

Committed to serving Organic players



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# Presentation of Interbio Nouvelle-Aquitaine's work on the definition of fair prices.

Calculation methods and references









SOME FIGURES ABOUT INTERBIO PROVIDE AND OPERATORS MEMBERS
SOME FIGURES ABOUT INTERBIO 13 SITES MUTHIN THE NOUVELLE-AQUITAINE REGION COMPARING ABOUT INTERBIO

## **OUR ACTIONS**

For the organic sector in Nouvelle-Aquitaine

Federate all the actors of the sector

Represent interests members and the sector

Contribute to the development of the regional organic sector Promote regional organic products Support the introduction of organic products in collective catering







## 1. Establish a true regional strategy

## $2. {\rm Exchange, \, debate, \, plan}$

**3.** Conduct interbranch reflections and negotiations

4. Communicate on the various works carried out by the sector

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# Work related to National Food Conference

## French laws – 2017 and 2021

(Etats Généraux de l'Alimentation - Egalim)



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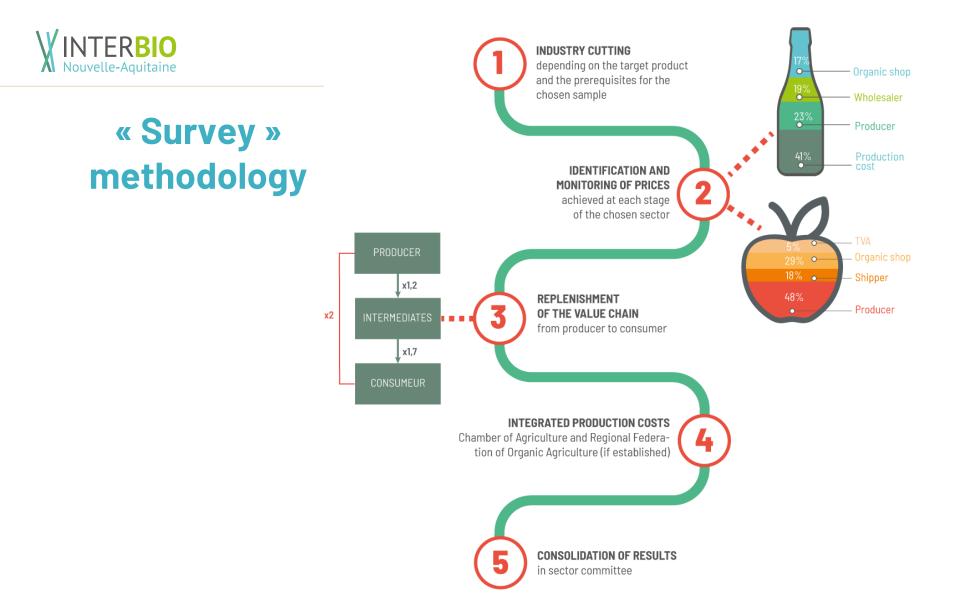




- Analyse the construction of the value chain
  - For selected raw materials and finished products
- Propose a balanced scheme of the value chain and respond to the demand of the National Food Conference (EGALIM) in relation to price indicators
- Add transparency on the marketed price
- Build a tool that can be reused and adaptable to each operator
  - Two working methods according to the specificities of each sector :
    - « Survey » methodology
    - « Working groups » methodology

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SECTOR ANALYSIS for a raw material and a given product

## « Working groups » methodology

**CONSTITUTION OF A WORKING GROUP** with two operators per link in the chain

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AB

**DEFINITION OF PRE-REQUISITES AND WORKING ASSUMPTIONS** at each link in the chain

**OBTAINING PRICE INDICATORS** based on the example cases

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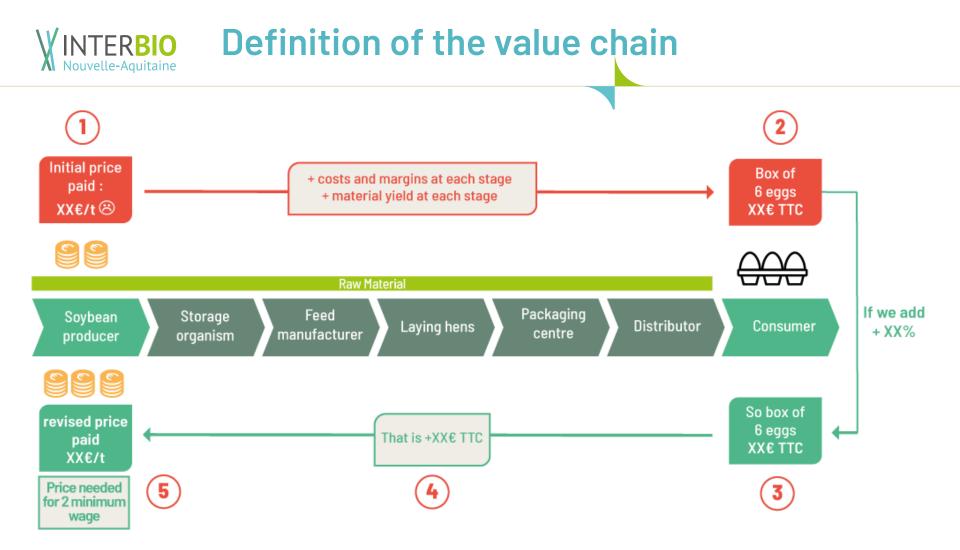


## **Confidentiality of research activities**

- All the elements exchanged remain confidential outside the working groups /
  Interbio
- Data transmitted to Interbio's project managers by the operators are not used by name, they will be aggregated and therefore anonymous; the principle of confidentiality is respected
- No publication is made without the validation of all contributors







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	PRODUCER	STORAGE ORGANIZATION	1 <sup>st</sup> TRANSFORMER 2 <sup>nd</sup> TRANSFORMER	DISTRIBUTER
REREQUI- SITES xamples)	<ul> <li>Definition of the operation: size, workforce, UAA, livestock, etc.</li> <li>Definition of the product/raw material (characteristics)</li> <li>Definition of the production cost method and the income to be received by the farmer</li> <li>Definition of gross return/net return</li> </ul>	<ul> <li>Definition of the storage process (e.g. drying - drafting - inerting, etc.)</li> <li>Definition of type/ quantity of waste, co- product</li> <li>Definition of gross yield / net yield</li> </ul>	<ul> <li>Definition of the type of processed product (composition, packaging)</li> <li>Definition of the transformation process</li> <li>Definition of storage mode</li> <li>Definition of gross return/net return</li> </ul>	<ul> <li>Definition of the distributor typology</li> <li>Definition of the % of product losses</li> <li>Determination of the average price sold in the different distribution channels</li> </ul>
(PENSES D INCOME xamples)	<ul> <li>Production costs</li> <li>Transport costs</li> <li>Selling price</li> <li>Etc.</li> </ul>	<ul> <li>Collection costs</li> <li>Storage costs</li> <li>Marketing costs</li> <li>Administrative costs, quality</li> <li>Taking into account the depreciation of the tools.</li> <li>Transport costs</li> <li>Selling price</li> <li>Valorization of coproducts</li> <li>Etc.</li> </ul>	<ul> <li>Processing costs</li> <li>Storage costs</li> <li>Marketing costs</li> <li>Administrative and quality costs</li> <li>Taking into account the depreciation of tools.</li> <li>Transport costs</li> <li>Selling price</li> <li>Valorization of co- products</li> <li>Etc.</li> </ul>	<ul> <li>Storage costs</li> <li>Platform, distribution, marketing costs</li> <li>Administrative costs, quality</li> <li>Taking into account the depreciation of the tools.</li> <li>Transport costs</li> <li>Selling price excluding and including tax</li> <li>Etc.</li> </ul>
T MARGIN KED RATE) SESSMENT OF THE STAINABI- IY OF THE SECTOR	Desired or desirable margin? Does the margin allow a fair remuneration? What additional value would allow this fair remuneration of the actors of the sector? What adjustment variables would be possible? (additional cost for the consumer? for all downstream links?) 1/02/2022			

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## Prerequisites, options and calculations at each step

**1**. Each prerequisite is a lever to raise or lower prices and margins.

2. And taken as basis to contract

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## **Successful case studies**

#### $\Rightarrow$

#### FROM WHEAT TO BAGUETTE (2017)

#### Background

Consumer demand for French wheat is increasing but is not being satisfied because the price paid to the producer is too low.

#### **Study characteristics**

- Methodology: working group
- Target product: baguette 250 g sourdough
- Distribution: organic bakery

#### THE LENS (2020)

#### Background

Disruptions have been observed for many years in specialized distribution networks, associated with an increase in consumer demand for vegetable proteins.

From 2019, supply meets demand, and from this situation arises the need to regulate supply in terms of volume and price to sustainably meet demand.

#### **Study characteristics**

- Methodology: working group
- Target product: bulk lentils and 500g sachet
- Distribution: GMS and specialized network.

## **I**

#### FROM SOYBEAN TO EGG (2021)

#### Background

Strong demand for French soybeans, however supply does not cover demand. The aim was to study availability to meet new regulatory requirements, particularly for monogastric farms. Reassure producers about the prices paid.

#### **Study characteristics**

- Methodology: working group
- Target product: box of 6 organic eggs
- Distribution: GMS, specialized network and discounts.

#### So

#### **GROUND STEAK** (2019-2020)

#### Background

The value of meat is increasingly minced due to strong consumer demand for processed products. This context creates a material imbalance that affects the price paid to the producer.

#### **Study characteristics**

- Methodology: working group
- Target product: fresh minced steak at 15% of MG lot of 2 trays under atmosphere.
- Distribution in supermarkets, specialized network and discounts.

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#### **ORGANIC WINE MARKET** (2019)

#### Background

Strong consumer demand for organic wine supplemented by strong conversion momentum. Need to monitor the balance of market supply and demand.

#### Characteristics and process of the study

- Methodology: surveys
- Work in partnership with the association Organic New-Aquitaine winegrowers.
- Establishment of a price observatory (56 readings)
- Surveys of 8 winegrowers to reconstruct kill the value chain of an organic wine sold in Bordeaux Métropole through 3 sales channels: direct sales, wine shop and organic store for AOC Bordeaux and AOC Saint Emilion.

### ₽⁄

#### FRUIT AND VEGETABLE MARKET (2018-2019)

#### Background

Need to follow regional courses in order to ensure that the balance between supply and demand in the fruit and vegetable market is maintained.

#### Study characteristics

- Methodology: surveys
- Survey of prices in 16 stores specialized.
- Identification of the purchase price to producers
- 4 surveys per year, 4 studies, most common species marketed (minimum 5 per statement).

#### FROM CORN TO EGG (2018-2019)

#### Background

So

Corn is currently a crop produced in large quantities, hence the need to study the supply/ demand balance to regulate the market.

#### Study characteristics

- Methodology: working group
- Target product: box of 6 organic eggs
- Distribution: GMS, specialized network and discounts.

#### I 1

#### FROM SOYBEAN TO CHEESE (2021)

#### Background

Growing demand from dairy operators for French-origin soybeans for livestock rations and increased demand for regional dairy products in large containers from the Out-of-Home Catering (RHD).

#### Study characteristics

- Methodology: working group
- Target product: jar of 5 kg at 20% fat fresh white cow cheese
- Distribution: out-of-home catering.



# Example of a case study

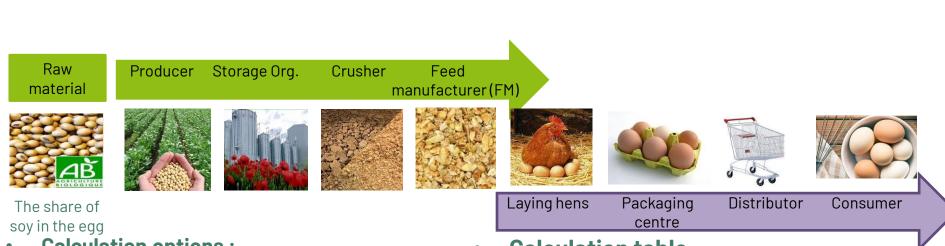
Economic thresholds from SOYBEAN TO EGG June 2021



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Calculation options :

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Nouvelle-Aquitaine

- Producer Link option
  - \* Marketing threshold (aid deducted)
  - \* Production costs
- Distribution channel options
   \*Supermarket
  - \* Specialist shops

- Calculation table
  - The tool works by setting a targeted "feed manufacturer" cost price
  - The model only takes into account soybean production (does not include the others crop productions, also part of farmers' income)

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## **Prerequisites at each step**

#### List of Charges eed noculum otash fertilization / sclero nanagement echanization naurance

- Irrigation
- Drying
- Sorting / upgrading

crops activity

100% certified seed

Organic fertilization

50% dry / 50% irrigated

Option: with subsidies or deducted subsidies

Producer

Average gross yield:

Price delivered SO

- 2 minimum wages + rent + MSA & contribution Transport
- CAP subsidies (including coupled subsidies) Total cost Margin = to be determined

Operation 100ha, 100% field

#### Working hypothesis

### List of Charges

- Reception, storage, shipping
- Upgrading, sorting, assembly, decommissioning, drying
- Inter-site transport
- Administrative,
- Technical follow-up and
- Tool damping
- Transport Feed
   Manufacturer

#### Total cost Margin

Than gill

## Working hypothesis

Brake

Storage Organization

Price delivered

crusher

#### List of Charges

- Manufacturing
- Factory depreciation
- Storage and Transport
- Administration and
- quality
  - follow-up
  - Brakes taken into account
     Total cost

#### Margin

#### Working hypothesis

- Unshelled soybeans
- Humidity 13%
- Crushing efficiency 81%
- Oil yield 10%
- Protein content 39%
- Sale of integrated oil

940 € /T soya meal

(basic model)

#### List of Charges

- Manufacturing
- Factory depreciation
- Storage and Transport
- Administration and quality
- Trade and technica follow-up
- Brakes taken into account
  - Total cost Margin

#### Working hypothesis

- 100% Organic
- 25% C2
- 11.183% soybean meal in the ration

# Feed Manufacturer



Price delivered laying hens

#### List of Charges

Laying producer: Sold packaging and remuneration Packaging centre: Total Cost Distributor: CA: according to National Price Index Margin

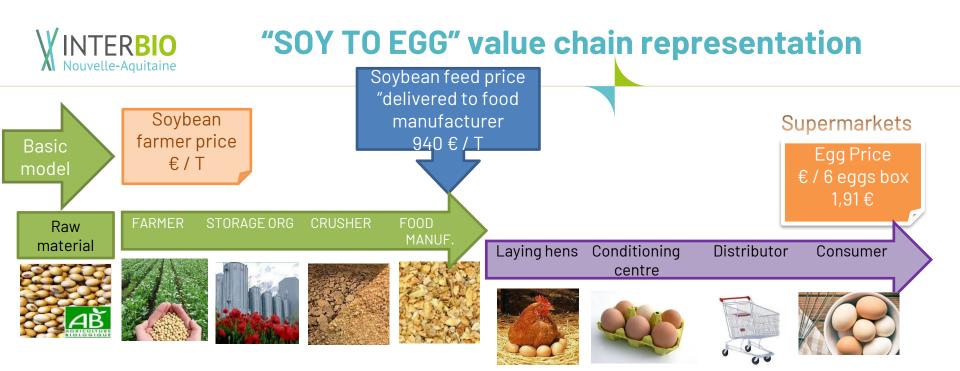
#### Working hypothesis

- Consumption index
- Production
- characteristics: laying hens: 12 000 hens max
- Price sold network spé / GMS / Discount

Layer workshop + Packaging Center + Distributor

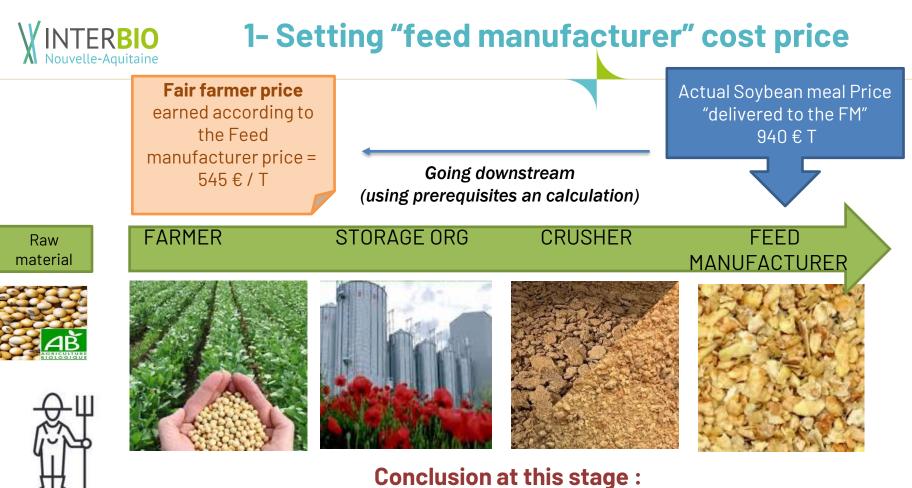


Consumer price INCL. VAT 24/03/21 Specialist shop: 0,3950 € /unit Supermarket: 0,3183€ / unit



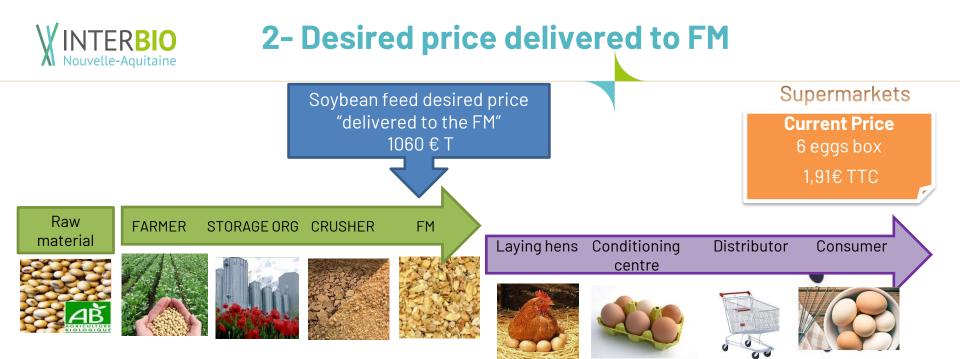
At this step we define :

- Assumptions and prerequisites
- Farmer floor prices
- Current marketed prices at each step,
- Desirable margins at each step
- Etc...

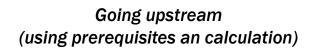


- Farmer price supported by others operators
- Farmer already fairly paid in this sector

Actual average paid price: Between 640 and 700€/T (commercialization threshold 644€/T)



<u>Conclusion of case study</u>: +2,61% (+ 5 cents) on end-consumer price to ensure a fair price to feed manufacturer  $\rightarrow$  each link of value chain paid at fair price



Desirable price 6 eggs box 1,96 € TTC



# Thanks

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