

CARD
Phase II

Producer Adaptation to the New Agriculture

Application of the Co-operative Model to
Changes in Market Specifications, Regulation
and Service Access

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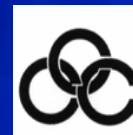
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Agriculture and Rural Landscape are Changing

- New technologies - e.g., GMOs, information technology
- Increased emphasis on food safety and quality
- Increased importance of marketing
- Increasing interdependence of producers with other players in the food chain

The “New” Agriculture

- Generic commodities have been replaced with specialized products
- Increased use of contracts to assure quality and consistency
- Greater specialization by producers
- Greater interdependence – key production decisions increasingly being made elsewhere in food system (e.g., by retailer or processor)

Three Broad Categories of Change

- Demand for better quality by all participants in the food system – more consistency, focus on particular attributes
 - Increased emphasis on the environment and on food safety – greater need for traceability
 - Change in farm structure – more specialized production; loss of producer autonomy; larger farms and continued loss of farming population
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Federal Agricultural Policy Framework

- Reflects the changes described above
- Advocates a competitive advantage for Canadian agriculture through
 - production of safe food in an environmentally sustainable manner
 - improved product quality that meets market specifications
 - agri-food value chain innovations

Cooperatives in the New Agriculture Can

- Ensure that market specifications and quality control requirements are met
- Ensure that environmental and food safety programs are efficiently developed and monitored
- Ensure that rural support services are provided efficiently

Co-ops Provide Incentives to Invest in Quality

- To deliver product quality and consistency, producers must have the proper incentives to do so
- Vertical integration via a co-op provides producers with the confidence that investments they make will be appropriately rewarded
- Example – Sugar beet co-ops able to enhance product quality because members trusted the grading system

Co-ops Can Provide Quality Assurance

- Certification is critical if farmers are to obtain premiums for organic or non-GMO products
- Co-ops can assist producers in meeting certification requirements, as well as increase consumer confidence in the products
- Example – Canadian Organic Certification Co-operative provides organic industry participants access to a third party certification process

Co-ops Can Assist in Contract Management

- Contracts increasingly used to coordinate and specify production
- Negotiation and administration of contracts by producers is costly
- Farmers would benefit if they had an agent they could trust with contract management
- Bargaining associations used in Europe and U.S. to manage contracts for farmer members

Co-ops Can Assist in Ensuring Food Safety

- Consumers looking for assurance that food is safe
- Traceability is key to satisfying buyers that production requirements are met
- Worker co-operative or farmer-owned co-operative could be developed to monitor adherence to on-farm production and quality requirements

Co-ops Can Assist in Providing Rural Services

- Decline of the rural population in some regions of Canada has made it difficult for communities to retain services
- Co-ops can be formed to provide needed services
- Worker or farmer-owned co-ops could provide machinery repair
- Local governments could co-operate to provide waste treatment, education, health services and housing

Questions To Be Asked

- How can producers best respond to demands for improved food quality, food safety and environmental quality?
- What is needed to allow rural communities to survive and prosper?
- How can the co-operative structure provide support in addressing the needs of producers and rural residents?