International Food and Agribusiness Management Review
Vol 5 Iss 4 2003

Executive Summaries

The Perception of Changes in Agricultural Cooperatives due to a Strategic Alliance: The Case of Swine Raisers Cooperative from Encantado-RS (Brazil) and Tetra Pak

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To cope with the environmental changes, the Brazilian agribusiness sectors went through a process of deep transformation and many companies had to turn to mergers, acquisitions, and successions. The alliances can change the characteristics of the partners' enterprises even for the agricultural cooperatives. The main objective of the research was to analyze the strategic alliance with Tetra Pak LTDA and the main process used by Cosuel in its restructuring during the period or 1997—2000.

This work is a case study. Multiple theoretic propositions (strategic alliances, change cube, double cooperative complexity) guided the collection and analysis of the information. It has an exploratory nature and is founded on information gathered primarily from "in depth" interviews. The focus of analysis was the Strategic Unit of Dairy Business of Cosuel. The participants in the research were: the dairy unit manager, development manager and financial manager of Cosuel, the manager of Tetra Pak LTDA in Rio Grande do Sul, five associates that knew the alliance formation, and fifteen associates, milk producers, from the milk region chosen at random. The secondary information was gathered by document analysis. Content analysis technique was used in the treating of the information gathered in the interviews.

Under the perspective of the change's cube two important change dimensions can be seen:
Strategy: change in Cosuel's relation with the market and the production of milk in terms of: vision (focusing on better quality); positions (repositioning of the milk on the market); programs (change in the handling of the animals, collecting and transporting of the raw material, quality control of the milk produced, genetic material and new equipment,

payment of money grants for quality and quantity produced); products (sterilized box milk substituted the entire previous line of production);

Organization: modifications in Cosuel for example; its culture (revitalizing the cooperative spirit in social and functional areas); structure (establishment of a minimum of 20 liters milk/day by producer with a standard of high quality, which caused the shutting down of cooperators which could not keep up with the process); systems (reformulating of control systems); personnel (intensive entrainment, and substitute the non-qualified ones).

The change's cube can be identified both in concept and concretely. The process for Double Complexity Cooperative (Pedrozo 1995), in Cosuel's directors' opinions "cooperative company" (economic dimension) and that of the cooperators "solidarity cooperative" (social dimension) giving it activities which are trustworthy and profitable, and bettering its quality of life. The "cooperative entrepreneur" has already attained a more comfortable economic and financial position.

The management implications that occured were:
- The technologic capacity Tetra Pak of packaging milk force the use of "intercooperation principle";
- The strategic alliance with Tetra Pak forced a change both in and out of the cooperative. The bettering in the quality and quantity of production, and the bettering of the cooperative's market position by having the low profit products eliminated was evident;
- The cooperative's culture went through a transformation, becoming more professional, searching for results, achieving goals, motivating employees and cooperators to keep updated.

Towards an improved environmental reporting structure for companies in food and agribusiness chains

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The research question of the article is: Why do Dutch companies in food industry and agribusiness chains have only a limited environmental performance? Are there possible improvements with respect to the information and communication structure that enhance environmental performance?

The study encompasses an empirical research with respect to a representative sample of 498 companies in the Dutch Food Industry and agribusiness (out of a total of 2600 companies with 5 employees or more). The questions referred to the horizontal information and communication structure (that is, between chain partners) as well as the vertical structure (between companies and government).

Embeddedness in a network of relationships, both horizontally (institutions that give guidance, monitoring by chain partners etc.) as well as vertically (regular visits of governmental agents, covenants etc.) seem to promote corporate environmental performance. Governmental agencies should keep close ties with companies on a basis of mutual respect and cooperation, so that performance (measured by regarding information given and environmental care) is improved.

Managers should be open to advise and keep close relationships with companies in the same branch and/or with governmental agencies, and seek (in coming up to public environmental demands) for synergy with normal business operations, so that ‘pollution prevention pays’.

Carbon Market: Business Incentives for Sustainability

Marco Antonio Conejero, Elizabeth M.M.Q. Farina

Making use of the teachings of Nobel Prize Ronald Coase in his work “The Problem of Social Cost”, this paper has as a research problem to study the definition process of the property rights and institutional change to creation and development of the carbon market.

The Protocol resulting from the 1997 Conference of Parties in Kyoto finally set emission caps for several developed countries and introduced the possibility of market creation mechanisms based on carbon emission trading. The Clean Development Mechanism (CDM) was then created for emission trading between countries with caps and those with no caps. The CDM market will pursue the opportunities for lowest costs on carbon reductions available in each country with no emission target, as is the case of Brazil. But the positive differentials of Brazil will only be realized if there is, mainly in national terms, a clear institutional guidance of support to the consistent initiatives of CDM projects.

According to Coase (1960), if property rights are clearly assigned and the transaction costs are sufficiently low, the parties will negotiate freely rights to pollute and they will achieve the economic optimum. Our hypothesis is that, specifically in Brazil, property rights are not well defined raising transaction costs. Through the light of theoretical concepts, we have prepared a questionnaire that led the interviews with five pioneer companies of Brazil in CDM projects to identify the main sources of high transaction costs. At the present stage of development of this market, these companies make up a representative sample showing the Brazilian companies that dared in prospecting the activity of GHG mitigation.

As results, facts like the difficulty of information attainment, formation of an internal group to follow the process, failures on the technical consultancy performance responsible by the project document (PDD), too much bureaucracy and slowness on the projects approval by the National Authority (DNA), absence of a single organ in the government acting as a National Authority (DNA), transactions with developed countries or multilateral organisms, recruiting of a Certifier Entitiy (DOE) with good international reputation and with warranty of approval of the project; they show that the transaction costs are high and can make difficult the meeting of buyers and sellers on the bargain of rights to pollute.

As conclusions, Brazil has business opportunities to benefit from the development of the carbon market, but the survey demonstrates that there are obstacles for it. And as suggestions, there is the need of institutional changes in Brazil like CDM national regulation with the definition of domestic rules and guarantee of property rights. This work is a little contribution to show as agribusiness managers can benefit of this market avoiding larger risks and, at the same time, to add value to the company as an agent in the combat to the climate change.

Sugarcane Growers' Perceptions of a Graduated Mortgage Loan Repayment Scheme to Buy Farmland in KwaZulu-Natal, South Africa

Mark Darroch, Mopai Mashatola

Improving access to land by people previously excluded from the land market can promote long-term political stability and economic growth in South Africa. Private sector sugar millers tried to facilitate such access by selling farmland during 1995-2000 to highly-leveraged, aspirant medium-scale commercial farmers (MSFs) in KwaZulu-Natal province using a graduated mortgage loan repayment scheme (GMLS) administered by Ithala Bank. This paper reports on a survey in 2001 of the MSFs' perceptions of the GMLS that aimed to identify what aspects could be improved to *better implement* future rounds of this scheme, or similar private/public sector GMLSs for other farm sectors.

Personal interviews were held with the 99 MSFs in the scheme in June 2001 to elicit their views on aspects such as the cash flow problem associated with land purchases; the 20-year sugarcane supply agreements that they signed when buying the farms; the quality of mentorship provided by the millers; loan terms; and co-ordination and farm valuation issues. Given the 89% response rate, the results adequately represent their perceptions of the scheme's performance to date. Logit analysis was also used to identify why most (68%) of the sample MSFs would have opted to first rent land before buying.

Most of the MSFs had experienced liquidity stress that is typically associated with trying to repay debt in the early years after land purchase, and felt that the sugarcane supply agreements constrain enterprise diversification. Between 60% and 100% of the MSFs in five of the seven home delivery mill areas were not satisfied with the mentorship provided by the sugar millers. Over 54% of respondents were clearly informed about the structure of the graduated loan repayments, and received their loan statements on time. Over 90% of the MSFs would like a co-ordinator to monitor/advize on how to improve their financial performance, and felt that an independent valuer should value the farms that will be sold. The MSFs who opted to first rent farmland wanted to increase their equity before buying; perceive that annual returns are low relative to farmland value; are younger; have less farming experience; and have more formal education.

These results suggest that liquidity management skills will be critical if new MSFs, or the beneficiaries of other GMLSs, are to successfully access land when they are highly leveraged. The high rate of preference for first renting farmland implies that the MSFs seem to still experience cash flow stress despite having graduated repayments. Options to improve client liquidity in this or other GMLSs include requiring larger equity down payments, choosing buyers with substantive off-farm income, making reasonable drawings levels, and renting before buying (particularly for younger, less liquid growers with less farming experience). Further research is needed to establish whether the millers can afford to change the terms of the 20-year sugarcane supply agreements.

Industry players could leverage international donor funding for empowerment projects to improve the quality of mentorship programmes. Ithala Bank can improve client service by more clearly communicating the structure of the graduated repayments, sending loan statements on time, and helping clients to interpret loan statements. There is also a new commercial opportunity to act as a co-ordinator to monitor/improve the MSFs' financial performance. Using an independent farm valuer would avoid perceptions of bias in the valuations of farms offered for sale in such schemes.

Valuation of Target Firms Acquired In The Food Sector During The 1996-2001 Wave

Francis Declerck

The question posed in this paper is to update knowledge about food corporation' value during those last years, particularly the during the last wave of mergers & acquisitions (M&A) from 1996 to 2001.

The paper studies valuation ratios of food companies that were part of M&A involving at least one French company during the 1996 – 2001 period. Data about corporate valuation are available for 100 transactions. Valuation is studied as a multiple of total annual sales, earnings before interest, tax, depreciation and amortization (EBITDA) and net profit.

Results converge to value food company 1.1 to 1.4 times its sales, 15 times its EBITDA, 24 times its net profit. There is no significant difference of “valuation to turnover” ratios among M&A involving only French firms and M&A involving companies from different countries.

Corporate valuation may differ according to food sub-sector:

- Valuations in the wine and spirit sector exhibit significantly larger figures than valuations in the other food sub-sectors. A wine and spirit company is worth about 2.5 to 4 times its sales.
- In contrast, retail company is worth only 0.5 to 0.6 times its sales. However, specialized retail firms seem to be valued at higher levels.

M&A were mainly involving a French and a non French company over the period. So, transactions are more and more international.

The findings provide signs about corporate value and the evolution of M&A, so managers have further benchmarks to value corporations they want to buy or sell. The findings also confirm the internationalization of food companies during the last years.

Further research could be done to compare corporate valuation in Europe and North America. Such research would be very useful since the 1996-2001 period exhibits increasing international M&A among companies from different countries.

Sustainable Agribusiness: Developing Local Solutions to Global Challenges in the Regional Agribusiness Sector in Australia

Peter Hansford, John Cary and Emma Coath

This paper describes the process of engaging agribusiness communities in the State of Victoria in Australia, where the State Government is actively encouraging the development and maintenance of sustainable networks of agribusiness-related entities in regional and rural areas. The idea of sustainable communities, dependent on agribusiness, is based on the need for a *broad social sustainability* reflecting responsiveness to wider social and economic change. Agribusiness forums have brought agribusiness leaders together to allow communities to better influence their own destiny by developing relationships and networks between synergistic and competing businesses, and to encourage locally based businesses to explore export opportunities.

In rural Australia, social sustainability is typically reflected in the maintenance of social networks among residents of a rural area, the viability of the rural towns and the associated provision of infrastructure, facilities and services. State and wider community support to develop the ‘macro elements’ of social capital is essential to create a competitive agribusiness sector, which contributes to social and economic sustainability in rural and regional areas.

A government community partnership can exist when there is a common understanding of the opportunities and constraints facing regional agribusiness development. Such a situation provides the opportunity for community empowerment. The Victorian Agribusiness Networks program is an example of how government is engaging and empowering agribusiness communities in regional Victoria. Victorian agribusiness forums are part of the social and economic framework of their region and involve all stakeholders in the agribusiness sector. In the attempt to drive innovation in the agribusiness sector in the region, members of the forums share knowledge and information, and collaborate with regional research and development (R&D) institutions including universities and other training institutions.

The development of agribusiness forums in Victoria may be seen as case studies for partnerships between government, industry and community in the regional development of the agribusiness sector. The agribusiness forums can provide a strategic direction to activities that contribute to economic development and wealth creation and improved social and community infrastructure for communities dependent on the food, fiber and forestry industries.

Supply chain management, agricultural policies and anti-trust: the case of Parmigiano Reggiano and Grana Padano

Francesco Braga, Michele Nardella

The application of Anti-trust regulation to Food and Agribusiness chains is often complex and the repercussion of any decision may be felt in somewhat perverse ways by different levels of the chain, in particular when they experience different bargaining power. Existing agricultural policies have often addressed a (perceived) lack of bargaining power by producers, and have introduced some measures to “balance” it. These “measures”, as legitimate and established as they may be considered by the producers, may be in “conflict” with the anti-trust regulation, and anti trust authorities may intervene and introduce significant changes and chain re-alignment.

This paper considers one example of such “conflict”: the 1996 decision by the Italian Antitrust Authority (IAA) to stop “non-competitive” behavior in the Parmigiano Reggiano and Grana Padano markets, and documents the ensuing significant price transmission changes both within each chain and between the chains.

In October 1996 the two producers associations were found guilty of uncompetitive behavior and given three months to change it, de facto terminating any market coordination practice. This resulted in significantly lower prices for the cheese producers with little benefit accruing to the final consumer, a perverse result for an investigation initiated on concerns for retail prices.

The ‘self-regulation of producers’ mandated by agricultural policies provided leverage when confronting the market power of wholesalers and retailers. The IAA ruling obviously has changed this equilibrium. The decision has affected more the Parmigiano Reggiano, whose producers face the most restrictive production protocol, and, because of that, have the most expensive milk with no alternate uses.