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Cooperative Marketing

## COOPERATIVE MARKETING IN FINLAND

K. T. JUTILA

HELSINKI UNIVERSITY, HELSINKI, FINLAND

MODERN agriculture is, in general, developing along two lines. Primary production, that is, the production of crops, live-stock and livestock products is for the most part taking place on the family-size farm. Such farms are managed by individual farm operators, either owners or tenants, who carry on their farming enterprises on the basis of free competition under the capitalistic system. Every farmer produces as he sees fit and his success or failure is largely dependent on his professional skill and managerial ability. Such a system demands efficient and well-educated farmers.

In other directions, agriculture is developing along the lines of big business. Certain functions such as the provision of agricultural credit and insurance, the purchase of farm and household supplies, the processing and transportation of certain agricultural products, and so forth, which the individual farmer cannot efficiently perform for himself for technological, economic, or social reasons, are more and more being performed by groups of farmers on a large-scale basis. For the most part, such developments are along cooperative lines. Such enterprises, owned and operated by the farmers themselves, are in direct competition with public and private enterprises of the same kind, and demand a high degree of business ability and business training on the part of the persons responsible for their management, if they are to be operated successfully. It is desirable, if not essential, that farmers be educated to deal with the problems presented by large-scale cooperative organizations. To the extent that farmers operate their businesses successfully, society benefits.

The individual farm may, of course, be done away with entirely—not by evolution but by revolution—as in Russia, and agricultural production organized on a large-scale basis along communistic lines. However, I wish to deal specifically with the development of agricultural cooperation in Finland rather than with the more general phases of the cooperative movement.

There are approximately 200,000 individual farms in Finland, four-fifths of which are family-size farms. The operators of these farms generally obtain a part of their living from forestry. Since

the land reform of 1918, nearly all farms are owned by their operators.

About three-fourths of the 3.5 billion crop units are converted into livestock products of which milk, pork, beef, hides, and eggs are the most important. Approximately three-fourths of the farm land is productive forest land, and the sale of forest products is an important source of income.

While primary production takes place, for the most part, on small, individual farms, the manufacturing and marketing of agricultural produce and the purchasing of farm supplies is more and more being handled through cooperative organizations. Cooperation had its real beginning in Finland in 1899 with the founding of the "Pallervo-Society" for encouraging and developing cooperation. The cooperative law was passed in 1901 and came into force the same year. Both the agricultural population and city consumers embraced the cooperative idea with enthusiasm.

#### COOPERATION IN THE DAIRY INDUSTRY

The most important organizations for the marketing of agricultural produce in Finland are the cooperative butter and cheese factories with their central organization the Vainvientiösuusliike Valio.<sup>1</sup> This is to be expected since dairying is the most important line of animal production in Finland, developing early as an export industry. There were 1.3 million milch cows in the country in 1928, and the total milk production for that year was 2.5 million tons.

At the end of the last century, all of the butter and cheese made in Finland was produced in private or joint-stock creameries and cheese factories, or on farms. The cooperative creamery movement began in 1901 after the cooperative law, previously referred to, came into force. In 1902 there were 28 cooperative creameries in the country. Within ten years of that date, cooperative organizations practically controlled the dairy produce trade of the country. In 1927, 83 per cent of all creameries were cooperative, while 94 per cent of the butter manufactured was produced in cooperative plants. In the same year, 68 per cent of the cheese produced was manufactured by cooperatives.

In 1928, the cooperative dairy factories numbered 676, with a

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<sup>1</sup> The Central Cooperative Butter Export Association.

membership of 70,200 farmers. Sales approached 900 million Finnish marks.<sup>2</sup> There were 26 cheese factories, while 34 creameries produced cheese as well as butter, bringing the total number of cooperative dairy factories manufacturing cheese up to 60. Most of the dairy factories are in southwestern Finland.

Of the membership in cooperative dairy factories in 1927, 38 per cent were owners of from 1 to 3 cows, 55 per cent owned from 4 to 15 cows, while only 7 per cent of the total membership owned more than 15 cows. The average was 6 cows per member. In 1928, the production of 427,000 cows or 33 per cent of the total number of cows in the country, was being handled through cooperative dairy factories. The corresponding figure for 1920 was 26 per cent. It is evident that the possibilities for further development of the cooperative dairy factory movement are still great.

The cooperative dairy factories received 602 million kilograms of milk in 1928, or 1,462 kilograms per cow.<sup>3</sup> Butter and cheese manufactured, totaled 19.5 million kilograms and 2.4 million kilograms respectively. Of the total quantity of milk received in 1928, an average of 78 per cent was used in the manufacture of butter, 5 per cent in the manufacture of cheese, while 14 per cent was sold. Most of the butter and cheese was exported. In 1929, only about one-third of the butter produced in dairy factories was consumed in Finland. In 1927, exports of butter totaled 16.6 million kilograms, while exports of cheese amounted to 2.2 million kilograms. The total value of the exports of dairy products in 1929 amounted to over 700 million Finnish marks. The greater part of the butter exports go to Great Britain, while Germany is the principal customer for Finnish cheese. Gross returns per kilogram of butter manufactured amounted to 32.37 Finnish marks in 1928. Operating expenses were 10.9 per cent of gross returns, compared with a figure of 12.8 per cent in 1910.

Greater interest than ever before is being shown by the cooperative dairy factories in the quality of their products. Special efforts have been made to raise the standard of the butter produced. Dairy machinery has been renewed and brought into first-class condition; ever increasing stress has been placed on the training of the professional staff; competitions have been held to stimulate enthusiasm and in other ways premiums have been placed on quality.

<sup>2</sup> \$1 = 39.70 Finnish marks.

<sup>3</sup> 1 kilogram = 2.2 pounds.

The result of these measures has been an ever increasing improvement in the quality of the butter, but it was not until serious measures were adopted to improve the quality of the milk used, that permanent improvement was assured. The most effective of the means used to improve the quality of the milk was the introduction of the system of payment by quality originated by Orla Jensen of Denmark; according to which the producer is paid for milk, not only on the basis of the fat content, but also on the basis of quality. Eighty-five per cent of the cooperative dairy factories are using this system of payment.

The quality of the milk received by the dairy factories has improved a great deal. While only 40 to 50 per cent of the milk could formerly be considered as first-class, investigations made during the period 1924-26 showed that 91 per cent of the milk used by the cooperative dairy factories was of good quality, while only 9 per cent was poor. In the year 1928, 95 per cent of the export butter was of first class quality. In the degree that the milk received by the dairy factories has improved, the quality of the butter manufactured from it has improved.

Another factor that has made for better quality is the increasing use of pure cultures of bacteria for turning cream. These cultures are now procured for the dairies by the Cooperative Butter Export Association Valio.

Valio was founded in 1905 by the Finnish cooperative dairy factories for the purpose of controlling their butter sales, and of keeping the advantages arising out of such control, in their own hands. To start with, only 17 factories joined this association, although there were about two hundred cooperative dairy factories and at least five hundred joint-stock dairy factories in the country. In 1929, there were 513 factories which were members of Valio. Valio handled 333,000 casks of butter (50.8 kilograms per cask), 1.7 million kilograms of cheese, and 62 million litres of milk and cream. The butter was pooled weekly, while cheese was pooled monthly. In 1929, the total volume of sales amounted to 710 million Finnish marks.

Valio has practically a monopoly of the Finnish export butter market and it is also the largest firm in the home market. It controls well over 90 per cent of the butter export trade of Finland, and over 50 per cent of the export cheese trade. This is a very remarkable achievement indeed. In 1910, Valio controlled only 41

per cent of the butter exports. Valio has, among others, its own sales office in Hull and an agency in Glasgow. It has 6 branch offices in Finland, of which 4 are in the largest cities of the country with their own plants manufacturing and distributing dairy products, their own cold storages, and so forth.

In addition to its manufacturing and marketing operations, Valio has done very valuable work in raising the standard of quality of dairy products as well as to increase the output. In its technical department, Valio employs twelve advisers who collect statistics concerning the operations of the cooperative dairy factories, compile yearly records for the various establishments, take care of extension work, assist in projecting new dairies, and so forth. It has energetically gone about improving the cheese industry. To begin with, Valio founded an experimental plant for the making of cheese and then began to train skillful cheese makers. Furthermore, Valio placed its own paid adviser in each of the Finnish Dairy Leagues, 18 in number, to do extension work in modern butter making methods and to work for improvement in the quality of the milk brought to the creameries. It has trained over 100 dairy factory managers. To guide the extension work of these advisers or specialists, a special Extension Department was added to the Valio organization. Among other things, extension work is done in connection with such problems as the nutrition of cows, the planning and taking care of cultivated pastures, the growing and preservation of green fodder, and so forth. There is a research laboratory including chemical, physical, and bacteriological sections. In addition to its many other activities, Valio publishes two agricultural periodicals.<sup>4</sup>

Valio's wholesale costs of distribution have averaged between 1 and 1½ per cent of the wholesale price in the case of butter. The cost of retailing butter in the domestic market has averaged about 6 per cent. In wholesaling fluid milk, costs have averaged from 6 to 8 per cent, while retailing costs in the case of milk have averaged from 11 to 12 per cent.

The Swedish speaking districts of the province of Ostrobothnia have a separate cooperative butter export association, Centralandslaget Enigheten. Its membership in 1927 consisted of 22 cooperative dairy factories, its turn-over was 42 million marks, and it exported 6 per cent of the total butter exports of Finland.

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<sup>4</sup> "Karjontuote" or Cattle Produce and "Karjatalous" or Cattle Farming.

The cooperative dairy movement in Finland has resulted in the development of the manufacturing and marketing of dairy produce on a modern, large-scale basis, with the use of up-to-date scientific methods. The quality of the product has been greatly improved so that Finnish dairy produce is able to compete successfully on the world's markets. The cooperative dairy organizations have each year added millions of marks to the income of Finnish dairy farmers.

#### COOPERATIVE LIVESTOCK MARKETING

A second type of agricultural cooperative marketing in Finland is the cooperative livestock marketing organization. Finland produces about 90 million kilograms of meat annually. Prior to 1909, the livestock trade was wholly in the hands of private butchers and dealers in livestock. In that year, the first cooperative livestock marketing societies were formed. The increased demand for meat for the Russian troops in Finland, during the first years of the World War, gave a great impetus to the formation of these societies. Later, a number of them consolidated so that by 1928 only 10 were in existence. During the war, some of the livestock cooperative societies developed into large concerns owning several slaughterhouses each; one even built a modern establishment for the manufacture of bacon.

The combined membership of the livestock societies numbered 5,000 in 1928, and their sales of meat totaled 5.5 million kilograms, valued at 112 million Finnish marks. Nearly all of the societies have one or more retail shops, one society having fifteen. For the most part, they have their own slaughterhouses, and every one has its own sausage factory. Some even have their own farms and swine houses as well.

In 1918, the cooperative livestock societies founded their own central organization, "The Finnish Livestock Central Cooperative Association." In 1929, it had 34 members of which part were local cooperative livestock societies, and part were dairy factories and distributive stores. The central organization has 2 export slaughterhouses, 3 wholesale centers, 3 sausage factories, and 26 sausage, provision and butchers' shops, all of which are fully modern. It has done a certain amount of foreign trade in the produce of its affiliated members. The farmers sell the meat at the prices ruling in the open market. In 1929, the amount of



meat sold amounted to 4.9 million kilograms valued at 107 million Finnish marks.

The success of the societies with their central organization is indicated by the fact that meat exports from Finland during the past few years have been considerably larger than imports. Formerly, the reverse was the case. The home market for meat is also steadier than formerly, and with the central organization in direct touch with the farmers selling cattle, distribution costs are relatively low. The central organization is using modern machinery and modern methods in converting meat so that consumers are getting high quality products. There is still, however, considerable opportunity for further development, as Finland, with her excellent pasture lands, is well adapted to cattle raising, and hogs can also be produced to advantage.

#### COOPERATIVE EGG MARKETING

Among the youngest of our agricultural cooperatives are the cooperative egg-selling societies. The exceptional conditions of war also gave an impetus to their development. When imports of eggs ceased, egg prices rose and egg production became very profitable. Naturally, the marketing of eggs became important. A large number of egg-selling societies was organized during the period 1919-22. At present there are 95 local egg-selling societies, the membership of which is about 7,000, and annual sales total 13 million Finnish marks. In 1921, the local societies founded a central organization, "The Central Cooperative Egg Export Association Muna".<sup>5</sup> Besides trading, this organization disseminates information relative to the poultry industry, and assists in the organization of local cooperative egg-selling societies. It may be said that in some instances, creameries are functioning as egg-selling agencies.

#### COOPERATIVE PURCHASING

Among the central concerns of the agricultural cooperative societies might also be mentioned the Hankkija, or Cooperative Agricultural Supply Society, founded in 1905.<sup>6</sup> It sells agricultural and dairy supplies, machinery for dairies, saw-mills and flour mills,

<sup>5</sup> "Muna" means egg.

<sup>6</sup> "Hankkija" means purveyor or supplier.

as well as electric equipment. It also sells agricultural products. Hankkija also owns and operates a large experimental station with research laboratories for plant breeding. The membership, which in 1929 numbered 1,217, is made up for the most part of cooperative stores, dairy factories and rural banks. In 1929, 261 cooperative stores which were members of Hankkija sold agricultural supplies in the amount of 337 million Finnish marks. In the same year, Hankkija had 9 branch stores and 6 local agencies.

#### COOPERATIVE MARKETING OF FOREST PRODUCTS

Finland, with her well-developed farm forests, provides abundant opportunity for the development of timber-selling cooperative societies. It is only recently, however, that such societies have been organized and the lack of sufficient capital continues to prove a serious handicap. The small societies which were originally organized found it difficult to secure a good price for their products due in part to the fact that they could not afford to buy the necessary modern machinery for carrying on their enterprises. In any case, they found themselves completely in the hands of the agents through whom they sold their products. To overcome some of these difficulties, the Central Association of Cooperative Forest Societies was founded in 1921. In 1929, there were 11 member societies with a combined membership of 4,200. Sales totaled approximately 35,000 standards, valued at 101 million Finnish marks. The products of the member societies are marketed by the central association which owns lumber yards in the more important timber export harbours of Finland.

#### OTHER TYPES OF COOPERATIVE ORGANIZATIONS

It may be mentioned that there are approximately 1,600 cooperative banks in Finland with a large central organization. There are about 500 cooperative stores with two central organizations. The combined turnover of ten central cooperative organizations in 1927 was 4.0 billion Finnish marks. The combined turnover of the locals in 1928 was 5.3 billion marks.

#### CONCLUSION

The general information given above concerning the agricultural cooperative marketing organizations of Finland shows that these

organizations have gained a firm foothold in the marketing of agricultural produce and supplies. The cooperative movement is scarcely thirty years old, yet it has completely revolutionized the whole agricultural marketing system of Finland. Within two decades the necessary organization has been created, working methods have been developed which are suited to the conditions peculiar to the country, and the professional skill, moral standards, and national well-being of the agricultural population have been greatly advanced. Through cooperative effort, farmers are securing for themselves something more nearly approaching their fair share of the national income, thereby enabling them to raise their standards of living and to develop a richer and fuller rural life.