

Supply chain thinkin

– a vital skill for organic producers

By GERARD McEVILLY

DO YOU BELIEVE THAT YOUR profitability depends on your ability to manage your farm? Most growers answer yes to this question, but the fact is that profitability really depends more on your ability to manage your supply chain.

Organic growers should be well ahead of the pack in realising this. They know that organic certification relies on them knowing everything about all inputs to their enterprise.

They also know that the difference between profit and loss lies in maintaining the integrity of their organic products in a marketplace full of conventionally grown product. So, that is a good basis to build a deeper understanding of what “supply chain thinking” is all about and how it can help your business.

This deeper understanding can help identify hidden costs and missed opportunities along the chain that eat away at profits.

Their hidden nature may be one reason why they tend to be ignored by growers – production issues are often more obvious and so they take all our attention.

Also, many supply chain issues are less about practical activity and more to do with interaction with people – different skills are required in order to work confidently in this area.

Another reason to avoid supply chain issues is that they are so numerous and diverse, covering everything from market forecasts and grower clubs to transport and bar-codes.

The good news is that you don't have to be an expert in all these things, but it helps to know where they fit in and how they can help your business.

You can do this using a very useful framework that sorts out the jumble of issues into three broad areas: Information, Co-ordination and Innovation.

Information

Information issues include: today's market price, current tree plantings, the weather in California, consumer taste preferences and on and on.

Who has time to track all this data, let alone analyse it so that it becomes useful knowledge?

Imagine what a difference knowledge (rather than opinion) could make to negotiating with partners along the chain?

Back in the 16th century, Sir Francis Bacon wrote “Knowledge is Power” - now in the 21st century, organic producers need to learn how to harness it.

Co-ordination

Secondly, co-ordination is fundamental. To be effective and competitive, the links in the chain need to pull together with a shared goal.

Often, “softer” skills such as judgement, negotiation and communication are involved. Agriculture and food supply chain examples include trading alliances, grower “variety clubs”, supply contracts and category management.

The organic industry contains many small-scale growers and this offers enormous opportunities to co-ordinate activities, from purchasing to deliveries to marketing. In other words, to stay small while acting big, with the economies that scale can bring. Too difficult? Today's internet world opens so many opportunities to do just this.

Innovation

Which brings us to the third category - Innovation

Every decision about what to produce, from Alpacas to Zucchini's, involves assessing where innovation can deliver benefits along the supply chain. - new varieties that may need to be grown, handled and marketed in new ways; new storage and packaging technologies; computer software that tracks consignments; new, environmentally benign pest treatments.

The list is endless, as are the opportunities, given the shortfall in R and D investment in organic in the past.

This may all seem somewhat academic at a time when most growers in many regions are solely focused on drought.

I am currently assisting with a drought information delivery project for horticulture industries in the Murray Darling Basin.

One of the challenges is that every enterprise has a unique set of circumstances that define its options for the road ahead.

However, much of the feedback relates to the

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fact that, if the market was just a little more stable and grower returns a little more reliable, it would be so much easier to make decisions about buying in water or letting trees die.

Is it possible to gain a little market reliability, without undermining the efficiency and competition that free markets are designed to stimulate?

Fortunately, there are many case studies and reports of real-life farming enterprises that have achieved this. This “Information : Co-ordination : Innovation” framework just might be a starting point for others to follow in their footsteps.

For those who feel it is all too hard and too remote from farming, consider the following analogy, using the framework to illustrate how industry has been through an intensive learning process about the “water supply chain” in recent years:

- Firstly, in terms of chain efficiency (managing with less and taking any waste out of the process). Individual growers have learnt about irrigation scheduling, soil moisture monitoring, dripper technology, crop water requirements and water trading. Their focus has been on innovation.
- Secondly, industry representatives have learned to deal with water trading, infrastructure requirements, environmental flows, recycling schemes and many other complex issues. Whether at a regional level or nationally, through industry organisations, the focus is on working together, negotiating and dealing with rules and policy, or co-ordination.
- Thirdly, there has been a focus on information. A thirst for any information that is available on current water supply, forecasts, pricing. Plus a desire to improve the way this is gathered and analysed. Water is no longer a certainty for any irrigation farmer, so information is crucial to help manage this risk.

Of course, whether it is water or your product, these categories are going to overlap in some ways.

This doesn't stop the framework from being a valuable tool to help audit and analyse your supply chain.

This type of analysis is increasingly important for the organic industry as we start to hear more about “lifecycle analysis” and “environmental footprint”.



Leanne and Ian Sherer maintain control of delivery of their own produce.

Consider the article in the winter edition of AOP on *Why your fruit and veggies rot*. Refrigeration is crucial in maintaining the shelf life of fresh blueberries, for example, for preventing waste and providing consumers with nutritious product. Modified atmosphere storage is another option, including through “smart packaging”.

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While these concepts may intuitively seem to be closely linked with organic, it could be risky to assume that consumers see things this way.

The RIRDC organic industry R and D program includes supply chain as a key long-term issue, as follows: “Address supply chain constraints including the development of robust supply chains for organic products, technical barriers to market access and food safety risk management.”

Perhaps this program will provide some answers to the questions posed and identify the many challenges and opportunities for the industry through improved supply chain thinking.

However, commercial success relies on individual enterprises along a supply chain working out what is best for their situation and committing to make it work. ☺

Gerard McEvilly is a horticultural consultant with a background in sustainability and supply chain management (gmcevilly@gmail.com).

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