STRONGER TOGETHER, BUT HOW?

LESSONS FROM THE WALLOON DAIRY HISTORY ON THE STRATEGIC RELEVANCE OF COOPERATIVE MODELS

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Challenges of sustainability in agri-food value chains







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Value chain organisation and practices

Agri-food cooperatives can act upon these sustainability challenges



Institutional support

- Coordination communication on agro-environmental schemes
- Administrative support to participants



Differentiated payment for particular practices

- Collective and inter-organisational agreements
- Premiums on top of standard prices



Exploration of higher added value market pathways

- Differentiated quality
- Product identity

Challenges of governance in the exploration of sustainability pathways



From vertically integrated cooperatives to a variety of models



Is the relevance of cooperative model dependent upon context?



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A historical study of cooperative models

Walloon dairy cooperatives – evolution from the 1960s to the 1990s



A study in two steps

1. Classification of the models enacted



A study in two steps

2. Analysis of the models' features



Main results – vertical organisation

	No vertical coordination	Vertical coordination	Vertical integration
Strategic advantage	High demand – specific features	Participation to multiple processing	Long-term investment in processing pathways
Interaction-patterns → effects on TC and GC	Negotiation - !!!! Power effects can increase TC	Negotiation – dialogue	prevents monopsony while limiting GC
Effect on commitment	Success → commitment	Commitment based on confidence → democratic control	Lon-term commitment essential → democratic control
Competitive advantage	Position of power/ability to market specific features	Ecosystem logic Co-existence of processing models	Cost-effective upscaling

Main results – horizontal organisation

Horizontal coordination

Strategic advantage

Interaction-patterns → effects on TC and GC

Effect on commitment

Competitive advantage

Partners autonomy Pooling of resources !!! Competition and mismatch between partners – support for dialogue

Ecosystem-logic with power gain

 Merger

 Unified strategy

 Cost-effective on given market segments

 I!! Representation influences commitment

 Power through unity

From cost-optimization to strategic relevance



Optimization of governance and transaction costs

Strategic relevance (incl.effect on commitment) and competitive advantage in a given context

Cost-efficiency and strategic efficiency as relative concepts



V.De Herde, 2023. Stronger together, but how? Lessons from the Walloon dairy history on the strategic relevance of cooperative models, *Journal of co-operative organization and Management*. <u>https://doi.org/10.1016/j.jcom.2023.100198</u>

A practical example of value chain coordination for differentiated quality

- New cooperative models coordinated
 - with incumbent vertically integrated dairy cooperatives
 - with cooperative or non-cooperative processers in the value chain
- Facilitation of services for differentiated quality :
 - Separate milk collection of specific farmers
 - Separate payment of these farmers
 - Exploration of niche pathways of differentiated quality
 - Case-by-case negotiation on the definition of quality

V.De Herde et al, 2020. Coexistence of Cooperative Models as Structural Answer to Lock-Ins in Diversification Pathways: The Case of the Walloon Dairy Sector -<u>https://www.frontiersin.org/articles/10.3389/fsufs.2020.584542/full</u>

Main conclusions of the study

- There is no absolute "best choice" of cooperative model
- A model that is unadapted to a given context may see:
 - ↑ costs (transaction and/or governance)
 - \downarrow commitment
- Dialogue and democratic control as key features of strategic relevance accross models
- Positive feedback effects may emerge from adequate coordination