



**Benchmarking the Nature of Value Chain Relationships in Ontario Agriculture
and
Determining a Value Chain Related Business Plan for AMI**

Final Report

Prepared for: Agricultural Management Institute

Prepared by: Claudia Schmidt
Kate Stiefelmeyer
George Morris Centre
225-150 Research Lane
Guelph, ON N1G 4T2

Martin Gooch
Nicole Marenick
Value Chain Management Centre

Colin Siren
Aaron Howes
Ashley VanHerten
Ipsos Marketing

Jeff Wilson
Geoff Dover
fsSTRATEGY

Contact: Martin Gooch
Telephone: 519-822-3929 ext 216
martin@georgemorris.org

Date: February 20, 2013

Executive Summary

Three overarching purposes lay behind this farmer-focused project. It sought to determine the nature of business relationships existing between Ontario producers, their customers, and the value chain(s) in which they operate. It also sought to determine the factors that have shaped these relationships and what they are enabling the involved businesses to achieve. The third objective was to determine the activities and programs that the Agricultural Management Institute (AMI) could undertake to encourage and enable more Ontario farmers to adopt value chain management practices, and propose a long-term business strategy for AMI.

The project commenced with a literature review of value chains and their management in the context of the international agri-food¹ industry. Findings from the literature review guided insights sought from quantitative and qualitative interviews conducted among 552 producers and managers of businesses operating along agri-food value chains. Senior representatives from Canadian and international programs, which have been established to encourage and/or assist producers develop closer strategic relationships with other members of the value chain, were interviewed to determine how they operate, their effectiveness, and lessons learned.

The literature review identified that value chain management (VCM) describes a strategic business approach where firms situated along a value chain choose to work together with a focus on improving the efficiency of operations within and between firms and their effectiveness in creating value for the end consumer. This enables the involved businesses to become more competitive and profitable than if operating as independent entities. VCM is a reiterating process that takes time, resources, and skills, which become more sophisticated as the involved businesses learn through working together as a strategically aligned unit.

There is not one “type” of value chain. Stating whether a business belongs to a supply chain or value chain and what this means from a business perspective is a simplistic, misguided means of attempting to describe how and why businesses behave in a certain manner. With every business seeking to create value by selling a product for a higher price than it costs to produce, every business belongs to a “chain” of suppliers and customers. It is how a business behaves in relation to its customers and suppliers that determine its commercial opportunities and challenges to which it is exposed; it is not the name given to the chain in which it operates.

Value chains operating in the international agri-food industry fall into structures that reflect a continuum spanning from traditional, open (spot) market approaches, to businesses being so closely aligned that they may jointly invest in infrastructure and resources (Dunne, 2003; Spekman et al., 1998). For the purposes of this paper, the four types of value chains that inhabit this continuum are referred to as fragmented, cooperative, coordinated, and collaborative.

¹ The term “agri-food” encompasses agriculture, food, bio-products and bio-fuels.

Increased profitability strongly motivates producers and agri-food businesses to establish closer relationships. Both the qualitative and quantitative research found that businesses operating along the entire agri-food value chain have increased their market opportunities and competitiveness through establishing closer strategic relationships with suppliers and customers. Producers and other business managers stated that this has enabled them to increase their profitability beyond what would otherwise have been possible. The learning that comes from working as a strategic unit rather than in isolation has also enabled them to develop new skills and capabilities, leading to their identifying further opportunities. A direct correlation was found to exist between having benefited financially and the establishment of coordinated or collaborative relationships. In short, the stronger the business relationships, the more benefits the involved businesses derive from their involvement.

As identified in the literature review, the nature of value chain relationships that exist between farmers, their suppliers, and customers take many different forms. In the qualitative survey, the majority of the 52 producers and processors/distributors interviewed described their relationships as coordinated. It is important to note that, because they were interviewed due to their experience of working closely with producers and agri-businesses, these arrangements do not necessarily reflect the wider industry. Most intriguing was how they compared their relationships and the determinants of success with the wider industry. Retailers indicated that business relationships vary across all four of the descriptions provided, with collaborative relationships being the least common. Foodservice businesses were most likely to describe their business dealings with farmers as cooperative.

Top performing farmers differ from the majority of their peers in a number of ways. The sector in which they operate is one of the least important differentiators. Marketing knowledge or experience, along with attitude, are considerably more important. Many farmers are said to not understand the product or service needs of their customers, with the average ranking being low for both product (5.4) and service (5.5) out of 10. Many farmers are also said to lack the skills required to fulfill their customers' needs.

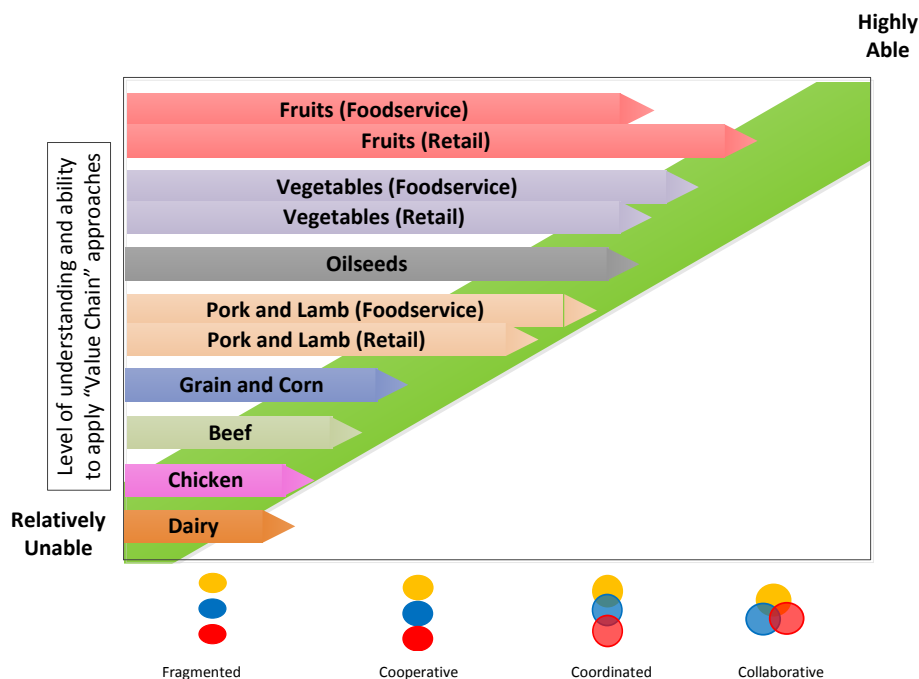
Overall, farmers who supply vegetables, fruit, and "other" have stronger relationships with their customers than those involved in producing beef, poultry, and lamb. Interestingly, foodservice operators who have established a relationship with farmers tend to view their relationships with livestock producers as being stronger than those established with horticultural producers. This is due to the seasonality of vegetable and fruit production; and that there is greater opportunity to add value by customizing a protein offering to suit specific foodservice customers, versus produce. The latter can only be achieved through establishing quite sophisticated and long-term relationships; hence the participants are more committed.

The quantitative study of 500 Ontario producers supported many of these findings. It showed that the customers with whom producers most commonly believe they have strong value chain relationships are processors and distributors, followed by retailers. Retailers are the least likely customers with whom farmers share a formal contract. The customers with whom the most farmers wish to establish closer value chain relationships are beef processors. Why more

farmers have not established closer business relationships is most commonly due to a lack of marketing skills. Government regulations are also stated as commonly being a barrier to farmers' establishing closer relationships with other members of the value chain. The primary benefits, in terms of skills learned by farmers who have established closer relationships with customers and suppliers, are improved marketing skills and the ability to produce better, higher quality products. These come from possessing a great understanding of market demands.

The figure presented below contrasts the extent to which each of the four types of businesses relationships (fragmented, cooperative, coordinated, collaborative) were found to exist in specific sectors of Ontario's agri-food industry. A key reason why fewer examples of closely aligned value chains exist in sectors where the route to market is longer than fresh fruit or vegetables is that fewer interactions tend to occur between producers, their customers, and the final consumer.

It is also more difficult for producers operating in longer more protracted value chains to readily identify with the end product(s) being consumed or how they can influence downstream operations. Producers who interact regularly with retailers are likely to feel more connected and therefore motivated to establish a constructive relationship with their customers, and learn about how they benefit from positively influencing consumer choice than producers who leave their crops at an elevator. External factors, including government regulations and legislation, were found to impact the businesses' relationships that exist in any sector. The literature review and primary research suggest that this is primarily due to the influence that regulations and legislation have on shaping industry structure and the attitude (culture) of those involved.



The research found that few Ontario stakeholders have a solid grasp of the term "value chain," or the potential impact "value chain management" can have on their competitiveness and profitability. Few farmers and down-stream businesses use the VCM resources that are available; even among those who are aware of what is available and what is being used by their peers. Not possessing a clear understanding about the topic of VCM and associated benefits lessens individuals' motivation to access resources. Rather than accessing publicly available resources, retailers and food service managers feel that they had educated their suppliers as their business interests developed. The best suppliers were the ones who were willing to learn and able to fulfill their requirements. Customers (processors, retailers, foodservice distributors, etc.) will not invest resources into forming a relationship with producers who are unwilling or unable to learn and change behaviour.

The lack of producers who are willing and/or able to establish close strategic relationships with other members of the value chain was commonly cited as THE primary factor hampering the development of stronger, more competitive, and more profitable business practices across Ontario's agri-food industry. It must be stated, however, that it is not only producers that are hampering the development of closer business relationships across Ontario's agri-food industry. Producers, distributors, and retailers were among those who cited meat processors and millers as businesses who are most reluctant to establish closer business relationships.

The lack of closer value chain relationships is therefore a systemic issue. It is not the fault of one group. When asked what is required to facilitate the development of closer value chain relationships, it was suggested by respondents from along the chain, that a need exists for:

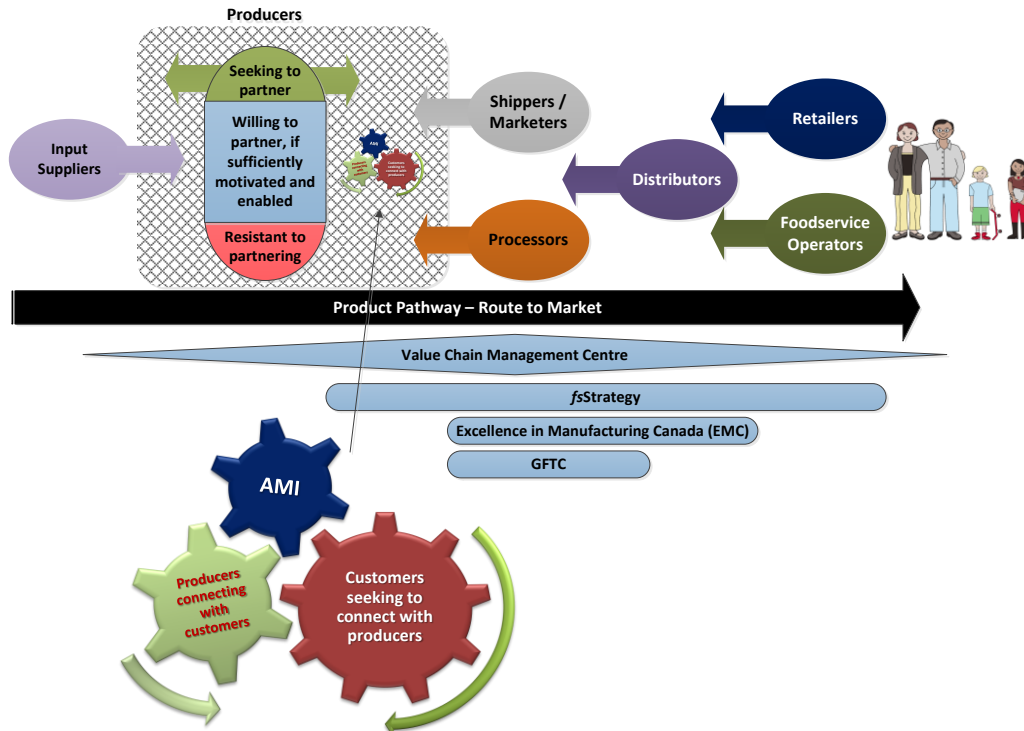
- Networking events to connect players through the value chain,
- Business facilitation/mentoring,
- Management skills (i.e., business planning, financial management), and
- Specific skills, especially related to marketing and communications. Additional training requirements included dispute resolution, technology, and traceability.

An international environmental scan of value chain initiatives found that there was a surge of publically supported value chain activity/programs in the mid-2000s. Much of the funding for domestic value chain programs has since waned. Greater emphasis has been placed on investing in international value chain initiatives. This has led to some domestic initiatives no longer being operational (i.e., Manitoba's Value Chain Initiative). An apparent reason for the deterioration in public support for value chain programs is due to governments' expecting that once the commercial benefit of adopting VCM approaches had been proven, such business models would develop organically across entire industries. This assumption does not take account of deep-rooted cultural and attitudinal factors that discourage many businesses and sectors from embracing VCM techniques, particularly in an often adversarial industry such as agri-food. The assumption also fails to take account of the influence that policies and regulations have on encouraging (or not) businesses and sectors to embrace VCM approaches.

In Canada, considerably less public funds have been invested in value chain programs than elsewhere. Investments have also been considerably less strategic. For example, the UK Food

Chain Centre (FCC) operated over five years with a total budget of £5.3m, consisting of £3.8m in grants and circa £1.5m in resources provided to the Institute of Grocery Distributors (IGD), by the Department of the Environment, Food and Rural Affairs (DEFRA). Rather than focus on providing high level VCM awareness training to the industry at large, it focused on providing specific businesses with practical tools, such as business scorecards, master classes, and training in Statistical Process Control, Six Sigma etc. Case studies that flowed from demonstration projects were made available to the public at large. Subsequent UK programs, such as Waste Resource Action Plan (WRAP), built upon the momentum initially established by FCC. The main difference between value chain oriented initiatives of Mainland Europe versus the UK, Australia, etc., is that they are more technical and include a scientific component.

In Ontario, the Value Chain Management Centre (VCMC) is the only initiative established to specifically enable the development of agri-food value chains, and regularly interacts with businesses operating along the entire agri-food value chain. Initiatives such as the National Value Chain Roundtables are not concerned with establishing value chain relationships between individual businesses. The VCMC, however, does not possess the resources required to encourage and enable the majority of Ontario farmers to establish closer strategic relationships with other members of the value chain(s) in which they operate; and vice versa. As presented below, this is the gap in resources and delivery mechanisms that AMI could address, through funding a carefully planned strategy, targeted at facilitating changes in the attitude and behaviour of those producers not already engaged in effective value chain relationships.



The program should not work through industry organizations or government departments. Its primary focus would be to encourage individuals involved in commercial farming to adopt innovative management techniques not directly associated with crop or livestock production. It would work directly with industry to establish an objective, market-oriented relationship between producers and commercial businesses operating along the value chain. The program's activities would fall into two broad categories: "Communication" and "Implementation". The program's objectives, the projects and initiatives funded, and the sectors targeted by the program would be reviewed annually by an Advisory Committee comprised of senior representatives from commercial businesses operating along value chains supplying retail and foodservice.

The overarching message conveyed by the program should be that "regardless of the sector in which they operate, producers and their customers have benefited from having established strategically aligned business relationships and adopting a value chain approach to how they manage their business." A project should only be undertaken if the proponents are able to demonstrate that it will materially add to the present knowledge surrounding how and why a sector or subsector of Ontario's agri-food industry can benefit from establishing closer strategic business relationships along the value chain. Proponents must also show how the results would be used to engender purposeful changes in producers' attitudes and behaviour. Reports, case studies, and presentations that result from the program would have a consistent format and theme, ensuring that results and insights could be readily translated to the widest possible audience. Establishing a common reporting format would also ensure that the program's impact could be monitored and measured more effectively than otherwise possible.

Due to mistaken assumptions and personal biases that were found to be associated with the term "value chain," particularly among producers, we recommend that the program's name does not include the words "value" or "chain." Instead, the program should be positioned as assisting producers to increase their profitability through encouraging them to establish innovative commercial relationships with customers and suppliers. Based on the insights gathered into value chain initiatives occurring worldwide, a suitable title for the program might be "Agricultural and Agri-Food Partnerships."

A program of this type is expected to result in widespread change, leading to a more innovative, competitive and profitable agri-food sector than presently exists. Such a program could also assist OMAFRA and AAFC to ensure that the policies, programs, and regulations that they developed were conducive to establishing a more internationally competitive and profitable agri-food industry.

Table of Contents

Executive Summary.....	1
1 Introduction.....	9
1.1 Objectives.....	9
1.2 Research Methodology.....	9
2 Ontario Agriculture from a Value Chain Perspective.....	14
2.1 Defining “Value Chain Management”.....	14
2.2 Structure.....	14
2.2.1 Benefits Associated with Chain Structure.....	17
3 Value Chain Initiatives Existing in Ontario.....	19
3.1 Businesses with Whom Producers Have Established Closer Relationships.....	25
3.2 Factors Determining the Nature of Producer/Customer Relationships.....	27
3.2.1 Relationship Satisfaction.....	27
3.3 Factors Influencing the Sustainability of Value Chain Relationships.....	32
3.3.1 Requirements of Effective VCM.....	32
3.3.2 Examples of Best Practice in Ontario.....	33
3.4 Incentives for Farmers to Join Closely Aligned Value Chains.....	35
3.5 Ability to learn.....	37
3.6 Motivation to Establish Closer Relationships.....	38
4 Barriers to Establishing Closer Value Chain Relationships.....	41
4.1 Attitudes.....	43
4.2 Incidence of Value Chain Participants, By Management Style.....	44
4.3 Structure.....	45
4.4 Skills.....	46
4.5 Environmental Factors.....	47
4.6 Overcoming Barriers.....	48
5 Current Resources.....	50
5.1 Comparative Analysis of Ontario Resources.....	54
6 AMI Strategy and Business Plan.....	56
6.1 Description of Opportunity.....	56
6.2 Strategic Intent.....	58
6.3 Target Sectors.....	61
6.4 Product and Service.....	63
6.5 Program Title and Clients.....	64
6.6 Activities Supported by Each Pillar of the Proposed Program.....	65
6.7 Governance.....	68
6.8 Year One Activities.....	68
7 References.....	70
8 List of Appendices.....	79

List of Figures

Figure 1-1: Business Interests, by Respondent Group	12
Figure 2-1: Characteristics and Benefits Associated with Each Value Chain Structure	17
Figure 3-1: Incidence of Producers Who Describe Themselves as Belonging to a Value Chain	19
Figure 3-2: Main Farm Type, Gross Farm Sales, and Level of Education	20
Figure 3-3: Crops and Livestock Considered Sold through Value Chain Relationships and Importance to 2011 Gross Farm Revenue	21
Figure 3-4: Strength of Business Relationships.....	22
Figure 3-5: Description of Business Relationships, by Value Chain Role	24
Figure 3-6: Types of Relationships Established with Other Businesses	26
Figure 3-7: Businesses Named and Value Chain Partners	27
Figure 3-8: How well do farmers generally understand customers' needs in terms of product and service (1-10 scale)?.....	28
Figure 3-9: Relationships Overall vs. Best Relationships, by Sector	30
Figure 3-10: Producer Satisfaction with Working Relationships with Value Chain Members.....	32
Figure 3-11: Value Chain Characteristics – Mean Scores.....	35
Figure 3-12: Benefits from Working within Constructive Relationships, by Value Chain Role and Overall Average.....	36
Figure 3-13: Skills and Knowledge Learned Through Establishing Business Relationships	37
Figure 3-14: Motivation to Establish Closer Business Relationships	38
Figure 3-15: To What Extent Have You Achieved Your Goals and Objectives for Participating in an Agri-food Value Chain?	39
Figure 3-16: Which of Your Objectives or Goals Are Not Being Achieved?	39
Figure 3-17: Key Areas of Improvement to Achieve Goals	40
Figure 4-1: Barriers or Threats to Achieving Their Goals	42
Figure 4-2: What Factors Have Limited the Development of Close Business Relationships between Farmers and Their Customers?	43
Figure 4-3: Producers Participating in Value Chains, Segmented By Management Style	45
Figure 4-4: How Farmers Who Have Good Relationships Differ from the Wider Industry	49
Figure 5-1: Producers' Familiarity with Value Chains Related Resources	50
Figure 5-2: Awareness of Resources	51
Figure 5-3: Resources Used.....	51
Figure 6-1: Environmental Scan of Current Initiatives and Gap Associated With Agriculture	57
Figure 6-2: Modified Bennett's Hierarchy	61
Figure 6-3: Comparative Incidence of Value Chain Structures, By Sector and Market	62
Figure 6-4: Proposed Programs and Initiatives.....	64

List of Tables

Table 1-1: Target Sample of Producers, by Sector	11
Table 2-1: Overview of Chain Structures	16
Table 4-1: Barriers Overcome in Developing Value Chain Relationships	48
Table 5-1: Resources Used, by Value Chain Role	52
Table 5-2: Resources that are Required, Suggestions by Value Chain Role	53
Table 6-1: Potential Purpose and Desired Outcomes of Each Element, by Sub-sector.....	66
Table 6-2: Proposed Year One Activities.....	68

1 Introduction

Farms and other agri-food businesses do not operate in isolation. They each have suppliers from whom they source a product or service. They then seek to add value to that product or service prior to its sale to a customer or a final consumer at a price that exceeds its cost of production. A series of businesses that together derive value from supplying products and services to target consumers can therefore be thought of as a value chain.

The need for producers to work strategically with their suppliers and customers to create a competitive advantage in a rapidly changing business environment, by having greater influence upon the overall process of growing, processing, and marketing agri-food products, has been researched and written about extensively (Boehlje, 1999; EFP, 2004; Fearn, 1998). Achieving a value chain management (VCM) approach to business relies on producers strategically involving themselves in operations not directly related to the production of commodities (Fulton et al., 2003; Kilpatrick et al., 1999), but rather directly related to the needs of customers and/or consumers.

1.1 Objectives

The project's objectives are to determine the most effective activities and programs that AMI can undertake to encourage and enable more Ontario farmers to adopt VCM practices and develop a long-term business strategy for their organization.

1.2 Research Methodology

The objectives have been achieved through five phases. Because the scope of this project is large, this report presents the top-line research findings as they relate to the project's objectives. The complete analysis is included as Appendices.

Phase 1: Background Research

a. Literature Review

The review establishes a baseline of current knowledge relating to value chain initiatives and factors characterizing participants who are most likely to be involved in their participation. These findings and assumptions are tested and refined through the remaining phases.

The full literature review forms Appendix A.

b. Environmental Scan

An inventory of existing programs/initiatives in Ontario, Canada and worldwide was also conducted. Through secondary and primary research, the research team identified information about each program, including:

- Organization Name/Contacts
- Mandate
- Prior and current activities
- Future activities

- How resources are produced
- How resources are delivered
- Audience/market segment
- Involved stakeholders
- Program funding
- Impact of program on VC development
- Performance measurement
- Lessons learned
- Resource and capability gaps
- Their definition of VCM

Many value chain initiatives identified in the environmental scan share a common definition of VCM and have achieved varying levels of success. The full list of the programs and initiatives researched forms Appendix B.

Phase 2: Primary Research

The primary research took the form of qualitative and quantitative interviews conducted among 552 producers and other businesses operating along the value chain.

a. Quantitative Surveys

Undertaken by Ipsos, the quantitative research was designed to achieve the following objectives:

- Identify the level of knowledge of and familiarity with value chains and the practice of VCM among farmers, across and within different sectors of Ontario agriculture;
- Establish a baseline measure of the approximate number of producers engaged and active in value chain initiatives;
- Understand the "why" factors which are impacting farmers' management approaches, particularly in terms of farmers' attitudes towards developing constructive relationships with customers and suppliers for strategic or operational reasons;
- Identify existing gaps and concerns with VCM related skills as well as perceived barriers, including external factors impacting producers' willingness or ability to participate in value chain related activities;
- Identify the main value chain resources Ontario farmers are familiar with and the extent to which producers currently access these resources and perceive them to be of value in improving the performance of their businesses (gaps); and
- Analyze demographic, behavioural, and attitudinal differences in producers who participate in value chain initiatives versus those that do not.

To produce the required insights, Ipsos conducted a telephone survey with a randomized sample of 500 Ontario farmers. The study was fielded between November 21 and December 10, 2012. The average interview length was 20 minutes. To qualify for the quantitative research, producers needed to be involved in making management decisions for their agricultural operation and have a minimum level of gross farm sales of \$10,000.

A minimum quota of \$250,000+ gross farm sales was achieved—ensuring a meaningful sample size of larger producers. Based on the value chain definition provided, 169 farmers are currently participating in a value chain. As a result of this incidence, a booster sample was not conducted.

Sample Frame

Minimum quotas were set based on main farm enterprise type. Using 2011 Ag Census estimates, presented below in Table 1-1 is the sample frame of the number of producers required to ensure that the research produced a statistically significant representation of each sector.

Table 1-1: Target Sample of Producers, by Sector

Type of Producer (Main Farm Enterprise)	Total Sample	Statistical Margin of Error (95% Confidence Level)
Grain and oilseeds	233	+/- 6.4%
Horticulture (fruit and vegetables)	31	Directional only*
Other crops	8	Directional only*
Total Crop	272	+/- 5.9%
Beef	77	+/- 11.7%
Hogs	40	+/- 15.5%
Dairy	55	+/- 13.2%
Poultry and Egg	32	Directional only*
Other animal/livestock	24	Directional only*
Total Livestock	228	+/- 6.5%
Total	500	+/- 4.40%

* These segments have relatively small base sizes. Interpretation of these findings should be interpreted directionally only

Detailed findings from the quantitative research form Appendix C.

b. Qualitative Surveys

Interviews with Ontario producers and downstream businesses (processors, distributors, retailers, and foodservice operators) were conducted to produce detailed findings on the existence of value chain practices in Ontario’s agricultural industry, the determinants of their development and success, challenges they had faced and/or overcome, as well as resources accessed and/or required by the industry.

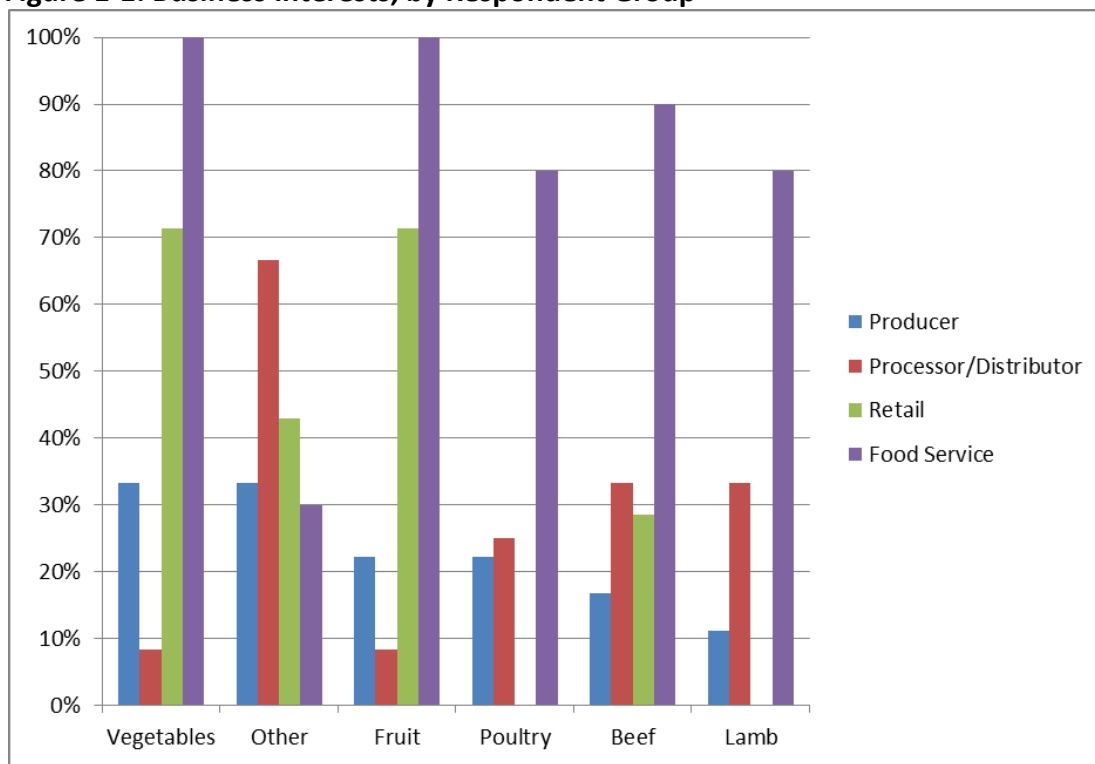
The majority of interviews were conducted over the phone, with a few being conducted face to face during November–December 2012. To ensure consistency in reporting and to enable detailed objective analysis of results, an interview guide was developed ahead of the semi-structured interviews being conducted. This format ensured that information was gathered systematically, while simultaneously providing researchers with the flexibility to delve into greater detail where appropriate. The content and options provided in the questions was

developed using information from the literature review as well as the practical experience of the research team.

Quotas were originally set at 32 in-depth qualitative surveys: 16 producers and 16 downstream stakeholders. Included in the latter group were processors, distributors, retailers, and foodservice operators. In total, 52 respondents participated in our survey: 18 producers, 12 processors/distributors, 7 retailers, and 15 distributors and operators from the foodservice industry.

Among the sample who answered the majority of questions, a broad range of sectors were represented, as outlined in the figure below.

Figure 1-1: Business Interests, by Respondent Group



Sample Size: Producer, 18; Processor/Distributor, 12; Retail, 7; Foodservice, 10

There was an interesting split between producers and processors versus retail and foodservice operations. Generally, producers and processors work with fresh produce or meat, shown by the smaller percentages in the chart above. Respondents from retail and foodservice were more likely to be involved with a wider range of products, particularly foodservice operators. None of the retailers surveyed indicated that they have relationships with Ontario producers for poultry (due to supply management) and lamb.

The “other” product most commonly reported was pork.

The complete analysis of the qualitative research forms Appendix D.

Phase 3: Research Analysis

Results from the first two phases of the research have been analyzed together to determine and understand:

- The existence and nature of value chain initiatives between producers and agribusiness,
- The relationships between factors influencing the formation and sustainability of value chains and their relative importance on producers' management decisions, and
- The extent to which current resources have been used by producers and agri-food businesses in developing value chain relationships.

The analysis also compares the extent and type of resources currently delivered in Ontario with those delivered elsewhere in Canada and chosen international jurisdictions.

Phase 4: Development of AMI Strategy and Business Plan

Based on insights provided by the first three phases of the project, the research team proposed a business plan for motivating and enabling the development of business relationships required to establish sustainable value chains in Ontario's agricultural and agri-food industry. The proposed business plan will feed directly into AMI's strategic direction and proposed activities.

Phase 5: Final Report and Presentation

This report synthesizes all the findings into a series of recommendations required for AMI to position itself as the leader in enabling the delivery of VCM resources and the development of an innovative, competitive and sustainable agricultural and agri-food industry. The research findings and subsequent recommendations were presented to the AMI Board on February 6, 2013. The slides presented form Appendix E.

2 Ontario Agriculture from a Value Chain Perspective

2.1 Defining “Value Chain Management”

It will be difficult for AMI to encourage and enable Ontario farmers to adopt value chain management (VCM) practices if they are unaware of the term or do not fully understand it. For that reason, defining VCM in a way that is meaningful to producers, input suppliers, and managers of agri-food businesses is a valuable exercise.

Farms and other agri-food businesses do not operate in isolation. They each have suppliers from whom they source a product or service. They then seek to add value to that product or service prior to its sale to a customer or a final consumer at a price that exceeds its cost of production. Thus, a series of businesses, that together derive value from supplying products and services to target consumers, can be described as a value chain.

VCM describes a strategic business approach where firms situated along a value chain choose to work together to improve the efficiency of operations within and between firms, and their effectiveness in creating value for the end consumer. As a result, they are able to attain greater levels of competitive advantage than otherwise possible. The techniques which businesses use to manage their own operations and influence the operations of others in the context of the chain to which they jointly belong include Lean and Six Sigma. As with other VCM techniques, these are a reiterating process that takes time, resources, and skills to apply (Gooch & Marenick, 2011).

Too often companies base their actions on assumptions and do not understand or know what customers value. In adopting VCM approaches, producers and other members of the value chain need to identify what is required to create consumer-recognized value, what operations they currently perform that do not create consumer-recognized value, and adapt current practices. This enables them to reduce the cost of producing what is not valued, or not valued beyond that of a commodity, and augment what is valued by target consumers.

Furthermore, value chains operate at the business level, not the industry or sector level. VCM is, therefore, a strategic approach that can only be adopted through choice by individual businesses. The decision to enter and the ability to sustain a closely aligned chain depend on the attitude of the participants. The attitude of individuals also determines what they are able to achieve. Attempting to operate a value chain at a sector level would force the chain to accept participants who may not be sufficiently motivated or capable. This would impair the value chain's performance and profitability (Gooch & Marenick, 2011).

2.2 Structure

The concepts described in this section of the report were developed through an extensive review of academic literature and empirical studies, along with research completed by the Value Chain Management Centre. This ensured that the descriptions accurately represent the

structure and nature of value chains operating in the Canadian and international agri-food industry.

There have been numerous attempts to differentiate between “value chains” and “supply chains.” While such statements may make for an interesting theoretical exercise, in reality they are impractical. There is not one “type” of value chain. Value chains come in various forms, each typified by a certain structure and set of characteristics (Dunne, 2003; Spekman et al., 1998). Therefore, while the terms “value chains” and “supply chains” can be a useful way of communicating the philosophies that lie behind individual businesses’ approach to how they manage their operations, the terms are far too simplistic for analysing how, why and what it is about businesses that enable them to attain competitive advantage.

As well, different elements of the same chain are often at different stages of development, in terms of the relationships that exist between the businesses and the extent to which they are able and/or willing to utilize their relationships for strategic advantage (Gooch et al., 2011; Beard, 2007; Collins, 2007).

A more effective means is therefore required to quantify what it is about how a business operates in relation to its customers and suppliers (and why) that determines the commercial opportunities and challenges to which the business is exposed (Collins, 2011; Dunne, 2001; Spekman et al., 1998).

Value chains operating in the international agri-food industry fall into structures that reflect a continuum spanning from traditional open (spot) market approaches, to businesses that are closely aligned to the point that they may jointly invest in infrastructure and resources (Dunne, 2003; Spekman et al., 1998). As described below in Table 2-1, the four types of value chains that inhabit this continuum are referred to as fragmented, cooperative, coordinated, and collaborative². While it is unlikely that a specific value chain will fit neatly into one of the four structures, the typologies provide a useful method of describing the nature of the relationships that exist between the involved businesses. The typologies also provide a means of assessing and comparing the relative nature, benefits, and challenges associated with each approach (Gooch & Marenick, 2011).

A value chain’s structure is predominantly an outcome of the leadership, culture, attitude, and management processes of the businesses and individuals that together comprise the chain. Combined, these factors create the enabling environment within which the businesses operate and the relationships that bond the businesses together. The potential benefits that stem directly from businesses operating as a closely aligned value chain versus a fragmented value chain are presented in Figure 2-1.

² For simplicity, Figure 2-1 illustrates value chains that comprise only three links.

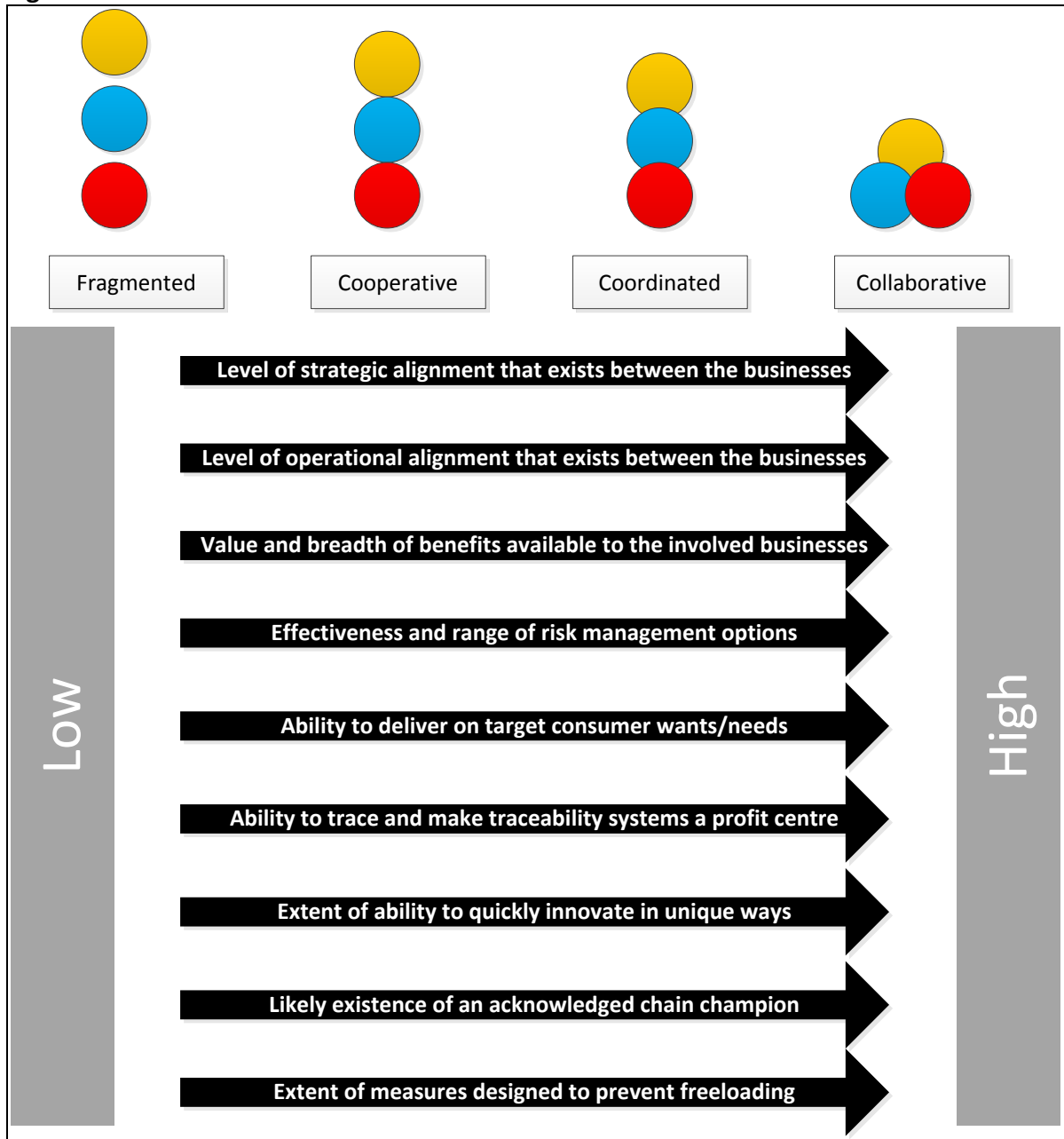
Table 2-1: Overview of Chain Structures

<p>A. Fragmented Companies primarily compete on a traditional trade footing, and benefits through the chain are limited at best. The majority of business is conducted as a series of short-term, one-off transactions. Price, volume, and quality are commonly paramount to business dealings. The primary onus of strategic decisions is on self-preservation and sharing the bare minimum of transactional information, for fear a company's insights are used against it. Typically, the result is a fragmented chain comprised of businesses that share adversarial and distrusting relationships. These types of businesses often look to past experiences for solutions to current challenges, and have little opportunity to utilize the resources of other members of the value chain. As a result, they are limited in their ability to effectively and efficiently adapt to changing market demands.</p>	<p>B. Cooperative One of the benefits of this approach is that companies possess a mutual understanding of how and why they can benefit from cooperating with one another over the medium term at an operational level, rather than undertaking specific short-term or one-off business deals. The attitudes and culture of the businesses involved will determine whether a chain's structure can develop into a more strategically aligned approach, where the partners can utilize one another's capabilities for commercial advantage. Whether such an approach is feasible may also be determined by the environment in which the chain operates and in which it competes against other chains and businesses.</p>
<p>C. Coordinated Companies with complementary attitudes, cultures, and leadership styles choose to coordinate their business arrangements over a short to medium timeframe. A more strategically aligned structure than the one exemplified above (B. Cooperative) causes at least part of the chain to think and act from a strategic (and not only operational or tactical) perspective. A strategic perspective arises from operating in an external environment that allows this type of approach to occur. Over time, the participants come to steadily acknowledge the benefits of conducting medium-term business deals with chosen suppliers and buyers, leading to increased levels of commitment and the development of more sophisticated value chain management capabilities.</p>	<p>D. Collaborative Companies engage in longer-term strategic arrangements that involve collaboratively sharing resources and/or investing in the capabilities required to achieve mutually beneficial outcomes. Successfully adopting this type of model requires the involved businesses to possess compatible cultures, vision, and leadership. It also requires an external environment that is conducive to supporting and enabling such an approach. While the model can undoubtedly produce greater rewards than the three alternative models, it also generates increased risks, particularly for businesses that are still developing (as opposed to refining) their value chain management skills.</p>

2.2.1 Benefits Associated with Chain Structure

The figure below summarizes the extent to which a value chain's structure and associated characteristics determine its ability to compete in ways that are difficult for competitors to replicate. It shows how the more that businesses align their strategies and operations, the more opportunities they have to set themselves apart from the wider industry. This comes from possessing the ability to learn and innovate directly in line with the demands of their target market.

Figure 2-1: Characteristics and Benefits Associated with Each Value Chain Structure



Further details on the factors that determine a value chain's competitiveness, and the benefits that its members derive from their participation—including organizational structure, strategic orientation, and business culture—are presented in the Literature Review that forms Appendix A.

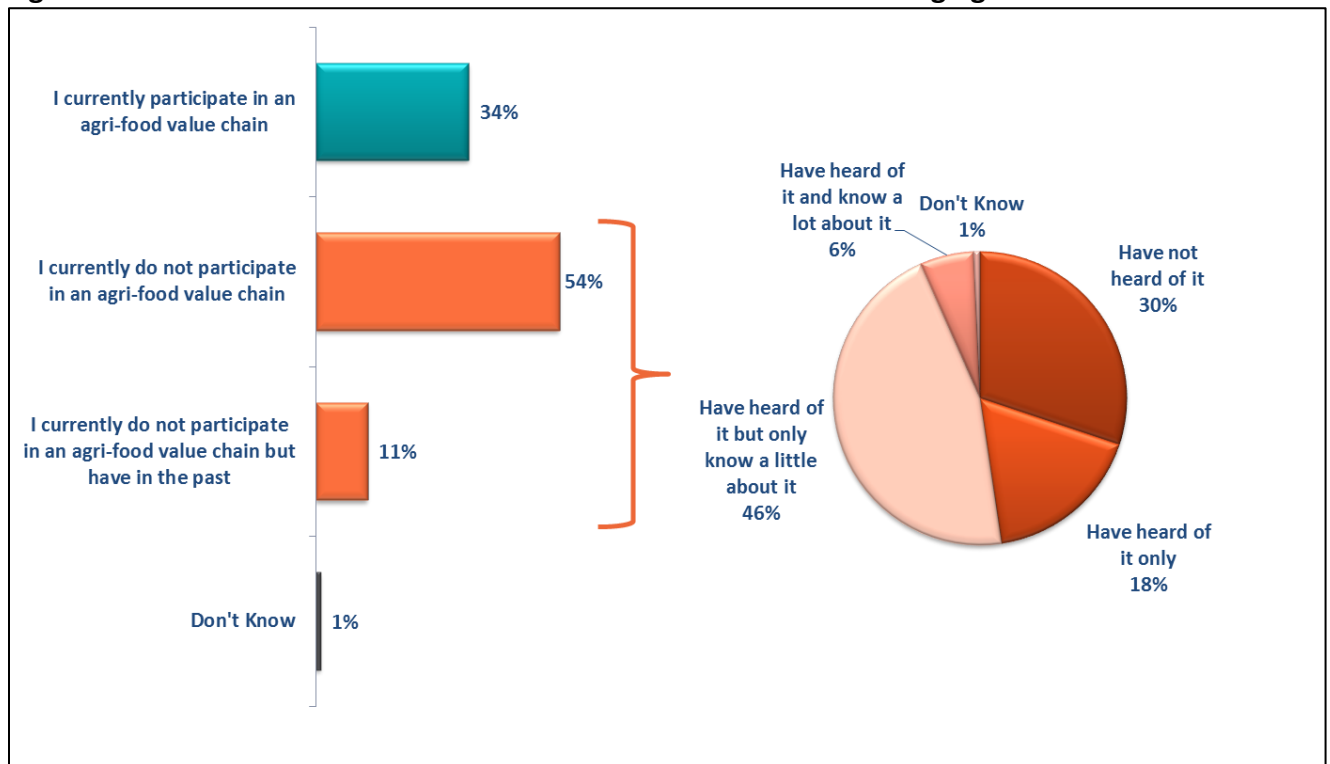
The review includes descriptions of how and why chosen Canadian and international value chain initiatives are structured. The descriptions include what and why focusing on satisfying consumers' wants and needs, and working collaboratively to add value through the chain, has mutually benefited all of the participants. Also referenced is how the initiatives have benefited participants financially by implementing processes that enable them to continually improve the efficiency of operations occurring along the entire value chain, from field to consumer.

3 Value Chain Initiatives Existing in Ontario

Sections 3, 4 and 5 present findings from the qualitative and quantitative research. The research team was challenged to evaluate the extent to which Ontario producers and businesses purposely operate as part of a value chain, through having established constructive business relationships. Because many producers are not familiar with, or understand the meaning of, the terms “value chain” and “value chain management,” the research focused on identifying factors associated with different forms of value chain relationships; not only whether producers considered themselves to belong to a “value chain.”

In the quantitative survey of 500 producers, 34% (169) indicated that they currently participate in an agri-food value chain. Of the 66% who are not currently involved in a value chain, only 6% have heard of the phrase “value chain” and claim to know a lot about it. As in the qualitative study, the results show that an individual’s familiarity (or not) with the term “value chain” directly correlates with whether their business shares a close business relationship with customers or suppliers. The question this raises is which comes first: the development of closer value chain relationships, which leads to certain respondents being more familiar with the term “value chain”; or certain respondents seeking to establish closer relationships with customers and suppliers after learning about the “value chain” concept and the benefits associated with value chain management?

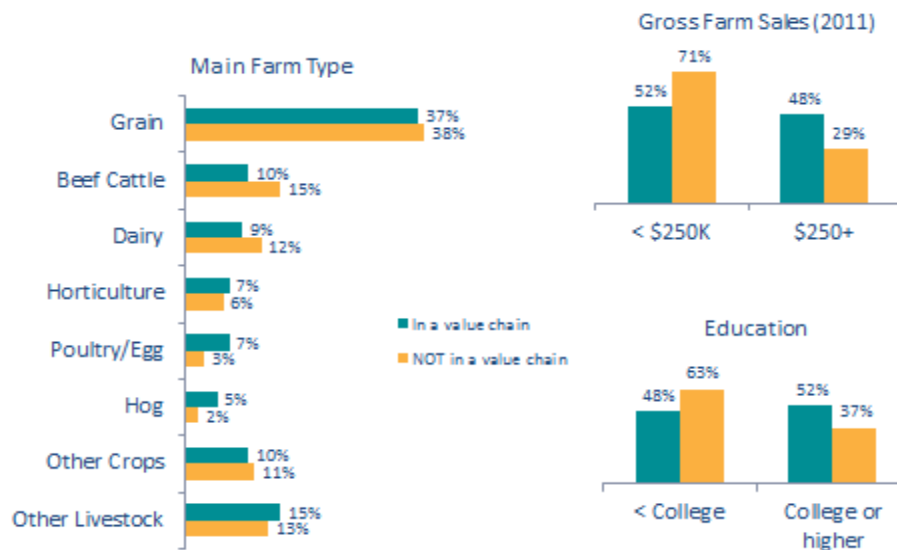
Figure 3-1: Incidence of Producers Who Describe Themselves as Belonging to a Value Chain



n=500

Along with whether they participated in a value chain, all 500 respondents were also asked to identify their primary on-farm operations, their annual farm revenue, and level of education. The results presented below in Figure 3-2 show that constructive value chain relationships between producers and their customers or suppliers exist across the agriculture and are not limited to specific sectors. In many sectors, the percentage of respondents who deem themselves to belong to a value chain is fairly balanced. As identified in the literature review, the quantitative research also found that the strongest business relationships exist among producers possessing tertiary education and those operating larger farming operations.

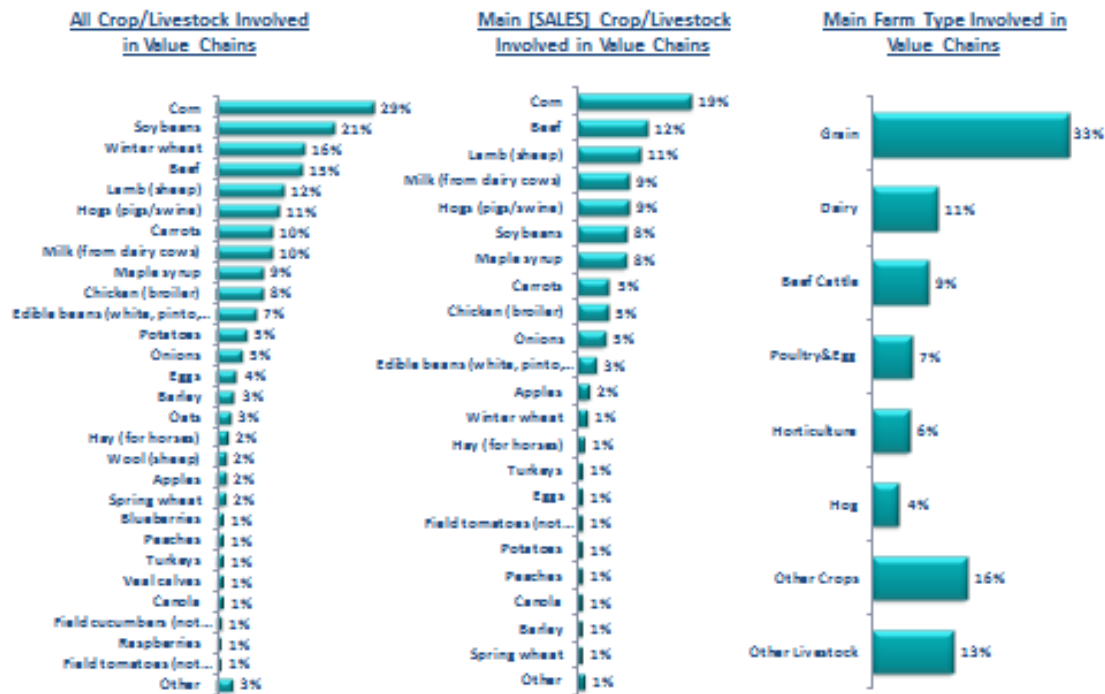
Figure 3-2: Main Farm Type, Gross Farm Sales, and Level of Education



The 169 Ontario producers who stated that they participate in a value chain were asked to identify the sector(s) in which they operate. The results are presented in the left hand bar chart contained in Figure 3-3. The same producers were also asked to identify which of the crops or livestock that they produce and is marketed through a value chain relationship contributes the most revenue to their 2011 gross farm sales. These results are listed in the right hand bar.

Corn followed by soybeans and winter wheat (29%, 21% and 16% of farmers respectively) is the most commonly cited crop marketed through a value chain relationship. Beef followed by lamb and hogs (15%, 12% and 11% respectively) is the most commonly cited livestock marketed through a value chain relationship. Of these six products, corn, beef and lamb contribute the most to respondents' 2001 gross farm receipts. The importance of soybeans and winter wheat is less from a revenue perspective (8% and 1% of respondents respectively), even though it is the second and third most common product sold through a "value chain" arrangement. Due to the overall nature of farming in Ontario, the incidence of fruit and vegetable production and its effect on gross farm revenue is less than the field crops and livestock mentioned above.

Figure 3-3: Crops and Livestock Considered Sold through Value Chain Relationships and Importance to 2011 Gross Farm Revenue



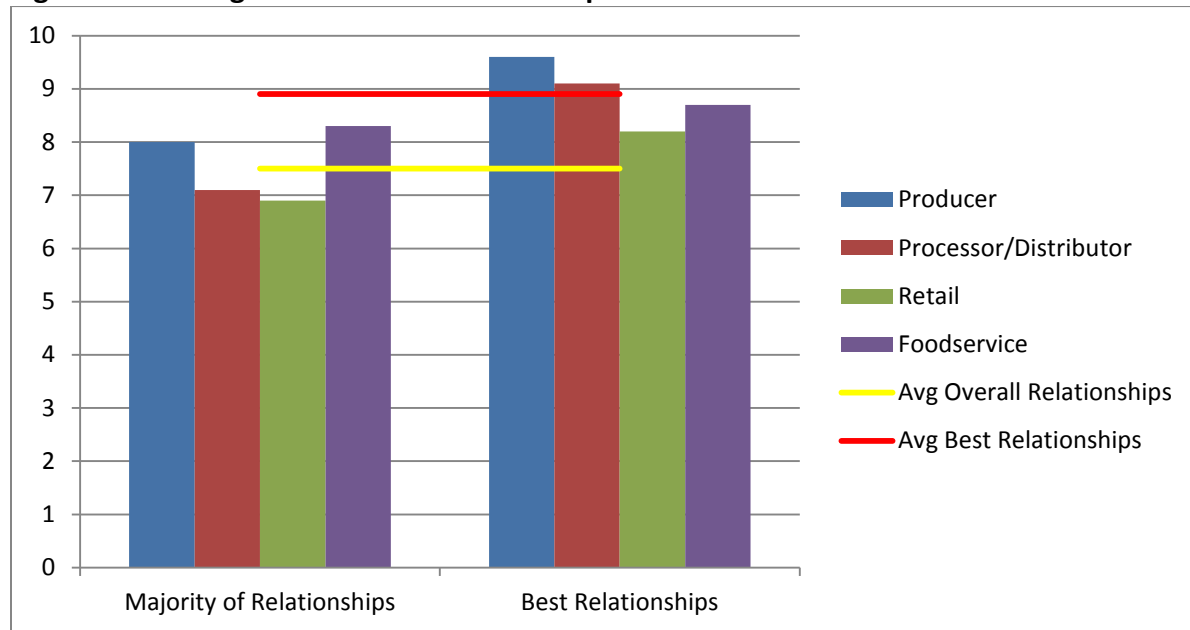
Q9. Which crop(s) and/or livestock that you produce on your farm operation are involved in an agri-food value chain that you currently participate in?
 Q10. You mentioned that more than one crop or livestock you produce is involved in an agri-food value chain, which one contributed the most to your 2011 gross farm sales?
 Base: Currently participate in an agri-food value chain (Total n=169)

Qualitative survey respondents were asked to define what they understood the term “value chain” to mean. The producers in this part of the research were interviewed because they are (or have been) actively engaged in working with customers and/or suppliers to improve how the value chain in which they operate is managed. As expected, there was not one consistent answer among respondents, and to a large extent respondents were unable to provide a clear definition. However, some common themes were expressed. They included:

- The importance of relationships,
- Identifying ways to improve business (processes),
- Creating and sharing value through the chain, and
- Being market/consumer focused.

Qualitative respondents were not asked if they are part of a value chain, but instead were asked to rate the strength of relationships shared with the majority of suppliers or customers, versus the relationships shared with those they consider their best suppliers or customers. The nature of relationships was gauged using a scale of 1-10, where 1 is a one-off transaction and 10 is an on-going relationship. The results are presented below in Figure 3-4.

Figure 3-4: Strength of Business Relationships



The results show that most of the respondents prefer arrangements that are not one-off transactions. With an average for overall relationships pegged at 7.5, and the average for best relationships pegged at 8.9 out of 10, many respondents see distinct differences occurring in the nature and value of relationships occurring across those businesses with which they conduct business.

An interesting insight is that foodservice respondents appear to have the closest relationships with suppliers overall, with relatively little difference existing between the majority of their suppliers and their leading suppliers. Reasons for this include that many relationships are in the protein sector, which requires the development of closer sophisticated relationships than often occurs in produce: especially when sourcing products suited to specific markets. Foodservice operators also commonly try to source through a small number of producers who aggregate products on their behalf, and they will cease working with producers that appear unable or unwilling to develop the type of business relationships that they seek.

Another interesting insight is that few long-term relationships are formal or have clear contracts. As reflected in the descriptions below, relationships that were often rated among the highest and most important are often based on having established a common understanding.

- *That is what success is built on; repeat customers help to keep you in business. I demand to be able to form a relationship with my customer. If they aren't willing, I walk away - it is as simple as that. There has been the odd one who isn't interested, so then I'm not interested in them. I've found that these aren't worth it because (1) they won't be a customer long, and (2) they are the ones that don't pay. (Producer)*

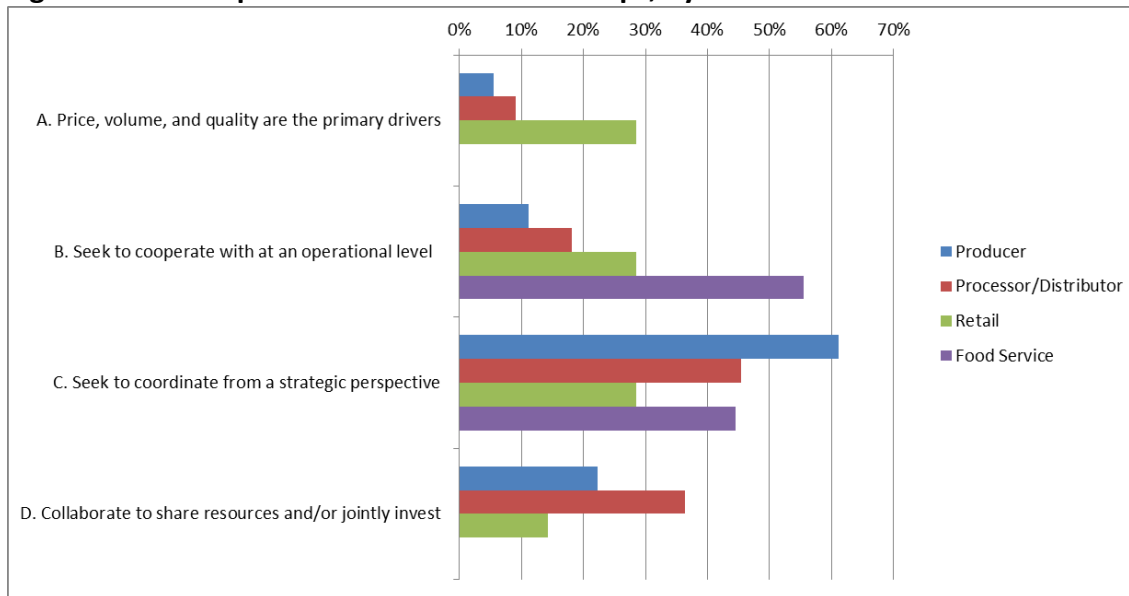
- *Ten is what you strive for. I'm a category manager. The ON season only goes certain months, so we developed programs for managing imports for our customers too. This allows us to manage our own program, not chase someone else's. Ideally, you want 12-months' business, to control and manage locally, as well as imports...and the transitions. These are all important to the retailer. [Then] you are the "one" call. (Producer)*
- *Our aim is to be so important to our customers that it keeps them honest, as losing us would hurt their business. There are some downsides, such as not always being paid top dollar for produce; as always some level of pooling prices or costs. (Producer)*
- *We have very few contracts; it's almost all relationships. We seldom sign up [suppliers] each year. If they aren't happy, they just go elsewhere. (Processor)*
- *We use a group of local vendors that have worked with us for years. If new ones are added, it's because they have met our standards...If a new vendor doesn't work out, we don't stick with them. (Retail)*
- *The majority of business is long term; not formal agreement or contracts. (Foodservice)*
- *For one-off transactions (e.g., turkeys for December/Christmas events), we deal direct with farmers. For contract year-round or seasonal items, our distributors hold the relationships. (Foodservice)*

To understand business structures, the qualitative survey respondents were asked to describe their relationships with customers/farmers. The four descriptions they could choose from were developed from the literature review (Appendix A).

- A. Price, volume, and quality are the primary drivers. We rarely share additional information. [FRAGMENTED]
- B. Business is more than a series of transactions. When possible, we seek to cooperate with farmers at an operational level. [COOPERATIVE]
- C. We seek to coordinate our business arrangements from a strategic perspective. We achieve this by choosing partners who possess complementary attitudes, cultures, and management capabilities. [COORDINATED]
- D. We engage in developing strategic arrangements that involve collaboratively sharing resources and/or jointly investing in capabilities that enable us to achieve mutually beneficial outcomes. [COLLABORATIVE]

Findings by value chain role are described below in Figure 3-5.

Figure 3-5: Description of Business Relationships, by Value Chain Role



Sample size: Producer, 18; Processor/Distributor, 11; Retail, 7; Foodservice, 9.

The majority of producers and processors/distributors described the business relationships as C [Coordinated]. Retailers indicated that business relationships vary across all four of the descriptions, with D [Collaborative] being the least common. Foodservice businesses were most likely to describe their business dealings with farmers as B. None of the foodservice respondents chose D.

Although respondents tended to pick one business description, their comments indicated that many of their business arrangements are not defined by just one model. This is consistent with findings reported in the literature review. Reasons for differences include seasonality, the size of the farm, and scope of the business. One downstream stakeholder commented that Pareto’s law applied; he gets 80% of his products from the top 20% of his suppliers (farmers), because these top partners are able and willing to supply his needs.

Eighty-six percent of the retailers indicated that their business relationships vary across all four of the descriptions provided. This compares to just 36% of processors and 22% of producers. The vast majority of producers (78%) said that all of their business follows one model/description: C.

The fact that the producers’ answers do not match with the downstream players shows that the producers who were selected to be interviewed commented from the standpoint of having purposely established relationships with chosen customers. Downstream businesses generally consider them to be among the top tier of their peers, and do not necessarily reflect the industry at large.

Respondents were also asked if they associate any of the four models with a specific agricultural sector. Overall, the majority of respondents indicated that they do (69% producers,

100% processors/ distributors, 58% retail, 70% foodservice). Comments of those who answered “no” include:

- *It’s about the people, not the sector.* (Producer)
- *It's how producers manage their farms, not the sector in which they operate.* (Retailer)

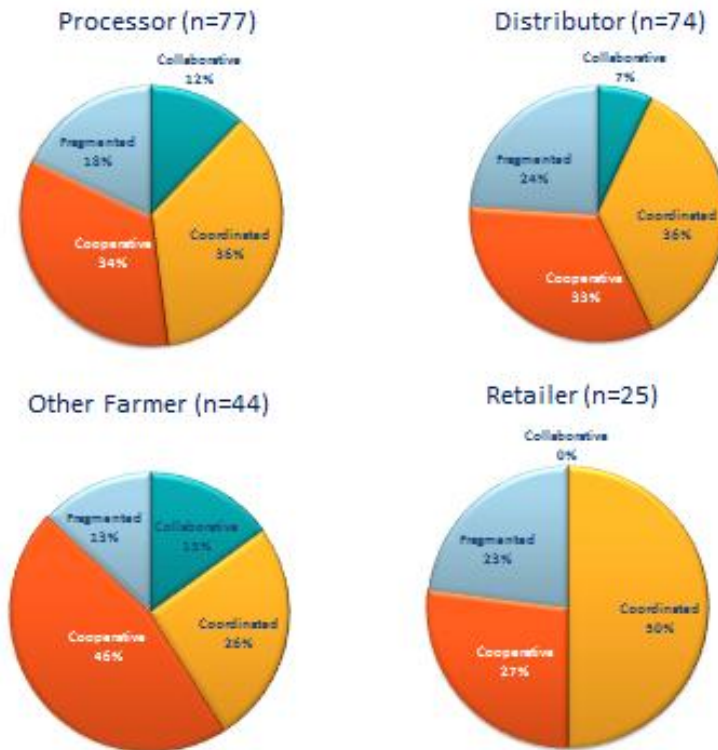
3.1 Businesses with Whom Producers Have Established Closer Relationships

As in the qualitative study, the quantitative study used a series of questions to determine the extent to which producers have established the four types of value chain relationships identified in the literature review, and with whom. This was achieved by asking producers to rate on a scale of 10 (*with “1” being “strongly disagree” and “10” being “strongly agree”*), factors that have determined the types of relationship they have with a customer, including whether the customer:

- “provides you with timely and valuable feedback on performance that you can use to improve your operations”
- “encourages you to offer suggestions on how they can improve their business and/or products?” and
- “is committed to a long-term working relationship with your business”.

Presented below in Figure 3-6, the results show that the most common type of value chain relationship among farmers who consider themselves part of a value chain is cooperative. This implies that they are limited in the extent to which they strategically manage their businesses in relation to customers and suppliers. The most common relationship between producers is cooperative. The businesses with whom most of the producers had established closer business relationships are their immediate customers: processors and distributors.

Figure 3-6: Types of Relationships Established with Other Businesses



As identified in the literature review, the least likely type of relationships that producers have established with other business is collaborative. The findings also show that, while none of the producers surveyed had established collaborative relationships with retailers, many retail/producer relationships had developed to a reasonable level of sophistication. Further analysis showed that it was fruit and vegetable producers who had mostly established coordinated business relationships with retailers.

The quantitative research also asked producers to name the businesses with which they have purposely established value chain relationships. The results are presented below in the word map that forms Figure 3-7. The larger the font size, the more frequently the business was named in the research. That many of these same businesses participated in the qualitative research provided an added perspective on the factors that led to the development of these relationships, whether respondents benefit from their participation, and the factors associated with their success in relation to the wider industry.

Figure 3-7: Businesses Named and Value Chain Partners



The next section of the report describes how top performing farmers differ from the majority of their peers. Interestingly, as described at various points throughout the section, the sector in which they operate is considered to be one of the least important differentiators. Significantly more likely to differentiate leading producers from their peers is marketing knowledge or experience, along with attitude.

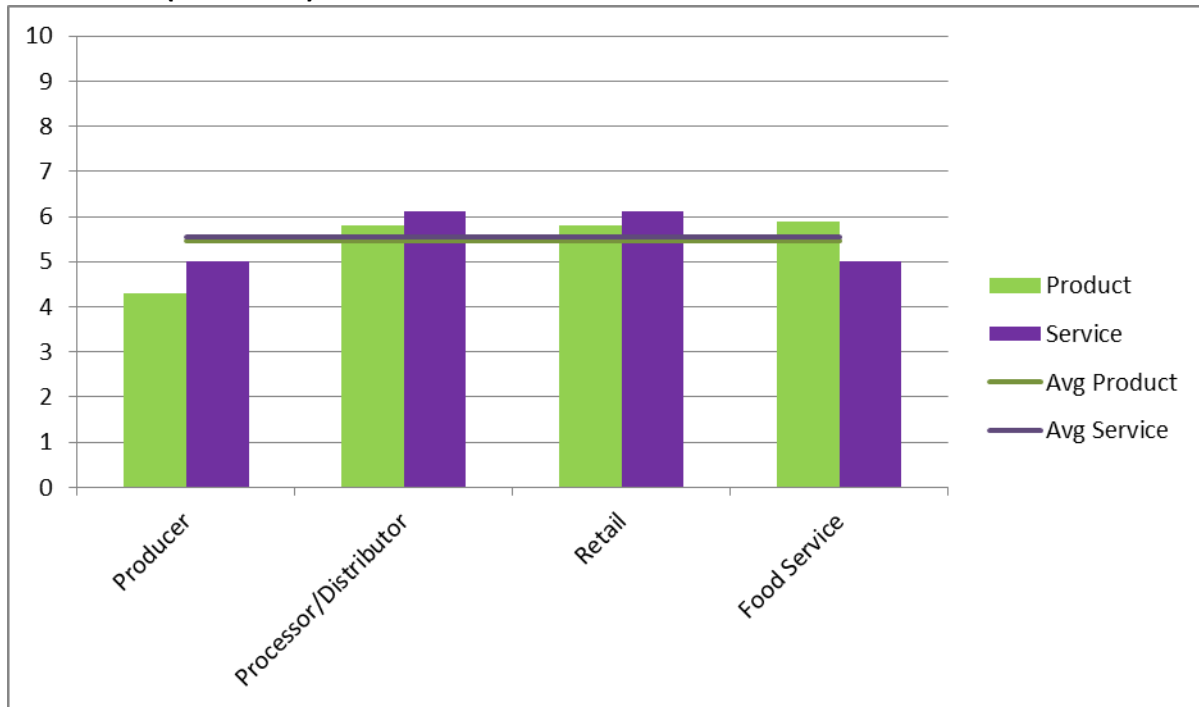
3.2 Factors Determining the Nature of Producer/Customer Relationships

3.2.1 Relationship Satisfaction

A key factor cited in the literature review and among respondents as a benefit of working as a part of a closely aligned value chain is that partners know, understand, and are able to fulfill the needs of each other. As presented below in Figure 3-8, a considerable need exists to improve many producers' ability to better serve their customers' needs.

Respondents were asked how well farmers/customers understand "your" needs (in general terms) relating to product and service. Across the board, the marks were low. On a scale of 1-10, with 1 being poor and 10 being excellent, the average rating for product was 5.4. The average rating for service was 5.5. Interestingly, farmers (all of whom had worked in closely aligned value chains) ranked farmers' understanding of customers' needs the worst. Foodservice respondents stated that farmers generally did not understand their service requirements, because they incorrectly assumed that they were similar to the needs of retailers.

Figure 3-8: How well do farmers generally understand customers' needs in terms of product and service (1-10 scale)?



Respondents' comments showed that it is not just a lack of understanding that impairs farmers' ability to serve their customers' needs; it can simply be due to not having sufficient cause to care. As well, those producers who are perceived to understand their customers' needs the most is an outcome of downstream businesses having actively reached out to interested businesses. As will be seen later, this process of downstream businesses reaching out to enhance interested producers' skills and capabilities has benefited customers and producers alike.

- *Farmers often understand their customers' needs better than customers may realize. The challenge comes from many producers not being able or motivated to deliver. (Producer)*
- *Farmers have to know [what is required] or they can't supply the major customers. For example, they have to deliver the volume promised; delivered on-time. If not, you are penalized. (Producer)*
- *I have seen an improvement in pork. Perhaps as a result of unity in crisis, economic stress due to the dollar appreciation, drought, country of origin labelling, H1N1, grain prices. Now there is a more profound appreciation of the importance of the relationships. If processors shut down, it has a profound effect on producers. (Processor)*
- *It used to be a lot less [lower score]. We have spent a lot of time educating producers on retailers' requirements and what we need to achieve. (Processor)*
- *Producers don't realize the trouble and costs caused by poor quality product and service. (Processor)*

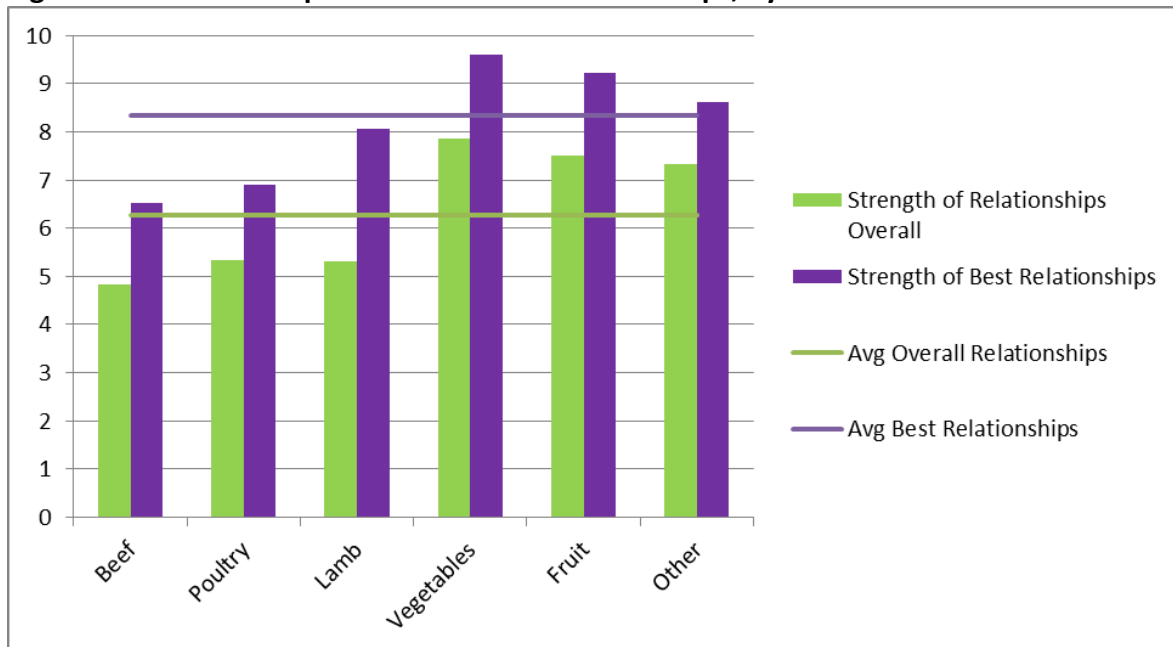
- *Agriculture and processing is primarily a “push” system, focused on volume and cost. (Retailer)*
- *I’ve witnessed a drastic change in producers’ attitudes and levels of knowledge over the last three to four years. Once they’ve experienced what we are able to achieve together, they are totally on board. It is getting them to take that first step that can be challenging. (Retailer)*
- *The longer vendors work with us, the better they get, because they get used to the standards required. There can always be improvement made on communication. The grower-vendors are better on service standards than product standards because product standards can be out of their hands. (Retailer)*

Respondents from foodservice indicated that many producers do not understand how to service their requirements. This appears to be because protein value chains supplying the foodservice sector tend to focus on customizing products, versus supplying more “standard” commodity items. Producing customized products relies on establishing more sophisticated relationships than commonly required to supply retailers.

- *Farmers may understand restaurants, but they don't understand institutional foodservice. For example, the need for consistent sizing. (Foodservice)*
- *In many cases, Ontario farmers simply want us to buy their products on their terms. They are one-way thinkers. We need to be able to buy what we want, when we want it, in the format we want. Farmers don't always get this. (Foodservice)*

The results presented below in Figure 3-9 are taken from the qualitative survey. The question asked was: “Using a scale of 1 to 10 (1 very weak, 10 very strong), please rank the strength of your overall business relationships with farmers/customers, versus the relationships you have established with your best farmers/customers.” The findings illustrate that the strongest business relationships tend to exist between vegetable and fruit farmers and their customers, followed by “other.” Included in “other” are pork, wheat and soybeans. Beef is said to exhibit the weakest relationships, due to the arbitrage power exerted by processors.

Figure 3-9: Relationships Overall vs. Best Relationships, by Sector



The results align with another area of questioning. When respondents were asked if certain business models (i.e., fragmented, cooperative, etc.) typify specific sectors, meat was most commonly described in terms of A, the fragmented model. One processor qualified his statement, *“Beef is one of the least connected, even though it should be the most, given the length of time it takes to produce animals and benefit from on-farm management decisions.”* This confirms findings from the literature review that the length and complexity of a value chain directly correlate to the connectivity that exists between the participants. While this was stated as particularly being the case in beef and poultry, due to the power imbalances that exist between the businesses that operate along the value chain, similar sentiments were voiced about other sectors too; a case in point being how millers “ingrained attitudes” hampered innovative thinking and behaviour occurring in the wheat industry.

- *Poultry is supply managed so we don't directly deal with producers.* (Processor)
- *It is very difficult for a retailer of our size to develop close relationships with processors.* (Retailer)

In sectors where the route to market is longer than fresh fruit or vegetables, fewer interactions tend to occur between producers, their customers, and the final consumer. This makes it more difficult for producers to readily identify with the end product(s) being consumed or how they can influence downstream elements of the value chain. A producer (or a producer representative), who interacts regularly with a retailer, is likely to feel more connected and therefore motivated to establish a constructive relationship with their customer, and learn about how they can benefit from positively influencing consumer choice, than a producer who leaves his crop at an elevator.

Industry structure was also considered to be a barrier to developing strong relationships. One processor described his relationship with chicken as an A: *“Due to supply management, there is limited supply, difficult relationships, and pricing [based on] collective negotiation. This [relationship] is dysfunctional, not a normal commercial relationship, not strategic, nor collaborative or customer focused.”* As reflected in his statement, the respondent believes that operating within a supply managed sector limits businesses’ ability to reduce costs or capture value by innovating in direct relation to customer and consumer demands.

Others commented that they have different perceptions depending on the type of meat. Several pork and lamb initiatives were described as being more similar to a B or C rather than A. Factors that differentiate managers of these initiatives include their positive attitude of service suggested by their willingness to learn and/or adapt.

Interestingly, foodservice providers had a different perception to Ontario protein producers than the other value chain stakeholders. Several commented that the relationships with protein/meat suppliers was more like C [Coordinated] and vegetables are more like B [Cooperative].

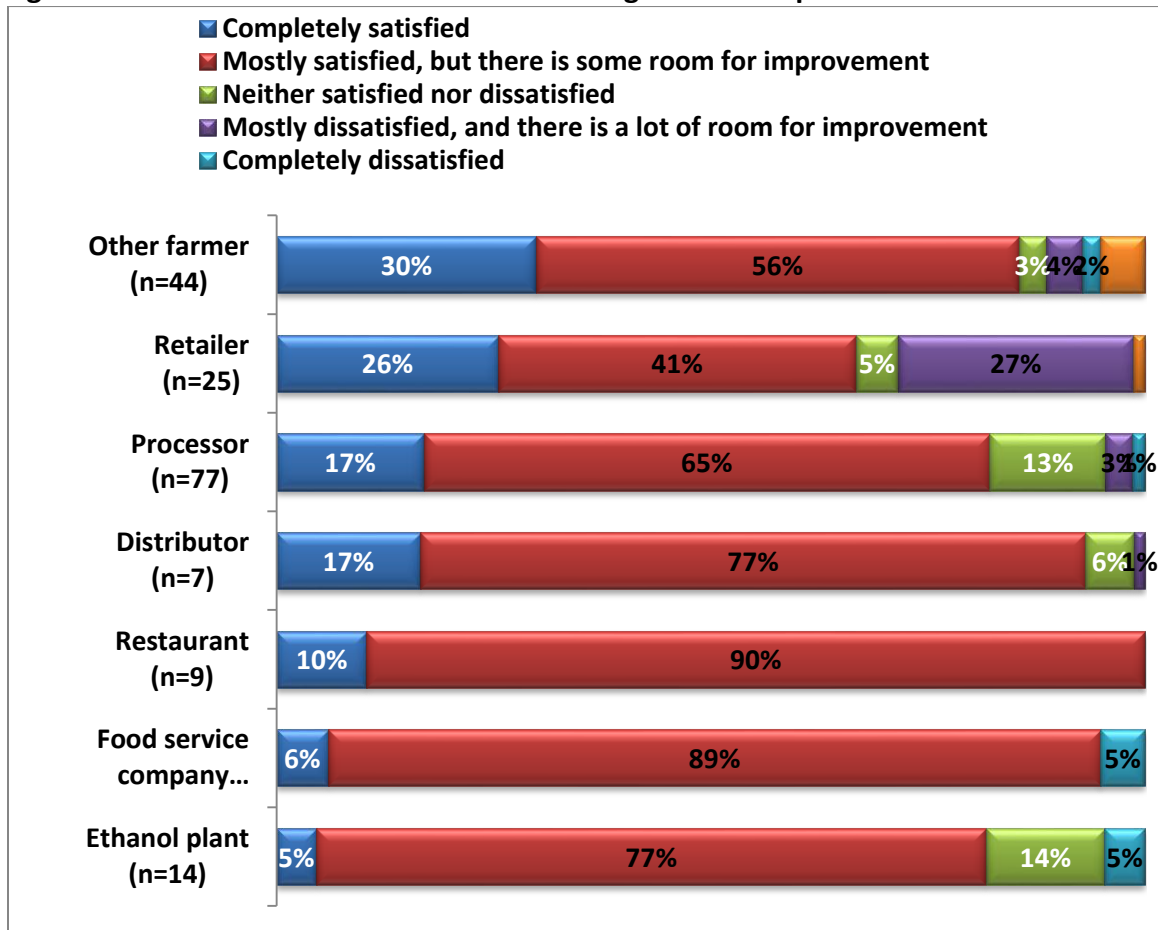
- *We thought using local produce would be an easy win, but it has been challenging due to seasonality.*
- *The produce business is commodity driven. We don't want 40 farmers to deal with. Food safety and traceability is critical, so a few consolidators is better.*

The quantitative research asked producers, who indicated they have a strategic alliance or partnership with another stakeholder, how satisfied they are with the relationship and why. The chart contained in Figure 3-10 indicates that, for the most part, the majority of producers are mostly satisfied or completely satisfied with their value chain partnerships.

However, distinct differences exist in the extent to which producers are satisfied with the relationships that they have established with other members of the value chain. Important findings include:

- Producers are most satisfied with the relationships that they have established with other producers.
- The customers with whom producers believe the greatest opportunity exists to improve upon current relationships are retailers.
- The second most significant opportunity to improve upon current relationships is with ethanol plants.
- The majority of producers who have established relationships with the foodservice sector are generally satisfied though see room for improvement.

Figure 3-10: Producer Satisfaction with Working Relationships with Value Chain Members



The report now moves to describing why differences exist in producers' satisfaction with the relationships that they have established with their customers, and how this, along with other factors, influences the sustainability of value chain relationships.

3.3 Factors Influencing the Sustainability of Value Chain Relationships

3.3.1 Requirements of Effective VCM

The more aligned a chain is, the less influence external forces will have on the way it operates and the factors from which it derives its competitive strength; and the more it will reflect the seven principles which Collins, Dunne and O'Keeffe (2002) determined as the requirements of effective value chain management.

It is this combination of factors that provide value chains and the involved businesses with competitive strengths that are difficult, if not impossible, for competitors to replicate. The seven principles that reflect effective VCM are:

1. Share a clear vision and common goals,
2. Possess capabilities to create value,
3. Have a culture that supports cooperation and learning,

4. Have compatible partners ,
5. Proactively manage the relationship ,
6. Regularly evaluate and report, and
7. Continually adjust to changing circumstances.

When a value chain fails to reach its potential, the cause is most typically because the partners did not ensure the chains' structure and management processes reflected their target consumers' perceptions of value. A failed chain may also have neglected to apply the same consistent strategy with all of its value chain partners. As identified by certain researchers (Gooch, Felfel & LaPlain, 2011; Bonney, 2012), this unbalanced treatment prevents the chain from working together to reduce operating costs (as opposed to "low cost"), and can prevent the chain from increasing its revenue growth through continual improvement in product and process (as opposed to partners increasing their own revenue by making their own products distinct in one-off "hits"). Unbalanced treatment also decreases the chain's ability to efficiently utilize working capital—versus fixed capital efficiency (Christopher & Ryals, 1999).

3.3.2 Examples of Best Practice in Ontario

In the qualitative survey, almost all the respondents were willing to share information about a good relationship they have with a customer/farmer (94% of producers, 80% processors/distributors, 100% retailers, 90% of food service respondents).

Most of the relationships were developed over a considerable period of time (historical) or were established as an extension of a personal relationship, such as sitting on the same board or an introduction from a family member. It was rare for producers to reach out and develop business via cold calling.

Although the majority of respondents indicated that there is a clear relationship "leader" (100% of processors/distributors and retailers, 91% producers, and 55% of food service), further probing led to the conclusion that the ongoing management is more likely to be a shared responsibility between partners. All respondents discussed the importance for regular and informal communications as well as more formal reporting based on quality standards and business metrics. Retailers were the most likely to discuss the more formal reporting than other groups.

Retailers and foodservice respondents did not explicitly outline their roles or responsibilities. Some clear roles were expressed by producers and processors/distributors. These include developing sales and marketing, finding sales outlets, funding projects, and establishing and maintaining standards.

A key element to the success of the examples provided was that the partners were said to share common vision and goals. This was common to producers, processors/distributors, and retailers. Some producers also indicated that they genuinely share common goals with downstream partners.

- *Yes, we share common goals, though not specifically the same – complementary. (Producer)*
- *Yes, sometimes. Generally, no. They work for their company and want to be seen as doing their job well. If I help that cause, the relationship works. (Producer)*

Most also indicated that their initiative is successful because partners are market focused. Only about half of those from foodservice agreed that they share goals with the Ontario farmers with whom they work.

The capabilities that create value include having a positive attitude (*i.e., commitment, willing to learn/try new things, attention to detail*) and a focus on quality. Retailers also spoke of “targets” and “accountability” when they discussed key capabilities. Finding the “right partner” is considered to be critical to enabling a culture of cooperation and learning, and was found to mean similar things to each of the value chain stakeholders. Phrases used to describe compatibility include mutual respect, similar values, open and regular communication, liking one another, being able to do the job, and being focused on the end consumer.

- *There is no direct cut-off personal in business. Business is personal. Need to be careful when build relationships. People really like it. You are human as well. Not just another supplier on the list. (Producer)*
- *Direct dealings with farmers are increasing – [it’s a] question of finding the right farmer. (Foodservice)*

The quantitative research identified how those producers who view themselves to be part of an aligned value chain say they are benefiting from having established closer relationship with customers and suppliers. Using a 10 point scale with “1” being “strongly disagree” and “10” being “strongly agree,” they were asked to identify to what extent they agree or disagree with the following statements, regarding the working relationship they have with the customers and suppliers with whom they have engaged in a value chain partnership. The results are shown below in Figure 3-11.

Figure 3-11: Value Chain Characteristics – Mean Scores

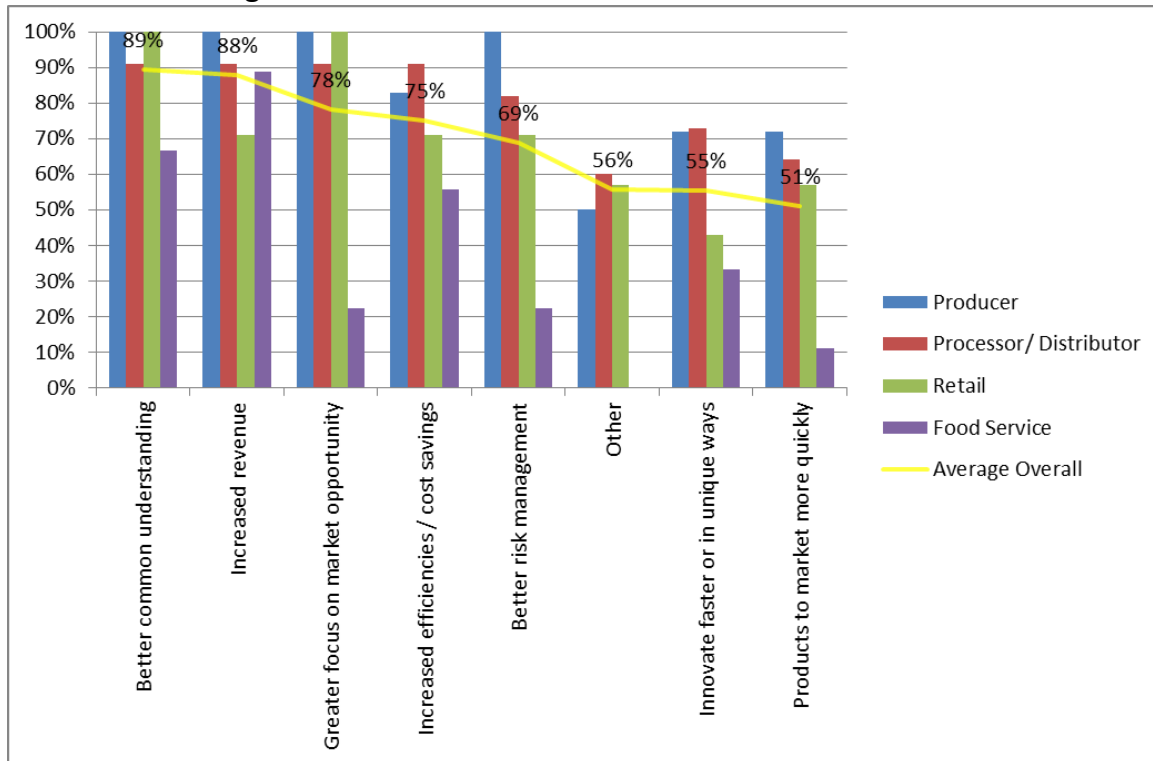
	Suppliers	Other farmers	Processors	Distributors or Shippers	Retailers	Food Service	Restaurants	Ethanol plants
... is very focused on their customers' needs	7.8	7.8	7.5	8.1	8.6	8	8.8	7.2
... is committed to a long term working relationship with your business	7.4	7	6.8	7.6	8.6	7	8.6	7.4
... provides you with timely and valuable feedback on performance that you can use to improve your operations	6.8	6.7	6.9	7.2	7.5	7	7.4	7.2
Your business is committed to a long term working relationship with ...	7	6.7	6.7	7.3	8.3	7	8.4	7.4
Your business has open discussions with ... regarding your respective businesses' performance and strategies	6.8	6.7	6.6	7.3	6.7	5.7	7	6.8
The relationship with ... contributed positively to the financial success of your operation?	6.3	6.5	6.7	6.8	7.9	7	7.4	7.2
... encourages you to offer suggestions on how they can improve their business and/or products?	6.1	6.2	6.2	6.5	7.1	6.3	7.8	7
The relationship with ... has contributed to you gaining knowledge and/or learning new skills?	6.1	6.2	6.6	7	7.3	6.7	7.2	7.2
... provides you with information about their customers' needs	6.1	6.1	6.6	6.9	7.2	7.3	7	5.4

3.4 Incentives for Farmers to Join Closely Aligned Value Chains

The literature review identified that the primary incentive for businesses to join a closely aligned value chain is it enables them to adapt to a changing business environment more effectively than if operating as separate organizations, leading to increased profitability (EFFP, 2005; Jones, 2012; Morgan, 2007; Senge, Dow & Neath, 2006; Tanner, 2012). The ability to learn and adapt stems directly from producers and managers of agri-food businesses possessing accurate and timely information on which to make informed management decisions, execute change, then accurately monitor performance in relation to customer and consumer demands (Cowan, 2007; Diederer, 2004; Morgan, 2007; Mowat and Collins, 2000; Tanner, 2012 and Simons and Zokaei, 2005). In doing so, businesses acquire the ability to reduce costs while often simultaneously increasing revenues, and achieve greater long-term competitiveness than competitors who have not adopted a VCM approach to business (Barrat, 2004b; Dunne, 2008; Fearn, 1998; Jones, 2012; Morgan, 2007; Palmer & Morris, 1994).

In the qualitative surveys, respondents were asked to describe benefits that have been achieved with the customers/farmers with whom they share the closest, constructive relationships. As presented below in Figure 3-12, the most commonly cited benefits include better common understanding of each other's needs, increased revenue, greater focus on market opportunities, and increased efficiencies/cost savings. As indicated in the chart, there are some variations by value chain position, especially among foodservice respondents.

Figure 3-12: Benefits from Working within Constructive Relationships, by Value Chain Role and Overall Average



Sample size: Producer, 18; Processor/Distributor, 11; Retail, 7; Foodservice, 9.

Further insights into the benefits achieved by having established strategic relationships with other members of the value chain are provided by respondents' comments, which include:

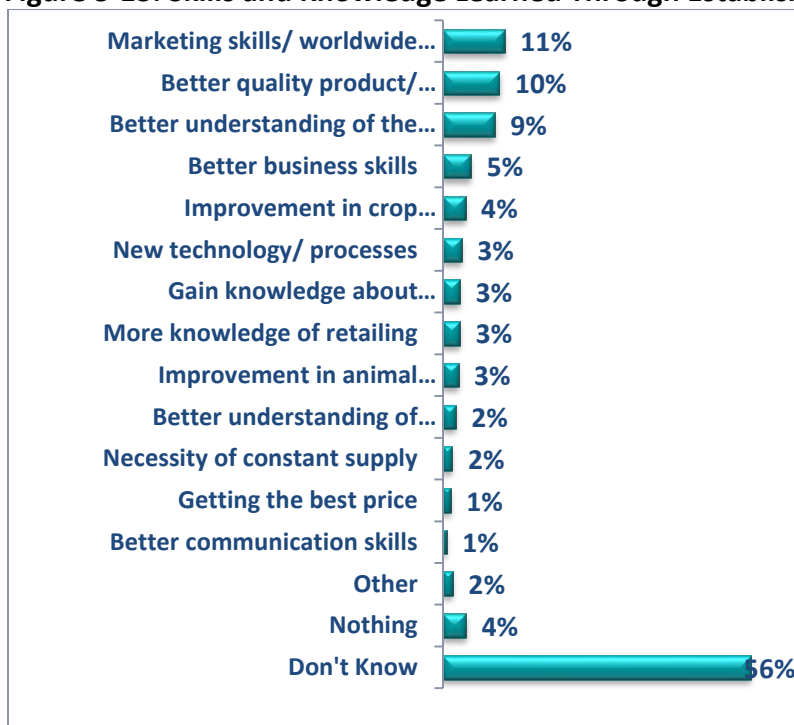
- *Faster payment, through having fewer issues that might otherwise delay payment. Ability to sell fruit that could be out of spec due to weather issues, through working together to develop new market opportunities. (Producer)*
- *Have greater respect for one another's problems. The insights and capabilities that come from this lead to each other having the ability and motivation to continually adapt to each other's needs. It also enables us to move product when there is a "flush," often without having to discount the price. (Producer)*
- *We are able to establish set programs with our producers that mirror market demands, which enables us both to reduce costs and grow revenue by expanding the market. (Retailer)*
- *If you are considered a top level supplier, you can get meetings when you are prepared, not have to wait until they can be bothered to see you. The retailer needs to trust you. (Producer)*
- *Over the last five to six years, we have received a better price than if selling at the open market. That wasn't true in the first five years. (Producer)*

- *Through regular communications and continuous updates (grading, price paid, scorecard) there is a greater focus on end product. Typically our shareholders don't look at the (commodity) price; they look at their price and their scorecard. (Processor)*
- *We have become educated more about what farmers go through to get a product to market, and the farmers have become more aware of our needs. This has led to some better results in terms of getting product to market more efficiently and quicker. (Foodservice)*
- *Working with local farmers has driven revenues up for them, helped us and them better understand each other's business, created media coverage, and supported the growing interest in local. (Foodservice)*
- *By communicating our demand levels, the producer has a guaranteed market and, therefore, is in a better position to plan his growing. Working with local farmers has enabled us to tell their story so that we are in keeping with the demand for local food in institutions. (Foodservice)*

3.5 Ability to learn

The opportunity to learn, leading to the acquisition of new skills and increasingly-sophisticated problem solving capabilities, was identified in the literature review as a distinct benefit that producers can acquire from establishing closer relationships with other members of the value chain. The quantitative study asked producers to identify what they had learned from establishing closer value chain relationships. The results are presented below in Figure 3-13.

Figure 3-13: Skills and Knowledge Learned Through Establishing Business Relationships



n=155

Figure 3-13 shows that the 40% of producers who have established closer value chain relationships have benefited from the experience through learning—leading to the development of new skills and capabilities. Just 4% of producers stated that they had not learned anything. Further analysis identified that it is producers that have established coordinated or collaborative relationships that are most likely to have learned from working with other members of the value chains and used that learning to achieve outcomes that would not otherwise be possible. This supports findings identified in both the literature review and the qualitative study.

3.6 Motivation to Establish Closer Relationships

In the quantitative survey, producers were asked, “Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', to what extent are the following goals and objectives important in driving/prompting your farm operation to participate in an agri-food value chain?” As can be seen in Figure 3-14 shown below, the abilities to increase profitability and return on investment were the primary factors that motivated producers to establish closer value chain relationships.

Figure 3-14: Motivation to Establish Closer Business Relationships



n=155

When asked the extent to which they had benefited from forming value chain relationships with customer(s) or supplier(s), 99% of the 155 producer respondents stated that it had enabled them to achieve at least some of the goals that initially motivated them to form the relationship. One percent of respondents were unsure about whether they had been able to achieve at least some of the goals that had led them to forming closer businesses relationships. None of the respondents stated that they had definitely not achieved any of their goals.

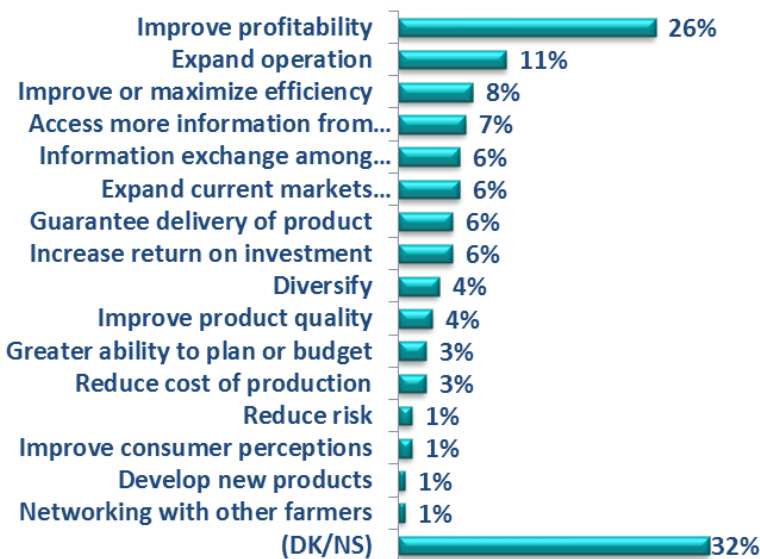
Figure 3-15: To What Extent Have You Achieved Your Goals and Objectives for Participating in an Agri-food Value Chain?



n=155

The same producers were asked to identify which of the goals had led them to form closer business relationships. As shown in Figure 3-16 below, among the 155 respondents, “improved profitability” and “expand operations” were the most commonly cited goals not being achieved.

Figure 3-16: Which of Your Objectives or Goals Are Not Being Achieved?



n=155

Further analysis of the results showed that those producers who had established coordinated or collaborative relationships with other members of the value chain were statistically more likely to have achieved outcomes that had improved the farm’s financial performance. This confirms findings identified in the literature review and the qualitative study that the stronger the relationship that exists between businesses, the more likely it is that producers will benefit from purposely participating in a value chain.

When asked what skills they would need to acquire to better achieve their desired goals, the most common response was “don’t know, not sure.” This, along with the large number of suggestions versus clearly defined factors, strengthens the hypothesis that being unsure about the topic of value chains leads many producers to not know how best to achieve their goals. They know what they want to achieve, though are not sure how.

While the identified needs overlap, the areas of improvement fall into two broad categories: internal capabilities, and external influences or enablers. The capabilities most commonly cited by producers as those required to better achieve the goals that had motivated them to establish closer business relationships directly reflect those identified in the literature review, namely “sales and marketing.” Next most common was “education/awareness”. It could be expected that this would enable producers to better communicate with other business, leading to the development of new more sophisticated management skills and business practices. External influences and enablers included “more government support”, “new / modern technology” and “better prices/lower cost production.” The full array* of needs and externalities is presented below in Figure 3-17.

Figure 3-17: Key Areas of Improvement to Achieve Goals



n=144 (*Responses under 3% not shown)

The findings show that producers are aware of the need to acquire new skills and capabilities, so that they can fully benefit from establishing closer relationships with businesses operating along the value chain. The next section of the report explores why more producers have not sought to acquire new skills, or establish closer relationships with other businesses.

4 Barriers to Establishing Closer Value Chain Relationships

The literature review identified that closely aligned value chains are forming more slowly in agri-food than other industries. This is particularly the case compared to IT, automotive, pharmaceutical, and aerospace (Cottrill, 2005; Cottrill, 2006a; Cottrill, 2006b; Fearne, 2007).

A key reason why the agri-food industry has been slower to adopt value chain management (VCM) approaches than other industries is said to stem from the agriculture and agri-food industry not exhibiting a learning culture. The lack of a learning culture is said to be particularly acute among farmers and customers with whom they immediately interact, such as primary processors, elevators, and marketers. Yet the adoption of VCM as a business strategy relies on a fundamental change occurring in individuals' attitude and behaviour, particularly in how they view other businesses and the extent to which they seek to acquire skills not traditionally associated with production agriculture.

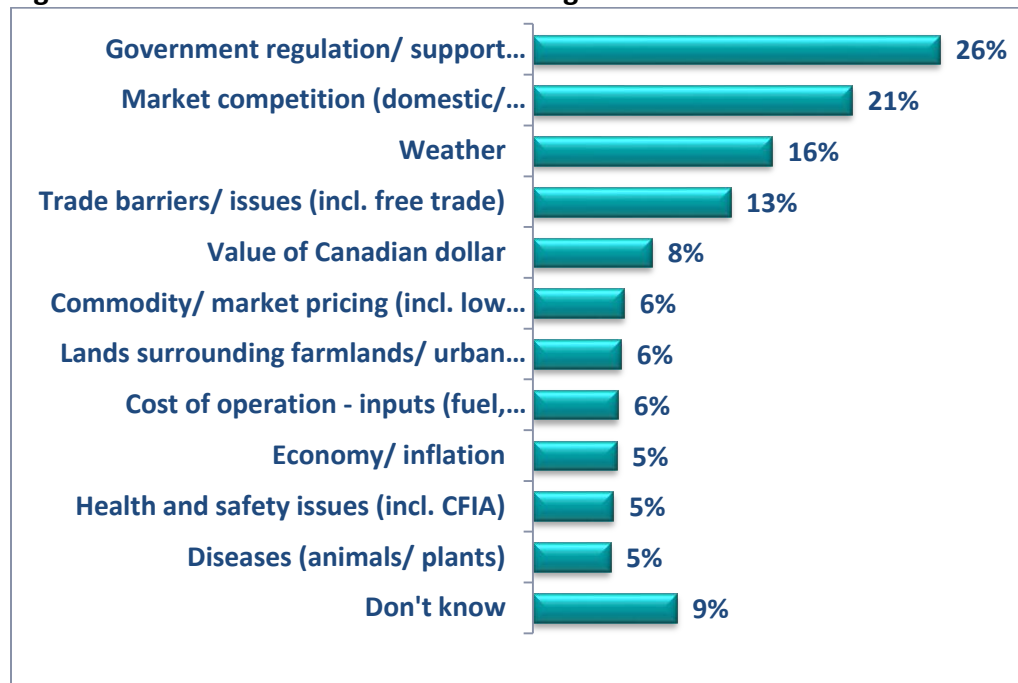
Lacking the desire to learn skills not traditionally associated with agriculture leads to farmers remaining staunchly independent (Palmer, 1996; Taylor, 2006), retaining increasingly outdated business practices (Boehlje, 1999; Curry, 2002; EFP, 2003), and fearing change (Fearne, 2007; Johnson, 2007; Tamilia and Charlebois, 2007). It also leads to an inability for farmers and other members of the value chain to communicate effectively, empathize with each other's situation, and develop then implement innovative business practices (Johnson, 2007; Marston, 2007; Morgan, 2007; Senge, Dow & Neath, 2006).

The general distrust that continues to emanate between buyers and sellers due to this lack of a learning culture (EFP, 2004; Fearne, 1998) also leads to managers from the agri-food industry not possessing the mindsets required to motivate them to develop the skills required to create business cultures that are open to sharing and acting collaboratively upon strategically and operationally important information (Boehlje, Hofing & Schroeder, 1999; EFP, 2004; EFP, 2005; Johnson, 2007). The rate of VCM adoption has also been negatively impacted by government and institutional policies that have lessened the influence which market forces would otherwise have on determining industry structure (Curry, 2002; EFP, 2003; Hart, 2005; Oram, 2008; Tamilia and Charlebois, 2007).

Based on the findings from the literature review, the quantitative and qualitative research asked respondents what they believed are the primary barriers to the development of close business relationships between farmers and other members of the value chain. The research also asked the respondent to identify to what extent these barriers influenced how much they could benefit from establishing constructive relationships. Factors identified in the literature review include attitudes unsuited to establishing and maintaining effective relationships, value chain or industry structure, inappropriate (or lack of) skills, and wider environmental issues such as government policies, legislation, or regulation. Collins (2012) is among the researchers who refer to these factors as the enablers of effective VCM, because the lack of their existence directly affects managers' desire and ability to establish closer relationships.

Figure 4-1 below indicates what those producers, who participated in the quantitative research and stated that they are actively participating in a value chain relationship, believe to be the primary barriers and threats discouraging or preventing the establishment of closer business relationships, and the benefiting from such. Asked as an open-ended question, the most common belief among respondents is that government regulations and support (from public and political perspectives) discourage or prevent the establishment of closer relationships. This was followed by competition in domestic and international markets, weather, and trade barriers. For the most part, these responses appear to be transactional factors rather than underlying determinants of behaviour, such as attitude.

Figure 4-1: Barriers or Threats to Achieving Their Goals



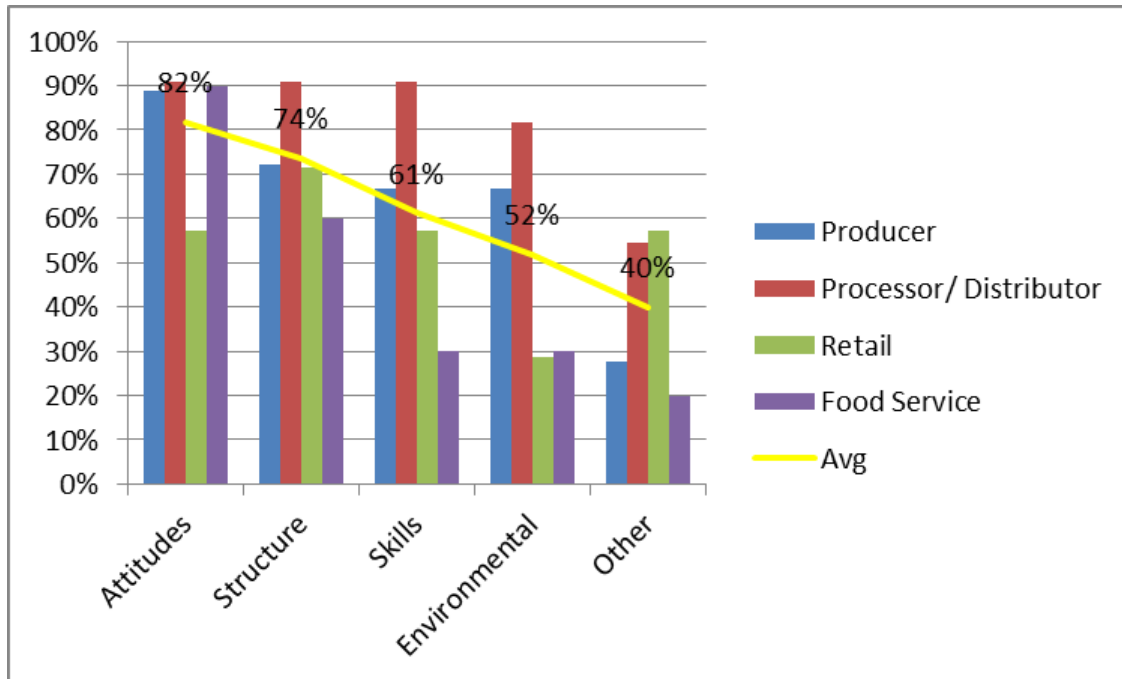
n=144

The qualitative surveys provided the opportunity to explore what producers and customers believe are discouraging or preventing the development of closer business relationships in more detail, from the perspective of observable factors and less tangible underlying causes. The results are presented below in Figure 4-2. While some differences exist between respondent groups, attitudes are considered to be the most significant overall barrier to change. This supports findings from the literature review. That individuals' attitude are shaped by education and personal experience helps explain why the quantitative survey found that producers possessing college and university education and managing larger farming operations were more likely to be actively participating in value chain relationships.

For retailers, the most significant barrier relates to industry structure, including marketing boards, industry consolidation, farms lacking economies of scale, the impact of legislation, and regulations on supplier behaviour, etc. Structure was also critically important to 91% of the

processors/distributors who answered this question. Many downstream businesses also commented that many farmers lack the skills and experience required to understand the market and fulfill customer needs. For retailers and foodservice, the primary issue is therefore not the existence of government related factors, such as policies and regulations per se; it is the influence that they have on industry structure and operations, through shaping the attitudes and behaviour of producers and other members of industry. Processors and distributors were more concerned than other respondent groups about how the lack of necessary skills and wider environmental factors are negatively affecting the existence of closer value chain relationships.

Figure 4-2: What Factors Have Limited the Development of Close Business Relationships between Farmers and Their Customers?



Sample size: Producer, 18; Processor/Distributor, 11; Retail, 7; Foodservice, 10.

The following comments were gathered during the qualitative research. They illustrate the extent to which issues identified in Figure 4-2 are viewed as influencing the competitiveness and profitability of Ontario's agri-food industry and opportunities, and why. Many of the themes overlap and reinforce each other.

4.1 Attitudes

Adversarial Nature of the Industry

- *Farmers generally assume that someone is ripping them off: the processor or retailer. At the retailer level, there is such a huge lack of understanding about challenges facing processors and producers. (Processor)*

- *Processors have farmers over a barrel. The large ones especially are able to manipulate supply while paying farmers less; and there are market opportunities that cannot be fully capitalized upon because of processors' behaviour. (Retailer)*
- *I think there is a lack of understanding on the part of foodservice operators of the growing sophistication of some farmers. Foodservice operators perceive farmers to be in the dark, and farmers see foodservice operators as city slickers and not trustworthy. Some companies are rebate focused; others do not focus on rebates. (Foodservice)*
- *Consistent growing practices, food safety and traceability are critical, and the attitude must be that they are committed to these. Some farmers fear big business and are uncertain on how to deal with us. (Foodservice)*

Lack of Motivation/Fear

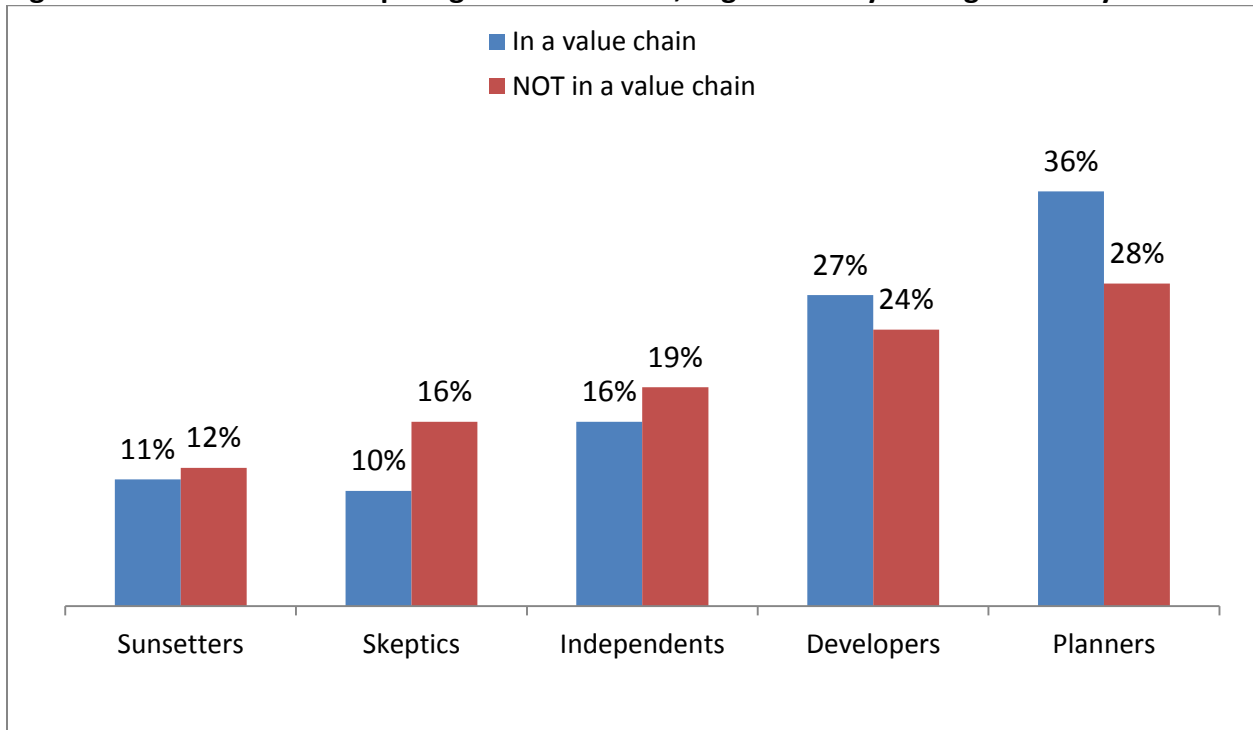
- *What I'm scared of - is where I go. If I don't go, things don't change for me. If it makes me real uncomfortable, then it makes me think about the opportunity more. (Producer)*
- *Processors are the primary chokepoint, followed by retailers. The attitude of most processors leads to them still being stuck in the commodity game. Many of their customers want different products, though processors push back as don't want to change. (Producer)*
- *[There is a] lack of producers who are interested in producing a better product. Simply focused on price and profit, as primarily think about efficiencies and not effectiveness. Don't focus on identifying the root cause of their issues. (Processor)*
- *They [farmers] can do it; they just don't apply themselves to it. We try to lead them rather than rely on them. (Foodservice)*
- *Industry organizations don't interact with each other, so their members don't interact either. This leads to the continuation of poor relationships and a lack of trust between producers and processors, (Processor)*
- *Prices are among the lowest than anywhere else in North America. Input costs keep rising, but retailers don't want to pay the same prices. Retailers pushed farmers out; they don't understand what it costs to grow. (Processor)*

4.2 Incidence of Value Chain Participants, By Management Style

The influence of producers' attitude on determining their likelihood to purposely establish closer business relationships with customers and suppliers was further emphasized by Ipsos segmenting the results of this study with factors found to typify progressive producers versus less progressive peers. This was achieved by tabulating the results of this study with that from prior AMI research that segmented producers by management style. As shown below in Figure 4-3, a direct correlation exists between producers' management style and whether they have established closer value chain relationships with customers and suppliers. These findings confirm that, as identified by the literature review and qualitative study, the purposeful development of closer business relationships is common practice among progressive producers. The findings also confirm that this and other management approaches associated with

“Developers” and “Planners” commonly lead to such producers being more profitable than their less progressive peers.

Figure 4-3: Producers Participating in Value Chains, Segmented By Management Style



As identified in the literature review, the results confirm that the producers most likely to establish close business relationships are self-directed learners who seek to improve the performance of their farms by adopting none traditional approaches to business.

The next three sections (4.3, 4.4, and 4.5) are comments captured during the qualitative research. They illustrate what it is and why respondents believe that structure, skills, and the wider environment are preventing (or at least discouraging) the development of closer business relationship between producers and other members of the value chain.

4.3 Structure

Industry Consolidation (*including lack of in agriculture*)

- *Economies of scale are the primary enabler or barrier. Doesn't matter what skills you have if don't have sufficient scale. Farmers who don't have economies of scale expect customers to take entire crop, which means that they have lower levels of pack-out [and higher costs] as not everything will meet their needs. (Producer)*
- *Senior retail executives came to my farm to show their commitment to buy from me. They know that I stand by my word and wanted to show their support when I was looking at purchasing another farm to expand my production. (Producer)*

- *You need a critical mass product. I had to raise more than I was selling or could sell, but I needed to sell every week so I had to take a chance—had to have the volume there in case it sold. Sold some at a beating because you're still developing your market. If you're serious, you need to invest. Most don't want to invest and take themselves there. (Producer)*
- *Scale is really the issue. Most of the Local Food Plus farms are too small to develop workable relationships. Larger farms typically have farmer owners that are better at marketing and business relationships. The smaller farmers don't behave in a way that is conducive to productive relationships with us. (Foodservice)*

Insufficient or Incorrect Infrastructure

- *If selling through auctions, producers simply don't get a customer-centric mindset. (Processor)*
- *There is often a lack of coordination among farmers. It relates to the complexity of the category and number of growers. Local doesn't mean the best quality and we must address balance of volume with quality. (Retail)*
- *With respect to our supply chain partners, we ask them to explore local alternatives, but they only have so much time and patience in dealing with smaller local producers. (Foodservice)*
- *We have too many middle persons in the supply chain. As a result, we need to better educate farmers. The [lack of] efficiency of these layers limits the ability to buy local. We need to remove layers in the supply chain. The product would get to market better and faster. (Foodservice)*

4.4 Skills

Lack of Sophisticated Business, Marketing, or Management Practices

- *It is hard for farmers to get geared up to sell to foodservice. Some farmers are not sophisticated enough to do a deal. (Foodservice)*
- *If want to have a customer's buy-in on other than just price, you've got to have an attitude of service. At university/college, you don't necessarily learn people skills. (Producer)*
- *Farmers need to be smart in different ways—academics versus relationships. Experience outside farming is very significant. Marketing is also very significant, especially dealing with people. (Producer)*
- *Too often producers also look at things like the initial cost of the bull versus whether it will provide the carcass composition required by their customers. (Processor)*
- *The best producers are recognizing that they can't be everything to everyone, or do everything on their own. (Processor)*

- *Farmers lack marketing and business experience. One of the things that surprised us was that farmers thought the costs to enter foodservice, especially around traceability, were prohibitive. (Foodservice)*
- *Many farmers don't understand that a large distributor wants its growers to have a GAAP certificate, needs to sign a hold-harmless agreement, and needs to name us in their insurance policy. It may be just sheer ignorance, but many farmers don't understand how to do business and what a distributor expects. (Foodservice)*
- *The issue over the years has been the inability to consistently meet our quality standards. (Retailer)*
- *The average farmer has no appreciation of expectations set by shareholders and investors. We want to be the best partners we can with farmers, but they must understand the demands set by the investment community. (Processor)*

4.5 Environmental Factors

Legislation, Regulations

- *More cooperation would make it easier. Marketing boards inhibit this process as opposed to helping. (Foodservice)*
- *Dairy is a challenge because of the marketing board, everything else has been no issue. (Foodservice).*
- *Please tell me what marketing boards really do [that creates value]. At times they price so high that we are forced to buy offshore. (Retailer)*
- *Regulations impose a framework that forces roles that, in the free market, would not be the reality. (Processor)*
- *Carcass utilization is a problem in beef. We can sell middles multiple times, though have difficulty selling either end and trim. Federal plants can export these cuts to the US or other markets, which we can't do. This reduces our cost competitiveness. (Processor)*
- *I would love to be able to take the fresh vegetable budget and give it to a local farmer for the growing season. This would not likely be possible, however, as the broader public sector is bound by procurement policies. (Foodservice)*
- *We use a third party to procure produce. They tell us what is available locally each week. Many of our protein suppliers don't meet the criteria for Ontario products, and protein must be federally inspected. (Foodservice)*

The report now describes respondents' views on ways to address the barriers and threats identified in previous sections.

4.6 Overcoming Barriers

Respondents of the qualitative research were asked which of the challenges or barriers mentioned above had they overcome in developing relationships with customers/suppliers. Eighty-four percent of all respondents said that they had faced challenges or barriers in developing relationships with their customers. Table 4-1 groups the barriers into themes and lists them in order of the frequency in which they were cited by respondents.

Table 4-1: Barriers Overcome in Developing Value Chain Relationships

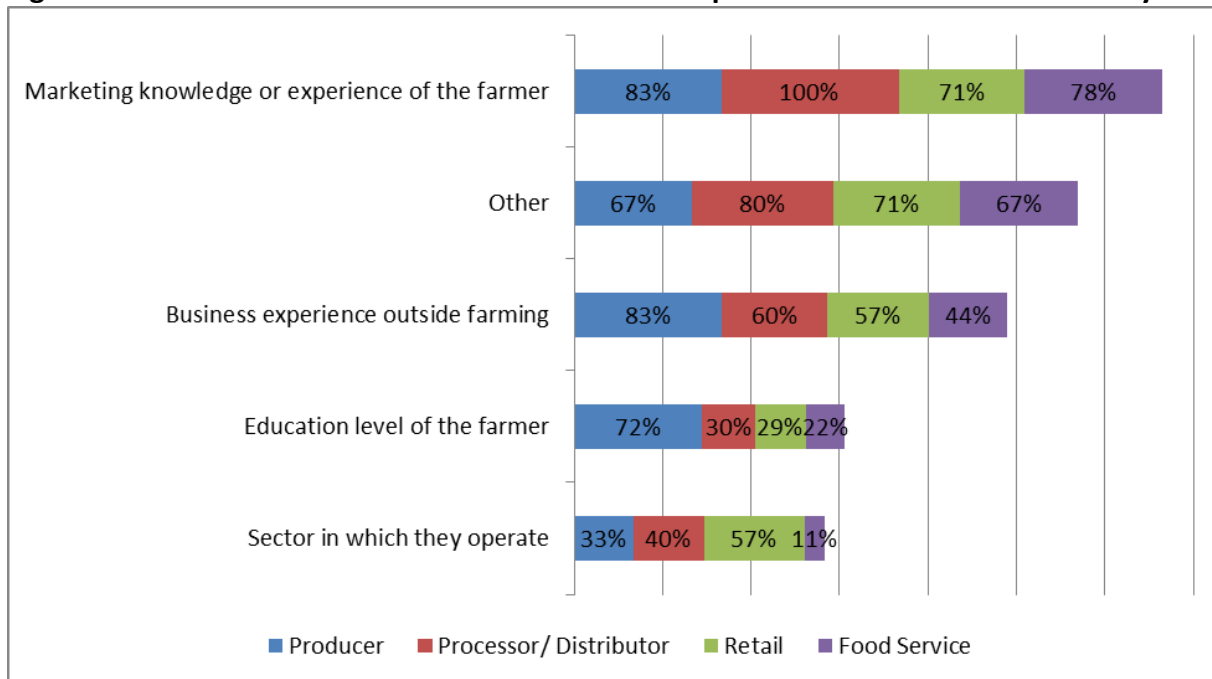
Theme	Number of Mentions (x=42)
Communications (i.e., planning, ongoing management)	16
Education (i.e., formal and/or informal)	14
Product offer (i.e., quality, range, traceable/QA, price)	11
Consistency (i.e., effect through the chain, ability to meet standards)	6
Finding the right partner (i.e., commitment, skills, volume, attitude)	6
Volume of supply/scale (i.e., economies of scale, being able to supply the volume needed by large businesses)	6
Delivery (i.e., deliver what is promised, when due)	4
Other (i.e., "trust", niche market requirements)	4

The three most frequently mentioned barriers relate to communications, a lack of education and suitability, and availability and/or consistency of product. All of these issues reinforce conclusions from the literature review, focusing on an adversarial culture, a lack of a learning culture, resistance to change, and an inability to learn and adopt new business practices.

To address effective ways to overcome industry-wide issues, respondents in the qualitative survey were asked if they perceive a difference in attitude and/or behaviours of farmers who have good relationships compared to the wider industry. A strong majority indicated that the best farmers do possess different attitudes and/or behaviours than the wider industry (Producers, 100%; Processors, 90%; Retailers, 71%; Foodservice, 90%).

These respondents were asked to choose from a list of factors that describe how the best farmers differ. Participants were also given the opportunity to add their own comments.

Figure 4-4: How Farmers Who Have Good Relationships Differ from the Wider Industry



Sample size: Producer, 18; Processor/Distributor, 10; Retail, 7; Foodservice, 9.

“Sector” and “education” were considered to be the least important barriers to farmers developing good relationships with downstream businesses. What was found to be more important is the marketing knowledge or experience of the farmer, and the attitude of the farmer (Other). Having business experience apart from farming was also considered to be an important differentiator among top producers.

These findings reaffirm conclusions drawn from the literature review, and quantitative research presented in Section 3.6 (Motivation to Establish Closer Relationships) and Section 3.5, about the critical role that enhancing producers’ marketing and business management skills has in motivating and enabling the establishment of closer value chain relationships. The purpose of training and education is not “merely” about imparting a body of knowledge; it is about engendering in individuals the ability to synthesize information from an array of sources into solutions that enable them to address problems and achieve outcomes which will benefit them now and over the long term. Achieving this relies on the existence of effective materials and delivery methods.

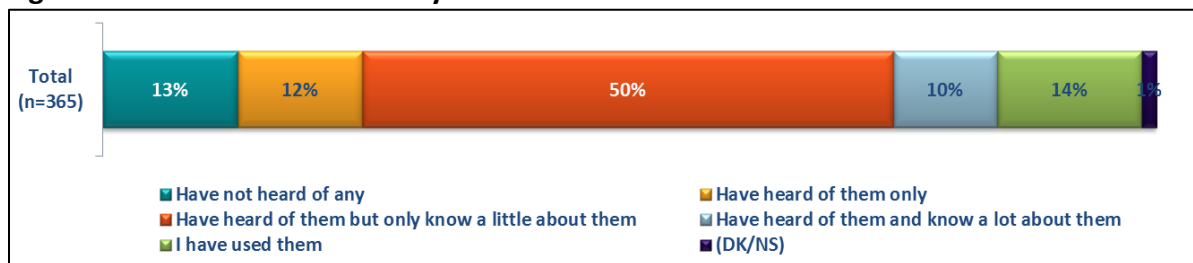
5 Current Resources

The quantitative and qualitative studies identified whether respondents were aware of any resources that had been produced to enhance producers' understanding of the term "value chain" or improve producers' management capabilities. The environmental scan sought to identify resources produced by Canadian and international value chain programs. The resources most commonly produced by international value chain programs include case studies that identify the opportunities which exist for businesses to reduce costs and increase revenue by collaborating strategically. Many of these and other materials developed by such programs are incorporated into university and college level education.

Canadian value chain initiatives focus primarily on encouraging the development and production of value-added products, with very few of their materials being incorporated into university and college level education. The exception is the Value Chain Management Centre. Its primary focus more closely reflects that of international initiatives, which is to motivate and enable the development of close effective businesses relationships along the value chain, leading to the existence of more profitable and innovative businesses than could otherwise exist. Its materials are known to be used by Canadian, UK, New Zealand, and Australian universities.

The quantitative study asked all 500 producer respondents to identify how familiar they were with resources or sources of information or tools available regarding agri-food value chains or value chain management (VCM). This included training, consultation, or professional advice. The results are shown below in Figures 5-1, 5-2, and 5-3. These results show that considerably more producers are aware of the topics of value chains and VCM than seek to use resources that they know exist to improve their business opportunities. The findings suggest that is not just a wider array of resources that could address this present situation; it is in delivering them more broadly and proactively than may presently be the case.

Figure 5-1: Producers' Familiarity with Value Chains Related Resources



n=313

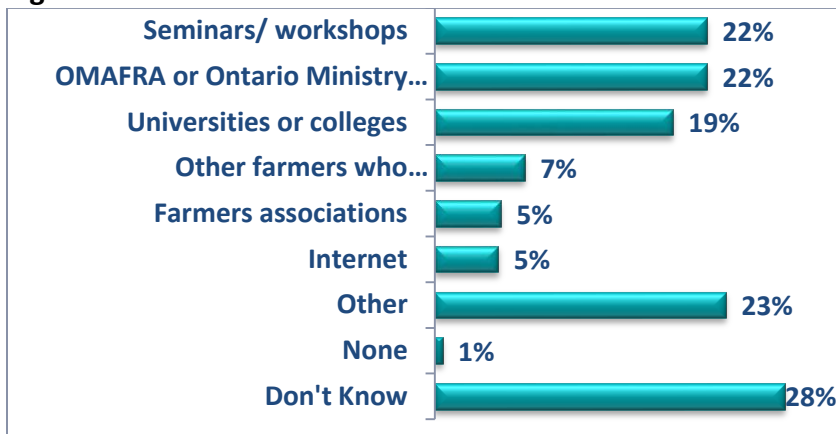
Figure 5-2: Awareness of Resources



n=313

The results presented above in Figure 5-2 from the quantitative study show that a relatively small majority of producers are aware of resources that have been specifically designed to increase their understanding of value chain practices, or skills associated with managing value chains. There is greater awareness of general materials and delivery methods, such as newspapers and magazines. As shown below in Figure 5-3, just 50 (10%) of producers who participated in the quantitative study have used the resources that currently exist.

Figure 5-3: Resources Used



The most common resource that producers have used is media reports, not materials designed to assist them improve their manage practices. This suggests that the current way in which resources are being delivered, or the nature of current resources, does not resonate with producers to the extent that they can readily identify them during a telephone interview. The qualitative survey also asked respondents to comment on their awareness and use of resources that can enhance their business capabilities in relation to the establishment and management of value chains. As shown below in Figure 5-4, downstream respondents and producers participating in closely aligned value chains appear more likely to have sought out and accessed resources than producers. Producers are more likely to seek to learn from their peers than from any type of formal education.

Table 5-1: Resources Used, by Value Chain Role

Producer	Processor/Distributor	Retail	Foodservice
<ul style="list-style-type: none"> • Networking 		<ul style="list-style-type: none"> • Networking 	<ul style="list-style-type: none"> • Networking
<ul style="list-style-type: none"> • Peer support 		<ul style="list-style-type: none"> • Peer support 	<ul style="list-style-type: none"> • Peer support
<ul style="list-style-type: none"> • Mentoring 			
<ul style="list-style-type: none"> • Not courses or books. The human element/connection helps to bring you success • Integrity and trust 			
Education <ul style="list-style-type: none"> • VCMC workshops • FCC workshops • GMC education 	Education <ul style="list-style-type: none"> • OSMA training • Courses • FCC workshops 	Education <ul style="list-style-type: none"> • VCMC workshops and conferences • VCMC case studies • Universities 	Education <ul style="list-style-type: none"> • OAC, U of Guelph
External Sources <ul style="list-style-type: none"> • Learning visits in Canada and elsewhere • Books • Industry groups • Courses • Trade shows • Internet 	External Sources <ul style="list-style-type: none"> • Industry Associations • CANADA GAP/CAN AG PLUS • Working closely with growers, we bring funding and market opportunities directly to them • Trade shows 	External Sources <ul style="list-style-type: none"> • Government funded initiatives like the VCMC peach project • International learning tours 	External Sources <ul style="list-style-type: none"> • Standards: Food safety, traceability, GAAP
	<ul style="list-style-type: none"> • External business advisors 	<ul style="list-style-type: none"> • Grants, government support, external consultants 	<ul style="list-style-type: none"> • Grants, government support, money from community loans
		<ul style="list-style-type: none"> • Internal infrastructure to help them be strategic and get involved in industry 	<ul style="list-style-type: none"> • From working with Foodservice companies

The majority of the 52 respondents believe that the need for resources designed to increase the competitiveness of Ontario’s agri-food industry is greatest among producers, followed by their intermediaries—including processors and distributors. The most effective way to engage retailers and foodservice operators in value chain initiatives was generally considered to be through producing “best-practice” case studies, involving them in demonstration projects, and offering university level courses, along with involving them in extension efforts with their peers and individuals operating at other levels of the value chain.

Shown below in Table 5-2 are the delivery mechanisms that the 52 respondents from the qualitative study suggested as effective means for engaging producers and other members of the value chain in processes that would increase their knowledge and skills relating to VCM.

Table 5-2: Resources that are Required, Suggestions by Value Chain Role

Producer	Processor/Distributor	Retail	Foodservice
Facilitated sessions	Facilitation, access to business advisors	Business facilitation	
Marketing communications	Marketing skills - Branding		Marketing resources and education
Networking/facilitated events (with downstream stakeholders)	Networking sessions/events	Need a marriage broker who exists to enable development of meaningful relationships between suppliers and retailers.	Networking/facilitated events
Short courses Series of courses Workshops		Workshops	1-2 day practical workshops
Management skills and/or specific skills (i.e., dispute resolution, record keeping, technology, business metrics)	Understanding quality from a customer perspective Benchmarking	Younger farmers need production skills development Older farmers need marketing skills development	Specific practical subjects (i.e., packaging, food safety/traceability, understanding costs and fair-market pricing)
SIMPLE introduction to supplying retail/ foodservice through to more involved category management			How to do business with restaurants: product and business requirements
Business planning	Business planning		Business plan development
Mentorship	Mentoring program		
Traceability, beyond the basic requirements			Champion to educate consumers and buyers
		Funding for pilot projects	Cooling infrastructure (i.e., strawberries)

The most effective delivery mechanism is viewed as being experiential, through personal interaction and action research. Other than short case studies of “how to” manuals, written materials were not considered the primary means of facilitating the existence of closer value chain relationships, partly through developing the management capabilities and skills required to establish and maintain effective business partnerships.

5.1 Comparative Analysis of Ontario Resources

A scan was conducted to identify value chain initiatives operating in Canada and overseas, the services that they provide, and their relative effectiveness in encouraging or enabling the adoption of innovative business practices and closer constructive relationships among their target audience.

In Ontario, the Value Chain Management Centre was found to be the only initiative established to specifically enable the development of agri-food value chains. Initiatives such as the Value Chain Roundtables (VCRTs) are not considered to be involved with establishing value chain relationships between businesses. A reasonable number of the qualitative respondents stated that they consider that the VCRTs have been misnamed, leading to an element of confusion and frustration.

An environmental scan of international value chain initiatives found that there was a surge of publically supported value chain activity/programs in the mid-2000s. Most of the funding was short term, based on the assumption that the industry would be able to help itself after the initial investment had been made in proving the benefits of businesses establishing closer relationships and in producing teaching materials. An issue with this approach is that VCM is a strategic management approach which relies upon a shift in industry culture to succeed.

Value chain initiatives, therefore, need the option of being able to support long-term projects, not forced to fit within artificial constraints or impractical expectations that are driven by short-term political desires. Many value chain programs fail to reflect this need. The exception is the extremely successful Dutch Agro Keten Kennis program in the Netherlands. This spawned a number of ongoing domestic and international initiatives, most notably those led by the University of Wageningen. With longer-time horizons being more typical of international development programs versus domestic initiatives, this has led to an increase in value chain projects occurring in developing nations. However, the greatest opportunities remain through implementing value chain initiatives in developed nations, such as Canada.

In Canada, public investments into value chain initiatives are considerably less than has occurred elsewhere. For example, the UK Food Chain Centre operated over five years with a total budget of £5.3m, consisting of £3.8m in grants and circa £1.5m in resources provided by IGD and DEFRA. Rather than focus on providing high level VCM awareness training to the industry at large, it focused on providing specific businesses with practical tools, such as farm scorecards, master classes, and training in Statistical Process Control, Six Sigma etc. Case studies flowed from projects that were made available to the public and industry at large.

A difference between value chain/supply chain-oriented initiatives of mainland Europe is that they are more technical and often include a scientific component. The value chain initiatives that appear to have the greatest impact in creating change for commercial success are privately managed, such as “European Food and Farming Partnerships” (UK). This organization is a specialist agri-food consultancy, working along the whole supply chain, in all sectors. It works to

address commercial, operational, and relationship issues across the industry and has large scale projects with clients like Unilever.

Government supported schemes that effectively force stakeholders to come together do not result in private success. On the other hand, UK (national and regional) and EU government programs have played a role in enabling commercial changes. National UK and EU funding has largely focused on enabling the construction of infrastructure, technological capabilities, and marketing programs.

Regional initiatives, such as “Heart of England Fine Foods” (UK), provide producers, growers, and processors of speciality food and drink products (based in Herefordshire, Shropshire, Staffordshire, and the Midlands) with an opportunity to enhance their business and marketing skills and learn about the retail sector, including drivers of consumer behaviour. This organization has received substantial government support since its inception in 1998³. It achieves its goals by offering practical business support (logistics, marketing, professional services – financial, training) as well as a food and hygiene safety certification program. Its collaborative delivery service provides a route to market for producer members and meets the demands from retail or foodservice buyers who require one order, one delivery, and one invoice for a range of regional products. This service is so successful that it was awarded the 2009 Institute of Grocery Distribution (IGD) Award for Sustainable Distribution (HEFF, 2012⁴).

A list of Canadian and international initiatives forms Appendix B.

With the research having identified that gaps exist in the effectiveness of current value chain related resources and delivery methods designed to encourage producers and other members of the value chain to establish closer business relationships, the report now presents a strategy that AMI can implement—leading to the development of a more innovative and profitable agri-food industry in Ontario.

³ Eleven million GBP was invested into the Shropshire Food Enterprise Centre alone.

⁴ www.heff.co.uk

6 AMI Strategy and Business Plan

6.1 Description of Opportunity

The benchmarking study identified that distinct differences occur across and between sectors in relation to the nature of business relationships that exist between producers, their customers, and their suppliers, and the commercial opportunities that this affords producers. Distinct differences also exist in the relationships that producers have with end customers of products which originate from Ontario farms. The term “end customers” refers to retailers and foodservice operators, where the majority of agri-food products are purchased by consumers.

That the sector in which producers operate has less influence on the business relationships that farmers have with their customers and suppliers, particularly compared to their personal attitudes and the skills that they possess, has enormous implications for Ontario agriculture. It also has enormous implications for Ontario’s agri-food industry, and the types of programs required to assist producers become more market oriented than at present. Driven by a need to react more effectively to changing market demands, retailers and foodservice operators are reaching out to producers, often through intermediaries such as processors and distributors. A relatively small percentage of Ontario producers are reaching out to customers and suppliers. Simultaneously, many producers and agri-food businesses are not actively seeking to establish closer value chain relationships.

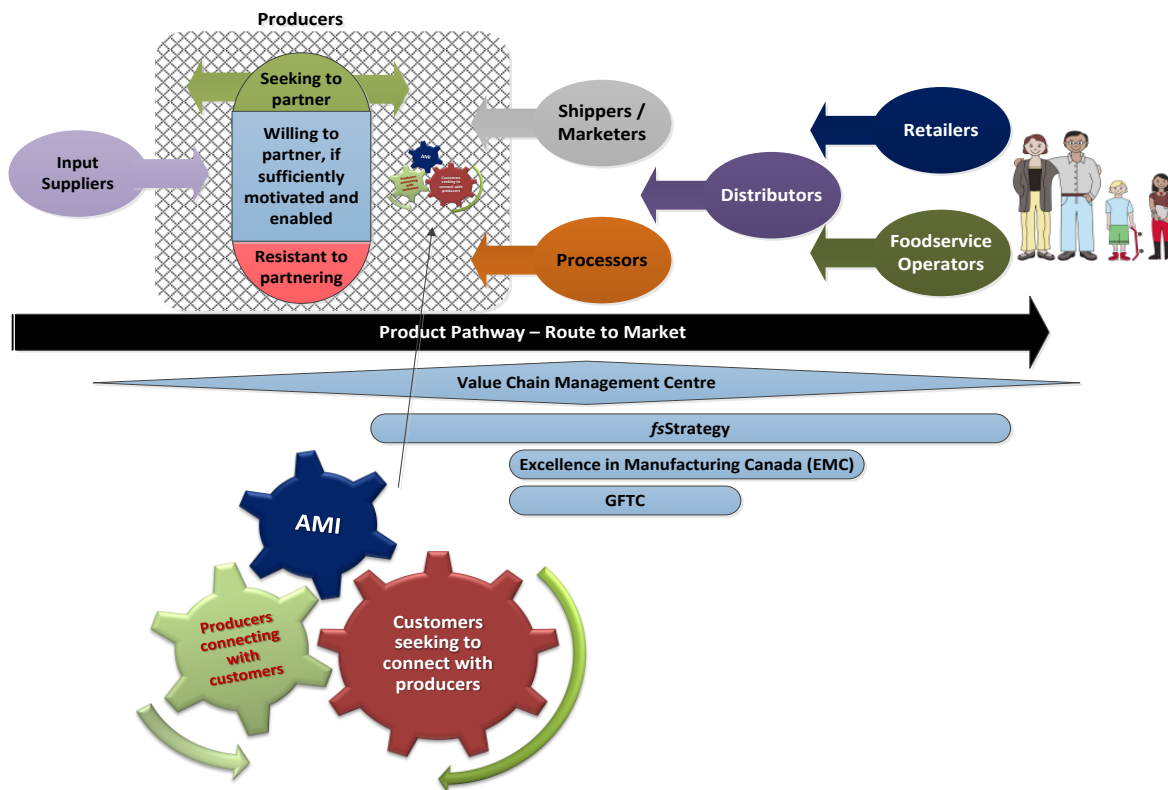
The extent to which producers and downstream businesses are able to establish the close relationships required to develop new products, guaranteed supply, reduce costs, improve quality, manage risk, and increase revenue relies on their willingness and ability to establish strategic (rather than transactional) business arrangements. The research strongly suggests that the majority of Ontario producers do not appear to possess the attitudes or skills required to establish and maintain long-term strategic relationships with other members of the value chain. Similarly, many agri-food businesses do not either. That producers who participate in (or who have participated in) close value chain relationships are most pessimistic about Ontario producers’ skills, knowledge and attitudes is insightful and somewhat troubling; not least given that a changing economic and political climate will force producers to look to the market to ensure their sustainability, not rely on business risk management programs or legislated marketing.

The reason why intermediaries are not willing to enter close strategic relationships with producers—examples most commonly cited include millers and meat processors—is for fear of forgoing a competitive advantage. The same reason appears to lie behind why differences exist in the procurement strategies of retailers and foodservice operators, and that intermediaries interact with producers more strategically in certain categories. Retailers tend to have established closer relationships with fruit and vegetable producers. Foodservice operators tend to have established closer relationships with livestock producers, particularly lamb and pork. Both retailers and foodservice operators are seeking to extend these practices across their

wider businesses, though are unsure about how to implement them. Given the extent to which the formation of closer producer-customer relationships is occurring elsewhere, such as in the UK, this is a trend that appears very likely to occur in Canada. The Food Chain Centre (FCC), Centre for Value Chain Research (CVCR), and English Food and Farming Partnerships (EFFP) are among the UK initiatives that have played a central role in facilitating those relationships and enabling farmers to benefit from adopting value chain business practices. Considerably more resources (both public and private) have been invested into this process than has occurred in Canada.

Figure 6-1 below illustrates the services that are currently available for facilitating closer relationships between businesses and enhancing management skills, and where along the value chain these service providers primarily target. The only Canadian initiative where the focus and expertise extend along entire value chains supplying retail and foodservice is the Value Chain Management Centre (VCMC). While the VCMC's work has led to producers markedly increasing their profitability, through enhancing their business skills and facilitating effective value chain relationships, its resources are limited. This has forced the VCMC to focus its implementation efforts on specific sectors of agriculture, with fruit being the most well-known. Its awareness and training activities have focused on numerous sectors, including beef, lamb, soybeans, wheat, and vegetables. Working on a project-by-project basis has limited VCMC's ongoing work to include a small percentage of Ontario producers and agri-food businesses.

Figure 6-1: Environmental Scan of Current Initiatives and Gap Associated With Agriculture



The cross-hatched area in the above figure illustrates the gap found to exist in current initiatives. A program does not exist that has been designed to enhance the long-term competitiveness and profitability of Ontario producers en masse, through encouraging then enabling them to develop skills not directly associated with production agriculture. This gap stems from the limited investment that has been made to encourage and enable producers and agri-food businesses to meaningfully connect, leading to the establishing robust and profitable value chain(s). Simply put, current initiatives have not been granted the resources or mandates required to engender change across Ontario's agricultural industry.

These findings, along with the environmental scan of current value chain initiatives occurring in Ontario and Canada wide, indicated that a need exists for an initiative with the primary purpose of facilitating closer business relationships between producers and downstream businesses. The first step would be to focus on raising Ontario producers' awareness about the need and benefit of establishing closer relationships with businesses operating along the value chain. As farmers become more aware of the benefits associated with establishing strategic relationships with their business partners, the next step would be to enable them to act on their desires. This can only be achieved by enhancing their management skills. The most important skills that the research found as needing to be developed by Ontario producers are marketing, market research, quality management, operations and processes, strategic planning, and financial management.

An initiative of the type described above would lead to large numbers of producers forming strategic business (value chain) relationships with businesses operating in the Ontario and Canada-wide agri-food industry. It would achieve this through facilitating changes in producers' attitudes towards the wider industry, and in the attitudes of managers of agri-food businesses, and delivering the services and opportunities required to enable change. This would be best achieved by partnering with the organizations shown in Figure 6-1, each of whom have proven their credibility and possess expertise that can help make an agriculture-centric program succeed. The program would work directly with producers. Industry organizations would be involved, if and when their participation was required, to achieve commercially relevant outcomes.

The need for such an agricultural-centric value chain program is reflected in the general lack of understanding found to exist in relation to value chains and value chain management (VCM) among many producers, much of the agri-food industry, government employees, and consultants alike. It is also shown by the clear disconnects that exist between the majority of Ontario producers and the markets for which they produce agricultural products.

6.2 Strategic Intent

The overarching program's strategic intent is five-fold. The first three are to connect producers to the end market and with the wider value chain, to increase producers' understanding of the commercial opportunities and challenges occurring along entire value chains supplying retail versus foodservice, and to provide producers and other members of the value chain with the

capabilities required to identify synergies and develop solutions to the challenges that they face. The fourth strategic intent is to identify any institutional, bureaucratic or regulatory mechanisms that interfere with producers' motivation or ability to connect to the wider value chain and the end market, then objectively quantify the extent to which they interfere with producers/businesses ability to capture value from the market, and why. These insights would enable the program and its delivery partners to achieve the fifth strategic intent: to propose solutions to a raft of impediments found to exist along the value chain.

To achieve these aims, the program must be able to create the momentum required to achieve a sea change: in industry culture (across agriculture and in how producers relate to each other), in how producers relate to their customers and suppliers, and in how government and institutions relate to industry. Transforming how Ontario producers relate to one another and the wider industry, and in how governments develop and enact policies and legislation, would require considerable ongoing resources.

Program activities will fall into two broad categories: "**Communication**" and "**Implementation.**" While both categories would primarily target producers, the delivery mechanisms would engage other levels of the value chain in the process of learning about and implementing VCM practices. Both categories would share certain similarities, such as the provision of mentoring services, which is an effective means for encouraging and enabling change to occur among less capable or enthusiastic producers. The reporting methods would ensure that the program produced outcomes that enabled continual improvements to occur in the program's long-term effectiveness, and its relevance to addressing industry needs.

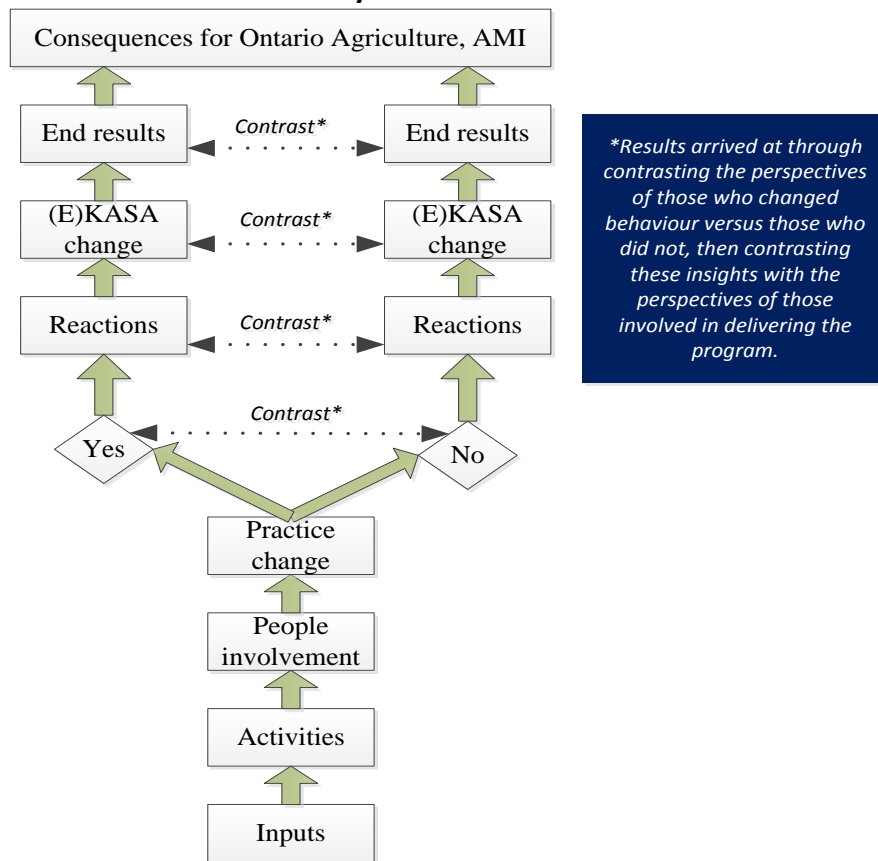
The Communication category would be delivered through means specifically designed to encourage producers, their suppliers, and downstream partners to explore how and why they would engage in increasingly sophisticated business arrangements. Delivery mechanisms would include experiential mentoring style programs, a "speed dating" service for agri-food businesses that are seeking to identify producers which are able to meet their specific needs, fact-finding investigations to explore market opportunities and acquire first-hand experience of innovative business practices, workshops, and forums. Each of these streams would bring producers and senior managers from downstream businesses together to enhance their understanding of each other's businesses and explore the potential benefits associated with establishing strategic business relationships. While it appears unlikely that downstream businesses would pay for services such as "speed dating," many of the respondents that participated in the research stated that they would contribute in-kind to a producer-education program. Their contributions would include senior staff participating in events and fact-finding missions designed to enhance producers' market intelligence and management skills. Their involvement will increase the likelihood that the program creates the motivation and knowledge required to support the establishment of closer, more innovative business relationships between producers and their customers.

The Implementation category would be specifically designed to encourage producers and other businesses operating along agri-food value chains to experiment with new business practices.

Each project would involve businesses involved in creating value for consumers that operate at a minimum of three levels of the value chain. An example in fruit would be producer, marketer, and retailer; an example in beef would be cow-calf, finisher, and processor. Each project would be established, conducted, and reported in a manner that reflected the five principles of VCM and an academic case study approach. This does not mean that the materials that resulted from each of the projects would be written in an academic style or format. It means that sufficient rigour would lie behind the project's design and implementation, thereby ensuring that, regardless of whether a specific project was commercially successful, it would produce valuable objective lessons that could be shared with the wider industry. It would also enable lessons learned to be delivered through multiple mediums (e.g., university courses and industry events) and modified to suit the needs of specific audiences (e.g., business leaders and government employees involved in developing agri-food policies). This approach would also enable every project and the overall program to be analyzed and contrasted to produce insights and lessons learned that would not otherwise be possible.

Presented below in Figure 6-2 is a framework that is suited to evaluating the effectiveness of individual projects and the overall program, by establishing for whom a project or program worked (or not) and why. The proposed framework will enable the program to measure its effectiveness in coming from a wholly commercial perspective to initiate changes in attitude and behaviour at the farm and immediate post farm gate levels of the value chain. In objectively measuring its effectiveness, the program will have the ability to reflect an objective and informed systems perspective in how it communicates with producers and the wider industry. The framework will also enable the program to identify the effectiveness of projects funded, the impact of environmental factors (including sector related structure, culture, legislation and regulations) on project outcomes, and where it should invest resources as attitudes, behaviour, and the sophistication of business practices evolve over time.

Figure 6-2: Modified Bennett’s Hierarchy



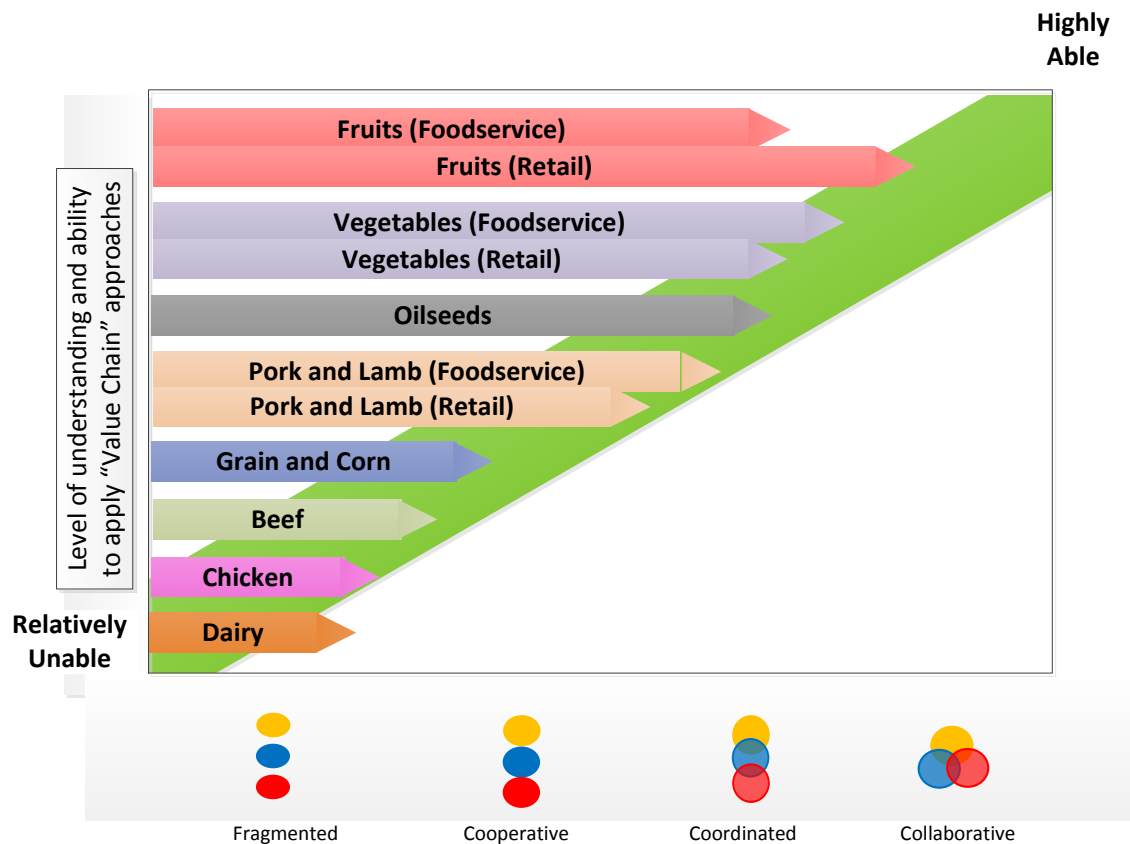
Given its relationship with Ontario’s agricultural industry and its history of delivering programs designed to enhance producers’ management skills, AMI is well placed to enable and help deliver this service through a combination of direct reports and through funding external expert parties to undertake projects that support the initiative’s overall strategic intent. To enhance the AMI program, the chosen partners must meet certain requirements and standards. The most important of these is a proven ability to undertake objective and academically rigorous value chain research and/or deliver training, which results in improved business performance. The chosen partners must also possess an extensive understanding of the factors known to impact the performance of agri-food value chains supplying retail and foodservice markets.

6.3 Target Sectors

Differences were found in the extent to which closely aligned business relationships have developed between producers and other businesses operating along the value chain, by sector. Differences were also identified in the extent to which producers and other members of the value chain are able or willing to utilize the relationships that they have developed with customers and suppliers to achieve commercial advantage. Shown below in Figure 6-3 is the range of business relationships that the research identified as occurring across specific sectors. The nature of business relationships is regularly influenced by the market that specific value

chains supply. For example, in the vegetable sector, there exist value chains (i.e., carrots and asparagus) that are said to operate more strategically in the case of foodservice than retail. Simultaneously, in the fruit sector there exist value chains (i.e., apples and peaches) that are said to operate more strategically in the case of retail than foodservice. Across retail and foodservice, the existence of strategically aligned value chains appears to be considerably less in the beef, chicken, and dairy sectors. The subsequent section discusses the factors that are said to result in these differences and their implication upon AMI's proposed program.

Figure 6-3: Comparative Incidence of Value Chain Structures, By Sector and Market



The research showed that it is not the sector per se which primarily determines whether strategic value chain relationships have developed between businesses, or the extent to which businesses have benefited from working together; it is the attitude of the participants, including their desire and ability to learn. Current attitudes are said to partly result from the influences that industry organizations and government policies/regulations have on shaping a sector's culture, structure, and the modus operandi of the involved businesses. As well, a correlation appears to exist between the extent to which industry organizations reflect a commercial value chain perspective in how they operate, and the incidence of producers and their customers or suppliers benefiting financially from having established strategic business relationships. For example, strategic business relationships were stated as being less common and/or less significant in terms of a sector's size, where legislated marketing influences practices that occur within and between the businesses, which together comprise a sector.

Examples given of where this occurs in Ontario include dairy, chicken, and plums. Legislation also influences the skills that individuals consider appropriate to achieving financial success and their likelihood of embracing non-traditional business models. These findings are conducive with factors identified in the literature review.

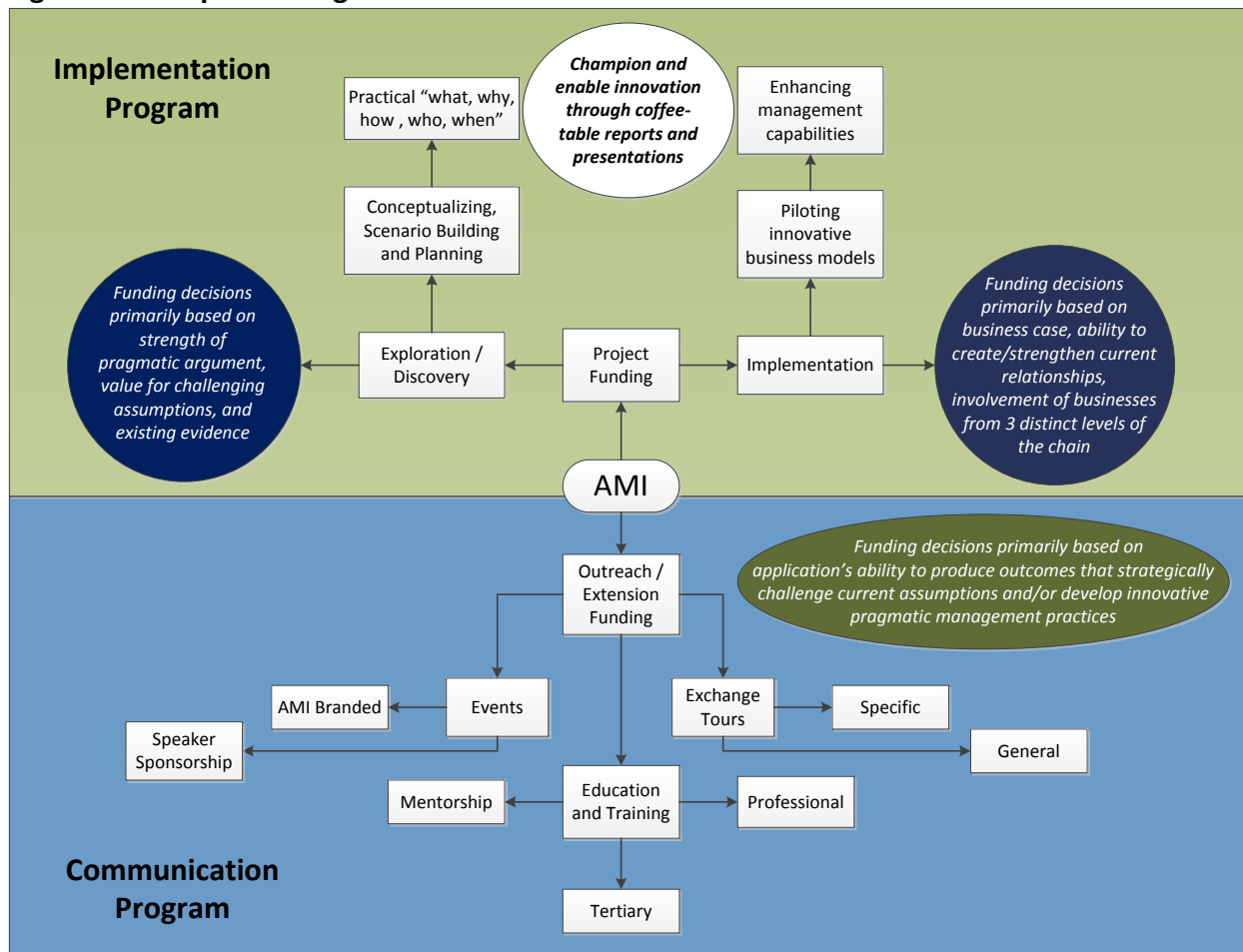
The existence of closely aligned business relationships along entire—or close to entire—value chains also results from certain sectors being typified by longer, more complex value chains, particularly where power-imbalances exist between businesses who staunchly adhere to transactional (arbitrage) business practices. Examples given of where this occurs and hampers producers' profitability include beef and wheat. The existence of closely aligned business relationships along entire—or close to entire—value chains was also stated as being less common in sectors where producers remain staunchly independent. Examples given of where this occurs and hampers producers' profitability included vegetables. In circumstances where there are long, complex chains and/or staunchly independent producers, it is more likely that intermediaries, such as brokers or processors, can stymie the development of close strategic relationships developing between producers and other members of the value chain. These findings are also conducive with factors identified in the literature review.

6.4 Product and Service

The AMI program will assist producers from all sectors enhance their competitiveness and profitability. With the factors which support or hinder the development of closely aligned relationships between producers and other agri-food businesses found to be somewhat sector, subsector, and market specific, means that precisely what AMI's program seeks to achieve will differ by target audience. The delivery mechanism will likely also differ by sector, product, and market.

Shown below in Figure 6-4 are examples of the projects and initiatives proposed for the Communication and Implementation elements of AMI's program. The program's primary focus is encouraging and enabling individuals involved in commercial farming to adopt innovative management techniques. It will also work to establish objective market-oriented relationships with producers and commercial businesses operating along the value chain.

Figure 6-4: Proposed Programs and Initiatives



The overarching message conveyed by the program should be that “regardless of the sector in which they operate, producers and their customers have benefited from having established strategically aligned business relationships and adopting a value chain approach to how they manage their business.” A project should only be undertaken if the proponents are able to demonstrate that it will materially add to the present knowledge surrounding how and why a sector or subsector of Ontario’s agri-food industry can benefit from establishing closer strategic business relationships along the value chain. Proponents must also show how the results will be used to engender purposeful changes in producers’ attitudes and behaviour. To ensure that results and insights can be readily translated to the widest possible audience, reports, case studies, and presentations that result from the program will follow a consistent format and theme. Establishing a common reporting format will also ensure that the program’s impact can be monitored and measured more effectively than would otherwise be possible.

6.5 Program Title and Clients

Due to mistaken assumptions and personal biases that are associated with the term “value chain,” particularly among producers, we recommend that the program’s name does not

include the words “value” or “chain.” Instead, the program should be positioned as assisting producers to increase their profitability through encouraging them to establish innovative commercial relationships with customers and suppliers. This is because the research showed that the majority of producers do not understand what the term “value chain” means. Many producers appear to associate it with a negative context, such as conceding power or profitability to a more powerful customer or supplier. Downstream businesses tend to possess a more accurate understanding of what the term “value chain” means in practice; however, they are not the proposed program’s audience. Based on the insights gathered into value chain initiatives occurring worldwide, a suitable title for the program might be “Agricultural and Agri-Food Partnerships”.

The program will have three distinct client groups. The first group are producers and the commercial business with which they directly interact, pre- and post-farm gate; the purpose being to enhance their management capabilities and leadership skills, leading to increased profitability and competitiveness. Commercial businesses operating in the wider agri-food industry are longer-term targets, with whom the program will interact on an ad hoc basis as required. The second group are institutional stakeholders who influence sectors’ culture, structure and behaviour; they include industry organizations, government employees, and financial corporations.

The third group are teaching institutions such as universities and colleges, research groups, such as Vineland Research and Innovation Centre (VRIC), and extension agents such as consultants. All of these groups would benefit from possessing an increased understanding of what the term “value chain management” means, why value chain approaches are important to industries’ profitability and competitiveness, and the determinants of their success.

6.6 Activities Supported by Each Pillar of the Proposed Program

A proportion of activities undertaken by AMI (e.g., industry events and conferences) could provide revenues that are reinvested into the program.

The primary purpose of the “Communication” element of the program is to develop among producers and other commercial businesses operating along agri-food value chains the attitudes required to motivate the adoption of VCM practices. Among industry stakeholders, the program’s purpose is to encourage them to support the establishment of close strategic relationships between producers, their customers, and their suppliers, through championing the adoption of VCM practices. This can only be achieved by increasing individuals’ understanding of VCM issues and opportunities in relation to the sector and businesses with which they interact. Facilitating changes in individuals’ attitudes and behaviour relies on presenting irrefutable concrete examples, upon which they regularly reflect. This leads to individuals’ revising the ideas, values, and beliefs that form their assumptions about how their business and the wider industry operate, and why. Increased understanding about the opportunities offered through the adoption of VCM and what this means for them personally will translate into an increased desire to participate in events and initiatives that are designed

to instill in them the management skills required to establish and successfully manage value chain relationships.

The primary purpose of the “Implementation” element of the program is to assist producers who are genuinely interested in establishing closer relationships with customers and suppliers, to ensure that they can cost-effectively produce crops and livestock which are suited to meeting target market demands. The secondary purpose is to encourage downstream businesses (e.g., processors and millers) to establish closer relationships with producers and to determine the business options best suited for enabling themselves and producers to more effectively and profitably adapt to market demands. Another way that AMI can establish a relationship with downstream businesses will come through providing a “speed dating” service, which assists them to connect with producers that meet their requirements and involve them in outreach events and projects. The third market will be government and industry associations, particularly those involved in the development and delivery of policies and programs.

Table 6-1 lists examples of sectors to which each of the program elements could be targeted and potential projects that could benefit Ontario’s agricultural industry. With Ontario’s wheat industry effectively being devoid of closely aligned value chains, establishing closer more strategic businesses practices would be best achieved by facilitating the development of the attitudes and skills required to adopt innovative business practices. Hence the primary delivery vehicle would be the Communication strand of AMI’s program. With closely aligned value chains already operating in Ontario’s fruit industry, the focus would be on encouraging the adoption of increasingly sophisticated management practices across the wider industry. Hence the primary delivery vehicle would be the Implementation strand of AMI’s program.

Table 6-1: Potential Purpose and Desired Outcomes of Each Element, by Sub-sector

Communication		
Sub-sector	Project	Outcome
Potato sector (fresh)	Fact-finding mission for an innovative fresh potato value chain to identify and experience firsthand the management practices that have led to their long-term commercial success, and explore how lessons learned could enable Ontario potato producers to increase their profitability.	Producers acquire a greater appreciation for the factors that determined how a group of producers benefited from working together and are able to communicate lessons learned to Ontario’s fresh potato sector, leading to their possessing a greater desire to innovate in relation to market demands.

Wheat	Analysis of a value chain supplying wheat to a Canadian bakery, to quantify current performance from a systems perspective, research consumer perceptions of value, identify root causes of undesired effects, and propose solutions that would benefit the participants by improving their long-term financial performance.	Members of the entire value chain possess a roadmap for why they would establish closer business relationships, how they would implement new business arrangements, and how performance would be measured. This would increase their desire and ability to engage in innovative business practices.
Mentorship program	Enable innovators from agriculture and agri-food to meet producers one-on-one, to encourage and enable them to profit from supplying target markets.	Producers are encouraged and enabled to establish closer business relationships with chosen customers and suppliers, leading to increases in skills and profitability.
Implementation		
Lamb	Pilot the establishment of a closely aligned value chain supplying lamb to an Ontario retailer and foodservice distributor, through facilitating the development and implementation of innovative business practices from farm through to retail store and restaurant.	Motivate producers, a processor, retailer, distributor, and foodservice operator to establish closer business relationships and implement practices that enable each business and the overall value chain to reduce their costs and increase revenue faster and more successfully than they would if reliant on their own resources. Share lessons learned with the wider industry.
Dairy (cows)	Explore the benefits of establishing closer more innovative business practices in a processed dairy value chain, and identify arrangements that would enable individual businesses and the entire chain to reduce costs and increase profitability in relation to their target market(s).	Objectively determine the extent to which current supply management regulations limit innovation occurring between businesses, and propose a business model that would enable the involved businesses to innovate directly in relation to target consumers' perceptions of value.
Goats	Conduct an industry level value chain analysis to establish the true cost of dairy and meat production in Ontario's goat industry.	Develop a business model that would motivate and enable businesses operating in Ontario's goat industry to profitably expand to meet burgeoning market demand.

The above are examples of how the proposed program would lead to outcomes that enable and motivate Ontario producers to explore then establish closer value chain relationships with other members of the value chain(s) in which they operate.

6.7 Governance

The exact projects and initiatives to be funded by the proposed program, their purpose in relation to the program’s strategic intents, and each initiative’s target audience will be determined by an Advisory Committee that reports to the AMI Board. The Advisory Committee will convene annually and include senior representatives from commercial businesses operating along value chains supplying retail and foodservice markets. Its primary responsibility will be to advise the AMI Board on the program’s long-term strategic goals, and evaluating the effectiveness of the program according to predetermined metrics and timelines.

The evaluation framework presented in Figure 6-2 would ensure that the program is able to determine the changes in Knowledge, Attitude, Skills, and Aspirations (KASA) that occurred among producers who participated in AMI funded initiatives. The ability to compare the changes in KASA that occurred among producers who had benefited from establishing closer strategic relationships with business operating along the value chains, versus those who had not, would enable the program’s effectiveness to be measured in terms of its impact from economic, cultural, and skills based perspectives. The evaluation framework will also enable the influence that external factors, such as legislation and industry structure, have upon the effectiveness of the AMI program to be quantified from multiple perspectives. These insights will be invaluable to AMI as it plans and implements future programs. The resulting insights will also be invaluable to both OMAFRA and AAFC as they develop future policies and programs.

6.8 Year One Activities

The activities that we recommend the new AMI program funds in the first year of operation are listed below in Table 6-2.

Table 6-2: Proposed Year One Activities

Activity	Suggested Sectors to Include	Purpose
Six sector-specific forums	Vegetables, Fruit, Pork, Lamb, Oilseeds, Beef	Illustrate the extent to which value chain initiatives have succeeded in Canada and internationally, and what this means to producers operating in each of the Ontario sectors. Encourage networking to occur between retailers, foodservice, intermediaries, and producers.

Five international fact-finding missions	Wheat, Beef, Dairy, Chicken, Goats	Leaders from commercial industry learn firsthand how innovative businesses have prospered by working together strategically, and what this means to these Ontario sectors and Ontario's overall agricultural industry. Encourage producers, processors, retailers, and foodservice operators to explore new business models.
Eight value chain projects	Wheat, Pork, Beef, Dairy, Chicken, Goats, Apples,	Enable and motivate producers to develop a greater understanding of their end markets and encourage them to factor this into their business practices.
Eight producer-orientated value chain workshop	Apples, Pork, Lamb, Oilseeds, Beef, Wheat, Oilseeds, Corn	Encourage and enable producers to adopt more market focused and quality assurance related business practices, and establish closer strategic relationships with their customers and suppliers.
Mentorship opportunities for 100 producers	Across all sectors	Provide the opportunity for self-motivated producers to confidentially meet peers and senior managers from businesses operating at other points along the value chain, to explore how they could improve their current business practices.
Reporting and Evaluation	Across all initiatives delivered by AMI	Report the program's impact on changes in KASA that occurred among participated producers, achieved economic benefits, lessons learned, and the influence that external factors were identified as having upon the nature of producers' management practices.

7 References

- Argyris, C. (1995), "Action science and organizational learning," *Journal of Managerial Psychology*, vol. 10, no. 6, pp. 20-26.
- Argyris, C. (1985), "Interventions for Improving Leadership Effectiveness," *Journal of Management Development*, vol. 4, no. 5, pp. 30-50.
- Baines, R. N. (2000), "Impact of global retailer initiatives on their supply chain: what lessons for Australian producers, exporters, and retailers?" Food Business Group, Agriculture, Fisheries and Forestry – Australia, Barton ACT.
- Baker, K. A. (2002), "Innovation," Washington Research Evaluation Network. <http://www.wren-network.net/resources/benchmark/14-Innovation.pdf>, accessed January 24, 2008.
- Barney, J., Woonghee, L. (1998), "Governance under Uncertainty: Transaction Costs, Real Options, Learning and Property Rights." Fisher College of Business, The Ohio State University, Ref #124140, 1998.
- Barrat, B. (2004), "Unveiling Enablers and Inhibitors of Collaborative Planning," *The International Journal of Logistics Management*, vol. 15, no. 1, pp. 73-90.
- Barrat, M. (2004b), "Understanding the Meaning of Collaboration in the Supply Chain", *Supply Chain Management: An International Journal*, vol. 9, no. 1, pp. 30-42.
- Batt, P. (n.d), "Relationships as a basis for building confidence in supply chains" Senior Lecturer, Agribusiness Marketing (Horticulture), Curtin University of Technology.
- Boehlje, M. D. (2006), "The New Business Model", Alberta Agriculture & Food, [http://www1.agric.gov.ab.ca/\\$department/newslett.nsf/all/rnw9148/\\$FILE/dr.%20boehlje-the%20new%20business%20model.doc](http://www1.agric.gov.ab.ca/$department/newslett.nsf/all/rnw9148/$FILE/dr.%20boehlje-the%20new%20business%20model.doc), accessed March 14, 2008.
- Boehje, M., Schrader, L. (1996), "Agriculture in the 21st Century", *Journal of Production Agriculture*, 9(3):335-340, 1996.
- Boehlje, M. (1999), "Structural Changes in the Agricultural Industries: How Do We Measure, Analyse and Understand Them?" *American Journal of Agricultural Economics*, vol. 81, no. 5, pp. 1028-1041.
- Boehlje, M. D., Hofing, S. L., & Schroeder, R. C. (1999), "Value Chains in the Agricultural Industries", Ag Education & Consulting, LLC Staff Paper #99-10 [August 31, 1999], Department of Agricultural Economics Purdue University, http://www.centrec.com/resources/Articles/value_chain_ag_industry/org_sc.pdf, accessed December 27, 2007.

- Bonney, L. (2012), "Assessing the Role of Incentive Systems in Determining Effective Value Chain Innovation"; PhD Dissertation; University of Queensland. (Unpublished).
- Bower, G.H., Hilgard, R.H. (1981), "Theories of Learning", Englewood Cliffs, NJ: Prentice Hall.
- Chandler, A.D. Jr (1962), Strategy and Structure, The MIT Press, Cambridge, MA.
- Christopher, M., Ryals, L. (1999). "Supply chain strategy: its impact on shareholder value," The International Journal of Logistics Management, Vol. 10 No. 1, pp. 1-10.
- Cohen, W.M., Levinthal, D.A. (1990). "Absorptive Capacity: A New Perspective on Learning and Innovation", Administrative Science Quarterly: Special Issue - Technology, Organizations, and Innovation, vol. 35, no. 1, pp. 128-152
- Collins, R. (2011). Translating Consumer Insights into Sustainable Competitive Advantage; University of Queensland; Workshop held in Mississauga, Ontario.
- Collins, R., Dunne, T., O'Keefe, M. (2002). "The locus of value: a hallmark of chains that learn", Supply Chain Management: An International Journal, vol. 7, no. 5, pp. 318-321.
- Cottrill, K. (2006). "Supply Chain Experts Get Their Say on Product Design", Harvard Business Review: Supply Chain Strategy, February 2006, vol. 2, no. 2, pp. 1-4.
- Cottrill, K. (2006b). "Turning Suppliers in Business Partners", Supply Chain Strategy, March 2006, vol. 2, no. 3, pp. 7-9.
- Cowan, J. (2007). "Thompsons: Succeeding through Process Improvement, Constant Communication, and Circling in on Quality", Value Chain Management: Adding Value to Agriculture, George Morris Centre, Guelph, Ontario, DVD.
- Curry, D. (2002). "Farming and Food, A Sustainable Future", Report of the Policy Commission on the Future of Farming and Food, Department for Environment Food and Rural Affairs (DEFRA), January 2002.
- Defee, C. (2007). Supply Chain Leadership. PhD dissertation, University of Tennessee, 2007. http://trace.tennessee.edu/utk_graddiss/148; Accessed January 12, 2012
- dePater, J. (2012). Sevita Presentation at 2012 Value Chain Innovation Forum, Delta Meadowvale, Mississauga Ontario, April 3, 2012. Available online: <http://www.valuechains.ca/documents/Sevita.pdf>
- Diederer, P. (2004). "Co-ordination Mechanisms in Chains and Networks", In The Emerging World of Chains & Networks: Bridging Theory and Practice, Eds T. Camps et al., Hoofddorp: Reed Business Information / Elsevier Juridisch, pp. 33-47.

Dunne, T. (2008). "Value Chains: Insights from Australia", Webinar: Canadian Farm Business Management Council, <http://www.agriwebinar.com/Webinar.aspx?id=e8b6071a-78e6-4c8e-8515-2a5114be209f>, accessed January 2009.

Dunne, A. (2001). "Supply Chain Management: fad, panacea or opportunity." Agribusiness Perspectives, Paper 48. Agribusiness Association of Australia. www.agrifood.info/perspectives

Dymock, D., McCarthy, C. (2006). "Towards a Learning Organization?" Employee Perceptions, The Learning Organization, vol. 13, no. 5, pp. 525-536.

EFFP (2004). "Farming & Food: collaborating for profit", English Food & Farming Partnership, London.

EFFP (2005). "Making Collaboration Work", English Food & Farming Partnerships, London.

Egelhoff, W.G. (1988). "Strategy and structure in multinational-corporations – a revision of the Stopford and Wells model", Strategic Management Journal, Vol. 9 No. 1, pp. 1-14.

Eckert, E., Bell, A. (2005). "Invisible Force: Farmers' Mental Models and How They Influence Learning and Actions", Journal of Extension, vol. 43, no. 3, <http://www.joe.org/joe/2005june/a2p.shtml>, accessed March 2008.

Fawcett, S.E., Magnan, G.N. (2001). Achieving World-Class Supply Chain Alignment: Benefits, Barriers, and Bridges, Institute for Supply Management, Tempe, AZ.

Fearne, A.F. (1998). "The evolution of partnerships in the meat supply chain: insights from the British beef industry", Supply Chain Management: An International Journal, vol. 3, no. 4, pp. 214-231.

Fearne, A. (2007). "Reasons for Alliance Failure"; Value Chain Management; DVD; George Morris Centre.

Fell, L., Russell, D. B. (2000). "The human quest for understanding and agreement", Agricultural Extension and Rural Development: Breaking out of Traditions, Eds. R. L. Ison, D. B. Russell, Cambridge University Press, pp. 32-51.

Fortescue, S. (2006). "Bowland 'Em Over", Dairymen, an editorial supplement to The Grocer, The Grocer, September 9, 2006, pp. 26.

Frankel, R., Schmitz Whipple, J. (1996). "Alliance Formation Motives: A Comparison of International Perspectives", International Journal of Logistics Management, vol. 7, no. 2, pp. 19-32.

Fulton, A., Fulton, D., Tabart, T., Ball, P., Champion, S., Weatherley, J., Heinjus, D. (2003). "Agricultural Extension, Learning and Change", Rural Industries Research and Development Corporation, Barton, ACT. <https://rirdc.infoservices.com.au/downloads/03-032.pdf>, accessed October 2007.

Garbarro, J.J. (1987). "The Development of Working Relationships", Handbook of Organizational Behaviour, Ed. J.W. Lorsch, Prentice-Hall.

George Morris Centre (2007). "Value Chain Management: Adding Value to Agriculture", George Morris Center, Guelph, Ontario, DVD.

Gooch, Martin (2012). "Evaluating the Effectiveness of Applying an Adult Learning Approach to Value Chain Management Education," PhD Thesis. University of Queensland, 2012.

Gooch, Martin (2012b). "Motivating and Enabling Value Chain Innovation in Canada's Agri-Food Industry." Value Chain Management Centre, May 2012.

Gooch, M., LaPlain, D., Felfel, A., (2011). "Adding Value to Veal". Value Chain Management Centre, George Morris Centre.

Gooch, M. & Marenick N., (2011). "Characterising the Determinants of Successful Value Chains." A VCMC paper prepared for Canadian Agri-Food Policy Institute. Available online: <http://www.valuechains.ca/documents/Characterizing%20the%20Determinants%20of%20Sus%20VC-%20031912.pdf>

Gooch, M., Marenick, N., Felfel, A., Vieira, J. (2009). "Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton". Paper by Value Chain Management Centre. View "Local Food Study: Niagara Region and City of Hamilton" online at: <http://www.valuechains.ca/reports.htm>

Gooch, M., Laplain, D., Stiefelmeyer, K., Marenick, N., Felfel, A. Ingratta, F., Martin, L (2009b). "Consumer Market Research Strategic Study for Fresh Grapes and Fresh & Processed Apples & Tender Fruits & 2008 Orchard Fruit & Vineyard Quality Assessment throughout the Value Chain." Value Chain Management Centre/George Morris Centre. Prepared for the Vineland Research and Innovation Centre.

Gooch, M., Moore, T. L., Mussell, A., Grier, K., Webb, D., Dessureault, S. (2006). Market Opportunity Analysis for the Canadian Lamb Industry, George Morris Centre, Guelph, Ontario.

Goleman, D. (2000). "Leadership That Gets Results", Harvard Business Review, March-April 2000, pp. 78-90.

Gross Davis, B. (1993). "Tools for Teaching", first ed. Jossey-Bass Inc., San Francisco, California.

Hart, M. (2005). "Great Wine, Better Cheese: How Canada Can Escape the Trap of Agricultural Supply Management", Background No. 90, C.D. Howe Institute, http://www.cdhowe.org/pdf/backgrounder_90.pdf, accessed March 14, 2008.

Heart of England Fine Foods (2012). www.heff.co.uk

Hemal, D.K. (2001). "Beef producer attitudes for industry coordination: empirical evidence from Canada", Supply Chain Management: An International Journal, vol. 6, no. 3, pp. 119-127

Hughes, D., Fearn, A., Duffy, R. (2001). "Concepts of Collaboration: Supply Chain Management", Global Food Industry in Food Supply Chain Management: Issues for the Hospitality and Retail Sectors, Eds. Eastham, J.F., Sharples, L., Ball, S.D, Butterworth Heinmann, Oxford, UK.

Ison, R.L. (2000). "Experience, tradition and service?: Institutionalised R&D in the Rangelands", Agricultural Extension and Rural Development: Breaking out of Traditions, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 103-132.

Ison, R.L. (2000b). "Technology: transforming grazier experience", Agricultural Extension and Rural Development: Breaking out of Traditions, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 52-76.

Ison, R.L., Russell, D.B. (2000). "The research-development relationship in rural communities: an opportunity for contextual science", Agricultural Extension and Rural Development: Breaking out of Traditions, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 10-31.

Ison, R.L. Russell, D.B. (2000b). "Enthusiasm: developing critical action for second-order R&D", Agricultural Extension and Rural Development: Breaking out of Traditions, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 136-160.

Ison, R. L., Russell, D.B. (2000c). "Co-researching: braiding theory and practice for research with people", Agricultural Extension and Rural Development: Breaking out of Traditions," Eds. R. L. Ison, D. B. Russell, Cambridge University Press, pp. 10-31.

Ison, R. L., High, C., Blackmore, C. P., Cerf, M. (2000). "Theoretical Frameworks for Learning-Based Approaches to Change in Industrialised-Country Agricultures", In Cow up a tree: knowing and learning for change in agriculture: case studies from industrialized countries, Ed. Anonymous, Institut National de la Recherche Agronomique, Paris, pp. 31-55.

Jarvis, P. (2004). "Adult Education & Lifelong Learning: Practice and Theory", Third ed. Routledge Farmer, Abingdon, Oxfordshire.

- Johnson, S. (2002). "Supply Change Management in the Lamb Industry: An Analysis of Opportunities and Limitations", University of Sydney
<http://www.csu.edu.au/faculty/science/rman/afbmnetwork/conferences/2004/proceedings/Johnson.pdf>, accessed February 20, 2007.
- Jones, M. (2012). "Morrisons, The Three C's: Customer, Cost, Collaboration", 2012 Value Chain Innovation Forum, Delta Meadowvale, Mississauga Ontario, April 3, 2012.
- Kilpatrick, S., Johns, S., Murray-Prior, R., Hart, D. (1999). "Managing Farming: How Farmers Learn", Rural Industries Research and Development Corporation, Kingston, ACT,
<http://www.rirdc.gov.au/reports/HCC/UT-18A.doc>, accessed February 15, 2007.
- Knowles, M.S., Holton, E.F., Swanson, R.A. (2005). The Adult Learner, Sixth ed. Elsevier Inc. Burlington, Massachusetts.
- Kolb, D.A. (1984). "Experiential Learning: Experience as The Source of Learning and Development", Prentice Hall, Inc., Upper Saddle River, New Jersey.
- Kotter, J.P. (1996). "Leading Change", Harvard Business School Press, Boston, Massachusetts.
- Love, P.E.D., Gunasekaran A. (1999). "Learning Alliances: a customer-supplier focus for continuous improvement in manufacturing", Industrial and Commercial Training, vol. 31, no. 3, pp. 88-96.
- Marston, N. (2007). "KG Fruits: The Benefits of Collaborating as a 'New Generation' Producer Cooperative", Value Chain Management: Adding Value to Agriculture, George Morris Centre, Guelph, Ontario, DVD.
- Martin L, R Westgren, L Schrader, I Cousineau, LeRoc 'h, R Paguaga and V Amanor-Boadu (1993). "Business Linkages: the Case of the Poultry Industry." Working paper 10-93, Food Industry Research Group, George Morris Centre, University of Guelph, June 1993.
- Meadows, D. H. (1997). "Places to Intervene in a System", Whole Earth, no. 91, pp.78-84,
<http://www.wholeearth.com/issue/2091/article/27/places.to.intervene.in.a.system>, accessed July 16, 2008.
- Moon, J.A. (2004). "A Handbook of Reflective and Experiential Learning: Theory and Practice", Routledge Falmer, Abingdon, Oxfordshire.
- Morgan, P. (2007). "Livestock Marketing: Decreasing Costs, Increasing Revenue through Trust, Feedback and Attention to Detail", Value Chain Management: Adding Value to Agriculture. George Morris Centre, Guelph, Ontario, DVD.

Mowat, A., Collins, R. (2000). "Consumer behaviour and fruit quality: supply chain management in an emerging industry", *Supply Chain Management: An International Journal*, vol. 5, no. 1, pp. 45-54.

Newton, D. (2000). "Supply Chain Learning for Australian Agribusiness", Food Group, Agriculture, Fisheries, Forestry – Australia, Barton, ACT.

Oram, R., (2008). "Opinion: The Value Chain", *Sunday Star Times: Business News*, Fairfax Media Limited, February 3, 2008, pp. 2.

Palmer, C.M. (1996). "Building effective alliances in the meat supply chain: lessons from the UK", *Supply Chain Management: An International Journal*, vol. 1, no. 3, pp. 9-11.

Palmer, M., Morris, J. (1994). "J Sainsbury's Tenderlean Lamb: Partners in Production", In *Breaking With Tradition: Building Partnership and Alliance in the European Food Industry*, Ed. Hughes, D., Wye College Press, pp. 115-137.

Peak of the Market Website. Viewed online Oct 2012 at: <http://www.peakmarket.com/>

Rusaw, C.A. (2000). "Uncovering training resistance: A critical theory perspective", *Journal of Organizational Change Management*, vol. 13, no. 2, pp. 249-263.

Santiago, A. (2007). "Little Potato Company: Creating Value for Customers through Developing a Point of Difference", *Value Chain Management: Adding Value to Agriculture*, George Morris Centre, Guelph, Ontario, DVD.

Schmitz Whipple, J., Frankel, R., Anselmi, K. (1999). "The Effect of Governance Structures on Performance: A Case Study of Efficient Consumer Response", *Journal of Business Logistics*, vol. 20, no. 2, pp. 43-63.

Select Fine Foods Website. <http://www.selectfinefoods.com/story.html>.

Senge, P.M., Dow, M., Neath, G. (2006). "Learning together: new partnerships for new times," *Corporate Governance*, vol. 6, no. 4, pp. 420-430.

Senge, P.M. (1997). "The Fifth Discipline", *Measuring Business Excellence*, vol.1, no. 3, pp. 46-51 MCB University Press Ltd.

Simons, D., Zokaei, K. (2005). "Application of lean paradigm in red meat processing," *British Food Journal*, vol. 107, no. 4, pp. 192-211.

Spekman, R.E., Spear, J.S., Kamauff, J. (2002). "Supply Chain Competency: Learning as a Key Component", *Supply Chain Management: An International Journal*, vol. 7, no. 1, pp. 41-55.

Spekman, R.E., Kamauff Jr, J.W., Niklas, M. (1998), "An Empirical Investigation into Supply Chain Management: A Perspective on Partnerships", *Supply Chain Management*, vol. 3, no. 2, pp. 53-67.

Statistics Canada (2006). 2006 Census of Agriculture. Viewed online:
<http://www.statcan.gc.ca/ca-ra2006/index-eng.htm>

Tamalia, R.D., Charlebois, S. (2007). "The importance of marketing boards in Canada: a twenty-first century perspective", *British Food Journal*, vol. 109, no. 2, pp. 119-144.

Tanner, D. (2012). Zespri® Presentation at 2012 Value Chain Innovation Forum, Delta Meadowvale, Mississauga Ontario, April 3, 2012. Available online:
<http://www.valuechains.ca/documents/Zespri.pdf>

Taylor, D.H. (2006). "Strategic considerations in the development of lean agri-food supply chains: a case study of the UK pork sector", *Supply Chain Management: An International Journal*, vol. 11, no. 3, pp. 271-280.

Taylor, D.H., Fearne, A. (2006). "Towards a framework for improvement in the management of demand in agri-food supply chains", *Supply Chain Management: An International Journal*, vol. 11, no. 5, pp. 379-384.

Westgren, R. (2007). "Value Chains in Agriculture and Agri-Food: Marketing", *Value Chain Management: Adding Value to Agriculture*, George Morris Centre, Guelph, Ontario, DVD.

Whipple, J.M., Frankel, R. (2000). "Strategic Alliance Success Factors", *The Journal of Supply Chain Management*, vol. 36, no. 3, pp. 21-28.

van Roekel, J., Willems, S., Boselie, D. M. (2002). "Agri-Supply Chain Management: To Stimulate Cross-Border Trade in Developing Countries and Emerging Economies", The Royal Tropical Institute, Amsterdam,
<http://www.kit.nl/portals/documents/query.ashx?RecordID=627882&Portal=VCFD>, accessed June 15, 2008.

VCIF (2012). "Value Chain Innovation Forum", held on April 3-4, 2012 in Mississauga Ontario. Summary from keynote presentations by Peter Hines, David Tanner, Martyn Jones, Jack Barclay. Viewed online at: <http://www.valuechains.ca/presentations.htm>

VCMC (2010). "Staying Lean" Workshop. Held on June 6, 2010 in Mississauga Ontario.

VCMC (n/d). Little Potato Company Case Study. Viewed online:
<http://www.valuechains.ca/documents/LITTLE%20POTATO%20COMPANY.pdf>

VCMC Beef Case Studies

- Learning from the British Beef Industry, July 2011. Available online:
<http://www.valuechains.ca/documents/Learning%20From%20The%20UK%20Beef%20Industry.pdf>
- Overview of UK Beef DVD Case Studies, July 2012. Available online:
 - <http://www.valuechains.ca/casestudies.htm>
 - <http://www.youtube.com/user/ValueChainMC?feature=mhee>

VCMC Peach Reports

- Platinum Peach Project, Report on Grower Chain and Consumer Design of Experiments, June 2012. Available online:
<http://www.valuechains.ca/documents/Platinum%20Peaches%20Yr2%20FINAL%20-%20061812.pdf>
- Collaborating to Increase the value of Ontario peaches, May 2011. Available online:
<http://www.valuechains.ca/documents/Collaborating%20to%20Increase%20The%20Value%20of%20Ontario%20Peaches%20%20052411.pdf>
- What makes a Platinum Peach? Aug 2012. Available online:
<http://www.valuechains.ca/documents/platinum%20peach%20media%20release%20081512.pdf>

Zanquetto-Filho, H., Fearne A., Pizzolato N. (2003). "[The measurement of benefits from and enablers for supply chain partnerships in the UK fresh produce industry](#)," [Journal on Chain and Network Science](#), pp 59-74. December, 2008.

Zoomerang (n/d).

<http://www.zoominfo.com/#!search/profile/person?personId=283589251&targetid=profile>

Zull, J.E. (2002). "The Art of Changing The Brain: Enriching The Practice of Teaching By Exploring The Biology of Learning", Stylus Publishing, Sterling, Virginia.

8 List of Appendices

Appendix A: Literature Review

Appendix B: List of Value Chain Initiatives

Appendix C: Quantitative Research Results

Appendix D: Qualitative Research Results

Appendix E: Final Presentation to AMI Board

Appendix A: A Review of Value Chain Management Literature

Overview

Focusing on labels to evaluate a value chain's competitiveness is a pointless task (i.e., "supply chain" versus "value chain"). The focus needs to be on understanding: how and why a value chain is managed, the individuals and organizations that comprise the value chain, and the factors that bond, or fail to bond, the chain together. Illustrating these points from a practical perspective is the purpose of this literature review.

The review uses real life examples from Ontario, Canada, and internationally to illustrate the five factors that are essential to the effective management of value chains:

1. The decision to form and the ability to sustain a closely aligned chain depends on the attitude of the participants, and the existence of a strong visionary and charismatic chain champion(s).
2. The motivation of chain partners to learn and adapt as a strategically aligned system determines their own and the overall value chain's competitiveness.
3. The internal dynamics of the value chain, as well as the external environment in which the chain operates, can positively or negatively affect the chain's ability to acquire knowledge and benefit financially by translating it into actionable management decisions.
4. A value chain's success is determined by its adherence to a certain set of principles. The most successful value chains have succeeded by devising, implementing, and enforcing a structure that reflects their core strategic intent. Strong governance and a commitment to delivering value from the customer/consumers' perspective is critical to success.
5. While many value chain initiatives have developed the means to secure premiums from specific markets, often for specific products within their overall portfolio, the financial success of all sustainable value chain initiatives ultimately rests on possessing the ability to continually reduce costs: resulting in the opportunity to increase margins and profitability. This point is particularly important for products produced/sold in relatively low volumes.

Evidence gathered during the review process shows that the success of an industry relies on increasing the competitiveness of the businesses operating at the enterprise level. Enabling businesses operating at different levels of the value chain to strengthen their competitive advantage by learning and working together, leading to unique innovative behaviours and processes, is therefore crucial to the future prosperity of Canada's agricultural and agri-food industry.

Findings from the literature review formed the basis of survey instruments that enabled the adoption of value chain business practices to be benchmarked across Ontario's agricultural industry through primary research.

1 Introduction

1.1 Objectives

The literature review has four objectives:

1. Describe what the term “value chain management” (“VCM”) means in practice.
2. Present why the concept of value chains and their management is becoming increasingly important to the competitive advantage of Ontario agriculture.
3. Describe the drivers of change which have led to the emergence of VCM as a valid business strategy.
4. Detail reasons why the agriculture and agri-food industry has adopted VCM approaches slower than other industries.

1.2 Defining Value Chain Management

Farms and other agri-food businesses do not operate in isolation; they each have suppliers from whom they source a product or service. They then seek to add value to that product or service prior to its sale to a customer or a final consumer at a price that exceeds its cost of production. A series of businesses that together derive value from supplying products and services to target consumers (e.g., farm input supplier, farmer, processor, retailer) can, therefore, be thought of as a value chain.

The need for producers to work strategically with their suppliers and customers to create a competitive advantage from having greater influence upon the overall process of growing, processing, and marketing agri-food products, in order to remain competitive in a rapidly changing business environment, has been researched and written about extensively (Boehlje, 1999; EFP, 2004; Fearn, 1998). Achieving a VCM approach to business relies on producers strategically involving themselves in operations not directly related to the production of commodities (Fulton et al., 2003; Kilpatrick et al., 1999), but rather directly related to the needs of customers and/or consumers.

Value chain management (VCM) is more than a theory. It is a strategic business approach that is helping a growing number of businesses to increase their long-term competitiveness. VCM describes the types of processes that businesses use to manage their own operations and influence the operations of others in the context of the chain to which they jointly belong. VCM is a reiterating process that takes time, resources, and skills (Gooch & Marenick, 2011).

In adopting VCM, chain partners, including producers, need to identify what does not create value from the customers’ point of view, and adapt to reduce what is not valued and augment what is. Too often, companies base their actions on assumptions and do not understand or know what customers value. What is particularly challenging is that sometimes customers do not really know what they value either (VCMC 2010; Gooch et al., 2009; Gooch et al., 2009b).

Furthermore, value chains must operate at the business level, not the industry or sector level. VCM is therefore a strategic approach that can only be adopted through choice by individual

businesses. The decision to enter and the ability to sustain a closely aligned chain depends on the attitude of the participants. The attitude of individuals also determines what they are able to achieve. Attempting to operate a value chain at a sector level would force the chain to accept participants who may be not be motivated or capable. Undoubtedly, this would impair the value chain's performance and competitiveness (Gooch & Marenick, 2011).

The existence of close strategic relationships enables the involved businesses to improve their competitiveness through possessing the ability to learn and adapt more effectively than if operating as separate organizations (EFFP, 2005; Jones, 2012; Morgan, 2007; Senge, Dow & Neath, 2006; Tanner, 2012). The ability to learn and adapt stems directly from producers and managers of agri-food businesses possessing accurate and timely information on which to make informed management decisions, execute change, then accurately monitor performance in relation to customer and consumer demands (Cowan, 2007; Diederer, 2004; Morgan, 2007; Mowat and Collins, 2000; Tanner, 2012 and Simons and Zokaei, 2005). In doing so, businesses acquire the ability to reduce costs, while often simultaneously increasing revenues, and achieve greater long-term competitiveness than competitors who have not adopted a VCM approach to business (Barrat, 2004b; Dunne, 2008; Fearn, 1998; Jones, 2012; Morgan, 2007; Palmer & Morris, 1994).

There have been numerous attempts to differentiate between "value chains" and "supply chains". While such statements may make for an interesting theoretical exercise, in reality, they are impractical. There is not one "type" of value chain. Value chains come in various forms, each typified by a certain structure and set of characteristics (Dunne, 2003; Spekman et al., 1998). Different elements of the same chain can be at different stages of development in terms of the relationships that exist between the businesses and the extent to which they are able and/or willing to utilize their relationships for strategic advantage (Gooch et al., 2011; Beard, 2007; Collins, 2007).

Therefore, a supply chain cannot suddenly morph into a value chain, and a straightforward simplistic analogy is misleading. Every business belongs to a "chain". It is how a business operates in relation to its customers and suppliers that determine the commercial opportunities and challenges to which the business is exposed (Collins, 2011; Dunne, 2001; Spekman et al., 1998).

2 The Importance of VCM to the Competitiveness of Ontario Agriculture

English Food and Farming Partnerships (EFFP, 2003:3) state that producers "have to recognize that the attitudes and business practices that served well in an era of protection and price support are unlikely to be appropriate in the future." In mere decades, factors including industry deregulation, economic reforms, globalization, changing consumer demands, consolidation in the retail, foodservice and processing sectors, and more advanced technology have markedly increased the complexity of the business environment.

These factors have not only made the business environment more complex. They have also increased the extent and severity of uncertainty and risk for businesses, making today's environment increasingly competitive as well (Boehlje, Hofing & Schroeder, 1999; Whipple & Frankel, 2000; Whipple & Gentry, 2000). These factors have, therefore, led to significant changes in the structure and operation of the global agri-food industry (Boehlje, 1999; Boehlje, 2006; Boehlje, Hofing & Schroeder, 1999; Dunne, 2008, EFPF, 2004; Hughes, Fearn & Duffy, 2001; Oram, 2008).

At the retail, foodservice, and processing levels of industry, consolidation has resulted in fewer though larger companies competing more vigorously in multiple jurisdictions (Hughes, Fearn & Duffy, 2001; Marston, 2007; Oram, 2008). However, while consolidation has brought opportunities to reduce costs through economies of scale, increased competitiveness is also forcing businesses to develop the capabilities necessary to capture value through innovating more quickly and strategically in relation to consumers' overall demands (EFPF, 2004; Jones, 2012; Santiago, 2007; Tanner, 2012).

The pressures from consolidation has also changed the environment for producers who must now find ways to conduct business with fewer more powerful and sophisticated customers, who place exacting demands to guarantee consistency in the quality (i.e., safety, taste and appearance) and the quantity of their products. Producers today have to supply products in increasingly large volumes and help customers capture greater market value by providing marketing support (Baines, 2000; Cowan, 2007; EFPF, 2004; Fearn, 2007; Johnson, 2007; Marston, 2007; Morgan, 2007; Santiago, 2007).

To remain competitive in this rapidly changing business environment, producers need to embrace management approaches not traditionally associated with agriculture (Baines, 2000; Boehlje, 2006; Boehlje, Hofing & Schroeder, 1999; Love & Gunasekaran, 1999; Newton, 2000). For farm managers in particular, this includes the need to realize the importance of developing skills that go beyond those directly associated with crop or livestock production, such as those required to effectively manage human resources, finances, and marketing arrangements (Boehlje, 2006; Fortescue, 2006; Kilpatrick et al., 1999).

3 Benefits and Challenges Related to the Chain's Structure

A value chain's structure is predominantly an outcome of the leadership, culture, attitude, and management processes of the businesses and individuals that together comprise the chain. Combined, these factors create the enabling environment within which the businesses operate, and the relationships that bond the businesses together.

Value chains operating in the international agri-food industry fall into structures that reflect a continuum spanning from traditional open (spot) market approaches to businesses that are closely aligned to the point that they may jointly invest in infrastructure and resources (Dunne, 2003; Spekman et al., 1998).

For the purposes of this paper, the four types of value chains that inhabit this continuum are referred to as fragmented, cooperative, coordinated, and collaborative¹. While it is unlikely that a specific value chain will fit neatly into one of the four structures, the typologies provide a useful method of assessing and comparing the relative nature, benefits, and challenges associated with each approach (Gooch & Marenick, 2011).

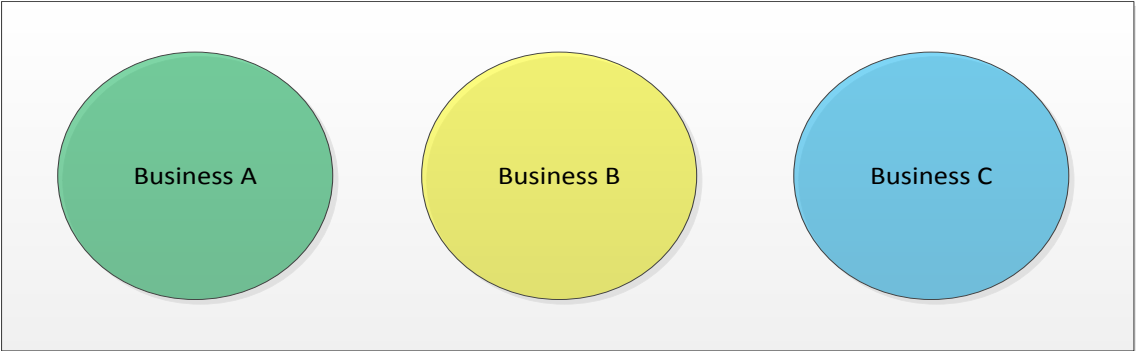
The graphics and matrix were developed through a review of current academic literature and empirical studies, along with research completed by the Value Chain Management Centre. This process ensures that the descriptions accurately represent the structure and nature of value chains operating in the Canadian and international agri-food industry.

Each description reflects the approach that businesses have taken to managing their own operations and interacting with the operations of others in the context of the value chain to which they jointly belong. An overview of benefits and challenges related to each is also presented. How the businesses that together form a value chain interact in relation to each other and their target consumer determines how the chain is structured.

3.1 Fragmented

Companies primarily compete on a traditional trade footing, and benefits through the chain are limited at best. The majority of business is conducted as a series of short-term, one-off transactions. Price, volume, and quality are commonly paramount to business dealings. The primary onus of strategic decisions is on self-preservation and sharing the bare minimum of transactional information, for fear a company’s insights are used against it. Typically, the result is a fragmented chain, comprised of businesses that share adversarial and distrusting relationships. These types of businesses often look to past experiences for solutions to current challenges, and have little opportunity to utilize the resources of other members of the value chain. As a result, they are limited in their ability to effectively and efficiently adapt to changing market demands.

Figure 3-1 Fragmented Value Chain

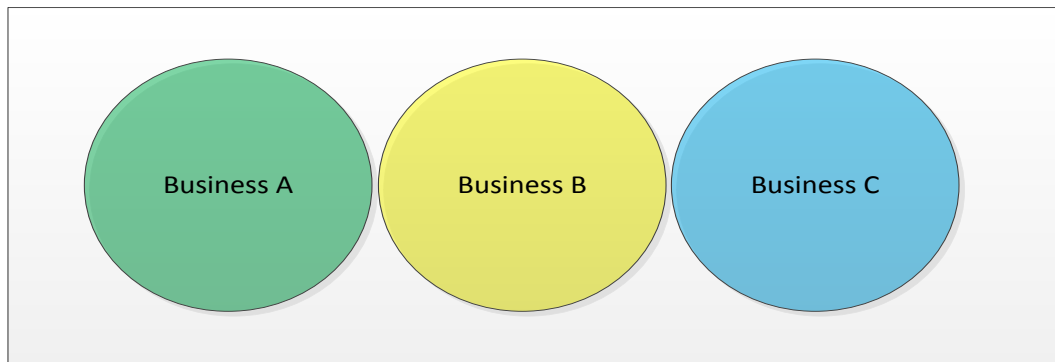


¹ For simplicity, the diagrams illustrate chains that comprise only three links.

3.2 Cooperative

One of the benefits of this approach is that companies possess a mutual understanding of how and why they can benefit from cooperating with one another over the medium term at an operational level, rather than undertaking specific short-term or one-off business deals. The attitudes and culture of the businesses involved will determine whether a chain's structure can develop into a more strategically aligned approach, where the partners can utilize one another's capabilities for commercial advantage. Whether such an approach is feasible may also be determined by the environment in which the chain operates and in which it competes against other chains and businesses.

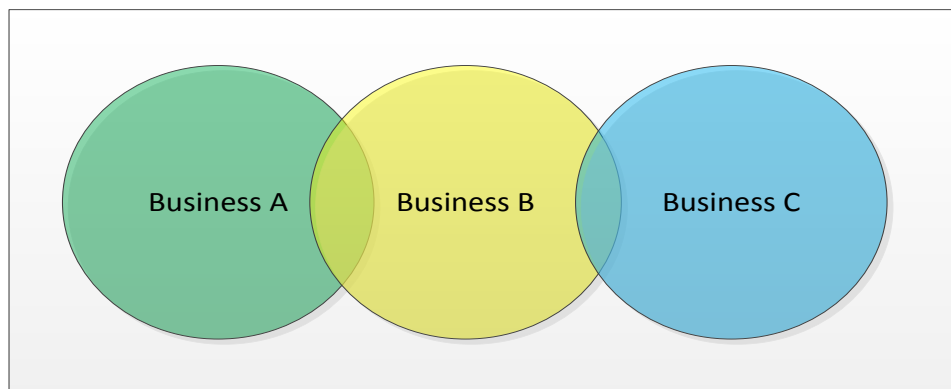
Figure 3-2 Cooperative Value Chain



3.3 Coordinated

Companies with complementary attitudes, cultures, and leadership styles choose to coordinate their business arrangements over a short to medium timeframe. A more strategically aligned structure than the one exemplified above causes at least part of the chain to think and act from a strategic—and not only operational or tactical—perspective. A strategic perspective arises from operating in an external environment that allows this type of approach to occur. Over time, the participants come to steadily acknowledge the benefits of conducting medium-term business deals with chosen suppliers and buyers, leading to increased levels of commitment and the development of more sophisticated value chain management capabilities.

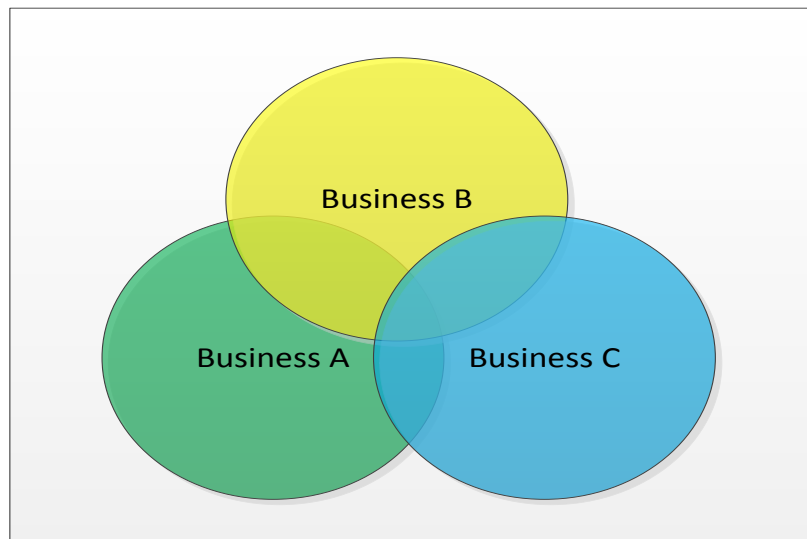
Figure 3-3 Coordinated Value Chain



3.4 Collaborative

Companies engage in longer-term strategic arrangements that involve collaboratively sharing resources and/or investing in the capabilities required to achieve mutually beneficial outcomes. Successfully adopting this type of model requires the involved businesses to possess compatible cultures, vision, and leadership. It also requires an external environment that is conducive to supporting and enabling such an approach. While the model can undoubtedly produce greater rewards than the three alternative models, it also generates increased risks, particularly for businesses that are still developing (as opposed to refining) their value chain management skills.

Figure 3-4 Collaborative Value Chain



4 Connection to Customers and End Consumers

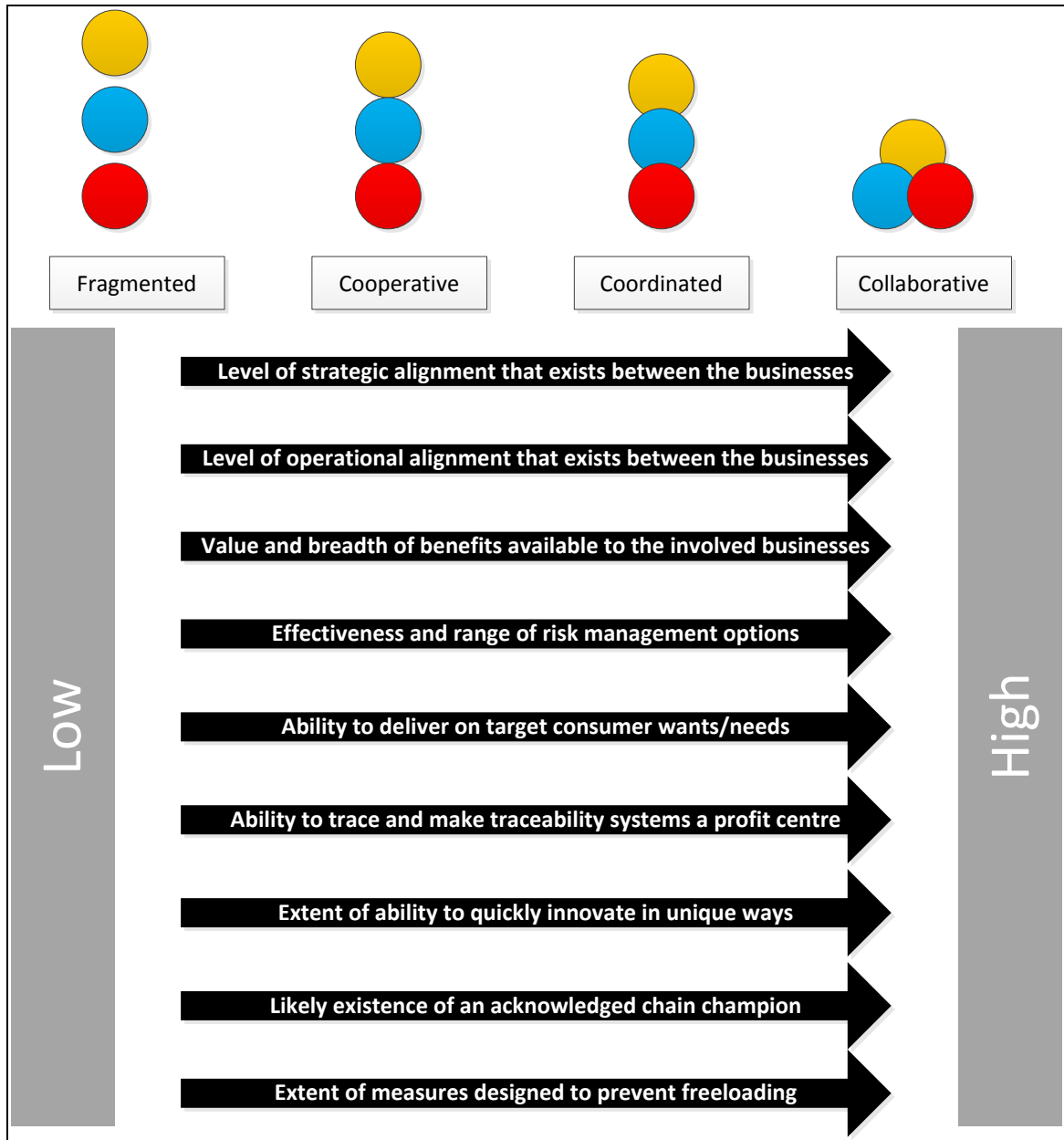
Producers are less motivated to participate in a value chain when there is a long or protracted connection to end consumers, such as in processed food. That is not to say that successful value chains in these areas cannot exist; many do, including examples found below in Section 2.8, such as Ontario Lamb Marketing Inc., Sevita International, and Warburtons, respectively.

A key reason why fewer examples of closely aligned value chains exist in sectors where the route to market is longer than fresh fruit or vegetables is that fewer interactions tend to occur between producers, their customers, and the final consumer. It is also more difficult for producers to readily identify with the end product(s) being consumed or how they can influence downstream elements of the value chain. A producer (or a producer representative), who interacts regularly with a retailer, is likely to feel more connected and therefore motivated to establish a constructive relationship with his/her customer and learn about how he/she benefits from positively influencing consumer choice than a producer who leaves his/her crop at an elevator.

4.1 Overview of Chain Structures

Figure 1-5 summarizes the extent to which a value chain's structure and associated characteristics determine its ability to innovate in ways that are difficult for competitors to replicate. It shows how the more that businesses align their strategies and operations, the more opportunities that they have to set themselves apart from the wider industry through having the ability to learn and innovate directly in line with the demands of their target market.

Figure 4-1 Characteristics and Benefits Associated with Each Value Chain Structure



Ultimately, how a chain is managed dictates its success. Its organizational structure, strategic orientation, and business culture are the drivers that determine the chain's competitiveness and the benefits that its members derive from their participation (Barratt, 2004; Fearne, Pizzolato and Zanquetoo-Filho, 2003; Gooch and Marenick, 2012).

5 Requirements of Effective VCM

The further along the continuum (described in the section above) that a chain resides, the less impact external forces will have on the way it operates and the factors from which it derives its competitive strength; and the more it will reflect the seven principles which Collins, Dunne and O'Keeffe (2002) determined as the requirements of effective value chain management.

It is this combination of factors that provide value chains and the involved businesses with competitive strengths that are difficult, if not impossible, for competitors to replicate. The seven principles that reflect effective VCM are:

1. Share a clear vision and common goals,
2. Possess capabilities to create value ,
3. Have a culture that supports cooperation and learning,
4. Have compatible partners,
5. Proactively manage the relationship ,
6. Regularly evaluate and report, and
7. Continually adjust to changing circumstances.

When a value chain fails to reach its potential, the cause is most typically because the partners did not ensure the chains structure and management processes reflected their target consumers' perceptions of value. A failed chain may also have neglected to apply the same consistent strategy with all of its value chain partners. As identified by certain researchers (Gooch, Felfel & LaPlain, 2011; Bonney, 2012), this unbalanced treatment prevents the chain from working together to reduce operating costs [as opposed to "low cost"], and can prevent the chain from increasing its revenue growth through continual improvement in product and process [as opposed to partners increasing their own revenue by making their own products distinct in one-off "hits"]. Unbalanced treatment also decreases the chain's ability to efficiently utilize working capital [versus fixed capital efficiency] (Christopher & Ryals, 1999).

5.1 Incentives for Farmers to Join Closely-Aligned Value Chains

Essentially, there are three key incentives or drivers for businesses involved in agriculture to form more tightly aligned value chains. In order, they are:

1. Capturing efficiencies and controlling costs,
2. Risk management (quality, quantity, safety – ie. food and environmental protection), and
3. Responding to consumer demands for specific attributes for market expansion/ penetration (Gooch, 2012; Boehlje & Schrader, 1996).

Boehlje and Schrader (1996) concluded that the process of forming an ever more closely aligned chain has followed the sequence above because each step becomes more and more challenging to capture value and generate results from. Opportunities and techniques related to cost reductions are the easiest to identify, measure, and act upon. Total chain risk reduction benefits may be ambiguous, so the reallocation of risks among supply chain partners may discourage tighter alignment.

Responding customer/consumer requirements is the most difficult to achieve, because people often give mixed messages about what they really value and are willing to pay for. Consumer food purchasing is complex and habitual. For example, current consumer trends are driven by several factors including taste, nutrition (linked to health), value (price in relation to quality and experience), and convenience (Gooch et al., 2009; Gooch et al., 2009b). These trends may at times overlap and either reinforce or oppose each other.

A fourth incentive and benefit to VCM is innovation, co-innovation in particular. Compared to competitive advantages that are based on technological or scientific innovation, innovating as a value chain, rather than as independent links, results in competitive advantages that are among the most desirable and sustainable, because they are the most difficult to copy (Defee, 2007; Fawcett & Magnan, 2001; Fearne, 2007; Collins, 2011).

Due to the extensive benefits of VCM and the ability of businesses involved in a VC to compete in an ever increasingly complex and uncertain environment, the concept of value chains and their management is becoming more and more important to the ongoing competitive advantage of Ontario agriculture.

5.2 Barriers to the Establishment of Closely Aligned Value Chains

While VCM is proving to be a powerful strategic approach, it remains a relatively new concept to producers and managers of agri-food businesses (Collins, 2011; Fearne, 1998; Fearne, 2007; George Morris Centre, 2007; Simons & Zokaei, 2005; Spekman, Spear & Kamauff, 2002). The slow rate of VCM adoption in the agribusiness industry is not due to producers being unaware of the need for change (Fearne, 1998; Hemal, 2001). Even though many agribusiness managers believe that forming strategic alliances with other agribusinesses is important for ensuring their continued prosperity, the uptake is slow due to managers lacking the motivation to do so (EFFP, 2004 & 2005; Fearne, 1998; Johnson, 2007; Morgan, 2007; Oram, 2008; Palmer, 1996; Taylor, 2006).

There are many reasons why closely aligned value chains are forming more slowly in agri-food than other industries (Boehlje, Hofing & Schroeder, 1999; Cowan, 2007; Dunne, 2008; Fearne, 2007; Fortescue, 2006) (particularly IT and automotive) (Cottrill, 2005; Cottrill, 2006a; Cottrill, 2006b; Fearne, 2007). The key barriers are outlined below.

5.2.1 Adversarial Industry

Traditionally, agriculture is a transaction-based industry, and the mindsets of producers and their customers are entrenched in an adversarial state (Spekman, Spear and Kamauff, 2002).

Individuals and companies operate autonomously, and therefore lack insight or even empathy for what occurs at other levels of the chain (Johnson, 2007; Marston, 2007; Senge, Dow & Neath, 2006). Differing time horizons and ownership structures can also affect the speed at which business decisions are made and the attitudes of decision makers along the chain (Gooch et al., 2006; Taylor, 2006). In this environment, communications are poor (Morgan, 2007; Santiago, 2007).

In this environment, farmers are also often staunchly independent (Palmer, 1996; Taylor, 2006), and there is general distrust between buyers and sellers (EFFP, 2004; Fearn, 1998). Most farm managers do not possess the mindsets required to motivate them to develop new skills, including those required to create business cultures that are open to sharing and acting collaboratively upon strategically and operationally important information (Boehlje, Hofing & Schroeder, 1999; EFFP, 2004; EFFP, 2005; Johnson, 2007). In addition to the relatively closed mindset, there is also practical lack of extensive training and education programs (Fearn, 2007) related to business management, HR, and sales and marketing.

The rate of VCM adoption has also been negatively impacted by government and institutional policies, which have lessened the influence that market forces would otherwise have on determining industry structure (Curry, 2002; EFFP, 2003; Hart, 2005; Oram, 2008; Tamilia and Charlebois, 2007).

As a result, producers are not motivated to acquire the skills necessary to successfully form and manage value chain alliances involving themselves, other agribusiness managers, and customers and suppliers who ultimately form the value chain in which they operate (EFFP, 2004; EFFP, 2005; Fearn, 1998; Johnson, 2007; Palmer, 1996). They are certainly not motivated to join a value chain that is formed and managed by a third party, such as a processor or retailer (EFFP, 2005; Fortescue, 2006; Johnson, 2007; Morgan, 2007; Oram, 2008).

The adoption of progressive attitudes and behaviour are not just critical to forming innovative robust value chains; they are critical for overcoming the institutional inertia which presently acts as a barrier to the wider development of innovative closely aligned value chains (Gooch, 2012).

5.2.2 Lack of a Learning Culture

The marketing and business management skills necessary to create and manage closely aligned value chains are not traditionally associated with farm management (EFFP, 2004; EFFP, 2005; Fortescue, 2006; George Morris Centre, 2007; Johnson, 2007; Marston, 2007; Morgan, 2007; Taylor & Fearn, 2006). These skills include the ability to learn from different sources, and then translate new knowledge and skill sets into a different way of doing business.

It has been shown that historical factors that together form an industry's culture such as the personalities that typify its members, the method and style of their education, and the social structures that shape relationships between individuals, leads to a specific industry or sector being characterised by a similar style of learning (Fulton et al., 2003; Kolb, 1994; Kilpatrick et al.,

1999; Ison & Russell, 2000). In the context of agriculture, this may include producers' apprehensions about engaging in formal learning through university or college courses instead of cherry-picking topics about which they want to learn (Fulton et al., 1999; Kilpatrick et al., 2003). This is said to result in the agricultural sector as a whole remaining traditional and conservative and not exhibiting an approach to learning that would lead to developing values and beliefs congruent with adopting new business approaches such as VCM (Boehlje, 2006; Eckert & Bell, 2005; Fell & Russell, 2000; Ison, 2000b; Ison & Russell, 2000b; Kolb, 1984). Through their experience of doing business in a transactional-based business environment, many producers lack the awareness that they need to learn business skills (rather than production skills) in order to remain competitive. This is exacerbated by producers preferring to learn socially and from experience (Boehlje, Hofing & Schroeder, 1999; Fulton et al., 2003; Ison et al., 2000; Kilpatrick, Johns, Murray-Prior & Hart, 1999).

When learning is taught by a third party, it is most often through one-on-one interactions with family, trusted on-farm consultants, or within small groups of peers at events organized by representative organisations (Fulton et al., 2003; Kilpatrick et al., 1999). The disadvantages of this type of learning is that it can lead to group thinking that clouds individuals' objectiveness (Boehlje, 2006; Boehlje, Hofing & Schroeder, 1999; Fulton et al., 2003; Ison, 2000a; Kilpatrick et al., 1999). This is partly from seeking to learn from people who share similar values and assumptions, and so do not generally provide a catalyst for change (Kilpatrick et al., 1999). Perhaps due to the adversarial nature of agribusiness, many producers distrust information provided by organizations that are not seen as representing their interests. This leads to a lack of new ideas entering agribusiness and a lack of importance attributed to adopting a strategic, financial, or market-orientated approach to the business of managing farming enterprises (Cowan, 2007; Eckert & Bell, 2005; EFP, 2005; Fortescue, 2006; Fulton et al., 2003; Ison et al., 2000; Kilpatrick et al., 1999; Morgan, 2007; Palmer, 1996; Senge, Dow & Neath, 2006).

Overall, this behaviour leads to many producers believing that competitiveness comes from adhering to tried and tested business methods (Eckert & Bell, 2005; Fearne, 1998; Ison & Russell, 2000a); and only embracing innovation (such as new technology) as long as it fits within their traditional business thinking (Fell & Russell, 2000; Ison, 2000b; Ison, High, Blackmore & Cerf, 2000). Therefore, while an increasing number of businesses in other industries are embracing VCM approaches to remain competitive, few producers are doing the same.

The importance of learning is so critical to the adoption of VCM, as presented in Section 5.3, which describes the characteristics of farmers most likely to be involved in value chain initiatives.

5.2.3 Resistance to Change

Individuals' resistance to change commonly emanates from three sources of concern: a fear that change will make them irrelevant or harm their businesses (Barrat, 2004a; Fearne, 2007; Palmer, 1996); a belief that the change will lead to a loss of respect from their peers (Barrat, 2004a; Boehlje, Hofing & Schroeder, 1999; Cowan, 2007; Fearne, 2007; Fell & Russell, 2000;

Garbarro, 1987; Whipple & Frank, 2000); or that they do not comprehend the need to change (Eckert & Bell, 2005; Fell & Russell, 2000; Senge, Dow & Neath, 2006; Simons & Zokaei, 2005).

Fear that change will be imposed upon an individual by a more powerful partner, without it bringing benefit to them, means that resistance to change can be higher in industries that are typified by adversarial relationships, such as agri-food (EFFP, 2004; Fulton et al., 2003; Morgan, 2007; Oram, 2008; Palmer, 1996; Taylor 2006). The resulting feelings of distrust between individuals and organizations further diminish their willingness to share information, in turn, increasing polarization between stakeholder groups (Barrat, 2004a; Boehlje, Hofing & Schroeder, 1999; EFFP, 2005; George Morris Centre, 2007; Palmer, 1996; Taylor, 2006). At the industry level, the social structure that typifies agriculture in particular tends to support rather than challenge this polarization of opposing viewpoints. Thus, it can be more difficult to encourage individuals from the agri-food industry to examine challenges and opportunities from a new perspective (EFFP, 2004; Fulton et al., 2003; Ison, 2000a; Ison et al., 2000; Ison & Russell, 2000c; Kilpatrick et al., 1999; Oram, 2008; Taylor, 2006).

Instability between or within businesses can lead to levels of distrust that become an enormous barrier to the creation of collaborative relationships and value chain businesses practices (Hughes, Fearné & Duffy, 2001; Senge, Dow & Neath, 2006; Morgan, 2007). For example, retail buyers are pivotal conduits to the shopper/consumer. However, buyers regularly change categories within a store. This is particularly challenging for suppliers who have established a basis of trust with one buyer, and are then required to forge new relationships with incumbents who have not been on the VCM journey. The lack of an established relationship increases the chance that the buyer will resort to the “traditional” approach of squeezing supplier margins and switching suppliers for the sole purpose of creating greater price competition (Hughes, 2012; Hughes, Fearné & Duffy, 2001). The same scenario can occur with a processor. The best opportunity that suppliers have to address challenges posed by retailers and processors rotating their buyers is to develop the marketing, management, and service capabilities required to proactively influence their category management.

The profile of Ontario farmers is another concern. The average age of farmers has risen to nearly 53, compared with the average age of 41 for Ontario workers in general. The number of younger farmers has also been steadily decreasing (Statistics Canada, 2006). In a 2009 study by the VCMC, 275 interviews were conducted with primary producers from the Niagara and Hamilton regions. The study found that 28 percent of farmers indicated that they were expanding their business, 54 percent were maintaining their current level, and 6 percent were reducing their business. Thirteen percent indicated that they were retiring. This study concluded that younger producers were more open to changing their marketing and production arrangements, and older producers contemplating retirement were significantly less likely to participate in a system that may require them to significantly change how they do business (Gooch et al., 2009). Older farmers simply do not perceive the need to change.

5.2.4 Relationship between Learning and Adoption of VCM Business Practices

Motivating and enabling producers to learn the knowledge, skills and attitude that together support VCM management approaches relies on training and awareness initiatives that engender purposeful change.

Earlier, the traditional learning style of producers was presented as a mainly negative influence. However, it can be positive. Producers commonly involve members from their family farm or company in their learning process, particularly spouses. Wives have been shown to reflect a greater desire to forge strong relationships with customers and suppliers, compared to the management style of their husbands. They are also more likely to have tertiary qualifications, which make them more likely to commit to a formal learning experience (Fulton et al., 2003; Kilpatrick et al., 1999). Involving producers' spouses and/or their management team in the learning process has also been shown to increase its effectiveness, which translates into greater opportunity to change their attitudes and behaviour (Cowan, 2007; Fulton et al., 2003; Ison, 2000b; Ison et al., 2000; Ison & Russell, 2000b; Johnson, 2007; Kilpatrick et al., 1999; Morgan, 2007; Senge, Dow & Neath, 2006).

The greater producers' awareness and understanding of VCM as a topic, the greater their capacity will be to apply increasingly sophisticated levels of knowledge. This is because three important developments occur as an individual retains more objects, concepts, and overall knowledge about a subject or issue. First, an individual is more likely to successfully act upon ideas (Bower & Hilgard, 1981; Jarvis, 2004). Second, an individual is more likely to learn about that same issue from subsequent learning experiences (Fell & Russell, 2000; Fulton et al., 2003; Gross Davis, 1993; Kilpatrick et al., 1999; Knowles, Hilton & Swanson, 2005; Moon, 2004). Third, an individual is more motivated to continue to learn about a topic (Gross Davis, 1993; Jarvis, 2004; Moon, 2004; Zull, 2002).

Ison and Russell (2000a) show that, as knowledge increases, individuals move from a state of **duality** (viewing ideas as black or white) to a state of **dualism** (where multiple levels of "grey" consciousness and understanding can exist simultaneously). It is this expanded perspective which results in an individual (or group) feeling enthused to continue learning long after the initial learning activity occurred (Argyris, 1985 & 1995; Cohen and Levinthal, 1990; Fell and Russell, 2000; Fulton et al., 2003; Moon, 2004; Senge, 1997; and Zull, 2002).

Therefore, in the context of VCM, the more knowledge an individual possesses about the drivers to form value chains, the management of value chains, the benefits they offer, and factors critical to their success, the greater an individual's capacity to learn and implement changes necessary to adapt to changing circumstances. Over a number of iterations, the learning cycle will result in an individual having a greater capacity to form and manage value chains. They will also be more likely to want to continue learning about VCM and its application (Gooch, 2012).

5.3 Characteristics of Farmers Involved in Value Chain Initiatives

Given the above factors, the literature suggests that producers who are most likely to actively participate in value chain initiatives possess certain characteristics. These attributes have led to them becoming self-directed learners; that is, they seek to learn in order to acquire the knowledge and skills required to increase the profitability and sustainability of their farming businesses. Research by Gooch (2012) identified three factors that appear to characterize producers who proactively engage in developing close strategic “value chain” relationships with customers and suppliers. They are:

- University education,
- Experience in an industry outside of agriculture, and
- Experience in marketing, or a sound knowledge of marketing.

5.3.1 Education

The majority of farmers that Gooch (2012) identified as participating in value chain initiatives possessed university level education. The primary benefit of this is not to provide them with a specific body of knowledge, but rather to motivate and enable them to think critically and objectively (Knowles, Hilton & Swanson, 2005; Moon, 2004). Through learning, individuals acquire the ability to develop increasingly sophisticated problem solving skills and communicate effectively with people from differing backgrounds.

They also acquire the ability to digest, deconstruct and construct concepts in relation to their present situation or a desired outcome. Education also enhances individuals’ self-confidence and their motivation to continue learning from an array of preferred sources and experiences. It is this combination of ability and motivation that leads to individuals becoming self-directed learners.

Self-directed learners will likely attend training sessions and events, to continually increase their knowledge about a topic that they consider important. Producers who are interested in (or who have already) adopted value chain approaches to how they manage their farming businesses, indicated during research that they are likely to attend marketing, financial management, strategic planning and operations/process training sessions or events.

5.3.2 Experience

Experience plays a critical role in shaping producers’ view of the world in which they operate. Experience is also key to motivating producers to learn and then act on information. Two forms of knowledge exist: explicit (*which can be shared directly through physical materials such as books, presentations or video*) and tacit (*which cannot easily be shared directly between individuals and is best acquired through first-hand experience*). It has been found that tacit is the most important type of knowledge for establishing and managing value chain relationships. That tacit knowledge is acquired first-hand over time means that few producers will be adept at fostering and sustaining close collaborative business relationships, unless they persevere. Research has also found that these more persistent producers are likely to possess experience outside of agriculture, possibly from a hyper-competitive, fast moving career, such as IT or

retail. They are also likely to possess prior knowledge or experience in a related discipline such as marketing. Producers with these diverse experiences are more likely to have a different perception of the world around them, the opportunities for their business, and factors determining the success of their farms, compared to producers who do not have a marketing background or have only worked in agriculture.

6 VCM in Practice: Examples from Ontario, Canada and International

The following section provides an overview of practical value chain examples.

6.1 Ontario

6.1.1 Ontario Lamb Marketing Inc. (Coordinated Chain)

Indicative of numerous examples between industry associations and progressive producers, Ontario Lamb has been at odds with the Ontario Sheep Marketing Agency (OSMA), which has historically been managed by a board comprised largely of smaller, less-commercially minded sheep farm operators. This has forced Ontario Lamb to find its own way forward by partnering with like-minded partners to innovate and develop a sustainable business model. Exposed to the pressures of business more than might otherwise have been the case has driven the group's development and helped shaped the innovative culture that has enabled it to succeed where other have failed.

The chain champion is Ontario lamb producer, Bill McCutcheon, who began the initiative as a way to manage risk and increase profitability through increasing his presence among a consolidating processing and retail sector. Establishing Ontario Lamb Marketing Inc. enabled himself and other Ontario lamb producers to increase their market presence and achieve more consistent income by providing lamb throughout the year rather than just during traditional harvest time in the fall. It also provided them with greater ability to learn and adapt to a changing market. Bill, a 1984 graduate of the University of Guelph's Ontario Agriculture College (Animal and Poultry Science), sources lambs from farmers across the province, from as far north as New Liskard, 12 months of the year.

Bill's farm, Mulmur Vista Farm, is located in Grand Valley, Ontario. The Mulmur Vista Farm's main flock consists of 1,000 Rideau registered and commercial ewes. An accelerated lambing system allows him to have lambs available for seed stock and the market throughout the year. The farm is progressive, taking advantage of technology and resources to maximize production and profitability.

In 2005, when the initiative began, 75 lambs per week were being marketed by four producers. In 2009, this had grown to 30 producers, annually marketing 10,000 lambs. The initiative's success has come in part from working closely with processors, initially Holly Park, then more

recently, Abingdon and Grober, to identify ways to reduce costs and increase quality and value for producers and their customers alike.

Bill has carefully managed members, treating first-in and committed members as preferred suppliers, and only offering markets to new recruits as demand increased. His focus has been on developing a pricing model and feedback process that enables producers to monitor operations and continually improve their quality. Members are also encouraged to contribute ideas on how the group can improve its performance, by keeping costs down and producing consistent quality lamb. As the initiative grew, Ontario Lamb Marketing transitioned from a fairly loose group of producers to an incorporated business.

6.1.2 Platinum Peaches (Coordinated Chain)

Ontario's peach industry has often been at odds with retailers, as has the Ontario Tender Fruit Producers' Marketing Board. Much of this tension has come from a lack of empathy existing between businesses operating along the chain and an inability to communicate effectively. The Board's primary focus was on pushing as many peaches through the system as possible each season. This business decision was based on an historic practice of selling peaches in 4L and then 3L cardboard baskets, under the assumption that consumers connected with this marketing approach. Research conducted by the Value Chain Management Centre found that this assumption was incorrect and that the majority of today's consumers prefer NOT to buy peaches in the large 3L cardboard basket. The research also found that many consumers that do purchase peaches in 3L baskets do so because they were cheap, not because they offered the quality (or the quantity) that they desired.

This dated practice incentivized retailers to pay a rebate (that was funded by check-off and calculated on volume sold) at the end of each season. Changes in consumers' purchasing habits, resulting in part from having greater access to high quality fruit year-round and a decline in family size, led retailers to steadily realize that the rebate did not cover the losses incurred by focusing on volume rather than quality.

The "Platinum Peach" initiative came from a meeting between the CEO of Vineland Growers' Cooperative and senior managers from Loblaw's produce business unit. Having learned about innovative marketing initiatives occurring elsewhere, along with the success of Loblaw's "Platinum" lines (high quality fruit targeted at specific markets, at higher prices), the managers believed that a market existed for consistently higher quality peaches. The challenge moving forward was to identify the specific market opportunity and how to implement the necessary changes.

Coordinated by the VCMC and enabled by funding provided by the Agricultural Adaptation Council, the project encompassed Vineland Growers' Co-operative, Loblaw Companies Limited and two Niagara-based peach producers. Involving only committed participants who possessed a clear vision of what they wanted to achieve and how, the project was a resounding success. Involving international visits to explore first-hand the practices of industry leaders, then monitoring scientifically the impact of innovative orchard and packing practices on fruit quality

from consumers' perspective, the project led to improved overall quality and opened new markets. More importantly, it also improved participants' profitability (VCMC, 2012). It should be noted however that many "traditionalists" within Ontario's fruit industry still dislike the initiative and fail to see the value of lessons learned.

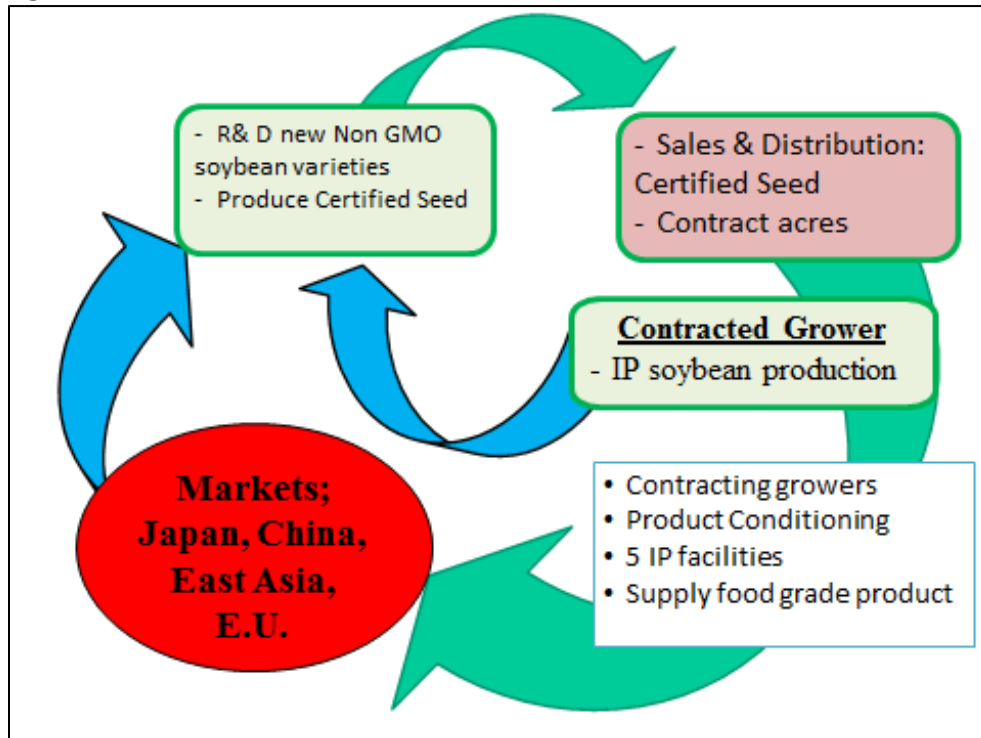
6.1.3 SeVita International (Collaborative Chain)

This chain was initially established through the vision of David Hendricks as "Hendricks Seeds". His idea was to bring chain partners together to understand each other's needs and innovate through learning how each chain participant could benefit from learning together, with the overall insights being driven by market research. David's initial vision was driven by possessing experience and knowledge that led him to realize that specific varieties could be bred and enhanced to better deliver on attributes desired by the key Japanese market.

Government funding in 2003 acted as a primer for the customer/consumer driven initiative to grow guaranteed white (clear) hilem non-GMO soybeans in Eastern Ontario. Over the last nine years, the initiative has grown, to the point that soybeans are grown in both Ontario and increasingly Eastern Canada, for use in specific Japanese products.

This business model has now developed into a totally closed loop value chain, where all operations are integrated and able to capture maximum value. Through recent mergers, amalgamations and acquisitions, the company recently rebranded and is now known as Sevita.

Figure 6-1 Sevita Business Model



Source: dePater, 2012

The closed-loop system developed by David and his team enables the participants to capture greater value through achieving economies of scale (to justify and support R&D/innovation) and establish a clearly defined link to the market(s) from R&D through commercial growers to processors, intermediaries, and Japanese consumers of soy food and beverages.

6.1.4 Norfolk Fruit Growers Association (NFGA) and PridePak (Collaborative Chain)

Established in 2003, this value chain supplies sliced apples to McDonald's and Wegman's, a US retailer. The initiative was led by Tom O'Neill (NFGA), who had experience working with UK retailers on coordinated chain initiatives, and Steve Karr (PridePak), who had worked closely with like-minded, capable producers for a number of years (e.g. a carrot producer). Both Steve and Tom are passionate learners, who believe in the benefits of working with reliable, skilled, market-oriented partners.

The initiative was initially enabled by Tom and Steve jointly investing in developing the technology and processes required to produce apple slices that did not discolour, with only natural ingredients. It was also enabled by funding provided by the Agricultural Adaptation Council, which enabled NFGA to take the lead on forming a partnership between five apple packers/marketers, to supply consistent quality apples to PridePak year round. It also enabled them to develop markets in the US and Canada. It was soon after the product's introduction that McDonald's approached PridePak, seeking the supply of sliced apples for restaurants across Canada. The chain's continued success stems from the partners' constantly evaluating information and processes along the entire chain, including apple production, storage and handling, transportation and logistics, processing and packaging, as well as marketing and sales. Contrasting information on operational performance with market feedback enables them to continually identify opportunities to improve chain performance and work with retail and food service customers to identify product extension opportunities.

The results of this endeavour include:

- Market demand for pre-packed fresh-cut apple slices greatly exceeded expectations,
- Producers have benefited from experiencing increased demand for mid-sized apples,
- Significant new value-added opportunities for commodity apples,
- New product developments, and
- Expanded distribution opportunities.

6.2 Canada

6.2.1 Peak of the Market (Coordinated Chain)

Peak of the Market is a grower-owned, “not for profit” vegetable supplier, based in Manitoba. Products are sourced from 40 Manitoba family farms and stored in one of the most technologically advanced storage programs anywhere in North America. Established over 70 years ago, sales grew exponentially after the chain champion—the company’s President and CEO, Larry McIntosh—joined the firm in 1994. Since then, Peak of the Market has experienced record breaking sales and has won countless awards, including: "Canada's 50 Best Managed Companies", “Top 100 Canadian Food & Beverage Companies”, “Agri-Food Award of Excellence”, and "The Red Book Business Character Award" for high ethical trading practices, business competence, and financial stability. Today, Peak of the Market, along with its growers, employs over 1,000 Manitobans and has sales valued at over 70 million dollars annually.

Larry’s focus of implementing the processes required to coordinate the planning, planting, harvesting, storage (as required), packing, distribution and marketing of over 120 varieties of vegetables has been fundamental to Peak of the Market’s success. Primarily supplying the Canadian and US markets, customers have been secured in the competitive markets of California, Florida, Texas and Washington, through having proved the business’s ability to supply consistently high standards in quality and taste. This has led its vegetables achieving a well-deserved reputation for excellent quality, with company standards exceeding national requirements. Customer service continues to be critical to the company’s success, an example of innovative approaches being that Peak of the Market was one of the first produce suppliers in North America to have a toll free consumer response line to address any consumer concerns.

To quote from Robert Warren's Winnipeg Free Press newspaper article, "The actions of Larry McIntosh at Peak of the Market demonstrate three characteristics. First, he created a vision in which Manitoba products are known around the world for their taste and quality. Then he created a plan to accomplish this vision. The plan covers the key areas of marketing, identifying the right customers, and providing them with the freshest product and at a price that delivers value. He's backed this up with an innovative and informative promotional program. The third area McIntosh mastered was understanding the rules of the game. He accomplished this through careful research and the development of a trusting relationship with his customers." (Peak of the Market website, 2012)

6.2.2 The Little Potato Company (Collaborative Chain)

Little Potato Company illustrates how effectively managing the value chain to which it belongs has enabled a Canadian business to remain profitable, through possessing the ability to capture value by continually innovating in relation to identified consumer demand and reducing costs wherever possible.

Founded in 1996, the Little Potato Company (LPC) is a family-run business based in Alberta, Canada. They developed an entirely new category in the fresh vegetable market, through being

the only company in the North American potato sector that specialized in working with the entire chain to produce, pack, and market little potatoes.

6.2.2.1 Leadership

It is well documented that leadership is the primary requirement in an organization's willingness and ability to purposely change and benefit from that change (Baker, 2002; Collins, 2001a; Collins, 2001b; Frankel & Schmitz Whipple, 1996; Goleman, 2000; Kotter, 1996; Morgan, 2007; Schein, 1999; Senge 1997; Whipple & Frankel, 2000). This is particularly true when organizations are seeking to change through adopting a new or relatively untested strategy, such as the formation of a value chain alliance (Baker, 2002; Barrat 2004b; Boehlje, Hofing & Schroeder, 1999; Kidd, Richter & Li, 2003; Schmitz Whipple, Frankel & Anselmi, 1999; Senge, Dow & Neath, 2006; Spekman, Kamauff Jr. & Niklas, 1998; van Roekel et al., 2002; Westgren, 2007).

In VCM, leaders of change are known as value chain champions (Collins, 2011; Dunne, 2008). Effective leaders of change are able to identify the need for change ahead of being forced to change, chart a course for an organization to retain or strengthen their competitiveness, and then identify changes required to follow that course (Collins, 2000a; Kotter, 1996). They should also be able to create the culture and internal environment necessary to motivate individuals to adopt processes and methods necessary to achieve the goals they have set (Argyris, 1985; Collins, 2001b; Dymock & McCarthy, 2006; Goleman, 2000; Rusaw, 2000; Senge, 1997). This creates an environment within which those operations can take place effectively and efficiently in line with customer and consumer demands (Baker, 2002; Collins, 2001b; Frankel & Schmitz Whipple, 1996; Goleman, 2000; Hamel, 2002; Kotter, 1996; Meadows, 1997; Morgan, 2007; Palmer, 1996; Schmitz Whipple, Frankel & Anselmi, 1999; van Roekel et al., 2002; Whipple 2007; Whipple & Frankel, 2000).

Example: Founder and shareholder, Jacob van der Schaaf developed his vision through working with his daughter, Angela Santiago, who assumed the role of value chain champion. Santiago is also LPC's CEO and primary shareholder. The LPC Board provides strong strategic direction and leadership. Early on in LPC's history, it was found that the composition of the board impaired the company's ability to align its activities with other members of the value chain because it was too focused on the producer. By contrast, the current Board includes a grocery retail expert, the owner of a regional hotel group, an experienced agri-food management consultant, and a small number of carefully chosen primary producers. Approximately half of the Board are shareholders and the remainder are paid advisors. In addition to Board meetings, the Board meets as separate committees that work with industry experts and champions situated at different levels of the value chain, to identify opportunities that will enable the chain to constantly innovate in line with market opportunities.

6.2.2.2 Communication

Achieving change relies on leaders possessing the capacity to convincingly communicate the purpose and urgency behind the need for change (Collins, 2001a; Collins, 2001b; Hamel, 2002; Johnson, 2007; Kidd, Richter & Li, 2003; Kotter, 1996; Morgan, 2007; Rother, 2007; Rother &

Shook, 2003; Santiago, 2007). They must also possess the ability to communicate the benefits of change through honest, open, respectful and pragmatic dialogue (Collins, 2000a; Kotter, 1996; Hamel, 2002). Leadership and communication are critical for implementing the governance processes necessary to ensure accountability amongst individuals (Collins, 2001a; Collins 2001b, 2001b; Hamel, 2002; Kotter, 1996; Schmitz Whipple, Frankel & Anselmi, 1999), and identify the resources required at each stage of the change process. It also relies on ensuring that sufficient ongoing support and training is provided across functional departments, and/or the organizations involved in a value chain initiative.

Example: With representatives of the entire chain, LPC regularly shares and reviews information on the operations of the overall chain and the performance of individual growers, including current and promising varieties. This allows the company to use chain participants' knowledge and resources to develop the skills necessary to consistently deliver and market potatoes that look, perform, and taste differently than commodity potatoes.

6.2.2.3 Measurement

You only know what you measure. Decisions have to be based upon knowledge rather than assumptions. In a value chain, meaningful market-based information is used to identify and maximize opportunities as well as reduce costs and manage risk.

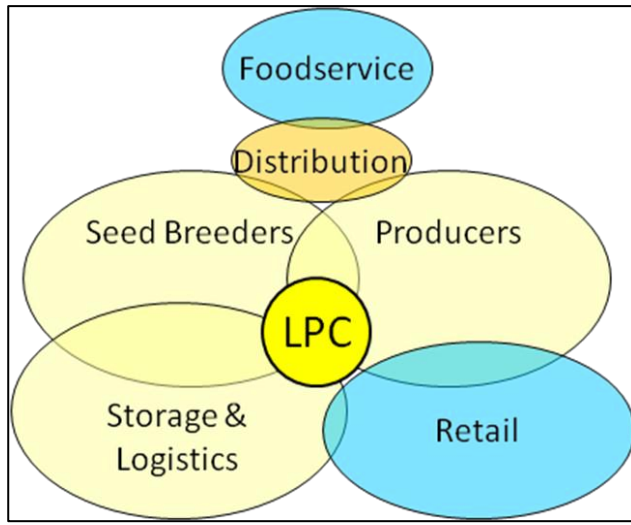
Example: LPC realizes that continually improving performance means accurately measuring operations according to Key Performance Indicators (KPIs) and involving other members of the chain in monitoring, reporting, and suggesting/implementing improvements. Following this approach helps minimize the potential for freeloading that would otherwise undermine the chain's overall performance and lessen its ability to innovate directly in line with consumer-recognized value.

6.2.2.4 Structure

A value chain's sustainability to adapt to a changing business environment rests on establishing a structure that enables it to continually innovate operationally and strategically. The chain will only be comprised of the businesses required to innovate and capture value, and not all businesses will share the same relationships or interact in an identical fashion. Establishing and maintaining a structure most suited to the value chain's sustainability relies upon the next factor: governance and accountability.

Example: In the case of LPC, it is those businesses that together produce the core competencies upon which LPC's success rests that share the strongest and closest relationships. Distributors are viewed as an important service provider, though they do not comprise part of the chain's core structure. Their role includes providing a logistical function, and providing constant feedback on products' performance – particularly in retail stores. This insight enables LPC to evaluate the effectiveness of its own and its customers' operations and overall performance: in more detail, faster, and more extensively than if relying on a retailer or foodservice operator for information.

A graphical representation of the LPC value chain's structure is presented below.



6.2.2.5 Governance and Accountability

Many researchers have developed matrixes to evaluate which governance system is most appropriate to any given situation (Martin et al., 1993; Barney & Lee, 1998). They consider factors such as the level of uncertainty or risk in the business environment, the degree of entrepreneurialism, the cost of transactions, how value chain participants learn, the degree of flexibility required, etc. They also have considered if a governance system should remain stable or evolve over time (Boehlje et al., 1999).

Successful value chains have a governance system that rewards behaviours which enable the value chain to meet or exceed market requirements and penalizes those whose behaviour does not. An effective governance system must guide decisions on who belongs to the value chains, their role within the value chain, how their performance is monitored, how and what information is shared, and how this relates to the financial arrangements that ultimately drive behaviour. It will also clearly state the processes that will be followed if an organization or individual's performance continually fails to meet expectations, resulting in them being expelled from the system (VCIF, 2012).

Example: The governance structure of LPC is based on strong leadership, open communication, and pre-determined, measurable goals. This ensures LPC can hold each partner accountable for its own performance. By employing this approach, the company creates an ongoing point of difference for customers and consumers by continually responding to competing products and changing market demands.

6.3 International

6.3.1 Warburtons (Canada = Coordinated; UK = Collaborative)

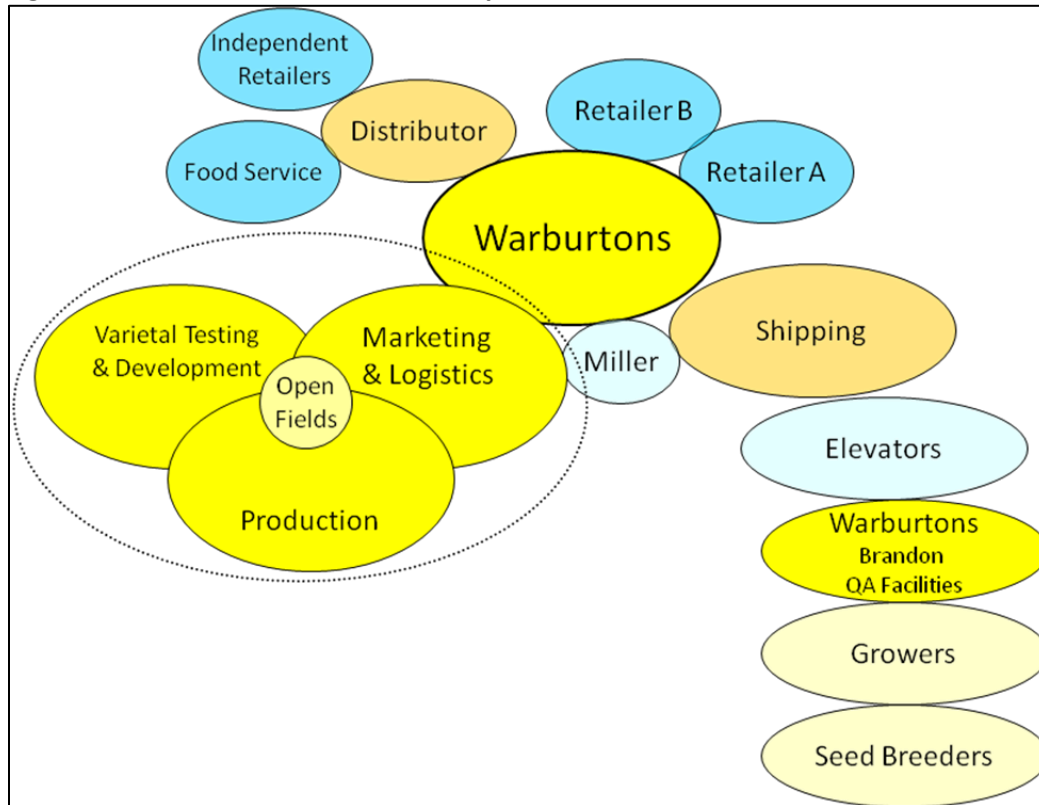
Established in 1876 and headquartered in Bolton, England, Warburtons is the UK's largest independent manufacturer of bakery products. A fifth generation family-run business, Warburtons' core philosophy is to deliver fresh, great tasting, quality products through continually improving operations and processes along the entire value chain. Even though its loaves can sell for five-times that of the "value-based" alternatives, often retailed under private label brands, attention to detail has enabled Warburtons' branded bread to capture 24 percent market share in the UK bread market (Teather, 2010). Today, it produces and markets over two million products daily from 14 bakeries and 15 depots.

Having once been a small regional company with 2 percent of the UK bread market, Warburtons embarked on a large expansion program in the late 1990s, which continued in the 2000s. In 1998, following the success of the value chain sourcing Canadian wheat, Warburtons trialed a similar arrangement with Openfield (formerly called *Centaur Grain*), the UK's largest dedicated wheat marketing company. Having the two sourcing arrangements has enabled Warburtons to combine UK and Canadian wheat to produce flour that precisely meets its baking requirements. Possessing detailed insights into operations occurring along the entire value chain, the impact of differing factors on end quality, and the ability to influence management decisions relating to seed production through to flour milling, has enabled Warburtons to innovate and grow market share, to the point that it has become the UK's second-best selling food and drink brand after Coca Cola (Warburtons, 2011).

Warburtons' Purchasing Director was the chain champion who led the development of the initial chain. His vision was that Warburtons and its business partners would benefit from having the ability to satisfy consumers better than their competitors. This would come through working strategically with other members of the entire value chain to control quality and manage costs.

There are essentially eight links in both the UK and Canadian chains: seed breeders, producers, grain elevators, transport providers, millers, Warburtons, retailers, and consumers. Like many chains, the Warburtons' chain features individuals and businesses that play a crucial role in coordinating less strategically aligned elements of the value chain. The strategic coordinators are known as chain champions. Retailers are viewed as an avenue to market and important partners that enable Warburtons to continually research consumer purchasing habits and attitudes, not chain champions. A map showing differences between the structure and operations of the English and Canadian elements of Warburtons' value chain is found below.

Figure 6-2 Warburtons Value Chain Map



Source: Gooch & Marenick, 2011

Canadian vs. English Chain

Due to internal factors that influence how the English versus Canadian elements of each chain operate (e.g. differences in how growers are coordinated, along with the attitude and aspirations of those involved), and factors that shape the external environment in which each of the value chains operate (e.g. legislation, regulations and geographic location), the comparative importance of Canada as Warburtons' primary source of wheat has waned over the last two decades. The change in comparative importance is the direct result of the English element of the chain being able to innovate at least five to six times faster than the Canadian elements of the chain.

There are a number of differences in how the two elements of the value chain are managed and operate. This has resulted in the English elements of the chain developing a closer strategic relationship to Warburtons and possessing greater sophistication in terms of its ability to translate lessons learned into innovative solutions to problems faced by Warburtons and Openfields. In the UK, grain production and marketing is overseen by a strong chain champion named Graham Lacey, Openfield's Commercial Director. Graham works very closely with Warburtons' Director of Purchasing, Bob Beard. In Canada, instead of a single chain champion with the same position or influence of Graham, there exist numerous different entities and individuals that can have competing interests. Another example is that there are key differences in the Canadian and UK pricing models. The Canadian system is essentially a blunt

premium paid for wheat meeting a certain quality benchmark, agreed one year in advance. The UK model uses an algorithm reflecting multiple attributes, which is agreed up to five years in advance. Furthermore, in England, prices and pricing strategies are negotiated between Warburtons and Openfield on behalf of their producer members, all of whom have direct commercial interests in the initiative succeeding. In Canada, prices and pricing strategies are negotiated between Warburtons and the Canadian Wheat Board (CWB), who has little direct commercial investment in the initiative itself and whose operations are meant to benefit the entire industry, not one marketing arrangement.

While part of the difference stems from geographic proximity, attitude has the most significant influence on how the two elements operate and what they have been able to achieve. All of the main UK players also have a commercial stake in the chain and are more flexible in their interaction. The Canadian chain is more complex and more rigid than the UK chain. Openfield takes an active role in strategically coordinating and managing each of the links in a more system-based fashion than exists in Canada. As well, the operations of the Canadian element of the chain, in particular, are impacted by non-commercial stakeholders that possess political philosophies or agendas which differ from the approaches and attitudes that are reflected in Warburtons' or Openfield's approach to business.

Additional factors that result in it taking years for the Canadian chain to achieve what can be achieved in England within 12 months or less include inflexibilities inherent to the CWB, the Canadian Grain Commission and other institutions. In England, if Warburtons or Openfield identifies a promising variety, it can be grown and commercialized within one year; in Canada, due to regulatory hurdles and industry structure, the same process takes multiple years, or may simply not be possible. This type of constraint directly impacts the benefits which the participants from along the value chain can accrue from their endeavours.

6.3.2 Blade Farming (Collaborative Chain)

The Blade Farming value chain was established in 2001 in response to a challenge made to Romford Wholesale Meats (RHM) by their customer, McDonalds. Richard Phelps, the chain's champion and then a manager at RHM, had previously worked as a marketing specialist at a producer-owned marketing cooperative. The company has since been purchased by ABP, one of Europe's largest meat processors.

The Blade Farming model works on the concept that the cattle are of such consistent quality that they are affectively pre-sold to retail customers (that include Tesco's, one of the world's largest retailers) and foodservice customers (that include McDonald's) prior to conception. Carcass balance is achieved by the hindquarters largely being supplied to retail, the forequarters being supplied to McDonald's, and the fillets being supplied to restaurants.

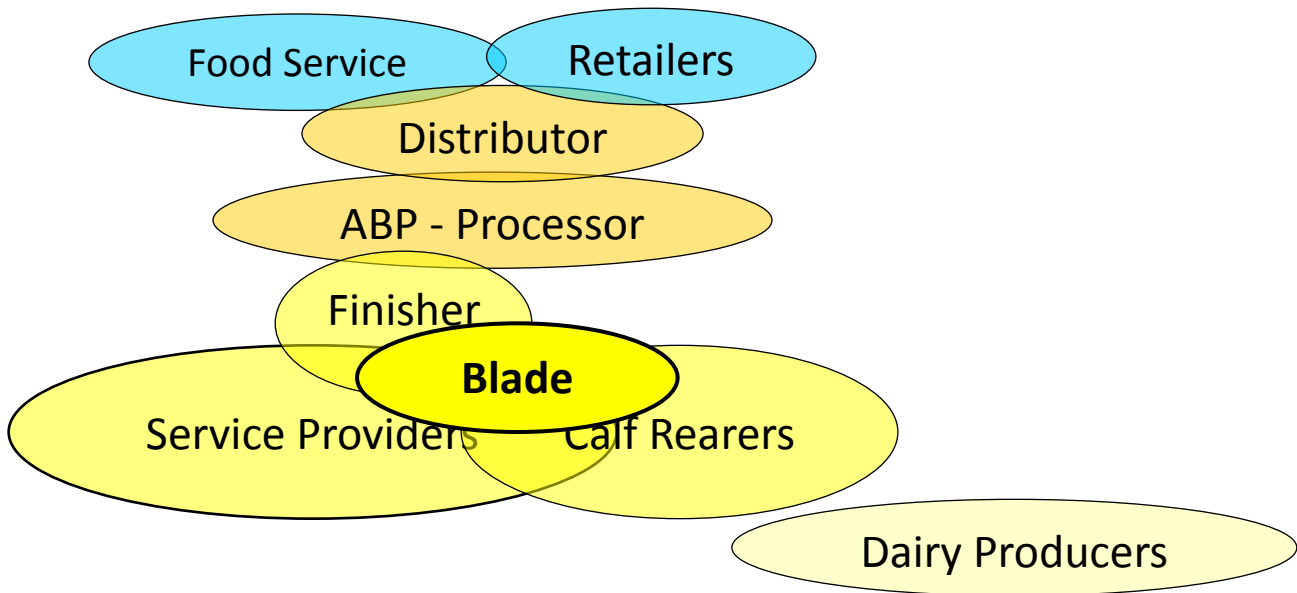
Focused on producing cattle that reflect market requirements, the system has received numerous innovation awards. Improvements in the consistency of beef quality have largely been enabled through the introduction of a risk management and forward contracting program. The program centres on ensuring that everyone benefits from the entire chain being

focused on producing beef which meets customers' requirements and appeals to consumers. This involves producing carcasses which, in conjunction with post-harvest practices (e.g. maturation, packaging, presentation and promotion), enables the most suitable beef to be correctly positioned to the specific segment to which it is being marketed.

That consistency leads to higher returns and lower costs than the chain would otherwise experience. Consistency in eating quality is further enabled through the group actively working with the Meat Science Department at Bristol University to identify genetic markers that determine an animal's disposition to produce tender meat (VCMC, 2012).

There are six contractual links in the chain: dairy, calf rearer, finisher, slaughterer, processor, and retailer/foodservice. Blade Farming acts as chain champion and manages virtually every aspect of the chain. This includes assisting primary producers to manage the financial risks associated with cattle production. It achieves this through offering a loans program, assessing the level and cause of animal mortality, facilitating contractual negotiations, supporting information exchange and production planning, as well as buying feed and providing veterinary services on producers' behalf.

Figure 6-3 Blade Value Chain Map



Source: Gooch & Marenick, 2011

Since its inception, Blade has grown to become the UK's largest beef initiative. This was achieved by establishing and enforcing clearly defined protocols and key performance indicators, developed in conjunction with strategic partners. Producers are motivated to stay in the scheme because of incentives based on their performance and by reducing their risk through forward contracts with price commitments. Blade is also able to exert greater control

over their operations by taking ownership of the animal twice along the chain. Their governance supports their success and enables them to continually develop using new technologies to deliver on market-driven requirements.

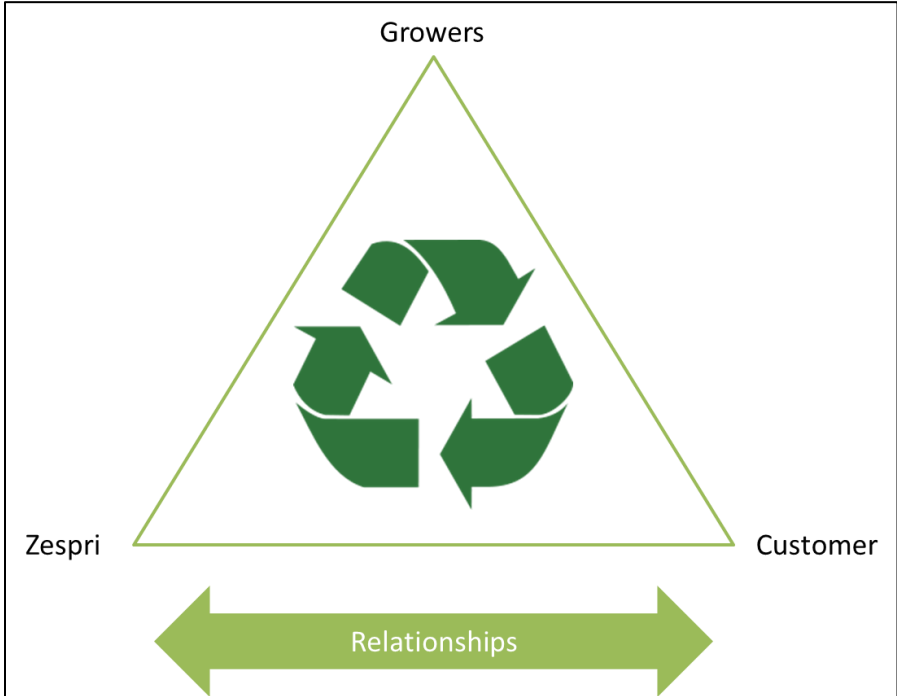
6.3.3 Zespri® (Collaborative Chain)

ZESPRI® International Limited is the world’s largest marketer of kiwifruit. It markets kiwifruit into more than 60 countries and manages 30 percent of global volume. Dr. David Tanner is their chain champion, having joined ZESPRI in February 2007 as Technical Manager - Global Supply Chain. David has a Bachelors degree in Horticultural Technology, a PhD in Food Engineering from Massey University, and was previously the Director of Food Science Australia’s supply chain innovation division.

ZESPRI® has driven growth through value chain efficiencies. Sustainability supports the organizations’ core brand values relating to brand equity, future customer requirements, efficiency gains and risk management. Zespri’s achievements have been based on successfully fulfilling consumer needs for taste, convenience, and novelty, rather than competing on price.

More specifically, success has come from innovations relating to new product developments and the marketing of these new products to key consumer markets. These innovations have been made possible through integrated relationships between the breeders, growers, ZESPRI®, and customers. This unity and focus on the consumer has enabled ZESPRI® to become a global leader in kiwi fruit “by growing the pie, not cutting a piece from the existing market.” (Tanner, 2012)

Figure 6-4 Zespri® Integrated Business Model



Source: Tanner, 2012

Zespri works diligently with producers to improve the profitability of their operations, through increasing quality from customers'/consumers' perspective and reducing costs wherever possible. It is a single-desk marketer; it only accepts fruit for export that meets exactly quality standards. The fruit that does not meet these standards is sold in the relatively small domestic market only, often at a lower price than that received for exported fruit, and is one of the factors that motivate producers to continually improve. Kiwi fruit is graded, packed and marketed according to its internal and external quality.

6.4 Key Themes

The real-world examples above illustrate the following requirements related to effective VCM:

1. The decision to form and the ability to sustain a closely aligned chain depends on the attitude of the participants, particularly the value chain champion(s) who lead the initiative. A value chain succeeds because it is well managed, which will largely be thanks to the skill, business acumen, and vision of the chain champion(s), along with the attitudes of those involved.
2. The motivation of chain partners to learn and adapt as a strategically aligned system determines their own, and the overall value chain's, competitiveness.
3. Participants must feel that they are equitably rewarded for the value that they contribute to the initiative, and firmly believe that less committed and/or able members will be penalized for not meeting exacting standards upon which the initiative's success resides.
4. The internal dynamics of the value chain, as well as the external environment in which the chain operates, can positively or negatively affect the chain's ability to acquire knowledge and translate it into actionable management decisions through systemic innovation.
5. A value chain's success is determined by its adherence to a certain set of principles. The most successful value chains have succeeded by devising, implementing, and enforcing a structure that reflects their core strategic intent. Therefore, strong governance and a commitment to delivering value in the customer/consumers point of view are critical to success.
6. While many value chain initiatives have developed the means to secure premiums from specific markets, often for specific products within their overall portfolio, the financial success of all sustainable value chain initiatives ultimately rests on possessing the ability to continually reduce costs: resulting in the opportunity to increase margins and profitability. This point is particularly important for products produced/sold in relatively low volumes.
7. Focusing on labels to evaluate a value chain is a pointless task (i.e., supply chain versus value chain). The focus needs to be on understanding how and why a value chain is managed, on understanding the individuals and organizations that comprise the value chain, and the factors that bond, or fail to bond, the chain together (Gooch & Marenick, 2011).

6.5 Conclusion

The literature review began by describing that every business seeks to add value to the product or service prior to its sale to a customer or a final consumer at a price that exceeds its cost of production. A series of businesses (e.g. farm input supplier, farmer, processor, retailer) that together derive value from supplying products and services to target consumers can therefore be thought of as a value chain. This fundamental fact strikes at the heart of why attempting to discern businesses as belonging to a supply chain or value chain is a flawed means for attempting to describe the management model that businesses employ to attain competitive advantage. The terms “fragmented”, “cooperative”, “coordinated”, or “collaborative” are more appropriate means of describing the extent to which businesses strategically and operationally align their resources to attain competitive advantage.

The review shows that value chain management (VCM) is more than a theory. It is a strategic business approach that is helping a growing number of businesses to increase their long-term competitiveness. VCM describes the types of processes which businesses use to manage their own operations and influence the operations of others in the context of the chain to which they jointly belong. VCM is a reiterating process that takes time, resources, and skills.

The review described how and why producers are benefiting from participating in value chain initiatives. With the old business model of independent companies competing against other companies slowly being challenged by distinct value chains competing against other value chains for market dominance, it is those producers who participate in value chains that will have the greatest opportunity to succeed in future years. The ability to actively coordinate efforts and resources along the value chain, coupled with the ability to continually reduce production costs, is increasingly what separates leaders from the wider industry.

Learning is critical to the adoption of VCM and a key driver of change. The successful producers of tomorrow will therefore be those who possess the motivation and ability to learn about disciplines not traditionally associated with production agriculture. It will enable them to develop, in conjunction with other members of the value chain new, more sophisticated and unique management capabilities. This will enable them to adapt to changing market demands, as well as reduce costs and increase productivity, resulting in increased profitability.

Despite these benefits, closely aligned value chains are forming much slower in the agri-food industry than in other industries. The review identified factors impacting the rate at which the agriculture and agri-food is adopting VCM approaches. They include: the relationships that exist between government and industry policies and the attitudes, capabilities, and behaviour of the individuals and businesses that together form the industry; the size of many agricultural (farming) businesses; and agriculture not exhibiting a learning culture.

As reflected in the examples and overall discussion, the sectors of agriculture where value chain initiatives are forming fastest are those where the food is perishable. Reasons for this include a greater likelihood that constructive relationships will exist between producers and consumers,

due to the value chains being shorter in length. It is also due, in part, to the impact of management decisions being evident sooner and easier than if the agricultural product (e.g. wheat) is highly processed prior to its sale to consumers.

7 References

Argyris, C. (1995), "Action science and organizational learning", *Journal of Managerial Psychology*, vol. 10, no. 6, pp. 20-26.

Argyris, C. (1985), 'Interventions for Improving Leadership Effectiveness', *Journal of Management Development*, vol. 4, no. 5, pp. 30-50.

Baines, R. N. (2000), "Impact of global retailer initiatives on their supply chain: what lessons for Australian producers, exporters, and retailers?", Food Business Group, Agriculture, Fisheries and Forestry – Australia, Barton ACT.

Baker, K. A. (2002), "Innovation", Washington Research Evaluation Network. <http://www.wren-network.net/resources/benchmark/14-Innovation.pdf>, accessed January 24, 2008.

Barney Jay and Woonghee Lee (1998), "Governance Under Uncertainty: Transaction Costs, Real Options, Learning and Property Rights." Fisher College of Business, The Ohio State University, Ref #124140, 1998.

Barrat, B. (2004), "Unveiling Enablers and Inhibitors of Collaborative Planning", *The International Journal of Logistics Management*, vol. 15, no. 1, pp. 73-90.

Barrat, M. (2004b), "Understanding the Meaning of Collaboration in the Supply Chain", *Supply Chain Management: An International Journal*, vol. 9, no. 1, pp. 30-42.

Batt, Peter (n.d), "Relationships as a basis for building confidence in supply chains" Senior Lecturer, Agribusiness Marketing (Horticulture), Curtin University of Technology.

Boehlje, M. D. (2006), "The New Business Model", Alberta Agriculture & Food, [http://www1.agric.gov.ab.ca/\\$department/newslett.nsf/all/rnw9148/\\$FILE/dr.%20boehlje-the%20new%20business%20model.doc](http://www1.agric.gov.ab.ca/$department/newslett.nsf/all/rnw9148/$FILE/dr.%20boehlje-the%20new%20business%20model.doc), accessed March 14, 2008.

Boehje, Michael and Lee Schrader (1996), "Agriculture in the 21st Century", *Journal of Production Agriculture*, 9(3):335-340, 1996.

Boehlje, Michael (1999), "Structural Changes in the Agricultural Industries: How Do We Measure, Analyse and Understand Them?", *American Journal of Agricultural Economics*, vol. 81, no. 5, pp. 1028-1041.

Boehlje, M. D., Hofing, S. L., & Schroeder, R. C. (1999), "Value Chains in the Agricultural Industries", Ag Education & Consulting, LLC Staff Paper #99-10 [August 31, 1999], Department of Agricultural Economics Purdue University, http://www.centrec.com/resources/Articles/value_chain_ag_industry/org_sc.pdf, accessed December 27, 2007.

- Bonney, L. (2012), "Assessing the Role of Incentive Systems in Determining Effective Value Chain Innovation"; PhD Dissertation; University of Queensland. (Unpublished).
- Bower, G.H. & Hilgard, R.H. (1981), "Theories of Learning", Englewood Cliffs, NJ:Prentice Hall.
- Chandler, A.D. Jr (1962), Strategy and Structure, The MIT Press, Cambridge, MA.
- Christopher, M. and Ryals, L. (1999), "Supply chain strategy: its impact on shareholder value", The International Journal of Logistics Management, Vol. 10 No. 1, pp. 1-10.
- Cohen, W.M. & Levinthal, D.A. (1990), "Absorptive Capacity: A New Perspective on Learning and Innovation", Administrative Science Quarterly: Special Issue - Technology, Organizations, and Innovation, vol. 35, no. 1, pp. 128-152
- Collins, R. (2011); Translating Consumer Insights into Sustainable Competitive Advantage; University of Queensland; Workshop held in Mississauga, Ontario.
- Collins, R., Dunne, T., O'Keefe, M. (2002), "The locus of value: a hallmark of chains that learn", Supply Chain Management: An International Journal, vol. 7, no. 5, pp. 318-321.
- Cottrill, K. (2006), "Supply Chain Experts Get Their Say on Product Design", Harvard Business Review: Supply Chain Strategy, February 2006, vol. 2, no. 2, pp. 1-4.
- Cottrill, K. (2006b), "Turning Suppliers in Business Partners", Supply Chain Strategy, March 2006, vol. 2, no. 3, pp. 7-9.
- Cowan, J. (2007), "Thompsons: Succeeding through Process Improvement, Constant Communication, and Circling in on Quality", Value Chain Management: Adding Value to Agriculture, George Morris Centre, Guelph, Ontario, DVD.
- Curry, D. (2002), "Farming and Food, A Sustainable Future", Report of the Policy Commission on the Future of Farming and Food, Department for Environment Food and Rural Affairs (DEFRA), January 2002.
- Defee, C. (2007). Supply Chain Leadership. PhD diss., University of Tennessee, 2007. http://trace.tennessee.edu/utk_graddiss/148; Accessed January 12, 2012
- dePater, James (2012). Sevita Presentation at 2012 Value Chain Innovation Forum, Delta Meadowvale, Mississauga Ontario, April 3, 2012. Available online: <http://www.valuechains.ca/documents/Sevita.pdf>
- Diederer, P. (2004), "Co-ordination Mechanisms in Chains and Networks", In The Emerging World of Chains & Networks: Bridging Theory and Practice, Eds T. Camps et al., Hoofddorp: Reed Business Information / Elsevier Juridisch, pp. 33-47.

Dunne, T. (2008), "Value Chains: Insights From Australia", Webinar: Canadian Farm Business Management Council, <http://www.agriwebinar.com/Webinar.aspx?id=e8b6071a-78e6-4c8e-8515-2a5114be209f>, accessed January 2009.

Dunne, A. (2001), "Supply Chain Management: fad, panacea or opportunity." Agribusiness Perspectives, Paper 48. Agribusiness Association of Australia. www.agrifood.info/perspectives

Dymock, D., McCarthy, C. (2006), "Towards a Learning Organization?", Employee Perceptions, The Learning Organization, vol. 13, no. 5, pp. 525-536.

EFFP (2004). "Farming & Food: collaborating for profit", English Food & Farming Partnership, London.

EFFP (2005), "Making Collaboration Work", English Food & Farming Partnerships, London.

Egelhoff, W.G. (1988), "Strategy and structure in multinational-corporations – a revision of the Stopford and Wells model", Strategic Management Journal, Vol. 9 No. 1, pp. 1-14.

Eckert, E., Bell, A. (2005), "Invisible Force: Farmers' Mental Models and How They Influence Learning and Actions", Journal of Extension, vol. 43, no. 3, <http://www.joe.org/joe/2005june/a2p.shtml>, accessed March 2008.

Fawcett, S.E. and Magnan, G.N. (2001), Achieving World-Class Supply Chain Alignment: Benefits, Barriers, and Bridges, Institute for Supply Management, Tempe, AZ.

Fearne, A.F. (1998), "The evolution of partnerships in the meat supply chain: insights from the British beef industry", Supply Chain Management: An International Journal, vol. 3, no. 4, pp. 214-231.

Fearne, A. (2007, "Reasons for Alliance Failure"; Value Chain Management; DVD; George Morris Centre.

Fell, L., Russell, D. B. (2000), "The human quest for understanding and agreement", Agricultural Extension and Rural Development: Breaking out of Traditions, Eds. R. L. Ison, D. B. Russell, Cambridge University Press, pp. 32-51.

Fortescue, S. (2006), "Bowland 'Em Over", Dairyman, an editorial supplement to The Grocer, The Grocer, September 9, 2006, pp. 26.

Frankel, R., Schmitz Whipple, J. (1996), "Alliance Formation Motives: A Comparison of International Perspectives", International Journal of Logistics Management, vol. 7, no. 2, pp. 19-32.

Fulton, A., Fulton, D., Tabart, T., Ball, P., Champion, S., Weatherley, J., & Heinjus, D., (2003), "Agricultural Extension, Learning and Change", Rural Industries Research and Development Corporation, Barton, ACT. <https://rirdc.infoservices.com.au/downloads/03-032.pdf>, accessed October 2007.

Garbarro, J.J. (1987), "The Development of Working Relationships", Handbook of Organizational Behaviour, Ed. J.W. Lorsch, Prentice-Hall.

George Morris Centre (2007), "Value Chain Management: Adding Value to Agriculture", George Morris Center, Guelph, Ontario, DVD.

Gooch, Martin (2012), "Evaluating the Effectiveness of Applying an Adult Learning Approach to Value Chain Management Education," PhD Thesis. University of Queensland, 2012.

Gooch, Martin (2012b), "Motivating and Enabling Value Chain Innovation in Canada's Agri-Food Industry." Value Chain Management Centre, May 2012.

Gooch, M., LaPlain, D., Fefel, A., (2011), "Adding Value to Veal". Value Chain Management Centre, George Morris Centre.

Gooch, M. & Marenick N., (2011), "Characterising the Determinants of Successful Value Chains." A VCMC paper prepared for Canadian Agri-Food Policy Institute (CAPI). Available online:
<http://www.valuechains.ca/documents/Characterizing%20the%20Determinants%20of%20Sus%20VC-%20031912.pdf>

Gooch, M, N Marenick, A Fefel and J Vieira (2009), "Feasibility Study for Establishing a Local Food Distribution Initiative in Niagara & Hamilton". Paper by Value Chain Management Centre. View "Local Food Study: Niagara Region and City of Hamilton" online at:
<http://www.valuechains.ca/reports.htm>

Gooch, M., Laplain, D., Stiefelmeyer, Marenick, N., Fefel, A. Ingratta, F. and Martin, L (2009b), "Consumer Market Research Strategic Study for Fresh Grapes and Fresh & Processed Apples & Tender Fruits & 2008 Orchard Fruit & Vineyard Quality Assessment throughout the Value Chain." Value Chain Management Centre/George Morris Centre. Prepared for the Vineland Research and Innovation Centre.

Gooch, M., Moore, T. L., Mussell, A., Grier, K., Webb, D., Dessureault, S. (2006), Market Opportunity Analysis for the Canadian Lamb Industry, George Morris Centre, Guelph, Ontario.

Goleman, D. (2000), "Leadership That Gets Results", Harvard Business Review, March-April 2000, pp. 78-90.

Gross Davis, B. (1993), "Tools For Teaching", first ed. Jossey-Bass Inc., San Francisco, California.

Hart, M. (2005), "Great Wine, Better Cheese: How Canada Can Escape The Trap of Agricultural Supply Management", Background No. 90, C.D. Howe Institute, http://www.cdhowe.org/pdf/backgrounder_90.pdf, accessed March 14, 2008.

Hemal, D.K. (2001), "Beef producer attitudes for industry coordination: empirical evidence from Canada", *Supply Chain Management: An International Journal*, vol. 6, no. 3, pp. 119-127

Hughes, D., Fearne, A., & Duffy, R. (2001), "Concepts of Collaboration: Supply Chain Management", *Global Food Industry in Food Supply Chain Management: Issues for the Hospitality and Retail Sectors*, Eds. Eastham, J.F., Sharples, L., Ball, S.D, Butterworth Heinmann, Oxford, UK.

Ison, R.L. (2000), "Experience, tradition and service?: Institutionalised R&D in the Rangelands", *Agricultural Extension and Rural Development: Breaking out of Traditions*, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 103-132.

Ison, R.L. (2000b), "Technology: transforming grazier experience", *Agricultural Extension and Rural Development: Breaking out of Traditions*, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 52-76.

Ison, R.L., Russell, D.B. (2000), "The research-development relationship in rural communities: an opportunity for contextual science", *Agricultural Extension and Rural Development: Breaking out of Traditions*, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 10-31.

Ison, R.L. Russell, D.B. (2000b), "Enthusiasm: developing critical action for second-order R&D", *Agricultural Extension and Rural Development: Breaking out of Traditions*, Eds. Ison, R.L., Russell, D.B., Cambridge University Press, pp. 136-160.

Ison, R. L., Russell, D.B. (2000c), "Co-researching: braiding theory and practice for research with people", *Agricultural Extension and Rural Development: Breaking out of Traditions*, Eds. R. L. Ison, D. B. Russell, Cambridge University Press, pp. 10-31.

Ison, R. L., High, C., Blackmore, C. P., Cerf, M. (2000), "Theoretical Frameworks for Learning-Based Approaches to Change in Industrialised-Country Agricultures", In *Cow up a tree: knowing and learning for change in agriculture: case studies from industrialized countries*, Ed. Anonymous, Institut National de la Recherche Agronomique, Paris, pp. 31-55.

Jarvis, P. (2004), "Adult Education & Lifelong Learning: Practice and Theory", Third ed. Routledge Farmer, Abingdon, Oxfordshire.

Johnson, S. (2002), "Supply Change Management in the Lamb Industry: An Analysis of Opportunities and Limitations", University of Sydney <http://www.csu.edu.au/faculty/science/rman/afbmnetwork/conferences/2004/proceedings/Johnson.pdf>, accessed February 20, 2007.

Jones, M. (2012), "Morrisons, The Three C's: Customer, Cost, Collaboration", 2012 Value Chain Innovation Forum, Delta Meadowvale, Mississauga Ontario, April 3, 2012.

Kilpatrick, S., Johns, S., Murray-Prior, R., Hart, D. (1999). "Managing Farming: How Farmers Learn", Rural Industries Research and Development Corporation, Kingston, ACT, <http://www.rirdc.gov.au/reports/HCC/UT-18A.doc>, accessed February 15, 2007.

Knowles, M.S., Holton, E.F., Swanson, R.A. (2005), *The Adult Learner*, Sixth ed. Elsevier Inc. Burlington, Massachusetts.

Kolb, D.A. (1984), "Experiential Learning: Experience as The Source of Learning and Development", Prentice Hall, Inc., Upper Saddle River, New Jersey.

Kotter, J.P. (1996), "Leading Change", Harvard Business School Press, Boston, Massachusetts.

Love, P.E.D., Gunasekaran A. (1999), "Learning Alliances: a customer-supplier focus for continuous improvement in manufacturing", *Industrial and Commercial Training*, vol. 31, no. 3, pp. 88-96.

Marston, N. (2007), "KG Fruits: The Benefits of Collaborating as a 'New Generation' Producer Cooperative", *Value Chain Management: Adding Value to Agriculture*, George Morris Centre, Guelph, Ontario, DVD.

Martin L, R Westgren, L Schrader, I Cousineau, LeRoc 'h, R Paguaga and V Amanor-Boadu (1993). "Business Linkages: the Case of the Poultry Industry." Working paper 10-93, Food Industry Research Group, George Morris Centre, University of Guelph, June 1993.

Meadows, D. H. (1997), "Places to Intervene in a System", *Whole Earth*, no. 91, pp.78-84, <http://www.wholeearth.com/issue/2091/article/27/places.to.intervene.in.a.system>, accessed July 16, 2008.

Moon, J.A. (2004), "A Handbook of Reflective and Experiential Learning: Theory and Practice", Routledge Falmer, Abingdon, Oxfordshire.

Morgan, P. (2007), "Livestock Marketing: Decreasing Costs, Increasing Revenue through Trust, Feedback and Attention to Detail", *Value Chain Management: Adding Value to Agriculture*. George Morris Centre, Guelph, Ontario, DVD.

Mowat, A., Collins, R. (2000), "Consumer behaviour and fruit quality: supply chain management in an emerging industry", *Supply Chain Management: An International Journal*, vol. 5, no. 1, pp. 45-54.

Newton, D. (2000), "Supply Chain Learning for Australian Agribusiness", Food Group, Agriculture, Fisheries, Forestry – Australia, Barton, ACT.

Oram, R., (2008), "Opinion: The Value Chain", Sunday Star Times: Business News, Fairfax Media Limited, February 3, 2008, pp. 2.

Palmer, C.M. (1996), "Building effective alliances in the meat supply chain: lessons from the UK", Supply Chain Management: An International Journal, vol. 1, no. 3, pp. 9-11.

Palmer, M., Morris, J. (1994), "J Sainsbury's Tenderlean Lamb: Partners in Production", In Breaking With Tradition: Building Partnership and Alliance in the European Food Industry, Ed. Hughes, D., Wye College Press, pp. 115-137.

Peak of the Market Website. Viewed online Oct 2012 at: <http://www.peakmarket.com/>

Rusaw, C.A. (2000), "Uncovering training resistance: A critical theory perspective", Journal of Organizational Change Management, vol. 13, no. 2, pp. 249-263.

Santiago, A. (2007), "Little Potato Company: Creating Value for Customers through Developing a Point of Difference", Value Chain Management: Adding Value to Agriculture, George Morris Centre, Guelph, Ontario, DVD.

Schmitz Whipple, J., Frankel, R., Anselmi, K. (1999), "The Effect of Governance Structures on Performance: A Case Study Of Efficient Consumer Response", Journal of Business Logistics, vol. 20, no. 2, pp. 43-63.

Select Fine Foods Website. <http://www.selectfinefoods.com/story.html>.

Senge, P.M., Dow, M., Neath, G. (2006), "Learning together: new partnerships for new times", Corporate Governance, vol. 6, no. 4, pp. 420-430.

Senge, P.M. (1997), "The Fifth Discipline", Measuring Business Excellence, vol.1, no. 3, pp. 46-51 MCB University Press Ltd.

Simons, D., Zokaei, K. (2005), "Application of lean paradigm in red meat processing", British Food Journal, vol. 107, no. 4, pp. 192-211.

Spekman, R.E., Spear, J.S., Kamauff, J. (2002), "Supply Chain Competency: Learning as a Key Component", Supply Chain Management: An International Journal, vol. 7, no. 1, pp. 41-55.

Spekman, R.E., Kamauff Jr, J.W., Niklas, M. (1998), "An Empirical Investigation into Supply Chain Management: A Perspective on Partnerships", Supply Chain Management, vol. 3, no. 2, pp. 53-67.

Statistics Canada (2006). 2006 Census of Agriculture. Viewed online: <http://www.statcan.gc.ca/ca-ra2006/index-eng.htm>

Tamilia, R.D., Charlebois, S. (2007), "The importance of marketing boards in Canada: a twenty-first century perspective", *British Food Journal*, vol. 109, no. 2, pp. 119-144.

Tanner, David (2012). Zespri® Presentation at 2012 Value Chain Innovation Forum, Delta Meadowvale, Mississauga Ontario, April 3, 2012. Available online:
<http://www.valuechains.ca/documents/Zespri.pdf>

Taylor, D.H. (2006), "Strategic considerations in the development of lean agri-food supply chains: a case study of the UK pork sector", *Supply Chain Management: An International Journal*, vol. 11, no. 3, pp. 271-280.

Taylor, D.H., Fearne, A. (2006), "Towards a framework for improvement in the management of demand in agri-food supply chains", *Supply Chain Management: An International Journal*, vol. 11, no. 5, pp. 379-384.

Westgren, R. (2007), "Value Chains in Agriculture and Agri-Food: Marketing", *Value Chain Management: Adding Value to Agriculture*, George Morris Centre, Guelph, Ontario, DVD.

Whipple, J.M., Frankel, R. (2000), "Strategic Alliance Success Factors", *The Journal of Supply Chain Management*, vol. 36, no. 3, pp. 21-28.

van Roekel, J., Willems, S., Boselie, D. M. (2002), "Agri-Supply Chain Management: To Stimulate Cross-Border Trade in Developing Countries and Emerging Economies", The Royal Tropical Institute, Amsterdam,
<http://www.kit.nl/portals/documents/query.ashx?RecordID=627882&Portal=VCFD>, accessed June 15, 2008.

VCIF (2012), "Value Chain Innovation Forum", held on April 3-4, 2012 in Mississauga Ontario. Summary from keynote presentations by Peter Hines, David Tanner, Martyn Jones, Jack Barclay. Viewed online at: <http://www.valuechains.ca/presentations.htm>

VCMC (2010). "Staying Lean" Workshop. Held on June 6, 2010 in Mississauga Ontario.

VCMC (n/d). Little Potato Company Case Study. Viewed online:
<http://www.valuechains.ca/documents/LITTLE%20POTATO%20COMPANY.pdf>

VCMC Beef Case Studies

- Learning from the British Beef Industry, July 2011. Available online:
<http://www.valuechains.ca/documents/Learning%20From%20The%20UK%20Beef%20Industry.pdf>
- Overview of UK Beef DVD Case Studies, July 2012. Available online:
 - <http://www.valuechains.ca/casestudies.htm>
 - <http://www.youtube.com/user/ValueChainMC?feature=mhee>

VCMC Peach Reports

- Platinum Peach Project, Report on Grower Chain and Consumer Design of Experiments, June 2012. Available online:
<http://www.valuechains.ca/documents/Platinum%20Peaches%20Yr2%20FINAL%20-%20061812.pdf>
- Collaborating to Increase the value of Ontario peaches, May 2011. Available online:
<http://www.valuechains.ca/documents/Collaborating%20to%20Increase%20The%20Value%20of%20Ontario%20Peaches%20%20052411.pdf>
- What makes a platinum Peach? Aug 2012. Available online:
<http://www.valuechains.ca/documents/platinum%20peach%20media%20release%20081512.pdf>

Zanquetto-Filho, H., Fearne A., Pizzolato N (2003), "[The measurement of benefits from and enablers for supply chain partnerships in the UK fresh produce industry.](#)" [Journal on Chain and Network Science](#), pp 59-74. December, 2008.

Zoomerang (n/d).

<http://www.zoominfo.com/#!search/profile/person?personId=283589251&targetid=profile>

Zull, J.E. (2002), "The Art of Changing The Brain: Enriching The Practice of Teaching By Exploring The Biology of Learning", Stylus Publishing, Sterling, Virginia.

Appendix B: Environmental Scan of Value Chain Initiatives

Name / Organization	Type of Initiative (Funding Program, Research, etc.)	Mandate of Initiative
CANADA		
Canadian Value Chain Roundtable Initiative	Government-Industry initiative with funding for research from government	<p>Launched in 2003 as part of a shared vision between industry and government to enhance Canadian competitiveness and profitability. Bringing together key industry leaders from across the value chain – input suppliers, producers, processors, food service industries, retailers, traders and associations – with federal and provincial government policy makers, VCRTs have become central vehicles for a federal consultation process on policy development and agricultural issues.</p> <p>There are currently 11 national Value Chain Roundtables: Beef, Food Processing, Grains, Horticulture, Organic, Pork, Pulse Industry, Seafood, Seeds, Sheep and Special Crops, plus a sub-committee on Food Safety. The VCRTs are sector-specific and focus on the individual needs of each value chain. Each roundtable is industry-led and is supported by Agriculture and Agri-Food Canada's Value Chain Roundtable Secretariat as well as various agriculture commodity divisions. AAFC provides staff to coordinate meetings and a sector specialist. The Department of Fisheries and Oceans also provides support for the Seafood Value Chain Roundtable.</p> <p>Each roundtable sets its own priorities, objectives, and long-term strategies based on research, analysis and a shared understanding of the marketplace.</p>
Canadian Value Chain Network	An informal partnership established by provincial value chain initiatives, most of who, are funding initiatives that are managed by government employees. The BC, Alberta and Sask initiatives mentioned below are members.	To provide a means for Canadian value chain programs to share lessons learned, coordinate activities, and enhance the effectiveness of programs delivered in each province. The membership is predominantly comprised of employees from provincial programs that deliver CAAP funding. The notable exception is the Value Chain Management Centre, which undertakes value chain research and delivers training programs with funding provided by public and private entities.

<p>Alberta ARD Value Chain Program</p>	<p>Funding Initiative. Objective: - help companies in the planning and development stages, link companies to customers, connect companies to relevant experts, connect companies to government funding sources.</p>	<p>VC Development staff work with companies to develop new ways to compete by forming VCs including Alberta's agricultural producers, processors and retailers or food service customers through the delivery of 1) The retail value chain program 2) Foodservice value chain program 3) Education program.</p>
<p>Saskatchewan Grocery Retail and Foodservice Value Chain Initiative - Ag Council of Saskatchewan</p>	<p>Funding Initiative</p>	<p>The Grocery Retail and Foodservice Value Chain Initiative will:</p> <ul style="list-style-type: none"> •Enhance the awareness of foodservice operators and grocery retailers of the capabilities of the Saskatchewan agri-food industry, •Educate Saskatchewan growers and processors of the nature and needs of the foodservice and grocery industries, and •Facilitate collaboration between foodservice operators/grocery retailers and the agri-food industry, and coordinate available resources to bring innovative and relevant food products to the foodservice industry to meet consumer needs. <p>The Grocery Retail and Foodservice Value Chain Initiative focuses on a consumer and operator driven approach, working with foodservice operators and grocery retailers to identify market opportunities and/or operational challenges that can be addressed through innovative products. The initiative then seeks to source those products through Saskatchewan food growers and processors and bring them to market in a timely and reliable fashion.</p>
<p>Value Chain Management Centre</p>	<p>Research, Education, Consultancy. Non-profit subsidiary of George Morris Centre</p>	<p>The VCMC is Canada's only initiative dedicated to improving the profitability and competitiveness of businesses operating in the agri-food and agri-product sectors, through promoting and enabling the development of closely aligned value chains.</p> <p>VCMC collaborates with Canadian and international researchers, businesses, governments and practitioners to undertake research, education and business consulting; and shares lessons learnt from identifying factors impacting the performance of agri-food and agri-product value chains. The VCMC works with businesses of all sizes - from sole proprietors through to multi-nationals, whether they want to partner in new chains, or are looking to improve the performance of an existing chain. Additionally works with government, academia and other industry stakeholders.</p>

USA		
Pork Niche Market Working Group	Research	This group works to foster the success of highly differentiated pork value chains that are profitable and sustaining to all participants. This group transitioned from the Value Chain Partnerships to self-sufficiency in 2011. The PNMWG developed a business plan for its transition - which included interviewing members from the old working group to determine their priorities, how the WG should be funded and structured and managed, and if they would support it. Two functions were high on the list of participants 1) sharing info, developing strategies to address challenges and writing grants for projects to address challenges; and 2) helping niche pork producers raise pigs. Based on these activities a business plan was developed and research teams were assigned: 1) one on niche pork production topics - led by Iowa Pork Industry Council at ISU; 2) focus on niche pork business development topics led by the ISU Extension Value Added Agriculture Program.
Regional Food Systems Working Group	Research	The RFSWG supports education, conducts research and facilitates partnerships, and increases investment and support of community-based economically, sustainable, and environmentally and socially responsible regional food enterprises. Representatives from greater than 25 groups meet quarterly to discuss and coordinate efforts to build more vibrant regional food systems. These groups involve independent/local food retail and foodservice chains and those producers/distributors that want to support them.
MAINLAND EUROPE		
Q-Pork Chains	Supply Chain Research Network. Five-year EU funded Initiative (6th Framework Programme for Research and Technological Development) from 2007 to 2011. 44 partners from 15 EU countries, 1 partner from Norway and the USA respectively and 4 partners from other countries.	<p>Improving the quality of pork and pork products for the consumer: Development of innovative, integrated, and sustainable food production chains of high quality pork products matching consumer demands.</p> <p>6 research modules: pork production, product development, chain management, molecular quality control, knowledge synthesis, consumer citizens and the market.</p>

UK		
Centre for Value Chain Research, University of Kent	Formerly the Dunnhumby Academy of Consumer Research, delivers a Consumer Insight Service for the Food and Farming Industry	<p>Promotes behavioral change within and between organizations in the food chain and among final consumers; develop and deliver university courses, from undergraduate level through to PhD students; assist oversees farmers and intermediaries establish closer strategic relationships with UK retailers.</p> <p>Especially fosters the use of consumer information by small food processors and primary producers.</p>
European Food and Farming Partnerships	Farming Partnerships is a specialist agri-food consultancy, working along the whole supply chain in all sectors. Addresses commercial, operational and relationship issues across the industry.	The Food and Farming Foundation is a not-for-profit organization. Its mission is to strengthen the supply chain between agriculture and the market in order to create and capture value for farmers, food companies and the consumer, resulting in robust, innovative and profitable partnerships.
UK Food Chain Centre	Funded by grants from Defra and staffed by a small team seconded by IGD and Defra. The total budget over five years was £5.3m, consisting of £3.8m in grants and circa £1.5m in resources provided by IGD and Defra..	<p>"The most efficient UK food chain supported by the most effective flow of information." Conducted food chain analyses from farm to point of sale, to identify how efficiency savings can be made that benefit all players, To act as a champion for farm benchmarking; to review consumer research and consider the implications for farming.</p> <p>Task of the program/initiative was to pilot these approaches and produce recommendations. Was a fixed-term mission and not a permanent body. Businesses involved reported savings of £14.4m. Between 2002 and 2006 the proportion of farmers benchmarking rose from 8% to 33% and involvement in business clubs from 2% to 10%. Farmers reported substantial benefits as a result: 52% say they improved their practices and 34% enjoyed better returns. Between 2002 and 2006 the proportion of farmers benchmarking rose from 8% to 33% and involvement in business clubs from 2% to 10%. Farmers reported substantial benefits as a result: 52% say they improved their practices and 34% enjoyed better returns.</p>
Heart of England Fine Foods	Certification program, training, business development consultancy	Started in 1998. HEFF works to increase the business, innovation and marketing capacity of producers, growers and processors of speciality food and drink products based in Herefordshire, Shropshire, Staffordshire and the Midlands.

AUSTRALIA		
Tasmania Institute of Agriculture: Understanding Value Chains Program	Joint venture between the Tasmanian Government and the University of Tasmania.	Semi-autonomous research unit operating on a yearly basis, enabled by domestic and international funding from Australian governments. Assists farmers and agri-businesses to capture value through optimal use of resources in the production of products demanded and valued by consumers.
University of Queensland, School of Agriculture and Food Sciences.	Research	The focus of agribusiness research within the school is agri-food VC innovation. The research uses VC analysis as a framework for economic, environmental and social development. Research includes examining individual value chains or whole industries. There is a large post graduate group involved in the research (16 PhDs).
National Food Industry Strategy	NFIS was a federally funded industry-led program, designed to provide a blueprint to support the development of a sustainable and profitable Australian food industry .	<p>The strategic objective of the NFIS reflected four key themes:</p> <ol style="list-style-type: none"> 1. Innovation - leveraging Australia's science and technology, and education and training by making Australia a recognized centre for innovation in food product, process and systems development, anticipating and meeting consumer needs, and attracting follow-through investment; 2. Market Development - developing an international food market entry strategy that grows Australian exports of food products to enable companies to optimize profitability investment and employment; 3. Business Environment - building a globally competitiveness business-operating environment to enhance competitiveness and improved food industry investment; and 4. Environmental Sustainability - ensuring long-term resource availability and responsible management of environment, energy and waste to support industry growth. <p>A central tenant of the approach taken to developing a blueprint for growth was the inclusion of a strategic funding initiative designed to increase industry's value chain management capabilities. It sought to achieve this through supporting and enabling demonstration projects, along with training programs delivered to managers of commercial businesses.</p>
OTHER		
International Centre of Excellence in R&D for the Food Industry, (ICE FOOD) Chile (Government of Chile, Wageningen Uni, Unis of Chile)	Government, industry and research institutions in Chile and Netherlands	ICE (International Centre of Excellence) Food aims to strengthen the innovative potential of Chilean food producers. July 2012 was the official opening of the ICE in Santiago Chile. The ICE will be led by the University of Wageningen, Netherlands. The International Attraction program 'Centres of Excellence' CORFO (Chilean Economic Development Agency)/Innova - selected WUR to submit a proposal for the Food Industry ICE in Chile. This is one of four ICE centres approved in Chile between 2009 and 2011. Chile funds these centres by investing the profits from copper exports. Purpose: bridge science, research and the markets. Mandate: to establish Chile as an innovation hub in Latin America.



Baseline Study of Value Chains and Their Use in Ontario Agriculture



Detailed Findings From Quantitative Research

Ipsos Marketing



Methodology

- To produce the required insights, Ipsos conducted a telephone survey with a random sample of 500 Ontario farmers.
- The study was fielded between November 21st and December 10th, 2012. The average interview length was 20 minutes.
- To qualify for the quantitative research, producers needed to be involved in making management decisions for their agricultural operation and have a minimum level of gross farm sales of \$10,000.
- A minimum quota of \$250,000+ gross farm sales was achieved – ensuring a meaningful sample size of larger producers.
- Based on the value chain definition provided, 169 farmers are currently participating in a value chain. As a result of this incidence, a booster sample was not conducted.
- Sample frame:

Type of Producer (Main Farm Enterprise)	Total Sample	Statistical Margin of Error (95% Confidence Level)
Grain and Oilseeds	233	+/- 6.4%
Horticulture (Fruit and Vegetables)	31	Directional Only*
Other crops	8	Directional Only*
Total Crop	272	+/- 5.9%
Beef	77	+/- 11.7%
Hogs	40	+/- 15.5%
Dairy	55	+/- 13.2%
Poultry and Egg	32	Directional Only*
Other animal/livestock	24	Directional Only*
Total Livestock	228	+/- 6.5%
Total	500	+/- 4.40%

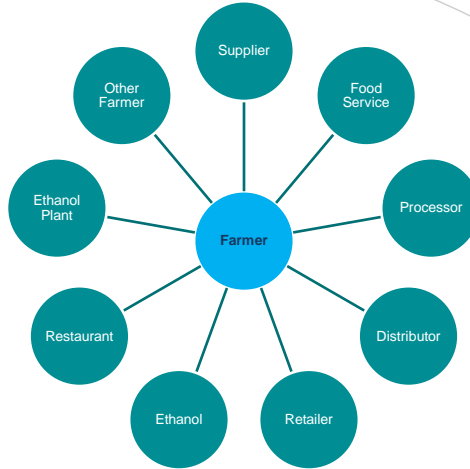
* These segments have relatively small base sizes. Interpretation of these findings should be interpreted directionally only



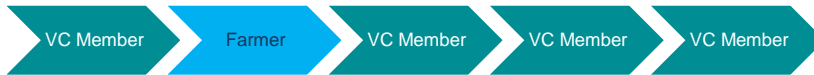
Analysis Approach: Chains Versus Relationships

A key strength of this research is its ability to analyze data in two main ways:

1. *Analysis of a farmer's business relationships decoupled from the chain. Fundamentally, this approach is an assessment of strategic business relationships with significant diagnostic capability.*



2. *Analysis of overall value chains*



Ipsos Marketing



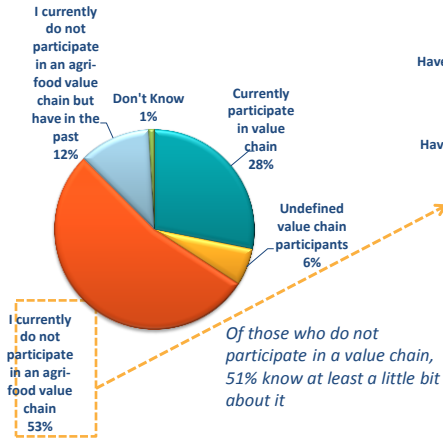
Detailed Findings *Value Chain Overview*

Ipsos Marketing

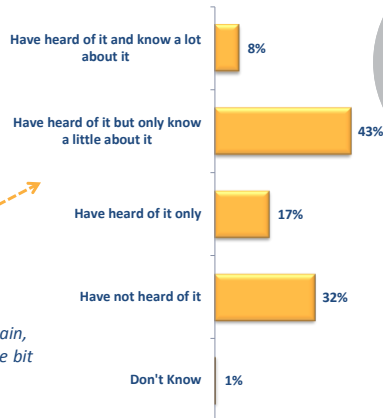


Participation and Awareness of Value Chains

Participation in Value Chains



Awareness of Value Chains



Q8. Given this definition, which of the following statements best describes your participation in an agri-food value chain?
 Q8a. Given this definition, which of the following statements best describes how familiar you are with agri-food value chains?
 Base: All respondents (Total n=500)
 Base: Not participated in an agri-food value chain (Total n=269)

Ipsos Marketing



Companies Involved in Value Chains

Of the companies currently involved in value chains and named by farmers, National Grocers Association and Quality Meat Packers are mentioned most frequently. The diagram below shows all names of value chain partner companies that were mentioned more than once by respondents. The larger the font size, the more frequently it was mentioned.



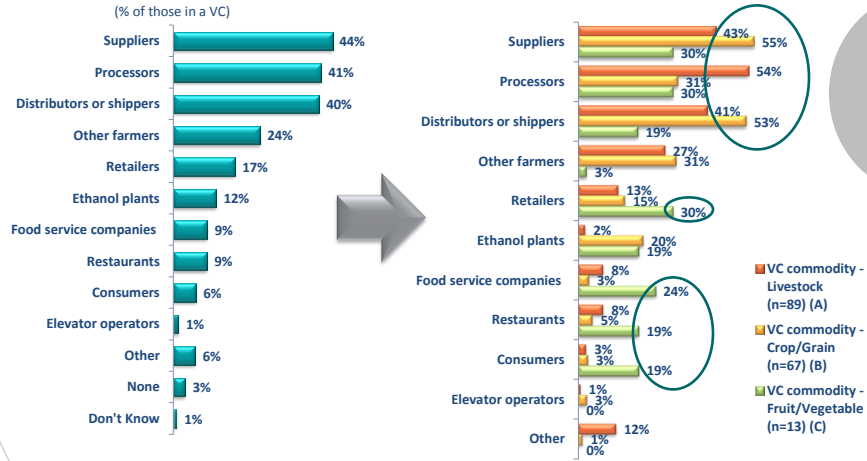
Q14. What is the name of ... that you have a direct strategic partnership or alliance with for the ... you produce?
 Base: Currently participate in an agri-food value chain (Total n=169)

Ipsos Marketing



Percent Each Customer/Business Is Involved In Value Chain

Fruit/vegetable value chains are more likely to be involved with retailers, food service, restaurants, and direct to consumers. The longest chain is 6.0 links and the average chain is 2.2 links in length.



Q12. Which of the following types of customers or businesses do you have a direct strategic partnership or alliance with for the ... you produce in the agri-food value chain you participate in?
 Q13. About how many ... do you have a direct strategic partnership or alliance with for the ... you produce in the agri-food value chain you participate in?

Base: Currently participate in an agri-food value chain (Total n=169)

Ipsos Marketing



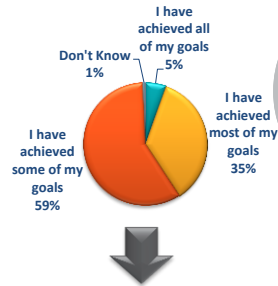
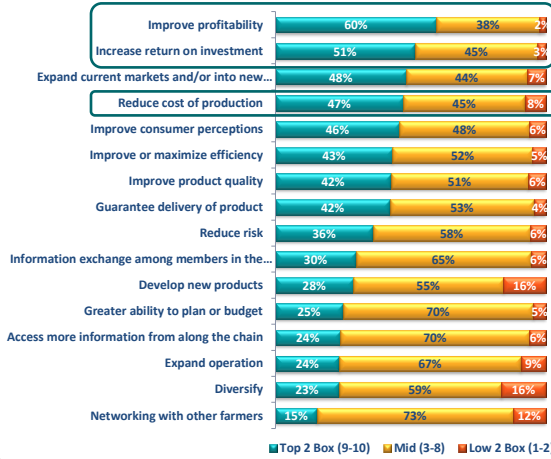
Detailed Findings Value Chain Attitudes and Outcomes

Ipsos Marketing



Goals and Objectives Prompting Participation in Value Chains

The primary goals of value chain participation tend to be financial, however, market expansion and consumer focus are also commonly mentioned.



- Top goals not being achieved:**
- Improve profitability
 - Improve or maximize efficiency
 - Information exchange among members in the value chain
 - Expand operation

Q25. Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', to what extent are the following goals and objectives important in driving - prompting your farm operation to participate in an agri-food value chain? How about...

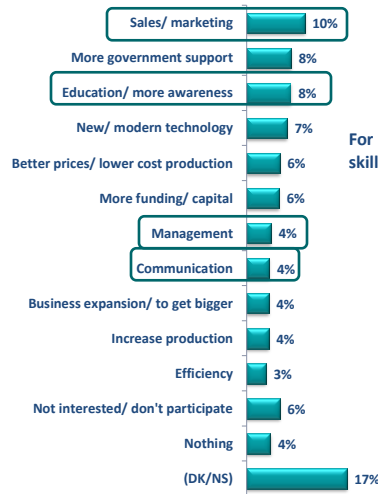
Q26. To what extent have you achieved your goals and objectives for participating in an agri-food value chain?

Base: Gaining knowledge and/or learning new skills (Total n=155)

Ipsos Marketing



Key Areas Of Improvement To Achieve Goals



For many, areas of improvement relate to gaining skills/training in business aspects of farming.

*Responses under 3% not shown

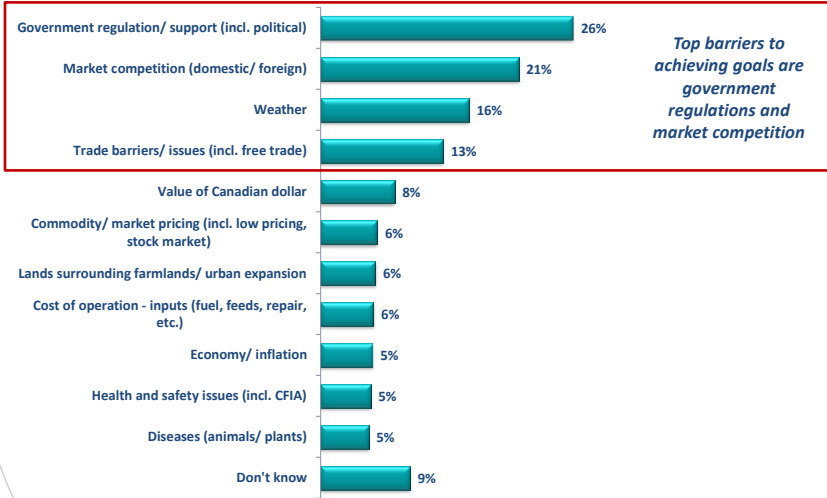
Q28. What, if any, do you feel are key areas for improvement in the skill set of your farm operation that would help you achieve these goals?

Base: Have achieved most/ some/ none of the goals (Total n=144)

Ipsos Marketing



External Threats/Barriers to Achieving Goals



Top barriers to achieving goals are government regulations and market competition

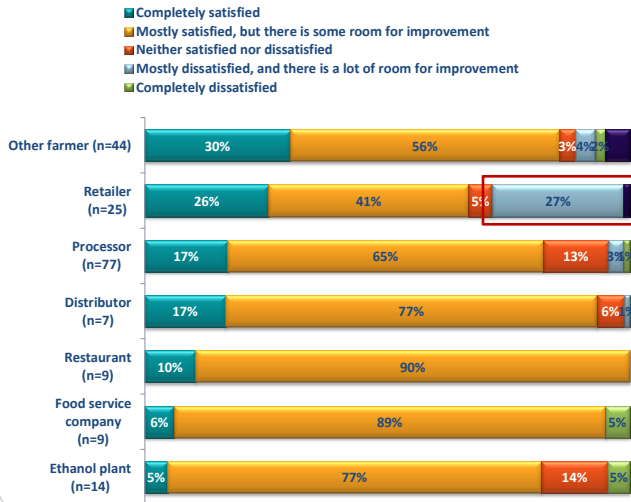
* Responses under 5% not shown

Q29. What, if any, do you feel are the largest external threats or barriers to achieving these goals? By external, I mean things outside the control of your farm operation.
Base: Have achieved most/ some/ none of the goals (Total n=144)

Ipsos Marketing



Satisfaction with Each Relationship



When asked for their overall satisfaction with each business relationship, most are highly satisfied but acknowledge there is room for improvement.

Room for improvement is greatest in retailer relationships.

Q21. Which of the following best describes how satisfied you are with the working relationship you have with ... for the ... you produce in the agri-food value chain you participate in?

Base: Have a direct strategic partnership or alliance with Other farmer

Ipsos Marketing



Reasons for Being Satisfied – By Relationships Type

Open communications/networking are key reasons for satisfaction within relationships, followed by financial rewards. For some relationships (food service, processors and ethanol plants), satisfactions based on the fundamental customer relationship.

	Other farmer (n=40)	Processor (n=76)	Distributor (n=74)	Retailer (n=24)	Food Service company (n=8)	Restaurant (n=9)	Ethanol Plant (n=13)
Communication/Networking (Net)	37%	40%	30%	14%	19%	11%	
Open/ up-front discussions	20%	13%	7%	7%	6%	6%	
Networking/ building relationships	10%	21%	13%		7%	5%	
Good communication/ keep us informed	8%	13%	20%	10%	6%		
Financial rewards/ profitable/ bottom line	18%	17%	16%	7%	11%	4%	11%
Reliable/ respectable/ dependable	10%	6%	2%		6%		5%
Provides services/ does the job/ pays on time	8%	8%	12%	7%			5%
Have a good working relationship - unspecified	7%	5%	2%	10%			
Gets the job done	5%	5%	11%	6%			5%
Honesty/ integrity/ I trust them	4%		8%	3%			5%
Always available/ accessible	4%	5%	9%	9%		24%	15%
Long term relationship	4%	2%	4%	4%			
Good/ friendly/ professional company	3%	7%	6%	3%		19%	5%
We both benefit from each other	2%	6%	5%	9%			
They're our market/ customer		17%	6%	5%	56%	10%	40%
They know what customers want/ retain customers		6%	2%	10%			
They do a good job (selling our products)		4%	6%				
Competitive prices		4%	6%		6%		5%
They distribute/ promote products		4%	6%	3%	7%	5%	

Q22. What are the key reasons why you are satisfied with your working relationship with ... you produce in the agri-food value chain you participate in?

Base: Not completely dissatisfied

Ipsos Marketing



Areas that Need Improvement– By Relationships Type

Across all relationships, 25% - 74% said there is area for improvement. Of those who did see room for improvement; the key areas are better communication and return on investment.

	Other farmer (n=29)	Processor (n=62)	Distributor (n=59)	Retailer (n=18)	Food Service company (n=8)	Restaurant (n=7)	Ethanol Plant (n=13)
Better communication/ feedback	23%	11%	11%	5%	19%	7%	10%
Better profit/ return on investment	9%	14%	13%	4%	19%	7%	
Timeliness/ timely delivery	6%	5%	3%				11%
Better understanding of each other's business	4%	9%	5%	4%			
Working around the weather	3%		1%				
Higher commodity prices	2%	1%	9%	38%	6%		
Better marketing/ promote the product better		5%	11%	37%	6%	13%	
More long term planning/ know what I'm doing the next year		3%	3%	3%			
More information/ market information		3%	11%	4%	7%	7%	
Other	3%	10%	3%	5%	46%		6%
Nothing	45%	24%	28%	26%	6%	74%	25%

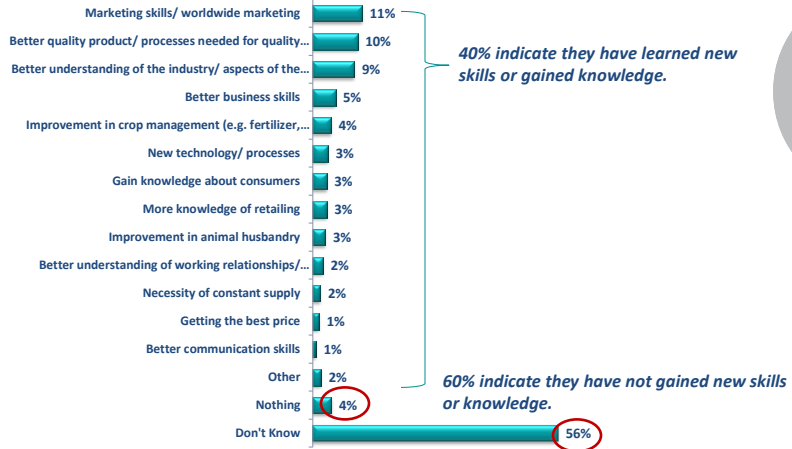
Q23. What are the key things that need improvement in your working relationship with ... you produce in the agri-food value chain you participate in?

Base: Not completely satisfied

Ipsos Marketing



Skills Learned and Knowledge Gained From Value Chain Participation



Q24. Thinking about your participation in an agri-food value chain, including the relationships with one or several members of the chain, what knowledge did you gain and/or skills did you learn?

Base: Gaining knowledge and/or learning new skills (Total n=155)

Ipsos Marketing



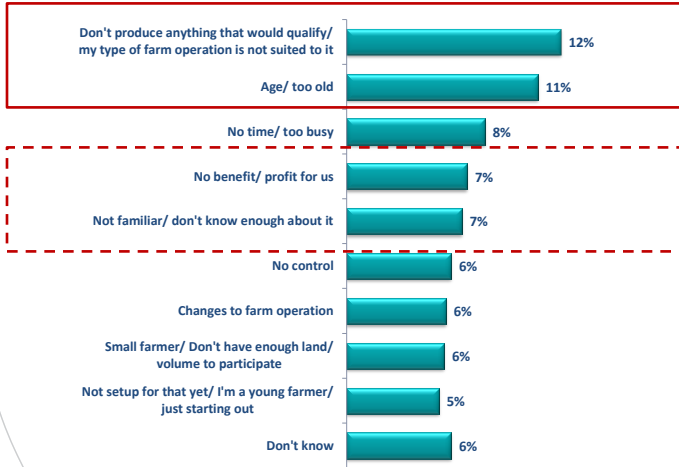
Barriers of Value Chain Participation

Ipsos Marketing



Reasons for Not Participating In Value Chains

The top reason (12%) for not participating in value chain relationships is the perceived notion that their operation would not qualify is not suited for participation, followed by age.



Q30. What are the reasons for deciding not to participate in an agri-food value chain?

Base: Participate in an agri-food value chain in the past and know about it (Total n=196)

Ipsos Marketing



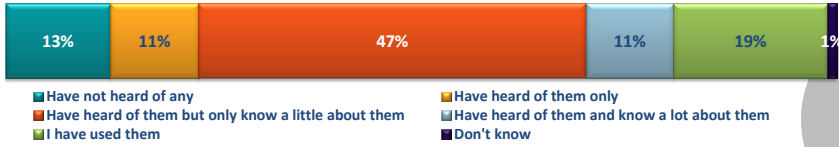
Awareness and Use of Value Chain Resources

Ipsos Marketing



Value Chain Resources

Level of Awareness/Familiarity With Resources



Resources Farmers Are Aware Of



Base: Heard of agri-food value chains or value chain management (Total n=313)

Resources Farmers Have Used



Base: Have used agri-food value chains or value chain management (Total n=50)

Q36. Which of the following statements best describes how familiar you are with resources or sources of information or tools available regarding agri-food value chains or value chain management - including any training, consultation or professional advice?

Q37. What resources or sources of information regarding agri-food value chains or agri-food value chain management are you aware of?

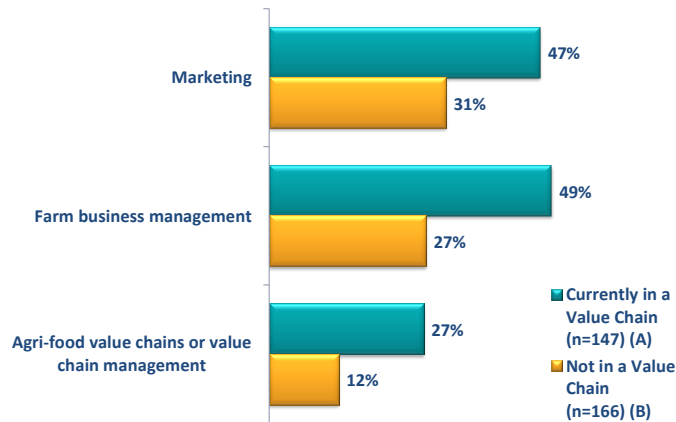
Q38. What resources or sources of information regarding agri-food value chains or value chain management did you use? Any others?

Base: Participated & know about the agri-food value chain

Ipsos Marketing



Types of Workshops/Seminars Attended In Past 2 Years



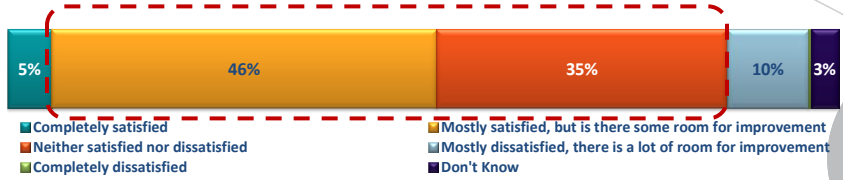
Q39. Which of the following types of workshops or seminars, if any, have you attended or participated in over the past two years?

Base: Heard of agri-food value chains or value chain management

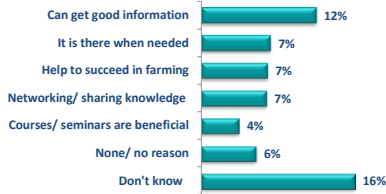
Ipsos Marketing



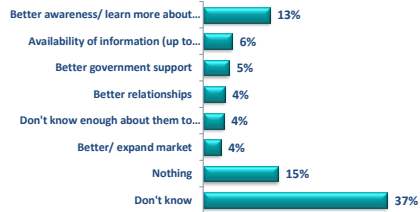
Satisfaction with Value Chain Resources



Reasons for Being Satisfied with Resources



Opportunity for Improvement of Resources



Q40. Which of the following best describes how satisfied you are with the resources or sources of information available for agri-food value chains or agri-food value chain management?

Q41. What are the key reasons why you are satisfied with the resources or sources of information available for agri-food value chains or agri-food value chain management?

Q42. What are the key things about the resources or sources of information available for agri-food value chains or agri-food value management that need improvement?

Base: Heard of agri-food value chains or value chain management (Total n=313)

Ipsos Marketing

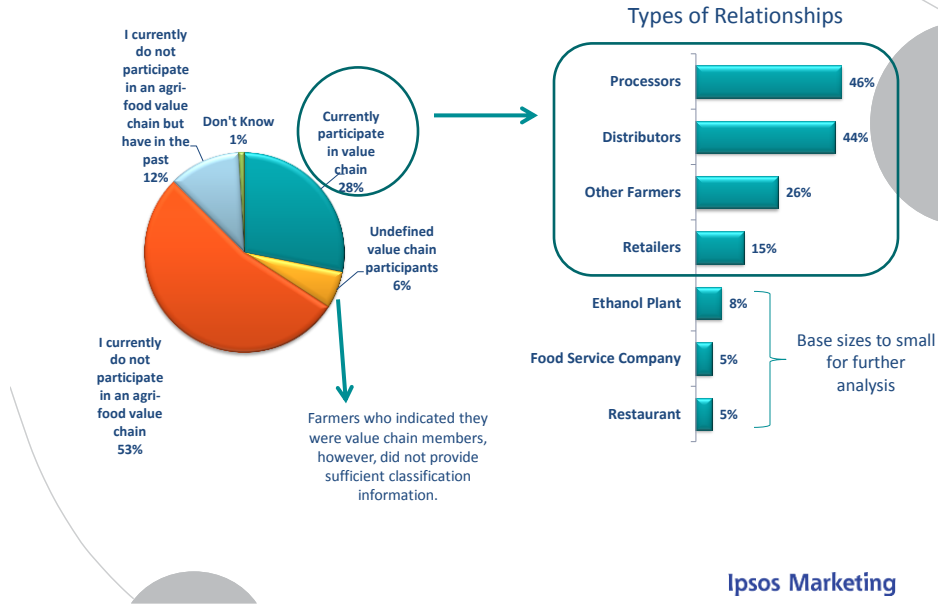


Analysis of Value Chain Segmentation and Approach Validation

Ipsos Marketing



Review of Value Chain Landscape in Ontario



Value Chain Segment Definitions

Value chains can be defined in the following four ways based literature review:

Fragmented: companies compete on traditional trade footing and benefits through the chain are limited at best. Majority of the business is conducted as a series of short-term, one-off transactions.

Cooperative: Companies possess a mutual understanding of how and why they can benefit from cooperating with one another over the medium term at an operational level rather than undertaking specific short-term / one-off transactions.

Coordinated: companies with complementary attitudes, cultures, and leadership styles choose to coordinate business arrangements over a short to medium timeframe. A more strategically aligned structure, which is more than operational.

Collaborative: Companies engage in longer-term strategic arrangements that involve collaboratively sharing resources and/or investing in the capabilities required to achieve mutually beneficial outcomes.

This section of the research endeavours to:

- Explore and validate this theoretical framework as a means to describe and assess strategic business relationships
- Utilize this as a means to segment business relationships and provide diagnostic capabilities to those who wish to assist farmers with improving their skills and abilities in business relationship development.

Ipsos Marketing

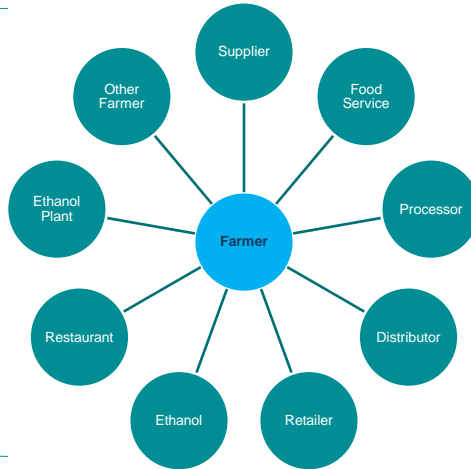


Analysis Approach: Segmenting Relationships, not Chains

For this phase of the research we opted to analyze and segment each respondents' individual relationships and not their entire chains. This approach provides more meaningful results and diagnostic feedback on how to build strategic relationships, acknowledging a successful chain is a series of successful relationships.

Segmentation is based only on attitudes.

Outcomes were analyzed after segmentation was completed to validate the approach.



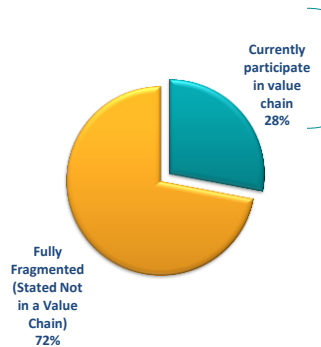
Ipsos Marketing



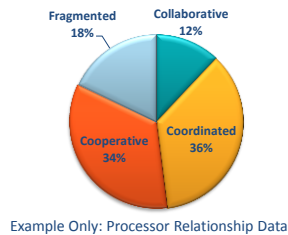
The Fragmented Segment

Value Chain literature supports the notion that every farmer is in a relationship that would be included in a value chain, regardless of whether or not they are aware of it. In this research we have excluded those who indicated they are not in a value chain and can ultimately classify them as partners in a fragmented chain.

Those who were not value chain members did not provide a high degree of information about their operation and relationships. The table below shows the "real" proportion of the Ontario farm population classified as fragmented (72%).



We are only able to segment relationships of those who participate in chains as per below:

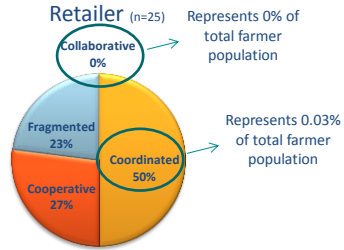
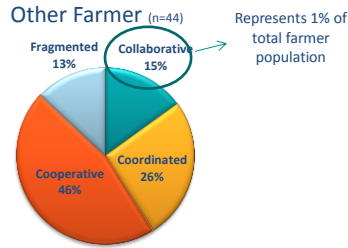
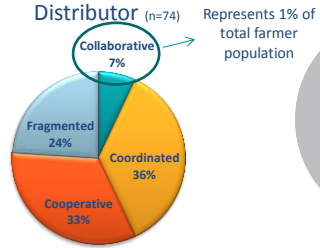
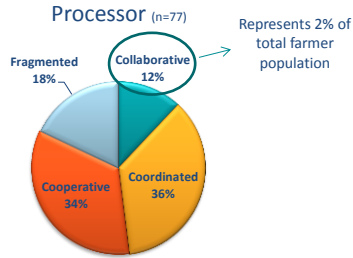


Example Only: Processor Relationship Data

Ipsos Marketing



Relative Size of Value Chain Segments by Relationship

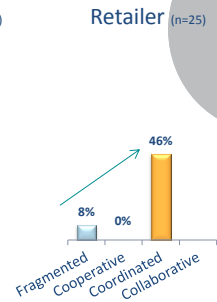
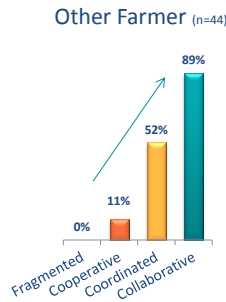
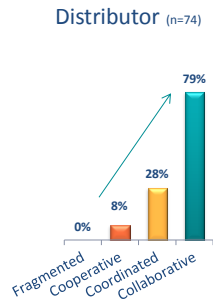
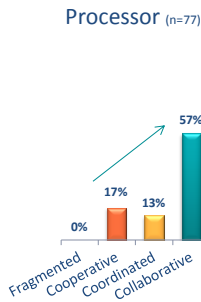


Ipsos Marketing



Validation of Segmentation: Satisfaction With Value Chain – TOP BOX

The attitudinal measures selected show those in higher functioning value chains are far more likely to be satisfied with the chain overall.

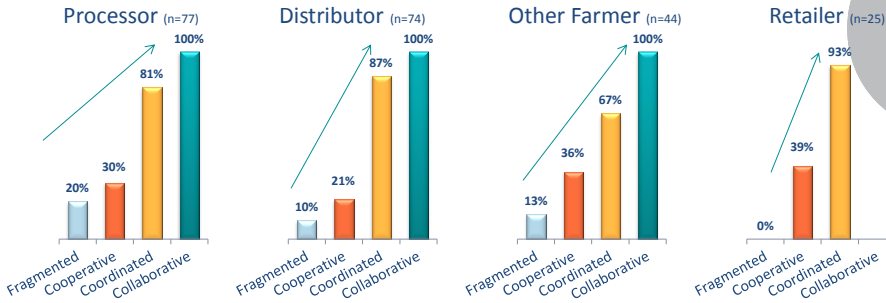


Ipsos Marketing



Contributed To Financial Success of Operation – TOP 3 BOX

The attitudinal measures selected show those in higher functioning value chains are far more likely to feel the value chain has contributed to the financial success of their operation.

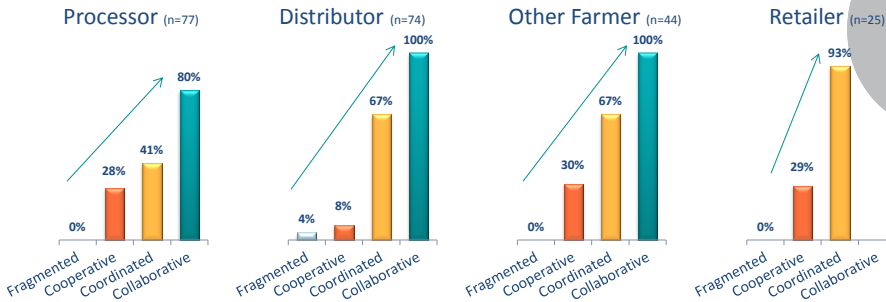


Ipsos Marketing



Contributed To Gaining Knowledge and New Skills – TOP 3 BOX

The attitudinal measures selected show those in higher functioning value chains are far more likely to have gained knowledge or skills as a result from participating in the value chain.

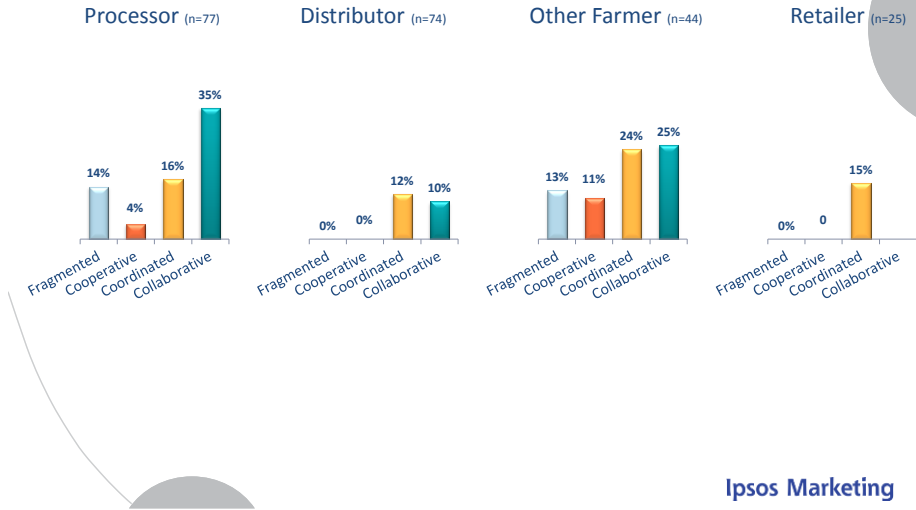


Ipsos Marketing



Jointly Invested in Shared Assets / Resources – Yes

The attitudinal measures selected show those in higher functioning value chains shows they are more likely to have made shared investments or hired shared personnel in some cases.



Ipsos Marketing



In-Depth Analysis of Value Chain Segments

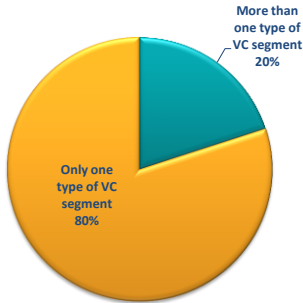
Ipsos Marketing



Value Chain Profile

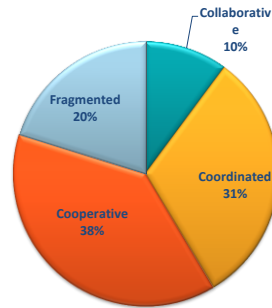
When individual farmers "chains" of relationships are analyzed, we can see 80% have only one type of value chain relationship with their partners.

Percentage of Farmers in Different Types of Relationships (n=172)



When all relationships are totaled, we can see that only 3% of relationships can be considered collaborative.

All Relationships in a Value Chain (n=172)

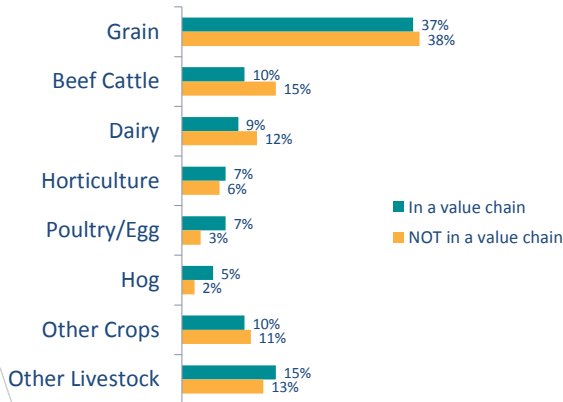


Ipsos Marketing

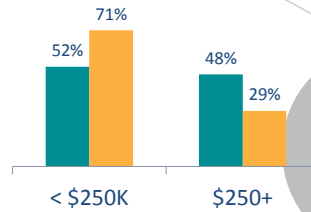


Profile

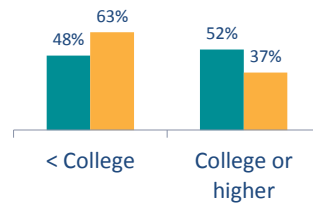
Main Farm Type



Gross Farm Sales (2011)



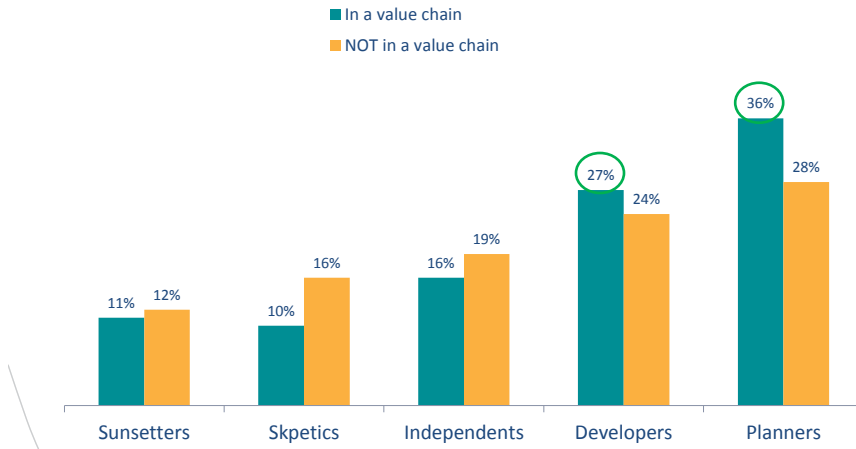
Education



Ipsos Marketing



AMI Segment Profile



Ipsos Marketing

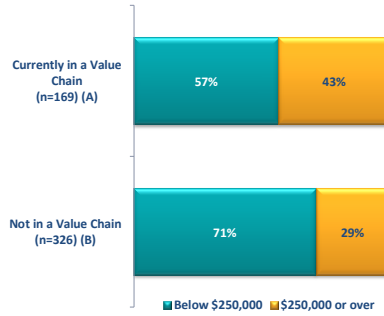
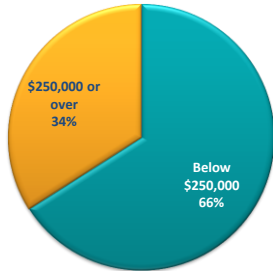


Appendix

Ipsos Marketing

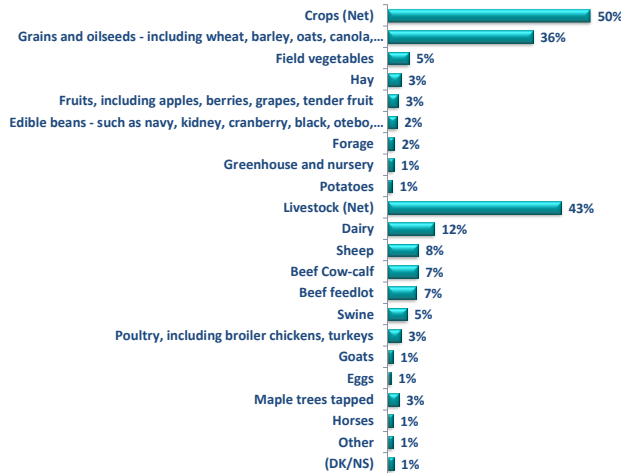


Gross Farm Income



Q2. Before we start, I would like to ask you a few questions about your farm operation to ensure we cover all types of operations. First of all, thinking about your total gross farm sales in 2011, that is revenue generated from your farm last year, were they above or below \$250,000?
Base: All respondents (Total n=500)

Ipsos Marketing



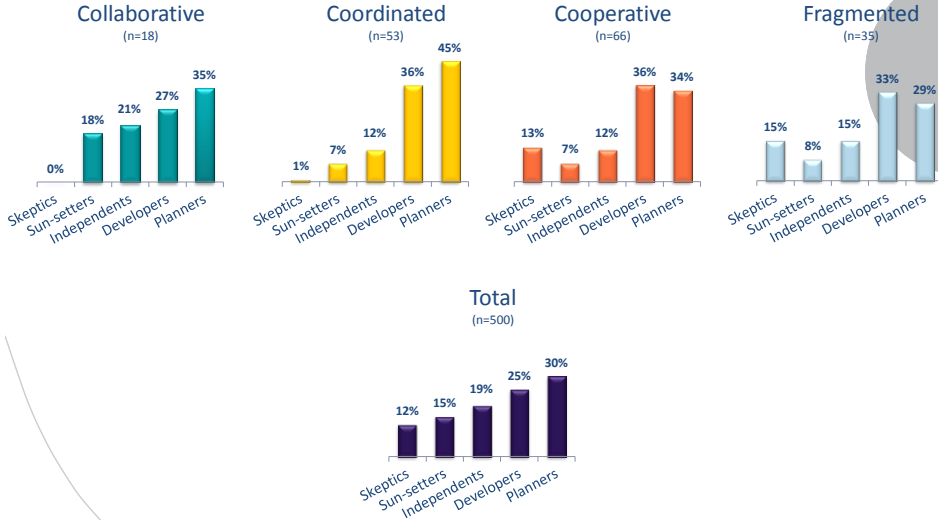
Q6. Of the crops and/or livestock you produced on your farm operation last year, 2011, which one contributed the most to your total gross farm sales last year?
Base: All respondents (Total n=500)

Ipsos Marketing



AMI Segmentation and Value Chain Segment Alignment

The attitudinal measures selected show those in higher functioning value chains shows are also most likely to be Planners or Developers.



Ipsos Marketing



Analysis of Value Chain Segments by Farm Type

	Total	Fragmented (n=35)	Cooperative (n=66)	Coordinated (n=53)	Collaborative (n=18)
Average VC Length	2.2 links	2.4 links	2.2 links	2.1 links	2.0 links
Grain	38%	36%	43%	30%	47%
Beef Cattle	14%	10%	9%	7%	6%
Dairy	11%	5%	10%	11%	6%
Horticulture	6%	4%	7%	5%	12%
Poultry/Egg	4%	1%	6%	8%	0%
Hog	3%	1%	6%	6%	10%
Other Livestock	14%	27%	20%	21%	19%
Other Crops	11%	16%	0%	13%	0%

Ipsos Marketing

Appendix D: Detailed Qualitative Research Results

1 Research Methodology¹

Interviews with Ontario producers and downstream businesses (processors, distributors, retailers, and foodservice operators) were conducted to produce detailed findings on the nature of value chain relationships and business practices existing in Ontario's agri-food industry. The research also sought to identify the determinants of the development and success of business relationships existing between Ontario producers and the agri-food industry, challenges that the respondents had faced and/or overcome, as well as value chain related resources accessed and/or required by industry.

To encourage frank discussion and protect commercial interests, all responses were gathered anonymously. The majority of interviews were conducted over the phone, with a few being conducted face to face. To ensure consistency in reporting and to enable detailed objective analysis of results, a standardized questionnaire, which was modified slightly for each link along the value chain, guided the semi-structured interviews. This questionnaire forms Appendix C. This format ensured that information was gathered systematically, while simultaneously providing researchers with the flexibility to delve into greater detail where appropriate.

The content and options provided in the questions were developed using information from the literature review as well as the practical experience of the research team.

Quotas were originally set at 32 in-depth qualitative surveys: 16 producers, 16 downstream stakeholders including processors/distributors/retail and 8 from the foodservice sector. In total, 52 respondents participated in our survey: 18 producers, 12 processors/distributors, 7 from retail and 15 from foodservice. It was found that many respondents fall into more than one category; for example, a producer may also have a processing/distribution aspect to their business. On these occasions, respondents were able to answer questions from both perspectives, but clarification was sought to ensure clear reporting.

1.1 Nuances re Foodservice Survey and Responses

The foodservice questionnaire was slightly different from the others. Respondents were asked at the beginning if they interact regularly with farmers, either directly or indirectly. Ten respondents answered "yes" and their information is included in the full analysis that begins below in Section 1-2, entitled "Full Array of Respondents". Some of the reasons provided by the five who indicated that they do not source directly from Ontario farmers were as follows:

¹ Please note that every question was not answered by every respondent. Furthermore, some questions asked respondents for a choice rather than one answer, so totals may not add up to 100%. Due to the small sample size, research findings are directional and attitudinal. They are not statistically significant.

- *[I've] never really thought of it. I don't really have the time to arrange this. We work with as few suppliers as possible.*
- *I don't think I am allowed to purchase directly from farms. [Our business] needs to have inspected and certified products.*
- *We deal with food processors only - never growers. We do not carry fresh produce. Some of our products may be from Ontario, but we do not buy direct from growers.*
- *I would love to be able to take the fresh vegetable budget and give it to a local farmer for the growing season. This would not likely be possible, however...the broader public sector is bound by procurement policies (no sole sourcing).*
- *Farmers shouldn't have to worry about delivering or selling product, but should focus on farming.*
- *We use a third party to procure produce. They tell us what is available locally each week. Many of our protein suppliers don't meet the criteria for Ontario products. Protein must be federally inspected.*

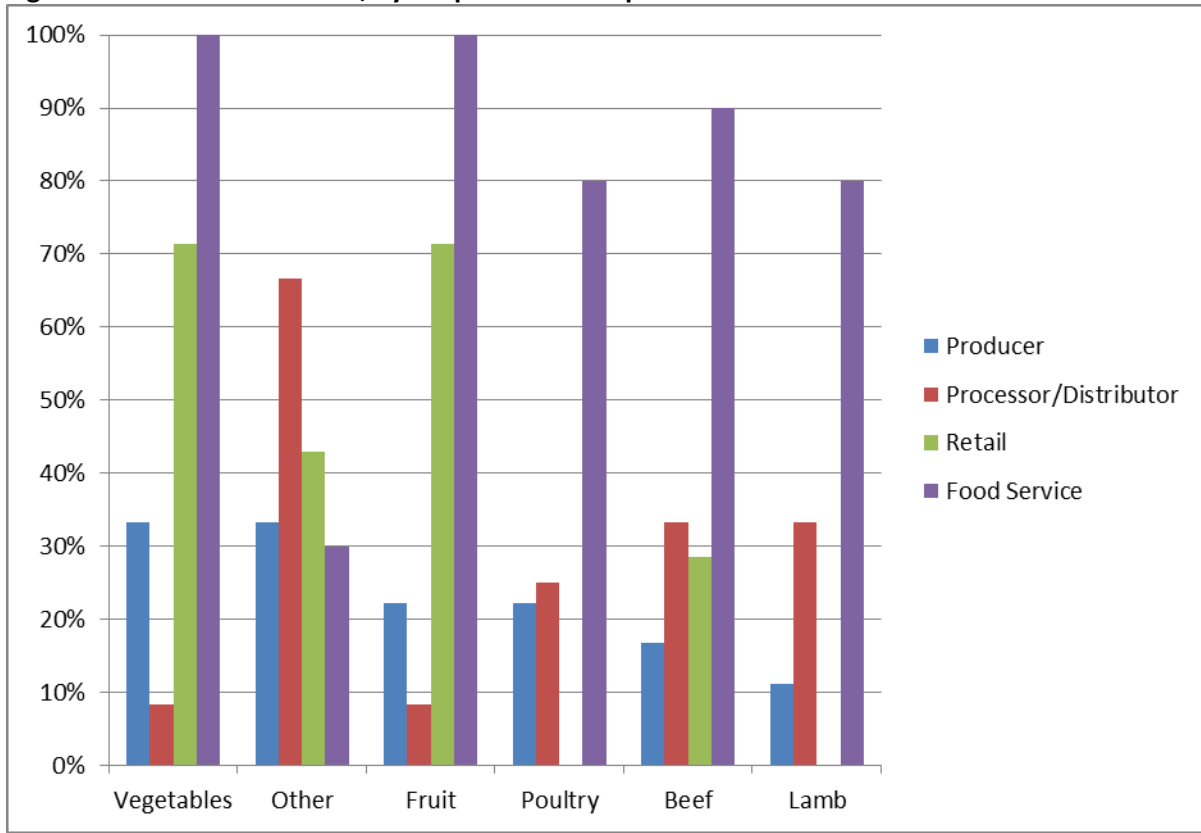
When asked what Ontario farmers could do to develop relationships with these same five businesses, the responses were:

- *Would love to deal directly with farmers, especially if that would cut the cost for the food. I am willing to take the time to do so, during the season when product is fresh especially.*
- *Not sure [farmers could do] anything. Local is very important these days though, so I might have to reconsider this position someday.*
- *It's just not something I've considered.*
- *Our business model doesn't support this. Having said this, we buy what our customers ask us to buy. So we will buy local products (except produce) if the client has sourced it and asks us to carry it.*
- *We work with a food processor who buys our produce. It's best to deal with them.*

1.2 Full Array of Respondents

A broad array of respondents and the sectors that were represented in the study, are outlined in the figure below.

Figure 1-1: Business Interests, by Respondent Group



Sample Size: Producer, 18; Processor/Distributor, 12; Retail, 7; Foodservice, 10

There was an interesting split between producers and processors versus retail and foodservice operations. Generally, producers and processors work with fresh produce or meat, shown by the smaller percentages in the chart above. Respondents from retail and foodservice were more likely to be involved with a wider range of products, particularly foodservice operators. None of the retailers surveyed indicated that they have relationships with Ontario producers for poultry (due to supply management) and lamb.

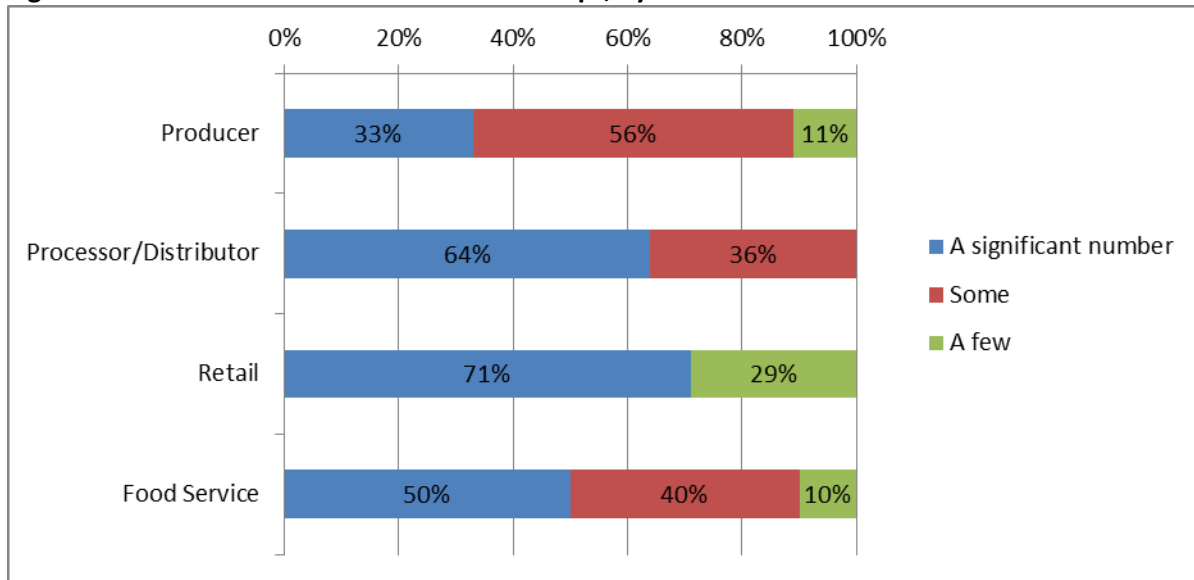
The “other” product most commonly reported was pork.

2 Survey Findings

Q. How many constructive relationships do you have with customers? *[Please choose 1]*

- a. A significant number
- b. Some
- c. A few

Figure 2-1: Number of Constructive Relationships, by Value Chain Role



Sample size: Producer, 18; Processor/Distributor, 11; Retail, 7; Foodservice, 10.

Respondents were asked how many constructive relationships they have with farmers or customers. Ninety percent of foodservice respondents describe having either a “significant number” or “some” constructive relationships with farmers. Several of these respondents commented that they have important relationships with key suppliers, who in-turn represent a significant number of smaller farmers.

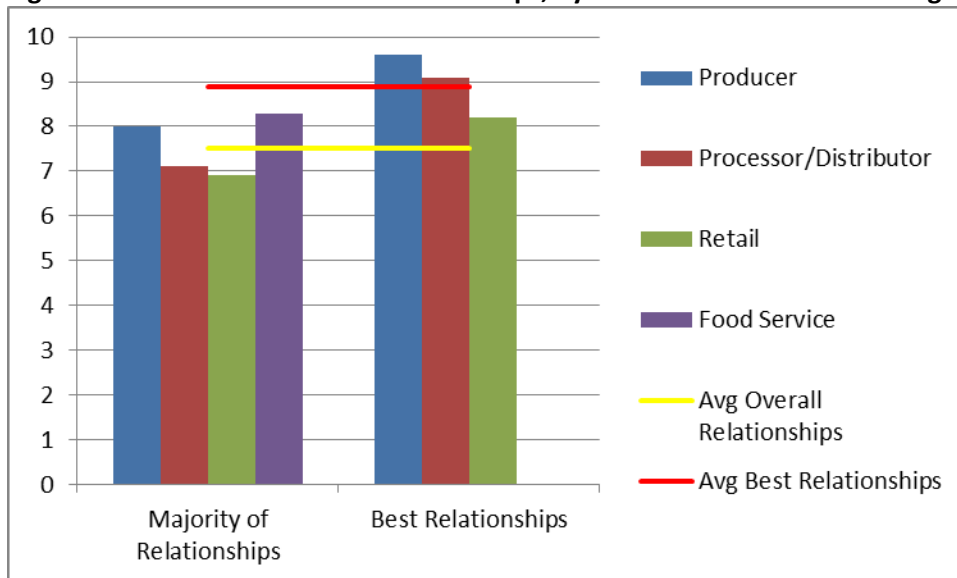
- *We want growers that can farm, consolidate from other growers, grade and deliver. We want one grower/shipper in each category.*
- *We have a significant number of farmer relationships through our produce distributor (>200). We have very few direct relationships with farmers for special event products.*

Seventy-one percent of retailers reported having a “significant number” of constructive relationships with farmers. This speaks to the broad range of products sold and volumes required by corporate grocery chains. Comments explained that they deal with a large number of independent farmers as well as vendors or farm champions/groups who represent as many as 1000 farms. Retailers who answered that they have only “a few” customers indicated that they deal mainly with processors versus producers. These executives were also speaking strictly to their category.

Sixty-four percent of processors said that they have a “significant number” of constructive relationships with farmers. This compares to 33 percent of farmers who have a “significant number” of constructive relationships with customers. Instead, the majority of farmers (56%) said that they have “some” constructive relationships with customers.

Q. Using the 1-10 scale, please rank the selling/marketing arrangements that best characterize your dealings with the majority of your customers/suppliers, and best customers/suppliers, where 1 represents a one-off transaction and 10 represents ongoing transactions (i.e. contracts).

Figure 2-2: Nature of Business Relationships, by Value Chain Role and Averages



Note: Foodservice respondents did not differentiate between the majority of relationships and their best relationships.

The chart above shows that most of the respondents prefer arrangements that are ongoing rather than one-off transactions, with the overall average at 7.5 and the average for best relationships at 8.9 out of 10. Saying that, it appears through additional probing that few long-term relationships are formal or have clear contracts; rather they are based on relationships and common understanding.

- *That is what success is built on; repeat customers help to keep you in business. I demand to be able to form a relationship with my customer. If they aren't willing, I walk away - it is as simple as that. There has been the odd one who isn't interested, so then I'm not interested in them. I've found that these aren't worth it because (1) they won't be a customer long and (2) they are the ones that don't pay. (Producer)*
- *Ten is what you strive for. I'm a category manager. The ON season only goes certain months, so we developed programs for managing imports for our customers too. This allows us to manage our own program, not chase someone else's. Ideally, you want 12-months business, to control and manage locally as well as imports...and the transitions. These are all important to the retailer. [Then] you are the "one" call. (Producer)*

- *Our aim is to be so important to our customers that it keeps them honest, as losing us would hurt their business. There are some downsides, such as not always being paid top dollar for produce, as [there is] always some level of pooling prices or costs. (Producer)*
- *Poultry is all supply managed so we don't deal with producers [directly]. (Processor)*
- *We have very few contracts; it's almost all relationships. We seldom sign up [suppliers] each year. If they aren't happy, they just go elsewhere. (Processor)*
- *Seventy-five percent of my product comes from one producer, as we are able to get more consistent quality than if sourcing through a number of farmers or from a primary processor. (Processor)*
- *It is very difficult for a retailer of our size to develop close relationships with processors. (Retail)*
- *We use a group of local vendors that have worked with us for years. If new ones are added, it's because they have met our standards. Very rarely do one-off transactions take place, as the company programs everything as best we can with our vendors; in how we will work together to meet the market's needs. We rate the two questions [majority of relationships and best relationships] the same because the group is the best; we only work with the best. If a new vendor doesn't work out, we don't stick with them. (Retail)*
- *The majority of business is long term, not formal agreement or contract though. (Foodservice)*
- *I don't do contracts. I quite often bypass the farmer and go to the Food Terminal or deal with distributor/middle man. Very few farmers can support the quantities I need. (Foodservice)*
- *For one-off transactions (e.g., turkeys for December Christmas events), we deal direct with farmers. For contract year-round or seasonal items, our distributors hold the relationships. (Foodservice)*
- *I reach out to farmers to explore opportunities to use local foods. However, we rely largely on distributors to build relationships with the farmers and work with them. (Foodservice)*

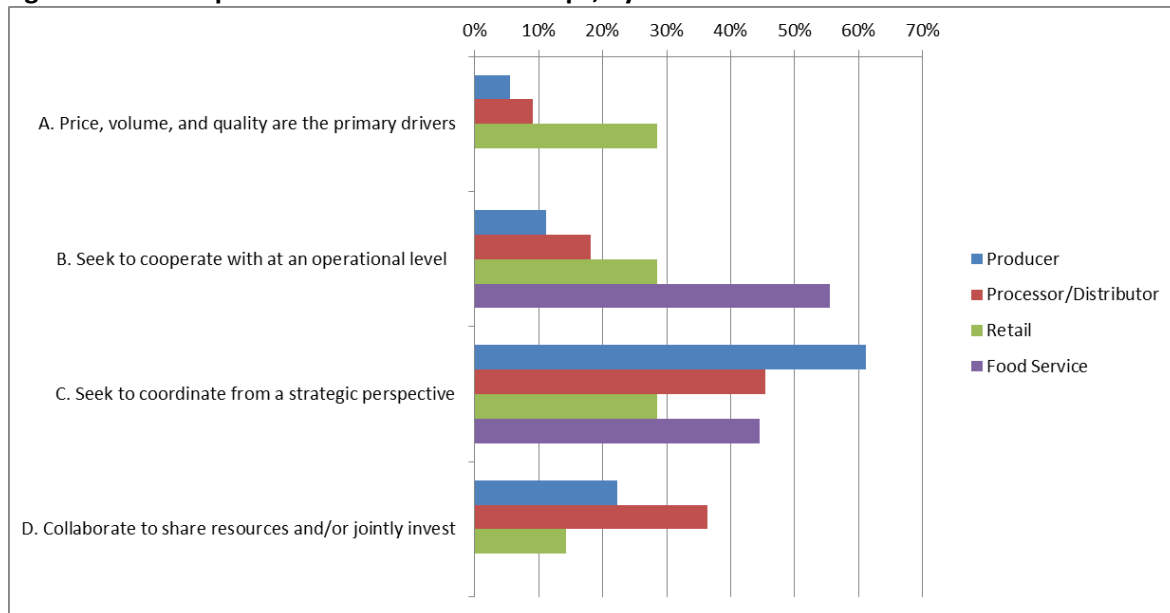
To understand business structures, the qualitative survey respondents were asked to describe their relationships with customers/farmers. The four descriptions from which they could choose were developed from the literature review.

- A. Price, volume, and quality are the primary drivers. We rarely share additional information. [FRAGMENTED]
- B. Business is more than a series of transactions. When possible, we seek to cooperate with farmers at an operational level. [COOPERATIVE]

- C. We seek to coordinate our business arrangements from a strategic perspective. We achieve this by choosing partners who possess complementary attitudes, cultures, and management capabilities. [COORDINATED]
- D. We engage in developing strategic arrangements that involve collaboratively sharing resources and/or jointly investing in capabilities that enable us to achieve mutually beneficial outcomes. [COLLABORATIVE]

Findings by value chain role are described below.

Figure 2-3: Description of Business Relationships, by Value Chain Role



Sample size: Producer, 18; Processor/Distributor, 11; Retail, 7; Foodservice, 9.

The majority of producers and processors/distributors described their relationships as C [*Coordinated*]: *We seek to coordinate our business arrangements from a strategic perspective. We achieve this by choosing partners who possess complementary attitudes, cultures, and management capabilities.*

Retailers split their descriptions between A [*Fragmented*], B [*Cooperative*] and C [*Coordinated*], with D [*Collaborative*] being the least common choice. Foodservice businesses were most likely to describe their business dealings with farmers as B and none chose D to describe their relationships.

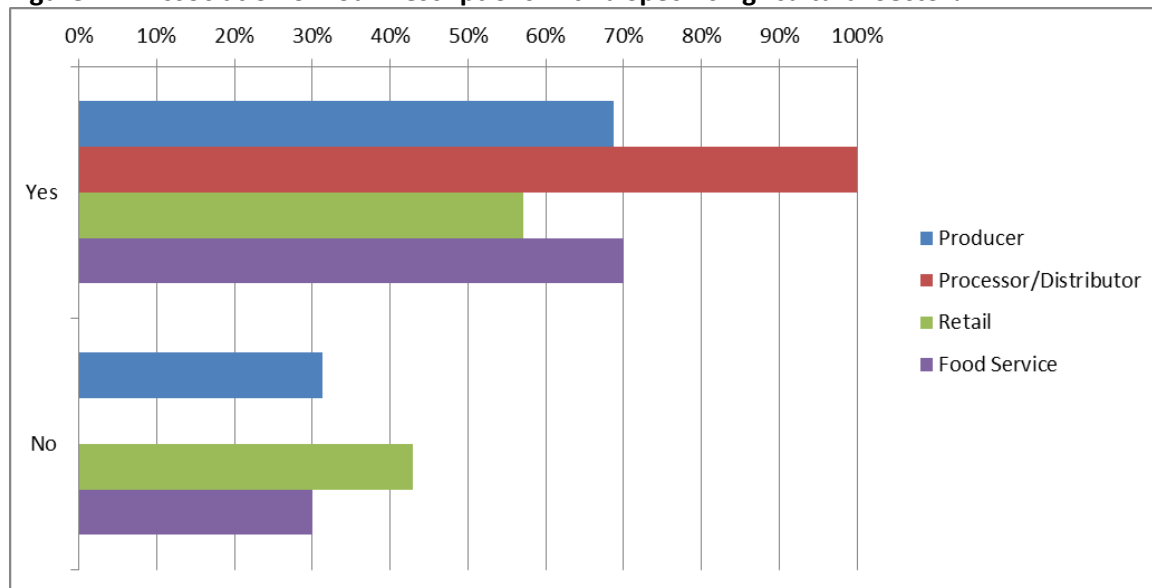
Although respondents tended to pick one business description, open ended comments indicated that many businesses are not defined by just one business model. This is consistent with findings reported in the literature review. Reasons for differences include seasonality, the size of the farm and scope of the business. Eighty-six percent of the retailers indicated that business relationships vary across all four of the descriptions provided. This compares to just 36

percent of processors and 22 percent of producers. The vast majority of producers (78%) said that all of their business follows one model/description: C.

- *In "X" fruit, we work very closely with three other growers in ON (D), and together supply a cartel in the US. (Producer)*
- *All of the members of the board are shareholders, so the decisions made at board level are farm and plant focussed, resolving conflicts between the two orientations. (Producer)*
- *We do all four; certain farms drive R&D and we co-fund projects. Others are straight up; they bring in deliveries weekly and we pay the going price. (Processor)*
- *Differs by protein type. We have a strong relationship in beef, but poultry is more arms-length. (Processor)*
- *The guys in the middle (processors) call the shots. So while we try to be B, with most processors, our relationships are A. (Retail)*
- *Produce is more strategically aligned than other parts of the business. (Retail)*
- *Relationships with vendors/dealers are usually D. We don't get into that with local growers. (Retail)*
- *The majority of our relationships fall under answer B. I would like to move closer to answer C. The nature of our company makes it such that we need to have another party take the liability for procurement (most farmers don't have adequate QA, so we have to get someone else to do this). (Foodservice)*
- *It is challenging for farmers to get direct relationships with us, due to our business model. We ask our prime vendors to seek out local products. All our products have to be HACCP certified and federally inspected. (Foodservice)*
- *While we won't invest with growers, we offer transportation logistics, work with them on harvest schedules, and assist them to get their products into foodservice chains. We are an aggregator. Farmers are not good at business outside their farming operations and not good at marketing. (Foodservice)*

Q. Do you associate any of the four descriptions above with a specific agricultural sector (i.e. beef, fruit, wheat)? Yes / No

Figure 2-4: Association of Four Descriptions with a Specific Agricultural Sector?



Sample size: Producer, 16; Processor/Distributor, 11; Retail, 7; Foodservice, 10.

Among those who answered “no”:

- *There is truth to all the descriptions.* (Producer)
- *It’s about the people, not the sector.* (Producer)
- *It’s how producers manage their farms, not the sector in which they operate.* (Retail)

When respondents were asked what business models (i.e. fragmented, cooperative, etc.) typify specific sectors, meat was most commonly mentioned and was described in terms of A, the fragmented model. One processor qualified his statement, “Beef is one of the least connected, even though it should be the most, given the length of time it takes to produce animals and benefit from on-farm management decisions.” This confirms the literature review findings. It also confirms previous work completed by the VCMC, which found that the longer a chain the less connected it is, and that the culture of Canada’s beef industry is impacted by the existence of a few large federally inspected processors.

A key reason why fewer examples of closely aligned value chains exist in sectors where the route to market is longer than fresh fruit or vegetables is that fewer interactions tend to occur between producers, their customers, and the final consumer. It is also more difficult for producers to readily identify with the end product(s) being consumed or how they can influence downstream elements of the value chain. A producer (or a producer representative) who interacts regularly with a retailer is likely to feel more connected and therefore motivated to establish a constructive relationship with his/her customer and learn about how he/she benefits from positively influencing consumer choice than a producer who leaves his crop at an elevator.

Producers are less motivated to participate in a value chain when there is a long or protracted connection to end consumers, such as in processed food. That is not to say that successful value chains in these areas cannot exist (examples included in the literature review).

Industry structure was also considered to be a barrier to developing strong relationships. One processor described his relationship with chicken as an A. *“Due to supply management there is limited supply, difficult relationships, adequacy of supply and pricing [issues based on] collective negotiation. This [relationship] is dysfunctional, not a normal commercial relationship, not strategic, nor collaborative or customer focused.”*

Others commented that they have different perceptions depending on the type of meat. Several pork and lamb initiatives were described as being more similar to B or C rather than A. Factors that differentiate managers of these initiatives include managers’ positive attitude of service suggested by their willingness to learn and/or adapt.

Other examples of sectors described as A include commodity farming, cash crops and wheat/corn.

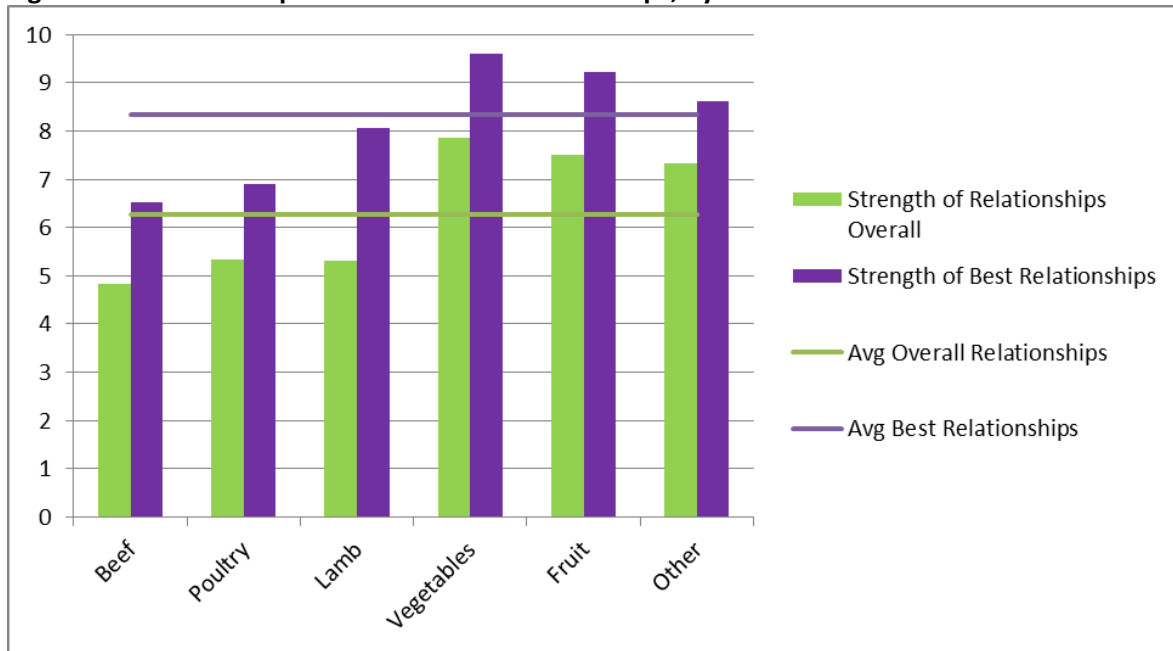
Meat was most commonly identified as a fragmented sector among producers, processors and retailers but not foodservice businesses. Interestingly, foodservice providers had a different perception to Ontario protein producers. Several commented that the relationships with protein/meat suppliers were more like C [Coordinated] and vegetables are more like B [Cooperative].

- *We thought using local produce would be an easy win but it has been challenging due to seasonality.*
- *The produce business is commodity driven. We don't want 40 farmers to deal with. Food safety and traceability are critical, so a few consolidators are better.*

The overall trend was to identify horticulture, fruit and vegetable examples to describe B [Cooperative] and C [Coordinated] relationships, rather than meat which was generally perceived as fragmented. No one provided any specific examples for model D [Collaborative].

Q. On a scale of 1 – 10, please rank the overall strength of your relationships with customers [1 = very weak; 10 = very strong]. Then, on a scale of 1 – 10, please rank the strength of your relationship with the businesses that you consider to be your best customers [1 = very weak; 10 = very strong].

Figure 2-5: Relationships Overall vs. Best Relationships, by Sector

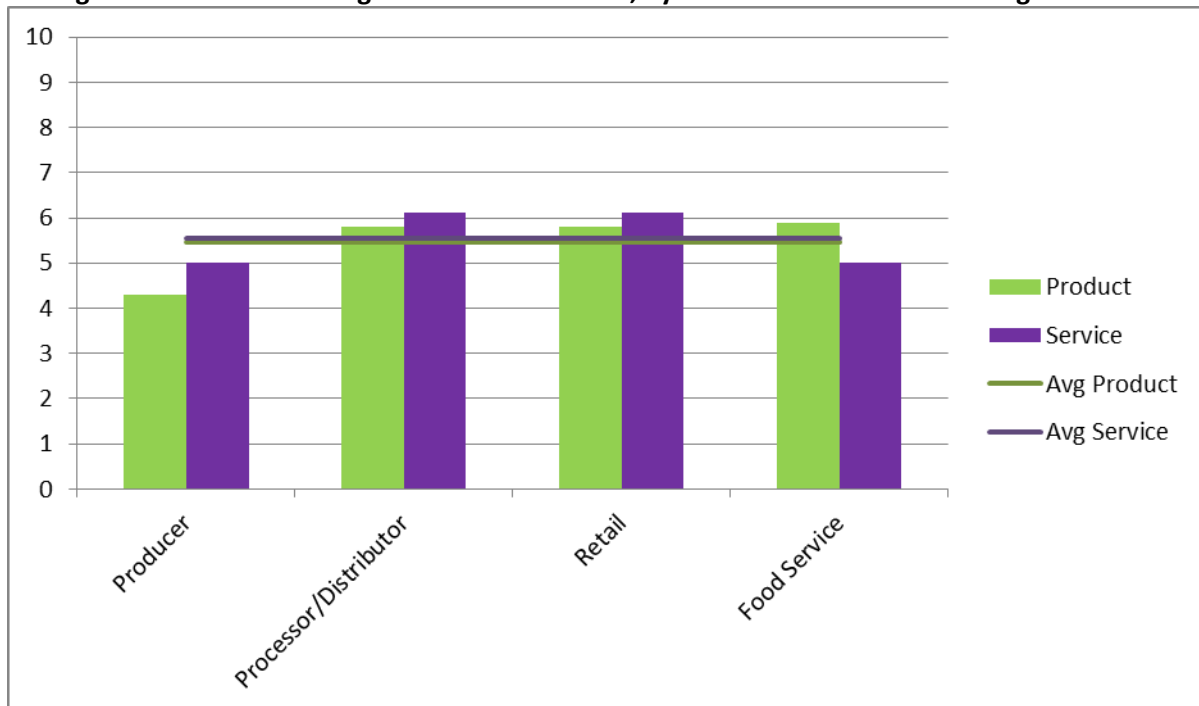


The chart above shows that vegetables, fruit and “other” achieved above the overall average. Beef, poultry and lamb generally underperformed. When “other” was identified, pork was the most common sector, with additional one-off references made to veal, cash crops and grapes.

When respondents were asked how well farmers/customers understand “your” needs [in general terms] relating to product and service, the marks were low, as seen in the chart below.

Q. How well do farmers generally understand customers’ needs [i.e. processors and retailers] in terms of product and service? Please rank on a scale of 1-10, where 1 = “very little” and 10 = “extensive”.

Figure 2-6: Understanding of Customers' Needs, by Value Chain Role and Averages



The average ranking was low for both product (5.4) and service (5.5) out of 10. Farmers ranked producers the worst, compared to processors/distributors, retailers and foodservice suppliers.

The average ranking was low for both product (5.4) and service (5.5) out of 10. An interesting finding is that farmers ranked other producers the worst in terms of their knowledge of customers' product needs; and equal worst with foodservice in terms of producers' knowledge of customers' service needs. Comments received in response to the above question and expanding upon the findings include:

- *I see a change occurring in generations. The younger educated farmers pay more attention to customers' needs and relate better to customers. (Producer)*
- *Most producers are old-school. They buy cattle at lowest cost, place on feed, and don't monitor what they buy or how they perform. [They are] just focused on weight sold, prices paid and prices received. Not focused on costs and increasing effectiveness of operations by making smarter decisions. (Producer)*
- *Farmers often understand their customers' needs better than customers may realize. The challenge comes from many producers not being able or motivated to deliver. (Producer)*
- *Many farmers focus only on immediate customer; don't care or know about the next customer in line. (Producer)*
- *Farmers have to know [what is required] or they can't supply the major customers. For example, they have to deliver the volume promised, delivered on-time. If not, you are penalized. (Producer)*

- *Many producers think that they know the quality they are producing, when in reality they don't. Many simply don't want to know that it doesn't meet customer expectations either. (Processor)*
- *I have seen an improvement in pork. Perhaps as a result of unity in crisis, economic stress due to the dollar appreciation, drought, country of origin labelling, H1N1, grain prices. Now there is a more profound appreciation of the importance of the relationships. If processors shut down, it has a profound effect on producers. (Processor)*
- *It used to be a lot less [lower score]. We have spent a lot of time educating producers on retailers' requirements and what we need to achieve. (Processor)*
- *Producers don't realize the trouble and costs caused by poor quality product and service. (Processor)*
- *Agriculture and processing is primarily a 'push' system focused on volume and cost. (Retail)*
- *I've witnessed a drastic change in producers' attitudes and levels of knowledge over the last three to four years. Once they've experienced what we are able to achieve together, they are totally on board. It is getting them to take that first step that can be challenging. (Retail)*
- *The longer vendors work with us, the better they get because they get used to the standards required. There can always be improvement made on communication. The grower-vendors are better on service standards than product standards because product standards can be out of their hands. (Retail)*

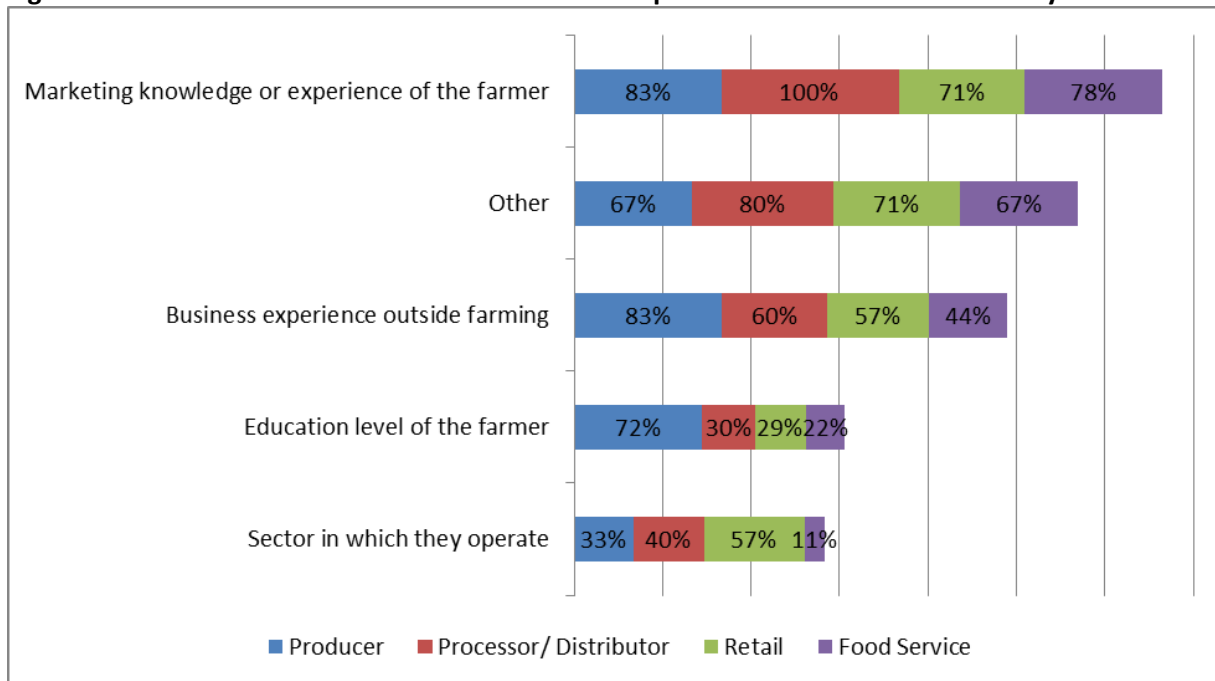
Respondents from foodservice indicated that many producers do not understand how to service their requirements.

- *Farmers may understand restaurants, but they don't understand institutional foodservice. For example, the need for consistent sizing (e.g., apples). (Foodservice)*
- *They are stuck on retail. They don't understand foodservice packaging needs. (Foodservice)*
- *In many cases, Ontario farmers simply want us to buy their products on their terms. They are one-way thinkers. We need to be able to buy what we want, when we want it, in the format we want. Farmers don't always get this. (Foodservice)*

Respondents who indicated that the best farmers are different from the wider industry were asked to choose from a list of factors that describe how they are different. Participants were also given the opportunity to add their own comments.

A hundred percent of the producers surveyed said that the farmers who have the closest or most proactive relationships with their customers have different attitudes and/or behaviours than the wider industry. Nine of the ten processors who answered this question agreed that the best farmers have different attitudes/behaviour, as did five of the seven retailers and nine of the ten foodservice businesses.

Figure 2-7: How Farmers Who Have Good Relationships Differ from the Wider Industry



Sample size: Producer, 18; Processor/Distributor, 10; Retail, 7; Foodservice, 9.

“Sector” and “level of education” were considered to be the least important barriers to farmers developing good relationships with downstream businesses. What was found to be more important is the marketing knowledge or experience of the farmer, and the attitude of the farmer (Other). Having business experience apart from farming was also considered to be an important differentiator among top producers.

- *Farmers feel uncomfortable with strangers; most of their friends are other farmers. Literally, [they would prefer to] do more work with animals, but they won't go talk to customers. [They are] unwilling to step outside their comfort zone. (Producer)*
- *Attitude. The biggest thing is the people who see it as “we” and not “I” am going to be successful. We as a group can conquer it. Farmers working together for better industry not personal gain alone. (Producer)*
- *Focused on both reducing costs of production where possible and doing something that adds value further down the chain, and/or willing to work as a group. Most producers want to only reduce costs (as don't want or feel able to talk to customers), and want to work independently. (Producer)*
- *The leaders are the early adopters; look to work with innovative peers. (Producer)*
- *They are go-getters, focused on capturing value by solving their customers' problems or enabling their customers to access new potentially higher-value markets. (Producer)*
- *They sit on their laurels, expecting products to sell because they are from Ontario. The successful are those who seek to meet or exceed standards set by importers. (Producer)*

- *The best farmers are strategic; they work with other farmers versus [focussing on] who else are we working against in Canada or internationally. (Producer)*
- *Their attitude is one of being prepared to work together to make more money, by saving costs and securing longer-term stable markets...even if they might secure \$1 less a carton than other growers at times. They don't just look at price!! Others are focused on making a nickel more than their neighbours; even if doing so costs them money. (Processor)*
- *Too many farmers view themselves as the customer when supplying grains - especially corn. They come with a view of "what can you do for me, given what I have already produced?" Not, "what can I do for you and incorporate what I do into my operations to better serve your needs?" (Processor)*
- *A passion to go beyond what is considered "normal" to increase their profitability and feel greater personally satisfaction. (Processor)*
- *The level and willingness to embrace new concepts and/or technologies. Not just doing the same old, same old. (Processor)*
- *Their attitude, pro-activeness and sense of engagement are different. Simultaneously, we take a more engaged and strategic approach with growers than we do with other elements of our businesses. (Retail)*
- *Some producers push what they have. We want those who are able to supply what we want, to the tight specs that we require. Those that don't want to do that have a different mindset and don't want to put in the effort. How a retailer works with producers also determines the type of relationships that are established (and why). (Retail)*
- *Farmers tend to focus on what they do - growing. They think that foodservice operators should just buy what they grow. Not consumer focused. Short-sighted. (Foodservice)*

Market Knowledge/Education/Skills

- *They know their markets. If they don't have the education, they surround themselves with those who do. Again if you don't have direct experience, bring in packaging or marketing specialists, or get training, or get help from consultants like VCMC – to help me improve. Smart ON farmers want to be the go-to person for the major retailers. (Producer)*
- *It's not education. Marketing or experience outside of agriculture is significant. Colleagues in industry who are not farmers (i.e., pork service personal, OMAFRA) can tell in five minutes if they are talking to a Conestoga shareholder by the way they talk. They are focussed on more than just the farm, they are also conscious of processor needs. (Producer)*
- *Farmers need to be smart in different ways - academics versus relationships. Experience outside farming is very significant. Marketing is also very significant, especially dealing with people. (Producer)*
- *Some are more advanced than others. The 80/20 rule applies; 20% of our main line suppliers are way above average in terms of market understanding and our needs. Growing*

knowledge, not university knowledge [is important]. Attitude, willingness to change. Some only do what they do. (Processor)

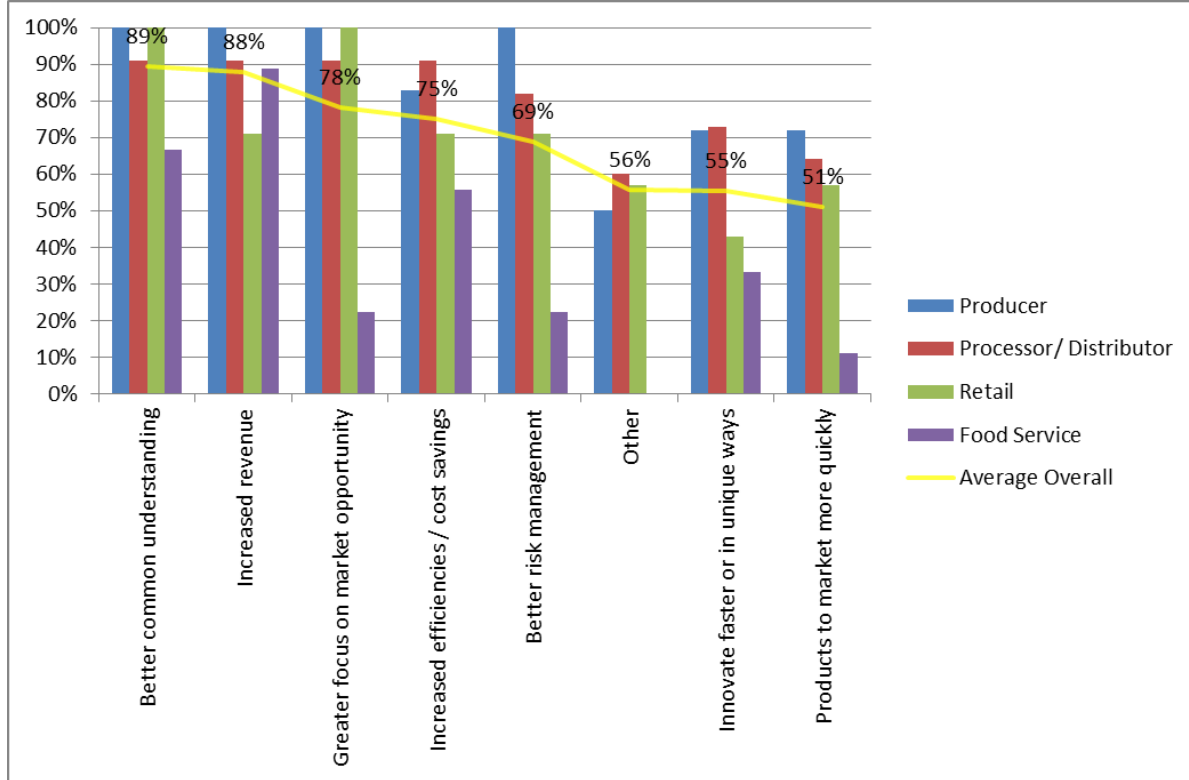
- *Many farmers say "pay me for it when harvested," versus getting the customer to say what the farmer can do and for which the customer is willing to pay. (Processor)*
- *They look for the right value chain partners for access to consumers and to get feedback (from retail). (Processor)*
- *Strategic thinkers as a rule and relational, they need to build partnerships to be able to roll out their plans. (Retail)*
- *If they understand how restaurants and chefs work, the process works well. Otherwise, it is very trying and time-consuming and ultimately not as successful. (Foodservice)*
- *Farmers lack marketing and business experience. One of the things that surprised us was that farmers thought the costs to enter foodservice, especially around traceability, were prohibitive. (Foodservice)*
- *Farmers have a lack of business experience, marketing knowledge and financial acumen to compete. They don't understand that they have to be price competitive. e.g., US produce versus Ontario. (Foodservice)*
- *Farmers lack the marketing knowledge. They lack the understanding on how we want to buy. They suggest that their product is the best, regardless of price and [they] can't understand why we won't buy it. Product testing is not seen as part of the buying process. (Foodservice)*
- *Farmers have great pride in what they do. But they often lack the marketing and business skills to relate to a large company seeking local food. There are a few who do this very well. In one case, we have worked with a middle person who has acted as a catalyst. (Foodservice)*

Benefits of Having Established Close Business Relationships

Respondents were asked to identify the benefits that they have achieved from establishing close constructive relationships with the customers/farmers. They were asked to choose from the following list and offered the opportunity to cite additional benefits.

- Increased efficiencies / cost savings
- Getting products to market more quickly
- Better risk management (i.e., food safety, traceability, fewer quality issues, less price fluctuation)
- Greater focus on a specific consumer (market) opportunity
- Ability to innovate faster or in unique ways
- Increased revenue
- Better common understanding of each other's needs, business issues and capabilities

Figure 2-8: Benefits from Working within Constructive Relationships, by Value Chain Role & Overall Average



Sample size: Producer, 18; Processor/Distributor, 11; Retail, 7; Foodservice, 9.

Factors in the top tier of importance include: “better common understanding of each other’s needs”, “increased revenue”, “greater focus on market opportunities” and “increased efficiencies/cost savings”. That producers and their customers have benefited financially from having establishing closer business relationships with one another is an important finding that needs to be communicated more widely than at present by value chain management proponents.

As indicated in the chart, specific responses vary somewhat by value chain position, especially by those in foodservice. Comments that add depth to the findings include:

- *There is no direct cut-off personal in business. Business is personal. Need to be careful when build relationships. People really like it. You are human as well. Not just another supplier on the list. (Producer)*
- *Faster payment, through having less issues that might otherwise delay payment. Ability to sell fruit that could be out of spec due to weather issues, through working together to develop new market opportunities. (Producer)*
- *Have greater respect for one another's problems. The insights and capabilities that come from this lead to each other having the ability and motivation to continually adapt to each other's needs. It also enables us to move product when there is a “flush”, often without having to discount the price. (Producer)*

- *If you are considered a top level supplier, you can get meetings when you are prepared, not have to wait until they can be bothered to see you. The retailer needs to trust you. (Producer)*
- *Better efficiencies at plant level, have secure supply...can weather down turns in market. In farm side, over 5-6 years, have better price than if sell at the open market. This wasn't true in the first 5 years, but it's better risk management. We work on greater focus on customer opportunities. (Producer)*
- *In terms of good relationships, I think there has to be no barriers of understanding each other business. Up front on communications to tell each other good and bad/finance/packaging/quality, etc. (Processor)*
- *Being part of co-op and all the info that is provided through that. Through regular communications and continuous updates (grading, price paid, scorecard), there is a greater focus on end product. Typically, our shareholders don't look at Chicago price; they look at their price and their scorecard. (Processor)*
- *All [factors] carry the same weight. Our top 40 growers are all measured against this. This is all measured - one will chip away at the foundation. Another piece is being able to take a leap of faith, control brand development. Able to move forward on verbal commitment. Many times we can't do a contract. We will assume they will meet quality and volume [required]. (Retail)*
- *Did not choose better Risk management - because too many factors can be at play here; not all growers have true traceability systems. The focus on a specific consumer opportunity. (Retail)*
- *Problem is no one farmer can handle his business, although they are getting better. Direct dealings with farmers are increasing - question of finding the right farmer. (Foodservice)*
- *We have become educated more about what farmers go through to get a product to market and the farmers have become more aware of our needs. This has led to some better results in terms of getting product to market more efficiently and quicker. (Foodservice)*
- *Working with local farmers has driven revenues up for them, helped us and them better understand each other's business, created media coverage and supported the growing interest in local. We are linking celebrity growers with celebrity chefs. (Foodservice)*
- *By communicating our demand levels, the producer has a guaranteed market and therefore is in a better position to plan his growing. Working with local farmers has enabled us to tell their story so that we are in keeping with the demand for local food in institutions. (Foodservice)*
- *Getting products to market more quickly: This is not important to me. Our pigs take twice as long to get to market. Time is not of the essence. Quality is the key to our market. (Producer)*

Barriers to Establishing (and Benefiting from) Closer Business Relationships

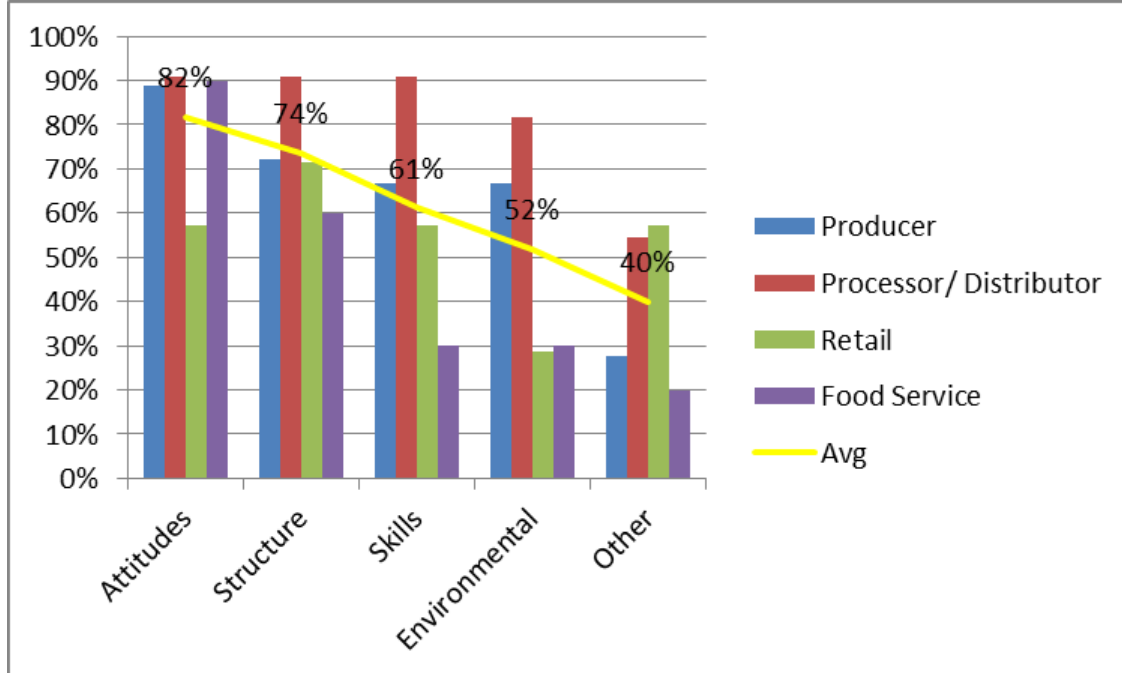
Based on the findings from the literature review, respondents were asked to choose if they perceive the following four factors as barriers to the development of close business relationships with others in their chain.

Attitudes Lack of motivation, adversarial relationships, lack of sophistication, cherry-picking purchasing practices of supply chain members, power imbalances or struggles, current incentive systems, changing customer needs [i.e., merchandizing or category managers making sudden changes to programs while farmers prefer a predictable level of business]	Structure Presence and actions of marketing boards; consolidation of retailers, processors and their intermediaries; farm size (scale); lack of coordination among farmers; insufficient or incorrect infrastructure
Skills Lack of sophisticated business or management practices, inability to consistently meet your quality standards / specifications, inability to communicate	Environmental The economy, industry culture, legislation, regulations

To address effective ways to overcome industry wide issues, respondents in the qualitative survey were asked if they perceive a difference in attitude and/or behaviours of farmers who have good relationships compared to the wider industry. A strong majority indicated that the farmers who have the closest or most proactive relationships with their customers have different attitudes and/or behaviours than the wider industry (Producers, 100%; Processors, 90%; Retail, 71%; Food service, 90%).

Q. What factors have limited the development of close business relationships developing between farmers and their customers? Please choose all that apply.

Figure 2-9: Factors Limiting the Development of Close Business Relationships between Farmers and Customers, by Value Chain Role



Sample size: Producer, 18; Processor/Distributor, 11; Retail, 7; Foodservice, 10.

Overall, attitudes were considered to be the most significant barrier; however, for retailers the most significant barrier was structure related, including marketing boards, industry consolidation, scale, etc. Structure was also critically important to 91 percent of the processors/distributors who answered this question.

Additional comments from downstream players suggest that farmers are lacking skills related to understanding the market or fulfilling customer needs than production based skills.

Additional comments which help to provide depth of understanding are included below, by factor. Naturally, many of the themes overlap and reinforce each other.

Attitudes

- *If you are a grouch, stay at home. You'll be ruining your own business. (Producer)*
- *What I'm scared of - is where I go. If I don't go, things don't change for me. If it makes me real uncomfortable, then it makes me think about the opportunity more. (Producer)*
- *Change is hard. (Producer)*
- *Going to Toronto for first time, well, when I hit downtown – I got this tight feeling in my chest. But you've got to get past that. (Producer)*
- *Processors are the primary chokepoint, followed by retailers. The attitude of most processors leads to them still being stuck in the commodity game. Many of their*

customers want different products, though processors push back as don't want to change. (Producer)

- *Ability to capture value by solving others' problems. You make yourself almost indispensable. (Producer)*
- *Too much hidden agenda among and within Boards. Too many farmers are paranoid that another farmer will steal their customer or undercut them if they tell them anything about what they are doing and how. That might have happened in the old days, though not now. Farmers regularly blame the market for their issues, though the real challenge is themselves. (Producer)*
- *Retailers do buy national/local food - their priority is .25 of cent of a pound. They say they buy Canadian but they really buy on price. (Producer)*
- *Attitudes can be adversarial. Farmers generally assume that someone is ripping them off: the processor or retailer. At retailer level, there is such a huge lack of understanding. (Processor)*
- *[There is a] lack of producers who are interested in producing a better product. Simply focused on price and profit, as primarily think about efficiencies and not effectiveness. Don't focus on identifying the root cause of their issues. (Processor)*
- *Farmers tend to be wary and suspicious of anyone who isn't a farmer. It took some time before they even trusted the executive [at the coop] (Processor).*
- *Processors have farmers over a barrel. The large ones especially are able to manipulate supply while paying farmers less. (Retail)*
- *I don't understand what marketing boards do, or their value. They need to focus on educating their members on retailers' needs and how to establish effective relationships, not being a barrier to success. The limitation we have is not being able to find the number of Canadian suppliers that are of the type that we seek to source from. (Retail)*
- *Local farmers appear to be more eager to learn how to supply the foodservice industry, whereas the US suppliers already understand it and so don't have the same eagerness. Local farmers are less educated in foodservice, and don't have the marketing knowledge or skills. They also don't have the logistics infrastructure; but we provide this to them so we can build our local offering. (Foodservice)*
- *Farmers that want to work with restaurants are great to work with. Those that consider it a chore, you should stay away from. (Foodservice)*
- *I think there is a lack of understanding on the part of foodservice operators of the growing sophistication of some farmers. Foodservice operators perceive farmers to be in the dark and farmers see foodservice operators as city slickers and not trustworthy. Some companies are rebate focused; others do not focus on rebates. (Foodservice)*
- *They [farmers] can do it; they just don't apply themselves to it. We try to lead them rather than rely on them. (Foodservice)*

- *Consistent growing practices, food safety and traceability are critical, and the attitude must be that they are committed to these. Some farmers fear big business and are uncertain on how to deal with us. (Foodservice)*

Structure

- *Structure; you need a critical mass product. I had to raise more than I was selling or could sell; needed to sell every week so had to take a chance (had to have the volume there in case it sold). Sold some at a beating because you're still developing your market. If serious, you need to invest. Most don't want to invest and take themselves there. (Producer)*
- *Consolidation is important from farm side; farmers not really aware of it, but for processors it is an issue. (Producer)*
- *Economies of scale are the primary enabler or barrier. Doesn't matter what skills you have, if you don't have sufficient scale. Farmers who don't have economies of scale expect customers to take entire crop, which means that they have lower levels of pack-out, as not everything will meet their needs. (Producer)*
- *Farm scale causes issues for consistent supply. Lots of guys don't want to change - usually younger farmers are more willing to change. (Processor)*
- *Marketing boards don't interact, so their members don't interact either. Leads to the continuation of poor relationships and a lack of trust. (Processor)*
- *If selling through auctions, producers simply don't get a customer-centric mindset. (Processor)*
- *Structure is most important. There is often a lack of coordination with farmers. Does relate to the complexity of the category and number of growers. Local doesn't mean the best quality and we must address balance of volume with quality. (Retail)*
- *Scale is really the issue. Larger farms typically have farmer owners that are better at marketing and business relationships. The smaller farmers don't behave in a way that is conducive to productive relationships with us. (Foodservice)*
- *We are stuck in a traditional best value procurement paradigm... - high volume buying on best value generates these funds. (Foodservice)*
- *More cooperation in the structure would make it easier. Marketing boards inhibit this process as opposed to helping. (Foodservice)*
- *Dairy is a challenge because of the marketing board; everything else has been no issue. (Foodservice)*
- *It is hard for farmers to get geared up to sell to foodservice. The infrastructure to do so is incorrect. The deals with individual restaurants are small. Some farmers are not sophisticated enough to do a deal. (Foodservice)*

- *The company is also constantly trying to rationalize the number of SKUs it buys - another challenge to adding local products. With respect to our supply chain partners, we ask them to explore local alternatives, but they only have so much time and patience in dealing with smaller local producers. (Foodservice)*
- *We have too many middle persons in the supply chain. As a result, we need to better educate farmers. The efficiency of these layers limits the ability to buy local. We need to remove layers in the supply chain. The product would get to market better and faster. (Foodservice)*

Skills

- *Many producers I've come across are illiterate but they have compensated, and have amazing business skills – they are scared to come forward because they feel they are flawed. For example, with quality assurance and food safety. Many weren't coming forward. It came down to avoiding a written test. Wives compensate for them. But they are some of the smartest minds. (Producer/Association experience)*
- *If want to have a customer buy on other than just price –you've got to have an attitude of service. At university/college, you don't necessarily learn people skills. (Producer)*
- *Too often producers also look at things like the initial cost of the bull versus whether it will provide the carcass composition required by customers. (Processor)*
- *Many producers lack marketing skills and attention to detail. Need to be more forward looking (strategic). (Processor)*
- *The issue over the years has been the inability to consistently meet our quality standards. (Retail)*
- *The best producers are recognizing that they can't be everything to everyone, or do everything on their own. (Processor)*
- *Ontario processors lack the inspection (federal) and QA requirements we have. No understanding of rebates. Lack of understanding of timing issues - we need the product and they don't ship one day because it is raining. (Foodservice)*
- *Many farmers don't understand that a large distributor wants its growers to have a GAAP certificate, needs to sign a hold-harmless agreement and needs to name us in their insurance policy. It may be just sheer ignorance, but many farmers don't understand how to do business and what a distributor expects. (Foodservice)*

Environmental

- *The average farmer has no appreciation of expectations set by shareholders and investors. We want to be the best partners we can with farmers but they must understand the demands set by the investment community. (Processor)*

- *Regulations impose a framework that forces roles that in free market would not be the reality. (Processor)*
- *Prices are among the lowest here than anywhere in North America. Input costs keep rising, but retailers want to pay the same prices. Retailers pushed farmers out; they don't understand what it costs to grow. (Processor)*
- *Lack of communication between industry groups and their members. (Processor)*
- *Carcass utilization is a problem in beef. We can sell middles multiple times, though have difficulty selling either end and trim. Federal plants can export these cuts to the US or other markets, which we can't do. (Processor)*
- *Farmers don't hear or see opportunities, because they are too busy farming to manage or look for market opportunities. Some manage as many as 100-200 offshore labourers; they don't have time to look up. [As a processor], we bring funding opportunities to our growers (SHRED, traceability, food and beverage funding), to get them on board. (Processor)*

Overcoming Challenges

In an open-ended question, respondents were asked if they had overcome any challenges or barriers in developing relationships with customers/suppliers. Eighty-four percent of all respondents said that they had faced challenges or barriers in developing relationships with their customers.

When grouped into themes, the most commonly mentioned, ranked in order are noted below.

Table 2-1: Barriers Overcome in Developing Value Chain Relationships

Theme	Number of Mentions (x=42)
Communications (i.e., planning, on-going management)	16
Education (i.e., formal and/or informal)	14
Product offer (i.e., quality, range, traceable/QA, price)	11
Consistency (i.e., affect through the chain, ability to meet standards)	6
Finding the right partner (i.e., commitment, skills, volume, attitude)	6
Volume of Supply/Scale (i.e., economies of scale, being able to supply the volume needed by large businesses)	6
Delivery (i.e., deliver what is promised, when due)	4
Other (i.e., "trust", niche market requirements)	4

The three most frequently mentioned barriers relate to communications, a lack of (producers) education and suitability, and availability of consistent quality product. These issues are outcomes of factors that the literature review identified as the primary reasons for why the agri-food industry is embracing VCM approaches slower than other industries. They include an adversarial culture typifying the agri-food industry, agriculture (in particular, though other

participants too) lacking a learning culture, resistance to change, and an inability to learn and adopt new business practices.

Q. In establishing the closest relationships that you have with your customers, did you use any particular resources to help you enhance your business capabilities?

Table 2-2: Resources Used, by Value Chain Role

Producer	Processor/Distributor	Retail	Foodservice
<ul style="list-style-type: none"> • Networking 		<ul style="list-style-type: none"> • Networking 	<ul style="list-style-type: none"> • Networking
<ul style="list-style-type: none"> • Peer support 		<ul style="list-style-type: none"> • Peer support 	<ul style="list-style-type: none"> • Peer support
<ul style="list-style-type: none"> • Mentoring 			
<ul style="list-style-type: none"> • Not courses or books. The human element/connection helps to bring you success • Integrity and trust 			
Education <ul style="list-style-type: none"> • VCMC workshops • FCC workshops • GMC education 	Education <ul style="list-style-type: none"> • OSMA training • Courses • FCC workshops 	Education <ul style="list-style-type: none"> • VCMC workshops and conferences • VCMC case studies • Universities 	Education <ul style="list-style-type: none"> • OAC, U of Guelph
External Sources <ul style="list-style-type: none"> • Learning visits in Canada and elsewhere • Books • Industry groups • Courses • Trade shows • Internet 	External Sources <ul style="list-style-type: none"> • Industry Associations • CANADA GAP/CAN AG PLUS • Working closely with growers, we bring funding and market opportunities directly to them • Trade shows 	External Sources <ul style="list-style-type: none"> • Government funded initiatives like the VCMC peach project • International learning tours 	External Sources <ul style="list-style-type: none"> • Standards: food safety, traceability, GAAP
	<ul style="list-style-type: none"> • External business advisors 	<ul style="list-style-type: none"> • Grants, government support, external consultants 	<ul style="list-style-type: none"> • Grants, government support, money from community loans
		<ul style="list-style-type: none"> • Internal infrastructure to help them be strategic and get involved in industry 	<ul style="list-style-type: none"> • From working with foodservice companies

The word clouds presented below emphasize (by using different font size) the relative importance that respondents place on specific types of resources that could enhance the attitudes and skills which producers must possess, in order to benefit from establishing and maintaining closer business relationships with downstream businesses. The literature review and respondents identified that the intermediaries that interact with producers (processors, marketers, etc.) would also benefit from participating in and having access to these types of resources.

Q. What resources do you believe would benefit farmers the most?

Producers



Processor/Distributors



Retail





Shown below in Table 2-3 are the mechanisms by which the required knowledge and skills could be imparted to producers, and effective business relationships developed between producers and their customers.

Q. What resources do you believe would benefit farmers the most?

Table 2-3: Resources that are Required, Suggestions by Value Chain Role

Producer	Processor/Distributor	Retail	Foodservice
Facilitated sessions	Facilitation, access to business advisors	Business facilitation	
Marketing communications	Marketing skills - Branding		Marketing resources & education
Networking/facilitated events (with downstream stakeholders)	Networking sessions/events	Need a marriage broker who exists to enable development of meaningful relationships between suppliers and retailers.	Networking/facilitated events
Short courses Series of courses Workshops		Workshops	1-2 day practical workshops
Management skills and/or specific skills (i.e., dispute resolution, record keeping, technology, business metrics)	- Understanding quality from a customer perspective - Benchmarking	- Younger farmers need production skills development - Older farmers need marketing skills development	Specific practical subjects (i.e., packaging, food safety/traceability, understanding costs and fair market pricing)
SIMPLE Introduction to supplying Retail/Foodservice through to more involved Category Management			How to do business with restaurants: product and business requirements

Business planning	Business planning		Business plan development
Mentorship	Mentoring program		
Traceability, beyond the basic requirements			Champion to educate consumers and buyers
		Funding for pilot projects	Cooling infrastructure (i.e., strawberries)

The following comments expand upon the findings presented above in Table 2-3, by including examples of specific materials and processes that could be used to enhance producers and intermediaries management skills and why.

Comments:

- *Farmers don't have time; there isn't enough time off-season for planning, so no time for business development. (Processor)*
- *Biggest thing is that as boards and staff, we work together to represent our producers. But we need to involve them more in the process so they know what we do. Government plays into this. Allow for curiosity funding, to allow you to host producers. We work in silos. We say, we work together, but we compete. We need to broaden the scope of how different commodities work, all need each other to identify and take advantage of opportunities and limit challenges. (Producer)*
- *Producers (and others too) need to be able to understand the rationale behind managers' decisions. (Producer)*
- *Videos, hands-on, mentoring ...as producers don't like to learn through reading, (Producer)*
- *Opportunities to learn from people who have benefited from doing things differently - and how they were successful. (Producer)*
- *It is a business first; need to understand the business metrics. Otherwise, just farm your land and make no money. Need to know marketing, communications, understanding nuances of where business is going. (Producer)*
- *Ability for farmers to benchmark their quality across industry or with other producers, so able to objectively ascertain the real quality of their animals. Networking and facilitation if business relationship. (Processor)*
- *Mainly it has to happen in the chain. There is a big disconnect, and producers can't be expected to manage it all. Retailers should take more responsibility. How do the middle players (processors) manage it all? We need to funnel info back and forth; it's not just passing the baton. We need to share info so we can improve, but it is easier to say than to get it done. (Processor)*
- *The challenge is those who need help are not aware that they need help. (Retail)*

- *Most of our farmers are self-taught, and have an attitude that they want to learn from us. If they don't, they are left behind.* (Foodservice)
- *[Farmers who have received funding are] top performers that understand inspection requirements, their business, and our business.* (Foodservice)
- *Perhaps the agriculture associations could offer value-added two-day seminars. There must be a clear benefit for farmers to attend. Nominal price to make them come but not be expensive. There should be a way for farmers to give feedback to the foodservice operators as well.* (Foodservice)
- *Cost-effective workshops based on single topics - e.g., building relationships, food safety and traceability, packaging, doing business in foodservice.* (Foodservice)

Defining the Term “Value Chain”

To identify themes that AMI could use in its communication and marketing materials, and strategically guide the program’s development, respondents were asked to define what the term “value chain” meant to them. While there was not one consistent answer, respondents expressed common themes. They included the importance of relationships, identifying ways to improve business (processes), creating and sharing value through the chain and being market/consumer focussed. These statements reflect the five principles of effective value chain management:

1. Focus on what customers and consumers value
2. Get the product right every time
3. Establish effective information and communication systems
4. Establish effective and efficient distribution systems
5. Establish and maintain strong proactive relationships

Each of the four themes identified in the quotes provided by respondents are highlighted using the following colour guide.

Relationships	Improve business (process)	Create/Share Value through the chain	Market Focused
---------------	----------------------------	--------------------------------------	----------------

Producer

- **Businesses working together** to produce a product as effectively and efficiently as possible for the end consumer.
- **Knowing your market** then reaching backwards to put in place the processes required to supply.
- To me the term VC is a true mechanism of support and exchange of info and process up and down the chain.

- Everyone on the continuum able to make a profit. Needs coordination and ability to produce a product that consumers value.
- It is about quality control and personal relationships.
- Establishing close learning relationships with suppliers and customers, leading to everyone having greater ability to succeed through creating value for each other.
- The relationship between supply, my customer and the final consumer: including respect for each other and increasing efficiencies. Respect for each other and down the line is often the missing piece.
- The creation of value for everyone along the chain.
- I call it establishing relationships with other businesses.
- Most intimate contacts; it matters what I think about them and what they think of me...call it a chain of contacts up and down from your position where each other has influence on each other's success.
- Developing constructive relationships with suppliers and customers. Trying to help those that help us, by training each other so able to improve economies of scale. We always try to manage up, so (for example) have developed relationship with VP of our bank (with whom I go fishing or shooting each year). This leads to our business partners, understanding our business better. Also leads to benefits that can only accrue from having established relationships with senior management, not just those who we interact with on a daily basis.

Processor

- Ensuring everything from before field onwards is aligned to serving the final consumers' needs.
- All the businesses involved in supplying the end consumer working together and focused on serving the consumer.
- Any input related to end product and the management of people who determine those inputs.
- Constructing relationships with suppliers and customers. Training others so able to provide you with more value, along with other customers - so that everyone benefits.
- About connecting to the consumer, from right back to breeding. Up and down as far as possible.
- Finding like-minded partners to work together with to understand, co-ordinate and get products to market. There needs to be trust. Together partners look for efficiencies, and opportunities to minimize waste and non-value added activities.
- Essentially all that goes into getting the final product to the store, the producers' suppliers, through to our suppliers, etc.

Retail

- Working together to supply consumers with the products that they desire.
- From growing through to the consumer. All parts need to understand the processes and practices that complement each other, resulting in a product that is sought by the end consumer.
- Get the right product at the right time, thereby maintaining value through remaining committed to enabling us to differentiate ourselves in the market.
- From field to fork. Process improvement from source to the consumer's plate - improve process, remove costs, improve quality through entire the entire chain.
- Building relationships from input suppliers to consumers.

Foodservice

- Value chain is price accommodation and servicing a business.
- Growers, then producers, then distributors, then foodservice providers.
- Every player adds value to the product along the chain.
- All different links in supply chain where value is added and given between each step. The benefits circulate to promote sustainability.
- Relationships established from field to fork with communication playing a big part in success.
- Each party in the supply chain adding value to get it to market.
- A value chain is a bunch of broken links that sometimes come together to work. We forget that we have to pay a fair price for good products.
- What we do from the growing side to meet customers' quality consistency and service goals. It is a holistic process.
- Cradle to grave bringing of products to market and the value added by each party along the supply chain.

Other

- I hate the term value chain. It is a hybrid of supply chain. There is a certain amount of joining at the hip, dominoes effect, each level is linked. How do you improve each level when they are all co-dependent? ...[In my experience] Many people don't know term value chain.
- The term value chain has been used as a catch-all, which has confused people.

Determinants of a Successful Value Chain Relationship

To determine the extent to which factors that the literature review identified as important to enabling and sustaining the success of value chain relationships applied to Ontario’s agri-food industry, respondents were asked to describe what had enabled a particular relationship to succeed.

Almost all the respondents were willing to share information about a good relationship they have with a customer/farmer (94% of producers, 80% processors/distributors, 100% retailers, 90% of foodservice respondents). All of the relationships had developed incrementally over time, due to a number of key reasons. Many of the most successful relationships started with a customer reaching out to a producer they knew through a previous relationship or had been introduced to by a third party (including networking sessions), who reacted positively and proved themselves able to perform to expectations.

Themes identified by the research according to their value chain role are summarized in Table 2-4 below, following a brief summary of the elements found important to business relationships having been established between producers and their customers. Where the sample size and content is sufficiently large, word cloud analysis has been used to convey the most important findings.

Q. Can you give me an example of a good relationship you have with a customer?

Table 2-4: Descriptions of Good Business Relationships, by Value Chain Role

Producer	Processor/Distributor	Retail	Foodservice
How relationships were initiated			
Most were developed over time and often via personal contacts or introductions. It was rare for producers to reach out via cold calling.			
<ul style="list-style-type: none"> All of the producers indicated that they had taken the initiative to start the relationship, but the vast majority were extensions of a personal relationship (i.e. previous dealings in an association/ board, family member knew them, or friends made the introduction). Only two indicated that they started good relationships as a result of cold calling for business. 	<ul style="list-style-type: none"> 3 were jointly developed 2 were producer initiated 1 processor/distributor initiated 2 of 8 were the result of a company buy-out/take-over. 	<ul style="list-style-type: none"> Developed via personal relationships (i.e. joint board members) Historic relationship developed into something better over time 	<ul style="list-style-type: none"> 4 by restaurant or institutional supplier 1 producer 1 middle man

<p>Leadership</p> <p>At the beginning of this section, the majority of respondents indicated that there is a clear relationship “leader” (100% of processors/distributors and retailers, 91% producers and 55% of foodservice). However, further probing leads to the conclusion that the ongoing management is more likely to be a shared responsibility between partners.</p> <p>Retailers and foodservice respondents did not explicitly outline their roles or responsibilities. Some roles were identified by producers and processors/distributors. These include developing sales and marketing, finding sales outlets, funding projects, and establishing and maintaining standards.</p>			
<ul style="list-style-type: none"> • 8 jointly managed • 2 producer led • 2 managed by middle man (i.e. broker/agent) <p><u>Roles:</u></p> <ul style="list-style-type: none"> • Develop sales and marketing • Find outlets for product • Innovate to solve problems (i.e. adjust pricing models to suit product availability) 	<ul style="list-style-type: none"> • 4 jointly managed • 1 producer managed • 2 processor managed <p><u>Role:</u></p> <ul style="list-style-type: none"> • Define roles and responsibilities • Fund change projects • Establish and maintain standards 	<ul style="list-style-type: none"> • 3 jointly managed • 1 producer managed via a Category Champion • 2 supplier (processor/distributor managed) <p><u>No roles clearly expressed</u></p>	<ul style="list-style-type: none"> • 3 jointly managed • 3 by restaurant or institutional supplier • 3 middle man <p><u>No roles clearly expressed</u></p>
<p>Do participants share clear vision and common goals?</p> <p>The majority of producers, processors/distributors and retailers say that they share common vision and goals with VC partners. Only 55% of foodservice respondents agreed. All indicated that they share a focus on market requirements. Other key factors are identified by VC role, below.</p>			
<p>93% said yes</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"> • Market focus • High Quality 	<p>100% said yes</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"> • Market focus • Long term 	<p>100% said yes</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"> • Market focus 	<p>55% said yes</p> <p><i>“We educated each other on our needs.”</i></p>
<p>Capabilities that create value (key words from open ended questions)</p>			
<p>Attention to Detail</p> <p>Chemistry</p> <p>Desire to Learn</p> <p>Focus</p> <p>Succeed</p> <ul style="list-style-type: none"> • Attention to detail • Desire to learn/try new things • Good chemistry (get along/like each other) 	<p>Attention to Detail</p> <p>Attitude</p> <p>Commitment</p> <ul style="list-style-type: none"> • Desire to succeed • Commitment to each other • Attitude; willing to learn and change/improve • Communication/feedback • Attention to detail 	<p><i>Word Cloud Not Available</i></p> <ul style="list-style-type: none"> • Vision of leadership • Accountability • Targets 	<p><u>Business Understand</u></p> <p>Menu Quality</p> <p>Quality focused on market needs</p> <p><i>“Build business on quality. Prices are competitive but we don't beat him up on price. We understand what it takes for him to do the job.”</i></p>

Describe the culture that enables cooperation and learning			
<ul style="list-style-type: none"> • Continuous willing to learn and adapt • Regular Communications • Respectful • Challenge each other to do more/improve 	<ul style="list-style-type: none"> • Measurable • Accountable • Coordinated • Caring • Honest, Open • Commitment (long term) 	<ul style="list-style-type: none"> • Attitude and desire to learn and improve • Share rewards/risk • Finding the right partner • Taking extra steps to develop the relationship, even if not immediately / directly beneficial (\$) 	<ul style="list-style-type: none"> • Friendly • Supportive • Realistic about capabilities
Why are the partners compatible?			
<p><u>Needs</u> <u>Succeed</u>_{Values}</p> <ul style="list-style-type: none"> • Personal relationship, like each other • Mutual respect • Similar values • Attention to detail • Open and regular communication 	<p><u>Extra</u> <u>Mile</u>_{Respect}</p> <ul style="list-style-type: none"> • Based on mutual respect • Based on knowledge of product and market • Listen and learn • Committed • Attitude, easy to work with • All want to get paid promptly 	<p><i>Word Cloud Not Available</i></p> <ul style="list-style-type: none"> • Focus on end consumer • Business mindsets • Attitude, passion/drive • Good communications • Work together well 	<p><i>Word Cloud Not Available</i></p> <ul style="list-style-type: none"> • Mutual respect • Like each other • Able to do the job and meet needs of each other • Spend time together to develop the business • Creates value and reasonable price

How are the relationships managed?			
<p><u>Business Communication Reporting Season</u></p> <ul style="list-style-type: none"> • Regular feedback with multiple levels of the business; meetings, business reviews, weekly (or more) phone calls, social aspect • Many commented about the need for a personal connection • Clear roles and responsibilities <p>“It’s a 24-hour job, 7 days a week. You need to be there when they call.”</p> <p>“Over time I’ve developed a sixth sense and I notice that something is wrong [during bi-weekly visit/delivery]. I figure out when I come in. I don’t leave until I find out. Interest in their business. Otherwise you lose the business.”</p>	<p><u>Communication Focused Regular Reporting</u></p> <ul style="list-style-type: none"> • Regular reporting pre, post and during the season • Formal and informal • Meetings, phone, text, etc. • Clear revenue targets, marketing arrangements 	<p><i>Word Cloud Not Available</i></p> <p>More formal with ongoing reporting as well as during key periods (i.e., annual, end of season)</p>	<p><i>Word Cloud Not Available</i></p> <ul style="list-style-type: none"> • All were informal (no contracts) • Regular communications via meetings (i.e., monthly), twitter, annual reviews/seasonal reviews
How do you evaluate, report & improve performance?			
<p><u>Feedback Informal Reporting Prices Profit Quality</u></p> <p>6 producers commented that reporting is informal (3 reported some formal processes).</p> <p><u>Evaluate:</u> quality standards, business metrics</p>	<p><u>Quality Yield Reporting Sheets</u></p> <p>More formal processes, including: Quality, grading, sales/volume/price, spec sheets, tenderness, fat cover</p>	<p><i>Word Cloud Not Available</i></p> <ul style="list-style-type: none"> • Casual: phone calls, etc. • More formal: meetings, 5-yr plans 	<p><i>Word Cloud Not Available</i></p> <ul style="list-style-type: none"> • All but 1 is informal with ongoing verbal monitoring. Some had annual meetings with customers. • 1 has more formal meeting with written reports include sales, profitability, and analysis of business metrics

Do you have an example of how you worked together to adjust to change?			
<p><i>"I am the innovator and leader of out of the box activities, but I have to live by their rules. I abide by their choice but we have worked together long enough that we make things work. If something is over spec, we can try to sell by piece vs by pound to get more money. Create win-win-win (retail/farm/consumer) squash sell .99 pound. If 3lbs, then sell for \$1, they sell for 1.99 and all are happy." Producer</i></p>	<ul style="list-style-type: none"> • Continuous improvement • Ongoing process 	<ul style="list-style-type: none"> • Work together for improved control (i.e. grow business together so don't need additional suppliers) 	<p><i>Extra comments were not provided</i></p>
Other factors for success?			
<p>Commitment</p> <ul style="list-style-type: none"> • Ability and willingness to work together • Mutual respect • <i>"Sometime you'll lose a buck [in the short term], but you'll make it back ten-fold."</i> 	<p>Commitment</p> <ul style="list-style-type: none"> • Proactive • Willing to change/improve • Open/transparent 	<p>Commitment</p> <ul style="list-style-type: none"> • Focus on key markets • Find the right partners • Reinvest in business 	<p><i>Extra comments were not provided</i></p>

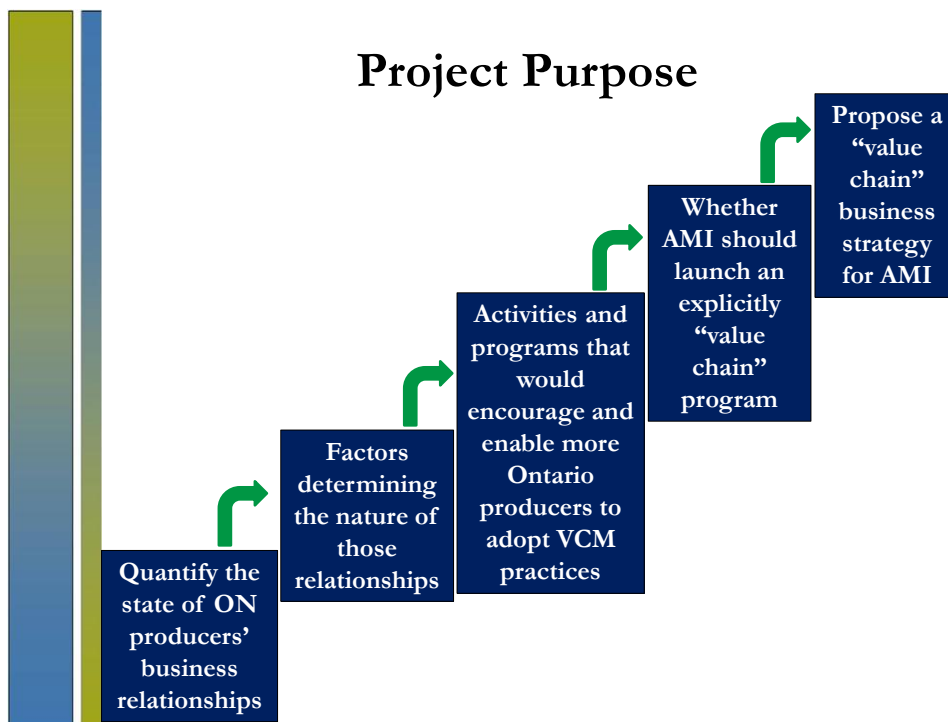


Benchmarking the Nature of Value Chain Relationships in Ontario Agriculture *and* Determining a Value Chain Related Strategy and Business Plan for AMI

FINAL REPORT FOR AMI BOARD OF DIRECTORS

Martin Gooch, Aaron Howes, Colin Siren, Claudia Schmidt, Nicole Marenick, Marinus VanDijk

February 6, 2013



Research Methodology

1. **Literature review:** value chains and their management in context of agri-food industry
2. **Quantitative surveys:** 500 Ontario producers
3. **Qualitative interviews:** 52 producers and downstream Ontario agri-food businesses
4. **Environmental scan:** value chain programs/ initiatives in Ontario, Canada, worldwide



Literature Review

"For every complex problem, there is a solution that is simple, neat, and wrong."

Henry L. Mencken

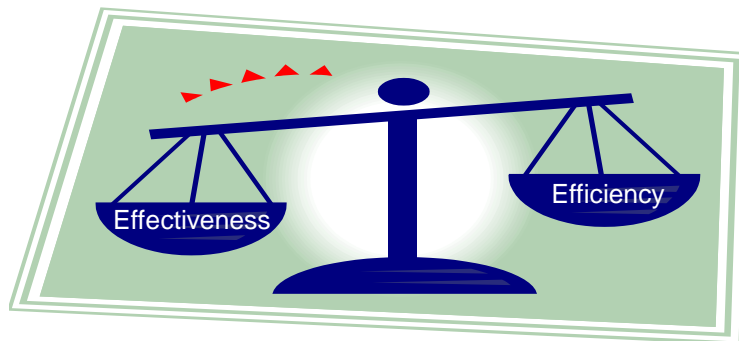
Duality



Dualism

Anywhere between two opposing entities exist simultaneously, leading to a myriad of dynamic relationships and potential outcomes

Every Business Operates in a Value Chain



Competitive Businesses

= Competitive Industries

Value Chain Management

- Businesses that together form a chain make a deliberate decision to create more value:
 - » Usually from a targeted market segment
 - » Reducing costs
 - » **and/or** Increasing revenue
- Achieved by:
 - » Focusing on what consumers and customers value
 - » Getting the product right every time
 - » Ensuring effective logistics and distribution
 - » Having effective information and communication
 - » Building and sustaining effective relationships
- Produces outcomes that are very difficult to copy
- Agri-food trails other industries in adoption of VCM

Mindsets Determine Willingness and Ability to Collaborate

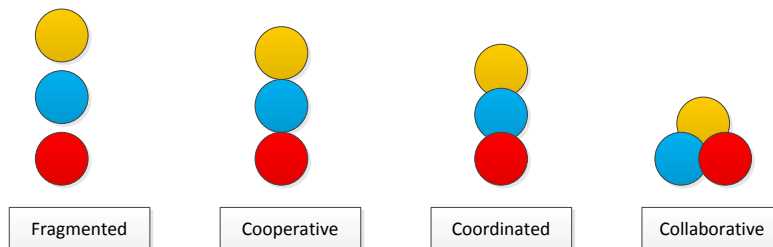
Attitude towards others and their surroundings



Ability to learn and make appropriate decisions

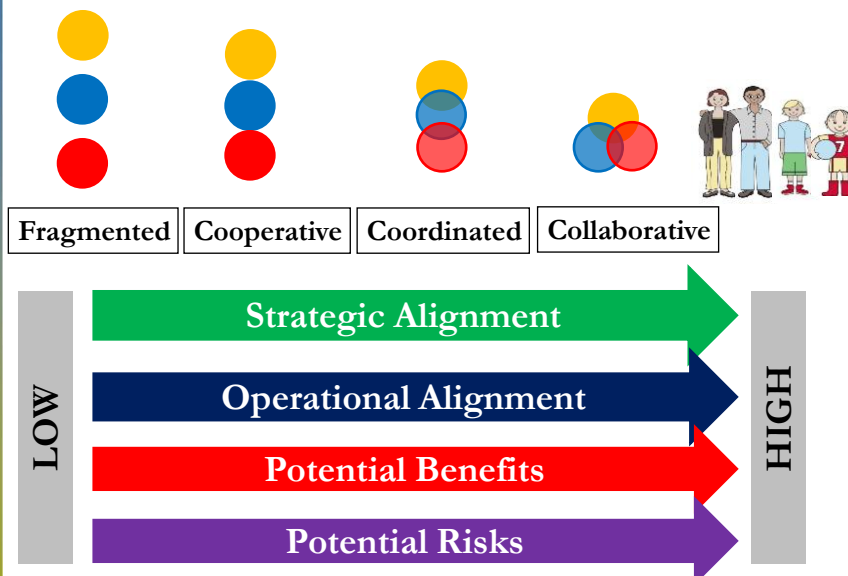


Not One “Type” of Value Chain



- Value chains come in various forms, no 2 are identical
- Each exhibit distinct characteristics and capabilities
- Continuum spanning spot market, to closely aligned
- Structure, behaviour and capabilities are outcomes
- Separate links of same chain often operate differently

Value Chain Characteristics



Literature Review

Determinants of Value Chain Innovation



Barriers to Change/Improvement



Factors Influencing Producers' Motivation to Establish Close Relationships

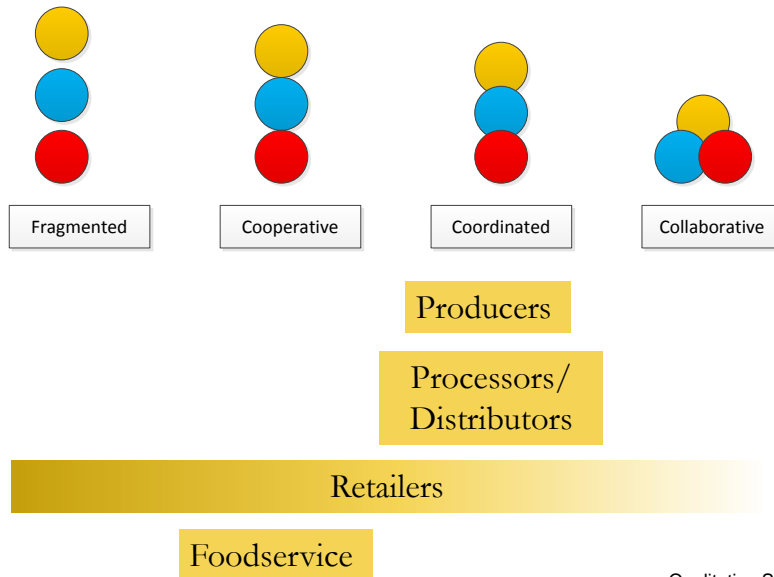
- Characteristics of producers most likely to participate in closely aligned value chains:
 - » Experience outside of agriculture, agri-food
 - » University education
 - » Marketing experience, knowledge
 - » Regularly interact with customers and/or consumers
- Identical factors impact motivation of managers from businesses along the entire value chain to establish close business relationships



Qualitative Study

Most Cited Business Relationships

According to Value Chain Role



Qualitative Survey

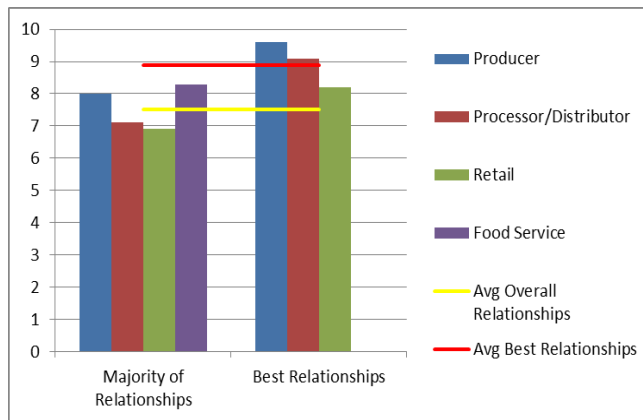
Factors Impacting Business Arrangement

Epecially for retailers; less so for producers and processors



“I get 80% of my products from the top 20% of my suppliers (farmers), because these top partners are able and willing to supply my needs”

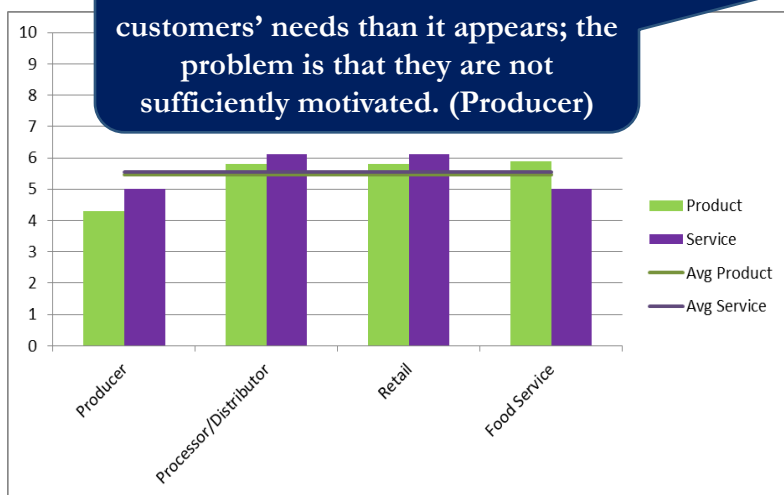
Strength of Business Relationships



- All prefer arrangements that are not one-off transactions
- Distinct differences in nature and value of relationships
- Few long-term relationships use formal contracts
- Preferred relationships resulted from first establishing a clear common understanding of needs and challenges

Lack of Understanding Leads Producers to Not Fulfilling Customers' Needs

Farmers are often more able to meet customers' needs than it appears; the problem is that they are not sufficiently motivated. (Producer)



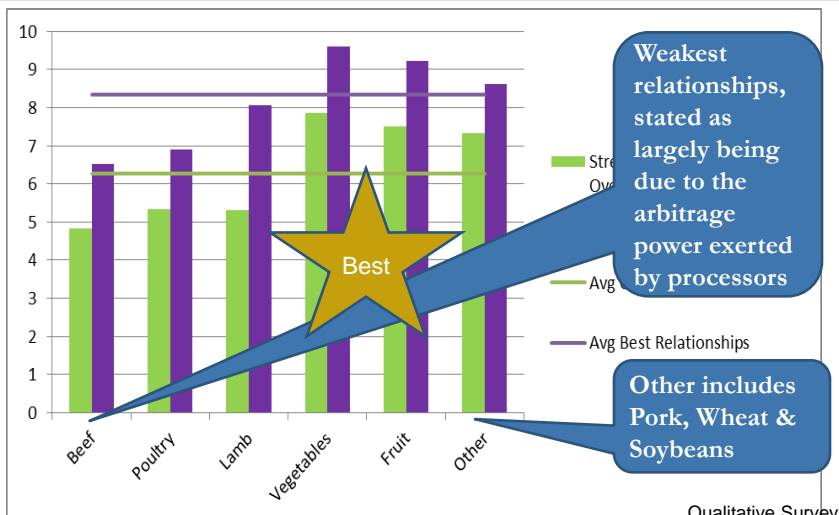
How well do farmers generally understand customers' needs in terms of product and service (1-10 scale)?

Links Growing, Though Gaps Remain

- “It used to be a lot less. We have spent a lot of time educating producers on retailers' requirements and what we need to achieve.” (*Processor*)
- “Producers don't realize the trouble and costs caused by poor quality product and service.” (*Processor*)
- “Agriculture and processing is still primarily a 'push' system, focused on volume and cost.” (*Retailer*)
- “Once they've experienced what we are able to achieve together, they are totally on board. It is getting them to take that first step that can be challenging.” (*Retailer*)
- “Farmers may understand restaurants, but they don't understand institutional foodservice. For example, the need for consistent sizing.” (*Foodservice*)

Overall vs Best Relationships by Sector

The length and complexity of a value chain directly correlate to the connectivity that exists between the participants



Determinants of “Best” Relationships Reflect Principles of Effective VCM

Share a clear vision and common goals

Possess capabilities to create value

Have a culture that supports cooperation and learning

Have compatible partners

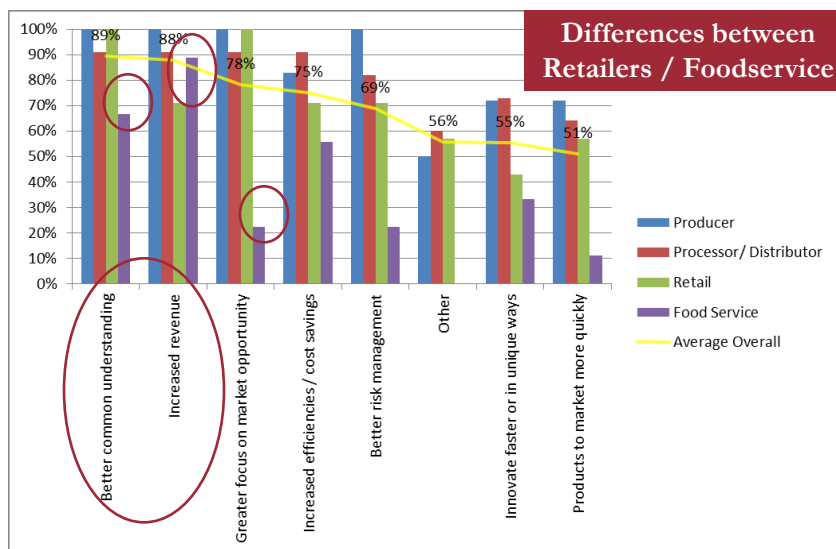
Proactively manage the relationship

Regularly evaluate and report

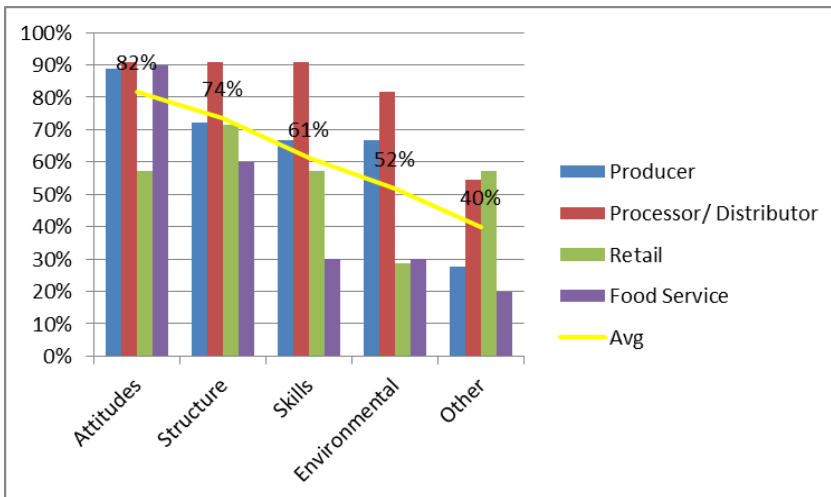
Continually adjust to changing circumstances

Benefits From Constructive Relationships

By Value Chain Role and Overall Average

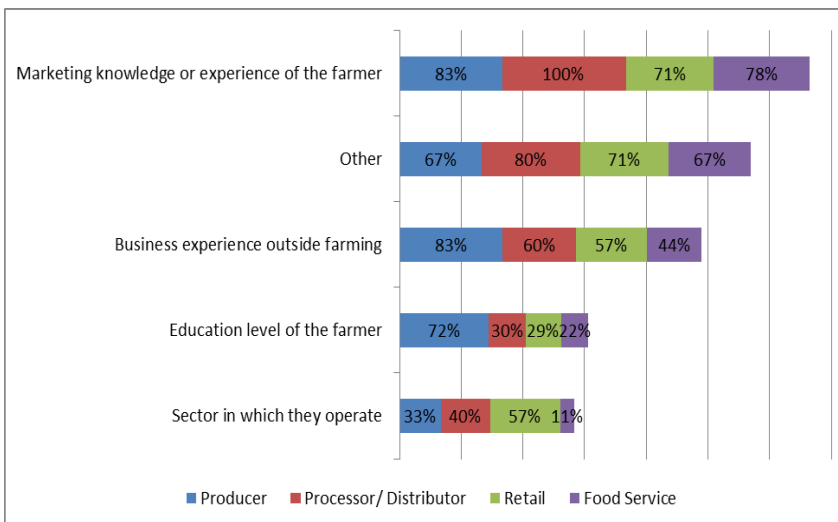


Factors That Have Limited the Development of Close Relationships between Farmers and Customers



The 3 most frequently mentioned relate to communication, lack of training/education, availability, and/or consistency of product.

Best Farmers Differ from the Wider Industry



Every respondent group stated that what differentiates the “best” farmers (*from a business relationship and capability perspective*) from the wider industry are the factors that were identified in the literature review.

Resources Used, by Value Chain Role

Producer	Processor/ Distributor	Retail	Foodservice
<ul style="list-style-type: none"> • Networking • Peer support 		<ul style="list-style-type: none"> • Networking • Peer support 	<ul style="list-style-type: none"> • Networking
Education <ul style="list-style-type: none"> • Workshops 	Education <ul style="list-style-type: none"> • Training • Courses • Workshops 	Education <ul style="list-style-type: none"> • Workshops • Conferences • Case studies • University 	Education <ul style="list-style-type: none"> • University
External Sources <ul style="list-style-type: none"> • Tours • Books • Industry groups • Courses • Trade shows • Internet 	External Sources <ul style="list-style-type: none"> • Industry associations • Food standards • Working relationships • Trade shows 	External Sources <ul style="list-style-type: none"> • Tours • Government 	External Sources <ul style="list-style-type: none"> • Standards: Food safety, traceability, GAAP
<ul style="list-style-type: none"> • Mentoring 	<ul style="list-style-type: none"> • External business advisors 	<ul style="list-style-type: none"> • Grants, external consultants 	<ul style="list-style-type: none"> • Grants, government support, money from community loans
		<ul style="list-style-type: none"> • Involvement with industry initiatives 	<ul style="list-style-type: none"> • Working with experienced suppliers

Resources Required to Engender Change

Business facilitation

Networking

Marketing and communication skills

Short courses/workshops

Practical management skills (*i.e. dispute resolution, category management*)

Business planning

Traceability

Funding for infrastructure and pilot projects



Quantitative Study



Environmental Scan

Value Chain Initiatives



Overview of Value Chain Programs

- Canada invested considerably less than most nations
 - » Canadian investments have largely been disjointed, subjective, analytical rather than implementation, government controlled
- Food Chain Centre example of concerted effort
 - » £3.8m (eq. \$8.4m) for action research, tools, replication
 - » £1.5m (eq. \$3.3m) for support, e.g., consumer research
- European programs more technical and scientific
 - » European pork competitive-enhancement study
- Virtually all programs feed directly into courses
 - » Only example in Canada is VCMC, with indirect feed
- Most programs focused on business innovation
 - » Achieved through infrastructure, technology, marketing
- Mostly primary information, consistent delivery
 - » Canada mostly secondary info., inconsistent delivery



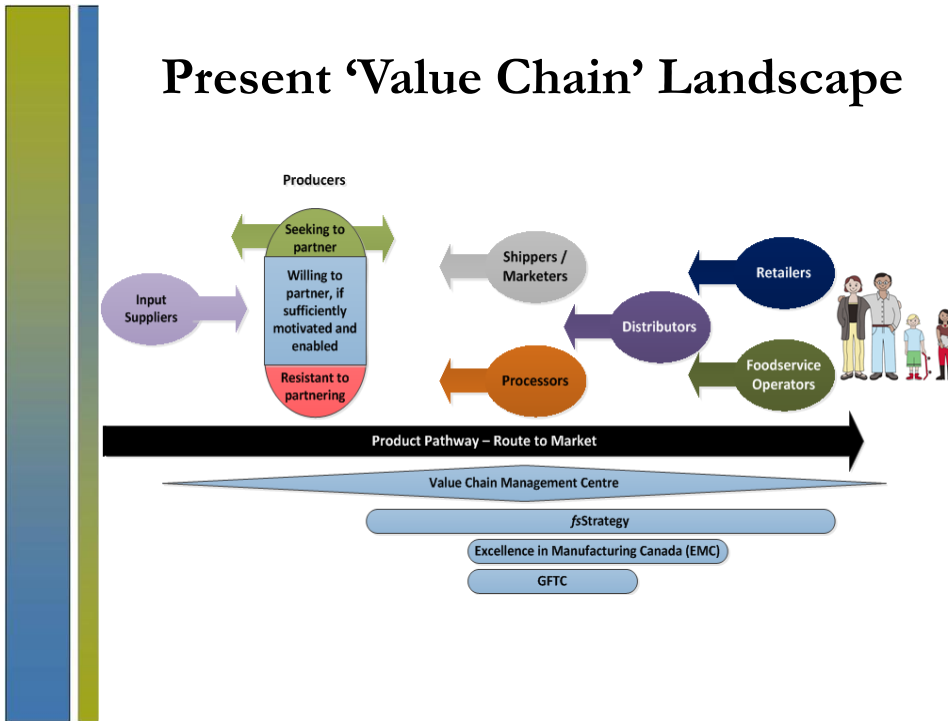
AMI Strategy and Business Plan



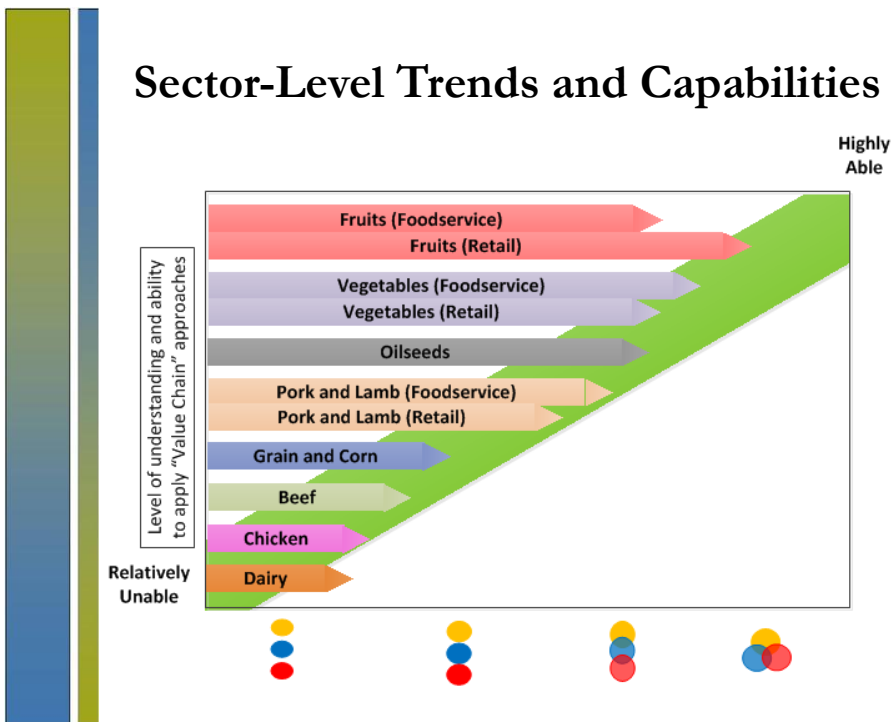
Overall Findings

- Examples of value chain successes exist in ON
 - » Increased revenue and profit, strategic opportunities
- Relationships are the determinant of success
 - » Provide the traction to act, implement, improve
- Majority of producers are limited in their ability to form sophisticated business relationships
 - » Many are interested and see the potential benefit
- Primary reasons lying behind this situation
 - » Systemic problem, not limited to farming
 - » Lack of knowledge/ability required to communicate
 - » Lack of business/management skills, motivation
- Downstream businesses reaching ‘up the chain’
 - » Limited resources, knowledge, patience

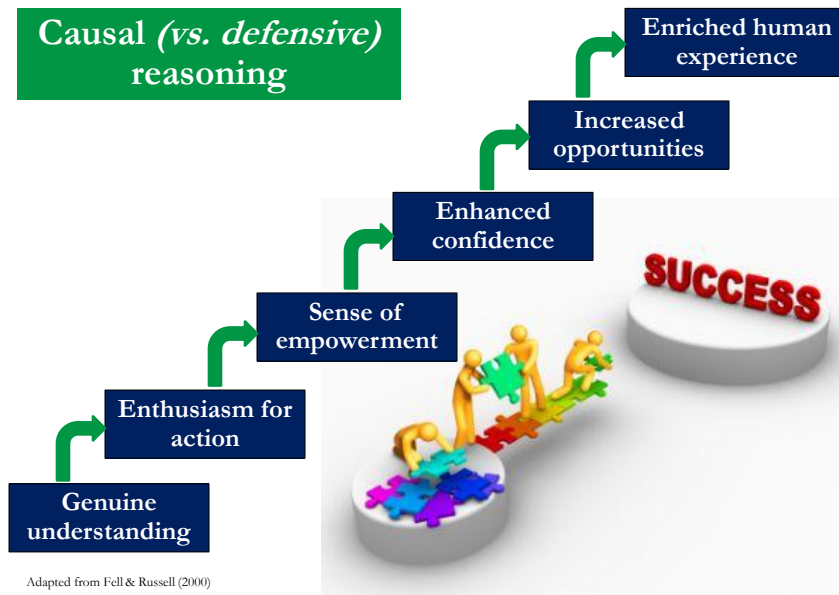
Present 'Value Chain' Landscape



Sector-Level Trends and Capabilities



Motivation to Act is an Outcome



VCMC: Strategic Focus

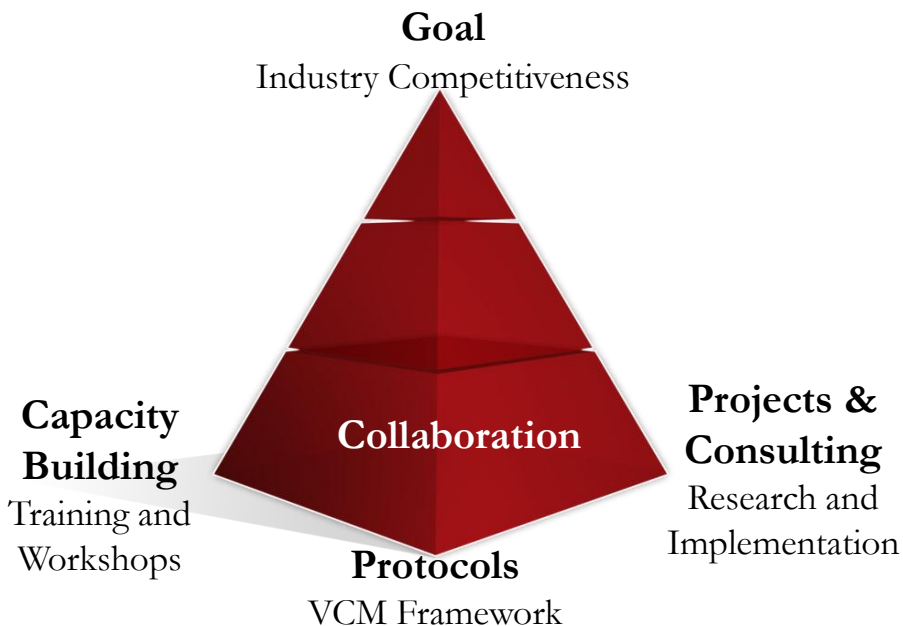
Vision

Placing Canada at the forefront of value chain research and innovation

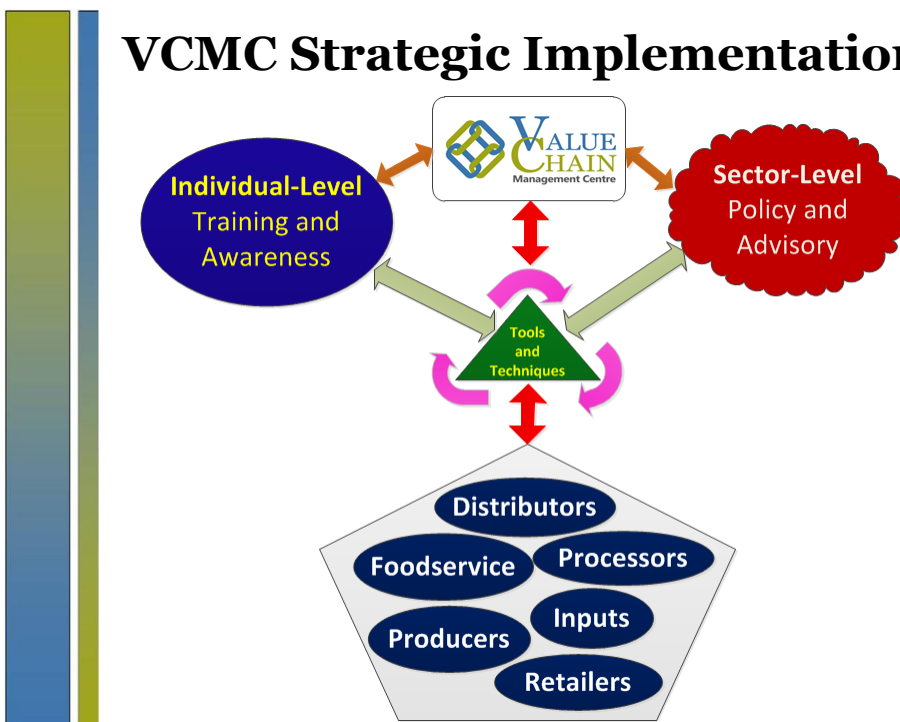
Mission

Establish a sustainable centre for international research, education, and management of agri-product value chains

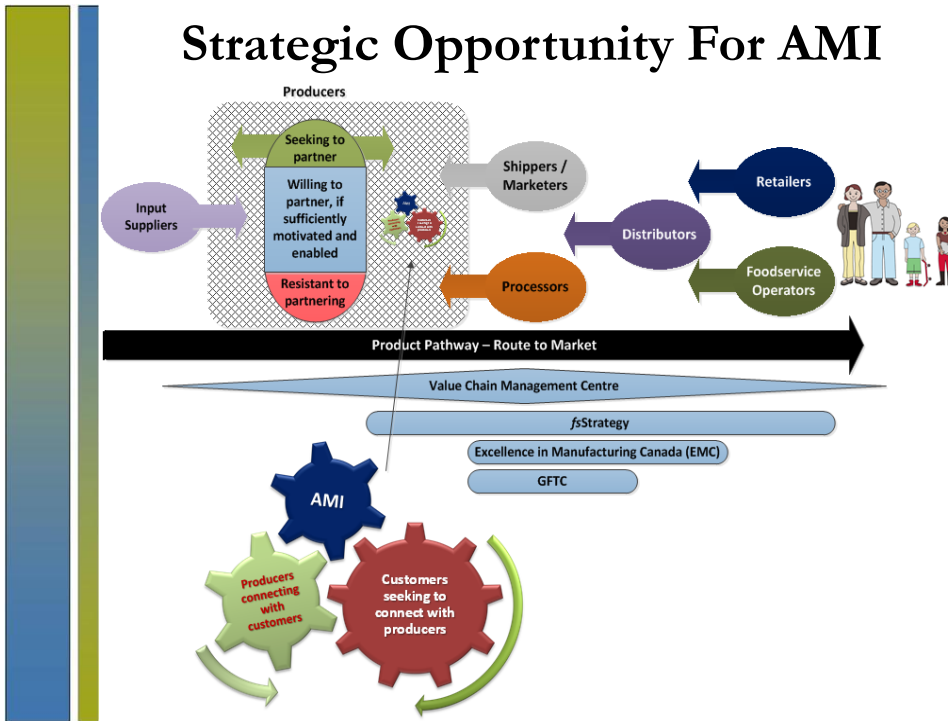
VCMC: Strategic Focus



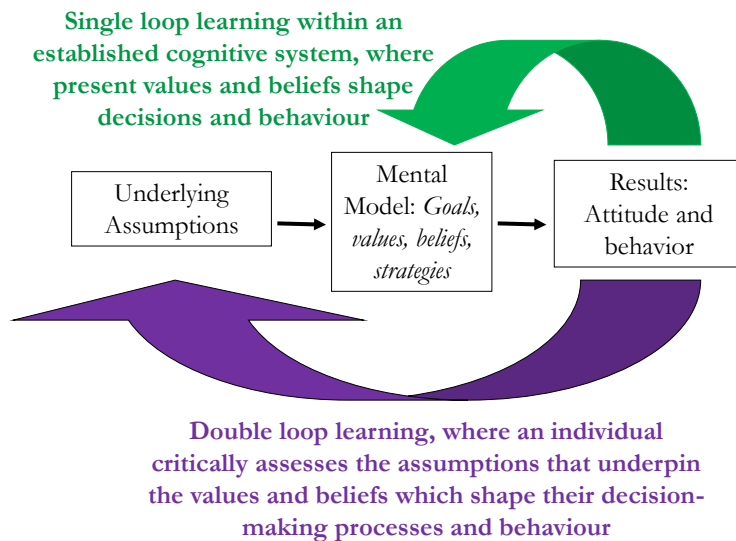
VCMC Strategic Implementation



Strategic Opportunity For AMI



Engendering Purposeful Long-Term Change



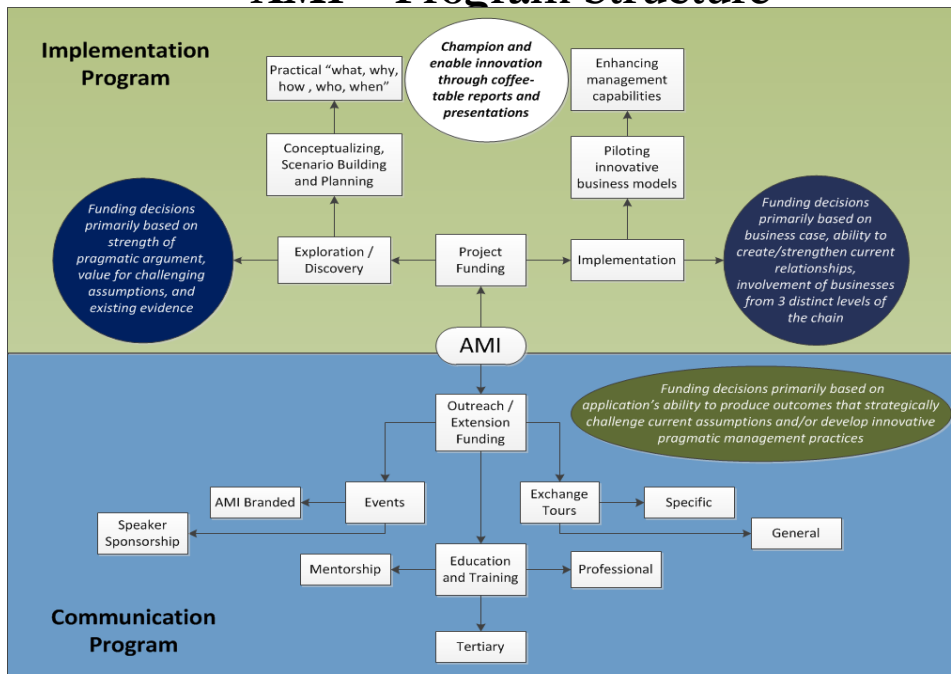
AMI Program

- Purpose: facilitate changes in mindsets
 - » Critical to enhancing long-term competitiveness
 - » Leading to common language, building basis of trust
 - » VCMC primarily focuses on action research
- Two types of program
 - » **Communication:** awareness raising “priming pump”
 - » **Implementation:** pilot partnerships and practices
- Delivery will be critical to success
 - » Partner with industry associations (where applicable)
 - » Not through industry associations
- Do not title the program “Value Chain”
 - » Many different connotations about meaning
 - » “Agricultural and Agri-Food Partnerships”??

AMI Clients

- Program will have three distinct target groups
 - » The most important being commercial businesses
 - » Also motivating and enabling institutional change
- Specific client groups
 1. Producers and commercial businesses
 - Particularly those with whom they immediately interact
 2. Industry organizations, government, financial
 - Assist in creating environment conducive to change
 3. Teaching and research institutions
 - Influencing attitudes of new entrants, along entire chain
 - Influence research programs to address commercial needs
- Influence change through ensuring activities
 - » Based on objective rigour that can be substantiated
 - » Delivered in ways that encourage replication

AMI – Program Structure



AMI Program: Communication

- Strategically challenge current assumptions
 - » Exploration, introduction, facilitation, revelation
 - » Events, visits, mentorship, training, outreach
- Critical to success
 - » Present irrefutable examples of success, how achieved
 - » First-hand, experiential activities
- Examples of potential activities
 - » Produce: Visit and learn from innovative chain
 - » Wheat: Develop roadmap and new business model
 - » Mentorship: Encourage change, 1 producer at a time
- Outcomes
 - » Greater willingness and ability to build relationships
 - » Reduce attitudinal and physical barriers to change

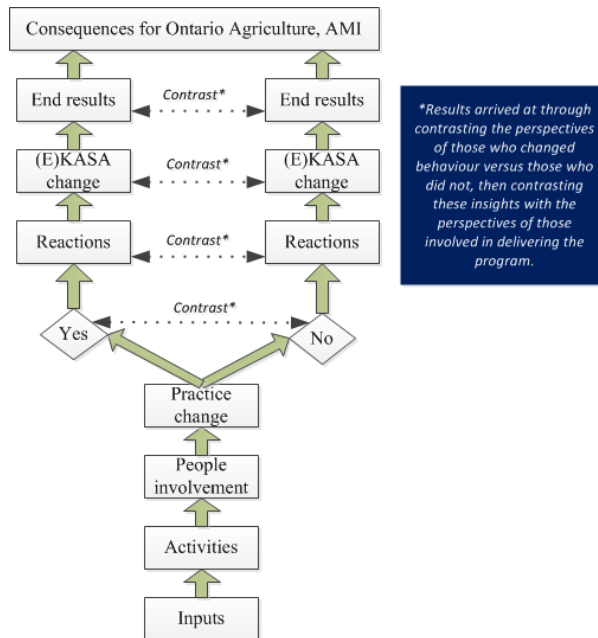
AMI Program: Implementation

- Assist genuinely interested producers to establish closer, more sophisticated business relationships
 - » Producers already progressed beyond transactional
- Assist customers and suppliers to establish closer business relationships with producers
 - » Include a “speed dating” service as one offer
- Enhance business skills through experience
 - » Tacit knowledge critical to value chain sustainability
- Pilot implementation of new business models
 - » Financial arrangements
 - » Business and sector innovation
 - » Operations and quality practices
 - » Potential delivery partners incl. VCMC, EMC, GFTC

AMI Program: Governance

- Advisory Board
 - » Strategic oversight, guidance
 - » Senior managers from commercial industry
 - » Experts in field of business/value chain management
 - » Ensure projects create knowledge and/or capabilities required to construct strategic business relationships
- Evaluation
 - » Identify and quantify determinants of success
 - Learn from ‘failures’
 - » Identify external factors influencing outcomes
 - Produce objective advice on policy, regulation, legislation
 - » Continual improvements in program’s effectiveness

Program and Project Evaluation



First Year Activities

- Six sector-specific forums
 - » Vegetables, Fruit, Oilseeds, Pork, Beef, Lamb
 - » Illustrate “why” and “how” of successful VC initiatives
 - » Identify how lessons learned could be applied to ON
- Mentorship program
 - » Enable innovators to enhance business opportunities
 - » Hands-on support for businesses desiring to change
- Pilot studies
 - » Apples
 - » Lamb
 - » Dairy
 - » Wheat
 - » Goats

Thank you!!

Questions / Discussion





Baseline Study of Value Chains and Their Use in Ontario Agriculture



Prepared for:
AMI Board of Directors
February 6, 2013

Ipsos Marketing



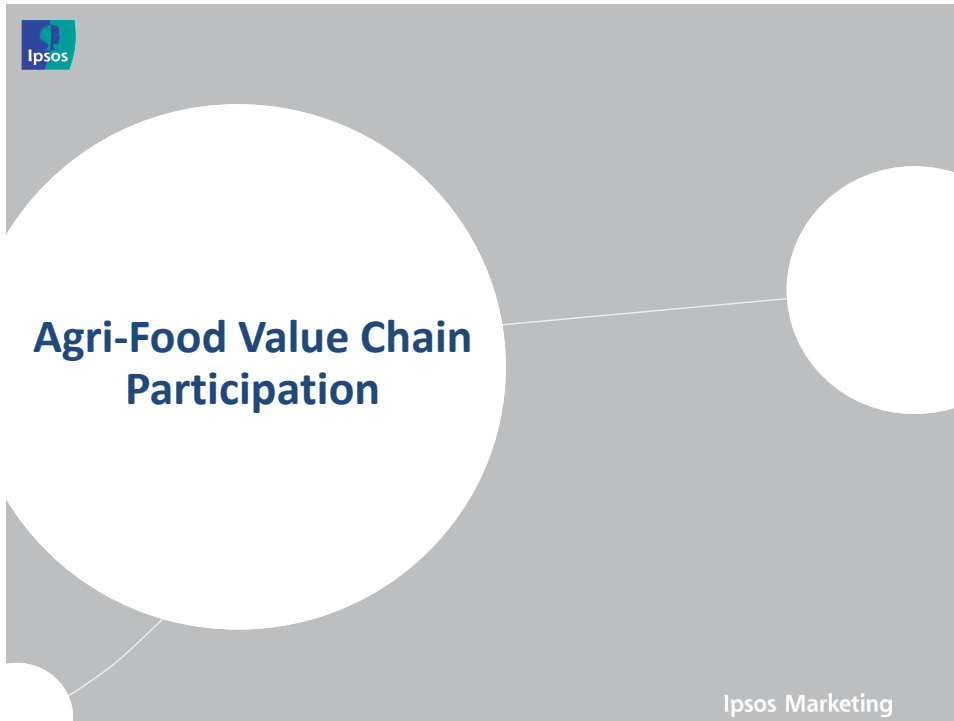
Methodology

- To produce the required insights, Ipsos conducted a telephone survey with a random sample of 500 Ontario farmers.
- The study was fielded between November 21st and December 10th, 2012. The average interview length was 20 minutes.
- To qualify for the quantitative research, producers needed to be involved in making management decisions for their agricultural operation and have a minimum level of gross farm sales of \$10,000.
- A minimum quota of \$250,000+ gross farm sales was achieved – ensuring a meaningful sample size of larger producers.
- Sample frame:

Type of Producer (Main Farm Enterprise)	Total Sample	Statistical Margin of Error (95% Confidence Level)
Grain and Oilseeds	233	+/- 6.4%
Horticulture (Fruit and Vegetables)	31	Directional Only*
Other crops	8	Directional Only*
Total Crop	272	+/- 5.9%
Beef	77	+/- 11.7%
Hogs	40	+/- 15.5%
Dairy	55	+/- 13.2%
Poultry and Egg	32	Directional Only*
Other animal/livestock	24	Directional Only*
Total Livestock	228	+/- 6.5%
Total	500	+/- 4.40%

* These segments have relatively small base sizes. Interpretation of these findings should be interpreted directionally only

2



Value Chain Definition Read To Farmers

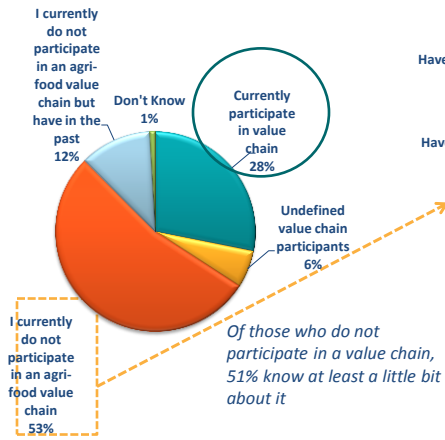
An agri-food value chain can be defined as farmers having developed a close relationship with other members of the food chain, such as processors, marketers, food service companies, retailers, suppliers, shippers, etc. By establishing close relationships, the involved businesses develop the ability to add value throughout the chain by identifying ways to reduce costs or increase profitability. For the purpose of this study, the term agri-food value chain includes such things as food and biofuels.

Ipsos Marketing

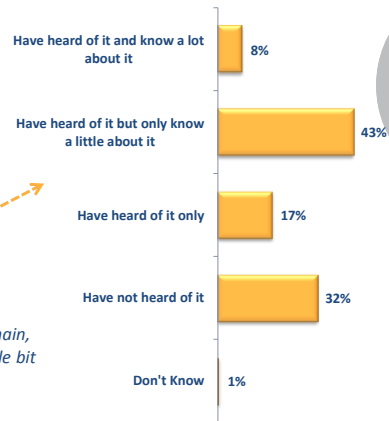


Participation and Awareness of Value Chains

Participation in Value Chains



Awareness of Value Chains



Q8. Given this definition, which of the following statements best describes your participation in an agri-food value chain?
 Q8a. Given this definition, which of the following statements best describes how familiar you are with agri-food value chains?

Base: All respondents (Total n=500)

Base: Not participating in an agri-food value chain (Total n=269)

Ipsos Marketing

5

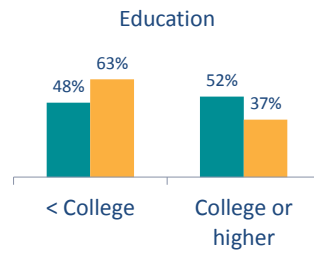
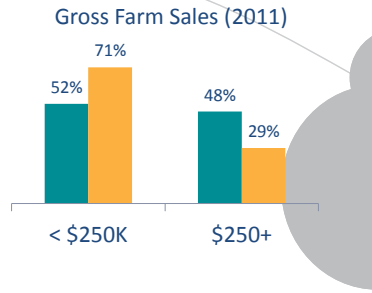
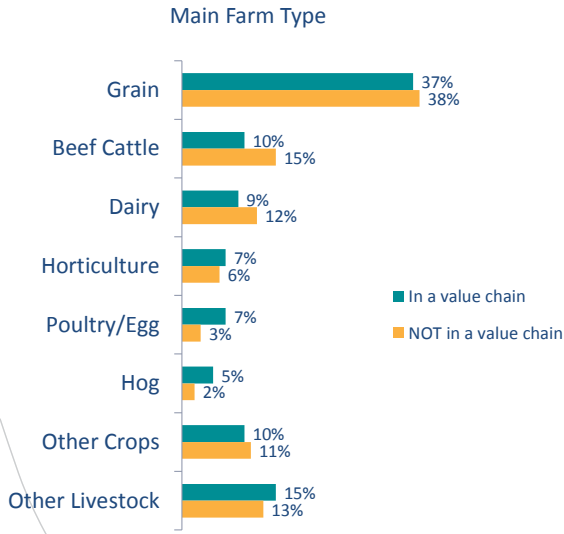


Agri-Food Value Chain Participant vs. Non-Participant Profiles

Ipsos Marketing



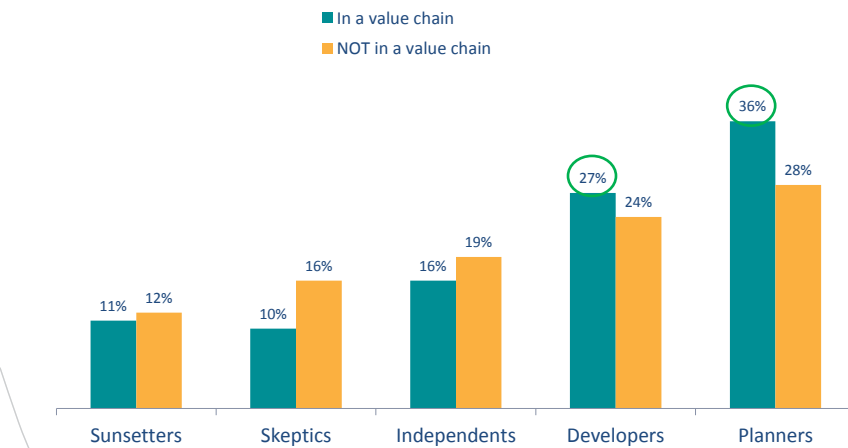
Profile



Ipsos Marketing 7



AMI Farm Business Segment Profile



Ipsos Marketing 8



Defining Value Chain Segments

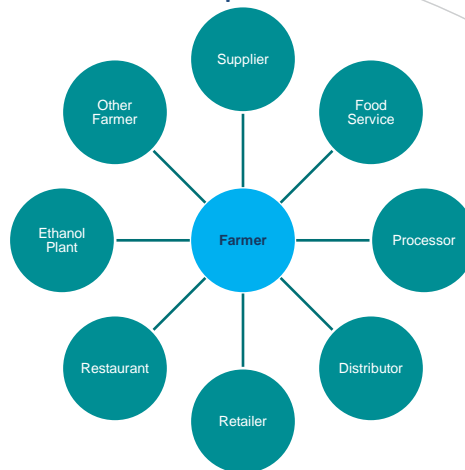
Ipsos Marketing



Analysis Approach: Chains Versus Relationships

A key strength of this research is its ability to analyze data in two main ways:

- 1. Analysis of a farmer's business relationships decoupled from the chain. Fundamentally, this approach is an assessment of strategic business relationships with significant diagnostic capability.*



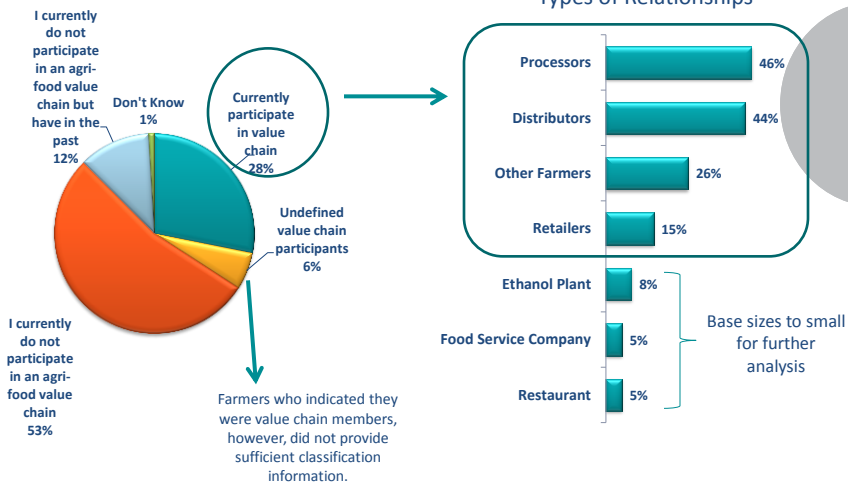
- 2. Analysis of overall value chains*



Ipsos Marketing 10



Review of Value Chain Landscape in Ontario



Fruit/vegetable value chains are more likely to be involved with retailers, food service, restaurants, and direct to consumers. The longest chain is 6.0 links and the average chain is 2.2 links in length.



Companies Involved in Value Chains

Of the companies currently involved in value chains and named by farmers, Loblaws and Quality Meat Packers are mentioned most frequently. The diagram below shows all names of value chain partner companies that were mentioned more than once by respondents. The larger the font size, the more frequently it was mentioned.



Q14. What is the name of ... that you have a direct strategic partnership or alliance with for the ... you produce?

Base: Currently participate in an agri-food value chain (Total=169)



Value Chain Segment Definition

- Each relationship was evaluated based on seven measures that included farmer attitudes' towards:

[Your partner] provides you with information about their customers' needs.

[Your partner] is very focused on their customers' needs.

[Your partner] provides you with timely and valuable feedback on performance that you can use to improve your operations.

[Your partner] encourages you to offer suggestions on how they can improve their business /products.

Your business has open discussions with [Your partner] regarding your respective businesses' performance and strategies.

[Your partner] is committed to a long-term working relationship with your business.

Your business is committed to a long term working relationship with [Your partner].

- Based on the outcome of this evaluation each relationship was then categorized into one of the four value chain segments as defined earlier:

Fragmented

Cooperative

Coordinated

Collaborative

Ipsos Marketing 13

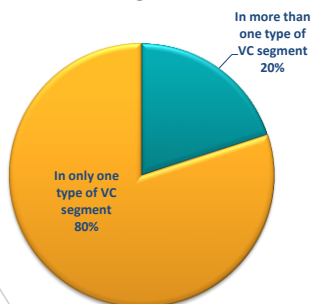


Value Chain Profile

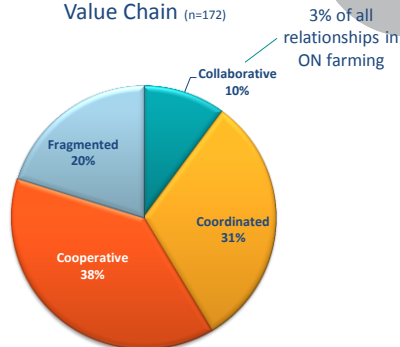
When individual farmers "chains" of relationships are analyzed, we can see 80% have only one type of value chain relationship with their partners (e.g. either fragmented or cooperative, etc).

When all relationships are totaled, we can see that only 10% of Value Chain relationships can be considered collaborative.

Percentage of Farmers in Different Types of Value Chain Segments (n=172)



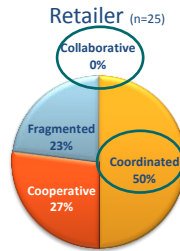
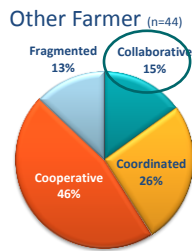
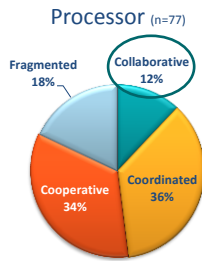
All Relationships in a Value Chain (n=172)



Ipsos Marketing 14



Relative Size of Value Chain Segments by Type of Relationship

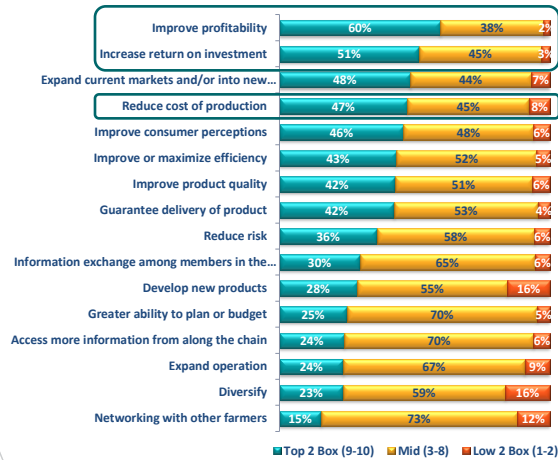


Value Chain Participation Goals and Achievement



Goals and Objectives Prompting Participation in Value Chains

The primary goals of value chain participation tend to be financial, however, market expansion and consumer focus are also commonly mentioned.



Q25. Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', to what extent are the following goals and objectives important in driving - prompting your farm operation to participate in an agri-food value chain? How about...

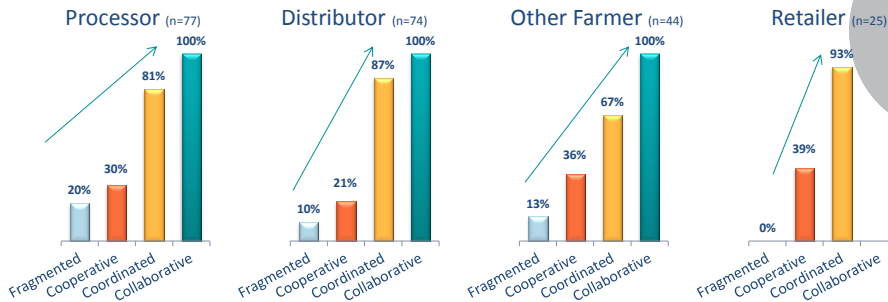
Q26. To what extent have you achieved your goals and objectives for participating in an agri-food value chain?

Base: Those that gained knowledge and/or learning new skills through their value chain (Total n=155)



Contributed To Financial Success of Operation – TOP 3 BOX

The attitudinal measures selected show those in higher functioning value chains (coordinated and collaborative) are far more likely to feel the value chain has contributed to the financial success of their operation.



The relationship with [INSERT PARTNER] contributed positively to the financial success of your operation.



Key Areas Of Improvement To Achieve Goals



For many, areas of improvement relate to gaining skills/training in business aspects of farming.

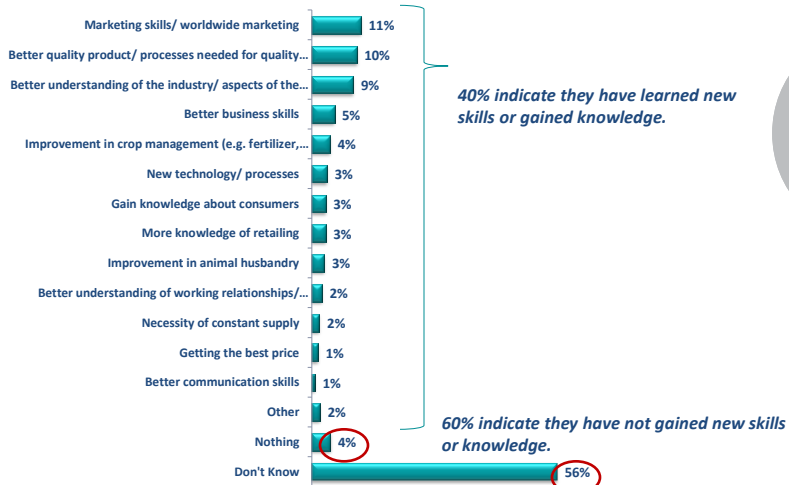
*Responses under 3% not shown

Q28. What, if any, do you feel are key areas for improvement in the skill set of your farm operation that would help you achieve these goals?

Base: Have achieved most/ some/ none of the goals (Total n=144)



Skills Learned and Knowledge Gained From Value Chain Participation



40% indicate they have learned new skills or gained knowledge.

60% indicate they have not gained new skills or knowledge.

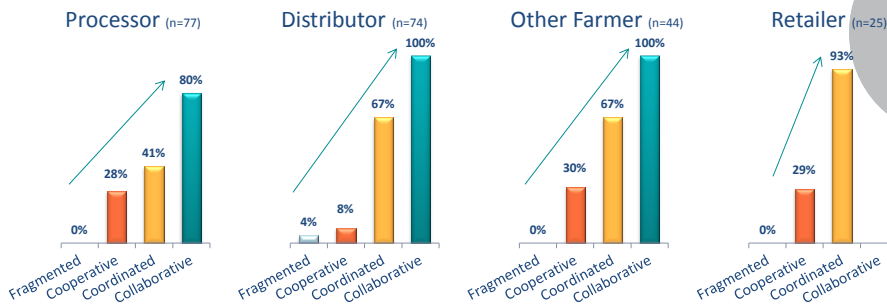
Q24. Thinking about your participation in an agri-food value chain, including the relationships with one or several members of the chain, what knowledge did you gain and/or skills did you learn?

Base: Gaining knowledge and/or learning new skills (Total n=155)



Contributed To Gaining Knowledge and New Skills – TOP 3 BOX

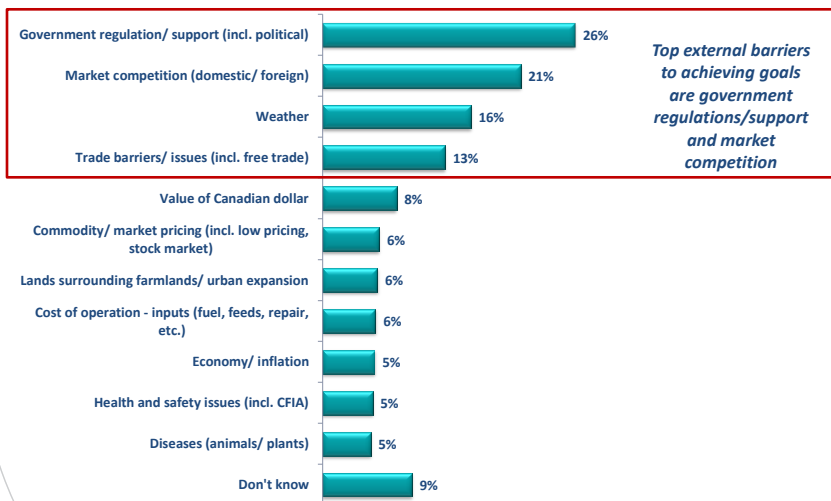
The attitudinal measures selected show those in higher functioning value chains (coordinated and collaborative) are far more likely to have gained knowledge or skills as a result from participating in the value chain.



The relationship with [INSERT PARTNER] has contributed to you gaining knowledge and/or learning new skills



External Threats/Barriers to Achieving Goals



*Responses under 5% not shown

Q29. What, if any, do you feel are the largest external threats or barriers to achieving these goals? By external, I mean things outside the control of your farm operation.

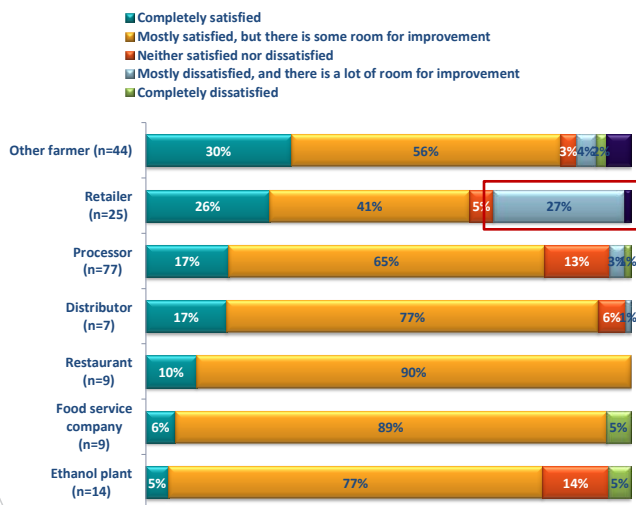
Base: Have achieved most/ some/ none of the goals (Total n=144)



Satisfaction With Value Chain Relationships



Satisfaction with Each Value Chain Relationship



When asked for their overall satisfaction with each business relationship, most are highly satisfied but acknowledge there is room for improvement.

Room for improvement is greatest in retailer relationships.

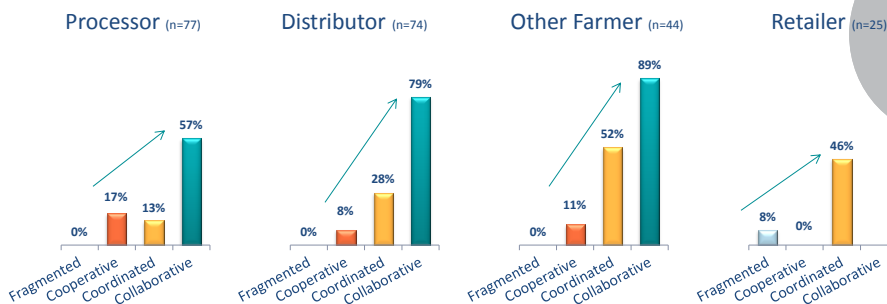
Q21. Which of the following best describes how satisfied you are with the working relationship you have with ... for the ... you produce in the agri-food value chain you participate in?

Base: Have a direct strategic partnership or alliance with [blank]



Satisfaction With Value Chain Relationship – TOP BOX*

The attitudinal measures selected show those in higher functioning value chains (coordinated and collaborative) are far more likely to be completely satisfied with the value chain relationship.



Which of the following best describes how satisfied you are with the working relationship you have with ... for the ... you produce in the agri-food value chain you participate in?

*Note chart is based on a score of 10 out of 10.



Reasons for Being Satisfied – By Relationship Type

Open communications/networking are key reasons for satisfaction within relationships, followed by financial rewards. For retailers, both of these reasons are lagging in regards to satisfaction levels comparable to the other main partner types.

	Other farmer (n=40)	Processor (n=76)	Distributor (n=74)	Retailer (n=24)
Communication/Networking (Net)	37%	40%	30%	14%
Open/ up-front discussions	20%	13%	7%	7%
Networking/ building relationships	10%	21%	13%	
Good communication/ keep us informed	8%	13%	20%	10%
Financial rewards/ profitable/ bottom line	18%	17%	16%	7%
Reliable/ respectable/ dependable	10%	6%	2%	
Provides services/ does the job/ pays on time	8%	8%	12%	7%
Have a good working relationship - unspecified	7%	5%	2%	10%
Gets the job done	5%	5%	11%	6%
Honesty/ integrity/ I trust them	4%		8%	3%
Always available/ accessible	4%	5%	9%	9%
Long term relationship	4%	2%	4%	4%
Good/ friendly/ professional company	3%	7%	6%	3%
We both benefit from each other	2%	6%	5%	9%
They're our market/ customer	17%		6%	5%
They know what customers want/ retain customers		6%	2%	10%
They do a good job (selling our products)		4%	6%	
Competitive prices		4%	6%	
They distribute/ promote products		4%	6%	3%

Q22. What are the key reasons why you are satisfied with your working relationship with ... you produce in the agri-food value chain you participate in?

Base: Not completely dissatisfied



Areas that Need Improvement– By Relationship Type

Across all relationships, 24% - 45% said there is room for improvement. Of those who did see room for improvement; the key areas are better communication and return on investment.

	Other farmer (n=29)	Processor (n=62)	Distributor (n=59)	Retailer (n=18)
Better communication/ feedback	23%	11%	11%	5%
Better profit/ return on investment	9%	14%	13%	4%
Timeliness/ timely delivery	6%	5%	3%	
Better understanding of each other's business	4%	9%	5%	4%
Working around the weather	3%		1%	
Higher commodity prices	2%	1%	9%	38%
Better marketing/ promote the product better		5%	11%	37%
More long term planning/ know what I'm doing the next year		3%	3%	3%
More information/ market information		3%	11%	4%
Other	3%	10%	3%	5%
Nothing	45%	24%	28%	26%

Q23. What are the key things that need improvement in your working relationship with ... you produce in the agri-food value chain you participate in?

Base: Not completely satisfied

Ipsos Marketing 27



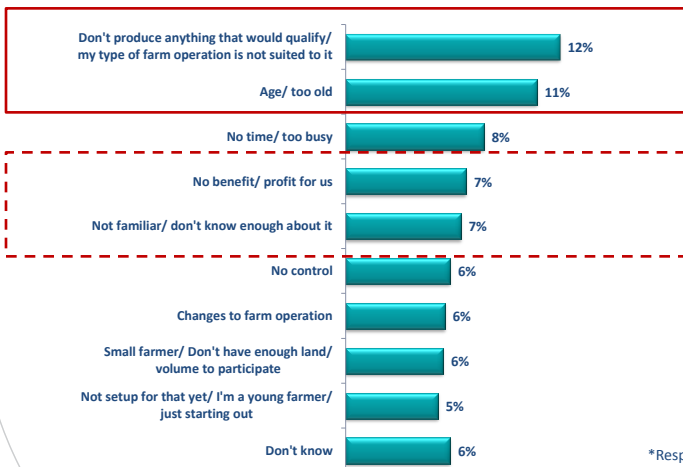
Barriers to Participation in Value Chains Among Farmers Currently Not Participating in One

Ipsos Marketing 28



Reasons for Not Participating In Value Chains

The top reason (12%) for not participating in value chain relationships is the perceived notion that their operation would not qualify/is not suited for participation, followed by age.



*Responses under 5% not shown

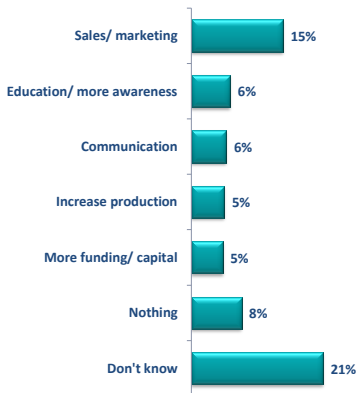
Q30. What are the reasons for deciding not to participate in an agri-food value chain?

Base: Participated in an agri-food value chain in the past and farmers not participating and know about it (Total n=196)

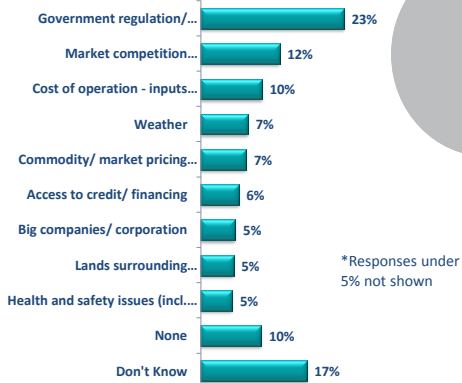


Barriers to Value Chain Participation

Areas For Skill Improvement



External Threats



*Responses under 5% not shown

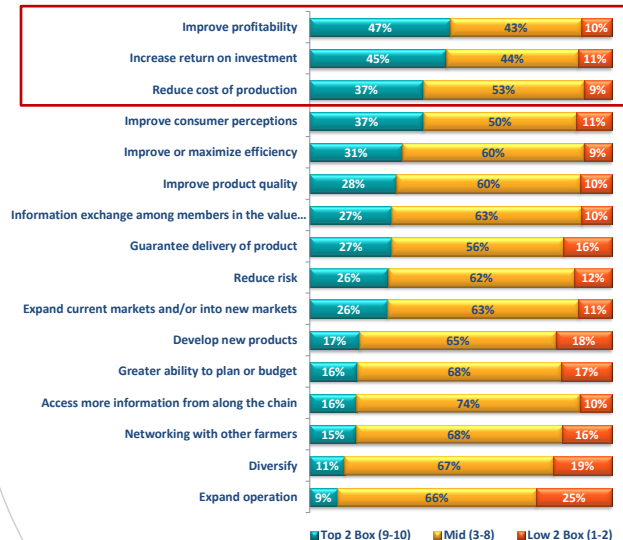
Q34. What, if any, do you feel are key areas for improvement in the skill set of your farm operation that would need to take place to successfully participate in an agri-food value chain?

Q35. What, if any, do you feel are the largest external threats or barriers for your farm operation to participate in an agri-food value chain? By external, I mean things outside the control of your farm operation.

Base: Participated in an agri-food value chain in the past and farmers not participating and know about it (Total n=196)



Importance of Goals and Objectives in Prompting Value Chain Participation



The top goals/motivators for participation of farmers not involved in value chain relationships are the same as those who are: financial - improve profitability, increase return on investment and reduce cost of production.

Q31. Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', if you decided to participate in an agri-food value chain, to what extent would the following goals and objectives be important in driving or prompting your farm operation to participate in an agri-food value chain? How about...

Base: Participated in an agri-food value chain in the past and farmers not participating and know about it (Total n=196)



Awareness and Use of Value Chain Resources



Value Chain Resources

Level of Awareness/Familiarity With Resources

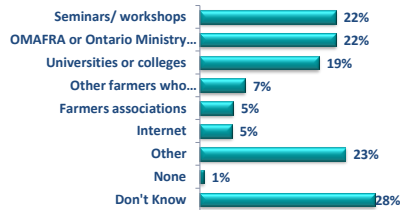


Resources Farmers Are Aware Of



Base: Heard of agri-food value chains or used value chain management resources (Total n=313)

Resources Farmers Have Used



Base: Have used agri-food value chains or value chain management resources (Total n=50)

Q36. Which of the following statements best describes how familiar you are with resources or sources of information or tools available regarding agri-food value chains or value chain management - including any training, consultation or professional advice?

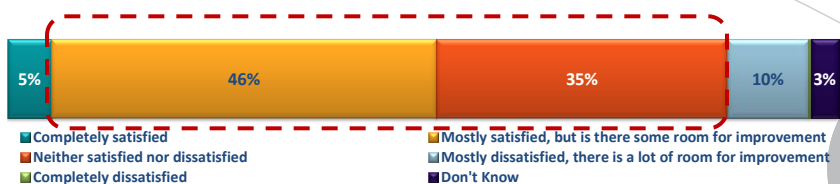
Q37. What resources or sources of information regarding agri-food value chains or agri-food value chain management are you aware of?

Q38. What resources or sources of information regarding agri-food value chains or value chain management did you use? Any others?

Base: Farmers that participate, have participated & farmers that know about the agri-food value chain (n=365)



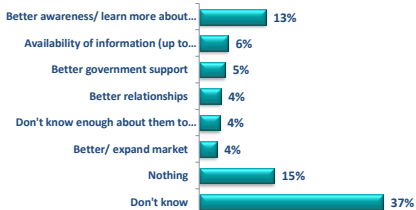
Satisfaction with Value Chain Resources



Reasons for Being Satisfied with Resources



Opportunity for Improvement of Resources

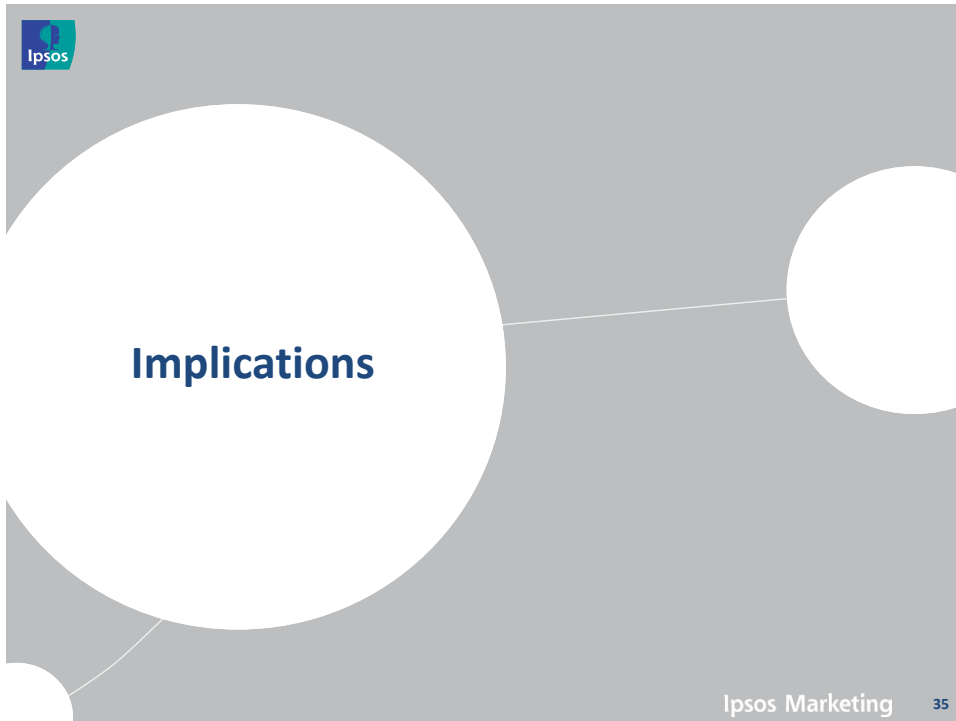


Q40. Which of the following best describes how satisfied you are with the resources or sources of information available for agri-food value chains or agri-food value chain management?

Q41. What are the key reasons why you are satisfied with the resources or sources of information available for agri-food value chains or agri-food value chain management?

Q42. What are the key things about the resources or sources of information available for agri-food value chains or agri-food value chain management that need improvement?

Base: Heard of agri-food value chains or used value chain management resources (Total n=313)



Implications

- Very few Ontario farmers are currently involved in a collaborative agri-food value chain relationship. However, the survey results confirm there is value in participating in a coordinated or collaborative value chain.
- In terms of outcomes, a vast majority of farmers who participate in a collaborative agri-food value chain believe their participation has contributed positively to the financial success of their operation and believe they have gained skills and knowledge from their participation. Furthermore, a vast majority are completely satisfied with the working relationship with their collaborative value chain partner(s). As a result, there are clear social and economic benefits in growing this value chain segment in Ontario agriculture.
- Because they currently represent significant barriers to growth, there is an obvious need to increase the awareness of and familiarity with agri-food value chains, the benefits as well as the skill set required to successfully participate in a value chain. Related to this, there is a need to increase the familiarity with resources, sources of information, or tools available regarding value chains.