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Demand for and supply of the services of producer representative bodies in Queensland

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ABSTRACT

In Queensland, at least 93 bodies exist to represent the interests of, and provide other services for, their farmer members, and their industries. The bodies vary greatly in: focus, roles and activities, priorities, resources, size, affiliations with other bodies, etc. Results from a survey of 68 producer representative bodies (PRBs), and other data and information are used to examine the demand for, and supply of, farmer representational and other services in Queensland. The main results were: member demand for services varies considerably between PRBs and are influenced by numerous factors; members and non-members of one PRB vary significantly in the importance attached to some services; the types of activities undertaken by PRBs varies between those for emerging and established industries; and PRBs with paid staff/officers undertake more activities than others. The paper concludes that PRBs must continue to evolve and adapt their operations and structures to take account of changes in: member and industry needs, external environments, cost pressures, resource availability, and sources of funding/assistance.

Key words: representation, farmer associations, demand/supply

INTRODUCTION

As in other states, primary producers (farmers) in Queensland have established numerous bodies to represent their interests and to undertake other largely non-commercial activities. In this paper these bodies are referred to as producer representative bodies[*] (PRBs). The characteristics and roles/activities of PRBs, the challenges they face, and the current and expected changes in the sector are often not well understood by economists. Several of these issues for Queensland PRBs were examined in previous contributed papers involving the author presented to recent AARES annual conferences (Jarratt and Franco-Dixon 1998 and 2000).

This paper builds on these previous papers and uses survey and other data to examine the demand for, and supply of, services/activities of PRBs. These aspects of the topic are of major interest to PRBs and to other stakeholders, especially government departments which often work closely with PRBs during policy development processes and to deliver services to facilitate industry development/adjustment. Greater understanding by PRBs and other stakeholders of the activities of PRBs and the factors which influence the demand for and supply of their services will enhance the ability of PRBs and other stakeholders to successfully work together to address and overcome constraints to industry development/adjustment.

Deliberately, the paper concentrates on Queensland's PRBs because these are the main focus of the author's work, and the main source of the data and other information; and to restrict the potentially wide range of the paper. However, national and interstate representational and other activities/issues are of major concern to many Queensland PRBs. Indeed, many are closely involved in these directly themselves, by membership of national industry bodies, and through membership of, or other links, with the National Farmers Federation (NFF). Connors (1996) contains a detailed account of the factors which lead to the establishment of the NFF in 1979 and of its operations up to 1996, including relationships with state PRBs.

LITERATURE REVIEW

Even though PRBs often play vital roles in the development and implementation of public policies, and can make major contributions to industry, community and regional development, PRBs (and also other trade associations) do not appear to have attracted much attention from members of the AARES or other economists in Australasia. Perhaps the greatest interest has been in their role as lobbyists/representatives for their members, especially in relation to public choice theory and the development and implementation of public policies in agriculture and related areas, eg Johnson (1999). This role is, of course, of considerable interest to many political scientists. Coleman (1999) compared the political influence of national PRBs in several countries, including Australia and New Zealand and used the concept of the establishment by

[*] This term is used rather than alternatives such as "farmer association", "farm organisation" or "producer body" to: 1.ensure that all types of producers (farmers, growers, graziers etc) are included, 2. exclude bodies established mainly to undertake commercial buying and selling activities (eg product marketing and input supply), 3. take account of the diversity of legal entities which are PRBs (incorporated associations predominate but some PRBs are companies or cooperatives).

association systems of "an associative order" to realise political gains, reported in Streeck and Schmitter (1985).

However, interest in PRBs and trade associations in general is increasing among economists, especially in the USA and Europe, and there is surprisingly large literature of theory, descriptions, and empirical studies on many aspects of non-profit bodies (including trade associations). For example, Hansmann (1987) and Steinberg (1985) review aspects of general economic theories relating to the establishment and operations of non-profit bodies, and even though the focus is often mainly on charities, foundations, and community service deliverers many aspects are relevant to trade associations. However, Knoke (1993) provides an excellent overview of development and functioning of trade associations in the American political economy, including results of a survey of 109 national trade associations on structure, membership, operations, staffing, goals etc. The interest of economists in trade associations is also increasing due to the growing study and use of New Institutional Economics, an overview of which is provided in Williamson (2000).

Several aspects of the economics of clubs initiated by Buchanan (1965), and reviewed by MacAulay (1995), especially the allocation of club resources among members, free-rider problems and optimum club size are also relevant to many trade associations and PRBs.

BACKGROUND

Queensland's primary producers have established PRBs for diverse reasons and they have diverse roles and undertake a wide range of activities. An overview of Queensland's PRBs (numbers, types, activities/issues, etc) is provided in Jarratt and Franco-Dixon (1998 and 2000). Currently, about 93 separate PRBs are used by Queensland producers. For this study these bodies are defined as either completely autonomous Queensland state/regional bodies, Queensland branches of national bodies, or national-only bodies with significant numbers of members from Queensland.

The large number of Queensland PRBs, as defined above, is a surprise to most people unfamiliar with the sector, and also to many familiar with it. The large number reflects many factors including:

- the large number of commodities produced (this is increasing due to pressures to diversify and thus creating needs and opportunities for new PRBs at state and regional level);
- the wide geographical spread of production areas (this increases the need for separate geographically based PRBs as well as local branches of PRBs);
- the absence until recently of a single PRB for grain, beef and sheep producers (AgForce was created in 1999 from a merger of 3 separate PRBs); and
- the peak cross-sector state PRB (Queensland Farmers Federation) being a federation of independent PRBs not the result of a merger of independent PRBs. (However, even in states with a single large multi commodity PRB eg NSW and Victoria, there are many other independent PRBs, especially for emerging industries.)

A breakdown of the 93 PRBs by type and commodity/industry is provided in Tables 1 and 2. Most are single commodity non-peak bodies. The number of members varies greatly – a handful of PRBs have several thousand members, several have a few hundred members, but most appear to be very small with less than 100 members.

All except 5 PRBs (for sugar cane, dairying, fruit and vegetables, pork and commercial fishing) have voluntary membership. However, those with compulsory membership, provided by legislation at the request of earlier producers, will retain this only until 2002 unless members vote in favour of an extension for a maximum of 2 further years. Under previous legislation, compulsory membership continued indefinitely unless enough members requested a poll on the matter.

Table 1: PRB by type

Types	Number
PEAK BODIES	
▪ Cross commodity	2
▪ Single Commodity	5
NON PEAK BODIES	
▪ Single Commodity	84
▪ Other	2
Total	93

Table 2: PRB by commodity/industry

Commodity/industry	Number	Per cent
Field crop	18	19
Fruit and vegetables	15	16
Fisheries	15	16
Flowers/Foliage	13	14
Grazing livestock	10	11
Poultry	7	8
Forestry	4	4
Intensive livestock	2	2
Miscellaneous	9	10
Total	93	100

DEMAND FOR SERVICES

Introduction

As detailed in Jarratt and Franco-Dixon (2000), PRBs undertake numerous and diverse activities and provide a range of services for members and their industries. Further information on these activities was obtained from a new survey of PRBs undertaken in 2000 and the results of which are reported in detail later in this paper.

Generally, a PRB's activities can be categorised under one of 3 roles:

- INDUSTRY REPRESENTATION (mainly influencing the actions of others, especially governments, eg via lobbying)
- SERVICES TO INDIVIDUAL MEMBERS (mainly providing specific services to individual members, eg newsletters, insurance schemes)
- INDUSTRY DEVELOPMENT ACTIVITIES (mainly non-representational activities undertaken alone or with other stakeholders to produce benefits for the whole industry, eg research and development, industry promotion, training, codes of practice).

The demand from a PRB's members for it to undertake activities and the actual use made of, or value attached to, activities can be influenced by numerous factors including:

- Industry type eg emerging/established
- Industry organisations eg R&D bodies, statutory marketing bodies
- Existing/potential sources of assistance/advantage (protective/helpful legislation, provision of govt services, etc)
- Major public policy/industry issues
- Member businesses (size/profitability/enterprise mixes)
- Alternative sources of services (govt, private sector, other PRBs)
- Cost of access to the PRB activity/benefit.

Survey results

For some PRBs, the Section has undertaken postal surveys to identify member and non-member requirements of the PRB, indicated by a rating on the importance of the PRB undertaking each actual or potential activity. Many of the requirements were specific to each PRB but some were common to several PRBs. Table 3 shows the range in the % of respondents scoring activities as high/very high importance for several cross PRB activities from 3 producer surveys (flowers, oysters and papaya).

Table 3: Range in demand for activities/services of 3 PRBs

Activity/service	Range of respondents rating activity as very high/high importance (%)
Representation	81-95
Information exchange	73-88
Member discounts	62-87
Product promotion	56-79
Quality assurance	49-82
Provide information to potential new entrants	41-83

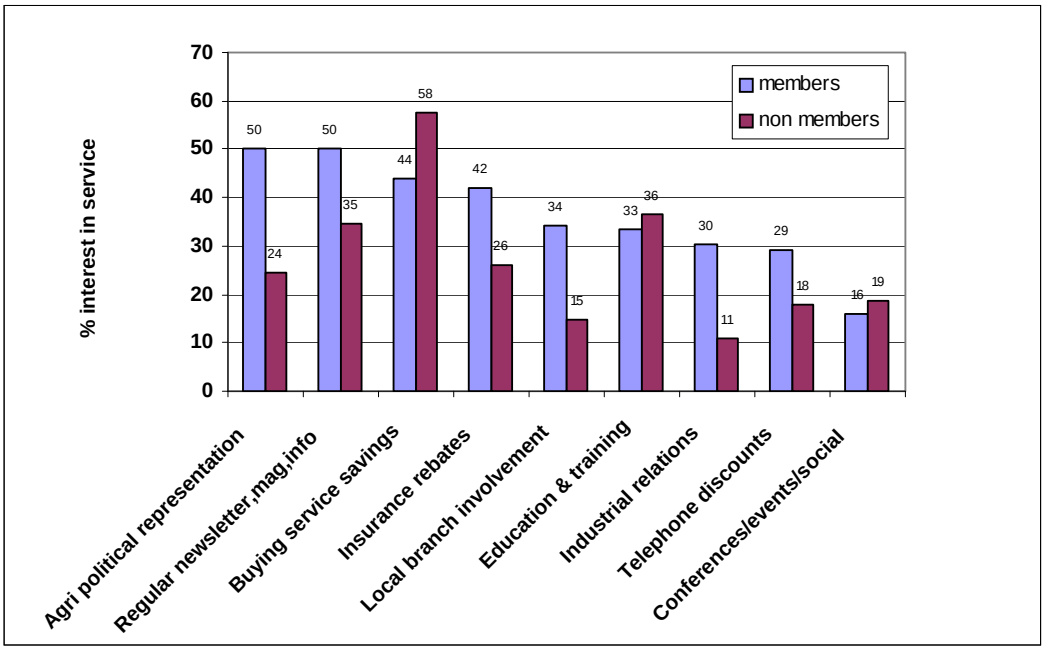
Although the data relates only to small sample surveys in 3 small industries they give a useful overview of possible producer demand for services from PRBs in general. Interestingly, the smallest range tended to be for activities which most required collective action to produce benefits, eg representation, and the greatest range was generally for activities which at least some members could successfully undertake themselves or obtain from other bodies eg discounts or which could involve major changes, eg increased expenditure/legislative restrictions. This suggests that producer demand for specific activities/services can vary greatly and are likely to be greatly influenced by industry and PRB specific factors.

PRBs also obtain information on member and non-member demand for/interest in services from numerous other sources eg use made of services, informal and formal data/views. Information on interest in a PRB's services, collected in 2000 by the PRB from 112 members and 153 non-members at 2 agricultural shows, has been analysed. Respondents were asked to indicate whether or not services on a list were important to them in deciding to remain or become members. The total number of times a service was nominated as important was regarded as the overall measure of its importance to the respondents and expressed as a % of the total number of respondents. The data represents only a small sample of members and non-members, the samples may differ significantly in important possible explanatory variables such as farm size and type, and many non-members may not have been as familiar with the PRBs services as members. Nevertheless, the results provide an interesting insight into the demand for services by members and non-members.

For members the most important services were: agri-political representation and obtaining regular newsletters, magazines and information (50% each); buying service savings (44%), and insurance rebates (42%). For non-members the most important services were: buying service savings (58%), education and training (36%), and regular newsletters, magazines and information (35%).

Differences between members and non-members in the importance of each service can be seen from Figure 1.

Figure 1: Member and non-member interest in a PRB's services



The differences between members and non-members were statistically significant at the 5% level for all services except education and training (33% members and 36% non-members) and conferences etc (16% members and 19% non-members).

Many of the differences were surprisingly large. They were particularly great for 2 services which produce benefits for members and non-members, agri political representation, (important to 50% of members but only 24% of non members), and industrial relations (members 30% and non members only 11%). The low valuation by non-members may reflect the fact that they currently get these benefits as "free-riders".

The higher importance attached to buying service savings by non-members (58% compared with 44% of members) was surprising and hard to explain. It may provide the PRB with opportunities to emphasise this service in publicity material aimed at non-members. The higher importance to members than non-members of insurance rebates (42% vs 36%) and telephone discounts (29% vs 18%) may reflect the availability of such benefits to non-members directly from commercial providers or from other bodies/agencies, including other PRBs.

SUPPLY OF SERVICES

Introduction

The services a PRB provides are influenced by numerous factors many of which derive directly or indirectly from member demands/needs and from industry needs/characteristics. Many of these factors were identified and discussed in the previous section and there are numerous others worthy of analysis and discussion, including average and marginal supply costs, and the cost of services from alternative providers. However, mainly due to space and data constraints, the focus here is largely on how PRBs have responded to the diverse needs/demands of members and industries.

It is important, however, to recognise the impact of resource availability on ability to supply services. Resource availability can have enormous effects on the types and quality of services provided by a PRB. Almost without exception, accessing sufficient resources is a major issue/problem for PRBs, particularly since member demand for services usually greatly exceeds their willingness to pay for these via membership fees or charges. The problem is exacerbated by reported major reductions in the supply of free labour by

member volunteers which has been and still is an important source of resources for many PRBs especially those with few members. A major cause of the resourcing problem is the ability of non-members to free-ride and obtain benefits from some of the activities of PRBs, eg representation. The free-rider problem was a key reason for the provision in the 1920s of the legislation which allowed Queensland producers to establish PRBs with compulsory membership. The 5 PRBs with compulsory membership, now being phased out, are giving high priority to membership retention and meeting member needs in the future.

Strategies employed by voluntary PRBs to obtain and maintain sufficient resources include:
- Promotion of membership benefits and conduct of recruitment campaigns
- Charging for specific services
- Attraction of advertising and sponsorship funds
- Accessing industry R&D funding and government financial and other assistance

Most PRBs are also striving to use their limited resources more effectively by amongst other things, adopting modern communication methods and forming alliances with/becoming members of other PRBs, eg peak commodity and cross commodity bodies. In some circumstances, working with other PRBs may increase the effectiveness of a PRB's activities, eg a larger membership base can increase the effectiveness, reduce the cost, and increase the quality of representational activities. PRB interest in securing these types of gains is demonstrated by: recent increases in the membership of QFF, the formation of AgForce from 3 separate PRBs, and the establishment of peak commodity PRBs for the wine, flower and crayfish industries.

Survey results

To obtain information for PRBs and DPI on the activities undertaken by PRBs, during March/April 2000, a postal questionnaire was sent to the CEO of each of the 93 producer representative bodies in the Section's database seeking information on whether their PRB undertook any of 15 listed possible activities.

Completed questionnaires were returned by 70 of the 93 PRBs surveyed, a 75% response rate. To maximise the comparability of the results, only the responses of the 68 single commodity PRBs (84% of all such PRBs) were analysed. These 68 PRBs ranged widely in size and covered a wide range of commodities. Only 3 PRBs indicated they undertook any activities other than the 15 listed in the questionnaire. The non-listed activity of these 3 was "direct involvement in the marketing of member products". Table 4 shows the detailed results for the 15 activities investigated.

Table 4: Percentage of PRBs undertaking various activities

Activity	Industry type		
	All (n=68)	Emerging (n=39)	Established (n=29)
▪ Inform members about industry issues/ events, association activities etc.	94	95	93
▪ Represent the interests of members to governments, other trade associations etc.	87	77	100
▪ Facilitate information exchange among members	84	85	83
▪ Promote industry to general public, governments etc.	77	80	72
▪ Provide members with technical information	68	77	55
▪ Promote industry to potential new entrants	63	74	48
▪ Implement industry-wide practices/systems (eg. codes of practice, product description/ grading systems/accreditation schemes).	59	54	66
▪ Prioritise Industry R and D	54	44	69
▪ Conduct or arrange training activities	49	46	52
▪ Promote product to traders or consumers	44	56	28
▪ Provide goods/services (eg farm inputs, insurance) to members or arrange discounts.	35	21	55
▪ Assist individual members with legislative/commercial disputes.	32	18	52
▪ Prioritise industry training activities	28	21	38
▪ Undertake or commission R and D	27	23	31
▪ Operate as a registered union of employers.	7	0	17

The frequency with which all PRBs undertook activities varied greatly. The 4 most frequently undertaken activities were:

- Inform members about industry issues/ events, association activities etc.(94%)
- Represent the interests of members to governments, other trade associations etc.(87%)
- Facilitate information exchange among members (84%)
- Promote industry to general public, governments etc. (77%).

These were the most common activities for bodies in both emerging and established industries but the order of importance varied slightly between emerging and established industries.

Other frequently undertaken activities for emerging industries included:

- Provide members with technical information (77%)
- Promote industry to potential new entrants (74%)

For established industries the other common activities included:

- Prioritise Industry R and D (69%)
- Implement industry-wide practices/systems (eg. Codes of practice, product description/ grading systems/accreditation schemes.) (66%).

The frequency of involvement differed by more than 35% between established and emerging industries for the following activities:

- Promote product to traders or consumers (28% vs 56%)
- Provide goods/services (eg farm inputs, insurance) to members or arrange discounts. (55% vs 21%)
- Assist individual members with legislative/commercial disputes. (52% vs 18%)
- Operate as a registered union of employers (17% vs 0%)
- Provide members with technical information (77% vs 55%)
- Promote industry to potential new entrants (74% vs 48%)
- Prioritise industry training activities (21% vs 38%).

The results, especially differences between PRBs in emerging and established industries, were generally as expected given the varying needs, priorities and resources of the members of PRBs in various industries, and also geographic differences. However, the relatively low (compared with established industries) involvement of PRBs in emerging industries in prioritising industry R&D (44%) was not expected given the importance of R&D in many such industries. It may reflect the regional focus of many such PRBs and less opportunities (or needs) to participate in formal R&D prioritisation exercises with R&D funders/providers. The sightly lower involvement, but still very high at 77%, of emerging industry PRBs in representing the interests of members to governments etc was expected given the importance of information transfer/facilitation for many regional PRBs.

Pearson's Contingency Coefficient was used to test the strength of any associations between individual activities for all PRBs. Many activities were highly correlated with others at both the 5% and 1% levels. Due to the high very frequency of several activities and the small number of observations in some cells of the chi-square test, the results must be interpreted cautiously. Nevertheless, the analysis indicated that some activities with lower levels of frequency eg <60% were highly correlated (at the 1% level) eg conducting training and undertaking R&D, and assisting individual members and being a union of employers. Generally, these and other positive correlations were in accordance with prior expectations.

Due to the absence of data on the importance of activities or the resources allocated to them, the total number of activities undertaken overall and within each of 3 functional areas (representation, provision of member services and involvement in industry development activities) were used as a proxy for the level of a PRB's activity overall and in these areas. This data was analysed for all PRBs and for sub categories according to whether the PRB was in emerging or established industries and had paid staff/officers. The full results are shown in Table 5.

Table 5: Average number of activities undertaken by PRBs by type

Function area	Industry			Paid/no paid staff			
	All	Emerging	Established	Emerging		Established	
	(n=68)	(n=39)	(n=29)	Paid staff (n=7)	No paid staff (n=32)	Paid staff (n=20)	No paid staff (n=9)
▪ All functions (max 15 activities)	8.1	7.7	8.6	9.0	7.4	9.3	7.0
▪ Representation (max 2 activities)	0.9	0.8	1.2	0.9	0.8	1.3	1.0
▪ Member services (max 6 activities)	3.6	3.4	3.9	4.0	3.3	4.2	3.2
▪ Industry development (max 7 activities)	3.5	3.5	3.5	4.2	3.4	3.9	2.8

There were substantial differences between the PRBs in emerging and established industries in the average number of activities undertaken overall and in some function areas. The bodies in established industries on average undertook more activities overall and on representation and members services. However, the range within each industry type was high (all coefficients of variation were >30%) so the specific influences on the number of activities probably vary greatly between bodies.

The possible influence of having paid staff/officers was investigated and the results showed clearly that having paid staff allowed bodies in both established and emerging industries to undertake more activities than those without such resources. But again the range was wide suggesting that numerous influences are at work on individual bodies.

Bodies in emerging industries (with or without paid staff) on average undertook more industry development activities than their counterparts in established industries.

CONCLUDING COMMENTS

As in other states (and countries), primary producers (farmers) in Queensland have established non-profit bodies (PRBs) to represent their interests and to undertake other largely non-commercial activities. Currently, there are about 93 separate PRBs in Queensland most of which are single commodity non-peak bodies which operate at either state or regional level.

The number of PRBs is tending to increase due to the increasing diversity of products, continuing demand from farmers for commodity-based PRBs to provide services which they can not or do not want to provide themselves or can not be provided by for-profit bodies, and the establishment of more peak commodity PRBs. This expansion is occurring despite economic pressures for amalgamation of PRBs. However, so far amalgamation has occurred only of with 3 broadacre PRBs (beef cattle, sheep/wool and grains) to form AgForce.

Demand for the provision of services/conduct of activities varies considerably between PRBs and is influenced by numerous factors some of which are very member specific (eg size of business, experience) and others derived from industry structures, the political environment etc.

The inability of PRBs to exclude non-members from the benefits arising from some activities results in free-riding by non-members. Survey data for one PRB suggests that non-members attach less importance to non-excludable activities like representation and industrial relations than do members. This may be due to the ability to free-ride.

The provision of services by PRBs is greatly influenced and determined by members' demand and industry needs. The survey results showed clearly that there are major differences between PRBs in emerging and established industries in some of the activities undertaken. But, some were undertaken by almost all PRBs

eg representation, informing members, facilitating information exchange and industry (but not product) promotion.

The availability of resources to provide services is a critically important issue for PRBs. On average, PRBs with sufficient resources to pay staff/officers undertake more activities than others. Demand usually exceeds a PRB's ability to supply services and resourcing problems are often exacerbated by low membership fees, low charges for services, declining availability of volunteer work by members, and insufficient members due to free-riding by non-members. Many PRBs have in place, or are considering, strategies to overcome these resourcing problems.

Clearly, to remain relevant and viable, PRBs must continue to evolve and adapt their operations and structures to take account of changing: member and industry needs, external environments, cost pressures, resource availability, and sources of funding/assistance.

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