

Piemonte's beef farmers organization ASPROCARNE

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2. General description of COFAMI

Main objective of the initiative:

Asprocarne is a producers' organisation of beef farmers founded in 1985 with the objective to reach the goals of Reg 1360/78 on producer groups and associations:

- Supply concentration and sales of members products (through collective agreements or on behalf of the members)
- Collective purchase of weaners for finishing farms
- Promotion and valorisation of members product through collective initiative (traceability system and quality certification marks)
- Technical support for the implementation of product certification schemes and traceability systems (traceability procedures, code of practice) either established by the organisation itself or by other third party (i.e. multiple retail chains)

2. General description of COFAMI

Size (number of members, sales):

- 982 beef farmers (2005)
- 100,000 heads/year sold on the whole (400,000 q.li dead weight).
- 13,000 heads are sold through trade service run by the organisation (aprox. 13% of yearly members production)

Geographical coverage (national, region): Region Piemonte (North-west of Italy)

Nature of products: Beef (heavy or light bulls and heifers)

Type of members:

- beef farmers specialised in finishing weaners Charolais, Limousine and Blonde d'Acquaine imported from France.
- cow-calf and finishing farms focused on local Piemontese beef breed.

2. General description of COFAMI

Type of (joint) activities:

1) **Trade service**: Sales on behalf of the members and through collective agreements:

- 1% of members' production is sold on behalf of the members by the organisation
- 12% through collective agreements with slaughterhouses

2) **Facultative traceability system** (Reg CE 1760/2000)

- 18% of production is labelled according with ASPROCARNE's traceability system

3) **Collective quality marks** based on collective production specifications ("DONO di NATURA", "ALLEVATO in PIEMONTE", "LA BLONDE")

- 15% is marketed under quality marks promoted and managed by the Organisation

Degree of collectivity

High heterogeneity of social base = **different degree** of involvement in the initiatives

Many farmers maintain their individual market relationship and/or join differentiation initiatives elaborated by multiple retail chains

Organisation and network relations

ASPROCARNE organisational structure

ADMINISTRATION BOARD
President Mr. Mario Panero

GENERAL SECRETARY
Dr. Giovanni Testa

COMMERCIAL SERVICE:

- Sales of members products;
- Drawing up of beef cattle sale contracts with slaughter houses; wholesalers or retailers

TECHNICAL ASSISTANCE SERVICE:

Implementation of codes of practice related to quality labels (certified supply chains):

- feed systems
- homegrown forage
- self-control documents
- cattle identification procedures and documentation

MARKETING SERVICE:

Promotion of collective marks through advertisements;
contacts with press and local tv network, presence in fairs, ecc.

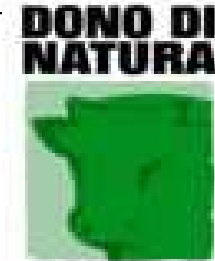
VOLUNATARY LABELLING SERVICE:

- Management of the informations flows from the farmers to the retailers;
- Control of the information transmissions system (database; computer network; information exchange procedures)
- Advice to new subjects (farm members; slaughterhouses; salers) who decide to adopt ASPROCARNE labelling system

2. General description of COFAMI

Type of joint activities:

Collective mark “DONO di NATURA”



Identifies at sales points beef produced according a common Code of practice:

- EU standards concerning animal welfare
- Feed ratio (admitted feedstuff)
- Minimum maturing period after slaughter
- Beef preservation requirements

An independent third body is charged with control activity (INOQ) who grants certification product.

The controlled supply chains involves:

- 31 beef farms;
- 1 slaughterhouse;
- 1 wholesaler
- 60 butchers

IN 2005, cattle marketed under the logo DONO di NATURA were 5.163 heads (5% of total production)

2. General description of COFAMI

Type of joint activities:

Facultative traceability system (Reg CE 1760/2000)



Traceability till the sale point of facultative informations:

- Breed; age and sex of the animal
- Category (bulls, heifers; steers, ect.)
- name of the farms
- “Ratio with no animal fats added”

An independent body is charged with control activity (INOQ).

The controlled supply chains involves:

- 974 beef farms;
- several butchers and 2 multiple retail chains (GULLIVER; AUCHAN)

IN 2005, cattle labelled according ASPROCARNEs traceability scheme were 18.670 heads (18% of total production)



2. General description of COFAMI

Type of joint activities:

Collective mark “LA BLONDE” established in 2005 for the valorisation of Blonde d’Acquitaine beef breed.

Until now 2 small retailers have joined the initiative.



Collective mark “ALLEVATO in PIEMONTE” established in 2006. It is based on a code of practice and is supported by ASPROCARNE ‘s facultative traceability system.

Until now 60 small retailers have joined the initiative



2. General description of COFAMI

What is the benefit of collective action for members?:

As **products certification** is concerned (traceability/quality certification)

- durable trade relations with customers (qualified supply);
- sales programming;
- protection against potential consumption crisis (demand for safe beef).

As **supply concentration** is concerned:

- more regular deliveries and countervailing contractual power.

As **demand concentration** is concerned:

- Collective purchase of weaners reduces the purchase prices and heterogeneity of quality

Collective purchases and sales mainly involves small farms (< 100 heads)

3. Dynamics of the COFAMI

General overview of time-line of COFAMI

- **1985:** ASPROCARNE is founded. It starts to work at “Beef Plan”, a national initiative to encourage “safe” beef production (control on prohibited substance in collaboration with local vet services)
- **1988:** Region Piemonte promotes *beef guarantee certificate* (l. reg. 35/1988) that identifies beef submitted to additional controls from the farm to retail. It is one of the first example of traceability systems applied in beef sector.

Producers associations are asked to give administrative support to the initiative.

- **From 1993 to 1996:** ASPROCARNE becomes the regional organisation most involved in the regional project managing all the certification procedure. Controls only are run by regional services. Its aim is to give more strength to the project asking producers and small retailers to join it.
- **1996-1997:** 1st BSE crisis. Adherence rapidly increase: 300 butcheries and 1.100 farmers take part in the controlled supply chain.

3. Dynamics of the COFAMI

General overview of time-line of COFAMI

- **1997:** Issue of Reg. EC 820/97 regarding the labelling beef and and beef products as reaction to disruption of consumer's trust in beef.

ASPROCARNE starts to work at a project of a voluntary labelling system.

Meanwhile it creates its own quality mark "DONO di NATURA" in collaboration with one slaughterhouse and one wholesaler

- **2000:** MIPAF approves voluntary labelling code established by ASPROCARNE.

The first beef products labelled is Piemontese beef breed produced by Coop. "La Granda" (whose members are also ASPROCARNE members)

- **2002:** Nr. of Members joining voluntary traceability system rapidly increase up to 978 due the supplementary direct payment established by Italian State as integration of slaughter premium (beef CMO).

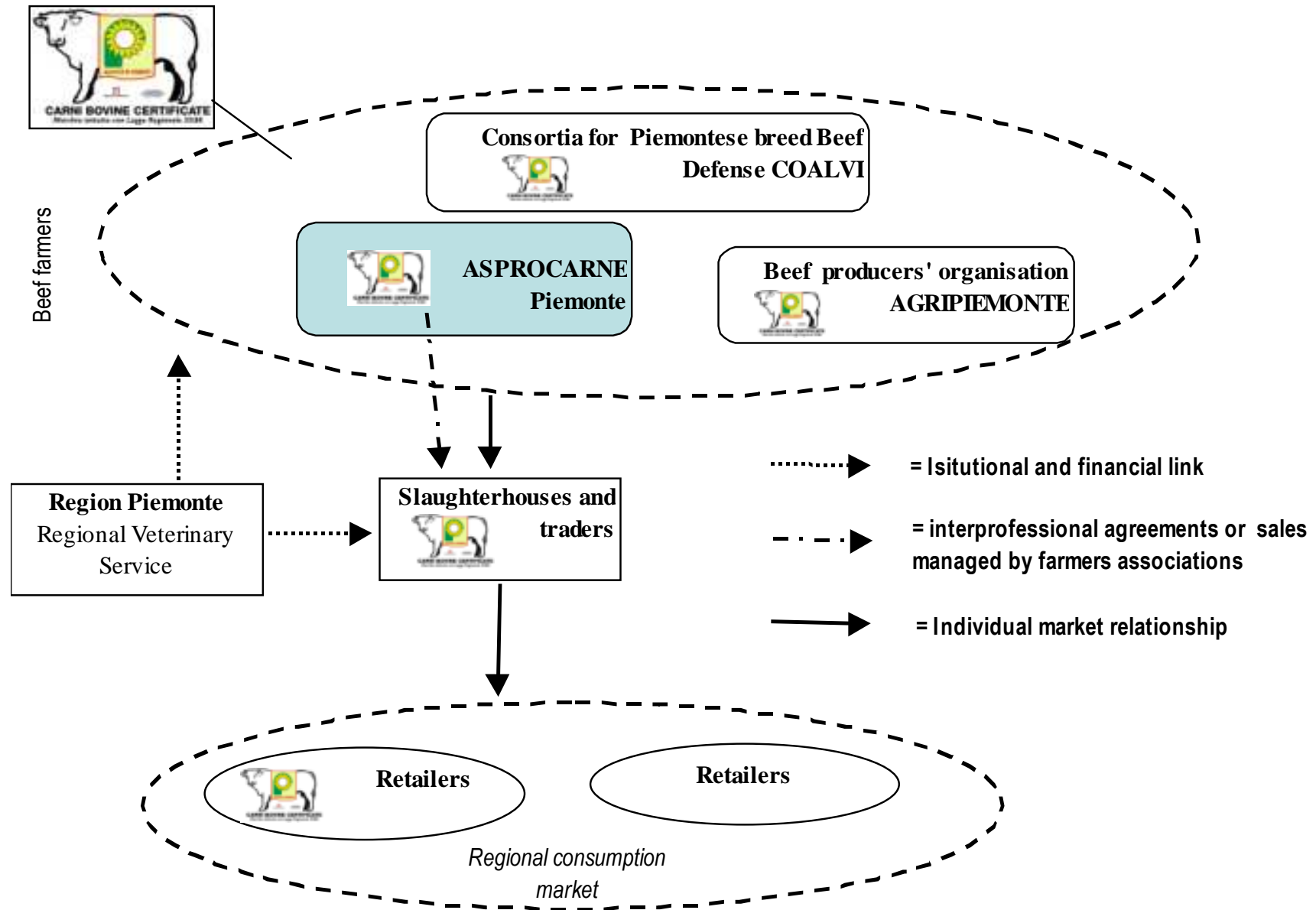
- **2006:** The regional law 35/1988 (*beef guarantee certificate*) is abrogated

ASPROCARNE decides to set up a new controlled supply under the mark "ALLEVATO IN PIEMONTE" intended to replace old regional certification (code of practice supported by voluntary traceability system). Until now 60 butchers have joined the initiatives.

4. Development stages and network

Development stages and network relation.

1. From 1988 to 2005. The regional program “Beef guarantee certification”



4. Development stages and network relations

From 1988 to 2005. The regional program “Beef guarantee certification”

ASPROCARNE became the main institutional subject promoting the regional initiative

- managing administrative procedures
- looking for new operators (butchers and their supplying farms) at the aim to enlarge the supply chain.

1st BSE crisis gave great impulse to the project

Actors involved in 2005:

- 900 beef farmers
- 250 butchers and small retailers

Cattle certified were approx. 17,000

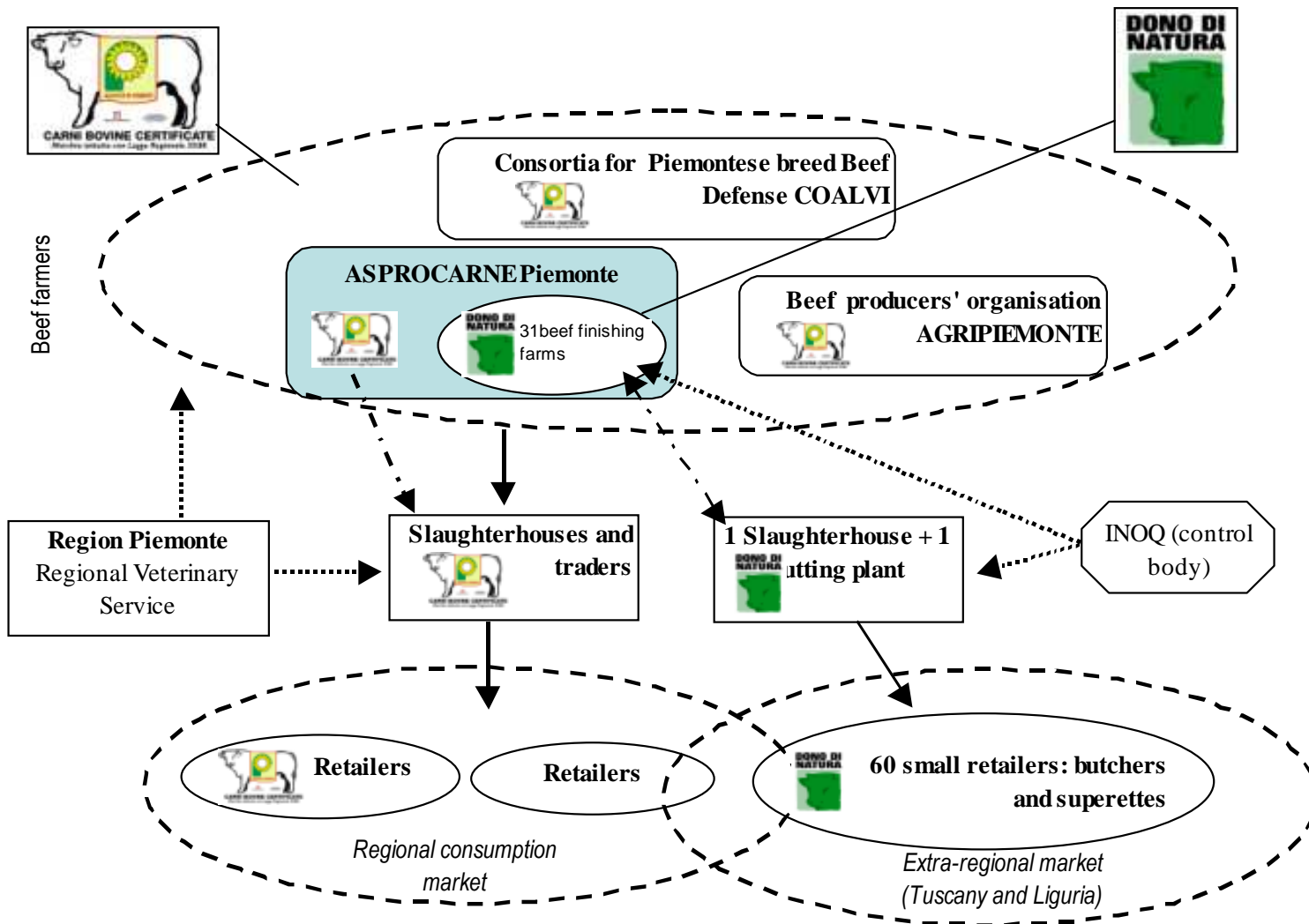
Being a regional initiative, the market of certified beef was limited to the Region Piemonte

Starting from 2006 regional certification has been replaced by the quality mark
“ALLEVATO in PIEMONTE”

4. Development stages and network

Development stages and network relations.

2. From 1997 onwards. Controlled supply chain "DONO di NATURA"



4. Development stages and network relations

From 1997 onwards. The quality label “DONO di NATURA”

In 1997 ASPROCARNE created its own logo “DONO di NATURA” exploiting financial resources offered by EU (Reg. 2067/92 measure to promote quality beef):

Setting up the certification scheme was possible thanks to the collaboration of 1 slaughterhouse

Actors involved in 2005:

- 31 beef farmers
- 1 slaughterhouse and 1 wholesaler
- 60 butchers and small retailers (Piedmont; Tuscany; Liguria)

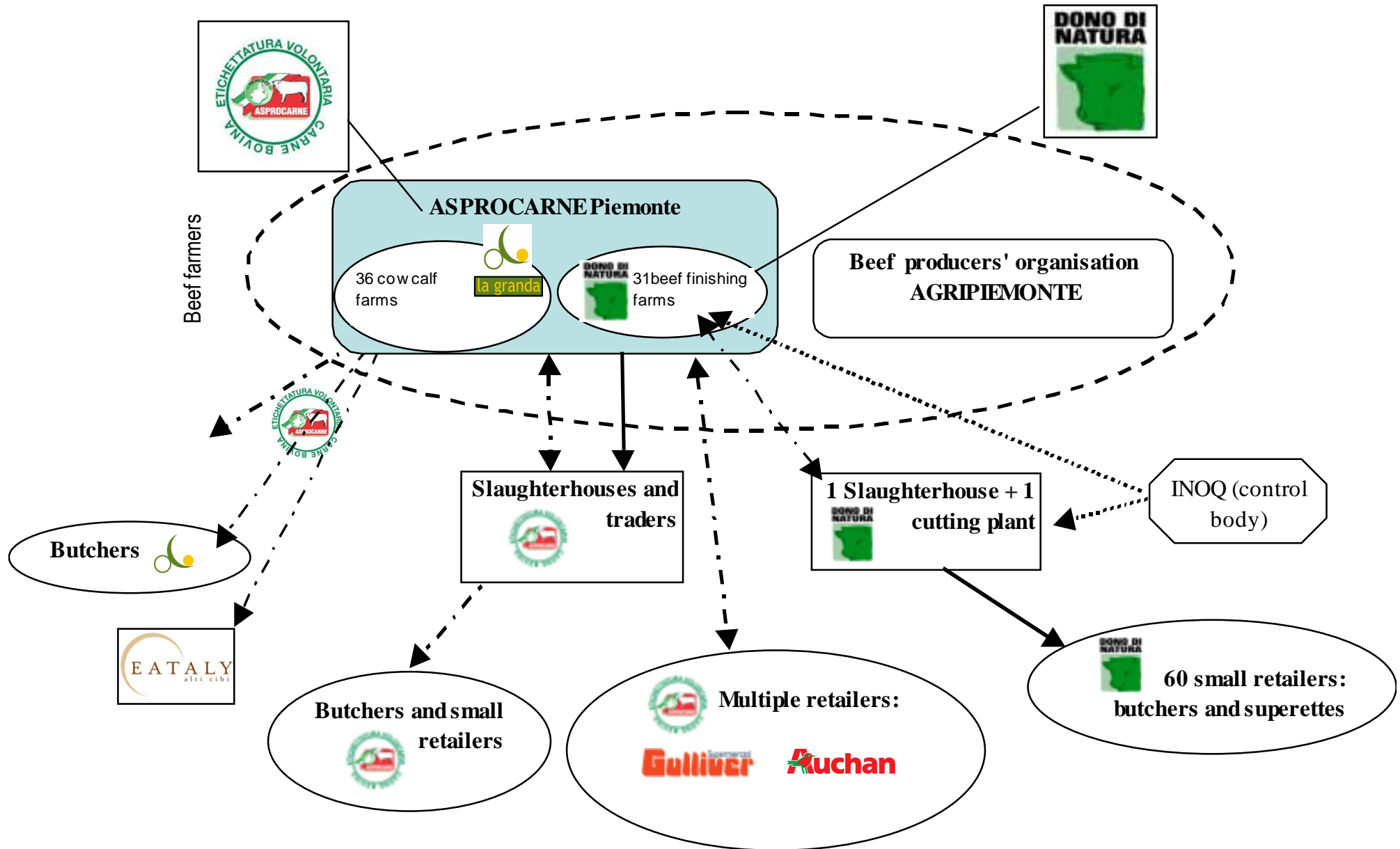
Cattle marketed under the logo were 5,160 (5% of total members' production)

During the last 5 years volumes marketed have not increased:
the industrial partner does not allow to enlarge the supply chain (involving further farmers and slaughterhouses)

4. Development stages and network

Development stages and network relations.

3. From 2001 onwards. ASPROCARNE's facultative traceability system



4. Development stages and network relations

From 2001 onwards. ASPROCARNE's facultative traceability system

After the 1st BSE crisis ASPROCARNE starts working on a the project of voluntary labelling system (ex. Reg 820/97). It was approved in 2000.

- In 2001 around 500 heads were labelled according with the traceability scheme (Coop. LA GRANDA) .
- In 2002 all ASPROCARNEs members adhered (due to the additional payments established by Italian State):

Between 2002 and 2005 heads labelled increased from 17,500 to 18,700 (18% of total production)

Traceability system has given the opportunity to establish trade relations with with big retail chains:

- **Gulliver:** (superettes in Piemonte; Lombardy and Liguria): around 8,000 heads/year.
Volumes are increasing
- **Auchan:** no more than 340 heads/year (exclusively Piemontese breed beef)
- **Carrefour:** collaboration broke down in 2005, after the choice to adopt its own traceability system, differentiating beef by means of its own quality mark

Limiting factors

SOCIAL-CULTURAL

- The reluctance to collaborate unlike immediate advantages are visible
- Heterogeneity in farm size among members which created subgroups of beef farmers, but not a strong identity

ECONOMIC AND MARKET

- Slaughterhouses prefer to have trade relationships with single farmers and not with their organisations
- In the beef sector multiple retailers prefer to work only with slaughterhouse (unequal distribution of power in the chain)

Enabling factors

INSTITUTIONAL

- Financial aid from EU and national regulations for producers organisations
- Financial support for the set up of quality certification schemes
- Regional support to promote regional beef certification

MARKET DRIVEN

- A marketing initiative based on quality differentiation exploiting the presence of the Piemontese beef breed (La Grande)
- Strong collaboration with French suckler cow farmers enabling the programming of supply in particular for small beef finishers

Impact assessment

MARKET SHARE (+):

- Accounting for 100,000 heads per year, ASPROCARNEs members production (on the whole) represents 25% of regional production
- Members production traded by ASPROCARNE is about 3% of the regional production
- Production marketed under the label “DONO di NATURA” is less than 1,5%
- Production traced according with traceability system is 4%

PREMIUM PRICE (=):

- In general no premium price is obtained by the initiatives established by the organisation.
- Main benefits are in terms of durable trade relations, programming sales, enforcement and defence of contractual position (small farmers).

A conclusion

In a commodity market, having limited possibilities of product differentiation, a new collective marketing organisation has difficulty to have success (premium price), as long established market relationships have to be broken down. In a commodity market only a strategy based on market power is feasible.

In order to have success the low existing transaction costs of existing market relations have to be exceeded rapidly by a high premium price

Very important enabling factor for collective marketing success is the possibility to exploit a characteristic of differentiation related to the product (breed, PDO-PGI, organic etc.) where a premium price is more easy to obtain