



# **Harvest and Market Animal Products Handout 7 Cooperative Marketing**

## Cooperative Marketing and Distribution

A cooperative is an organisation comprising a number of individual farmers as its members. A cooperative is formed to benefit from the economies of scale that their collective supply and marketing of product can achieve. This benefit can take various forms, most of which relate to the increased bargaining power that large volumes of products can achieve over smaller, fragmented volumes.

In terms of the marketing and distribution of fresh farm products, the cooperative has certain features that make it either attractive or unsuitable as a structure for individual growers to use.

The members of the cooperative usually comprise a number of individual farmers located within close proximity of distribution channels. As a group the producers can offer the market-sustained volumes of a range of products or cultivars over an extended period.

The management of the cooperative negotiates with distribution service providers and evaluates market segment options on behalf of its members. Armed with the supply volumes of its members, the cooperative is able to negotiate from a position of strength and is usually able to conclude favourable contracts with export agents and importers.

One factor that can weaken the cooperative's bargaining power is the potential variability of the quality of produce emanating from its range of producers. All cooperatives have strict quality management systems in place, but quality variation is an inherent risk in system where fresh farm products are supplied from many individual producers.

### **Distribution Channel Budget**

Most costs associated with the production and packing of fresh farm products are fixed.

Since there are various distribution options and logistics service providers from which to choose, costs can be saved in this area. It is therefore important to compare prices for the various stages of the distribution chain and use this information to create a distribution channel budget.

The distribution budget serves as the financial expression of the distribution plan and in its formative stages is a useful tool for comparing different options.

### **Monitoring Distribution Channels**

It is important for the farmer to enter into a contract or service-level agreement with the chosen transport and logistics service provider. In this agreement, the required service delivery standards should be clearly described.

The actual service delivery is measured and monitored against this agreement, and payments are made accordingly.

To ensure ongoing compliance by the service provider, it is important to maintain short interval control so that service delivery problems can immediately be brought to the attention of the service provider and appropriate action taken.

### **Monitoring the productivity of Transport providers and Distributers**

The most obvious way of measuring the efficiency of transport and distribution contactors involved in the fresh farm product supply chain relates to the final condition and quality of the product they have been responsible for conveying.

Fresh farm products are by nature, perishable products with a limited shelf life. Once the product has been produced, harvested and packed, time and temperature become the crucial parameters determining its quality and condition during and after the transport and distribution process.