

**stuff**

## Where the fert co-ops have gone wrong

Doug Edmeades tells us what he would do if he was in charge of the fertiliser co-operatives.

Bede Kerr

Nutrient deficiencies are not being diagnosed and corrected.

It is that time again. The end-of-year financials are in and the burning question becomes – who's got the biggest? The feminine side of me tells my male side that it's a male thing. The male side of me tells my feminine side it is not important. Make of the ambiguity what you wish, because I now have important matters to discuss that will engage my male virility and my feminine sensitivity.

Team Blue announced their rebate on their fertiliser activities for 2015-16 of \$25 a tonne. Team Green in comparison trumped up with \$41 a tonne. This quantitative comparison enjoins the argument: Yes yours is bigger, but mine is fatter!

My question is: How should we assess the activities of one of our most important supply-side industries, an industry absolutely essential for the sustainability of our primary sector?

Does "big is better" apply to our fertiliser co-ops? What should we be looking for from our co-operatives? Should we be looking for a "more holistic metric"? [Sorry, sorry, sorry; that last phrase just slipped out – too much time with the PR people I think. In fact, I hate this modern trend of masking simplicity with apparent cleverness – truly I meant, "a better measurement".]

Like removing a recalcitrant splinter, we need to dig into the flesh of wisdom to seek possible answers.

There are many differences between co-operative and corporate organisations and in my simple mind the most fundamental difference is to do with their purpose.

The goal of a corporate is to make profits for its shareholders. The goal of a co-operative is focused first and foremost on a common goal - in the case of the fertiliser co-operatives, to provide goods and services related to fertiliser, to its owners the farmers. Of course co-operatives should be run efficiently but the focus is not on bigger profits (rebates) but "fatter" service.

I think, and I know many farmers would agree with me, that the fertiliser co-operatives have lost the plot and wandered away from their primary purpose.

This problem, as I understand these matters, goes back to the reform-everything- days in the mid 1980s when the fertiliser industry was told by the Commerce Commission to "sharpen up" and compete for market share.

Nothing less was required to ensure that fertiliser prices were kept under control and to rub out inefficiencies.



This, of course, is a very corporate modus operandi and I suspect it has opened the door to corporatise the co-operatives.

How else do we explain why the "Technical Reps", who focused on providing technical advice to farmers, became "Key Account Managers" with sales targets?

How else do we explain the transition from generic products (super, potash, urea, etc) to branded products (SustaiN, PastureZeal, PhasedN, etc) which attract higher margins.

How else can you explain why I have been criticised for promoting the idea that fertilisers should be compared on a cost per nutrient basis?

How else do you explain why farmers tell me frequently that they have lost confidence in the advice offered by the co-operatives - "another new rep", "wanted to sell me some fancy-sounding product", "didn't look at the pastures", "acted as though all the answers were in his computer".

Yes, is my assessment. The co-ops have lost the plot and the evidence is achingly obvious.

I recently analysed the data from our client list - the list of farmers agKnowledge has visited in the last 20 years. Something like 80 per cent presented with nutrient deficiencies – the most common are potash and sulphur - that will be significantly limiting pasture production. These problems are not being diagnosed and corrected and the farmers, who we must not forget own the co-operatives, are the losers, followed closely by the nation.

All of this will be no surprise to the co-ops. I have been reporting these problems to them for 20 years. The sad truth is that my words have fallen on deaf corporate ears, not the open ears of a truly co-operative organisation.

If I were the chief executive of one of these co-operatives I would follow the instruction from the Commerce Commission while remaining loyal to the co-operative goal.

I would stop all advertising – farmers need fertiliser, they do not need to be told. That is why the co-ops were established in the first place!

I would hack into the product list by removing all branded products and all those products that are not supported by robust sound science. These changes in themselves would greatly simplify things with concomitant increases in efficiencies.

The current rebate system treats the owners as if they are a bank. It also masks managerial mistakes and inefficiencies. How about giving the "rebate" at the time of purchase. This would seriously reduce fertiliser costs. Yes of course funds should be retained for contingencies such as fluctuations on

international fertiliser prices, reinvestment in plant and R & D, and of course the co-ops should be run efficiently, but all these things should be transparent.

Finally, to regain the confidence of the owners, I would rename the reps, "Technical Consultants" and ensure that they are given a sound training in practical soil fertility and pasture nutrition.

These changes would require severe cuts in the PR and advertising departments not forgetting of course that much of the plump middle management would be surplus in a simplified industry.

I am certain that the farmer-owners would love such openness, honesty and transparency, together of course with lower fertiliser prices.

And if the one team did not follow suit, the other will gobble up market share. It is what co-operative corporate people do.

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