

# June: *Value Chain, It's in the Co-op DNA*



## INSTRUCTIONS

### **SYNOPSIS:**

In this Board Study, the Board of Directors and meeting participants will explore the opportunities for using value chain analysis as a tool for building relationships between producers and consumers, optimizing the value of La Montanita activities, and building transparency across the value chain. This Board Study will also be used to discuss how the Co-op's current Value Chain Coordination work is impacting value chain development in the southwest region and influencing coordinators around the country.

### **GOALS:**

- A) Discuss the concept of a value chain as applied to the Co-Op's efforts in serving our local food system
- B) Look at studies that have applied value chain analysis methodology to more specific aspects of local food systems
- C) Identify opportunities for applying value chain analysis methodology to optimize the value of specific La Montanita activities.
- D) Identify opportunities for engaging in dialogue that extends beyond supply-side economics to include a more holistic understanding of the value chain in which producers operate vis a vis their target market.

### **GUEST SPEAKER BACKGROUND:**

*Steve Warshawer*

Steve, with his wife and family, operates Mesa Top Farm and Ranch, producing eggs, raw milk cheese, beef and produce. He operates the year round Beneficial Farms CSA, a multi-farm CSA, that has the honor of being the oldest CSA in NM. Steve is the National Good Food Network Food Safety Coordinator. He serves on several government and industry advisory and technical committees ensuring that the voice of small and sustainable farming is heard. He is also the Value Chain Facilitator for La Montanita's Co-op Distribution Center, a food hub in Albuquerque, NM.



## **BOARD STUDY MATERIALS**

Key elements of this Board Study include the following:

### **A) LIT REVIEW/PRESENTATION**

Porter, Michael E. *Competitive Advantage: Creating and Sustaining Superior Performance* (1985)

**PowerPoint Presentation:** *Jeff Hertz will discuss the history of Michael Porter's work and how his creation of the concept of competitive advantage and value chain relates to the Coop's use of the terms today. This introduction will provide Board Study participants with a better understanding of how value chain analysis is being used as a tool to help the Coop achieve its Ends.*

**Summary:** *In Competitive Advantage, Michael Porter analyzes the basis of competitive advantage and presents the value chain as a framework for diagnosing and enhancing it. This body of work covers the following topics including many others:*

- The 10 major drivers of the operation's cost position
- Differentiation with the buyer's value chain in mind
- Buyer perception of value and signals of value
- The role of technology in competitive advantage
- Competitive scope and its impact on competitive advantage

### **B) GUEST PRESENTATION: Steve Warshawer (w/Michelle Franklin of the Coop Distribution Center)**

#### **Introduction to Value Chain Analysis**

- **PowerPoint Presentation:** Introduction to "Talk is Cheap" webinar by Debbie Tropp from USDA AMS in January 2015
  - **Summary:** *In this powerpoint presentation, Tropp explains why creating a successful food value chain is not about infrastructure, but rather about relationships. To introduce the concept of the value chain, Tropp discusses opportunities in our local food systems for forming partnership between suppliers, aggregators, and consumers. As opposed to making decisions based upon the traditional concept of the supply chain that silos all parties involved, the concept of the value chain reflects a shared mission, operational values, and integrated supports among all partners. This presentation also outlines the various roles of a Value Chain Coordinator, including Matchmaker, Convener/Relationship Builder, Technical Assistance Provider, Policy Advocate, Resource Prospector, and Catalyst/Innovator.*
- **Webinar:** *Talk is Cheap... and Efficient! Facilitating value chain development without costly new infrastructure*
  - **Link:** <http://www.ngfn.org/resources/ngfn-cluster-calls/talk-is-cheap-and-efficient>

## Formal Value Chain Analysis

- **Report:** Study of Grass Fed Beef as a Value Chain in North Central New Mexico and the San Luis Valley
  - **Summary:** The Taos Community Foundation (TCF) is responding to a growing community desire to develop the local grass fed beef (GFB) sector in the region in response to both perceived market opportunity as well as a desire to create economic opportunity in the traditional ranching sector in Northern New Mexico that keeps families on the land. Consequently, the TCF has raised funds to undertake an objective and independent assessment of the opportunity, in order to provide a realistic and practical basis for investment in the sector. The study was conducted by AISDevelopment, a Taos-based economic development consulting firm, employing Value Chain Analysis methodology. The methodology offers a straightforward and objective analytical tool for assessing key market actors, their roles and interrelationships, competitiveness and incentives vis a vis specific market opportunity, in this case, grass fed beef (GFB). A value chain is defined as “the full range of activities and services of market actors required to bring a product or service from its conception to its end use and beyond.”<sup>1</sup> The approach moves away from a singular focus on producers to a holistic understanding of the value chain in which they operate vis a vis their target market. The approach provides an understanding of the competitive requirements and “success factors” of the target markets and, based on that, evaluates the constraints and opportunities currently faced by value chain members in capturing it, resulting in a set of recommendations for actions that will position the region to create commercially viable opportunities.
  - **Link:** [http://www.nmagriculture.org/study\\_of\\_grass\\_fed\\_beef.pdf](http://www.nmagriculture.org/study_of_grass_fed_beef.pdf)

## C) OTHER MATERIALS RECENTLY REVIEWED BY THE BOARD\*:

(\*Posted on La Montanita’s website)

### Article: Conventional vs. Organic Foods

- Are “Local” and “Organic” Two Identical Peas in a Pod? - By Joanie Quinn, New Mexico Department of Agriculture Organic Program
  - *Joanie shared this with the Board of Directors and thought it would be valuable to share with member/owners to stimulate discussion surrounding the definition of “local,” “organic,” and “natural.”*
  - The article defines that choosing local addresses:
    - reducing transportation costs
    - decreasing environmental impact
    - increasing investment in the local economy
    - increasing investment in the local farmer
    - keeping farmland active in our state and communities
  - Choosing local does not address:
    - the farming practices used to produce the product

- the inputs that were applied
- steps taken to conserve water and build soil
- There is no accepted definition of “local.” As a result the label “local” is regularly used and abused.
- The label “organic” by law requires adherence to federal standards for organic production and annual inspection, as well as certification by an accredited third party auditor to verify compliance with the standards
- The word “natural” doesn’t tell you much. “Natural meat” for example, only means that the product is “minimally processed” and has no artificial ingredients or added color. The term natural says nothing about how the animals were raised or what they were fed.
- *Main take away:* Each of us will make slightly different choices depending on our needs and values.

**Video: Courageous Leadership Today, Stronger Coops Tomorrow**

- Dave Olson of NCG discusses what it’ll take for co-ops to survive and thrive in this ‘New Normal’ of increased competition and slowing sales growth.
  - *James shared a link to a video that he thought all Board members might find interesting and informative as we think about the changes in our co-op and others around the country.*
  - *Link:* <http://library.cdsconsulting.coop/courageous-leadership-today-stronger-co-ops-tomorrow/#.V0cvF6YWKFA.email>

**TAKEAWAYS FROM BOARD STUDY**

1. Value chain analysis is a tool that can be used to explore and learn more about a wide variety of La Montanita value-creation activities.
2. Creating successful food value chains is not about infrastructure, it is about relationships. Furthermore, *the best investment is often in human capital.*
3. Long-term supply relationships take greater precedence over short-term price negotiations.
4. There are many roles and responsibilities of Value Chain Coordinators that differentiate their operations from those that are bound by traditional, fragmented, competitive supply chain relationships.
5. Value chain analysis is a tool that can be used to broaden discussions between producers and their target market.
6. Value chain analysis is a tool that can be used to broaden discussions surrounding La Montanita’s Principles and Ends.
7. Each of us will make slightly different choices depending on our needs and values.