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AGRICULTURAL COOPERATION IN NORWAY

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NORGES LANDBRUKSHAISKOLE, OSLO, NORWAY

NORWAY is a typical small holdings country. There are more than a hundred thousand allotments, and there are 126,000 holdings and farms which are large enough to occupy the farmer fully. Of these 126,000 holdings and farms only 3.32 per cent are of more than 50 acres in area, and only 26 farms have more than 250 acres. From the fact that we have so many allotments and small holdings it is clear that organised cooperative marketing is of the greatest importance. Another factor which makes cooperation essential is that the farms are very scattered, and the distances which the small quantities of agricultural products and means of production have to be sent are so great that transportation is difficult and expensive, and very often would be economically impossible without cooperation between the farmers. We, therefore, can say that modern farming will never take place in a region before cooperative marketing facilities are developed.

On the other hand the fact that the farms are scattered makes the farmers very independent and communication between the farmers was, until a few years ago, rather difficult. It has, therefore, not been easy to turn the farmers away from the old system of individual bargaining to the cooperative. Agricultural cooperation is not so developed as it ought to be, and we think that much is to be learned from Denmark and Finland. However, we have some cooperative undertakings which I will mention briefly, and I shall try particularly to analyse the organisation of the associations.

COOPERATIVE PURCHASING OF SUPPLIES

The first cooperative purchasing of agricultural supplies began in the year 1885. In that year one agricultural society announced that it would buy fertilizers and concentrated foodstuffs for its members. In the following year other societies followed its example. In 1896, six county agricultural societies combined to form a large cooperative association for the purchase of supplies. The following year we had similar organisations in all parts of the country. At present almost all supplies of fertilizers and concentrated foodstuffs are bought through the cooperative associa-

tions. They also buy seeds, flour, machines and implements. In each parish there is at least one buying association, sometimes more, and these associations are federated into six larger organisations, which furnish the local associations with supplies. The membership is open, and the members do not pay any entrance fee. The local associations thus work without capital of their own, but the members are jointly responsible for the debts of the association. In case of loss the members have to share it according to the amount they have received during the period. As a guarantee for meeting the obligations of the association, the members have to sign a guarantee note which is deposited with the federation concerned.

Accounts for supplies purchased have to be paid within 30 days. The federations fix the price according to the cost. For the purpose of encouraging the local association to pay within this period, a discount of two per cent is allowed. As it is often difficult for the members to pay within the 30 day period the local associations often obtain loans from the local savings banks in order to pay the federation. The federations have, in cooperation with local savings banks and some private banks, formed a farmers' bank, the chief function of which is to furnish the federation with capital.

Where the local associations are connected with the local dairy plants, deduction is made at the end of each month from the patrons' settlement payments for the supplies they have purchased.

DAIRY COOPERATIVES

The first attempt to build up a cooperative organisation for handling and selling butter and cheese was made in 1855. Thirty farmers in that year erected a cheese factory in the mountains. The result was not, however, a success, partly on account of the fact that the farmers' wives did not cooperate with their husbands in the undertaking. During the next ten years, however, quite a number of small cheese factories and dairies were erected on the cooperative basis. Cooperative ideas at that time were not, of course, so highly developed as at present. The associations, therefore, often had some of the characteristics of capitalistic enterprise. The membership was closed, the voting right was granted according to the stock held and not equally to each of the members, and the profits were distributed as a dividend on capital stock. It was often the case at that time that the farmers did not like to deliver milk on a pooling basis. They wanted to know the price in ad-

vance, and the dairies had to buy the milk. Sometimes the cooperatively built dairy plant was leased to a private dairyman who ran it at his own risk. In districts where the concept of cooperation is not very highly developed we find this arrangement in existence at the present time.

Most of the dairy plants are now reorganised on cooperative lines, but there still remain a great many plants which cannot be regarded as purely cooperative in character because votes are granted according to the capital stock held. The profits, however, are now regularly disbursed according to the quantity of milk delivered. As a matter of fact, they operate and act as cooperative associations, and I regard them all as such. At the present time about 90 per cent of the milk delivered goes to the cooperative plants and ten per cent to the privately owned plants.

The members of the dairy cooperative associations are obliged to stay in the association at least five years, and they have to deliver all their milk to the cooperative plant. Their liability does not go beyond the value of their shares. A member must purchase one share of capital stock for every cow which he feeds during the winter. The value of a share is frequently 50 crowns (\$13.40). The members pay only a part of this in cash and give a guarantee for the rest which the dairy plant deposits in the bank as security for the loans. Deduction is made from the patron's account in order to pay back these loans and to build up working capital. The shareholder cannot sell the share without permission. The price paid to the farmer for the milk is fixed on a pooling basis at the end of each month. In most cases due regard is paid to quality, but there are exceptions. Conservative prices are paid and as a result there is always a surplus at the end of the year, which is paid back according to the value of the milk delivered.

In the districts where the milk is sold for consumption we find federations of local milk plants. We have one of these in Oslo, the capital of Norway, which controls more than one-half of the milk consumed there. The federation is, however, not organised on purely cooperative lines but it works as if it were so organised. It includes cooperative plants, non-cooperative plants, and large farms. Each dairy plant has to take shares in the federation amounting to \$55 per 10,000 kilograms (22,000 pounds) of milk delivered, and the individual farms must take one share for every eight cows. For administrative purposes, the milk-producing area is divided into districts which elect representatives to the general

assembly. Districts producing at least 100,000 kilograms (220,000 pounds) of milk can send one representative and districts with 500,000 kilograms (1,100,000 pounds) of milk can send two representatives to the general assembly. The general assembly elects the board of directors.

We have had some federations of dairy plants exporting butter for more than twenty years, but they have been of very little importance. However, we hope that a new dairy exporting federation, organised during this last year, will be of more value. It includes dairies all over the country, and, as members, they have unlimited responsibility. This federation will have some support from the Government and will export all kinds of dairy products.

Lastly, I want to mention the price-bargaining milk societies. These societies do a rather good work where the condensed milk factories operate. In several districts the farmers have erected cheese and butter plants, not for regular use, but for strengthening their bargaining power. The farmers in these districts often force the milk factory to pay a part of the expenses connected with these unused plants.

COOPERATIVE SLAUGHTERHOUSES

From 1880 we have had some cooperative slaughterhouses, and at present about 13 per cent of the cattle and 10 per cent of the pigs sold from the farms for slaughtering, pass through the cooperative slaughterhouses. The slaughterhouses have, however, a much greater influence upon prices than that percentage would seem to suggest. The largest slaughterhouse is situated in Oslo and has about the same capacity as the five others put together.

The organisation of that slaughterhouse is typical. The members have to bind themselves for at least five years, and with certain small exceptions are compelled to deliver all their produce there. The membership is open. To become a member a fee of \$1.35 must be paid and also a guarantee of \$2.70 per cattle unit fed on the farm. The guarantee notes are deposited in a bank as a basis for loans. To provide the slaughterhouse with more capital, one per cent of the amount due the farmers for animals delivered, is held back. This one per cent is credited the farmer as a capital stock account on which he will receive five per cent interest later on. The prices are fixed one week in advance, with four price classes for oxen (steers), six for cows, and five for pigs. The price classes are based upon the meat quality. The grading into classes is done by men who do not know who has delivered the

animals, which are marked only with a number. After deducting the freight, handling charges, and the above-mentioned one per cent, the cheque is sent to the farmers.

Those slaughterhouses which have members all over the country have no local organisation, but at all shipping points they have agents who gather the cattle so that full carloads can be shipped. Since the new railroad tariff came into operation, it is not necessary to fill up the wagon at one station; if it can be filled up at two or three neighboring stations, carload rates are granted.

The highest authority is the general assembly of representatives. The representatives are elected within each parish, one representative being allowed per 2,000 crowns (\$525) in guarantee notes.

EGG MARKETING ASSOCIATIONS

It is more than 30 years since the organised cooperative marketing of eggs was first attempted, but it was only during falling prices and a rapid increase in the production after the war that the movement really got going. At the present time, we have a local egg cooperative association in almost every parish, and these local associations are federated in six large organisations. Besides these six federations of local associations, there is in one county one large centralised association with 1,200 members. This organisation works just as well as the federations, and there is no great difference between them, except that this centralised organisation controls each member, while the federation controls only the local associations. In the centralised organisation the members are grouped in local delivery districts. These districts also form election districts for the election of representatives to the general assembly.

To become a member of a local egg association one has to pay a fee of five crowns (\$1.35) and a subscription of two and one-half cents per bird per year.

When a local egg association wants to become a member of a federation, it has to pay a fee equal to \$2.50 per member and sign a guarantee note of double that amount. Sometimes the members are responsible for an amount equal to one-tenth of the value of goods delivered during the year.

The members have to gather the eggs twice a day in the summer and once a day in winter, and deliver them at the shipping points at least once a week. The producer stamps the eggs with a stamp containing his own number, the number of the local society and

the trade mark of the federation. A man who finds a Norwegian egg in an English restaurant can find the producer of that egg if he cares to do so. Whether the producer can say which hen has laid that particular egg, as it is said in our country that the Danish farmers can do, I dare not say. About the grading very little is said in the by-laws. All that is said, is that the eggs shall be clean and of proper size.

These seven organisations have a common price-fixing body. The price is fixed for delivering to the retailer. If the price is fixed at 45.5 cents per kilogram, 37.5 cents is paid out to the farmer, and the consumer has to pay 49.5 cents.

BERRY EXPORTING SOCIETIES

We export considerable quantities of bilberries, currants, and black currants to England. These exports are controlled partly by private and partly by cooperative organisations. In one county where export has been mainly under private enterprise, the exports have decreased and the products do not have the best reputation. From another county, export has been undertaken cooperatively from the start and the reputation of the products has increased from year to year, and the volume of products exported has also increased very rapidly.

All of the marketing associations mentioned above are organised on a commodity basis, but there are also a number of marketing associations organised on more or less cooperative lines, which handle different products such as cattle, slaughtered swine, pigs, butter, cheese, hay, oats and potatoes. These societies handle the goods on a regular commission basis, but they are owned and run by the farmers along cooperative lines. Very often these societies do a regular buying and selling business. One of them will have a travelling agent who buys cattle which are shipped to Oslo where another agent does the selling, very often without knowing the price paid. They thus operate in direct competition with the private firms, and some of them are very successful.

The dairy organisations often obtain sugar, flour, and other things for the household. Less frequently do we find cooperative stores, repair shops, and slaughterhouses combined with the dairies. The grain which the farmers wish to sell is bought by the government, through the Norwegian Grain Monopoly. It is paid for at a somewhat higher price than imported grain at the railroad station which is nearest to the farmer. Recently arrangements have

been made with the local mills so that these mills can buy grain from the farmers at 23 crowns per 100 kilograms, grind it, and sell it again to the farmers as flour for 20 crowns. In that way they will have a premium for all grain they grow for home consumption.

On the whole it may be said that cooperative marketing in our country is quite well organised locally, but we need more federations and more cooperation between the cooperative societies. In some places we find the keenest competition between the cooperative societies. In one city, Trondhjem, with 50,000 inhabitants, competition between the dairies has caused the farmers a loss of \$135,000 during the last few years. And in Bergen, a city of 90,000 inhabitants, we have recently had a milk war between four cooperative plants which brought the price down from 28 to 23 øre per kilogram.¹

The greatest handicap in the export trade is the lack of a good centralised organisation. After the war farmers increased production very rapidly, largely as a result of higher taxes, higher debts, higher interest charges, and a higher standard of living. These greater expenses have forced the farmers to intensify their farming. It has been the only way for them to increase their income. Until recent years they have only produced for the home market, but now they produce more than enough to meet the demand of the home market, except in the case of grain, and to a certain extent in the case of cattle. We are producing ever increasing surpluses of milk products, eggs and pork. In point of total volume, the export surplus is still small, however, which makes for expensive operation. A centralisation of cooperative effort is necessary if we are to be able to export on an economic basis.²

¹ Six weeks after the First International Conference the milk war came to an end, and the price of milk immediately rose to 28 øre.

² There have been certain developments in the field of agricultural cooperation since the recent International Conference of Agricultural Economists. The seven egg marketing associations are forming a central federation to cover the whole country. There seems to be a tendency toward centralisation in the dairy industry. The farmer's league, the milk producers' league and the dairymen's league have recently appointed a committee to work out plans for a centralisation of all dairy plants. Recently a timber selling organisation has been formed on the initiative of the chief of the farmers' bank, Mr. Madbøe. This organisation is built on 60 local associations which are joined in 16 district associations. The members have no responsibility, but they must pay a fee on entering the organisation equal to 0.6 per cent of the taxation value of their forest and each year they must pay an amount equal to 1¼ per cent of the value of the timber sold. The sellers receive 1/3 of the sale price in advance, 1/3 on delivery, and the balance when the organisation has definitely sold and delivered the timber to the factories. We think that this organisation will raise timber prices considerably.