COFARM

MODULE 4

Conflict Management and Enabling of a ‘Perfect’ Ending

Overview

The aim of all those entering/engaging in collaborative/cooperative arrangements in farming is for harmonious working relationships which contribute to successful outcomes, profitable returns and ongoing strengthening of the collaboration/cooperative. However, the reality is that conflict does occur and the challenge for all partners is to manage conflict so that it does not have a serious detrimental impact. Sometimes, the outcome of conflict or disagreement may be the ending of the collaboration/cooperative (amicably or otherwise) or the exiting of one or more members. This module seeks to highlight some of the issues relevant to managing conflict and enabling the ending of arrangements (if necessary). In doing so, this module intends to better inform collaborating farmers and prepare them for managing conflict, the exiting of members and the ending of the collaboration/cooperative (if necessary).

Learning objectives (knowledge/skills/attitudes acquired)

Knowledge

- Informed on pathways for addressing problems.

Skills

- Enhanced skills for managing conflict and facilitating the ending of a collaboration.
- Equipped with tools for addressing issues related to conflict and risk.

Attitudes

- Greater awareness of the issues which contribute to conflict.

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1. Introduction – Challenge of Managing Conflict and Ending/Exiting Collaborative/Cooperative Arrangements

Collaborative/Cooperative farming initiatives are dependent on functioning relationships between all partner farmers (and their families).

Reference: All of the Case Studies provide examples of collaboration/cooperation

The establishment of collaborative/cooperative initiatives focuses on getting the collaboration 'up and running' and getting people working together towards a common goal and typically do not focus on negative issues such as managing disagreement, risk, failure and a partner exit strategy.

Planning and exploration of all issues in advance of the commencement of the collaboration/cooperation will help to:

- Ensure its success.
- Build the trust of partners.
- Ensure a greater understanding of the issues that could impact negatively on the collaboration.
- Allow for partners to be more prepared for the unexpected.

The number of members involved in the collaboration/cooperative impacts on the nature of the ending/exit process:

- The exit of one member from a small collaboration/cooperative (e.g. one farmer exits a partnership arrangement) could require the ending of the arrangement.
- While the exit of one member from a larger cooperative with possibly 100 or more members may require an exit process but not the ending of the cooperative.
- Similarly the nature and causes of conflict may be different depending on the number of members involved.

Important Steps in Avoiding and Addressing Conflict in Collaborative/Cooperative Arrangements:

- Agree clear ground rules for working together.
- Agree on common goals and expectations.
- Establish good approach to formal and informal communication.
- Identify possible problems/challenges/issues in advance.
- Develop a plan for addressing possible problems/challenges/issues if they arise.
- Agree a process/approach to mediation/conflict resolution.
- Commit to seeking to attempt overcome problems with ending as a last resort.

Example: Clear rules and transparency were identified as important for the Oro de Canava olive cooperative – Sociedad Cooperativa Andaluza (S.C.A.) Nuestra Señora de los Remedios.

2. Preparing for Potential/Possible Conflict in Collaborative/ Cooperative Arrangements

A number of areas where practical steps can be taken to address potential/possible conflict in Collaborative/Cooperative Arrangements include:

- Written agreements.
- Conflict Audit.
- Risk Audit.

2.1 Written Agreements for Collaborative/Cooperative Arrangements

Collaborative/Cooperative arrangements need to have written agreements whether formal legal documents or not which set out the essential details for the operation and functioning of the arrangement. These agreements may be used as a reference point for the functioning of the collaborative/cooperative arrangement or at a time of conflict/potential conflict.

- Agreements protect the collaborative unit, the individual farmers, their families and their farm businesses.
- Agreements should preferably be of a legal nature but if not, should be agreed and signed by all partners.
- Agreements also allow for smoother functioning of the collaborative arrangement.
- The key issues addressed in a collaborative/cooperative farming written agreement include:
    - Assets included in the arrangements e.g. land, buildings, machinery/equipment.
    - Funding of future investments.
    - Ownership of future investments.
    - Location of future investments e.g. site of a new building, production unit, milking parlour.
    - Profit distribution between members.
    - Workload/input of members.

- The key issues addressed in a collaborative/cooperative farming written agreement include (continued):
    - Workload/input of members.
    - Obligations of members.
    - Rights/entitlements of members.
    - Level of involvement of other family members.
    - Dispute settlement process.
    - Treatment of EU/National payments (current and in future).
    - Taxation.
    - Livestock/production licences.
    - Process of involving new members.
    - Process for succession/inheritance within the arrangement.
    - Exit/dissolution strategy.
    - Any other key elements identified by the members.

Example Case Study Reutehof GbR

2.1 Risk Audit

- Collaborative/Cooperative arrangements should at the development stage or an early stage in their operation undertake a risk audit.
- A risk audit does not eliminate risk but helps to create an awareness among members of the potential risks, how risk could be avoided and/or addressed if it materialises.
- The audit will identify the risks/threats to the collaborative/collaborative arrangement, the likelihood of the risks/threats occurring, the consequences if the risks/threats materialise and suggest how the risks/threats could be avoided/minimised and ways to address/solve them.

Some of the main areas include:

- Bad investment decisions
- Differing farm management practices
- Serious dispute/conflict
- Financial insolvency
- Death or serious illness
- Market problems/volatility
- Decline in commitment from members
- Age
- Lack of successors
- Family interruption/interference
- Non-achievement of targets/goals
- Divergence of views/plans/goals
- Incompatibility of members
- Animal disease outbreak
- Lack of commitment/loyalty to the arrangement
- Lack of opportunities to expand/develop/grow
- Members withdrawing/exiting

Template and example for Risk Audit (utilise this template to develop an audit checklist appropriate to specific needs)

Risk	Likelihood of Risk (1=very unlikely to 5=very likely)	Impact of Risk	Suggestion to Address	Overall Classification (Low Medium High)
Death/Serious Illness	2	• One partner no longer involved/contributing to the arrangement • Partners family still depending on arrangement for income • Financial consequences for all • Possible ending of arrangement • Contractual issues (e.g. long term loans, leases)	• Develop plan to address the sudden/unexpected death of partner • Seek legal and professional advice • Develop contingency plans	L
Market Problems/ Volatility	4	• Uncertainty of income • Financial consequences • Reduced investment • Stress on partners	• Explore the mechanisms for minimising volatility (futures marketing) • Establish contingency fund	M
Animal Disease	3	• Lack of income • Lack of expansion opportunities • Loss of livestock	• Establish management practices which minimise the potential risk • Engage with veterinary surgeons • Implement a vaccination programme	L

2.6 Conflict Audit

- Collaborative/cooperative arrangements should at the development stage or an early stage in their operation undertake a conflict audit.
- A conflict audit does not eliminate conflict but helps to create an awareness among members of the potential areas for conflict, how conflict could be avoided/minimised and/or addressed.
- The audit will identify areas for potential conflict, the likelihood of conflict occurring, the consequences if conflict occurs and suggest ways by which they can be avoided/minimised and ways to address/solve them.

Some of the main areas include:

- Investment decisions and location of new investments/assets
- Funding of investments
- Ownership of new assets
- Non-achievement of targets/goals
- Divergence of views/plans/goals
- Differing farm management practices
- Time management and labour input
- Time off/holidays/rostering of input
- Family involvement/interruption/interference
- Involvement of other/new members
- Exit of a member
- Expansion/development decisions
- Enterprise development/change
- Succession
- Distribution of profits
- Market problems/volatility
- Decline in commitment from partners
- Lack of commitment/loyalty
- Retirement
- Exit strategy

Template and example for Conflict Audit (utilise this template to develop an audit checklist appropriate to specific needs)

Conflict	Likelihood of Conflict (1=very unlikely to 5=very likely)	Impact of Conflict	Suggestion to Address	Overall Classification (Low Medium High)
Differing Farm Management Practices	4	• Disagreement over best approach to farm management • Uncertainty over best approach • Regular minor disagreements	• Communication and shared decision making • Process of negotiation on best practice • Evidence and science based decision making • Seeking of advice/information from relevant advisor/consultant	L
Investment decisions and location of investment	3	• Stalled development and investment • Reluctance to invest in the business • Lack of competitive advantage	• Written agreement in place • Clear guidelines for investment, ownership of new assets and terms and conditions for division of assets and time of ending	M

3. Critical Areas for Potential/Possible Conflict

A wide range of issues were identified in section 4.2.3 as having the potential to cause conflict within collaborative/cooperative arrangements. Two specific issues which are critically important are investment planning and succession/inheritance.

Investment planning has the potential to cause conflict because if often involves large scale commitment of resources, borrowings, long-term repayments, decision on priorities, decisions on the location of assets/investments and the allocation of resources in the event of exit/dissolution.

Succession/inheritance has the potential to cause conflict because it can alter the overall dynamic of a collaborative/cooperative arrangement. It is most critical where a small number of members are involved and individuals interact on a daily basis.

3.1 Investment Planning

Successful collaboration/cooperation involves investment to continue to grow and develop the business, careful planning of investment and clarity over the process for investment will help to minimise conflict.

- Important to have clarity on the funding of investments (borrowings, contributions from partners, from profits).
- Clear on the responsibility for the repayment of borrowings (who is ultimately responsible for meeting repayments?).
- Ultimate ownership of the asset when the partnership ceases e.g. who owns the milking parlour or processing facility.
- Decision process on where to invest or locate the investment – which farmyard is developed or where is a new building or processing unit actually built.
- Agreement on how new assets will be purchased
    - By collaboration/cooperation – e.g. machinery, equipment etc
    - By individual members – e.g. land
- Agreement on depreciation and write off of assets
    - Time period and rate
    - Compensation for other parties if required

- Compensation (if required) for the investment cost to other partners if arrangement ceases.
- Rate of return on any investments made by individual partners.
- Mechanism for the disposal of assets and distribution of profits.

3.2 Succession/Inheritance

- Succession/inheritance have been the key to maintaining family farms through the generations, however it is also a very sensitive issue for farm families, can be complex and takes time to address.
- Collaborative/cooperative arrangements can impact on succession both positively and negatively.
- Positively in that the farming operation may be more vibrant and profitable and more appealing to a young person.
- Negatively in that it can change the dynamic of the farm operation and complicate succession/inheritance.
- The dynamic of the arrangement will obviously change following succession/inheritance - essentially involves replacing one established member with a new member even though in practice the new member may have been involved informally in the business e.g. son/daughter of a member who may have worked/assisted on a farm.

Succession needs to be carefully planned for and different options and scenarios explored including:

- Involvement of one successor.
- Involvement of multiple successors.
- Lack of family successors.
- Process of involving successors and impact on the operation of collaboration/cooperation such as labour input, distribution of profits/income.
- Impact on current partners on involving successors.

Example: Lack of successors leading to ending of collaboration/cooperation in dairy business (Case Study Reutehof GbR)

4. Process for Dealing with Disagreement/Conflict

- Collaborative/cooperative arrangements should at the development stage or an early stage in their operation set out a process for dealing with disagreements/conflict.
- Ideally this should be included in the written agreement.

Key Elements Include:

- Procedures for minor and major disagreements.
- Process to be followed.
- Identification of external mediators (if required) e.g. Agr Advisor/Consultant, Solicitor, Accountant.
- Indicators as to when process should be initiated.
- Procedure for initiating the process.
- Period over which to implement recommendations.
- Agreed procedure in event of irreconcilable disagreement.

5. Indicators of Collaborative/Cooperative Problems

There is a need to identify at the outset a set of indicators by which it can be identified if the collaborative/cooperative arrangement is experiencing serious difficulties or problems. These indicators can then be used to assess the extent to which the collaborative arrangement is in danger of failing.

- Are members unhappy about the operation of the collaboration/cooperative?
- Extent of unhappiness on a scale of 1 (slight unhappiness) to 5 (total unhappiness).
- Are all members, a minority or a majority unhappy/concerned?
- Is there one common problem/issue or a number of problems/issues causing concern?
- Are the issues/problems/challenges of a short-term or long-term nature?
- Are members considering their options outside of the collaboration/cooperative?
- Have members tried to address the issues/problems/challenges?
- Are members concerned about the impact of the issues/problems on the collaboration/cooperative?
- Have members sough external assistance to mediate discussion on issues/problems/challenges?

6. Enabling of the Perfect Ending

- The perfect ending to a collaborative/cooperative arrangement is difficult to achieve as it ultimately reflects that the collaboration has possibly failed to some extent as it was formed to provide benefits to members and is ending for some reason.
- The perfect ending will also be very different depending on the scale and nature of the collaboration/cooperative.
- The exit of one member from a small collaboration/cooperative (e.g. one farmer exits a partnership arrangement) could require the ending of the arrangement.

Example: If one farmer decided to exit the collaboration in the dairy farm (Case Study IR04), cheese production (Ekomeat) or livestock production (Eco Farm Bošina) it could mean the end of the arrangement. In contrast if one farmer decided to exit the lamb producer group (Sligo Leitrim Lamb Producer Group), the olive cooperative (Sociedad Cooperativa Andaluza (S.C.A.) Nuestra Señora de los Remedios) or the hemp producer group (Zadruga Konopko, zadruga za razvoj trajnostne pridelave in predelave industrijske konoplje – Konopko z.o.o., socialno podjetje), it would not mean the ending of the collaborations/cooperatives.

- However, the ending may not be due to failure but due to retirement of a partner, death or serious illness of a partner.

Example: Two farmers lacking successors (Reutehof GbR)

- A good collaborative/cooperative agreement will have set out the process for withdrawal/retirement/dissolution.
- Possible steps which can be taken to ensure that the ending of the collaboration should be fair to all members.
- As finances are important for individuals, members could consider having a contingency fund in place to address the financial costs of ending of the arrangement or for other partners to buy out or compensate a partner who is leaving.
- Some of the key aspects include:
    - Written agreement in place setting out all aspects of the collaboration agreement.
    - All members clear on the reasons for ending the arrangement.
    - A mediation process with an external individual has taken place.
    - Adherence to all conditions of agreements in place.
    - Agreement to terminate the arrangement.

- In order to facilitate the perfect ending, there is a need for clarity around the following:
  - Assets included in the arrangements.
  - Funding of investments.
  - Ownership of investments.
  - Depreciation of assets over a number of years and end value.
  - Profit distribution.
  - Workload/input.
  - Family involvement.
  - Dispute settlement process.
  - Procedure for dissolution of the arrangement.
  - Treatment of EU/National payments (current and future).
- Agreement over a dissolution date.
- Agreement over responsibility for leasing contracts etc entered into with third parties.
- Cooling off period in advance of dissolution.

7. Concluding Comments

- Conflict or divergence of views to some extent is inevitable within all collaborative/cooperative arrangements.
- Successful collaborative/cooperative arrangements will manage conflict and disagreement by proactively addressing the issue.
- Conflict management should be planned for from the outset.
- Collaborative/cooperative arrangements may end due to conflict or circumstances (death/illness/retirement).
- The number of members involved can influence whether the arrangement ends or not – the exit of a member from a small collaboration/cooperative could mean the end while the exit of one member from a larger collaboration/cooperative may not have the same impact.
- Written agreements and planning for conflict and ending of collaborative/cooperative arrangements in advance are key to successful outcomes.
- External assistance may be required to achieve a successful outcome.