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Organic value chain thrives on individual attention

Since every producer is unique, a value chain allows each to focus on his individual strengths

“Who knew? We had a value chain but I just didn’t call it that.”

That’s how Ekk Pfenning now describes his farming business. But to him, it has come about from a natural evolution from working with others over many years and not necessarily by design.

Pfenning moved back to farming full-time at the 500-acre family organic farm in the Baden area in 1996. His father had turned to organic practices due to health issues, back in 1965 before organic certifica-

tion was even started.

At the time most farmers sold at farmers’ markets and at the farm gate but “that approach wasn’t bringing in enough cash to do what we needed it to do,” Pfenning told the audience at the recent Value Chain Management Forum in Guelph hosted by the Ontario Ministry of Agriculture, Food and Rural Affairs.

From there they started packing and distributing to health food stores as well as importing and distributing produce – off season things you couldn’t get in Ontario.

That was in ‘87, and by ‘97, they were too busy trying to do it all, Pfenning admitted.

The sojourn from distribu-

tion only lasted until 2004 and with retailers crying for product and one-point service, Pfenning returned to distribution once again.

Now Pfenning’s Organics works with about 24 Ontario and Canadian growers and distribute from about 15 U.S. growers. Each grower is unique in his or her needs and that’s where the value chain philosophy becomes most apparent.

A value chain is a business model that looks after the needs of those involved as products work their way from seed to shelf. “We have a wide range of arrangements,” said Pfenning. “It’s not a fixed model.”

Each arrangement allows

each grower to do what he or she does best.

For example, Pfenning may store potatoes for some, while some growers will pack to market ready and wholesale to Pfenning. One grower needs root crop storage and buys back from them over the winter, or they’ll pick up and truck for some. Some growers will also buy product from Pfenning’s to supplement their CSA shelves.

As Pfenning describes it, they’re not helping a competitor but rather working with a fellow grower.

For his farming partners a value chain approach means that those who find the distribution side of the business



BY KAREN DALLIMORE
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uncomfortable can stay on the farm and do what they do best – grow organic produce.

THERE ARE times though when the relationship is put to the test.

As Pfenning has experienced, “when money gets tight the real fabric of a relationship starts to surface.” His business is not a charity; they pay on a pack-out basis. If the produce doesn’t meet specifications



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they can't pay you for it.

For example, in 2009 squash did not store well after a wet growing year it left some producers whose produce didn't store as well as others were left feeling jaded.

Over the years he's dealt with many on both ends of the value chain who are only looking at price. While it is still necessary to deal with customers like the food terminal to access certain markets, Pfenning says that where price is everything it's draining.

With other customers, he says it's fun where they have a back and forth relationship. He prefers the value chain approach but acknowledges that it works for some retailers but not all, and it works with most of their suppliers but not all.

When asked how he sets his prices, Pfenning says, for the retail end, he does the math backwards: cover your cost of



Ekk Pfenning

production with a reasonable margin that is sustainable.

If you drop your price not all retailers will pass along those savings and those retailers lose his respect.

On the farmer end, harvest time means that the bottom falls out of the market. Some farmers have no storage; some want money now, so it becomes a matter of what growers want to do individually. It's working with the individual needs of

each partner that makes his business part of a value chain.

One recurring theme during the conference was that trust is the key to a successful value chain. That's exactly how Pfenning operates, with no contracts.

He says contracts are only necessary for people who don't trust each other inherently and so will always find a way to break them anyway. He'd much rather work on a handshake.

Still, Pfenning advises to choose your partners carefully as your business evolves; just like dating or marriage: "You're not compatible with everyone out there."

It takes far too much energy to try and force a business relationship without synergy.

As for the future, Pfenning knows that growth is necessary even though sometimes he'd just like to sell corn at the side of the road. The Pfenning

philosophy is to stay as local as possible but this conflicts with the desire to expand the business.

Future partners in the value chain may include a processor whose size is compatible with the organic industry and Pfen-

ning sees a possible role for government in an awareness campaign to increase overall vegetable consumption whether it is for organic, which comprises about four percent of the market, or conventional vegetables.

U.S. soybean crop getting smaller

The U.S. is looking at a record soybean crop. But it won't be as large as the one the USDA expected a month ago.

According to the recent crop production report, the USDA is now forecasting a crop of 3.41 billion bushels, one percentage point larger than the one last year. But the crop size, based on Oct. 1 conditions, is two per cent smaller than in the September report.

USDA is also predicting a record nation-wide average yield of 44.4 bushels per acre, down 0.3 bushel from last month but up 0.4 bushel from a year ago.

Analysts have been calling the report a surprise since most observers expected to see an increase from month ago. Instead USDA revised the average yield downward and also took 1.2 million acres off the expected harvest total.

But analysts on the *AgWeb* site are reminding farmers that the crop is still huge and even a small increase in the yield over the next couple of months could see futures stall or drop back. It may not be a bad time to consider selling, they say.

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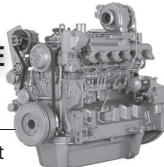
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