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## **Do farmers get value from value chains?**

Farmers will not automatically increase their profitability just by being participants in value chains managed by food processors or food retailers. They need to develop some unique features for their businesses that others cannot easily copy.

This is the key message for farmers arising from research that Agribusiness consultant Michael O’Keeffe has completed for the Australian Farm Institute, and which was released at a series of seminars held in Melbourne, Brisbane and Sydney.

The research aimed to investigate whether farmers gained any benefit from being integrated into value chains, rather than simply selling their farm products through traditional agricultural marketing systems.

The study involved an examination of seven international case studies where groups of farmers have formed alliances with food processors or food retailers to market agricultural products. The case studies included vegetables, fruit and livestock products.

The case studies were specifically selected to cover a range of business designs, each of which involved different ways of integrating farmers into value-chains.

“There are plenty of stories about how such arrangements disadvantage farmers, but the case studies included in this research also highlight that there are plenty of success stories as well,” said Mick Keogh, Executive Director of the Farm Institute.

“What is obvious is that in cases where farmers have successfully been able to obtain extra value from such marketing arrangements, this has occurred because the farmers have developed unique skills and capabilities that cannot easily be copied by others, including other organizations involved in the value chain.

“These unique skills include specific agricultural production skills for certain commodities, but also additional skills such as being able to accurately forecast supply, the ability to have produce available to meet specific seasonal demand, unique packaging and transport arrangements, or even the ability to meet specific quality or accreditation requirements.”

What is also evident from the case studies is that becoming involved in a value chain is not a ‘set-and-forget’ operation.

Markets are constantly changing, and good market intelligence systems and open communication channels with other participants in the value chain is an important way of ensuring that value chains develop resilience, which enables them to evolve in response to changing markets.

Author Michael O’Keeffe presented the results of this research in a series of masterclass seminars held in Brisbane, Melbourne and Sydney. The report is available on the Australian Farm Institute website [www.farminstitute.org.au](http://www.farminstitute.org.au)

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