

Met elke hap een beter landschap

Een businessplan voor een regionale marketing-organisatie in het Overijsselse Vechtdal

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Wetenschapswinkel Wageningen UR
Januari 2006

Rapport 218

Management Summary

The Dianthus Foundation asked the Science Shop Wageningen UR to conduct research into the feasibility and structure of a commercial marketing organization that will realise the Vechtdal Concept, i.e. sells the Vechtdal products and the Vechtdal itself. The focus of the research is on the presentation of a business plan of the Vechtdal marketing organization, her position, aims, products and services and feasibility of the idea.

The cooperation

Agro-production firms, recreation employers and 'green' parties in the Vechtdal region are gearing up to mutual advantage: win-win situations to realize the common goal of production and sales of Vechtdal products combined with production of nature and landscape. The cooperation with the most important objective to implement and keep uptight an environmentally, nature and animal friendly agricultural production system in the Vechtdal and make and keep this accessible for citizens and consumers, was confirmed by the signing of the 'Vechtdal Covenant' in the middle of 2004.

This form of regional rural cooperation to meet the local demand of high quality food, high quality nature and landscape and attractive recreation along the network of production of goods and services (arrangements), has, as far as known, no examples in the Netherlands.

Regional rural cooperation is a reaction on the dominant trends in food like convenience, health and enjoyment and follows the growing interest in taste, authenticity and local food. Together with the development of typical food products, the cooperation with nature organizations and growth of tourism this is an important challenge for regional development. At the same time this offers chances for artisanal shops, local entrepreneurship and possibilities for distinguishing quality and service. Threats are mainly in the field of the prevailing price culture as a result of the superseding policy of the supermarkets.

The marketing plan

On behalf of customer groups of the Vechtdal cooperation (individual consumers inside and outside the Vechtdal, tourists and people in institutions and firms) an equilibrium marketing mix is developed. Different forms of promotions are identified to reach the consumer. Brand policy plays a crucial role in these promotions. An individual brand is preferred and the importance of investing in the brand is stressed.

On the basis of a demand analysis a turnover prognoses is given for the next 10 years. The demand is distinguished between demand for Vechtdal products by inhabitants of the Vechtdal, tourists visiting the Vechtdal and people from outside the Vechtdal. Starting point is the general consumption of pork meat, beef and milk per head and the number of visitors/overnight stays in the Vechtdal. The estimations are based on a share of special products in this total consumption of about 15 %. It is assumed that the cooperating partners can achieve a market share of 60 % in these special products. At the end a turnover can be accomplished of more than 30 000 pigs, 2500 cows and 6 mln. kg of milk per year.

The organization

Designing the Vechtdal marketing organization regional origin, sustainable production and the typical elements of the Vechtdal products, like grain originating the Vechtdal - play a large part. Also important are the competences that must link up with the market demand, and the tasks and functions that should be carried out. Operational and strategic functions are distinguished. The operational functions can be carried out by the individual entrepreneurs and organizations cooperating in the commercial organization. The strategic functions must hold a place in the new commercial organization.

Looking also at the legal form several scenarios of organizational forms are drafted. Balancing the pro's and cons the structure of the new Vechtdal marketing cooperation is created. It is proposed to work the next few years with a Foundation (short lines, quick and efficient decision making), but when the number of partners increases, a cooperation offers more possibilities for the partners to guarantee their involvement. The most important elements of the regulations of the marketing cooperation are discussed: aim, entry and retirement, rights and duties of the members, financing and governing structure.

It is therefore recommended to choose a legal structure for the Vechtdal marketing organization, allowing participants to be ready for battle and being able to show their involvement to full advantage. In the next years continuation of the Dianthus Foundation is the best option. After sufficient scale has reached the cooperative legal form is better suited for the purpose.

The financial plan

Calculations were made of the composition of the cost price of pork meat, beef and milk. The composition shows the cost prices for the different partners (farmers, nature organizations, stock farmers, processors, recreation entrepreneurs and sales parties). For these parties and also for the Vechtdal marketing cooperation, operational accounts were set up. The cost price calculations are based on real costs.

The calculated consumer price for pork meat amounts to an average of € 5,22 per kg. In comparison: the price of regular larded pork with butchers in the north-east region of the Netherlands is according to Slagerswereld € 7,30.

With beef a distinction is made between fresh products (the better parts) and processed products that will keep, with added ingredients. Consumer prices for the fresh meat are on average € 11,30 per kg and for the processed products on average € 7,82 per kg. In comparison with consumer prices for regular beef the price of Dutch rump steak is € 19,70 and for minced beef € 7,89 per kg with butchers in the region north-east.

For milk the calculated consumer price amount to € 0,84 per kg. In comparison the price of organic milk in 2003 amounts to € 0.90 per kg (Foundation Nature and Environment).

The farmers and feed processors produce organic feed, on the basis of grains originating from the Vechtdal, for the stock farmers. To cover the need for feed (with a share of 65 % of the feed originating from the Vechtdal) in the Vechtdal in 2015 there is a surface need of 2106 ha for the pigs (including the sows) and an additional 1208 ha for the cattle and the milking cows (and calves), making a total of 3314 ha (with an assumed yield of 3500 kg per ha). Using this feed regime almost 2 % of the total area of the Vechtdal will be used for growing grains for the Vechtdal pigs, cattle and milking cows, contributing to a beautiful and variegated landscape.

At this production level the turnover of the farmers is more than 5 mln. euro per year. The revenues exceed the real costs for growing the grains and buying the additional feed. There is room for executing nature and landscape improvements.

The nature organizations develop the nature and landscape plans and execute them in cooperation with the participating farmers. They will be compensated for this work through contributions of the Vechtdal marketing cooperation. It is expected that the nature organizations succeed in redoubling this contribution through incomes from 'settlements' and other societal means.

The yield of the farmers at the same time forms the material costs of the stock farmers. On the basis of the calculated cost prices the stock farmers are able to earn gross margin of 8,8 mln. euro.

The Vechtdal marketing cooperation

The costs of the Vechtdal marketing cooperation are covered by an extra charge on the cost price of the Vechtdal products. At the beginning these revenues will stay behind the costs. The difference between costs and revenues in the plans is financed by project means and fund raising.

The revenues of the Vechtdal marketing cooperation amount to 643 000 euro in 2015. This will be sufficient for building equity, paying interest costs, executing marketing tasks, chain management, financial management and administrative organization, including the accompanied material costs

At short notice, apart from executing projects, (project) management and recruitment of funds, activities are also needed in the field of promotion and publicity. Both trade marketing and consumer marketing are high on the priority list. Investment in marketing is of the first importance. This is not only the case to realise the goals at the beginning, but without these marketing efforts in the early stage the long-term goals will not be achieved.

After consolidation of the first phase time comes for the period of investment. A calculation was executed for the case of investing in product development and milk processing.

Conclusion

Most important conclusion of the research is that it seems possible, after a certain start-up period, that a regional chain – providing good quality products and contribution to environment, nature and landscape – is able to operate without subsidization. That makes top-down levying systems, with connected high transaction costs, superfluous.

Realising the Vechtdal concept is a private concern, but in the start-up phase support from government and other bodies is needed.