

Associative Economics Manual

A Manual of the Biodynamic Federation Demeter International

The Biodynamic Federation Demeter International is the only agricultural association that has established a network of individual certification bodies for biodynamic farmers worldwide. Today, we are a global community of farmers, vintners, gardeners, beekeepers, researchers, consultants, educators, certifiers, processors, and retailers. Demeter farmers cultivate more than 200,000 hectares the products created here are sold and processed in more than 50 countries.

Biodynamics is a form of sustainable, healthy agriculture based on the “Agricultural Course” given by Rudolph Steiner in 1924. Not only the Agricultural Course but many other contributions from Rudolf Steiner inspire our work for a holistic understanding of the world. His thoughts on the shaping of economic relationship have inspired initiatives since the 1920s.

This manual tries to give a basic understanding and practical examples how to realize these inspirations in different contexts. It will continue to evolve with recommendations and ideas from others, so the editor welcome ideas and suggestions for additions.

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1 Fundamentals

1.1 Introduction

The associative method described in this manual springs from the same origins as the biodynamic method of cultivation and necessarily complements it. The expectations formulated here for the behaviour of users of the Demeter brand are our concrete implementation in today's conditions of what Rudolf Steiner formulated in writings and lectures a little more than 100 years ago.

Thus, the following economic considerations are based in principle - as is the biodynamic method of agriculture - on the anthroposophical view of the world and the human being. You do not have to share this view to use the brand, but it explains and justifies the individual measures.

What is central about this view of humanity is that we see it as our task to become more and more aware of the conditions and interrelationships not only of the terrestrial but also of the soul-spiritual world. This makes ethical values such as freedom, justice and solidarity at least as important as material prosperity.

In this context, we understand freedom as following one's self-imposed values and doing what one recognizes as the right thing for oneself in a concrete situation. Adherence to ethical values is not perceived as a restriction if one wants to fulfil them as right and desirable at the moment of decision. Thus, responsible, solidary, and sustainable behaviour is self-evident and voluntary to the extent that one sees it as right for oneself.

Central to the understanding of the economy that is part of biodynamic agriculture is the "social tripartism". By this we mean, in simple terms, the realization that a society comprises three spheres of life which follow fundamentally different laws and are therefore sensibly perceived and recognized in their differences, even though they work together in every concrete moment of life. The area of culture ("spiritual life") encompasses the living and development of religious, ethical and pedagogical attitudes. Or: how do we ensure that we can all develop and evolve individually and freely as a whole person (head, hand and heart)? The area of politics ("legal life") contains everything with which and how we shape our living together peacefully and respectfully from person to person. Or: how do we ensure that we meet each other - despite all differences - as equally empathetic? The area of the economy ("economic life") includes that which directly leads to the production and consumption of the goods and services we use for our earthly life. Or: how do we organize the production, distribution and consumption of what is necessary for life in such a resource-efficient way that we can also provide sufficient resources for culture and politics?

Thus, the task of the economy is seen in working as solidarily as possible in such a way that most people can be enabled to live an individual, peaceful life in appropriate circumstances. In concrete terms, this is achieved on the one hand by offering people jobs that allow them to make their contribution to the creation of value in society. And on the other hand, by providing products and services that people really need.

With this project, we set ourselves apart from the capitalist system of using capital as profitably as possible in competing businesses in the anonymous market. However, in all our efforts to act in solidarity, we are bound by the legislation in force. In particular, today's antitrust law does not (yet) permit all the desired approaches, which requires country-specific, step-by-step and pragmatic action.

1.2 Associative Economics

In "World Economy", lectures on national Economy, Rudolf Steiner described points of view for a different organization of economic processes. Beyond capitalism, which trusts in the free play of forces and the "invisible hand", and socialism, which wants to plan all economic activities, he developed the "Associative Economics".

1.2.1 Common Sense

The basic idea is that all those involved (producers, traders and consumers) in the economic processes of an economic sector should work out a comprehensive picture of all the factors influencing the economic process through a joint discussion at the "round table". Only when the various perspectives are shared and looked at as a whole, the "common sense" emerges, which then enables each individual to make his or her own decisions in the interest of the whole.

1.2.2 The Fair Price

Steiner assumes that prices cannot be fixed but are always a reflection of the supply and demand situation. A price that has arisen on the market is fair if it enables a product to be manufactured again in the future.

If the current price is too low, then there are three basic possibilities:

- The demand for the product is increased by informing the consumers
- The supply is reduced by lowering production
- Production (production chain) is improved so that the low price becomes the fair price.

1.2.3 Associations in the food sector

In the agricultural sector, we have the fundamental challenge that the ability to plan is limited because the weather has considerable influence.

Steiner always talks about the entirety of a product area coming together in an association. Our experience is that for most of the products, there is no Demeter market that can really be decoupled from the organic sector. How should the "round table" look like?

1.3 Round Tables

Round Tables are an important element of Associative Economics. Continuous, mutual perception of the market partners among each other is pivotal to ensure long lasting fair relationships. The exchange of participants can be viewed as a prerequisite for actively shaping and developing the criteria to work with one another in a respectful manner. These supply chain talks should include all stakeholders. Producers, processors, traders, and consumers advocate fair, joint economic activity for all participants.

The idea is to take the individual needs and translate them into measures to strengthen the cooperation and create benefit for all.

Long-term and reliable and economically feasible relations are the foundation for a strong agriculture adding value for nature, animals and people.

At round tables all participants of the value chain producers, processors, retail and consumers take part. Every party expresses their needs and wants. This allows then for a collaborative approach to jointly find a solution on how to serve the market. This process gives more attention to the need of consumers, which is often difficult to cater for, as there is a wide gap between production decisions and demand.

At round tables all parties come regularly together to discuss the collaboration. These discussions include direct decisions on the collaboration between the partners like demand, change in demand, pricing decisions, cultivation decisions, quality requirements, yield forecasts, and other important factors that impact the collaboration between partners.

Furthermore, external factors like weather, consumer trends and the changing legal environment that could have an impact on the collaboration, are evaluated.

A charta is frequently used to establish a structure und basic rules for the collaboration. The charta outlines the basic agreed on conditions for the collaboration.

At the end of the day, every participant wants to be treated fairly. To emphasize everyone's good intentions, some round tables have adopted an anonymous vote on each partner. The question is simple: do all participants act fairly?

If the group identifies undesirable activity, the individual or organization is suppressed from participating at round tables.



1.4 Our understanding of ownership

As necessary as protected ownership of the goods necessary for living and working, such as food, clothing, furniture, vehicles and machines, is for an independent life in security, ownership of things that do not have the character of goods is questionable.

It contradicts our understanding of rights when rights become purchasable and thus no longer apply to everyone. If we want a society based on solidarity in which everyone has equal opportunities to realize their life plan, inherited privileges must be (gradually) abolished. This includes in particular the following two rights, which are, however, guaranteed in many constitutions today:

1.4.1 Ownership of land

As a given surface of the earth, land cannot be produced and increased. Ideally, it is made available by society (e.g. the political municipality) to specific individuals (natural or legal persons) for use determined by society under certain conditions (e.g. a usage fee) for a more or less certain period of time. If the land user no longer wishes to exercise the intended use, he returns the land in accordance with the contract, whereupon the relevant body looks for a successor. However, the land user cannot sell or bequeath his right of use. Thus, no (additional) capital is tied up in land values. Buildings and fixed installations can be regarded as goods and compensated accordingly when the right of use is transferred.

Until corresponding state regulations are introduced everywhere, it is desirable to implement corresponding "makeshift solutions" voluntarily and where possible. In Switzerland, "building law" comes very close to the ideal. For example, assuming suitable financial and fiscal conditions, ownership of land can be transferred to a corresponding foundation (or other sponsoring body), which then concludes corresponding building lease contracts with the users. A cooperative with appropriate statutes can also be the first step in the right direction.

1.4.2 Ownership of the means of production or companies

As with land, the private, saleable and inheritable ownership of means of production creates privileges for incomes without a corresponding commitment, because enterprises are not goods intended for consumption, but social operating units intended for specific, economic value creation. It is neither just for the owner to use the tangible and intangible assets created together with the employees through a sale alone, nor for these to be transferred to (uninvolved) heirs. The sale price obtained through a sale, or the rights of disposal acquired through an inheritance must be paid interest on and paid off by the remaining employees.

However, it is in the interest of the employees and society that the best skills combine with the capital invested in the company and innovatively create new products and services again and again and further develop the production methods. This requires autonomous decision-making. Thus, we seek forms of ownership of means of production that grant freedom during the period of personal involvement, but no privileges afterwards. Here, too, there are - albeit still few - possibilities that can already be implemented today, be they called "ownership for a period of time" or "ownership of responsibility".

1.5 Our understanding of income

1.5.1 Minimum Wage

Every employee is entitled to a minimum remuneration for his/her working hours. This is a right that is democratically determined in a state and, like other framework conditions such as weekly working hours, occupational safety issues, etc..., is part of the prerequisites of the economic process and cannot depend on the result of value creation.

1.5.2 Fair Wage

As obvious as it is that in a national economy only those goods and services can be consumed which have been produced beforehand, it is controversial how the produced values are to be distributed among the participants. From the solidary point of view aimed at here and in accordance with the concept of ownership for time (responsibility ownership), the employees should be included in the company community as members who feel responsible for the whole. They should bring in their specific skills as a contribution to the jointly generated added value. The jointly generated value added (after appropriate servicing of the donors, the state and the company's own reserves) is consequently to be divided fairly among the participants in its creation, who all have to live from it. The question of income becomes a question of a distribution key that is as fair as possible (which, however, does not mean "everyone gets the same amount"), which can take into account a wide variety of criteria. In order to be comprehensible and acceptable to everyone, the chosen solution must be transparently disclosed and carefully discussed again and again. And the more people agree with what is granted to them by the others in the community, the more unity there is in that community. This eliminates both the power struggle over payment between owner and employee and competition in the "labor market."

In an added-value chain, the wages or the income of all people working in that chain should be comparable regarding the basic needs and the development potential.

1.6 Our understanding of marketing and advertising

The efforts described above for a sustainable and solidarity-based economy, which gives everyone sufficient freedom for individual development, should of course also be reflected in the design of the products. The Demeter standards set basic quality standards; prices, forms of sale, packaging and advertising should be designed accordingly. The focus should be on the care of the earth, fair conditions for workers and consumers and conscious consumption. Appreciating natural products as they are (and not producing food waste through standardized demands), achieving broad availability through efficient cooperation (and not slipping into exploitation or the luxury sector), as well as competently exchanging ideas with consumers at eye level (and not wanting to seduce them), that is our guiding star.

1.7 Act locally - think globally

Demeter is a global brand, but agriculture (and its corresponding processing) are locally rooted areas of life. Different countries have different conditions (soil, climate, infrastructure, living conditions, currencies, etc.). This also leads to international flows of goods and corresponding conflicts of objectives in the case of food:

- from a purely ecological point of view, production should be as local as possible
- from an economic point of view, production should take place at the most suitable location
- from a socio-political point of view, we are one humanity.

It is contemporary to offer end consumers a wide range of ecologically and socially sensible products to choose from. It is up to them to make well-informed decisions. Local products can be advertised accordingly, but foreign products cannot be excluded. Any differences in national standards can also be clearly shown, but foreign Demeter certification should always be recognized.

1.8 Competition and Cooperation

1.9 Innovation

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2 Elements of Associative Economics in a company / farm

2.1 Introduction

The following chapter presents possibilities for shaping one's own operation. These elements have the potential to increase an operation's ability to take part in Associative Economics.

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2.2 Fair Wages

From an Associative approach, the output generated by a company is a team effort as everyone is part of the value creation. As a result, it is apparent that employees get adequately paid.

Fair pay is an obligation of the company to fulfill a good standard of living for every employee.

Also, from an institutional point of view, paying fair wages will attract better-qualified employees, thus increasing productivity and efficiency as well as increasing employee well-being.

Part of the fundamental discussion is the question of whether work (salary and wages) is associated as a cost factor or as part of the value-adding process. In respect of the latter, the economy cannot determine the wages paid.

Worldwide many countries have decided, by adopting **minimum wages**, to create a bare minimum that cannot be outlawed by the mechanisms of the market. The prevailing fundamental belief is that every human has the right to earn a minimum wage to support his living. Unfortunately, minimum wages are often far below the actual cost of living.

In the agricultural sector minimum wages are particularly low, affected are seasonal, field, and plantation workers. They are paid poor wages that only allow them to make a living in their home country or just to support themselves and not their family. The social circumstances and housing conditions on the farms are often minimalistic. This clearly calls for action.

Living Wages

The concept of a living wage is to provide a wage on which persons or families can afford a living standard based on their demographic and economic position. Living Wages are based not just on a person's fundamental necessities, but also on "sufficient to afford a decent standard of living for the worker and her or his family." Food, water, shelter, education, health care, transportation, clothes, and other essential needs, including provision for unexpected events, are all components of a decent standard of living.

Living Income: The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.

The living wage differs from the minimum wage in that the latter can fail to meet the requirements for a basic quality of life which leaves the worker to rely on government programs for additional income.

The calculation of a living wage is determined by the following factors:

1. Cost for food
2. Cost for rent
3. Healthcare
4. Education
5. Clothing
6. Transportation
7. Savings for unexpected events

The global living wage coalition calculates and updates regularly living wages for 40 different countries worldwide. <https://www.globallivingwage.org>

The reports are easy to read and well prepared.

There are different dimensions to a fair wage:

For further information:

<https://www.globallivingwage.org>

<https://fair-wage.com>

2.3 Ecological responsibility

In today's society, companies are becoming more and more vigilant about their environmental impact and are taking a stand for sustainable development. Indeed, it is their duty to ensure that their activity does not harm the environment. This is what is known as ecological responsibility.

Ecological responsibility is taken at different levels. The UN has set up sustainable development objectives¹ where respect for the environment and the fight against global warming are highlighted. Progress towards achieving these objectives is regularly monitored, in particular via Conferences of the Parties (COP), whose twenty-sixth edition took place this year.

Companies are becoming more involved in environmental initiatives and are actively participating in a more ecological development of production methods. Indeed, consumers are more and more aware of the stakes of global warming and the impact of consumption on the environment. Ecological responsibility is more than ever a priority in their consumption choices and companies have understood this. This is why the trend is to develop policies focused on respect for the environment, fighting global warming, animal welfare in farms, etc.

In this ecological responsibility, agriculture holds a predominant place. Indeed, practicing responsible agriculture is more than ever imperative and eco-responsible farmers are our future. Demeter is already one of the most demanding actors when it comes to ecological responsibility. Demeter farmers are always looking for ways to minimize their environmental impact in the way they work. In Egypt, for example, the focus is put on improving water management to minimize pollution. Others are working on the implementation of a decarbonized agriculture.

There are several ways to implement more virtuous principles with regard to the environment. In general, companies are very careful about their waste production, sorting and recycling and the reduction of fossil energy. This is the minimum commitment that can be found in almost all structures. Moreover, many companies are thinking about making their premises eco-friendlier and smarter too. New buildings are prioritizing greener facilities and focusing on energy savings by installing solar panels or green roofs on commercial surfaces, offices and parking lots for example.

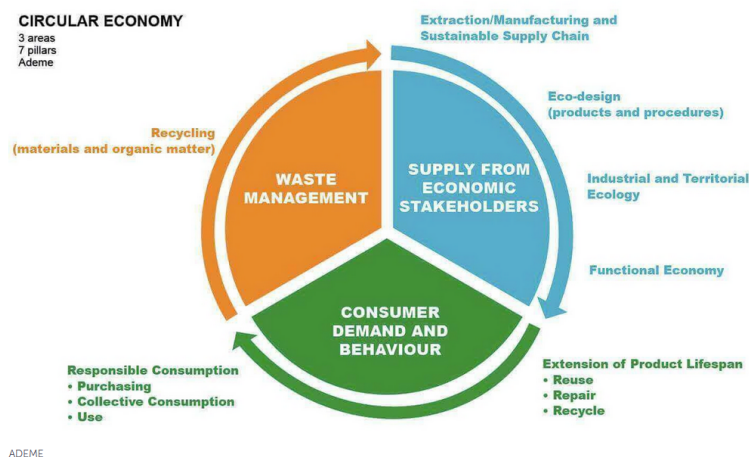
Other initiatives are also being implemented. Indeed, in order to limit their environmental impact, some companies are adopting a responsible economic model in their operations: the

¹ For more information: <https://www.un.org/development/desa/disabilities/envision2030.html> Nov. 2021

circular economy. The circular economy is an economic model whose objective is to develop the company while limiting the waste of resources and environmental impact.

According to the agency for ecological transition (Ademe), the circular economy is defined as *"an economic system of exchange and production which, at all stages of the life cycle of products (goods and services), aims to increase the efficiency of the use of resources and reduce the impact on the environment while developing the well-being of individuals."*²

This economy operates in three specific areas and is based on seven principles:



Charter found on : <https://www.bonduelle.com/en/actualites-ovpl/how-is-our-company-contributing-to-the-circular-economy.html>

The circular economy joins the "cradle to cradle"³ philosophy which suggests that humans and their activities are not a problem for nature or health, and that it is possible to act in a good way by having positive goals rather than just limit the damage that is done. Cradle to cradle deals with positive actions that lead to positive impact.

This philosophy is based on 4 axes :

- Everything is resource,
- Renewable energies must be favored,
- Diversity and cooperation must be celebrated,
- A systemic and holistic vision is necessary.

Everything is considered as a resource and the notion of waste disappears.

Ecological responsibility is the trend of the moment. As a result, some companies advocate green values with the sole aim of improving their image and without any real conviction or action for a greener world. These companies practice greenwashing, *"a marketing method that consists of communicating to the public by using the ecological argument in a deceptive*

² <https://www.ademe.fr/expertises/economie-circulaire> Nov. 2021

³ <https://www.upcyclea.com/en/cradle-to-cradle/> Dec. 2021

way to improve its image.”⁴ In some countries like France for example, greenwashing is regulated by law and can be subject to a substantial fine.

Best Practice Examples

- Patagonia, 1972⁵

Patagonia is a famous California-based brand of sportswear and essentials for outdoor enthusiasts. This company has eco-responsible values and they are shown through, for example, the opening of repair shops for purchased Patagonia products. If your ski jacket is damaged, for example, just bring it to one of these workshops to repair it rather than buying a new one. In parallel, tutorials published online by the company, in partnership with iFixit, allow customers to repair products themselves when it comes to the most common damages encountered by customers. This initiative helps limit the environmental impact by improving the longevity of the brand's products and thus reduces its carbon footprint.

<https://eu.patagonia.com/fr/fr/home/>



- Dominique Bananas, Colombia⁶

Banana production requires the use of hundreds of kilograms of plastic per hectare per year, whether to reinforce the fruit trees or to protect the fruit from insects, birds etc. This represents tons of plastic used for production, not to mention the plastic used for transport and packaging. Louis Hesselholt is the owner of the Dominique Farm of 140 hectares and that is Demeter and Fair trade certified. He produces bananas. Aware of the use of plastic in his production, he wanted to find an alternative and succeeded in replacing plastic with certified biodegradable paper that can be reused up to three years in a row. In total, more than 800kg of plastic per hectare per year has been eliminated. Thanks to this reduction of plastic, the farm has a negative carbon footprint of -56,32 g CO₂ / kg.

<https://hhk.as/en/egen-bananproduktion/#go-bananas>



2.4 Ownership

In the roman legislation – that is still the base of our laws – there are two concepts of ownership:

„Patrimonium“ and „Dominium“. Patrimonium is understood as a possession that one has inherited from his ancestors and one is called to preserve and renew it. Dominium is the possession you have acquired during your lifetime and you are free to even destroy it.

In capitalism, the „Dominium“ understanding has become the main understanding. The discussion on „Commons“ is reflecting the „Patrimonium“ concept.

⁴ <https://www.hellocarbo.com/blog/communaute/greenwashing-exemples/> Nov. 2021

⁵ <https://eu.patagonia.com/fr/fr/repairs-returns-form.html> Nov. 2021

⁶ <https://hhk.as/en/egen-bananproduktion/#plastic> Dec 2021

<https://hhk.as/en/egen-bananproduktion/> Dec 2021

Many farmers and their families – depending on the cultural context – still understand their ownership as a „patrimonium“. The farm has to be preserved and the fertility has to be kept for future generations.

2.4.1 Family owned farms

The question of ownership becomes to conscience mainly when there is a succession to be organized.

2.4.2 Steward-Ownership

Stewardship ownership implies that the company's owners have voting and participation rights but don't have access to the company's profit and assets. This is done to ensure that the company's purpose is served first and foremost, rather than the shareholders' profit-seeking interests. This premise allows the company to act in a particularly responsible and meaningful manner.

The company can be viewed as a being that cannot be sold like a commodity. It does have stewards that are fully responsible for the company, however, only during the time they work for the company. It is a bit like a parent to a child.

Companies that realize steward ownership:

- Want to keep their entrepreneurial independence
- Want to ensure that the corporate vision is pursued in the long run. By creating a path for succession where the company's mission is kept.
- Want to allocate the profits and assets towards the company's purpose and development

Basic principles:

Steward ownership ≠ Asset ownership

- **Autonomy and self-determination:**

Voting rights and thus the control of the company are held by people who are associated with the company and who carry the company's values over the long run - this means that the company is self-determined. There is no automatic inheritance of voting rights. The voting rights cannot be traded as speculative assets.

- **Asset Retention:**

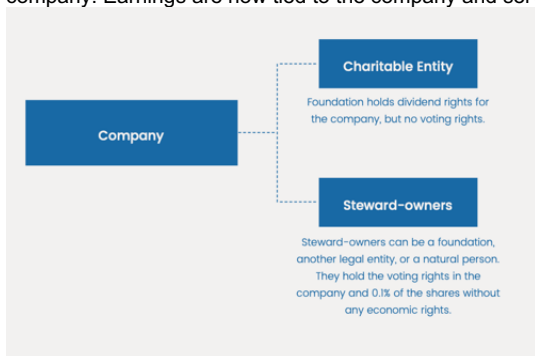
According to this principle, the company's profits and assets are kept free for the company's development as far as possible - they serve the company's purpose, are reinvested, used to cover the cost of capital or donated. Profits and assets can only be withdrawn on a "limited" basis to provide investors with a risk-adequate return and founders with fair compensation.

Sources:

<https://stiftung-verantwortungseigentum.de/>
<https://purpose-economy.org>

Structure of steward-ownership

A common structure is to set up a foundation additionally to the limited liability company. The foundation holds the dividend rights of the company with the goal to fulfil the purpose of the company. Earnings are now tied to the company and serve the company.

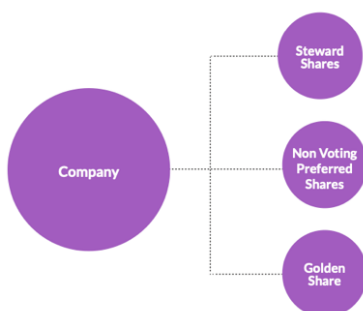


A more advanced Structure is the so-called golden circle:

This structure enables to legally embed the principles of steward ownership in a normal liability company. A clear benefit of this simple structure is that the firm will keep its entrepreneurial freedom and at the same time keeps the cost for the structure low.

The company will emit Steward shares and the Golden Share. Optionally it can also emit non-voting preferred shares

1. **Steward shares** represent 99-100% of the voting rights, however, without any dividend right. The shares are passed on to elected successors at a nominal value. They cannot be inherited.
2. **The Golden share** is a veto right over provisions of the articles of association or any corporate action that are essential for steward ownership principles.
3. **Non-voting preferred shares** are for investors, employees, or founders. These shares have economic rights but no voting rights.



Benefits of Steward-owned companies

Research indicates that steward-owned companies have clear benefits in the following areas:

- **Mission and value preservation:**

Without the pressure from external stakeholders, companies can make decisions that are aligned with both their missions and their long-term business objectives.⁷

- **Long-term orientation:**

steward-ownership companies have a six-time⁸ higher survival rate and are more profitable compared to privately owned firms. Companies can focus on what is best for their organizations, employees, customers, investors, and society at large in the long term.⁹

- **Employee productivity and retention:**

Workers experience increased job security, better representation in corporate governance, and fairer pay (Thomsen, S. 2017). This results in increased productivity (Kuhn, J and Thomsen, S., 2015) and social cohesion, which enables firms to attract and retain top talent.¹⁰

- **Customer loyalty:**

Partners and consumers benefit from the improved service of a company in which employees and managers feel connected to and directly responsible for a company's mission. This leads to long-term customer loyalty.¹¹

Best practice example

For over 40 years, Organically Grown Company has been a pioneer in sustainable and organic agriculture.

OGC has evolved to become one of the country's leading independent organic produce wholesalers. In 2017, the firm carried over 100 million pounds of fresh fruit and vegetables around the Pacific Northwest while employing over 200 employees. OGC has played an important role in developing and promoting organic regulation and commerce at both the regional and national levels.

In recent years the company faced the challenge of how to expand without going public or selling stocks off to investors. Their main goal was to protect the mission of the company.

So, they decided to set up a Perpetual Purpose Trust (PPT), allowing different financing solutions to enable growth and exit the owners. The PPT was set up to last indefinitely.

⁷ Steward-Ownership, Rethinking ownership in the 21st century – purpose foundation

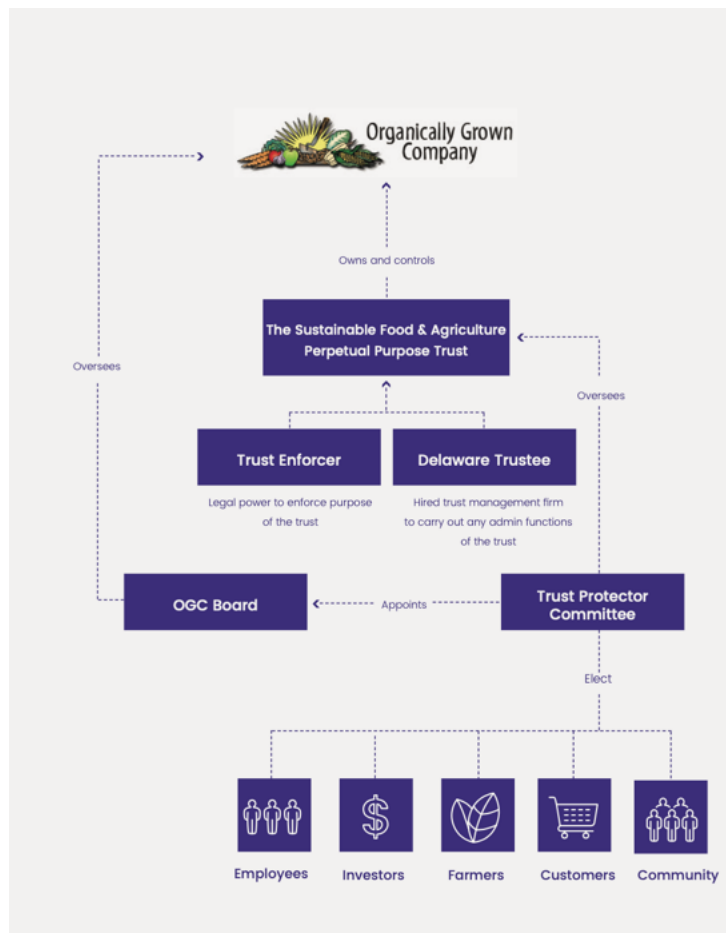
⁸ Kapital-Meier survival curves Børsting, Kuhn, Poulson and Thomsen (2016)

⁹ Steward-Ownership, Rethinking ownership in the 21st century – purpose foundation

¹⁰ Steward-Ownership, Rethinking ownership in the 21st century – purpose foundation

¹¹ Steward-Ownership, Rethinking ownership in the 21st century – purpose foundation

In order to transition into the new ownership form, OGC set up a strategy to buy back all shares from stockholders to make sure that the trust will hold 100% of the ownership rights.



Sources:

Thomsen, S. (2017). *The Danish Industrial Foundations*. Djøf Forlag.
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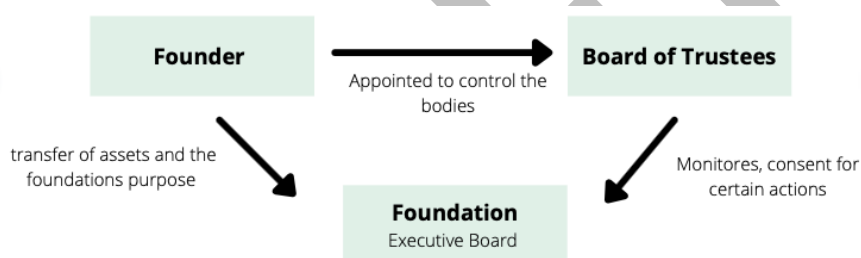
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2.4.3 Company as a foundation

Foundations offer a new form of ownership. The classical economic approach towards ownership is focused on maximizing the shareholders' profit /value which often neglects a long-term view. Forms of ownership that are not representing a shareholder value act differently in the added-value chain.

The fundamental principle of a foundation is relatively simple. A founder wants to guarantee that his or her company or assets are secured in the long run and after his passing. The founder's assets will be entrusted to the foundation. Often in the form of business shares.

Once a foundation is created, the assets are eternally tied to it. They cannot be sold or inherited anymore. It is now the foundation's responsibility to manage the assets and spend the revenues following the founder's intentions. The endowed assets, on the other hand, must be kept as part of the foundation's capital stock. A foundation's purpose is decided by the founder and defined in the foundation's charter. The purpose is henceforth fixed and may not be substantially changed. This structure ensures a company's future continuation and protects it from being sold.



Example Dual foundation model:

The structure of a dual foundation is commonly used among larger privately-owned companies. For example, Alnatura. The founder Götz Rehn decided it would be best to tie his assets to a foundation. This will allow him to secure the companies continuation after his passing. At the same time, he was interested in securing his family. Therefore, he set up one charitable foundation, which will keep 99% of his shares, however, it will only hold 1% of the voting rights. The remaining one percent of the shares will be held by the Götz Rehn family foundation. The majority of the voting rights are allocated to the family foundation.

A family foundation, in general, does not receive the tax benefits of a charity foundation.

Foundation	Dual Foundation model	
Charity foundation Shares: 100% Votes: 100%	Family foundation Shares: 1% Votes: majority	Charity foundation Shares: 99% Votes: minority
Company	Company	

For more information please visit: <https://www.stiftungen.org>

Best Practice Example



Turnover 2020: 88,000,000 Euros
Number of employees: 350
Amount of Demeter products: 40%

Voelkel was found in early 1920 by Karl and Margret Voelkel. Since then, the company has grown to become one of the largest organic and Demeter juice producers. The company has always been owned by the Family.

On the firm's 75th anniversary, the Voelkel family decided on how the company should be continued. Stefan Voelkel and his four sons agreed that the founding motivations, as well as long-term sustainable economic management, must be protected. As a result, the family decided to start a foundation.

The Voelkel Foundation exists to secure the company's continued development and to promote organic farming on a regional and global scale.

The foundation's charter assures the production of biodynamic juices.

90% of the company's shares are now owned by the Voelkel foundation. The remaining 10% are owned by a second charitable foundation.



For more information please visit: <https://voelkeljuice.de/unternehmen-stiftung/stiftung/>



Turnover 2020: 9,000,000 Euros
Number of employees: 60
Amount of Demeter products: 90%

Just recently Joachim Weckmann decided to place his Bakery in a foundation. Weckmann purchased the bakery in 1981. Since then, the company has expanded from two to sixty employees. The Values of solidarity, excellent quality, and serving the earth and the people have primarily formed the business and motivated Weckmann's decision to establish a foundation.

The foundation will secure the company's long-term success and existence. His aim was to create a company with its own responsibility.

As a result, the foundation's primary goal is to promote education as well as environmental and climatic preservation. Weckmann intends to step down from his management duties in order to allow for more co-determination. Therefore, in the future, the decision-making processes are going to be more inclusive and democratic.

In 2020, the company had a turnover of 9 million Euros, employed 60 people, processed up to 8 tons of bread each day, and used 2000 tons of grain.

Märkisches Landbrot is a great example of how to transfer ownership and secure a company's future. From now on the company can therefore neither be sold nor inherited. It belongs "to itself". Profits are not privatized but go to the foundation or remain in the company.

Founder
Joachim Weckmann

Board of Trustees
Sales Director, Operations Director and Managing Director
Märkisches Landbrot, Joachim Weckmann, Managing Director Gut
Wilmersdorf GbR

Foundation Märkisches Landbrot

Purpose: Promotion of education, environmental and climate protection, public health and care, development cooperation as well as local history, and local improvement.

Executive Board: Joachim Weckmann

Märkisches Landbrot GmbH
Executive board: Christoph Deinert

For more information please visit: <https://www.landbrot.de/>

2.4.4 Company as a cooperative

The ownership form of a cooperative is another example to show, how collaborative work can benefit all participants and how the values of a company are not tied to an individual's perspective.

The main idea of a cooperative is that the business is owned by members and therefore serves them accordingly.

According to the International Cooperative Alliance, a cooperative is

"An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise."

Cooperatives are a business structure that is founded on solidarity - by members for members. Everyone is encouraged and capable of contributing to the cooperative with their expertise and abilities. Furthermore, everyone gets a vote in decision-making: cooperatives are a kind of grassroots democracy. The magnitude of a member's stake has no bearing on his or her voting rights. As a result, one member equals one vote, regardless of financial strength.

Common forms of cooperatives

There are four well known forms of cooperatives:

- Company as a cooperative
- Sourcing cooperative (pooling demand, to lower purchase price and increase purchasing power)
- Sales cooperative (farmers pool their goods to achieve better sales prices and to increase their negotiation power)
- User cooperative (sharing machinery, reducing tied capital, increase liquidity, increase in efficiency owing to the higher degree of machine usage.)

A cooperative's organs

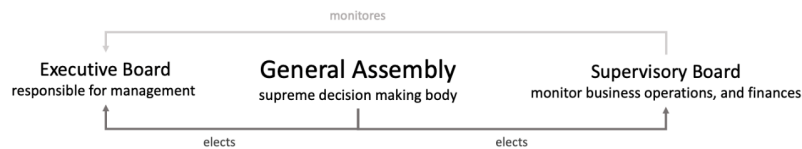
Co-operatives are self-organized, which implies that members of the board of directors and supervisory board must be direct members of the cooperative.

In general a registered cooperative must have three bodies:

general assembly: the cooperative's supreme decision-making body. Each member is entitled to one vote. As a result, regardless of how much capital they have contributed, all members have equal rights.

Executive board: The executive board is made up of at least two persons elected by the general assembly. The board members are solely responsible for the management of the cooperative.

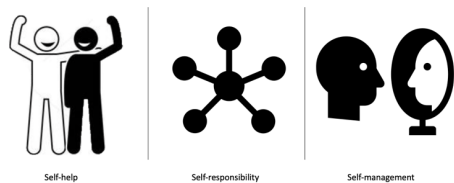
Supervisory board: This board must include at least three members. The general assembly is the electing body also. The supervisory board's tasks are to monitor the cooperative's executive board, business operations, and finances.



There are usually no minimum financial requirements to start a cooperative and liability is limited to the value of the shares. In some countries like Germany it is also mandatory to become member of an independent audit association. This body will regularly audit the cooperatives work.

A cooperative's principles serve as a guideline on how to put the cooperative's values into practice.

So, one could say that a cooperative is based on the principles of: self-help, self-administration and self-responsibility. They are all interlinked with one another.



For further Information:

<https://www.ica.coop/en/cooperatives/cooperative-identity#definition-of-a-cooperative>

<https://www.ver.de/genossenschaft-unternehmen-der-zukunft/>

<https://www.wir-leben-genossenschaft.de/de/die-vorteile-der-rechtsform-eg-47.htm>

<https://ncbaclusa.coop/resources/what-is-a-co-op/>

Best practice examples:



SCHROZBERGER
Milchbauern

Employees: 70

Turnover (2017): 46.500.000

Amount of Demeter products: 100%

One successful example is the dairy company Schrozberger. Schrozberger is the largest Demeter dairy processor in Germany, working with 105 Demeter farmers. Each year 29 million kilograms of milk are processed. Schrozberger claims to have the world's largest range of Demeter dairy products.

The cooperative was found by dairy farmers for dairy farmers to promote and ensure fair milk prices for Demeter farmers. Schrozberger is proud to be independent from banks and shareholders, allowing them to decide where how and when to invest. Only dairy farmers can join this cooperative, ensuring that any decisions are made in the best interest of the farmers.

For more information: <https://www.schrozberger-milchbauern.de>



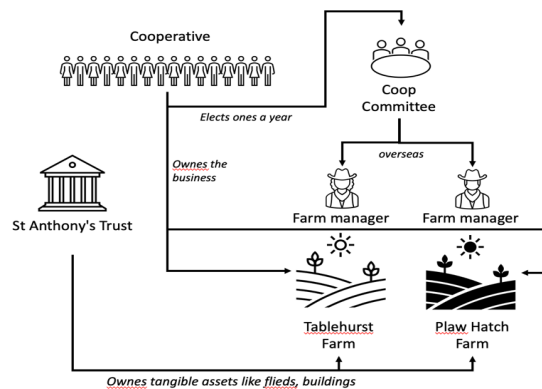
Tablehurst and Plaw Hatch Farms near Sussex UK have managed to keep up the biodynamic farming by founding a cooperative. Resulting in a more financial stable situation. Both farms Tablehurst and Plaw Hatch are today owned by the community, the biodynamically grown produce from over 600 hectares is sold in the on-farm shop.

The Community also takes on responsibility in education, through promoting biodynamic farming by offering apprentice positions and organizing events.

Their work force is supported by a group of people with special needs.

The ownership of the farm businesses lies within the cooperative. Most of the farm's land and buildings are held by a trust, which has education and training for biodynamic farmers as one of its main charitable objectives.

The cooperative wants to assure that both farms will be dedicated to biodynamic farming in perpetuity. The cooperative has today over 500 shareholder-members mainly from the local community.



For more information visit: <https://tablehurstandplawhatch.co.uk>

2.5 Perception of consumers needs

Kommentiert [CS1]: Kannst du da mal bei Alnatura nachschauen, wie die die Konsumenten in die Produktentwicklung einbeziehen? Wer ist hier der Chef könnte auch hier erwähnt werden. Naturata hatte früher auch einen Konsumentenbeirat.

2.6 Use of Profit

The use of profits within a company depends on the status of the company and its financial objectives. If we take the example of a for-profit company (Restaurants, beauty salons, supermarkets etc.). A for-profit business is a business whose primary purpose is to make a profit. In general, a portion of the profits generated will be paid to the company's shareholders in the form of a dividend and another portion will be reinvested in the company to increase its self-financing capacity. Finally, a portion of the profits can also be paid out to employees in the form of various bonuses.

The other type of organization is a non-profit organization. These companies are not guided by the profit motive but rather by members united around a common project to defend a cause. Profits made by these forms of enterprise must be used to achieve the organization's purpose.

Finally, in cooperatives, the distribution of profits is highly regulated and at least 25% of the profits are paid out to the members of the cooperatives.

Generally speaking, as the stakes of sustainable development are increasingly important in today's society, many companies decide to donate a percentage of their profits to the defense of a cause, even if this cause does not represent their core business.

<https://www.journaldunet.fr/business/dictionnaire-comptable-et-fiscal/1198383-benefice-definition-calcul-traduction/> Dec. 2021
<https://bpifrance-creation.fr/but-lucratif> Dec. 2021
<https://companiesinc.com/fr/start-a-business/non-profit/> Dec. 2021

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3 Elements of Associative Economics between farmers and companies

The chapter that follows lists various types of associations and is intended to make associative management understandable through concrete examples.

3.1 Round Tables

Practical example Fair und Regional – Märkischer Wirtschaftsverbund – Round Tables

Fair und Regional is an economic association of farmers and processors and retailers.

They advocate the use of round tables.

First they started with a round table for Demeter cereals today they have enlarged their offer to meat, milk, and vegetables. They have the goal to independently from the official market price to set their pricing strategy.

The fundamentals of the collaboration are formulated in the Charta. The Charta has six criteria's that must be met and determine the rules.

- Fair trade,
- working locally,
- sustainable business,
- acting transparently,
- acting in solidarity,
- acting in an environmentally friendly way

For more information please visit: [here](#)

The meetings have a clear structure but are held openly. The protocol of each round table is publicly available to anyone.

The round table usually takes place right before the upcoming harvest to discuss prices.

The baker reports on present and future demand. Wheat, for example, is becoming very popular again which leads to the predication that high demand will rise.

Farmers report on the season's progress, predicted yields, and expenditures incurred over the production year.

Due to the long cycle of cereals production, there are usually variances from projected yields. As a result, the farmers and bakeries reached an agreement on an acceptance process in the case of overproduction.

At the end of each round table, all participants vote anonymously on whether the cooperation with market partners is fair. If dissatisfaction is identified, a first attempt is made to resolve the disagreement. If the latter attempt fails the partner is excluded from the cooperation.

[Here](#) you can find a full protocol on a round table meeting.

Fair & associative is an additional mark that verifies associative economics activity and encourages round tables. The Oikopolis Group founded the label. So far, 30 BIOG products

have been verified as fair and associative. The Oikopolis Group has also developed a charta that governs collaboration. The foundation for a fair relationship is built on seven principles outlined in the charta.
[Here](#) you can find the charta.



3.2 Partner concepts

Some processors, traders or brand owners have partner concepts. The partner concepts are their individual solutions for a better relationship to their producers.

These concepts have quite different elements, but all aim at building strong relationships and taking responsibility for the situation on the farms.

Examples:

Partner farms from Weiling, wholesaler
Hand in hand – concept from Rapunzel

3.3 Transparency in supply chains

3.4 Transparency of production costs

Production costs are often a well-guarded company secret. Material, processing, and labor costs are seen as key driving factors for a competitive advantage.

However, increasingly complex value chains involving many participants should demand for tightly interlinked and well-managed relationships.

Yet, today we often find operations with very little customer proximity, often not recognizing or comprehending market needs and demands since they do not come firsthand. Leading to wrong assumptions, inefficiencies and misinterpretation of consumer's needs.

Participants in a value chain tend to share just enough information to make the cooperation work. Furthermore, different negotiating powers arising from hidden information, resulting in hidden action -- the behavior of the better-informed partner will (negatively) affects the payoffs of the less informed -- lead to unfair situations and behavior.

The question is now how to get out of the competitive driven market into a collaborative approach.

One solution to counteract this distanced behavior is by sharing cost information among all value chain partners curing the curse of hidden information and action.

Through exchanging cost details partners get a deeper understanding of each other, leading to better horizontal learning and increased efficiency.

Supply chain transparency can be described as "understanding both: what has happened and what will happen" (Bateman & Bonanni, 2019) .

It is important to note that sharing cost details will rather foster the working relationships between companies and not undermine the enterprise's competitiveness. Exchanging cost details allows for an associative approach where all player's needs are respected and accounted for.

The demand for supply chain and cost Transparency does not only stem from firms but is also heavily driven by consumers.

According to different large-scale studies, supply chain transparency is rewarded by consumers. They are willing to pay up to 10% more for products from companies with a high supply chain and cost transparency and are also more attracted to the brand (Bateman & Bonanni, 2019) (Gerdeman, 2014).

Transparency of production costs changes a competitively driven work environment to a collaborative one. Increasing the strength of the companies through higher efficient collaborative work and renouncement of hidden information and action.

Allowing participants to act still freely in an entrepreneurial way. Also, from the consumers perspective there are benefits such as higher willingness to pay and amplified brand loyalty.

Transparent Pricing

We publish what it costs us to make every one of our products. There are a lot of costs we can't neatly account for - like design, fittings, wear testing, rent on office and retail space - but we believe you deserve to know what goes into making the products you love.

				
MATERIALS	HARDWARE	LABOR	DUTIES	TRANSPORT
€9.58	€1.75	€3.06	€2.39	€0.46

Sources

Bateman, A., & Bonanni, L. (20. 08 2019). Harvard Business Review. Von Harvard Business Review: <https://hbr.org/2019/08/what-supply-chain-transparency-really-means> abgerufen

Gerdeman, D. (15. 12 2014). Forbes. Von Forbes: <https://www.forbes.com/sites/hbsworkingknowledge/2014/12/15/when-retailers-reveal-production-costs-consumers-are-more-likely-to-buy/?sh=6854880168a1> abgerufen

3.5 Formation of producer associations

3.6 Market regulation tasks of a cooperative

3.7 Price Pooling

The objective of price pooling is to average the market price over a defined pooling period. Pooling also provides price differentials by grades and quality. The pooled price reflects the average price rather than daily or weekly differing prices. Pooling hedges against unexpected market drops to get better earnings. This traditional method of pooling, on the other hand, only favours those farmers who had a high yield during the pooling time.

Given that each manufacturer has distinct requirements, such as production inputs and size, the production costs vary. Production efforts and costs for the same goods, particularly in agriculture, will change from year to year. To mention a few, harvest yields vary owing to weather conditions, the size of the operation (scale effects), changing costs for production inputs and variables, and so on.

A fair pricing pooling strategy is to obtain fair remuneration based on each supplier's production conditions in order to reach an overall reasonable retail price.

Despite paying differing prices to producers based on the production circumstances, the purchaser settles on a single selling or retail price.

Practical Example Migros Switzerland

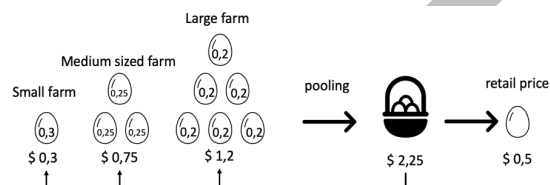
Hosberg AG, a Swiss Egg transformer, and Demeter Chicken Farmers achieved a good example of how fair price pooling is realized.

Full cost estimates demonstrated that the production expenses for small egg farmers were significantly higher than those for large-scale chicken farms. Hosberg AG decided to pay varying purchase prices for the same product. This resulted in a price system in which small farms received a higher price for their eggs and large-scale producers received a lower price. The decision criterion is based on the number of chickens and stable size. Despite this disparity in purchasing methods, all eggs are sold at the same retail price.

This strategy allows Hosberg AG to support small-scale and large-scale farming. Small farms are pivotal for a high diversity in the environment and often have a societal mandate as well. The bigger farms play an important role in this concept, as they are needed to cover the demand for Demeter eggs and they allow for an overall lower retail price, which could otherwise not be realized.

As shown in the diagram, small farms have higher costs compared to large-scale farms. Therefore, they receive a higher price. Normally the retail price of the small farm would exceed \$0.5. In this case, however, the large farms drive the overall price down and allow for a reasonable price for consumers while also fairly compensating all farmers.

This constellation only works as long as the total number of large farms outnumbers the small egg producers. The small-scale farmers are carried by the bigger farms.



Kommentiert [CS2]: Hier braucht es noch eine Einleitung in das Kapitel: Organized consumers for long term commitment with farmers, Unterkapitel sind dann CSA; Member stores; Consumer brand;

3.8 CSA

3.9 Member stores

Member stores are a good concept that links customer demand with the supply from farmers.

The retail industry is under pressure, short-term contracts, shifting procurement relationships, and price-focused purchasing policies are a result of increasing pressure on merchants. This does not relate to a fair economic practices approach, which respects each and member in the value chain.

Member stores attempt to counteract this tendency, by financing the fixed costs through monthly membership fees, rather than high mark-ups on goods. This enables them to enter into long-term partnerships with farmers and food processors. The monthly membership fee covers the fixed costs of running a store such as labor, rent, and infrastructure. Member stores are not under the pressure of maximizing profits, they just charge a small markup, such as 10%, on the wholesale price. As a result, members can get local fresh organic products at a low cost. The assortment of a member store is often the same compared to conventional stores. Most member stores charge a monthly fee ranging from 5 to 20 euros per person.

Member stores often have a dual-pricing strategy, allowing non-members to go shopping at member stores. They are charged a higher price, which often encourages them to become a member. This is an attractive approach to decrease the risk of non-members having to pay a monthly fee.

Key Aspects:

- **Retailers** get a monthly fee to cover all fixed costs taking away the pressure
- **Producers** have a steady supply chain partner. No need for a wholesaler – leading to lower prices for the retailer and consumer
- **Consumers** get high-quality products for a comparably cheap and fair price, the store is also to non-members charging a “normal” retail price. There are no responsibilities for members except the monthly fee.

Sources

<https://www.vg-dresden.de>

<https://utopia.de/ratgeber/mitgliederladen-bio-einkaufen-nach-dem-solidaritaetsprinzip/>

<https://www.fairbio.bio/renaissance-der-mitgliederladen/>

<https://wandel-handel.de/mitgliederladen/>

Best Practice Example



VG Verbrauchergemeinschaft

FÜR UMWELTGERECHT ERZEUGTE PRODUKTE EG

VGv started as a consumer association aiming to create a reliable market for local farmers. In 1991 the Producer association started with a small store open only for a couple of days. Today the VGv has seven member stores in Dresden, employing 200 people and has 11 000 members.

All members become part of the cooperative and pay an initial fee of 20 Euros that will be refunded once you leave the cooperative. The monthly fee depends on the size of the household, an adult pays 17 Euros per month.

This member-store cooperative has been very successful, one of the seven stores just sells natural goods, such as hygiene products, clothing, and natural cosmetics.

VGv focuses on long-term partnerships most of the products come from around 150 kilometers of their stores. Today they get their goods delivered from roughly 90 different partners farmers, processors, and wholesalers.

According to the vision of VGv, they aim at creating a future worth living, taking responsibility for a healthy environment and society. Through enabling sustainable and fair consumption for a large community of people.

For more information please visit: <https://www.vg-dresden.de/vg-leitbild>

Further Practical example:

Ökoesel: <https://oekoesel.de>

Plattsalat: <https://www.plattsalat.de>

3.10 Brands that include the consumers will

concept explained through a concrete example

"La Marque du Consommateur : C'est Qui Le Patron ?!" is a French **community-oriented enterprise/consumer brand?**, created in 2016, following the milk crisis. The particularity of this brand is that it gives consumers the choice regarding the quality and composition of the products while ensuring a fair remuneration to farmers. "C'est Qui Le Patron ?!" therefore allows consumers to build a product according to their priorities while marketing it at a fair price. The creation of the specifications of a product is done through an online questionnaire proposed to consumers.

This questionnaire includes several criteria in the composition of a product, and the consumer chooses the standards among these levels.

For example, in the case of milk, these criteria are taken into account :

- The remuneration of the producer
- The origin of the milk
- Cow grazing
- Origin of fodder
- Feeding cows apart from pasture
- Packaging

Once the voting phase is closed, the criteria with a majority of votes are selected and the production is launched according to these standards. In the case of the milk, the results were a bottle of milk at €0,99 euros among which €0,39 are for the producers.

In addition to these questionnaires, the consumer can vote for the next products to be marketed and even become a member of the consumer society by buying a share in the cooperative for one symbolic €1. The members meet the producers, participate in the collective decisions or vote at the General Assembly for example. In addition, they can carry out controls at the producers and processors to ensure that the specifications are respected.

With this approach, "C'est Qui Le Patron ?!" has created dozens of products and supports more than a thousand of farming families. The brand has been so successful in France that it inspired other countries and is now available in various European countries, including Belgium, Spain, Italy, Germany or the United Kingdom for example. Outside of Europe, we can count USA and Morocco.

As far as the financial dimension is concerned, the brand "C'est Qui Le Patron ?!" gets back 5% of the price all taxes included. The turnover of the brand allows to finance the functioning of the cooperative.

Through these types of initiatives, consumers are more involved in the development of products. This makes consumers responsible and makes them aware of the value of farmers' work. Production costs are no longer a secret but are clearly published, which makes this approach different from the traditional ones.



Sources :
<https://lamarqueduconsommateur.com/la-demarche-dans-les-autres-pays/>
<https://lamarqueduconsommateur.com/produits/lait/>
<https://business.lesechos.fr/entrepreneurs/actu/c-est-qui-le-patron-recoit-le-prix-de-l-innovation-la-plus-altruiste-2017-314450.php>
<https://www.theconsumerbrand.co.uk/>

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Annexes : screens of questionnaire ?

3.11 Contracts

3.11.1 Long-term contracts

Long-term contracts in agriculture have long been in place. These contracts have been, however, often very tight and focused on purchase guarantees. Not being mutually beneficial for farmers and producers. Determination of prices was driven by the market, not in favor of the producers.

The associative economics approach on long-term contracts is a holistic way that respects the needs of each participant in the value chain. Trying to make collaboration work for the mutual benefit.

This requires that each participant can express and demand his needs.

Long-term contracts (LTC) are, therefore, a promising and proven solution. LTC reduces the short, medium, and long-term risk that is associated with the production of food.

The base for LTC requires a reliable integration of vertical communication along the value chain and interaction between all parties.

LTC can range from producer to merchant. All participants within the value chain can be included. This often leads to so-called multi-party contracts. In practice, three-party contracts are much more common. In this case, the Producer, Processor, and Wholesaler can reach an agreement. To secure supply quality and a fair system to decide on prices.

In the end, LTC should benefit the buyer and seller. It is probably easier to think of long-term relationships.

Elements of LTC's

- **Time Frame** with extension options (usually 5-10 years)
- Specification on the **minimum quantity and quality purchased** each year
- **Non-financial requirements** (e.g. deforestation is not allowed)
- **Price finding mechanism** both agree on and neither is disadvantaged
- **Price adjustment** process to maintain economic viability in case of unexpected cost increases include floor price and ceiling price
- **Conflict management** process
- **Insurance** against side selling, and **non-compliance**

The elements of long-term contracts are often used in producer associations or Coops. Producer associations pool supply and increase as cooperative their negotiation power. Also, synergies can be realized among partners through sharing infrastructure resulting in a better cost structure.

For more information visit: <https://medium.com/the-markets-institute/long-term-contracts-c0ccc09dbbc9>

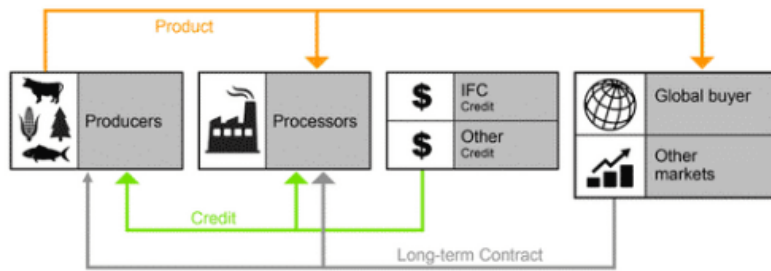
Pros LTC:

- **Lower total transaction costs** and improved profitability
- Help **achieve social standards**
- **Decreased price volatility**
- **Reduced Risk** in supply and production
- Better access to **financing**
- Innovation through **joint planning** and long-term collaboration

Cons LTC:

- Not able to capitalize on short term-market moves
- Encourage **monopolistic behavior**
- Best value for money might not be realized
- **LTC require careful monitoring** and oversight
- Inefficiency: The underlying expectation that LTCs would continue to deliver high value for many years may result in a lack of monitoring market circumstances and new possibilities, resulting in inefficiencies in LTC use.

Long-term contracts



Practical Examples



Fair & Regional is a cooperative of farmers and processors. Fair & Regional considers the supply chain to be a supply cycle. They prioritize long-term, dependable economic partnerships that are always priced fair.

This allows for better distribution across supply chain players. This has a good impact on enforcing and strengthening regional biodynamic farming.

Farmers meet with producers such as bakeries to discuss prices while keeping the environment in mind and the overall success of the harvest in mind.

For more information visit: <https://fair-regional.de>



Biofair is another example of a seal that focuses on long-term partnership contracts between producer, processor, and vendor, among other key aspects. One section of the audit is devoted to long-term connections and reasonable rates.

One section of the audit is devoted to long-term connections and reasonable rates. FAIRBIO does not wish to interfere too forcefully in the price-setting process and is convinced that: Whether pricing negotiations between a producer, processor, and retailer were fair can

ultimately only be judged by the parties involved. A statement from all parties, however, is always mandatory.

Voelkel and Spielberger are two well-known certified brands.

For more information visit: <https://www.fairbio.bio>

DRAFT



Turnover 2020: 30,000,000 Euros
Number of employees: 30
Amount of Demeter products: 90%

Spielberger is a fantastic example of how LTC has benefited them and their partner farms. Their objective is to process and sell as many Demeter products as they can. The majority of their food comes from 150 Demeter farms in the region. Spielberger was a founding partner of the producer cooperative that now provides a majority of their supply in 1980. Spielberger has created a structure where they meet twice a year with the contracted farmers and association.

Once to discuss the need and what crops and varieties are required. This round table is an excellent chance for farmers to share their knowledge about agriculture and quality.

The second meeting is all about settling on the annual price. Deciding factors are the years' yield and the general market situation.

Some relationships between Spielberger and farms date back to 1956, demonstrating how solid ties may be developed to improve the wellbeing of all involved.

Spielberger was lately seeking for an increased production in Demeter spelt. The yield on Demeter spelt is, however, significantly lower and would result in a loss for the farmer compared to organic spelt. As a result, Spielberger is now seeking for a marketing channel that will make it economically worthwhile to compensate for the increased work and lower yield associated with cultivating Demeter spelt.

For more information visit: <https://www.spielberger-muehle.de/de/>

Sources

Jason, Clay. How Long-Term Contracts Can Help Drive More Sustainable Agriculture (The Markets Institute 2018)

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3.11.2 Three-party contracts

3.11.3 Tendering

3.12 Alternative Methods of Financing

3.12.1 Pre-financing of the harvest

3.12.2 Crowd funding

3.12.3 Interest paid in goods

3.12.4 Payment of ecosocial performances

3.12.5 Loan guarantee by the added-value partners

3.13 Competition and Cooperation

3.13.1 Mediation service

The Swiss Demeter Association felt compelled to find an approach that would enable fair economic activity and consider the advantages of liberal economic activity.

Especially within the associative management, it is the shaping of framework conditions that is important, not the fixing of results such as prices. The culture of dialogue particularly shapes the association and its success. The idea was not to issue further directives that could not cover the scope of complex cooperation and site-specific conditions, but at the same time to find a system that would enable all participants in the value chain to do fair business.

Thus, the idea of establishing a mediation service was born. The mediation service aims to actively promote fair and free economic activity. It is a contact point for all participants in the value chain. Complaints can be reported there; if they accumulate, a mediation process is triggered. The mediation service provides the framework conditions for a mediation talk. However, the actors must find a solution all together. The mediation body legitimizes itself to impose sanctions even up to the point of withdrawing Demeter certification.

If, for example, a farmer feels unfairly treated by a buyer (deductions, very low prices), he can report this to the mediation body. If the complaints about a buyer increase, the farmers and the buyer are invited to solve the problem together. It is important to note that the solution cannot be prescribed by the mediation body; it must be worked out associatively by the participants. All actors in the value chain must find an economically viable and socially responsible agreement. The culture of dialogue thus determines success or failure.

The mediation service will be active in Switzerland from 2022 on.

3.13.2 Coordination office Switzerland

The vegetable and fruit market is a particularly competitive market, weekly price changes, mutual displacement through underbidding, high weather dependencies often lead to a poor understanding of the market which consequently leads to overproduction and unfair behaviour. In Switzerland, vegetables are almost exclusively sold through the supermarkets of Migros and the Coop. Until now, a farmer could sell his produce to so-called platforms. Platforms buy vegetables, store, wash and package them for sale. The platforms then sell the vegetables to the supermarkets. It is in the interest of the platforms to buy the goods as cheaply as possible in order to increase their profit margin. Retailers also want to buy as cheaply as possible.

This action does not correspond to the economic, competitive and fairness ideas of Demeter. In order to counteract this opportunistic behaviour, which is also promoted by the retail trade (50% of Migros' and Coop's turnover is made with vegetables and fruit), Migros, Demeter Switzerland and Platforms have joined forces to develop a new system that enables long-term relationships and fair competition.

An essential part of the new structure is the coordination office, which takes Migros' annual orders, negotiates prices and coordinates deliveries of goods, and pays producers directly. The coordination office also distributes the orders to the platforms. In contrast to the flow of goods, the payment flows go directly through the coordination office and from there to the farmers.

To ensure that the coordinating body always acts in the interest of all stakeholders, the operational business is overseen by a committee. It is the associative instrument; the committee represents all the interests of the actors in the value chain. It is made up of a total of nine people: three producer representatives, three representatives from Migros trade, two representatives from the platforms and one representative from the Demeter Association.

If four out of nine voices perceive injustice, the committee is convened and a solution must be found together.

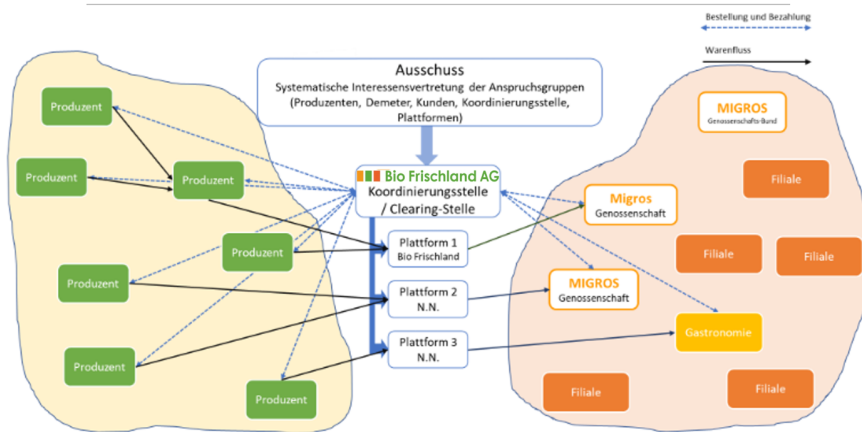
The committee is also the only body in the new structure that can dismiss the coordinating body and convene one if the concentration of power is exploited.

The platforms receive a fixed amount for their service, which is not dependent on the product price. This is particularly important, as otherwise false incentives to lower prices would be encouraged.

The price paid to farmers depends on the quality and the product. The price negotiations between the coordination office and Migros leave enough room for fair competition.

Die Lösung: offen, flexibel und koordiniert

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DEMETERGEMÜSEVERMARKTUNG

3

4 Added-value for the cultural life

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5 Abilities useful for Associative work

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6 Glossary

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