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Technical Assistance for the Study on Development of Collective Application Models for Small Farmers

Farm Partnership and Collective Applications



Agamemnon
Consulting Group



This booklet explains the concept of Farm Partnership, ways to manage a business and apply for rural development supports collectively as well as its advantages

FARM PARTNERSHIP AND ITS IMPORTANCE

“united we stand united we are stronger”
“teamwork makes the dream work”

“teamwork makes the dream work”

Although there are 23.8 million hectares of agricultural land in Turkey, the average amount of land per enterprise is 59 decares, where average agricultural holding size in the EU is around 15 to 16 hectares. Inheritance law is one of the most important reasons why agricultural lands are small and fragmented. There are 3 million agricultural holdings in Turkey and 40 million shareholders owning partial stocks in these holdings, the ability of a farmer to utilise its land and make enough capital to maintain welfare is very hard. Division of land prevent the efficient operation of agricultural holdings, causing "subsistence agriculture" instead of "commercial agriculture".

Among the reasons for the emerging concept of “shared farming” or “farm partnership” are due to the increasing costs in production and the reduced capacity to invest in irrigation, modernisation, purchase of equipment etc.

To prevent the effects of increasing production costs, partnerships are made to increase the amount in the efficiency of investments. In Europe, farmers came to benefit from a range of grants to be encouraged and sustain the development of farm partnerships.

An agricultural partnership originates when two or more farmers enter into a resource-sharing agreement. In this way, farmers can benefit from advantages that they cannot enjoy alone, such as economies of scale and a better work-life balance.



Cooperatives

play a fundamental role in the agricultural sectors of many countries. A farmers' co-op is a cooperative where farmers pool their resources in certain areas of activities.

FARM PARTNERSHIP AND ITS IMPORTANCE

Very successful examples in advanced economies may be found in all sectors where, after harvesting, it is necessary to invest in capital equipment to increase the overall efficiency and the final added value of the goods. The transformation of grapes into wine and of olives into oil requires expensive equipment to be efficient.

It makes sense for farmers to share both its acquisition and its use. Also stocking cereals, potatoes and fruit and vegetables to wait for the best-selling periods requires an increasing level of capital investment. The unitary fixed cost is much lower if the dimension of the storage and the level of production is large.

This explains the success of the so-called storage cooperatives in many advanced economies.

A single small farmer works in a competitive market when producing and selling his products, while all other farmers are his competitor. However, both the market for the necessary technical inputs and for selling his goods are nowadays dominated by different degree of oligopolies. The negotiation power of the farmer, when he is dealing with his providers or his clients, is in both case exceptionally low. In this situation, the risks connected with growing crops can be unbearable. Also, trying to be competitive, a farmer may decide to make an investment by buying assets like a tractor or a harvester. Due to the seasonal type of work this kind of equipment stand idle most of the time and the fixed cost becomes large regarding the output.

The union of farmers into a cooperative means that they do business as a unit, and it offers many advantages. These are:

- a lower overall production cost
- risk mitigation
- better access to markets, due to the larger supply
- a higher level of specialization can be achieved in every step of production and transformation of goods

The pooling of agricultural machines is the main activity of a supply cooperative that purchases the necessary equipment for all the members to use.

FARM PARTNERSHIP AND ITS IMPORTANCE

During stakeholders' meetings, it will be necessary to understand if this kind of organization can lead to an increase of applications to IPARD projects by small farmers. Even understanding what kind of obstacles discourage farmers from applying may be interesting since some of the obstacles can also be removed in the short run. However, there are management problems that are very much connected with the willingness of farmers to coordinate their actions and follow the managerial decisions.

In brief, by becoming a cooperative member, the single farmer may feel like losing his freedom and independence. The cooperative, to be successful, needs to become a large producer where the production units are distributed and yet coordinated across a territory.

In this way, for example, a single harvester can be employed for much longer during the season, working on a much larger land surface made of the members' farms: the investment is more efficient. Particular care has to be put into the scheme for proportionally sharing the income generated by the cooperative: misunderstandings and jealousies among the farmers can arise if there are not clear and shared rules that the farmers themselves democratically choose.

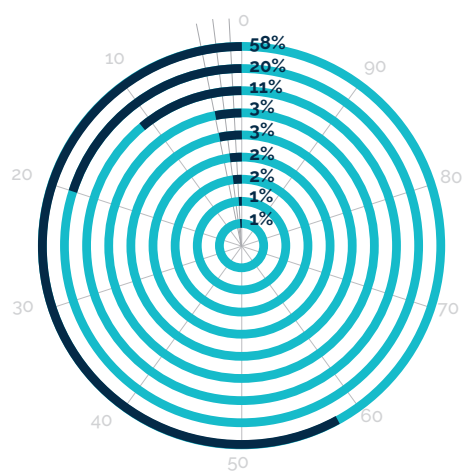
Eventually, it is noteworthy that the development of a farm movement in France and Italy recomposes machinery and labour sharing arrangements by developing agroecological practices: the collective organization on which a machinery cooperative is based allows for the development of a niche of innovation by combining a farming system with fewer inputs.

On the other hand, **Producer organizations (POs)** are a fundamental part of the Common Agricultural Policy since the definition of the common market organization. Their main aim is to concentrate the supply and thus enhance farmers' bargaining power with regard to the other supply chain actors.

In a producer association, farmers produce the same type of good. They are also called Marketing Boards because their main task is to aggregate the members' offers and access the market with a larger supply. By doing this, all fixed costs of marketing per unit of product are lower than in the case of the single farmer. Also, the ample supply gives more contracting power in the market, which translates into higher prices. In more advanced cases, the association establishes quality standards and trains farmers on how to get better quality products.

FARM PARTNERSHIP AND ITS IMPORTANCE

Thus, the main client of each farmer becomes the association, and farmers can focus on the production level. Producer organizations (PO) were initially active in the fruit and vegetable sectors, where they are given access to EU funds within “operational programs.” Yet now they are also present in other sectors. Under these programs, collective investments in logistics and equipment are supported. Last but not least, producer organizations are exempted from EU competition rules for negotiations, production planning, and supply management. In the farmer survey conducted as part of the project, farmers were asked to rate the most difficult points in the applications for IPARD support according to the degree of difficulty. 58 % of the 546 farmers gave the highest score to the lack of equity. A farmer whose IPARD project is approved first makes the investments and gets paid with the invoices he submits for the “acceptable expenses.” The second critical problem is the unwillingness to borrow money from the bank,



- 1%** Difficult to complete application procedures and documents
- 2%** No application can be made because the land registry and building permit cannot be obtained
- 2%** Long evaluation period of projects
- 3%** Fear of failure to succeed, loss of time and resources
- 3%** Lack of trust in agricultural agents
- 11%** Lack of adequate collateral for the loan
- 20%** Reluctance to borrow money by receiving bank loan
- 58%** Lack of owner's equity

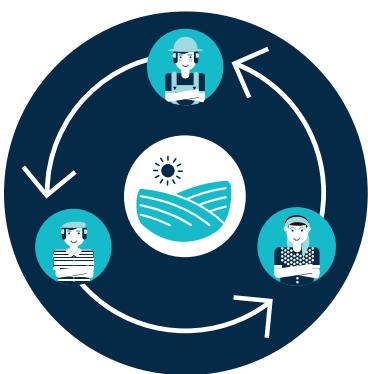
IfThe main goal of a joint application for supports is to share the investment risk and cost, and at the same time to reduce the mandatory expenses of the enterprise by sharing resources. For example, a tractor that is not used for an agricultural enterprise and a tractor that sows in a small area are also compulsory expenses. However, when the tractor and the land are jointly valued, the working tractor wears out less, and cultivating larger plots saves fuel. Therefore, making a joint application to rural development supports and then sharing resources by collective farming provides significant benefits to agricultural enterprises.

AREAS SUITABLE FOR COLLABORATION IN FARMING

Farmers can continue their business with the shared use of the following resources:



Shared use of machinery
and equipment



Shared use
of land



Shared use of
workforce



Growing value-
added products

ADVANTAGES OF COLLABORATION IN FARMING

By making a joint application to rural development supports, farmers will be;

- Benefiting from young farmers, women entrepreneurs and similar incentives, and
- Sharing the investments to be made provides benefits such as reducing the investment cost and risk per person.
- If a joint business model is carried out;
- Sharing the workload and more efficient use of labour,
- Improving work-life balance thanks to solidarity,
- Obtaining higher grants and increasing technical efficiency in farming with the increase in the scale shown for farming activities,
- Reducing fixed costs and unit cost,
- Using new ideas, skills, and farming methods, farmers learn from each other,
- Working with another farmer reduces isolation, increases sociability and solidarity,
- Enabling development both outside of work, on the job, and through learning by seeing from each other,
- Better accessing the markets and material supply,
- Receiving official recognition of all partners in the farm business and determination of their legal rights,

Collaboration in farming provides material, moral and social advantages such as the gradual transfer of the farm's management (physical and financial) from one generation to the next.

Co-farming is particularly suitable for highly labour-intensive agricultural products where high quality depends on daily maintenance by skilled workers. Of course, it would be appropriate to have agreed on a quality assessment system in such cases. Additionally, co-farming helps reduce the problem of businesses fragmentation by size and inheritance.

COLLECTIVE APPLICATIONS TO RURAL DEVELOPMENT FUNDS AND ITS ADVANTAGES

Joint application means that when applying for IPARD and other rural development funds, more than one farmer joins together and submits an investment project that oversees the management of all funds. For farmers in Turkey submitting a joint application can only be possible through:

- Establishing an entity (Limited, Anonymous, Corporation),
- Establishing unions and associations,
- Establish cooperatives with seven or more people coming together.

It is critical to understand that a collective application would need good business planning. Joint applications will bring a set of advantages:

- a lower overall production cost,
- risk mitigation,
- better access to markets due to the larger supply,
- common use of machinery without bearing the debts and payments alone,
- a higher level of specialization can be achieved in every step of production and transformation of goods

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS FROM EUROPE

CUMA of France

The first example is an “Agricultural Equipment Use Cooperatives” called CUMA (Coopératives d'Utilisation de Matériel). There are 11.740 CUMA in France, in all departments, grouped under 10 Regional Federations. They have 4.700 employees including drivers, mechanics and managers. The average turnover is €60.000 per year and each CUMA works with an average of 23 farmers. It is safe to state that almost one out of two farmers are a CUMA member. A total of 202.000 farmers were CUMA members in 2017.

Management and accounting associations (AGC) in France provide CUMAs and their partner structures with an accounting service adapted to their specific needs and circumstances, applying and adhering to recognized accounting working methods and standards

How CUMA works:

- Farmers buy shares of the CUMA, which uses the capital to buy and maintain machinery and the equipment.
- Farmers commit to using the equipment for a fixed number of hours.
- Farmers pay for the use of the equipment.

This way the machinery and equipment are shared. Debt ratio per farmer is less and general operating costs are reduced. The farmers' invested money is used as a leverage to acquire more capital. Below table shows what types of equipment and machinery was purchased in 2017 and provided for the use of farmers.

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS FROM EUROPE

CUMA of France

Sectors	Types of Equipment / Machines	Purchased in 2017
Post harvest	seed stations, silage cutters	63
Traction	tractors, high-clearance sprayers	960
Crop protection	sprayers, cultivators	454
Land maintenance	mowers, shredders	984
Seed drilling	drilling machines	1.105
Fertilization	spreaders, fertiliser distributors	2.014
Transport and handling	trailers, cattle trucks, telescopic handlers	2.529
Soil cultivation	cultivators, rotary arrows	3.268
Harvesting	combine, forage and grape harvester	4.041

The numbers clearly show that a single farmer cannot access an equipment pool with variety of options unless they are a collaborator of the cooperative.

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS FROM EUROPE

Farm Partnership in Ireland

It is interesting to underline that a kind of small farmer cooperative took the form of a legal entity in some European countries, notably in Ireland. The concept of Farm Partnership was introduced, which considers a collaborative farming arrangement that does not require the transfer of ownership of the land. It is favoured by tax incentives and by EU Common Agricultural Policy scheme benefits in order to encourage small farmers to join forces and share resources.

A Farm Partnership is a partnership of two or more farmers (up to 10) come together to form a business structure, where they agree to share resources such as land, labour, facilities, management skills etc.

In order to form a farm partnership, farmers have to register with the Farm Partnership Registration Office. After being registered, Farm Partnership can act as a legal entity, open a bank account, apply for supports and tax incentives. The key idea in farm partnership which should be adopted by all farmers regardless of their size is that farming is managing a business. They are not living on a farm; they are managing a business. In light of this vision, farm partnership that requires to define concepts such as the business structure, areas of responsibility, work structure, holidays, salaries, sharing of profits and debts should be a common practice in any type of collective work structure.

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

In an agricultural sector where access to safe and healthy food is increasingly difficult, foods with low nutritional value and residue risk are becoming more common, the value of the small farmer is increasing day by day.

However, due to the competitiveness of industrial food chains and the ever-increasing cost items for the small farmer, farming is abandoned, villages are emptied, and our local seeds become history. According to the ETC Group report in 2017, "rural family farming" feeds more than 70% of the world's population and uses less than 25% of agricultural resources. Moreover, the "rural family farming network" supports biodiversity 9 to 100 times more than the industrial chain.

According to the 2019 statements of FAO, although individuals or families own more than 90% of the farms in the world, the total land of family farms is around 80% of agricultural lands. For these reasons, small farmers, also called family farming, are one way to make agricultural products more nutritious, agriculture more efficient and sustainable.

Participatory Guarantee System in Tahtacıörencik Village of Güzöl District in Ankara

This example is an initiative that allows farmers to work together with the Participant Assurance System and produce with agroecological agricultural practices by prioritizing small-scale and eco-friendly farming elements.

Agroecology a method of farming that centers on food production while making the best use of nature's goods and services and not damaging these resources.

Agroecology aims at improving soil and plant quality through available biomass and biodiversity rather than battling nature with chemical inputs. In Tahtacıörencik Village of Güzöl, 26 family holdings came together and used the Community Supported Agriculture method while farming with agroecology method. They work together based on trust and without the financial and bureaucratic burdens of a company or producer cooperative.



EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

Community Supported Agriculture is defined as a producer and a consumer group collaborating to meet the needs of both parties.

While the consumer provides access to healthy, natural, fresh, and seasonal food, the manufacturer sells its products at a fair price and shares agricultural risks with consumers.

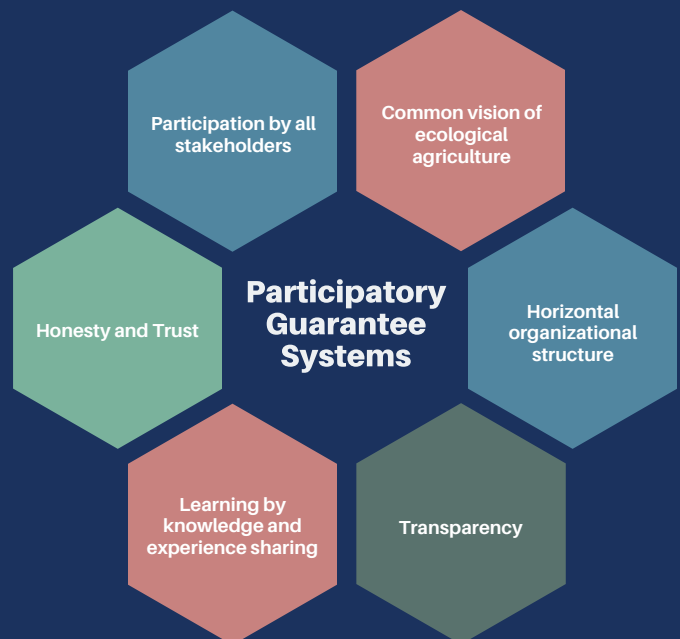
Community Supported Agriculture is founded on four basic principles:

- Partnership (involvement and commitment of stakeholders to production and acquisition, including the customers)
- Local economic development
- Solidarity (sharing of risks and benefits)
- Trust (direct contact)

Furthermore, The Participatory Guarantee System, which allows solidarity, learning, and progress, was adopted by Tahtaciörencik farmers for the last ten years. It is a lower cost, more democratic, and more effective method when compared to the acquisition of official certifications such as organic certification.

Family holdings in Tahtaciörencik village produce by following certain criteria they call "non-toxic production" and inform their consumers about their production processes.

Consumers can visit the farm and conduct inspections or observations at any time. This method, which constitutes a trusted network, offers both intermediary sales and access to food communities.



EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

The small farmers, who are part of the Participatory Guarantee System, created channels where consumers and producers communicate full-time, photos of crops planted and grown are shared, consumers can go to the village and look at how they are planted, fertilized, collected, or even included. In addition, producers can sell their products straight from the farm, farmers' markets, or through online websites. Some families have also opened themselves up to small-scale agricultural tourism by providing breakfast. There is a voluntary division of labour in all collectively executed tasks.



Decisions regarding production criteria and operation are discussed openly at the meetings and accepted by a majority of votes. Moreover, one of the farmers has dedicated a part of their field to agricultural trials and hands-on training to fellows when new crops, new farming methods, or new farming technologies are being tested. This has created a small farmer group that is enthusiastic about learning and advancing.

The important results of these efforts can be summarized as follows:

- While only one family produced vegetables beyond their own needs in 2012, in 2020, at least 21 families mainly cultivated local varieties beyond their needs in 2020, making use of 23 decares for irrigated vegetable farming and 118 decares of waterless agriculture. They sold their products through direct sales channels.
- The number of cattle, which was 473 (with their offspring) in 2012, increased to over 1600 in 2020.
- In the same year, the number of contracted closed poultry farms decreased from 3 to 2, and the number of chickens with cage-free production reached around 1400 from zero.

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

- Families diversified their products in line with the demands of consumers and visitors, and some started small-scale rural tourism.
- Training on environmentally friendly clean production was given.
- Farm visits were organized for food communities and consumers and farmers promoted their products mutually.
- Local seeds were preserved and multiplied.
- With more than 40 tours to the village, around 1500 people visited the farms and the village, most becoming customers.

During the pandemic period, purchasing demand from small-scale producers increased by 2-3 times in Turkey. As a result, community Supported Agriculture and outdoor producer markets have emerged as the safest methods in pandemic conditions.

The family farms were able to accomplish things they wouldn't be able to if they were alone.

With activities such as the occasional breakfast festivals, tent camping activities, farm visits, village tours, and sky observation activities, they reached their consumers directly, promoted their products, and established their rural network.

They enjoy socializing while preparing the boxes of sales orders they received throughout the week, and they enjoy the freedom of serving the nature during the pandemic.

Partnership of Four Holdings for Aged Kassar Cheese of Muş

Aged kasar cheese of Muş, which has not made an impressive name in Turkey yet due to marketing strategies, lack of branding and less and less small farmers producing it day after day. It is very delicious and is actually a cultural heritage. Members of the Rençber family expertly produce the distinctive flavors of Muş cheeses such as aged cheese, cheddar, Tulum cheese, and other cheeses in four different factories.

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

This example of best practice refers to the benefits of four different companies producing old Muş cheeses, essentially belonging to the same family, merging into a common business model.

With the project initiated under the leadership of the East Anatolian Muş Investment Support Office, merger studies began in November 2020 and were completed on 18 March, 2021. Under the project, the Rençber family has been producing Muş Old Cheddar and Muş Tulum Cheese for three generations in Muş province since the 1950s.

The project was supported to eliminate the disadvantages resulting from the "joint business model" under the motto of unity of forces in an environment where the family started to hand over the business to the fourth generation, competition became exceedingly fierce, and the market share started to decrease.

For the four Muş Old Cheese producers involved in the project in the province of Muş:

- Merging under conditions that adopt the common business model,
- Creation of growth strategies,
- Consolidation of the efficiency-oriented production structure,
- Minimizing and managing financial risks,
- Increasing market share by joining forces and raising the product price to the required value
- Most importantly, it was undertaken and completed to preserve the value of Muş Old Cheese and bring it back to where it was supposed to be.

When examining the situation before the project's launch, it was found that each company worked for an average of 2.5 months and invested about 450,000 TL per company, with no standard set.

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

Hence, they continued their production based on manual and experience.

Production time, general deficiencies in the production process, high costs, selling to high-risk customers and long-term sales conditions in the market, adopting a production and sales model that resembles a work contract, as they do not have a brand, price, and payment terms for the buyer-dealers in the common market just because they are competitors themselves. The fact that they are in a situation of capitulation in terms of a single enterprise, they cannot make investments that support efficiency as a single enterprise, they have severe problems in distribution and market management due to the concentration of all resources on milk purchasing and production, and many similar problems are eliminated.

The disadvantages are the advantages of the merger, the common business model, and the power structures that were started with enthusiasm and determination.

Within the scope of the project, support was provided to 4 companies related to the following specific issues, and the project was carried out with consultancy, training, and one-to-one application techniques:

- geographical indication support,
- merger support,
- institutionalization and strategic management consultancy support,
- market negotiations support,
- investment planning project writing support,
- provincial directorate of agriculture project request application support,
- support for trademark patent registration,
- support for brand identity and corporate identity creation,
- support for multi-dimensional current customer analysis,
- multi-dimensional market share and targeting support,
- process optimization,
- machinery equipment needs assessment support,
- support for the determination of strategic goals and the creation of a target systematic,

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

- vision setting,
- determination of shared values,
- determining the reason for existence,
- creating an institutionalization roadmap,
- support for financial regulation of production/logistics/storage and marketing costs,
- Carrying out sales strategy and market segmentation studies according to different channels,
- engagement in the family constitution, official institution applications, and accreditations,
- creation of essential managerial functions and indicators, etc.

Throughout the project, 150 man/days of consultation studies were carried out with the partners of 4 companies, online and face to face, for five months, with four different consultants who are experts in their field.

As a result of the work, critical studies such as the family constitution, share distribution, sensitivity and priorities, procedures for acquiring new partners and leaving the partnership, roles and organizational chart, board approach and responsibility hierarchy, role and job descriptions based on a fundamental competency analysis were finalized, and the partners were encouraged to adopt the new structure.

In terms of supporting the market and sales, customer-oriented transactions such as opening stores in intern marketplaces, launching e-commerce sales with their own website, assigning responsibilities, and establishing the infrastructure for customer management with a professional "customer relationship management (CRM)" software were carried out.

EXAMPLES OF SUCCESSFUL COLLECTIVE BUSINESS MODELS IN TURKEY

The Rençber family, who are open to change, development, and the idea of cooperation, agreed to run their business together and assisted consultants in creating the set of rules. The result of their work brought significant benefits and standardized the procedures for producing the aged Muş-Cheese, which is originally part of Turkey's cultural heritage.



- Thanks to the machine investment known as the missile, 15-kilogram aged cheese production was reduced to 1/5 (80%), resulting in 4 times more time savings.
- In the past, a 61% saving was achieved in the costs incurred by each company alone for the five primary raw materials, allowing the partner company to save 220,000 TL.

- Thanks to the quality and taste standardization of the products, different tastes, colors, shapes of Muş Old Cheese are available in the market. The image formed on these issues has begun to evolve in a positive direction.
- While the human resource requirement per total enterprise was about 80 people in the past, and it can now be met by about 15 people thanks to the merger. In this sense, approximately 80% of human resource savings have already been achieved.



FINAL WORD

The key issue concerning collective work in an agricultural holding is to maintain partnership or the cooperative structure active.

Throughout the Project, lack of trust and co-management ability was in the foreground. Introducing trust and business planning skills into the culture can only be enabled through common efforts of stakeholders in the rural development sector. One should not forget that change takes time and continuous attempts until it is established.

With the formation of European Union, it became almost imperative for small farmers to work collectively to maintain a decent standard of living. Competitiveness became tougher. They had to compete not only within their Country yet all the Countries in the Union. This was a driving force for partnerships in the agriculture sector.



Cooperatives became more sustainable as farmers' solidarity and support for each other increased. With good planning, not only small farmers yet cooperatives also started collaborating. For instance, while a group of farmers focused on production without worrying about sales and logistics, others filled their gaps and took over those tasks. Trust increased as farmers and cooperatives made money. Moreover, European Union standardized certain procedures. Rural development measures and online systems such as IACS prevented any stakeholder receiving grants through public funds. The head of the cooperatives were chosen from farmers who knew the field and the sector, not having interest in political networking. The transparency increased both the quality of all processes and the trust between collaborators.

Small farmers in the Republic of Turkey are not less capable than any other Country. Certain circumstances and efforts are still needed to be provided to enable smooth collective work. There are many good examples that accomplished to flourish through their partnerships, and they show every other farmer that these are achievable and feasible applications.

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