COLLABORATION AMONG SMALL BUSINESS OLIVE GROWERS IN A GLOBALISED WORLD

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ABSTRACT: Although olives have been grown in regional Victoria for over 100 years it is only in the last ten years that growers have begun to explore their commercial significance. This has resulted in widespread commercial plantings in Central and Northern Victoria, and elsewhere. Small growers have attempted to exploit this opportunity by investing in more modest plantings. It is hard, however, for small businesses (SMEs) to compete without appropriate strategies to complement the activities of the global corporations. One such strategy is to develop cooperation among small growers to form business clusters. Such a strategy has been successfully developed among olive growers in Europe embryonic clusters are developing in Central Victoria. An example of this is the OlivOz cooperative. This study is aimed at determining the key factors for successful cooperation among small businesses which would otherwise be in competition. A major outcome will be to determine the ways in which an existing cooperative, such as OliveOz, can develop and fulfil its members expectations. The methodology is to investigate how comparable clusters were successfully established in Europe and also to determine the importance of developing high quality products to making such cooperatives competitive.

1. INTRODUCTION

Olive growing is well established throughout the Mediterranean countries and, in particular the industry has developed in a well regulated way. Serious attention is paid to quality and an international quality control program has been developed (see, for example The International Olive Oil Council Quality Control (IOOC) Programme for exports from the EU (IOOC (2006)). The quality of olive oil and table olives is therefore carefully controlled and the products are labelled accordingly. Much of the chemical analysis which is carried out to establish the quality of olive oil is based on standards developed at the University of Udine in Northern Italy for the European Union (EU). Indeed the entire system of Quality Assurance from grower to processor is based on standards established in the EU through the IOOC. This insistence on quality applies to all sales of olive oil and its products within and export from the EU. The regulatory system is essentially a guarantee of quality. The imprimatur of the IOOC is necessary before such terms as 'extra virgin olive oil' may be used within the EU. The demand for quality assurance applies equally to imports from the rest of the world to the EU and increasingly the rest of the world is embracing the EU quality standards. This means that for Australian olive growers to establish international markets they too will need to embrace the quality assurance standards of the EU. However, to date the quality program of the EU is not matched by similar programs of international standing that guarantee quality of product within Australia. The result of this is that potential exporters of top quality olive oil and olive products in Australia will find it very difficult to develop markets outside Australia which recognise their product. The world production of olives exceeded 3 million tonnes in 2004/5 and is growing at about 20 percent per annum. World consumption is approaching 2.9 million tonnes and rising at a similar rate. The EU consumes 77 percent of current olive production (IOOC, 2006). There is therefore a growing surplus of olives globally. Because of this oversupply, consumers can demand top quality products and producers must supply this quality to maintain the price. The 'spot' price for virgin olive oil in the representative markets of Bari (Italy) and Jaén (Spain) rose to over €400/100kg which equates to about $AUD 64/litre in 2004/5. The price in Heraklion, Greece was somewhat lower. This compares favourably with the $AUD22 – 65/litre reported in 2004 for some boutique olive oils in Victoria (RIRDC, 2004). The case is therefore strong to encourage Australian businesses to develop top quality olive products to compete in the world market and to compete against established quality imports from those countries which have an internationally recognised quality assessment system to guarantee their product.

For agribusiness SMEs in Australia it is often too expensive to put in place appropriate quality control over all aspects of their business. It also requires depth of knowledge which is often only gained through experience. Large scale business can simply buy the expertise they need but this option is not really available to most SMEs in the agricultural sector. A viable option for SMEs is to cooperate with others in a business network or cluster where individual members cooperate in a similar way to that found in Europe. The development of farming cooperatives has a long and successful history in Europe and while each individual country has its own regulations, a set of pan European statutes recognising Societas Europaea (SEs or European Companies) are being developed with provision to recognise cooperative companies (OJEU, 2001). The establishment of such companies allows the pooling of expertise and investment in labour saving machinery and services, including quality analysis. Such a system of collaboration among SMEs can operate successfully in Victoria but to date agribusiness clusters are few and not well developed. One such venture in Central Victoria, however, is OlivOz. OlivOz is a registered limited liability company of olive growers who have bought shares in the OlivOz venture (OlivOz, 2006). OlivOz members must be growers and therefore will potentially contribute to the product. OlivOz has available to it a pilot plant from Alfa Laval AB, for conducting research into the processing characteristics of local olives. This pilot plant is now commissioned and La Trobe University is developing a research program to examine and characterise the growing, processing and quality of locally grown olives and locally produced olive oil.

It is the aim of this research work in progress firstly to study successful olive growers and processors who are working together in a cooperative way in Europe in order to develop a model for similar business cooperation in regional Victoria and, by extension, elsewhere in Australia. The second main outcome will be a thorough understanding of the demands in Europe and elsewhere in the world for top quality olive oil and other olive products. An initial comparison of successful cooperative olive growing and processing businesses in France, Spain and Italy with OlivOz indicate that they share the same issues as OlivOz and that the potential for success for the OlivOz cooperative matches that of their European counterparts. Thus this research program is aimed at extracting the key success factors for successful olive agribusiness cooperatives in Europe and to translate these into working factors for the success of regional agribusiness cooperatives such as OlivOz.

The result of this research will be a clear understanding of the key factors for success for agribusiness, especially olive production clusters. This will include the factors that help to make cooperative ventures successful. The research will also lead to a clear understanding of the international demand for top quality olive oil and other olive products. Such an understanding will enable business strategies to be put in place by the members of OlivOz to achieve the outcomes that they want.

A second outcome will be a full understanding of the market demands for internationally recognised quality standards for olive products. To make a success of business clusters such as OlivOz, growers and processors need to understand fully the market demands. This constant striving for top quality products embraces all aspects of the olive value chain from planting and growing to pruning, picking and processing. A third outcome will be an increased understanding of the EU legislation relating to agricultural imports. This will lead to increases in the competitiveness and success of regional Australian olive growing businesses internationally.

2. COOPERATIVES IN EUROPE

There have been some extensive studies of cooperatives in European agribusiness and some interesting developments have emerged which assist in developing a relevant theory which would be applicable in the Australian context. As outlined by Morales Gutierrez, et al. (2003), the historic development of cooperatives in Europe is a social phenomenon often centred on the facts of communal land holdings. In many traditional European societies land has either been communally held or held by the church. Either situation leads to communal farming and as such naturally leads to community and cooperative ways of life. In this context cooperative action is almost a natural way to conduct business with entire communities involved in the production of food and food products. This has led to tensions as well, of course, and Rosa (1991) published a very interesting study of cooperation in Italy, describing the political and social tensions present in Italy between the community holdings championed by the communist cooperatives and the Catholic camp. Competition between the two camps was and, to an extent, remains, strong. This competition is, Rosa argues, a drain on efficiency and has led to a decline in the competitive position of some cooperatives. Rosa suggests that emerging from this tension a new, stronger form of cooperative is developing which is much more business oriented and able to compete on a global level.

Many observers are currently studying the changing nature of European cooperative ventures. Gray, et al. (2001) argues that the growing financial and market power of multinationals have forced cooperatives to collaborate with them and to enter into and become part of the value chain of these multinationals. This, in turn has forced the cooperatives to become more specialised and to position themselves as suppliers of quality while maintaining their continuity of supply. Grey argues that this change in emphasis has forced cooperatives to become more bureaucratic and less individualistic. The members of the cooperative are becoming very similar to one another in behaviour and in their products. Sillani (2003) has described a process whereby shareholders, the original cooperative members, have, seen the emergence of conflicting interests amongst themselves. This is particularly strong between farmers and the processors when the aims and profit expectations are discussed and found to be different. Farmers have a much stronger stake in the 'way of life' than the processors. In pursuing this theme of the changing nature of cooperatives in Europe, Bertolini and Giovannetti (2006) emphasises that EU regulations are also influencing the nature of cooperation among SMEs in the agribusiness sector. The EU recognises that cooperatives make an important contribution to the EU economy but seeks to regulate the way in which they operate. The question is raised as to whether this reinforces the bureaucratic features of emerging cooperatives and therefore stifles innovation. There seems to be a concern throughout the literature that the development of the modern European version of collaboration might stifle entrepreneurship in some way. Nevertheless, Skurnik (2002) argues the other case that entrepreneurship is alive and well and is playing an important part in ensuring that the forces of globalisation remain serving the needs of the ordinary people.

Democratic principles are an important feature of cooperative success and Moraz Moral (2002) has intimated that under the emerging new forms of cooperative in Europe, the forces of democracy are being eroded by self interest and shareholder self centeredness. This is a theme developed further by Filippi (2004) who argues that under the intense forces of competition generated by globalisation there is a loosening of the ties between individual members of the cooperative and the cooperation itself. Cooperatives are becoming less regionally focussed and developing a wider geographic footprint.

Finally the works of Torre (2002) and Allaire (2004) emphasise that 'The Club' nature of cooperatives is no longer relevant and that the entire focus of cooperation is now strictly focussed on the production of top quality produce while maintaining the continuity of supply that modern global business demands.

3. METHODOLOGY

Although OliveOz represents the nucleus of a business cluster it needs a model to guide its development. The proposed research project will be in three parts. To establish a suitable model it will be necessary to study established olive producing clusters in Spain and Italy. This will be done through semi structured interviews with appropriate growers and processors in order to understand the genesis and the main successful features and unsuccessful features of these clusters. This will be done with the help of suitable research assistants selected from current students in Ecole Superieur de Commerce (ESC), Montpellier, France (ESC, 2006). These students are currently studying the La Trobe University Bachelor of Business and are drawn from many countries in the Mediterranean region. Several are native Spanish or Italian speakers. Recorded interviews will be semi structured and guiding questions will be prepared and sent to the informed interviewees beforehand. The interview process will be in accordance with and approval of the Human Ethics Committee of La Trobe University. Interviews will be conducted in the local languages and translated into English before analysis. Translations will be professionally done and overseen by the current authors. The second part of the proposed study will be to use relevant features of the European cluster model to develop one suitable for successful cluster development in Victoria. This will be done in collaboration with members of OliveOz and use expertise on Victorian agribusiness cluster formation gleaned from previous research in regional Victoria. A semi structured questionnaire will also be used to tap into the expertise of the current members of OliveOz., with a set of guiding questions being used to lead these interviews. The structure of this questionnaire will be similar to that of the recorded interviews in Europe, allowing comparative analysis to be carried out. The third part of the study will be to understand the complex regulatory system adopted by the European Union to maintain the quality and integrity of agri-products of its member countries and so maintain its export markets. This will be compared with Australian State and Federal regulations and will be used to help OlivOz develop new markets in Europe and elsewhere. This information is essential to the development of the business cluster and to the tailoring of products to suit the selected markets.

To date research into the structure of the olive growing industry in Europe has been begun and some tentative results are reported below.

4. RESULTS

Tentative results to date indicate that the structure of the olive growing industry in European countries such as Italy, France and Spain is quite fundamentally different from the existing structure in regional Victoria and probably Australia. In regional Victoria smallholdings are, almost exclusively owner occupied. The majority of small olive plantations are owned by hobby farmers who have selected relatively small plots of land of 10 hectares or less. Their prime purpose is lifestyle and they represent a net migration from the city conurbations to the semi-rural land within 2 to 3 hours drive of the city (Planning Institute of Australia, 2004). This interface between urban dwellers and semi-rural dwelling is a relatively new feature of the Australian landscape but it is an increasingly important feature of it. The consequences of this are that growers exhibit a wide range of skills. These range from highly competent and innovative growers with an impressive understanding of arboriculture to some with very poor agricultural skills and limited capital. Thus the quality of olive production varies greatly as does the appreciation of the need for and advantage of high quality products (Johnston and Alam, 2006).

In many European countries, in contrast, much of the land is held by community or the church. It is still worked by individuals, but under a lease system. This has greater consequences than those involved with the growing technologies themselves. Even by Australian standards many 'smallholdings' in Italy, Spain, Greece and France are quite small. In fact it is often the case that single rows of vines (for wine production) are individually owned and olive tree copses are similarly individually owned. (Chevarier, 2000). This enables communal use of growing technologies, spraying and cropping as well as processing. Each individual contributes to the communal effort. It also allows a measure of control not so easily available in communities with a more independent group of landholders. For example communities that wish to ban genetically modified organisms will find it more easy to regulate the use of standard crops if they are part of a communal or church landholding than those which have many individual free-holdings owned by independent individuals (GMC free regions, 2006). This ability to enforce rules for crop growing and processing and the communal approach to working and processing makes the pressures for top quality production and produce relatively easy to enforce and produce styled by the region of production is a feature of European marketing of regional products. It is also a means to stifle innovation on the part of an individual producer.

5. CONCLUSION

This study is only beginning and the ultimate aim of developing a model for production that will suit Australian conditions and lead to top quality produce is has hardly begun. Nevertheless even at this early stage it is clear that some fundamental differences between the systems of production for small farmers in Europe and those in Australia are emerging. The consequences of different types of land ownership is profound and reflects on a different approach made by European to all stages of the production cycle. Both systems have advantages and disadvantages. The development of freehold land in Europe together with the increasing tendency for at least the largest of Australian agriculturists to lease rather than own their own land means that the picture is not static but is continuously developing in both arenas of Europe and Australia.

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