Western Canadian Wild Boar Association Orderly Marketing Project: Part II

Funding for this project has been provided by
The Canada-Saskatchewan Agri-Food Innovation Fund (AFIF)
and
Business Planning for Ag Ventures (BPAV)

Prepared on behalf of the Western Canadian Wild Boar Association by

Stefanson & Associates
421 Dalhousie Crescent
Saskatoon, Saskatchewan
Phone: (306) 477-1657
Fax: (306) 477-2861
b.stefanson@sk.sympatico.ca

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Foreword

This report does not paint a rosy picture of an easily achieved goal. The recommendations call for tough decisions. Indeed, the new generation co-operative concept is the “tough love” principle applied to agricultural business. This report reflects the reality within which development of the wild boar industry must occur. A reality characteristic of an emerging industry including few producers, low volume of production, lack of coordination, conflict and adversarial relationships throughout the distribution chain, and poorly functioning segments of the distribution chain.

Within this reality, the challenge was to find a strategy that would address some of the problems in the distribution chain and address the producers’ primary concerns, i.e. unstable markets and inadequate prices. To this end, the report recommends a new generation co-operative of wild boar producers developing alliances with other segments in the distribution chain to achieve two main goals.

1. Market wild boar at a fair and reasonable price.
2. Coordinate the distribution system to reduce barriers, problems and inefficiencies. Thus enabling a smooth flow of product from the farm gate to the consumer’s plate.

At the outset of this project, it was assumed that the new generation co-operative concept was widely understood. It has become evident that this is not the case. Not only do farmers and producers lack adequate information on the concept but government employees and others who assist development do not understand the difference between a traditional co-operative and a new generation co-operative. There is little appreciation of the importance of the risk reduction strategies such as the two-way contract and the high equity investment. In addition, the co-operative development process is often bypassed. Economic development people act too quickly, taking short cuts and rushing the decision process. This causes many important factors to be overlooked or ignored. The result is not so much co-operative development as development of projects with high risk and poor long-term viability. Such projects may look good in statistics but place member investment at risk and contribute to pessimistic attitudes when they fail a few years down the road. Co-operative development must be built on a strong foundation of trust, democratic control and careful attention to risks. Therefore, the report includes a section on these issues.

The term New Generation Co-operative is not a magic phrase and should not be applied to ventures that do not incorporate the risk reduction strategies of two-way delivery contracts and high member equity investment. If producers are unwilling or unable to commit the time involved in the development process and sufficient equity to capitalize the project or cannot accept the discipline of the delivery contracts and the producer agreements, the project should not proceed. If producers are not committed through delivery contracts and investment, it will be difficult to leverage other investment funds either as debt or outside investment capital. If the two-way contracts are replaced with softer delivery agreements, the risks to the co-operative venture increase (the co-operative will not have a secure supply of product) and member loyalty will decrease (if the co-operative does not promise to purchase product, members will sell elsewhere and the co-operative will be short of product).

It is important to remember that co-operative development is a non-linear process and a learning process. It is often necessary to return to the beginning and reassess the situation. Attitudes and knowledge acquired during the process will be applied in revisiting the original problem. It is easier in the long-run to do things right, rather than lose your investment in a project created for the sake of doing something.

I congratulate the Executive and members of the Western Canadian Wild Boar Association for having the long-term vision necessary to undertake a project of this magnitude. You have taken a very important step in the development of your industry. I am sure that your efforts will result in sustainable industry growth and a viable, lucrative wild boar industry.

It has been a pleasure to work with you.

Brenda Stefanson

Stefanson & Associates

Western Canadian Wild Boar Association Orderly Marketing Project: Part II

Executive Summary

The members of the Western Canadian Wild Boar Association wish to establish an organized marketing tool for their industry. The goal of this initiative is to increase returns to producers through the capture of higher margins generated in the processing and distribution of Wild Boar products. In Part I of the WCWBA Orderly Marketing Project, a survey of producers identified the New Generation Co-operative business structure as the preferred vehicle for this development. Stefanson & Associates of Saskatoon were engaged to study the marketing of Wild Boar and to assist in the development of a business plan for the Wild Boar Co-operative. The focus of this research has been to identify the problems within the distribution chain and the barriers to development of the industry and to suggest an appropriate organizational structure to address the concerns identified. This research investigated potential markets and the activities that are currently taking place. The study identified segments of the distribution chain that are currently working well and segments that must be developed in order for the industry to grow in a sustainable manner. The findings suggest that the appropriate organizational structure for industry development is a new generation co-operative, however this co-operative must increase its market power and potential through strategic alliances and co-operation with other players in the industry.

In consideration of the level of risk that producers are comfortable with, the size of the industry, the lack of coordination in the industry, and other existing barriers to growth, it is recommended that the WCWBA develop a long-term strategy for growth of the industry. The first factor to be considered in this long-term strategy is to introduce coordination to the industry as a whole. The second but equally important factor is stabilizing the market for Wild Boar product. Wild Boar producers must have a market for their product that returns a fair and decent price. To achieve industry coordination and to move product at a fair price, preliminary findings suggest that the best interim strategy for the co-operative's efforts would be to form strategic alliances within the existing distribution chain. In working with alliance partners to perform an integration function, the co-operative's resources could be used to fill in gaps in the distribution chain and overcome inefficiencies in the marketing of wild boar. Through these alliances, Wild Boar producers will be able to market product and be assured of payment. This strategy will enable production, processing and marketing to develop and grow at a moderate but steady pace. The allocation of resources, in this manner, has the potential to benefit all players in the industry. As production increases and markets stabilize, Wild Boar producers can then consider pooling their resources to build the slaughter and processing facilities that will enable them to fully integrate their industry.

The wild boar producers' co-operative will provide necessary services to the producers while working with other resources to enhance industry development. The co-operative will collect and coordinate the animals of the members. Controlling a large number of quality-assured animals will give the co-operative a strong bargaining position in the market place. The co-operative will buy the animals from its members and retain ownership of the wild boar product through to the end market. The co-operative will form strategic alliances with other enterprises that provide slaughter, processing and marketing functions. The co-operative and its alliance partners will share (on a percentage basis) the returns to processing and marketing. The co-operative will benefit through access to the profits in processing and marketing. The partners

(processors and marketers) will benefit through access to large numbers of animals of consistent quality. The earnings of the co-operative will be returned to the producer-members. The producers will benefit from having a stable market and price for their animals and will receive dividends from the co-operative.

Coordination and co-operation among wild boar producers is essential in order to stabilize prices, develop products and markets, increase consumer awareness and develop linkages through to the end markets. Strategic alliances with other enterprises provide the services necessary to simultaneously develop production, processing and marketing. This will enable the wild boar industry to develop to its full potential. As production increases and markets develop, the wild boar industry may eventually be in a position to invest further in slaughter and processing facilities or other ventures.

The efforts of the wild boar producers to form a co-operative occur at an opportune time. The Saskatchewan government has reviewed the Co-operatives Act and is in the process of making changes which will be invaluable to this developing co-operative. New legislation enabling the development of new generation co-operatives is currently before the legislature in Saskatchewan. It is expected that the new Act will be proclaimed in the fall of 1999. The New Generation Co-operative Act allows for the sale of equity shares to allocate delivery rights among members and preferred shares to invite the investment of non-members. The equity shares can increase (or decrease) in value and have no voting rights. Voting rights are tied to the membership share (one member, one vote). For each equity share purchased, the member has the right and the obligation to deliver one animal to the co-operative each year. Preferred shares have limited voting rights and offer a limited rate of return.

For more information on the new Act, contact the Department of Economic and Co-operative Development or visit the website: www.legassembly.sk.ca.

To address the findings of Parts I and II of this project, the WCWBA executive and project steering committee have decided to move forward with plans to form a co-operative. A business plan for this co-operative is included with this report. A brief overview is provided below.

The Co-operative

The Canadian Shield Wild Boar Co-operative, Ltd. is a new venture created to organize and develop the wild boar industry. The Co-operative's goal is to increase the market for Wild Boar by co-operating with processors and marketers in an atmosphere of trust and mutual benefit. The Canadian Shield Wild Boar Co-operative, Ltd. is a new generation co-operative that will control the collection, processing and marketing of the member's animals. The Co-operative will develop sustainable markets for wild boar products by forming strategic alliances with existing (or developing) enterprises that slaughter, process and market wild boar. The Co-operative will commit resources to research and develop new products and new markets and to the promotion of wild boar food products.

Preliminary discussions with potential strategic alliance partners indicate a high level of interest in working with the co-operative. The response of existing processors and marketers to this idea has been very positive. These people recognize the benefits of co-ordination and co-operation within the industry. The Co-operative will be able to supply a large volume of animals of consistent quality required to serve the market. Experienced niche marketers know the value of this type of partnership with producers.

The Co-operative will commit resources to developing new value-added products that will use as much of the animal as possible. For example, low value trim can be turned into high value deli-meats. Products will be developed with several markets in mind including the growing home-meal-replacement market, the hotel and restaurant industry, and grocery store convenience food items. The Food Centre and the Food Product Innovation Program at the University of Saskatchewan will be valuable partners in the development and testing of new products.

In addition to product development, the Co-operative will undertake to develop markets in Canada for wild boar products through an aggressive promotional and informational campaign. The objective of the informational campaign will be to increase consumer awareness of wild boar and to provide information and training in the proper preparation of wild boar meat products.

Western Canadian Wild Boar Association Orderly Marketing Project: Part II

Background Research

Introduction

This section provides an overview of the research in the wild boar industry. The overview describes the current status of markets for wild boar and identifies some barriers and opportunities for the industry

At the point when the WCWBA initiated this project, producers of wild boar expressed concern over the lack of available markets and inadequate returns for wild boar product. The recognition that industry development must occur to provide stable and viable markets lead the Association to undertake a study of their industry and take steps to facilitate development. For the purposes of this report, it will be useful to understand what industry development means.

The goal of industry development is to expand the market. Industry development occurs when activities within the industry contribute to stabilization of the industry. "By stabilizing an industry we are referring to the activities involved in moving an agriculture-based industry from simply involving production to one which is characterized by elements such as well-defined markets, regulatory bodies, value-added, and ongoing product innovation" (Harris et al, 1998, p. 3). Industry development can be approached in various manners such as:

- Demand approach: Raising demand through product differentiation or consumer education. However, if demand is created and production has not developed adequately to meet the new demand, consumers will be discouraged in their efforts to acquire product and the demand will once again decrease.

- Supply approach: Increasing supply through increased efficiency, lower cost of production and other strategies. However, if supply exceeds the demand, the producers continue to experience frustration in selling their product at a fair price.

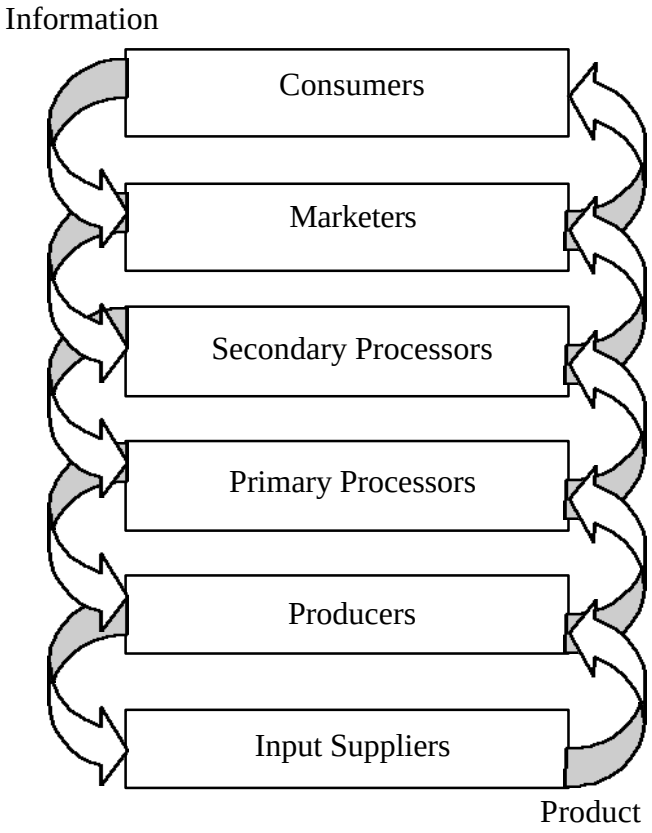
- Transaction costs approach: Lowering transaction costs to narrow marketing margins throughout the distribution chain. Marketing margins reflect the real cost of activities in the distribution chain and are influenced by the organizational arrangements between participants in distribution.

The most effective approach to industry development would be one that considers all aspects of the industry: production and supply, consumer demand, and all activities necessary to move product from the producer to the consumer. This holistic approach would facilitate simultaneous growth and development of all segments of the distribution chain. Thus, when consumer demand is created, supply will have increased to meet that demand and the primary and secondary processing and marketing functions will be in place to enable movement of product through the system. Industry development can be defined as, "occurring when a group of industry

participants consciously work together to change their institutional arrangements to engage in coordinated, interconnected activities which provide positive benefits not achievable by individual initiative alone. This description of industry development requires the coordination of decisions and actions of independent industry players" (Harris et al, 1998, p. 11).

Chart 1 shows a typical distribution chain or supply chain for agricultural products. The arrows on the right show product moving upwards in the chain. As product moves through the chain it changes in form and place at each segment of the chain. The product also gains value as it moves through from the farm gate where it is a raw commodity to the consumer where it may be a roast ready for the oven or a ready-to-eat deli product.

Chart 1. Distribution Chain for Agricultural Products



The arrows on the left indicate that information flows down the distribution chain. The marketer, close to the top of the chain, has information on consumer preference and is in a position to judge what practices must be in place throughout the chain to provide the products that the customers will be willing to buy. If the segments are operating in isolation from each other, the flow of information will take considerable time. Unless the segments are working together in a coordinated manner, each segment will have incentive to withhold or filter the

market information. In an uncoordinated system, by the time the information reaches the producer it may not be adequate to inform the producer how or why to adjust production practices to suit market demand.

The information flow is one of the important reasons that we are seeing more vertical integration of transnational corporation as they contract production with farmers. These issues are discussed more completely in the section The Environment of Change. Vertically integrated transnationals have access to market information and can dictate to producers the terms of production. Contracting farmers adjust production practices to suit the terms of the contract but often do not understand why and do not often receive adequate compensation for their efforts. Vertical integration through co-operatives gives farmer-owners access to full and accurate market information because none of the information is filtered or withheld. Co-operative members make adjustments to their production practices and fully understand why it is important. They are rewarded for their efforts by receiving dividends from their co-operative.

These issues are presented to show how coordination of the agricultural product distribution system can contribute to industry development. If the segments of the chain are working independently of each other, adversarial relationships exist between chain participants and information and product do not move smoothly. Replacing these adversarial relationships with interdependent relationships will create economic benefits at all stages of distribution and, in particular, increase profits for producers.

Other research in the wild boar industry echoes the need for a coordinated effort to encourage industry growth. The next section provides a brief overview of some of this research.

Research Overview

The wild boar industry has been the focus of several research projects. The results indicate that there is considerable potential but that the industry faces significant barriers that can only be addressed through the coordinated efforts of all industry stakeholders.

In September 1998, the Western Canadian Wild Boar Association initiated a research project to determine what steps were necessary to assist in industry growth and to provide stable and viable markets for their product. This project, the Wild Boar Orderly Marketing Project: Part I involved the contracting of Dr. Al Choquer of CATT Consulting to:

1) Establish a marketing committee to oversee the project.
2) Identify various options to establish a marketing system funded by industry.
3) Hold an industry forum to present the options and obtain feedback on the options.
4) Provide a report that includes the options considered, including the most favourable option.

The WCWBA Orderly Marketing Project: Part I investigated the possibility of forming a co-operative wild boar marketing agency. Dr. Choquer's 1998 report provides full information on the findings and recommendation. A summary is provided here as background for Part II of the project.

The results of the producer survey conducted by Choquer indicate "the industry would give strong support to a new generation co-operative" business structure (Choquer 1998, p. 2). Choquer estimated that approximately 70 wild boar producers would join and support a new generation co-operative marketing agency. These 70 producer-members would purchase approximately 4000 equity (delivery rights) shares in the co-operative. The equity shares are purchased at $60 each and represent a two-way contract between the member and the co-operative. More specifically, each equity share gives the member the right and the obligation to deliver one animal each year to the co-operative and gives the co-operative the right and the obligation to accept delivery of that animal.

These findings show a high level of interest and commitment among producers to undertake the development of their industry. By these estimations, wild boar producers are willing to invest, as a group, $240,000 (4000 shares @ $60 each = $240,000) in the creation of a marketing agency. Based on these encouraging findings, the WCWBA decided to further investigate this concept and create a strategy to move toward the goal of stabilizing markets and price for their product. With funding provided by the Canada-Saskatchewan Agri-Food Innovation Fund the WCWBA proceeded with Part II of the project.

The Wild Boar industry is also featured in the document *Working Together: The Role of External Agents in the Development Agriculture Based Industries* (1998) published by the Centre for the Study of Co-operatives and the Department of Agricultural Economics, University of Saskatchewan. The objective of this study was to determine the role that external agents and organizations play in fostering the development of agricultural industries. The study indentified several barriers to development of the wild boar industry.

The Masters Thesis by Don P. Lysyshyn is entitled *Coordination and Industry Development: The Wild Boar Industry* (1998). This research looks at the effects that different organizational arrangements have on the size of the marketing margin and thus the extent of industry development.

An Analysis of the Saskatchewan Food Processing Industry (1998) was prepared by Saskatchewan Agriculture and Food for the Saskatchewan Food Industry Development Centre. The purpose of the report is to assist the Board of Directors in identifying their client focus, establish the key functions of the Centre, and to identify the services to be offered by the centre.

These documents as well as interviews with individuals in the industry are used extensively in the preparation of this report. This report will focus on the Western Canadian segment of the Wild Boar Industry. Due to the independent nature of Wild Boar producers and the number of failed attempts to organize the industry in the past, it is apparent that any co-ordination of the industry will be a time consuming step by step process. It will require long term commitment by a core group of leaders prepared to act in the interests of the industry rather than the individual. With this in mind, we feel that concentrating on Western Canada provides a better chance of creating the climate of trust and commitment that will be necessary to accomplish a successful first step on the path to a vibrant and growing Wild Boar industry.

Industry Overview

In 1997 the wild boar industry in Western Canada was estimated to consist of 188 producers with an average herd size of 190 animals, or around 36,000 animals in total.

Approximately 9,700 wild boar were slaughtered in western Canada in 1996. Approximately 3,000 wild boar were sold into the hunt farm market in 1997(Choquer 1998). Wild boar are prolific breeders, capable of farrowing twice a year producing 5-8 young per litter. This litter size is typical of animals that have some domestic pig in their bloodline. Fullblood wild boar tend to have smaller litters. This attribute gives the wild boar industry the ability to react very quickly to any increase in demand. It should be possible for producers to double herd numbers in one year.

There exists within the wild boar industry a high degree of unused capacity as demonstrated by the fact that the total herd size has reached a plateau over the last year. Some producers have begun liquidating their herds. This trend is due to frustration over the slow development of reliable markets. Many producers assumed that when wild boar numbers reached a critical mass a market for meat products would naturally develop in response to health conscious consumer's demand for leaner meat. This has not been the case.

Several producers began producing wild boar because the low maintenance nature of the animal fit easily into their operation. Many of these producers do not have the time, skills, resources or the desire necessary to market a specialty product such as wild boar meat. As well, many producers do not see themselves as having the type of personality necessary to be a sales/promotion person. Although several processor/marketers are marketing impressive amounts of product, these efforts have not resulted in creating stable markets and sufficient returns to producers throughout the industry. In view of this, producers have expressed an interest in forming a producer owned co-operative marketing agency. Considerable commitment to the industry as a whole and leadership ability must be demonstrated to build the trust and support necessary for such a venture to succeed.

Markets for Wild Boar and Wild Boar Products

The Breeding Stock Market for Wild Boar

This market has become saturated and largely disappeared in the last two years. Three factors contribute to the saturation of the breeding stock market. First, the prolific nature of wild boar means that it does not take long to increase a desired line of breeding stock. Second, lack of a sustainable market for meat has drastically diminished the need for improved breeding stock. Third, confusion over the type of breeding stock that should be promoted has added to the problem. The term "full blood" has been adopted to identify pure wild boar with no domestic swine in their background. "Standard" is the term used to describe animals that meet the physical requirements for wild boar but may have some domestic swine in their background. Some producers prefer standards over full bloods from a production prospective because they typically have more offspring per litter, gain weight faster, exhibit less aggressive behaviour, and produce meat with a higher fat content for which there is demand in Asian markets.

Producers have not put forth the effort necessary to establish a registry to verify the Full Blood status of animals because the most developed markets for meat do not require Full Blood animals. The most important characteristic in some markets is the colour of the product. In the opinion of some producers, the meat colour can be altered to the customer's requirements by adjusting the diet of the slaughter animal. However, some European countries require that any Wild Boar imports be verified as full blood animals. Disagreement over the size and importance of these markets has left producers uncertain of what lines to focus on.

Hunt Farm Market for Wild Boar

Wild Boar hunt farms exist throughout North America. In 1997, the demand for hunt type animals exceeded the supply by a considerable margin. To be suitable for the hunt farm market animals must have the appearance and behaviour of full bloods.

It is rare for wild boar producers to deal directly with hunt farms. Shipments must be in semi-load lots to make it viable to ship the long distances to the hunt farms. Few producers have herds large enough to fill a semi-trailer with suitable animals. Usually, an intermediary will source animals from producers who deliver them to a central collection point. The intermediary buys the animals from the producers and then resells them to the hunt farm. The net price received by the primary producer is often less than one dollar per pound live weight, in most cases this is below the cost of production. The long chain of costs that are incurred between producer and hunt farm are responsible for this low price. The ownership of the animals changes at least twice, each owner must build a profit margin into the offered price. The cost of transporting the animals long distances to hunt farms is also deducted from the price paid, and the cost of getting the animals to the collection site is the responsibility of the producer. Producers report that sales have taken place where the intermediary did not pay the full offered price up front. A portion of the price is withheld until final settlement is received from the hunt farm and any unforeseen expenses are covered. Settlement in these cases ranged from full payment months later to no final payment at all.

One exporter from Manitoba stated in an interview that he had established some long-term relationships with American hunt farms that were returning $1.25US per pound live weight to a central Manitoba location. He attributed the better price from this market to the effort he has put into building a reputation for supplying quality product.

We can see from these examples that the hunt market is not, and likely will not be the backbone of the wild boar industry however, it is an important segment that can grow with some coordinated effort. Indeed, for some producers it is the only market available at this time. The key to building lucrative hunt farm markets lies in developing long term relationships based on trust and the commitment to supply top quality product.

Market for Wild Boar Meat

The domestic market for wild boar meat is very small. A few producers have been successful at farm-gate selling of wild boar carcasses or selling small batches of processed products such as jerky, hot rods, smokies, sausage or burgers to individuals or through placement in retail outlets. In recent years, successful farm-gate marketers have out grown the ability to farm-gate market all of their product but do not have the resources needed to make a serious attempt at exporting. Many producers report that their local markets have declined in recent years. They speculate that once consumers get over the novelty of Wild Boar they return to lower priced traditional meats such as beef, pork or poultry.

There are several issues that will have to be resolved before the domestic market can expand in a significant way. It has been suggested that a stigma exists regarding wild boar meat, and there is an expectation that it will taste ‘wild’ or of boar taint. Consumer education is required to overcome this perception. In addition, a wholesale and distribution system will have be set up as one does not exist at present. A method of quality assurance is required to gain consumer confidence that the product they are buying will meet their expectations. Security of

supply must be guaranteed if retailers are going to commit shelf space to a new product. If the market is to grow beyond a narrow ethnic or health food nature much work will have to be done in product promotion to familiarize consumers with the product and proper preparation. Furthermore, the price will have to be competitive with traditional meat products such as pork, beef and poultry.

Gaining access to shelf space in large grocery chains is a difficult task. Before a product will be placed or "listed" in a large chain the supplier must provide extensive information about the product and the firm supplying the product. The chain will require information on the plant where it was processed, the labeling and packaging, how it will be distributed and the consistency of supply. Once the product is listed, the supplying firm is expected to provide support for the product such as in store demonstration and conducting consumer surveys to be analyzed by the grocery chain. In addition, some chains require complete financial and historical information about the supplier, information about liability protection and a detailed plan of what the firm will do in the event that the product does not sell. Some chains will not accept any financial liability for a product that does not sell. Meeting all of these conditions just to get a product on to retail chain store shelves would require an organization with extensive resources (Lysyshyn 1998).

There are other potential markets for wild boar meat such as the hotel, restaurant and institutional (HRI) market and the home meal replacement (HMR) market. HMR is a newly emerging market that demographers suggest will grow rapidly with the aging of the baby boomers. This market (HMR) refers to pre-cooked products that consumers take home and simply heat up before eating. They are intended to fill a niche between time consuming full home cooked meals and more expensive restaurant meals (SAF 1998). It is true that these markets will require extensive promotion and product development. Any product wishing to succeed in these markets will have to meet the criteria of being a consistent, high quality product, competitively priced with traditional meats. However, their potential for future growth should not be ignored.

Offshore markets for Wild boar meat do exist but have been under exploited by Western Canadian producers. In Europe, wild boar is a traditional game meat with which people are familiar. This appears to be the largest known market for Wild Boar meat. The lack of European Union approved slaughter facilities in western Canada has prevented marketers from accessing this market in any significant manner. A significant competitor for the European market will be product coming out of Texas where an estimated four million animals run at large. These animals are trapped and slaughtered for the European market where consumers accept the variable wild nature of the product. This product can apparently be delivered to the Texas slaughter plants at a cost of $0.70 to $0.80 U.S. This effectively forces Canadian producers to meet this price or differentiate their product sufficiently to achieve a higher price.

Eastern Asia is seen as a market with high potential, given the large population with increasing disposable income. Wild Boar is seen as a "specialty" in Asia. Therefore, quality is of utmost importance. Acceptance in this market requires that meat be very tender, dark red in colour, and accompanied by a very white fat layer. In addition, the packaging and presentation must be appealing. This market will take time and marketing skill to develop.

To date, successful attempts to penetrate offshore markets have been limited. Several groups and individuals have tried to develop markets in Japan and Europe. In some cases opportunistic behaviour by individuals within a group have sabotaged the efforts of the group. That is to say that a group of producers work together to find markets and arrange supply, but

before the transaction is complete one individual undercuts the price negotiated by the group and fills the sale with his own animals. Individuals have tried as well to develop offshore markets and then co-ordinate supply for those markets. For the most part, these initiatives have not been very successful. Few marketers have been able to acquire a sustainable supply of suitable animals for their markets.

The norm in the industry is to conduct sales without an explicit contract. Thus, when disagreements arise over the terms of the sale, the parties cannot look to the contract for guidance. When informal contracts are used for selling wild boar, both parties may experience greater uncertainty in satisfactorily completing the sale. This may result in potentially fewer sales occurring and thus reduce the market liquidity.

Another aspect of the wild boar industry that hinders development is the fact that few sales are on a continual basis. For most producers sales are infrequent and usually there is no indication that repeat sales may occur. For most producers, it becomes necessary to continually seek out new buyers or go through the transaction process again with the former buyer. There is little certainty that a former buyer or customer will accept meat or meat products in the future.

Saskatoon Specialty Meats (SSM), owned and operated by Mr. Ron Blazeiko (interview 1998), has overcome some of these difficulties. Through years of developing trusting relationships with buyers in Japan and producers in Saskatchewan, Ron has built a successful wild boar processing business. As a wild boar producer, Mr. Blazeiko understood the need for dependable markets. Experience in marketing Marrowfat Peas in Japan gave him the insight into successful marketing strategies in the Japanese market.

Although he has no formal agreements with producers, he has developed good relationships with a small group of producers who are willing to raise the quality of animal demanded by his Japanese buyers. Mr. Blazeiko organizes the commodity assembly function for his animals as well as for other producers before they are slaughtered at Intercon in Saskatoon. The meat is then processed at SSM to the extremely particular specifications of the Japanese market. Many Japanese buyers require proprietary cuts that are closely guarded trade secrets. SSM has earned the trust of these demanding markets. SSM exports to Japan represent the majority of wild boar meat exports from Saskatchewan.

Another success story in the wild boar export market is Sus scrofa Farms Ltd. of Manitoba (interview 1998). As is the case with SSM, Sus scrofa has worked toward long term markets based on providing quality products for customers in return for prices that provide a reasonable return to producers. Sus scrofa buys animals from other producers. The animals are custom processed and marketed domestically and offshore. They have been successful in exporting product to European markets. Randy McRorie, of Sus scrofa Farms has seen markets that took a year or more to build disappear over night because of "bootleggers" who dump large quantities of product into a market at below the cost of production. Such transactions involving sub-standard, low price product, angers buyers who have contracted product with legitimate suppliers at higher prices and degrades Canada's reputation as a reliable supplier of quality product.

The export market is recognized as the greatest potential for growth of the Wild Boar industry. The following goals were identified by industry players as being critical steps in the development of a sustainable, profitable export market:

- Coordinated industry wide effort to develop long term relationships with consumers.

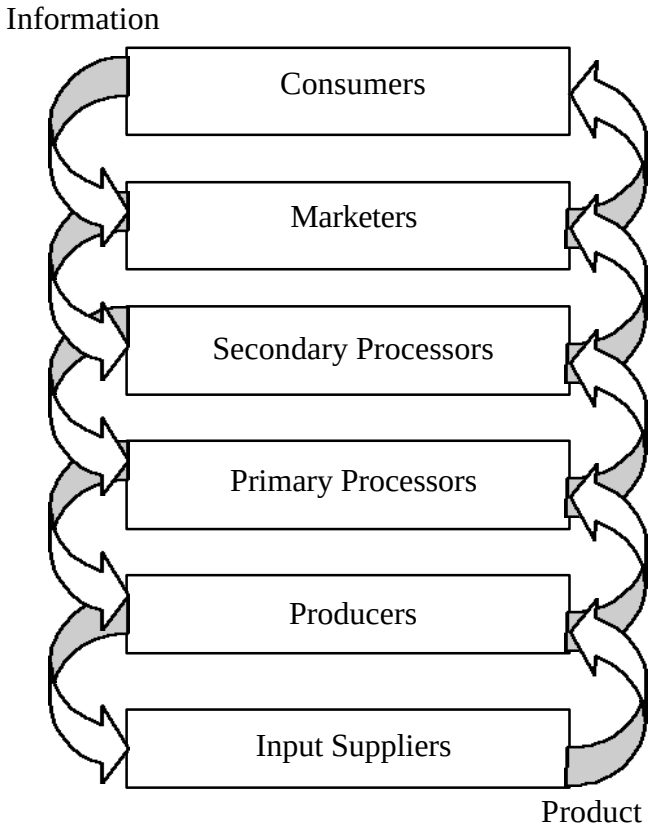
- Producers vertically integrating forward in the food chain.
- Strategic Alliances formed to fill gaps and overcome inefficiencies in the distribution chain.
- Access to a European Union approved slaughter plant in western Canada is the key to opening up the huge European market.
- A practical starting point for producers to get involved in the market is to joint venture with successful existing market segments.

Most industry stakeholders agree that these goals are realistic and attainable with concerted industry effort. The challenge for the immediate future is to rally producer support for the initiative and identify the key leaders that will see this through to fruition.

Observations

The distribution chain for wild boar in western Canada has been examined to identify existing inefficiencies and gaps. The most obvious gap is the lack of European Union approved slaughter facilities. Other barriers to development include the lack of industry coordination, product development, consumer awareness, and recognized grading standards. The distribution chain in Chart 2 will help us to understand where the problems and barriers exist in the distribution of wild boar. As discussed previously, industry development occurs when product and information flow smoothly through the distribution system.

Chart 2. Distribution Chain for Wild Boar



In the existing wild boar industry, there are a number of producers raising high quality wild boar. There are also a number of marketers who are having difficulty finding enough wild boar to fill orders. Producers tell us that one of the reasons marketers have problems finding wild boar is that the marketers are not willing to pay a decent price for quality product. Marketers are not communicating to producers what quality specifications they are looking for. This provides evidence of the concern that information is filtered or held back in an uncoordinated system.

In recent years, we have heard a lot about the importance of marketing. Marketing is very important but unless the product is the quality, the form and in the right place, even the most

skilled marketer cannot make the sale. Many activities and transactions must occur before the wild boar running around on the farms are ready for the oven.

The first important distribution chain activity is the primary processing or slaughter facilities. Wild boar must be slaughtered to European Union standards if it is to be marketed in Europe. Until now the closest slaughter facility to meet these standards was in Ontario. The long haul is a concern because of the stress to animals and the cost of transportation. Animals moved through the Ontario plant enter Europe as whole carcasses.

Processing of wild boar beyond the carcass state, is occurring at several facilities. Saskatoon Specialty Meats is processing wild boar to the exacting specifications of the Japanese markets. TML and other small processors across the prairies are working with individuals or groups of producers to supply product to retailers and restaurants. Relatively small amounts of product are moving in this manner.

Several ventures are in various stages of development that may reduce or remove some of these barriers. A group of specialty livestock producers have formed a company, Diversified Animal Management Ltd. (interview 1998). DAML has been working for approximately 2 years to purchase an EU approved mobile slaughter plant. Discussions with representatives of DAML reveal a willingness to work with a producer-owned wild boar co-operative to slaughter wild boar in western Canada. This development will provide EU standard slaughter facilities in western Canada. Transportation costs and animal stress due to transportation will be significantly reduced. DAML has offered to slaughter wild boar for the co-operative at $30 per head.

The Saskatchewan government has committed funding to a Food Centre located in Saskatoon. This Food Centre will focus on specialty meat products and fruit products to provide product development, marketing assistance and other development assistance. A similar venture in Alberta, the Food Processors' Federation of Northeast Alberta is planning a business incubator to assist start-up and small food processors. These new developments provide necessary services to the industry. It makes intuitive sense to work with them rather than duplicate services.

Given the size of the industry, the purchase of a mobile slaughter facility or the construction of a slaughter plant does not appear to be a feasible venture for a co-operative of wild boar producers at this time. A wild boar producer owned slaughter facility would take two to three years to organize and develop. By that time other projects would have provided this function to the industry and the wild boar facility would have to compete with them for product and market. By working with the projects already in progress, the wild boar producers can develop their industry without assuming the risk and debt of building or buying a slaughter facility. Table 1 describes the estimated costs of slaughter facilities and a few of the environmental and risk issues to be considered.

Part I survey results show that producers are willing to invest about $240,000 in the development of their industry. Although this is a significant amount of money it is not adequate to undertake the establishment of an European Union standard slaughter facility. It is expected that producers invest between 35% and 50% of the equity required for start-up of a new generation co-operative. As shown in Table 1, the lowest estimated cost of a mobile slaughter facility is approximately $1,850,000 (for the mobile plant and the docking station). The producer investment for this case should be between $647,500 (35%) and $925,000 (50%). Producer investment at less than the 35% benchmark would present capitalization problems and increase the risks of an already high-risk project.

Table 1. Estimated Costs of Slaughter Facilities

Facility Type	Estimated Cost	Other considerations
European Union Standard Slaughter Facility	$4,000,000 (minimum)	Environmental assessment Suitable water supply Adequate production and markets
European Union Standard Mobile Slaughter Facility	$1,600,000 (minimum)	Environmental assessment Suitable water supply Adequate production and markets Docking stations
European Union Standard Docking Station Facility	$250,000 to $1,400,000	Environmental assessment Suitable water supply Adequate production and markets

In view of this, an interim strategy was developed. The WCWBA Orderly Marketing Project Part II report to the WCWBA annual general meeting in November 1998 recommended that the wild boar producers form a new generation co-operative that would assemble the product of members and form strategic alliances with existing or developing processors and marketers. This recommendation was favorably received. The project continued in this direction with the formation of a project steering committee and continued research. The functions of the proposed co-operative are described more fully later in this report. A brief summary follows.

The report recommended that the Co-operative collect and coordinate the animals of the members. Thereby, controlling a large number of animals to provide the Co-operative with a strong bargaining position in the market place. The Co-operative will buy the animals from its members and retain ownership of the product through to the end market. The Co-operative will form strategic alliances with other enterprises providing slaughter, processing and marketing. The Co-operative and the partners in these alliances will share (on a percentage basis) the returns to processing and marketing. The Co-operative will benefit through access to the profits in processing and marketing. The partners (processors and marketers) will benefit through access to large numbers of animals of consistent quality. The earnings of the co-operative will be returned to the producer-members. Therefore, producers will benefit from having a stable market and price for their animals and from the dividends paid by the co-operative.

Coordination and co-operation among wild boar producers is essential to stabilize prices, develop products and markets, increase consumer awareness and develop linkages through to the end markets. Strategic alliances with other enterprises provide the services necessary to simultaneously develop production, processing and marketing that will enable the wild boar industry to develop to its full potential. As production increases and markets development, the wild boar industry may eventually be in a position to invest further in slaughter and processing facilities.

At the outset of this project, it was assumed that the new generation co-operative concept was widely understood. It has become evident that this is not the case. Not only do farmers and producers lack adequate information on the concept but government employees and others who assist development do not understand the difference between a traditional co-operative and a new generation co-operative. There is little understanding of the importance of the risk reduction

strategies such as the two-way contract and the high equity investment. In addition, the co-operative development process is often bypassed. Economic development people act too quickly, taking short cuts and rushing the decision process. This causes many important factors to be overlooked or ignored. The result is not so much co-operative development as development of projects with high risk and poor long-term viability. Such project may look good in statistics but place member investment at risk and contribute to pessimistic attitudes when they fail a few years down the road. Co-operative development must be built on a strong foundation of trust, democratic control and careful attention to risks.

To address these concerns, the next section of this report describes the New Generation Co-operative structure, the co-operative development process and reviews some of the issues that are encouraging farmers to look at new business structures.

New Generation Co-operatives

Introduction

When considering the development of a new generation co-operative in any industry it is important to understand the broad environment within which that development will occur. The first part of this chapter examines the changes occurring in agriculture at the end of the twentieth century. These observations will contribute to our understanding of why farmers are looking for alternative business arrangements and how new generation co-operatives fit the context of this new agriculture.

This chapter also describes the new generation co-operative concept highlighting how it differs from other organizational structures. Examples of existing new generation co-operatives are provided. The chapter concludes with a discussion of the development process to identify the areas where careful attention is necessary to ensure a successful venture.

The Environment of Change

Recently, the agricultural system has undergone dramatic change. Changes in technology, institutional structure and the globalization of agricultural markets have increased uncertainty and complicated decision making for producers. There are conflicting views on how these changes will impact farm management practices and the stability of family farm enterprises but most observers agree that decision makers must consider a whole new set of factors as they decide what to grow and how to market their products.

Boehlje (1995) describes how the concepts have changed and how these changes affect farm management decisions. Table 2 contains a few of the old and new concepts used by Boehlje to demonstrate how farm management decision-making has changed.

Table 2. Concepts in Agriculture

Old Concept	**New Concept**
Commodities	Specific attribute/differentiated raw material
Assets drive the business	Customer drives the business
Hard assets are the prime source of strategic competitive advantage	Soft assets are the prime source of strategic competitive advantage
Blending of commodity product from multiple sources	Separation of identity-preserved raw materials
Owning assets	Control of assets
Money/finance/assets are the prime source of power and control	Information is the prime source of power and control
Insourcing (produce your own) inputs	Outsourcing (buy from someone else) inputs
Market (price) risk	Relationship risk
Independence	Interdependence/systems
Stability	Change/chaos/flexibility
Technological change and innovation	Institutional change and innovation
Public/open information/research and development	Private/proprietary/closed information/research and development
Resource users and exploiters	Resource protectors
Agriculture is an art form	Agriculture is primarily science-based

Source: Boehlje, Choices, 1995

Boehlje's observations show that agriculture has evolved from focusing on commodities to focusing on differentiated, processed products. In the new agriculture, information is the prime source of control and the competitive advantage is in people, information and relationships. Players in the new agriculture are more concerned with relationship risks than with price risks.

Perceptions influence agricultural policy, which in turn influences farm management decisions. Boehlje sets out several changes in perception that will influence future agricultural policy and the structure of the industry. Agriculture has become an interconnected food production and distribution system. In this system attitudes have changed. Farmers no longer think of themselves as commodity producers; they are producers of food. New organizational structures enable the efficient flow of information and product through the distribution system. Food safety issues and environmental concerns influence the consumer's decision on what to buy. Table 3 describes some of the concepts set out by Boehlje.

Boehlje's observations of the changes in concepts and the changes in the way we think about farming illustrate how family farming is increasingly interwoven into the food distribution chain. The move from independent production to interdependence with upstream markets and downstream suppliers integrates the family farm with other segments of the chain. At the same time, concern for the environment, for protecting the productivity of land and natural resources and for food safety puts farmers under pressure as the caretakers of the earth and the providers of food.

Table 3. Perceptions in Agriculture

Old Perception	**New Perception**
Agriculture is farming	Agriculture is the food production and distribution system
Family farming/small business	Industrialized/corporate agriculture
Raising commodities	Manufacturing food products
Consumers fear high food costs and food shortages	Food costs are a decreasing part of the consumers budget and world-wide sourcing reduces the prospects of shortage
Consumers believe their food is safe	Consumers question the safety of their food
Significant political influence	Limited political influence
Efficiency	Ecology
Economic well-being of rural communities depends upon farming	Economic well-being of rural communities depends more on off-farm activity

Source: Boehlje, Choices, 1995

Agriculture is increasingly vertically integrated, (Barkema, 1993; Boehlje, 1995; Coffey, 1993; Cook, 1994; Drabenstott, 1994; Hefferman, 1984; Hefferman & Constance, 1994). Broadly speaking, there are two modes of integration: (1) corporate farming where a non-farm firm owns the resources and controls the decision-making; and (2) contract farming where the farmer owns

the land but shares decision-making with a non-farm firm. The non-farm firm has a claim on a portion of the resources and/or holds a contract or title of ownership for the product.

In the contract farming system, the farmer has an agreement with a processor of product or a supplier of inputs. Production contracts or forward contracts are made before seeding or before undertaking production. The farmer is paid to produce an agricultural commodity at a unit price set by the non-farm firm. The contract farmer is a piece-worker, supplying labour power and the mode of production. The contracting firm often supplies the inputs such as seed, fertilizer, feed and stock. The contract stipulates production practices such as fertilizing regimes, pest control, or feeding rations. The contracting firm holds title or ownership of the commodity and controls production and markets. Firms use contracting to increase direct control of production and to guarantee a specific quantity and quality of product to facilitate processing. The system helps to organize and mechanize production and speed adoption of new products and techniques (Cook, 1994).

Contract production holds many advantages for the contracting firm. Price, quality and schedule of supply are established. This contributes to the efficiency of processing plants by ensuring they run consistently at capacity. The system protects the contracting firms from the risk associated with weather, pests, disease and labour disruptions (Cook 1994).

The trend towards vertical integration is evident in many industries including: fresh and processed vegetables, turkeys, broilers, eggs, citrus fruits, potatoes, sugar, seed crops, fluid milk, and pork (Hefferman & Constance, 1994; Drabenstott, 1994; Hurt, 1994). Hefferman and Constance (1995) observe that in 1980, 89% of boiler production occurred through contract production, 10% on corporate farms and only 1% by independent producers. In this the most industrialized and vertically integrated sector of the food industry, growers are small players in the transnational game characterized by economic concentration. “By 1990, fewer than 60 integrated broiler firms controlled production, with the top four firms controlling about 45% of the industry,” (Hefferman & Constance 1995, p. 33). The largest broiler processor, Tyson Foods, is also the second largest pork producer and in the top twenty-five in beef and pork processing. ConAgra, the second largest broiler processor is in the first place in turkey processing, sheep slaughtering, flour milling and seafood processing. It is second in beef, pork and broiler processing, cattle feedlots and catfish processing. Drabenstott (1994) predicts continuation and, in fact, acceleration of this trend.

The accelerated trend towards vertical integration and industrialization is explained as the market impact of the new consumer and the new producer. Today’s consumer is more demanding, more informed and is capable of dictating preferences to the food industry. Food companies can no longer convince the consumer to accept mass produced, generic products. Consumers demand choice, quality, consistency and value. Today’s producer and the food industry are capable of providing exactly what the consumer wants. Advances in biotechnology and information technology make it possible to engineer food at every level from farm gate to dinner plate. Biotechnology enables the isolation and incorporation of specific traits in plants and animals, effectively providing low fat, low cholesterol food for health-conscious consumers. Information technology enables the industry to monitor consumer preferences and track products throughout the value chain incorporating this information at all levels (Drabenstott 1994).

These changes necessitate changes in marketing channels. Preservation of product identity is required to assure the character-specific product reaches the consumer demanding it.

Commodity markets (where products are gathered, mixed and passed to processors that produce standardized food goods) are not structured to accommodate the designer products of the modern food chain. More direct marketing channels, such as production contracts and vertical integration are required to maintain the identity of genetically altered or organically grown agricultural products.

Drabenstott (1994) predicts vertical integration and industrialization will lead to two types of agriculture: commodity agriculture characterized by low profit margins, low cost and high volume for producers and processors; and specialized production characterized by high profit margins due to the opportunity to add value.

> *The question will be how the profits are divided between producers and integrators* (Drabenstott 1994, p. 6).

The New Generation Co-operative Concept

Egerstrom (1994) believes farmers on the U.S. northern plains are reorganizing to meet the challenges of a restructured agriculture. In North Dakota, Minnesota, and neighbouring states, over 70 farmer-owned co-operatives are in various stages of development (see Table 3).

> *Cooperatives are the most efficient vehicles for developing value-added business ideas and raising community capital to turn ideas into action. These businesses raise the value of area raw materials, such as farm commodities, and give producers a portion of processing profits at a time when commodity prices are low and producer incomes are inadequate for family and farm expenses. They also provide jobs and gainful employment in rural communities for people no longer associated with the land. And those jobs, in turn, give communities a need for retail services, vibrant schools, churches and community services* (Egerstrom 1994, p. 13).

Egerstrom is referring to a wave of co-operative development so visible and extensive that it has been called co-operative revival, rural renaissance and co-op fever.

> *From 1990 through 1997, a total of 67 co-operatives were formed, or an average of 8.3 per year. More important, however, was the type being formed. The term "Co-op Fever" applies moreso to the value-added or processing co-operatives than to traditional marketing or supply co-operatives. Of the 67 new co-operatives in the past 5 years, 26 added value to agricultural products. These co-operatives ranged in size from 15 members to more than 2,000 and in dollar value from several hundred thousand to $261 million* (Patrie 1998, p. 5).

Table 4 lists the North Dakota value added co-operatives referred to in the preceding quote and some of the New Generation Co-operatives formed in Minnesota and South Dakota. Table 4 also gives the location of the co-operative and the product of the co-operative.

Table 4 New Generation Co-operatives in North Dakota, Minnesota, and South Dakota

Co-operative	Location	Product
Al-Corn Clean Fuels	Claremont, MN	Ethanol
American Crystal Sugar	Moorhead, MN	Sugar
Central Dakota Cattle	Maddock, ND	Feeder calves
Central Dakota Growers	Jamestown, ND	Potato storage
Central Minnesota Ethanol	Little Falls, MN	Ethanol
Chippewa Valley Agrifuels	Benson, MN	Ethanol
Churchill Co-operative	Hector, MN	Livestock
Corn Plus	Winnebago, MN	Ethanol
Corn-er Stone	Luverne, MN	Ethanol
Dakota Dairy Specialties	Hebron, ND	Cheese
Dakota Growers Pasta	Carrington, ND	Pasta
Drayton Growers Pasta	Drayton, ND	Pasta
Dakota Prairie Beef	Gascoyne, ND	Fed cattle
Farmers Choice Pasta	Leeds, ND	Pasta
Farmers Union Feedlot	Jamestown, ND	Fed cattle
Glacier Frozen Foods	McIntosh, MN	Vegetables
Golden Growers	Fargo, ND	Corn syrup
Great Northern Garlic Growers	Minot, ND	Garlic
Heartland Corn Products	Winthrop, MN	Ethanol
Heartland Feeders	Park River, ND	Livestock
Heart of the Valley	Mayville, ND	Vegetables
Iso-Straw	Finley, ND	Particle board
Midwest Investors	Renville, MN	Eggs
MINAQUA Fisheries	Renville, MN	Fish
Minn-Dak Farmers	Wahpeton, ND	Sugar
Minnesota Agro-Forestry	Alexandria, MN	Fiber
Minnesota Corn Processors	Marshall, MN	Sweetners
Minnesota Energy Co-op	Buffalo Lake, MN	Ethanol
Minnesota Family Farms	Kenyon, MN	Livestock
Minnesota Lean	Brownsdale, MN	Livestock

Table 4. New Generation Co-operatives in North Dakota, Minnesota, and South Dakota (cont.)

Co-operative	Location	Product
Minnesota Valley Alfalfa Producers	Granite Falls, MN	Fiber
MOPRO Co-operative	Glenville, MN	Poultry
North American Bison	New Rockford, ND	Bison meat
North American Fish Farmers	Binford, ND	Fish
North Central Cattle Feeders	New Town, ND	Feeder calves
North Dakota Pigs	Fargo, ND	Hogs
Northern Lights Vegetable	Brooten, MN	Vegetables
Northern Plains Premium Beef	Mandan, ND	Beef
Northern Produce	Hatton, ND	Carrots
Ostrich Producers	Minnetonka, MN	Ostrich meat
Phenix Manufacturing	Mankato, MN	Environ
Prairieland Producers	Randall, MN	Meat
Quality Pork	Crosby, ND	Feeder pigs
Snoflake Products	Warren, MN	Vegetables
South Central Minnesota Agrifuels	Clarks Grove, MN	Fuels
South Dakota Soybean	Volga, SD	Soybean oil
Southern Minnesota Beet Sugar	Renville, MN	Sugar
Tri-State Corn Processors	Rosholt, SD	Ethanol
TruAl Inc.	Truman, MN	Livestock
United Mills	Renville, MN	Livestock feed
United Spring Wheat	Fargo, ND	Frozen bread
United Sugar	Bloomington, MN	Sugar
ValAdCo	Renville, MN	Hogs
Walton Bean Growers	Englevale, ND	Edible beans
Western Dakota Pork	Scranton, ND	Slaughter hogs

Source: Patrie 1998 and Cooperatives Talk Minnesotan, MAC 1997

Characteristics of New Generation Co-operatives

The instrument of choice in creating this revival is the New Generation Co-operative. New Generation Co-operatives (NGCs) can be described as producer-owned, restricted membership co-operatives that are formed to process the agricultural products of their members. Capital requirements are met, to a large extent, by members purchasing delivery rights up-front. Low levels of debt and member commitment secured through delivery-right shares increase the potential for long term success of projects adopting this organizational structure (Patrie Interviews 1995, 1996, 1997).

These co-operatives are seen as the instrument by which rural people can take control of their lives and their livelihoods in the face of sweeping globalization, encroaching vertical integration, and increased concentration of power in the hands of transnational corporations. The purchase of a membership share gives the member the right to one vote in the co-operative and the right to purchase delivery rights or equity shares. Each equity (delivery right) share purchased represents the right and the obligation to deliver one unit of the product to the co-operative per year. The delivery contract acts as a two-way contract in that the member is committed to deliver and the co-operative is committed to take delivery. The contract sets out the standards for quality and delivery is regulated to keep the plant running at capacity at all times. If the member is unable or unwilling to deliver on the share, the co-operative purchases the product elsewhere and charges the costs against the member's equity. The delivery right shares in NGCs are tradable and transferable. Shares have value and can be sold to other producers with the approval of the board of directors. Shares can be passed on to the next generation along with other assets (Hanson Interview 1996).

The sale of these delivery rights is a mechanism for securing start-up capital. Member equity investment represents between 35% and 50% of the start-up costs. The obvious benefit to the co-operative of low debt is augmented by the benefit of member commitment. The loyalty of member is locked in through the contract and the investment. The member has made a large investment and will act to ensure success of the venture. The variations on the co-operative model incorporated into the NGCs are seen to solve many of the problems of traditional co-operatives such as: free riders, opportunistic behaviour, horizon problems and capital acquisitions (Harris et al 1995).

The share structure of the NGC is characterized by three classes of shares: membership shares, equity shares, and preferred shares. The membership share gives the holder the right to vote and the right to purchase equity or delivery right shares. Only producers of the commodity can hold membership shares. Each equity share purchased gives the member the right and the obligation to deliver one unit of farm product to the co-operative for processing. The third class of share is the preferred share. Preferred shares are issued to provide non-producers the opportunity to invest. This share carries limited voting rights, no delivery rights and offers a limited rate of return. For further details on the rights attached to these shares refer to the New Generation Co-operative Act scheduled for proclamation in the fall of 1999. This act can be accessed at www.legassembly.sk.ca. Table 5 shows and describes the three share classes.

The purchase of equity (delivery right) shares represents a significant investment on behalf of producer-members and a significant equity infusion for the co-operative. For example, the North American Bison Cooperative sold 180 membership shares at a cost of $US 100 each. These 180 members purchased a minimum of 10 delivery right shares at a cost of $US 250 each,

a minimum investment of $US 2500 (Sexhus Interview 1995, Patrie Interview 1995). To finance an expansion in 1999, NABC invited new members and issued additional equity shares. In 1999, the equity shares had increased in value to $495 US.

Table 5. NGC Share Classes

Share	Description
Membership Share	Holder has the right to one vote, and the right to obtain delivery rights. Members may serve on the board of directors.
Equity Share	Each equity share entitles the holder to deliver one animal each year. Issued by the co-operative to allocate delivery rights and to raise equity for start-up. Can appreciate in value (if the co-op is successful). Equity shares are issued in conjunction with a producer agreement specifying conditions of animal attributes and delivery schedules
Preferred Share	Issued to non-members to invite investment capital. Hold limited voting rights (refer to the new co-op legislation for details). Offer a limited rate of return.

The elements that distinguish the NGC from the traditional open co-operatives are closed membership, delivery-rights contracts, and high equity investment tied to the delivery right and to the rate of return on investment.

Several attributes of these new generation co-operatives are:

- *Equity investment is required prior to establishing delivery rights.*
- *Producer agreements between the co-operative and the producer link delivery of products to equity units purchased. Total delivery rights make equal processing capacity available for sale.*
- *Purchase of commodities is authorized by the co-operative for undelivered contracts.*
- *The transferability of equity feature means that shares can be sold to other eligible producers at prices agreed to by the buyers and sellers. Equity shares appreciate or depreciate in value based on the earning potential they represent. Although the co-operative's board of directors doesn't set prices, they must approve all stock transfers so that shares do not get into the hands of ineligible persons.*
- *High levels of cash patronage refunds are issued annually to the producer. Since equity is achieved in advance of business startup, a majority of the net can be returned annually to the producers in cash. (Patrie 1998, p. 2)*

Although these organizations look like investor-oriented firms, they hold staunchly to the basic principle of co-operation set out by the Rochdale Equity Pioneers in 1844: democratic control, one member, one vote (Craig, 1993). Voting rights are tied to membership independent of the level of investment (Patrie Interview 1995).

A Community of Co-operatives

Renville Minnesota is home to a number of New Generation Co-operatives. The Renville co-operatives illustrate how farmers are acting co-operatively to add value to farm products and integrate upwards in the distribution chain. This section briefly describes some of the Renville New Generation Co-operatives

ValAdCo is a farmer-owned co-operative, incorporated in 1991 with 100 corn producing members. The Minnesota co-operative was established to add value to shareholder's corn by feeding it to hogs. Earnings of the co-operative are distributed to the members in proportion to the bushels of corn delivered. ValAdCo produces genetically superior gilts for resale to hog breeding operations. The co-operative operates a 1250 sow crossing farm and two 2500 commercial sow farms near Renville, and a 2500 sow crossing farm near Olivia (Minnesota Association of Co-operatives 1995).

Midwest Investors, Inc. (MII) is a co-operative organized to invest in the production of eggs and egg products and other ventures in an attempt to diversify the investments of member-farmers. Golden Oval is the egg production and processing division of MII. On 60 acres near Renville, 16 Golden Oval barns house 127, 000 birds each. In the egg processing plant, eggs are broken and separated. Processed eggs are sold through agreements with 2 companies who further process the liquid eggs for retail and food service industries. The 383 members of Golden Oval produce feed grains (Minnesota Association of Co-operatives 1995).

ValAdCo, Golden Oval (MII) and Co-op Country Farmers Elevator formed another co-operative, United Mills. United Mills receives grain from the farmer-members of ValAdCo and Golden Oval and processes the grain into specialized feed mixed for the ValAdCo hogs and the Golden Oval hens (Minnesota Association of Co-operatives 1995).

Local farmers can be, and often are, members in ValAdCo, MII and Co-op Country Farmers Elevators. Members in ValAdCo and Golden Oval (MII) hold delivery right shares with the co-operatives. They receive market price on delivery and a share of the earnings of the co-operative, (Egerstrom, 1994; Campbell, 1995 & Year in Cooperation, 1995). Other Renville co-operatives include Southern Minnesota Beet Sugar Co-operative and MINAQUA Fisheries.

These co-operatives are examples of farmers pooling resources and risks to integrate upwards from farm operations to processing sectors of the food industry. The economies of scale realized through the size of these operations would be impossible for most individual farmers.

Vertical Integration through Co-operation

How does contracting with a New Generation Co-operative differ from contracting with a non-farm corporation? In the NGC, the grower is the owner and will share in the earnings of the plant in proportion to the volume of delivery/the number of shares owned/the amount of investment made. The co-operative does not retain earnings for future expansion. Expansions will be funded through the sale of additional shares. The low debt position means the co-operative can realize earnings within a few years of start-up. The members receive a percentage of these earnings based on the number of delivery right shares they own which reflects the amount of their initial investment.

The production contracts used by non-farm firms represent top-down vertical integration. Large agricultural corporations reach down the value chain to gain control over production while

off-loading the risk of weather, crop failure and labour onto the producer (Cook 1994). New generation co-operatives are farmers reaching upward to gain a share of the profit centres available in processing, distribution and marketing.

Non-farm firms dictate the terms of the contract. Farmers who won't play are soon eliminated through a lack of marketing opportunities. NGC owner-members can sit on the board of directors and maintain and exercise control over the terms of the contract.

Farmers holding production contracts with non-farm firms assume production risks with few off-setting benefits. The contract locks in prices. The contract may protect the farmer from a price reduction but also prevents them from benefiting from price increases. In the NGC model, farmers assume the production and price risk but the risks are somewhat off-set by access to the earnings of the co-operative. If the co-operative benefits from a low farm gate price, the returns to processing will increase and farmer-members will receive a percentage of those returns.

The contracting firm controls information on market trends and consumer preferences. Farmers have knowledge of local conditions and production. When farmers form co-operatives and integrate upwards in the distribution chain, they are able to access market and end-user information. Combining market information with information on production and local conditions puts farmers in a position to respond quickly and accurately to market trends.

The NGC model of organization holds some potential for producers to develop their own organizational structures that can take advantage of the benefits of vertical integration of the processing sector while maintaining an element of control for the commodity producer. Although not fool proof or perfect, use of this tool has caused many co-operative members to gain a little more control of their future and the future of their communities.

The Co-operative Development Process

At this point, it is useful to examine the development process at work in North Dakota. Patrie and others in North Dakota borrow a phrase from Moses Coady and often urge farmers to "Take control of your own destiny." Co-operative developers cultivate a change of attitude or mind-set. They believe that it is important for the primary producers to stop thinking of themselves as producers of raw commodities and price takers with no control over the system that they depend on for a living. Producers must start thinking of themselves as producers of food and as components of the food distribution system. Patrie encourages producers to stop thinking as "victims" of the system and to improve their situation within the system. Patrie views co-operative development as a strategy "to achieve local ownership of enterprises" (1998, p. 10). He describes a five-step process:

1. *identifiying a common interest held by individuals willing to champion the project,*
2. *studying the feasibility of the idea,*
3. *converting the feasibility study to a business plan,*
4. *conducting the equity drive, and*
5. *launching the business* (Patrie 1998, p. 10).

Patrie cautions that the steps must be sequential and none can be left out. This appears to be a simple process. However, it is a process which can take two to three years at a cost of $271,000 to $688,500 (US) from the time of the original idea to the ground breaking of a new venture (Patrie 1998).

Other co-operative developers support the importance of the process.

> *The ultimate goal of starting a co-operative can only be reached when six preliminary objectives are accomplished. The group must: 1) agree that a compelling problem or opportunity exists warranting their attention, 2) agree that by forming a new co-operative they can address the identified problem, 3) reach an adequate level of trust among potential members, 4) secure commitment from members, 5) secure commitment from other key stakeholders, and 6) assemble the staff and assets to start up the co-operative enterprise. Attaining each of these objectives typically involves a set of activities common to co-operative formation* (Henehan et al 1997, p. 27).

The aforementioned activities common to co-operative development are part of a six-phase process. Table 6. shows these six phases and the steps and individuals involved in each phase. Each phase builds on the information and decisions in the previous phase. All phases involve mulitple tasks and the input of dozens of potential members and advisors. The organizers of this process face the challenges of conflicting schedules and conflicting viewpoints. The process is long and, often, slow but it is important not to rush the explorations and the decision process (Henehan et al, 1997).

The development process involves many people, important steps and multiple tasks. The following examples of Patrie's experience contribute to our understanding of this process. Patrie starts with a core group of producers. For example, Patrie brought together a small group of durum producers to discuss the future of their industry. The group discussed the state of the industry, their position in the market place, and the options available to them to improve their income within that industry. Patrie provided information on organizational structures (in particular the co-operative structure) that might be used to address the problem (Patrie Interview 1997). The group started to focus on a common problem and look for solutions to that problem.

The producers begin this process as individual producers focused on their own operations. They are led through a survey of the existing state and awareness enhancement. Through this process of learning about their industry and discussing the problems, they begin to realize that they share a common problem. As they look for solutions to that problem, they develop cohesion as a group and develop trust in each other. They are forming what Runge (1984) and Marwell & Oliver (1993) refer to as the ‘critical mass” and what Ryan (1994) refers to as collectivity. They are able to make the decision to continue working together to seek solutions.

At this point, the members begin a learning process and the acquisition of new knowledge and skills. A series of information meetings brings more producers together with the original core group. Experts such as accountants, lawyers, financiers, and researchers provide information to the group. The group members discuss these new issues with respect to how they relate to their problems. Once the group has sufficient information and understanding to make an informed decision, they will undertake a feasibility study to investigate potential business opportunities that may improve their situation (Patrie Interview, 1996).

Table 6. Six Phases of Co-operative Development

Phase	Steps	Network
Identifying an opportunity	Explore relevant market Discuss and agree on scope/nature of problem Research economic aspects	Potential members Advisors Consultants Community
Building consensus on potential for co-operative	Study co-operative alternative Hold initial meetings to review scope and nature of co-operative solution Discuss and agree on co-operative approach	Potential members Advisors Consultants Community
Developing trust among potential members	Surface leader/champion Establish steering committee Raise seed capital Conduct feasibility study Agree on feasibility/inform stakeholders.	Potential members Steering committee Advisors Consultants Lenders
Securing commitment from members	Develop detailed business plan Establish legal identity Conduct member equity drive Retain manager Set up books/accounting	Members Advisors/Attorney Consultants Interim Board Manager Lenders Accountant
Securing commitment from lenders and other stakeholders	Obtain debt financing Develop relations with customers and suppliers	Lenders Customers Suppliers Members/Staff Interim Board Accountant Advisors
Starting up the new co-operative enterprise	Secure necessary assets Hire staff Elect Directors Establish Committees	Elected Board of Directors Manager / Staff Accountant Advisors

Source: Henehan et al 1997, p. 28

The farmer group is extensively involved in the investigations that result in a feasibility study and business plan. This is one of the important learning experiences for the farmers. They develop a knowledge and understanding of research, financial statements, risk, business structures, and legal issues. As the project proceeds through the feasibility study, business plan, and prospectus, the farmers develop a solid knowledge of their business and the risks and opportunities involved in it. They have a sense of ownership of the project because they have been involved in all stages and in all decisions (Patrie Interviews).

During this process, Patrie, as the facilitator, encourages leadership from within the group. Patrie (1998) suggests that an acceptable project leader will have the following attributes:

- credibility,
- financial stability,
- possess a basic knowledge of the industry,
- be willing to accept the servant leadership role, and
- be a developer, not a promoter.

Patrie watches for the person(s) who others turn to for advice or guidance. This emerging leader has gained the respect of the group because of an attitude of fairness, thoughtfulness, and trustworthiness. For instance, Ken 'Doc' Throlson emerged as the leader in the bison producer group. Throlson had worked hard to develop a large bison ranch in North Dakota and to market his products around the world. Throlson had captured a large share of the bison market. However, in Doc's own words,

> *I saw an industry that I loved and I realized that if we continued to compete amongst ourselves, the industry would self-destruct* (Throlson, Interview 1996).

The other producers saw that Throlson was willing to give up his control of a large portion of the market to make the whole industry stronger and more successful. They came to understand Throlson's vision of a large and coordinated industry where more benefits would be available to all than if each continued to work alone. Throlson's willingness to give up his share of the pie to make the whole pie bigger is seen as a turning point to developers who worked in the start-up of the North American Bison Cooperative.

Patrie remembers this moment as the point where bison producers developed trust and overcame their independence. From this point the facilitator was able to "coordinate the expectation" of co-operation. Bison producers felt "assured" that others would co-operate and were therefore willing to co-operate. The spiral of co-operation began with Throlson sharing his vision of a strong, coordinated industry. Bison producers believed that by working together, they could achieve that vision. The attitude of independence was replaced with an attitude of interdependence. Producers were willing to give up a small part of their independence to work with others to overcome common problems (Patrie Interview 1996).

The work does not end here. The next step in the process of development is the equity drive, a grueling schedule of meetings. Producer-members take the lead in these meetings, sharing the findings of the feasibility study and presenting the business plan. Patrie and other experts will contribute information to the meeting, as it is necessary for the understanding of future members.

At these meetings, Patrie delivers motivational speeches in the tradition of past co-operative leaders like Moses Coady. Patrie believes strongly in the power of collective action.

> *I believe that in cooperation there's a strength that's greater than the sum of its parts* (Patrie in Karaim 1995, p. 20).

However, Patrie often points out that the co-operative model isn't a magic recipe for success. Successful ventures must be based on solid feasibility studies and comprehensive

business plans. Patrie suggests a combination of sound business decisions and co-operative strategies are the foundations of successful development.

> *The miracle of modern cooperation is that we fight with our hearts, but we also fight with our heads* (Patrie in Karaim 1995, p. 20).

Co-operative development is a slow, non-linear process. The meetings are not without conflict. Farmers are strongly independent and co-operation is sometimes seen as a threat to that independence. The development process moves slowly giving everyone a chance to raise issues and discuss their hopes and fears. This discussion process serves to build trust and cohesion as participants identify common problems and seek solutions. The process ensures the participants take ownership of the project, providing leadership and controlling the decision making. Only then are the farmers ready to take the risks and make the investments necessary to strengthen their industries.

The first two chapters of the report provide the background for the project. A third chapter provides a summary and recommendations. The final section describes the proposed new generation co-operative, Canadian Shield Wild Boar Co-operative and includes the business plan financial statements for the venture.

Summary and Recommendations

The most effective approach to development in the wild boar industry would be one that considers all aspects of the industry: production and supply, consumer demand, and all activities necessary to move product from the producer to the consumer. This holistic approach would facilitate simultaneous growth and development of all segments of the distribution chain. Thus, when consumer demand is created, supply will have increased to meet that demand and the primary and secondary processing and marketing functions will be in place to enable movement of product through the system. This approach would be in keeping with the definition of industry development set out at the beginning of the report. "Industry development is defined as occurring when a group of industry participants consciously work together to change their institutional arrangements to engage in coordinated, interconnected activities which provide positive benefits not achievable by individual initiative alone. This description of industry development requires the coordination of decisions and actions of independent industry players" (Harris et al, 1998, p. 11).

The new generation co-operative business structure has been shown to provide the mechanism for industry coordination and has therefore been the focus of the project during Part I and II. The results of the producer survey (Part I) show a high level of interest and commitment among producers to undertake the development of their industry through a new generation co-operative. However, given the size of the industry, other activities in the industry, the level of investment producers are willing to undertake, and the level of risk most producers are comfortable with, the development of a new generation co-operative slaughter facility is not feasible at this time. An alternate strategy was developed as an interim strategy to provide coordination, encourage industry growth, stabilize markets and increase returns to producers. The preceding sections and the business plan that is attached describe this interim strategy.

A Word of Caution

The term New Generation Co-operative is not a magic phrase and should not be applied to ventures that do not incorporate the risk reduction strategies of two-way delivery contracts and high member equity investment. If producers are unwilling or unable to commit the time involved in the development process and sufficient equity to capitalize the project or cannot accept the discipline of the delivery contracts and producer agreements, the project should not proceed. If producers are not committed through delivery contracts and investment, it will be difficult to leverage other investment funds either as debt or outside investment capital. If the two-way contracts are replaced with softer delivery agreements, the risks to the co-operative venture increase (the co-operative will not have a secure supply of product) and member loyalty will decrease (if the co-operative does not promise to purchase product, members will sell elsewhere and the co-operative will be short of product).

It is important to remember that co-operative development is a non-linear process and a learning process. It is often necessary to return to the beginning and reassess the situation. Attitudes and knowledge acquired during the process will be applied in revisiting the original problem.

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Canadian Shield Wild Boar Co-operative

Business Overview

Canadian Shield Wild Boar Co-operative, Ltd. (CSWBC) is a new venture created to organize and develop the Wild Boar industry. The producers of Wild Boar have become comfortable with the production aspect of their industry and realize that the next step is to organize the marketing and promotion of their product. Their goal is to increase markets for Wild Boar by co-operating with processors and marketers in an atmosphere of trust and mutual benefit. By forming strategic alliances with other levels of the industry the producers believe that every one in the chain can increase their returns from the market. Producers realize that in order to capture the higher returns generated higher in the food chain they must take responsibility for that market and ultimately invest in that market.

Vision and Mission Statement

Our vision is to have a vibrant and dynamic Wild Boar industry that meets the needs of every link in the product chain, from the consumer right back to and including the primary producer. Our long-term goal is to contribute to the coordination of the industry and to extend producer control throughout the distribution chain, thereby accessing the profits available in processing and marketing.

Our mission is to take responsibility for realizing this vision by investing in the processing and marketing of our product and by fostering an environment of trust and co-operation in the industry.

Objectives

Our objectives for the first year are:

- To create a New Generation Co-operative, owned and controlled by Wild Boar producers, that will control the processing and marketing of member's animals.
- To have 4000 animals committed to the Co-operative by approximately 70 Wild Boar producer members.
- To develop markets and products to enable the expansion of the co-operative to include 20 new producers in each for the next two years. These 20 new producers will bring in an additional 2000 animals per year.
- To develop sustainable markets for the products processed from those animals by forming strategic alliances with primary processors, secondary processors, marketers and brokers.
- To initiate research and development activities that will enhance the value of the entire wild boar animal.

Ownership

Producers of Canadian Wild Boar will own CSWBC. CSWBC will be incorporated as a New Generation Co-operative under the new legislation to be introduced in the fall of 1999. The vehicles for investment in the co-operative will be:

- Membership share: This share entitles the holder to one vote in the control of the co-operative and to serve on the board of directors. Membership entitles the holder to purchase delivery rights in the co-operative.
- Equity Shares: Equity shares will be issued to members to allocate delivery rights and raise equity for start-up. Members will purchase these shares in proportion to the number of animals that they wish to commit to deliver to the co-operative each year. One equity share represents the right and the obligation to deliver one animal each year to the co-operative. This right of delivery is a two-way contract in that, the producer is obligated to supply one animal and the co-operative is obligated to purchase that animal providing it meets the quality and attributes specified in the producer agreement. The equity share is issued in conjunction with a producer agreement contract that lays out the specific quality and attributes of the animal and the delivery schedule. Wild boar delivered to the co-operative that do not meet these specifications will be rejected and the costs associated with transporting the animals back to the producer's farm will be the responsibility of the producer.
- Preferred Shares: The proposed changes to the Co-op Act, before the legislature as the New Generation Co-operatives Act, allows for the issuance of preferred shares to non-producers. These shares have limited voting rights as outlined in the Act and offer a limited rate of return to investors. Preferred shares give the co-operative the opportunity to invite investment capital.

Location and Facilities

The Board of Directors of the Co-operative would determine the location of CSWBC offices. This decision would likely be based on the greatest concentration of membership, proximity of processors, etc.

Products and Services

Description of Products and Services

Initially, the Co-operative will market Wild Boar as carcasses for the processing industry and fresh pack cuts for the wholesale market. Through arrangements with the Food Innovation Program and the Food Centre, the CSWBC will investigate and work to develop markets for organic products, highly processed deli style products, and precooked home-meal-replacement products for the retail industry. By investing in and sharing the risks of each of these markets the Co-operative will help to develop a larger more sustainable markets for Wild Boar. By creating a much larger pie, everyone's portion will be larger.

Key Features of the Products and Services

Through the vertically integrated structure of the New Generation Co-operative the producers of Wild Boar have access to market information. This will enable them to adjust production to meet market demand. The co-operative will be able to preserve the identity of the product throughout the processing and distribution. Therefore, the co-operative can assure customers of specific qualities and attributes and develop strong and lucrative niche markets. Quality assurance will build long-term trust and loyalty between supplier and consumer.

Differentiation of product and service on the basis of quality and reliability will allow the CSWBC to extract greater returns from the marketplace. These benefits can then be shared by all that have contributed to the success of that market.

Services and Activities

The CSWBC will rent office space and acquire office furniture and equipment (phone, fax, computers, etc.). The CSWBC will hire a general manager and an office manager. It may be necessary to hire additional staff or contract services as the business grows. CSWBC will engage the services of a lawyer to ensure fair and legal contracts with producers and alliance partners.

The functions of CSWBC are to:

1. Arrange and negotiate strategic alliances or joint ventures with
    - Primary processing (slaughter) i.e. Diversified Animal Management Ltd., Mitchell Foods.
    - Secondary processing i.e. Saskatoon Specialty Meats, TML, etc.
    - Marketers and Brokers (see list attached)
2. Coordinate animals: arrange with producers for animals to be delivered to the slaughter facility in an orderly fashion. Producers will be responsible for transporting their animals to the slaughter facility at the specified time in the specified condition (as set out in the producer agreement).
3. Arrange and coordinate product and market research and development with the Food Centre, Food Innovation Program and others.
4. Intiate a market development program with the assistance of the Food Centre and alliance partners.

Future Products and Markets

The CSWBC will aggressively invest in the development of new products and markets. New strategic alliances will be developed as the industry and new markets evolve. Potential new products and markets include:

- Development of products for the Home Meal Replacement (HMR) and Hotel Restaurant and Institution (HRI) markets,

- Development of Deli style products to make use of trim and lower quality portion of carcass,
- A subsidiary Wild Boar Hunt Farm,
- Alliances with other livestock species to reduce duplication of efforts.

Comparative Advantages in Production

All food producers in Canada benefit from Canada's reputation as a producer of top quality food. This advantage is exemplified by the Western Canadian Wild Boar industry with its superior bloodlines and efficient production techniques, which enable Western Canadian Wild Boar to fit into many niche markets with stringent product specifications. This ability to supply premium quality products designed to the consumers specifications will be exploited to it's fullest potential.

The vertically integrated structure of CSWBC with strong producer support as its base gives CSWBC a competitive advantage in quality control. The primary producer, having investment in and responsibility for the end product, is rewarded for meeting the specifications of the consumer. This information link between consumer and producer is a very effective tool in the differentiation of product.

The two-way delivery contracts reduce the risks for the co-operative and the producer. Producers are assured of a market and a fair price for their product and can concentrate on enhancing production practices. The co-operative is assured of a steady supply of uniform quality and can concentrate of market and product development. Both the co-operative and the producer are protected from adverse price fluctuations.

Industry Overview

Market Research

Interviews were conducted with many stakeholders in the industry to determine their current activities as well as their opinions of the future potential for the wild boar industry and their interest in working with a New Generation Co-operative to develop the industry. The response from primary and secondary processor and marketers was very favorable. (See the preceding report for details.)

Europe is the largest market for Wild Boar meat. Lack of E.U. approved slaughter plants in Canada has prevented Canadian producers from fully exploiting this market. This concern is now being addressed by the purchase of the mobile slaughter facility by Diversified Animal Management Ltd.

Asia is a significant market. It has been developed to a much greater degree because there are a few processors working closely with Asian buyers to supply the kind of product required by Asian consumers. The Japanese market requires specific cuts. Access to this proprietary information may be difficult.

The domestic market is small but many stakeholders agree that with the right mix of product development, promotion, and coordinated production this could develop into a significant and lucrative market.

Key Product Segments

Where wild boar competes with other red meats, price will be an important factor. Niche markets exist where consumers are looking for a taste experience and are willing to pay for that experience. High-end restaurants and home meal replacement are examples of niche markets. Wild Boar product must be differentiated on the basis of quality, consistency, taste experience, and favorable nutritional characteristics to gain market share.

Wild Boar has many characteristics that will be attractive in high value niche markets:

- Low fat content
- Low cholesterol content
- Unique appealing flavor
- Exotic image.

Key Market Segments

The current and potential markets for Wild Boar can be segmented as follows:

- The hunt farm market, mostly in the U.S. requires wild-looking animals.
- Conventional red meat market, in competition with beef, pork, etc.
- A traditional meat, Europe where they are accustomed to eating Wild Boar.
- A special occasion meat often associated with religious celebrations, this market is typical of Asia.
- Specialty food consumed mostly in high-end restaurants by people seeking a new taste experience.
- Convenience foods: quality, full course meals ready to take home, heat up and eat. Known as Home Meal Replacement (HMR).
- Hotel, Restaurant, Institution (HRI) market requiring large volumes of consistent quality.
- Functional Food market, the aging baby boomers are looking for healthier alternatives to the high-fat, low-nutrition diet they have indulged in until now.
- Value added products such as sausage, jerky, pepperoni sticks, etc.

The market for value added products such as sausage and jerky is a price sensitive market as it is difficult to differentiate a product in this market. In all markets, a relationship of trust between seller and buyer is essential for long term growth to occur.

Key Industry Trends

Important trends in the food industry as a whole are a desire by consumers for an ever-increasing variety of foods to chose from. Many are looking for new taste adventures to experience. Consumers are generally willing to pay a premium for food products that they perceive to be of superior quality. More emphasis is being placed on food safety. The ability to show how a food product was produced will become increasingly important if a marketer wants to extract a premium price based on quality or certain characteristics, such as natural or organic production methods.

The desire for more convenient foods that do not sacrifice quality requires the development of new ways of presenting foods to the consumer. In some markets the appearance of the product is of utmost importance. This requires specialized processing methods to achieve the desired end product.

Wild boar product will do well with today's discriminating consumer who is concerned with healthy eating and food safety and is willing to pay for quality.

The competition in the food industry is always strong and the winners will be the ones who can gain consumer trust in their quality and keep consumer's attention by presenting them with new innovative products that meet their needs in a changing world.

Industry Outlook

There is potential for growth in wild boar markets. However, the wild boar industry is at a crossroads. The industry must develop a reliable distribution chain if the present and forecasted demand for the product is to be met. The primary production is at a high level of efficiency and marketers have identified demand for the product, but the lack of reliable mechanism for bringing these links in the industry together threatens to sabotage the long-term growth and viability of the industry.

Integration of the segments of the wild boar product chain will require a solid commitment of time and money. The high potential for the industry implies that someone will expend the resources necessary to accomplish this task. Whoever has the foresight and faith to commit these resources will likely obtain control of the industry.

Marketing Strategy

Target Markets

CSWBC will seek to form strategic alliances involving legal contracts with marketers and brokers. Through these alliances, CSWBC will market product into Canadian, European and Asian markets.

Description of Key Competitors

There are a number of firms and individuals marketing Western Canadian Wild Boar products. They have had varying degrees of success in developing markets. Opportunistic behavior by players in the Wild Boar market has sabotaged many efforts to assemble

product for market. This has created an atmosphere of skepticism amongst producers and marketers alike, and prevented industry development.

Key competitors to Canadian marketers are marketers of feral hogs from Texas and Australia.

Analysis of Competitive Position

By forming CSWBC Wild Boar producers will be vertically integrating upwards in the food chain and effectively taking responsibility for their markets. This investment in and responsibility for the market will demonstrate their commitment to sustainable growth in the industry and will help to build the trust necessary for a vibrant market. The conduits for communication created by this linking of the market players will enable CSWBC to satisfy consumer demand, and will give CSWBC an advantage that can not be duplicated by marketers purchasing on an ad hoc basis. The base of producer ownership, control, investment, and commitment provides CSWBC a strength that can not be created from the top down but only from the bottom up.

Pricing Strategy

CSWBC will control a large volume of wild boar product differentiated on the basis of quality and service. This will enable CSWBC to extract premium prices from the market place. This is a long-term strategy that will require careful building of relationships throughout the industry and beyond.

The CSWBC will purchase wild boar from members at $1.25 per pound live weight and sell carcasses at $3.25 per pound.

Promotion Strategy

The products of the CSWBC will be promoted at food industry events of all types; trade shows, conferences, workshops, etc. Personal contact with buyers will also be used extensively. These promotional activities will be performed by Co-op staff as well as jointly with other partners in the industry. Technology will provide an opportunity to communicate with potential consumers around the world through the CSWBC Web site. The objective of the Web site will be to give access to the products of the Co-operative to people that we would never have the opportunity to contact otherwise.

Distribution Strategy

CSWBC will form strategic alliances and joint ventures with primary and secondary processors, marketers and brokers. These alliances will coordinate the industry and the distribution system to facilitate the smooth flow of product from farm gate to customer plate.

Management and Staffing

Organizational Structure

The Wild Boar producers that wish to market their Wild Boar through the Co-operative will own CSWBC. The owner/members will elect a board of directors that will be responsible for establishing the policies and bylaws of the Co-operative. The Board of Directors will hire a General Manager to manage the daily operations of the Co-operative within the policies established by the board. The General manager will hire office staff as is deemed justified by the activity of the Co-operative. The General Manager will be accountable to the Board of Directors.

At startup, there will likely only be a need for the General Manager and one office staff member. As the activity level of the Co-operative increases there will undoubtedly be a need for more staff.

The General Manager will be a key person in the operation of the Co-operative, she/he will be responsible for establishing strategic alliances throughout the food industry, as well as working with owner/members of the Co-operative. This job will require exceptional interpersonal and organizational skills.

Management Team

The management team will be hired after the incorporation of the Co-operative and before the commencement of operations. The management team will consist of a General Manager and an Office Manager working in conjunction with the Board of Directors. The team must be capable of building trusting relationships with the member/owners as well as the other players in the food industry. This trust will be the foundation upon which the Co-operative will build a positive and growing market for Western Canadian Wild Boar products.

Additional staff may be necessary as the business grows.

CSWBC will engage the services of a lawyer to ensure the legality and enforceability of all contracts including producer agreements, processing agreements, and marketer/broker agreements.

Labour Market Issues

Factors, which may effect our ability to retain suitable employees, are:

- Possible rural location of our offices,
- The Co-operative's ability to pay appropriate wages,
- Scarcity of candidates with knowledge and understanding of Co-operatives and Strategic Alliances,
- Scarcity of candidates with necessary management ability,
- Risky nature of a startup business in an undeveloped industry.

Regulatory Issues

The regulatory environment for Co-operatives is currently in a state of change. New legislation enabling the development of new generation co-operatives is currently before the legislature in Saskatchewan. It is expected that the new Act will be proclaimed in the fall of 1999. The New Generation Co-operative Act allows for the sale of equity shares to allocate delivery rights among members and preferred shares to invite the investment of non-members. The equity shares can increase (or decrease) in value and have no voting rights. Voting rights are tied to the membership share (one member, one vote). For each equity share purchased, the member has the right and the obligation to deliver one animal to the co-operative each year. Preferred shares have limited voting rights and offer a limited rate of return.

For more information on the new Act contact the Department of Economic and Co-operative Development or visit the website: www.legassembly.sk.ca.

Risks

Market Risks

Since the main strategy used to develop new markets will be to differentiate our product as being of premium quality and a unique taste experience, it therefore follows that this product will be higher priced than substitute products. This will make our products more sensitive to trends in the general economy. If consumer's disposable income is reduced, they will tend to purchase less premium food items and return to more traditional products. CSWBC will strive to diversify its markets in a manner that will minimize this threat.

The wild boar industry is a young and emerging market; it is inevitable that other marketing/processing firms will attempt to gain market share. Wherever possible CSWBC will co-operate with other firms to improve the industry as a whole; however, should these efforts fail we are confident that our vertically integrated structure and producer support base gives us a strong competitive advantage in the market place.

Other Risks

The risk of opportunistic behavior by members has been a major risk with traditional co-operatives and has caused concern in the wild boar industry. The motivation behind opportunistic behavior is reduced by the two-way contract between the member and the Co-operative. Members are assured that the co-operative will purchase their product at a set price and set time and are less likely to seek other markets. The contract is a binding legal contract. If a member fails to deliver, the co-operative will purchase product elsewhere and charge the costs against the member's equity account. Opportunistic behavior is further reduced by the fact that the members have made a significant investment in the Co-operative. Members will hesitate to market elsewhere and therefore put at risk a venture where they have invested several thousand dollars.

Implementation Plan

Next steps in the implementation of the co-operative:

- Form interim board of directors and incorporate as a New Generation Co-operative,
- Create Articles, Bylaws and Producer Agreements,
- Engage a lawyer to assist in developing contracts with alliance partners and the development of bylaws, articles and producer agreements,
- Gain approval to begin the equity drive,
- Conduct equity drive and achieve target of 4000 head committed to Co-operative,
- Seek additional funding,
- Hire General Manager and commence business operations,
- Issue the call for tenders for the services of the following
    - Primary processing/Slaughter
    - Secondary processing
    - Marketer/Broker
- Interview companies/individuals submitting tenders,
- Select alliance partners,
- Form contracts with alliance partners,
- Begin purchasing product and coordinating delivery.

Financing

CSWBC members will contribute $240,000 or 50% of the capital required for start-up and operation (year one). This level of member equity investment demonstrates the commitment and loyalty of members to the project. This will be seen in a positive light by potential lenders and investors. If the co-operative incorporates under the new legislation, CSWBC can issue preferred shares to invite the investment of non-members.

Other sources of funding (see information attached):

- Agri-Food Equity Fund (AFEF) will take an equity position in value added ventures. AFEF equity will not exceed 49% of total equity.
- Farm Credit Corporation
- Farm Improvement Marketing Co-operatives Loans Act
- Financial institutions.

Appendix: Canadian Shield Wild Boar Co-operative Financial Projections

Financial Plan

Discussion of Projected Net Income

Assumptions used to project net income:

- Animals purchased from members for $1.25Cdn. per pound live weight,
- Price received for carcasses slaughtered E.U. standard; $3.25
- Transportation of live animals to the slaughter facility is the responsibility of the members.

Year 1 start-up target

- 4000 equity shares @ $60.00 per share
- 70 memberships @ $100.00 per membership share

Year 2

- Additional 2000 equity shares and 20 memberships

Year 3

- Additional 2000 equity shares and 20 memberships

Total at end of Year 3

- 8000 equity shares and 110 members