 2008).

In order to promote international collaboration among POs, the EU financial assistance for operational programmes for transnational APOs is 60% instead of 50% available for the operational programmes of POs (COUNCIL REGULATION (EC) No 1182/2007). The operational programme of the transnational APO has to be a so-called 'transnational scheme'.

2. European Fruit Co-operation (EFC)

This chapter first provides an overview of the Belgian, German and Dutch fruit sector, by describing the production, trade, and market in section 2.1. It then continues with a description of the APO EFC in section 2.2, after which the influence of European and national support measures is discussed in section 2.3.

2.1 Facts and figures on fruit sectors

In this section, a description will be provided of the fruit sectors in Belgium, Germany and the Netherlands. As the EFC is dedicated to fruit, information on vegetables is to a large extent excluded.

2.1.1 Production

The fruit and vegetable sectors in Belgium, Germany and the Netherlands have shown an annual growth of approximately 1–2% in the period 2001 – 2009. Concerning fruit, all three countries grow more or less the same products: apples, pears, strawberries and some other soft fruits such as blueberries and cherries. Figure 2 shows the production volumes of the three countries.

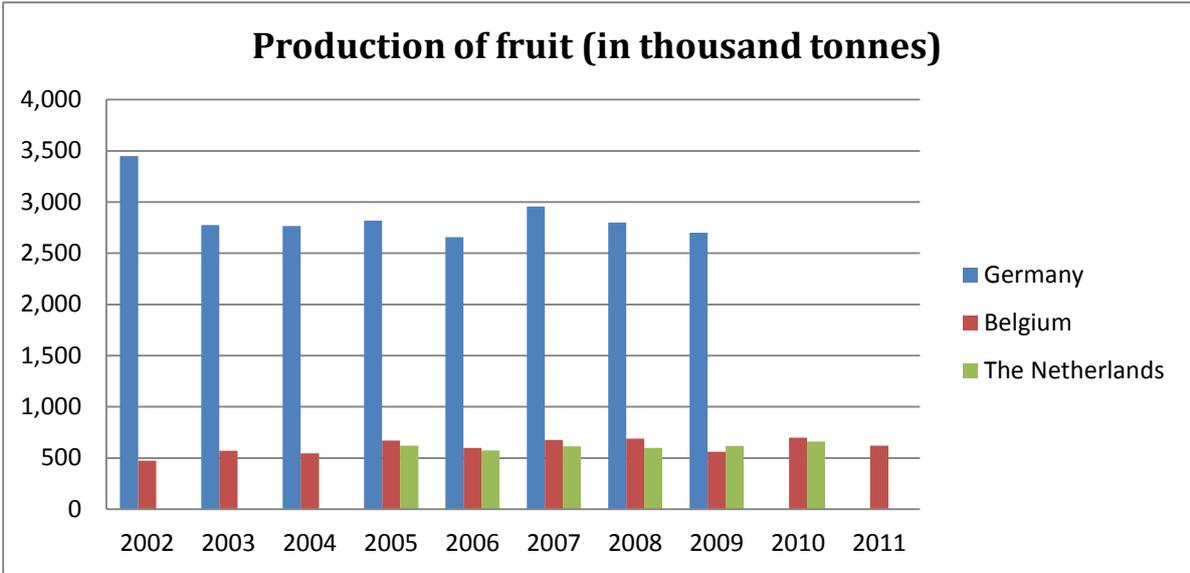


Figure 2. Production of fruit in Germany, Belgium and the Netherlands. Source: VLAM (2012).

Figure 2 shows that fruit production in Belgium and the Netherlands has been relatively stable over the last 6 - 10 years, but that the German production has fluctuated somewhat more. Largely due to its size, Germany has a substantially higher production than Belgium and the Netherlands.

A trend of scale growth is affecting the Belgian, German and Dutch F&V sector. While the number of firms has decreased (see Table 1), total production has remained relatively stable. Thus, production per farm has increased (Bijman et al., 2012; Kühl, 2012). In the Flemish part of Belgium, a 50% increase of farm size (in land possession) has been observed (Gijssels and Bussels, 2012).

Table 1. Number of firms specialised in fruit (incl. citrus fruit)

	2000	2007	% Annual change
Belgium	1640	1290	-3.0
Germany	9790	7430	-3.4
The Netherlands	2390	1790	-3.6

Source: Bijman et al. (2012); Gijssels and Bussels (2012); Kühl (2012).

Fruit is grown nearly all over the countries, but specific regions with intensified production can be delineated. In Germany, there is some concentration in the northern part of Germany (the area in the vicinity of Hamburg) and in the South, in the Lake Constance area. In Belgium, most production originates from the Flemish part of the country, particularly in the Province of Limburg, and in the Netherlands most fruit is produced around the rivers Rhine and Waal.

European producers are experiencing increased competition from countries outside of the Union. Temperate climate fruits are imported from the Southern hemisphere countries like Chile, South Africa and New Zealand, particularly in the European winter season, but even beyond this season (Bijman, 2012).

In fruits, an interesting development over the last decade is the introduction of new apple varieties whose production is restricted to certain growers. These so-called club varieties are sold through the regular fruit cooperatives, but the supply is being controlled (Bijman et al., 2012). EFC is one of the major players in the market for club varieties.

2.1.2 Trade

Import and export

As is shown in Figure 3, all three countries import between 2.5 and 3.5 million tonnes of fruit. Especially imports into the Netherlands have increased over the last decade, while the German imports have remained rather stable.

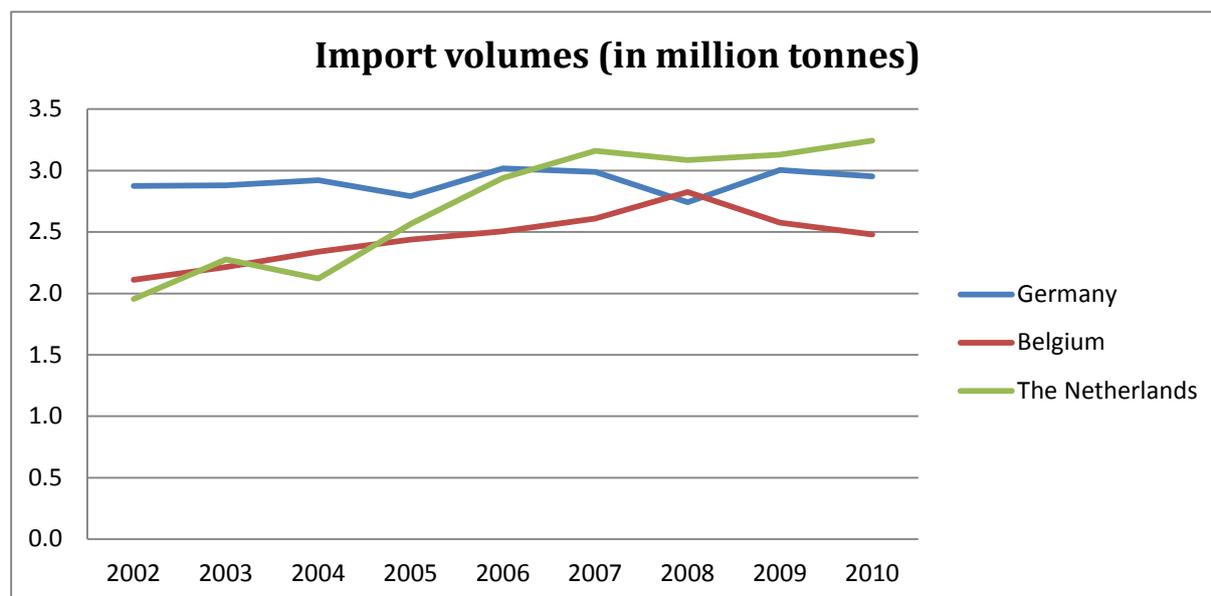


Figure 3. Import volumes in Belgium, Germany and the Netherlands. (Source: VLAM, 2012)

The export volumes show some more differences. Both Belgium and the Netherlands have increased their exports, but again, the figures of the German sector have remained stable. As is clearly shown in Figure 4, the latter country exports significantly less than Belgium and the Netherlands.

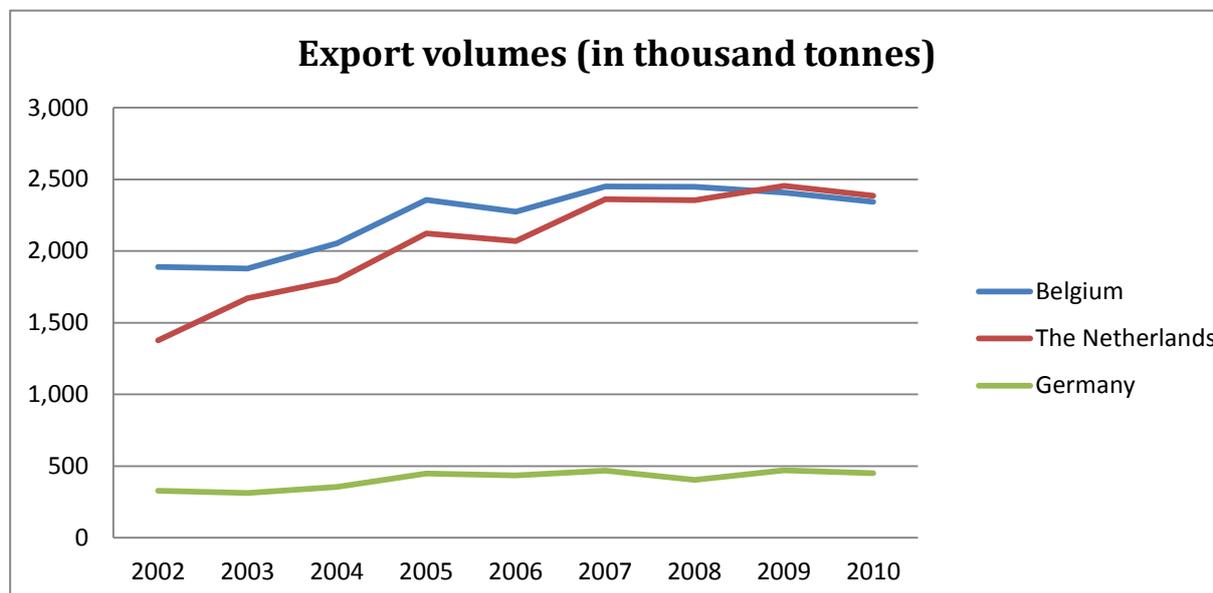


Figure 4. Export volumes in Belgium, Germany and the Netherlands. (Source: VLAM, 2012)

Both Belgium and the Netherlands are important trade countries for the European fruit sector. Next to their domestic produce which is exported, also exotic fruit species represent considerable shares in exports. During 2001 – 2010, the share of apples and citrus fruit has been declining in the total export value of fruit from Belgium, with respectively 5% and 6%. However, the share of pears has increased with 4% in the period 2001 – 2010.

Intermediary traders

All three countries have a large number of intermediary traders, in the form of wholesalers, importers and exporters. This part of the sector is thus rather fragmented, despite the fact that mergers and acquisitions are taking place regularly.

The size (in turnover) of the Dutch wholesalers is relatively large compared to other European countries. However, compared to the size of the largest retailers in Europe, the wholesalers are still very small, which has a negative effect on their bargaining power (Tacken et al., 2007).

Cooperatives

Historically, many cooperatives are active in the fruit industry in Belgium and the Netherlands. Up to 80% of the market value in Belgium and 95% of the production value in the Netherlands can be attributed to cooperatives (Bijman, 2012; Gijselinckx and Bussels, 2012).

The number of POs in the F&V industry are shown in Table 2. In Belgium and the Netherlands, all POs are registered as cooperatives. However, in Germany a PO can also be registered as a company with limited liability or as an association.

Table 2. Number of POs and cooperatives

	Number of Producer Organisations	Of which cooperatives
Belgium	14	14
Germany	32	19
The Netherlands	19	19

Source: Bijman (2012); Gijssels and Bussels (2012); Kühl (2012).

All but one of the Belgian recognized POs have foreign members and thus are transnational cooperatives. Of the recognized POs in the Netherlands, 55% had foreign members (2009 data). While in the Netherlands the number of foreign members is actually quite low - for most POs it is just a handful - in Belgium the numbers are more significant (Bijman, 2012). By means of internationalisation, these cooperatives want to enlarge their supplying market. Since Belgium is a small country, domestic growth of cooperatives may be difficult due to competition issues. Becoming a trans- or international cooperative is a way to overcome this limitation (Gijssels and Bussels, 2012). Although the number of POs in the F&V industry is much higher in Germany, there is only one transnational cooperative in this sector, with members located in Germany and the Netherlands (Bijman, 2012).

Another interesting point is the system through which the cooperatives sell their produce. While in the Netherlands the auction clock system has been almost abolished during the last two decades, the largest F&V cooperatives in Belgium all still use the auction method for price determination. Although the traditional auction clock has gone through an evolution, it still remains an important activity next to services such as contract brokering and innovation of products and processes (Gijssels and Bussels, 2012).

As fruit supply chains become increasingly driven by supermarkets and foodservice companies, coordination of product flows beyond the farm gate becomes increasingly important. Cooperatives traditionally have taken up the role of coordinator in the value chain and pursue a relationship-driven approach rather than a transaction driven approach. Moreover, with the increasing demand for year-round supply, higher volumes of import and export will only augment this coordinating role.

2.1.3 Market

Retail

The supermarket industry in Europe is becoming more concentrated. The fifteen largest supermarkets account for an estimated EUR 515 billion turnover (total assortment) and a market share of 65-75% of all F&V purchases in European supermarkets. Most of these supermarkets are operating in 5 - 10 countries, including Eastern European countries (Frugi Venta, 2009).

The concentration and dominance of supermarkets in the sales of F&V to consumers has effect on the functions and structure of the wholesale companies that supply these supermarkets. Retail companies prefer to trade with a limited number of preferred suppliers. Thus, wholesalers are competing among each other to become preferred supplier. Also, retailers want their suppliers to be able to supply year-round a broad category of products, including seasonal products available off-season. Finally, retailers want large quantities of uniform products, in order to be able to sell the same products in all of their stores (Bijman, 2012). However, retailers may also decide to pursue a vertical backward integration strategy, by excluding the wholesalers from their supply chain, as recently announced by a major UK retailer (Verheul, 2012b).

In all three countries, supermarkets are the main retail channel for F&V. Within this channel, one could further distinguish between regular supermarkets, hypermarkets and discounters. The discounters are especially important in Germany, as they represent about 55% of the F&V sales. Although the percentage for discounters is much lower (16%) in Belgium, it has been increasing over the last six years.

Consumption

During the last 10 years, consumption of fruit in Belgium and the Netherlands has decreased slightly, as is also shown in Figure 5. With some stronger fluctuations in the period 2005 – 2007, the German consumption in 2010 was somewhat higher than in 2002. However, as is clearly shown in the graph, consumption of fruit in Germany is much higher than in the other two countries.

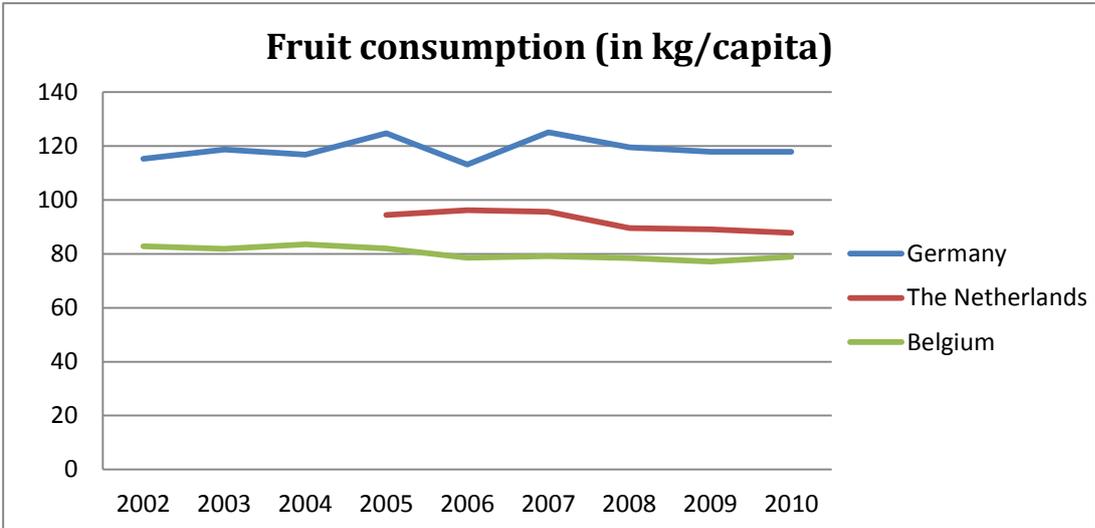


Figure 5. Fruit consumption in Belgium, Germany and the Netherlands (source: VLAM, 2012)

One of the major developments on the consumption side, is the increasing demand for a diversified set of products (convenience, health and taste).

2.2 Brief history of EFC

EFC has been established in 2002 by three specialized fruit cooperatives: Veiling Haspengouw from Belgium, Württembergische Obst- und Gemüsegenossenschaft (WOG) Raiffeisen from Germany, and Koninklijke FruitmastersGroep from The Netherlands. The main reason for establishing EFC was to strengthen the position of the fruit growers in the food chain by developing, introducing and marketing exclusive fruit varieties. By having full control over the production and sale of these varieties, the participating fruit cooperatives aim to obtain a better price compared to the non-exclusive varieties. Because most of the fruit is sold through supermarkets, and retail companies are often operating on a European instead of a national scale, the cooperatives decided that the development, introduction and sale of the new fruit varieties also needed a European scale of operation. Before establishing EFC, the three member cooperatives knew each other as they all followed a similar strategy of developing and marketing new fruit varieties.

Veiling Haspengouw

Fruit auction Veiling Haspengouw is a cooperative of growers of hard and soft fruits. Veiling Haspengouw wants to secure growers' incomes by marketing their produce at the best price. It is continuously investing in product development and the introduction of new varieties. The cooperative structure itself reduces costs. Grouping all the services under one roof leads to lower costs for the producers. In 2010, Veiling Haspengouw had a turnover of approximately EUR 81 million. Based on this figure, it is the sixth largest F&V cooperative in Belgium. It is a transnational cooperative, with members in Belgium and France.

Koninklijke FruitmastersGroep

Royal FruitmastersGroup was established in 1904 as a cherry auction, but has evolved over the years into one of the key players on the European fruit market. It is responsible for marketing the fruit supplied by its members, as well as from suppliers from all over the world. As an international fruit specialist, Fruitmasters aims to lead the market in North West Europe. Next to providing marketing, logistical and facilitating services to its 505 members, it also focusses on innovation. Particular attention is devoted to developing and marketing new fruit varieties, of which several have already seen a successful launch. In 2010, the Royal FruitmastersGroup achieved a turnover of EUR 229 million. Based on this figure, it is the fourth largest F&V cooperative in the Netherlands.

Royal Fruitmasters Group is a major shareholder of Inova Fruit. Inova Fruit is established to develop new (hard) fruit varieties and to carry out marketing activities to introduce these new products in the European market. Inova Fruit has been responsible for the introduction of Junami, Rubens and Wellant apples. Besides the Royal Fruitmasters Group (10%), also The Greenery (40%), Veiling Haspengouw (5%), Nederlandse Fruittelers Organisatie (10%), Veiling Zuid-Limburg (25%) and Veiling Zaltbommel (10%) are shareholders of Inova Fruit.

Württembergische Obst- und Gemüsegenossenschaft (WOG) Raiffeisen e.G.

Württembergische Obst- und Gemüsegenossenschaft (WOG) Raiffeisen is a fruit cooperative, and part of large German multipurpose and multitier cooperative BayWa. Next to their logistical and packing services, BayWa also carries out marketing activities for WOG. The products are sold to both domestic and foreign customers. WOG has approximately 600 members, covering 3,300 ha, of which 2,500 is used for the production of apples and pears.

2.3 Strategy and structure of EFC

2.3.1 Strategy

The principal objectives of EFC are the acquisition and the introduction of new varieties of fruit through a chain-strategy, the exchange of marketing information between the three partners and the worldwide organisation of the cultivation of trees and starting material for the new varieties. EFC is also implementing an operational plan for which it received financial support from the EU under the common market order for fruit and vegetables.

In 2005, EFC acquired the worldwide licensing rights for two apples varieties, namely Nicoter cov and Nicogreen cov, which are being marketed under the trademark names Kanzi® and Greenstar®. While Kanzi is successfully sold through supermarkets, Greenstar is mainly used in the convenience (e.g. fruit salads) and bakery industry. The production and marketing of the fruit of the Nicoter and Nicogreen varieties is organised by Greenstar Kanzi Europe (GKE), in collaboration with the three participating cooperatives. In order to have fruit of these varieties available year-round, production is currently set up outside of Europe, notably in Chili, South Africa, New Zealand and Australia.

EFC has full control over the production of both the trees and the fruits of the protected varieties. This implies that EFC decides how many trees are being planted, who is allowed to multiply the trees, who is allowed to grow the fruit, and who will sell on behalf of the growers. The actual sales is done by the participating cooperatives. The varieties of EFC are sold under a brand name (such as Kanzi) and not under the private label of a retailer.

Next to the individual cooperatives who are all actively pursuing innovation in fruit varieties, by participating in specialized innovation companies, also EFC itself is participating in a specialized apples and pears breeding company, Better3fruit, a spin-off of Catholic University Leuven. Better3fruit was the company that developed the varieties Nicoter and Nicogreen.

In terms of performance, the exclusive varieties generate a higher price than generic apple varieties. According to EFC (interview), the grower price for Kanzi is 50 eurocents/kg higher than for a generic variety like Elstar.

Another important positive result of this international collaboration among three fruit cooperatives is the improved knowledge each now has of the market in the other countries. Member cooperatives share knowledge about market developments, which each may use in its individual commercial strategies.

Finally, the success of the collaboration in EFC has lead to other joint ventures between the three participating cooperatives. Also improved coordination in breeding programme across Europe can be considered as one of the positive outcomes. Fewer duplications and better information exchange has been obtained.

2.3.2 Structure

The European Fruit Cooperation (EFC) has been established in 2002, as a cooperative company with limited liability, under Belgian law. All three member organisations are cooperatives and approved PO's. Each of them holds one third of the shares of EFC.

EFC has a board of directors consisting of 6 members: the chairmen and CEO's of the three member cooperatives. All three partners have one third of the shares and thus of the votes. The costs of EFC are allocated to the partners in proportion to their Value Sold Product (following CMO standards). Decisions can be taken by majority, according to the bylaws, but in practice decisions are taken unanimously. The main language the board of directors is using is German.

Next to meetings of the board of directors, there are additional meetings of only the three CEOs of three cooperatives together with the CEO of EFC. In addition, EFC has special committees to discuss technical issues. Also in these committees, all three cooperatives are equally represented.

3. Policy issues

3.1 Common Market Order for F&V

As said above, EFC is implementing an Operational Programme which, under the CMO for F&V regulation, receives a European subsidy. In 2009 EFC received approximately 9 million euro subsidy, while in 2010 EFC received about 10 million euro. These funds are used for divers investments, both in tangible (e.g., a new packaging machine) and intangible assets (e.g., a licence for a new fruit variety). Most of the subsidies are used for investments and costs at the level of the cooperatives, and not at the level of the individual producer. Thus, EFC follows the Belgian tradition of using the EU subsidies at the level of the cooperative and not transferring the funds to individual growers or grower groups.

Although Fruitmasters is the largest partner in the joint venture, EFC is located in Sint Truiden, in Belgium, the same city where Veiling Haspengouw is located. Belgium was chosen as the host country because the Belgian partners had the best expertise on the European legislation on the CMO for fruit and vegetables as well as on the implementation of these European rules by Belgian authorities. Also the close collaboration between the whole fruit sector and the national authorities in Belgium was a reason for choosing Belgium as the country of residence.

While EFC is formally a Belgian cooperative, part of the implementation of its Operational Programme takes place at the level of the member cooperatives, thus in Germany, The Netherlands and Belgium. This implies that control on the proper use of the subsidies is the responsibility of the national authorities in these three countries. EFC has experienced that there is quite some difference in the weight of these controls. While in Belgium control officials usually visit the member cooperative for one day, in The Netherlands control officials spend three weeks checking documents and assets at the premises of the member cooperative. This difference in how control of compliance to the rules is carried out, is negatively affecting the collaboration among the cooperatives, as it leads to uncertainties and different actions at the national level.

When we compare EFC strategy with the priorities of the Netherlands National Strategy on the implementation of the CMO for fruit and vegetables, then EFC fits nicely in this strategy. The Netherlands national strategy puts emphasis on such issues as promoting product innovation, increasing scale and strengthening (international) collaboration, planning of production and supply, and strengthening of the marketing of fruit and vegetables.

3.2 Competition issues

Representatives from EFC emphasized that the Netherlands Competition Authority (NMA) is very strict. This policy is conflicting with the tradition in the agricultural sector of transparency and collaboration. It was also mentioned that cooperatives are faced with high uncertainty regarding what type of collaboration is allowed and what not. In addition, no clear information is available on what NMA would use as reference market when assessing dominant market positions. The impression exists that NMA still uses The Netherlands as reference market, while the market for fruits and vegetables is a European market. It is expected that the uncertainty as well as the strict policies of the NMA will lead to less collaboration in the F&V sector, an outcome that is opposite to the Netherlands national strategy of implementing the CMO for F&V.

3.3. International collaboration of POs

Several POs from France, particularly from Brittany, are attempting to set up an European APO (EAPO), with members from both southern and northern EU Member States (. One of the main objectives of this new organisation is to improve horizontal information exchange, particularly on production (e.g. surfaces, period of harvesting, harvested quantities). Better information should then lead to an improved bargaining position for the growers towards the European retailers. In the document on the European Association of Fruit and Vegetables Produces Organisations, the objectives of the EAPO are stated as follows (EAPO, 2012):

The EAPO intend to reinforce the organisation of the production in the fruit and vegetable sector, to favour the transparency of the economical information and to foster the recognition of the importance of the market management, notably trough auctions, for the prevention and management of crisis.

According to one of the promoters of the EAPO, mr. Schlessler, a problem encountered in the process towards an EAPO are the national competition authorities. Especially in the Netherlands and to a lesser extent also in France, POs are very cautious to collaborate because they fear the strict interpretations of competition law. In Belgium, the competition authorities seem to allow more flexibility, as long as it remains within the CMO regulations. In addition to the competition law difficulties, the National Strategies of the European countries also lead to complications in case of an European APO. To establish an European APO, the measures and actions in the National Strategies among the member states need to be aligned and the responsible authorities need to be willing to cooperate. The authorities in Belgium, the Netherlands and to some extent also Germany have already shown their willingness, as there are already two transnational APOs: EFC and In-Co. At the moment of writing (medio 2012) discussions on this European APO are still continuing (Groenten en Fruit, 2012).

4. Conclusion

In this chapter we will answer the research questions that were stated in the Introduction.

RQ1. What are the trends in the market for F&V that lead to more international collaboration among cooperatives, particularly in Associations of Producer Organisations (APOs)?

One of the main reasons for POs to collaborate in APOs is the concentration of the retailers. The European retail market is dominated by approximately 15 large retailers, while there are hundreds of POs of a much smaller size. Retailers have a strong bargaining position in the food chain. Other developments that have led to more collaboration are the globalization of the industry and changing consumer demand. Consumers nowadays demand a wider variety of products, including exotics and processed (e.g. cut, mixed) products.

EFC has shown that joint development and marketing of new apple varieties has delivered improved bargaining power and thereby higher prices for the growers. EFC is an international collaboration because also its retail customers operate on an international scale. Another advantage of the collaboration in EFC is sharing of the cost for developing and marketing new varieties. Having full control over the (year round) production of the fruit of new varieties requires a scale of operating that goes beyond the scale of the member cooperatives of EFC.

RQ2. What are potential barriers for effective international collaboration?

RQ3. How has EFC dealt with these barriers?

Although the partners in EFC are all from Western European countries, with low cultural distance, relatively short physical distances, and common language (at least between Netherlands and Belgium), still cultural differences can play a role. EFC experienced that language sometimes can be hindering effective and efficient international collaboration. Translations need to be made, which leads to higher costs. Also the organisational culture in the different cooperatives from different countries may require more care in setting up joint activities.

For EFC cultural difference are not a serious problem. Still, extra care has to be taken in making sure all partners fully understand and agree with the plans. Translations and more information exchange can solve most of the problems. Good personal relationships among the leaders of the different cooperative is also very important.

RQ4. What are the consequences of the collaboration for the member organisations, in terms of function and structure

The collaboration in EFC has led to a reduction of redundant research activities. Thus, innovation investments have become more efficient. In addition, the member organisations have learned about the particular market conditions in the individual countries. This has improved the effectiveness of their marketing investments and their competitiveness. Finally, collaboration in EFC has also led to international collaboration on other activities, thus improving the overall performance of the member cooperatives.

There have been no consequences for the structure of the member organisations.

RQ5. What are the positive or negative influences of regional, national and EU policies on the formation and effectiveness of the collaboration

Respondents have indicated several ways in which both the European and national policies influence the formation and operation of collaborations such as APOs. It was clearly stated that the EU policy on CMO for F&V, with its subsidies for operational plans of producer organisations, has been instrumental in establishing EFC.

However, they also indicated that competition authorities, particularly in The Netherlands, make collaboration among cooperatives very difficult. Although this has not hindered collaboration in EFC, particularly because EFC is located in Belgium, in general cooperatives are very careful in seeking further national and international collaboration.

In addition to the competition law difficulties, the National Strategies of the European countries also appear to lead to complications in the case of transnational collaborations. To establish a transnational APO, the measures and control actions in the National Strategies among the member states need to be aligned and the responsible authorities need to be willing to collaborate. Particularly in terms of controlling the compliance with particular requirements, national authorities seem to have different policies.

RQ6. What can policymakers at regional, national or EU level do to strengthen international collaboration in APOs or other type of joint ventures among cooperatives or producer organisations?

First, the subsidies available under the EU policy on the CMO for F&V are very helpful for international collaboration in APOs. Transnational APOs are faced with higher costs, due to differences in culture and language, and therefore the higher level of subsidies for transnational operational programme operated by transnational APOs is justified. Given the extra cost of meetings, translation and information exchange, the percentage of administrative costs eligible for European financial support should be increased.

Second, there is still difference in the way national authorities implement, monitor and control the policies on the CMO for F&V. Better harmonization of national strategies would be desirable.

Third, competition authorities in several EU Member States have become very strict in interpreting competition legislation, which has resulted in increasing barriers for collaboration among cooperatives and POs. This barrier to collaboration is not only in conflict with the tradition of transparency in the agricultural industry, it is also difficult to understand given the large difference in market power between the concentrated retail in Europe and the still very large number of producers and producer organisations in the European F&V industry. Moreover, different interpretations of competition issues by national competition authorities hinders international collaboration. The European Commission may want to address these issues.

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