

Partnership approach to securing a stable supply of liquid egg

‘We wanted to take the uncertainty out of the market and guarantee a sustainable supply. We engaged with EFFP, who were known to us leading this type of work, they identified egg producers in Yorkshire as well as developing a cost of production model. They acted as independent referee to help broker discussion to this new relationship.’

Paul Denney

Head of Purchasing, Pork Farms

Summary

EFFP facilitated the development of a collaborative and transparent supply chain between Pork Farms, Eggsell, a marketing egg cooperative and Bumble Hole Foods, a liquid egg processor.

A core part of the development was the creation of a transparent pricing model, giving a fair price to all. This formed a strong platform on which other mutually beneficial developments are being built.

The business challenge

Pork Farms had concerns in 2009 over the security of supply of liquid eggs with the EU cage ban approaching and the impact that would have on egg prices. Egg is a strategically important input for Pork Farms being a key ingredient in many of their products.

Pork Farms were keen to develop a back to farm collaborative relationship with egg producers to secure supply and gain some visibility and stability price through a potentially turbulent period and beyond.

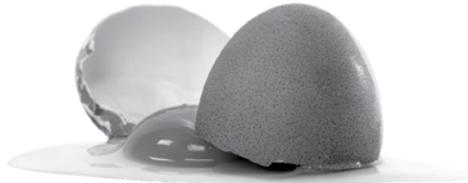
However Pork Farms use pasteurized liquid egg and therefore a processor was required to take the shell egg from the farmers and provide a product which could be used by the manufacturer. Therefore finding a processor to work transparently and collaboratively was key to making this supply chain work.

How we helped

EFFP introduced Pork Farms to a group of egg producers in Yorkshire who had recently formed an egg marketing cooperative called Eggsell. The group were looking to develop relationships with end users of eggs and to achieve more consistent margins for their producer members.

Pork Farm’s proposal matched their needs and they were keen to progress things. EFFP facilitated discussion to help align their individual objectives, develop commercial and operational ways of working and start to form a relationship.

The second significant part in this chain was to find a forward thinking egg processor to break and pasteurize the egg that had the necessary plant and accreditations. EFFP identified Bumble Hole Foods, a family business, as a partner able to help – they had a positive attitude, were well set up, willing to invest to deliver the requirements and were open to discuss working in a different way from the norm. A key challenges to most supply chains is the excessive price volatility inherent in any market driven by rapidly changing supply and/or demand. It doesn’t lend itself to building robust businesses, whether for farmers or manufacturers, which look for greater forward visibility, stability and margin certainty.



EFFP spent a significant amount of time developing a robust Cost of Production (COP) commercial model both for production and processing. This model created transparency in the supply chain and was an essential tool to help facilitate the development of the eventual egg supply contract. The initial agreement, for part of Pork Farms liquid egg requirements was signed in spring of 2010 but to further build the volume all parties had to 'prove themselves' and Bumble Hole had to achieve further retailer specific accreditations.

The outcome

Pork Farms have a secure supply of liquid egg of known provenance with the right quality and on a stabilised commercial basis. It has provided a 'whole supply chain' platform on which to develop new initiatives and developments to build further competitive advantage.

The egg farmers, Eggsell and Bumble Hole Foods have a secure customer and able to earn a fair and stable margin, with a rolling contract to supply a significant tonnage of liquid egg per week

This long-term contract is based on a transparent pricing model gives Pork Farms a secured supply of liquid egg with a known provenance and necessary accreditation.

Volumes through this chain have showed continued growth from the beginning through to now in 2012 and as Pork Farms builds its success it has the potential to increase further. EFFP remains engaged with the chain and all parties within it.

Strategic sourcing and supply solutions

Developing mutually beneficial strategic sourcing and supply solutions can be very challenging to get off the ground despite agreement by all that there are demonstrable benefits to be had.

Even if different parts of the chain or individuals have worked together for many years it is still beneficial to have an intermediary to give an objective and independent view on how to formally construct as well as building new relationships. Having an external resource at hand, focused on ensuring that the process is continually driven forward, is especially important when all involved are very busy doing the 'day job'. It is essential that key tasks and issues are not missed and the process is handled efficiently, allowing the key people involved in to concentrate on making the important strategic and operational decisions.

EFFP is able to provide this extra resource, knowledge, experience and independence needed to ensure that back-to-farm supply chain management lasts for more than one season and delivers value.

About EFFP

EFFP is a specialist agri-food business consultancy, working across the whole supply chain. We combine our farming knowledge with food industry expertise to address structural, commercial and trading relationship issues from an objective and independent viewpoint.

As an organisation with a dedicated team of highly experienced sector and regional specialists, we not only assist individual businesses but also promote new thinking and transformational change across the complete chain. We reinvest all our profits back into the industry to help make that change happen.

We offer

- strategic insights into what is happening both globally and nationally, and crucially the implications for UK businesses;
- a range of business development services to help deliver growth, organisational and structural improvements and continuing professional development;
- expert advice and practical solutions to strengthen and integrate the supply chain back to farm level.

Speak to us

To discuss how EFFP can support your business please contact us.

Mermaid House
3rd Floor, 2 Puddle Dock
London EC4V 3DB

T 020 7332 2868
E info@effp.com
www.effp.com