

# Cooperation of Dutch farmers in food supply chains

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# Background and goal

## Background

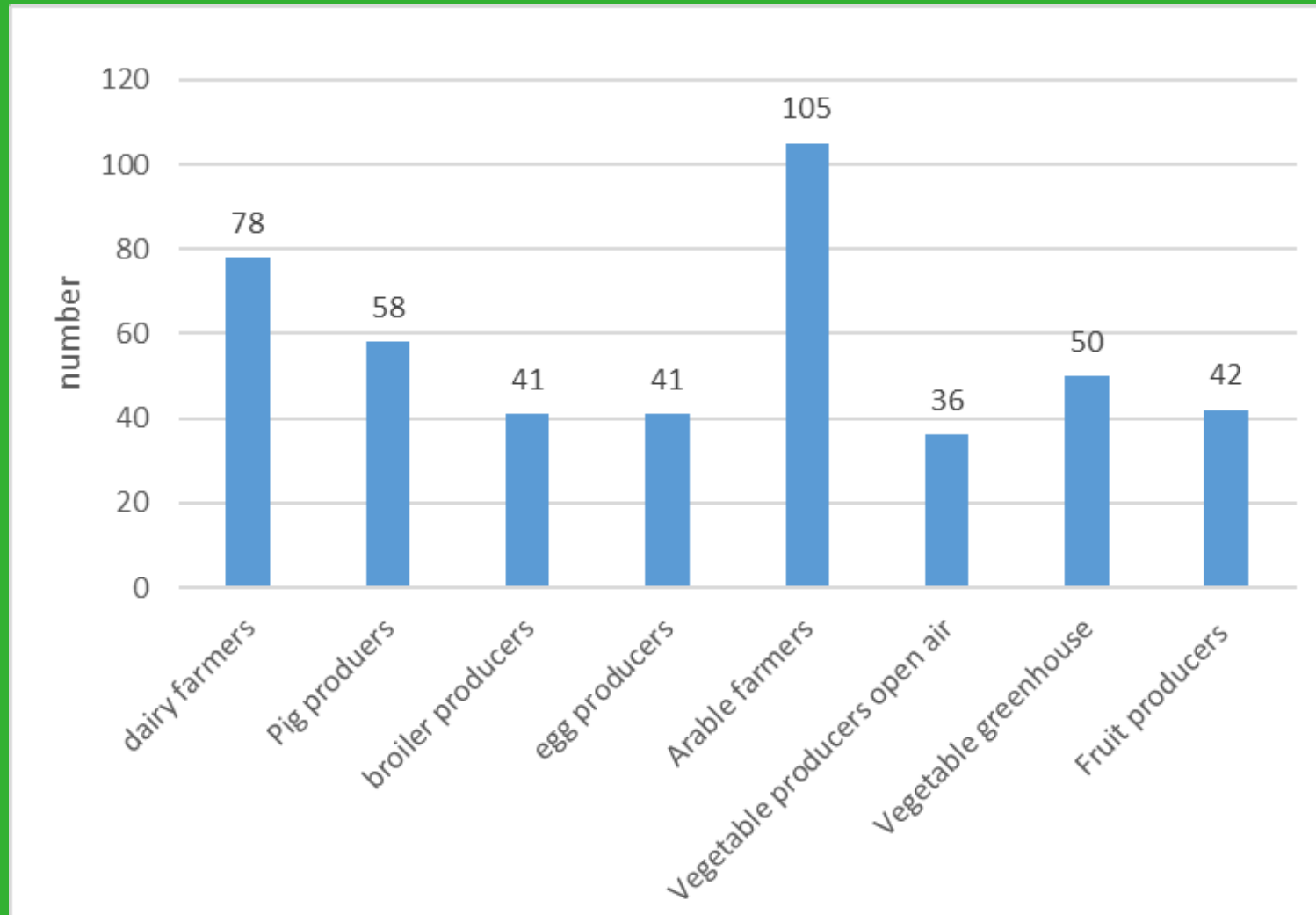
- EU and NL government think position farmers is weak
- More cooperation is an important solution to strengthen this position
- Huge differences expected among sectors because some groups work together in producer organisation for decades (milk, vegetables and fruits) and other sectors (pigs and poultry) don't work together at all.
- Legal options for cooperation of farmers EU and NL

**Goal of this paper:** -overview of the present cooperation;  
-their opinion about cooperation;  
-their opinion about unfair trading practices.

# Method

- Literature review
- Questionnaire filled in by 626 producers with 451 specialised producers
- Workshop with 20 producers from different sectors.

# Completed questionnaires per sector



# Theory (1)

- In efficient markets prices reflect supply and demand.
- Four reasons for markets to fail (prices are not reflecting supply and demand):
  - Market power: monopoly (monopsony) or oligopoly (oligopsony);
  - Asymmetric information (hold-up / lock-in)
  - Positive or negative externalities (spill-overs of innovation)
  - Public goods (not so relevant in a BtoB context; not taken into account).

# Theory (2) : strategies to increase market power

	At market level	Related to buyers of products	At farm level
Collective strategies	Production alignment	Collective marketing of products	
Individual strategies		Contracts	Product differentiation Short value chain

Source: Danau et al. (2011)

# Characterisation of Dutch food markets

- Prices are at EU level or sometimes even World level
- Seasonal patterns e.g. no supply of domestic product
- Differences in market power e.g. C4 per stage of the chain
- However no impact on price formation because of the EU markets.
- 10 to 40% of the consumer euro goes to the primary producer
- Type of price formation (spot market, contracts, pools) strongly depends on products
- Decreasing transaction costs is a main reason for cooperation in milk and glasshouse vegetables
- Structure of product chain and markets is dynamic.





# Cooperation: huge differences between sectors

- Buying inputs: Dairy farmers & arable farmers : about 50%  
Poultry : 17 to 20%
- Selling products: Dairy farmers; Vegetables , Fruit : 55-76%  
Intensive livestock 12-22%
- Study Club: all between 40 and 60%
- No cooperation: pig producers and poultry : 28 to 46 %  
Dairy (14%), Arable (13%), vegetables (8%)



# Trading practices experienced (opinion farmers)

Trading practice	Score 1 : not experienced Score 5 : experienced extremely
High demand regarding sustainability but not willing to pay more	3.16
Pressure to lower the selling price	2.81
Unexplainable disapproval of products	2.08
Others e.g. delayed payments	2.01- 1.69
Refusal by buyers/ customer to sign a written contract	1.54
Forced return unsold products	1.48

# Discussion and conclusions (1)

- Price formation
  - Relevant market is the EU;
  - Supply and demand determine the prices
  - Unfair trading practices seem to be an exception
  
- Legal options are new and farmers are unaware of the possibilities

# Discussion and conclusions (2)

- Cooperation
  - Is widespread
  - Reasons to cooperate differ per sector
  - Doesn't mean that prices for primary producers will increase
  - More impact expected from lower transaction costs, knowledge exchange and innovation
  - Trust and common interest are the important aspects for cooperation
- Cooperation can improve position of primary producers if
  - Farmers have same vision
  - Farmers are aware that part of the decision making will be delegated

# Thanks for listening



Photo: Flora Holland



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