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Marketing of farm prod.

ORGANISATIONAL STRUCTURE & MARKET STRATEGY

A Study of Co-operative Marketing in European Agriculture

by GORDON R FOXALL

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REPORT NO 26

ORGANISATIONAL STRUCTURE AND MARKET STRATEGY:

A STUDY OF CO-OPERATIVE MARKETING

IN EUROPEAN AGRICULTURE

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Report 26

1980

ACKNOWLEDGEMENTS

I am indebted to the Central Council for Agricultural and Horticultural Co-operation and the University of Newcastle-upon-Tyne for the financial support of this project. Mr. John Morley, Head of the CCAHC's Central Planning Unit, deserves special mention for the encouragement and guidance he has generously given to me. Miss Elise Bayley, the Librarian of the Plunkett Foundation for Co-operative Studies, has provided many of the publications to which reference is made at the end of the Report and I am grateful to her and the foundation for the wealth of data made available. Prof. C. Ritson at Newcastle and Prof. A. L. Minkes at Birmingham gave me encouragement and freedom to complete the research both before and after my transition. To them, and to my colleagues and friends in the Department of Agricultural Marketing at Newcastle University who were responsible for expediting the production of the Report, I offer my thanks. Finally, I am grateful to Mrs. L. M. Williamson and Mrs. M. A. Sheridan for their efficient typing of the initial and final drafts of the Report.

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INTRODUCTION

RESEARCH OBJECTIVES AND SOURCES OF INFORMATION

It is widely accepted that co-operative market shares are frequently considerably higher on the Continent of Europe than is the case in British agricultural marketing. Several factors, including the obvious differences in co-operative finance and farming structure and conditions, have been advanced to explain this state of affairs; some of these are reviewed in Chapter 1, but this monograph is concerned primarily with the part played by second- and third-tier co-operative organisations in the determination of marketing arrangements; it thus describes an exploratory study which seeks to clarify the role of these supra-co-operative organisations by

- i) bringing up to date information contained in publications¹ of the Central Council for Agricultural and Horticultural Co-operation (CCAHC) which were issued in the early 1970s, (subject to the limitations of the available data and the desire to produce a readable report rather than a directory of names and addresses which are obtainable from other sources);
- ii) discussing the objectives and achievements - and, where detailed information is available, the constitutions and arrangements for the financing of second- and third-tier co-operatives in the EEC in order to allow their commercial strength to be evaluated; and
- iii) examining the effects of federations and unions of co-operatives on the market power of producers as reflected in the propositions of agricultural product-markets which are attributable to the co-operatives.

The sources of information employed are primarily secondary, literary sources and discussions with researchers who have conducted empirical studies in various EEC countries involving visits of several months to the Continent and with co-operative managers and officials with direct knowledge and experience. Written enquiries to co-operative bodies in Europe produced a considerable volume of data. GOGECA collected statistical information about EEC co-operatives in 1976, a

copy of which was forwarded to the author. Direct enquiries to national co-operative organisations throughout the Nine and to co-operatives themselves, yielded a great deal of information which contributed to the objectives listed above, particularly the first.

It became clear, however, that the second and third objectives could not be attained entirely by the use of these data. Studies by other authors, as well as personal judgement, indicated that "official facts" often gave the impression that a nation's co-operative sector is a thriving, competitive system, harmoniously catering to the needs of farmer-members and, indeed, to the entire agricultural sector in positive and profitable ways, under democratic control. Common sense suggests that this cannot always be the case but does not provide details of the specific instances in which co-operative organisations have deviated from this ideal. Nor would the brief visits to national co-operative organisations which had, during the planning of the research project, been envisaged as a possible means of obtaining accurate information, in part yield the types of data required.

The investigation drew heavily, therefore, on published information which had been obtained by other academic researchers and co-operative managers whose aims had been to compile a relatively objective and informed picture of European co-operatives, their organisation and performance.² The detailed, on-the-spot investigations pursued by other researchers were never seen as a part of the present exploratory study which lasted approximately twelve months from May 1979 to April 1980. The need for further research into specific aspects of European co-operative organisation is mentioned in the concluding chapter where examples of work which might profitably be carried out are given. Nevertheless, this report is seen as an end in itself, making available in a single publication information which has hitherto been widely diffused and leading to practical recommendations for supra-co-operative management in the United Kingdom.³

CHAPTER 1

CO-OPERATIVE MARKETING AND ORGANISATION IN EUROPEAN AGRICULTURE

Co-operative Market Shares in Europe

Variations in co-operative market shares among members of the EEC are apparent from Table 1 which is limited to key product markets. The figures are the most recently available and the product markets specified allow the various Member States to be compared one with another over a range of items of agricultural produce. The proportion of agricultural markets attributable to co-operatives is, inevitably, a limited criterion of the efficiency and success of the co-operative sector; further, the figures presented in this table, in spite of their being collected and collated by a central body (COEGECA), reflect a variety of statistical bases and purposes which make accurate comparison between countries difficult. Market share itself is only a partial indication of the quality of an organisation's marketing management. Nevertheless, it is employed in this report as a valuable indicator of the extent to which farmers choose or are persuaded to trade with the co-operatives to which they belong and as an index of how far farmers' expectation of gaining financially through co-operative membership are fulfilled in practice. Since farmers' willingness to join and trade with a co-operative is based firmly on the expectation of a rise in net farm income,¹ co-operative market shares may be assumed to express farmers' reactions to and evaluations of the facilities, policies and marketing opportunities offered by their co-operatives in the face of competition from the alternative marketing channels - e.g. auction markets and agricultural dealers.

Explanations of the differences among these nations and, in particular, of the variations in market shares between the United Kingdom and the other EEC members, are not difficult to find. The smaller average farm size on the Continent, the proportion of the population engaged in agricultural production, the contribution to GDP of the agricultural sector and the relative terms of trade between the agricultural and non-agricultural sectors have all been cited as stimuli to agricultural co-operation in European countries other than Britain.² These factors undoubtedly form part of a comprehensive explanation of the need of Continental farmers to produce some form of institutional

TABLE 1
CO-OPERATIVE MARKET SHARES IN
EEC COUNTRIES FOR SELECTED PRODUCT-MARKETS, 1977
(% of national markets)

	GERMANY	FRANCE	ITALY	HOLLAND	BELGIUM	L'BOURG	UK	IRELAND	DENMARK
Pigmeat	20	52	3	26	15	22	7	25	90
Beef	19	19	5	18	-		6	33	60
Poultry	-	42	10	32	-	-	2	50	50
Eggs	-	25	5	20	-	90	19	25	59
Milk	78	48	35	87	65	90	-	88+	87
Sugarbeet	-	17	15	61	-	-	-	-	14
Cereals	52	67	15	60	15	90	17	23	50
Fruit	26	40	62	10	40	30	19	14	65
Vegetables	36	30	5	84	55	-	10	22	70

Sources: COGECA and national co-operative organisations.

(These figures are presented as supplied and may differ slightly from those recorded in later chapters).

framework for agricultural marketing but they do not, of themselves, show why a co-operative framework evolved and became powerful rather than a system of agricultural merchanting. Nor do they reflect particularly accurately the antecedents of successful co-operation which, in the case of industrial co-operatives, have been summarised as:

- i adequate access to finance,
- ii a degree of capital ownership among members that ensures their commitment or loyalty to the co-operative,
- iii democratic control, and
- iv adequate management - both within the co-operative and from a central co-operative management agency.³

Explanations of the relative success of Continental co-operatives (in terms of market share) compared with their British counterparts have, naturally enough, concentrated on some of the factors in this list, notably the availability in Europe of finance for co-operative development. Other explanations have referred to the alleged stimulating environment of the EEC and the operations of its policy towards agriculture as having assisted the development of co-operative business: legislation which enables or induces farmer co-operative growth on the Continent; and, occasionally, the quality and training of co-operative managers has been said to provide an explanation of the differences in market share between the UK and other nations. Each of these arguments may be defended and may contribute to a full explanation of the pattern of marketing shown in Table 1; but, as the following review indicates, none of these factors alone accounts for the decisions of thousand more Continental farms than British farmers to market their produce co-operatively.

EEC Membership and the CAP

An obvious explanation of differences in market share derives from the idea that membership of the EEC and consequent subjection to the conditions of the Common Agricultural Policy (CAP) confer such benefits that co-operative development among Continental farmers has been considerably facilitated. However, whatever the overall effects of CAP on European agriculture, its effects on co-operative development

appear to have been neutral. Table 2 compares the experiences of two founder members of the EEC with two nations which have only recently joined. No clear cut conclusions emerge from these figures suggesting that neither EEC membership nor the CAP has made a great deal of difference and that explanations which cite them are rather superficial.

TABLE 2
COMPARISON OF CO-OPERATIVE MARKET SHARES
IN TWO FOUNDER MEMBER STATES AND
TWO RECENT MEMBERS⁴

(% of national markets)

	Milk	Beef	Pigmeat	Veg.	Fruit	Cereals
Belgium 1971	53	N.A.	12	55	50	10
1976	52	N.A.	18	65	60	12
Denmark 1971	86	40	92	N.A.	50	N.A.
1975/6	87	44	90			41
Ireland 1971	82	65	35		30	40
1975	100	64	37		32	41
Germany 1971	78	23	29	36	19	57
1975	78	34	34	47	27	52

Source: Tierney, G. C. (1977).

Finance

Since co-operatives are denied access to the usual channels of financing a business through the issues of shares to the general public, their financing is a central issue and a frequent source of problems. It is not surprising, therefore, that attempts at explaining the development of co-operatives that have concentrated on financial provisions have commanded the most attention. Indeed, it has become commonplace to account for the difference between the UK and continental countries by reference to the availability of specialist institutions to finance co-operation on the Continent. It is quite true that credit co-operatives such as the German Raiffeisen movement have transferred funds from the non-agricultural sector into farming while the English farmer has generally been a net lender. This, together with the fact that British co-operative societies have limited liability imposed on them, means that, by comparison, European co-operatives have tended to

have a far greater proportion of their capital in the form of long term loans. As Sir Roger Falk has put it: ". . . if the gearing of owned capital to borrowed capital were the same in a British as in a Continental co-operative, the British co-operative would be able to support . . . possibly twice the amount of borrowing, and a considerably greater turnover". This, he continues, "has to be borne in mind very much when comparing the share of the market held by co-operatives".⁵ It is also a fact that Continental governments have sometimes subsidised the rate of interest paid on loans to co-operatives while British capital investment by government agencies has been limited in scope.

Examples could be multiplied of the provisions Continental countries have made for the financing of farmer co-operatives. Without denying the importance of these provisions or minimising their effect on market share, it may be argued that the contribution of finance provides an explanation which requires some qualification. European provision of long-term loans to co-operating farmers arose in the mid-nineteenth century precisely because there was no stable provision whatever for agricultural development on the Continent at that time. Yet, contemporary British farmers had ready access to a highly-developed commercial banking system. So, judging by the subsequent development of co-operative market shares in the UK and in Europe, financial availability appears not to be such a powerful explanatory variable as it seemed at first sight. Further, there is evidence that the high capital gearing of the European co-operatives has had deleterious effects on Continental co-operative development during the last few years. The previously close relationship between the co-operatives and the agricultural credit institutions has recently become strained as the latter have demanded guarantees before granting loans. In France, members of the unpaid boards of directors of co-operatives have been required to guarantee borrowings and, as a result, they have incurred crippling debts. Recruitment to boards has thus become difficult and co-operatives have adopted ultra-cautious policies.⁶ The French are currently trying to establish a national support fund for farmer co-operation to rectify the situation. On the Continent generally there is a strong desire to reduce the capital gearing ratios of co-operatives by increasing farmers' investments in their societies. This, of course, is to seek precisely the situation in British co-operatives, a situation which has been

blamed for the UK's less auspicious record in co-operative market development. Nevertheless, greater attention must be given to the problems of financing co-operatives and subsequent chapters do not ignore them.

Legislation

A similar type of explanation draws attention to the legislative restrictions which encourage or even force farmers on the Continent to join and market through co-operatives. In the Netherlands, for instance, horticultural produce could for many years be sold only through auctions, which were co-operatively managed. Norway furnishes another example in that all agricultural producers must pay a levy from which only the co-operatives derive benefit. It is still noteworthy, however, that Dutch co-operative market shares for non-horticultural produce are higher than those in Britain.

The diversity of legislation within the Community also suggests that degrees of government intervention in agriculture and co-operation are not able to provide a consistent explanation of the differential development of co-operative marketing. Denmark, for example, lacks co-operative law entirely. Then there is the immense contrast between the 'complete liberalism of government policy towards agricultural co-operatives in the Netherlands and their close supervision in France'.⁷ Even a cursory examination of these countries' co-operative market shares is sufficient to dispel any idea that legislation is a key explanatory variable. Indeed, so complex are the differences between Continental nations in this regard that harmonisation of co-operative laws appears to be impossible. Further, no piece of EEC legislation has been as favourable to co-operatives as the USA's Agricultural Marketing Act which suggests that most Continental governments have certainly not gone out of their way to encourage co-operation in this way.

Related Factors

While it is not possible to treat comprehensively all of the factors which have exerted an influence on the differential rates of co-operative development vis-à-vis the UK and Continental countries, brief mention must be made here of three contextual factors before examining in greater depth the central theme of the project. First,

Governments of the UK have consistently encouraged alternatives to co-operative marketing which have had the effect of either hampering the development of the latter or of making it appear a second-best channel. The 1930s were thus dominated by the policy of establishing and stimulating marketing boards and, even as late as the 1960s, this form of statutory marketing was frequently regarded as providing the solution to problems in the distribution and marketing of cereals and meat products. During the 1940s, the price guarantee policy effectively stymied market exploration and development since producers lacked any incentive to be other than production-orientated. And, finally, the official attitude which allowed the farmer to become involved in "preparation for market" but to finish with marketing at that stage - which some have seen as the result of Government deference to the food industry - has reinforced the view that farmers are producers rather than marketers.

Second, the failure of the Agricultural Wholesale Society and its disastrous effect on the attitudes of farmers towards co-operation put an end to the development of federalisation for at least three decades (approximately 1925 - 1955). In the absence of such developments, the primary societies were forced to grow to the point where they were sufficiently large, diversified and efficient not to need umbrella organisations.

Third, the incentive of an export-based food economy to the development of both co-operative and non-co-operative organisations has been absent from the UK scene, but, as the following chapters indicate, has provided a considerable stimulus elsewhere.

Management

The central importance of managers, not only to the organisations which employ them, but to the economy as a whole, has been stated with some power by Drucker⁸ in these words: "The manager is the dynamic, life-giving element in any business. Without his leadership the resources of production remain resources and never become production. In a competitive economy, above all, the quality and performance of the managers determine its survival. For the quality and performance of its managers is the only effective advantage an enterprise in a competitive economy can have".

What is true of businesses in general is certainly valid where agricultural co-operatives are concerned. There are several striking examples of co-operatives' turnover and profit expanding rapidly after the installation of a new general manager or managing director. Indeed, "the appointment of a general manager is unquestionably the most important decision to be taken by a marketing co-operative in determining its success or failure. In front of every highly successful co-operative, there is usually an outstanding manager".⁹ There is so much evidence to support this proposition that the crucial importance of high quality management to a co-operative society or company cannot be denied. Market share is not the only criterion by which the effectiveness of co-operative management may be judged and it is extremely unlikely that managerial quality is responsible for the international differences in co-operative marketing patterns noted above. There is certainly no reason to believe that British co-operative managers are, on the whole, less capable or worse-trained than those who run co-operatives on the Continent.

Management nevertheless holds a key to the explanation of these market share differentials but its main relevance lies in its organisation and structure. Co-operatives in Continental Europe are usually grouped into regionally- or commodity-based federals or unions; their actions are thus co-ordinated and they compete less among themselves and more with non-co-operative businesses than is the case in the UK. Third-tier co-operatives, operating usually at national level to co-ordinate and, in differing degrees, manage the work of the primary co-operatives are also apparent. It has been argued elsewhere¹⁰ that these forms of "supra-co-operative" organisation might partially account for differences in co-operative market shares and should not be excluded from explanations of these variations.¹¹ Even in the UK, there is evidence that co-operatives are achieving some of the advantages of large-scale organisation; in particular, many of the larger, multi-purpose co-operative societies have pursued policies of decentralisation and divisionalisation in order to attain a greater measure of managerial effectiveness while retaining the mechanisms of democratic control. Such organisations are coming to dominate co-operation in Britain. Over half of the UK's total turnover in co-operative marketing and about three-quarters of the co-operative supply of farm inputs can

already be attributed to co-operatives whose individual turnovers far exceed the £10 million mark. The possibility of strong, central managerial control thus exists in specific co-operatives. The individual societies remain in competition with each other of course; their overall activities are still unco-ordinated other than by market forces; and thus "co-operation" in the context of the agriculture of the UK continues to have a rather different meaning from "co-operation" in the broad, European sense. The development of second-tier co-operation in the UK is commented upon in a later chapter but, as this report concentrates so much on the effects of supra-co-operative organisation, it is appropriate at this stage to review briefly the *raison d'être* of secondary and tertiary levels of co-operative management.

Co-operation among Co-operatives

Co-operatives which are unable to achieve separately and individually the benefits desired by their members can logically be expected to explore the possibilities for joint action - e.g. in order to make more efficient use of their combined transport facilities, managerial talent, investment programmes and purchasing arrangements. Even the largest single co-operative might not be able to use its assets as efficiently as a number of smaller organisations which co-operate with one another. The very arguments that are used to justify co-operation itself, among which may be mentioned the enhancement of producers' incomes via the creation and exploitation of scale economies, cost reductions, countervailing power and vertical integration, are the arguments which have frequently been employed to justify all manner of associative arrangements among primary co-operatives.¹²

Two of these potential advantages of strong, effective co-operation deserve further mention. First, supra-co-operative organisation enables co-operatives to benefit from economies of scale; such economies are the *raison d'être* of the requisite societies whose purpose is the exploitation of the lower unit costs which derive from bulk purchasing schemes. Other economies can accrue from the co-ordination - and, where technically feasible, the integration - of production, processing, marketing and distribution and mention will be made in succeeding chapters of the importance of such factors in French and Danish agricultural co-operation. Managerial economies of scale are also

frequently possible through the co-ordination at regional or national levels of the supply, marketing and, occasionally, production functions of numerous primary societies. Not only can the duplication of routine decision-making be avoided but better use can often be made of executive talent if managers can be freed from day-to-day administration in order to deal with the top-management function of policy-making. The establishment of second- and third-tier co-operatives may also lead to economies by providing for managerial career development through the extension of opportunities for middle managers to exercise a wider range of skills than is frequently possible even in large locally-based co-operatives.¹³

The second specific justification of supra-co-operative organisation is related to the first: the promotion of a form of countervailing power which enables farmers to exercise greater power in the markets in which they buy inputs and sell their produce. The theory of countervailing power has been considerably developed with respect to requisite co-operation but comparatively little attention has been given to the need to establish the same conditions of power for farmers in their marketing activities through the more extensive use of institutions that co-ordinate the ex-farm processing and distribution of their produce. It has been apparent for some time that Continental second-tier co-operatives are able to provide an effective institutional framework for the operation of minimum price guarantees for the members of their constituent organisations and specific examples of the ways in which groups of co-operatives act together to enhance the prices of their members will be given in later chapters.¹⁴

The purpose of drawing attention to these effects of successful co-operation has been to allow greater comprehension of the advantages which many Continental farmers and co-operatives have over their British counterparts as a result of greater secondary and tertiary co-operative organisation when reference is made thereto in the subsequent discussions of co-operation in Europe. It is worth noting here, however, that co-operatives in Europe and in the UK have not always sought these benefits by developing second- and third-tier co-operatives. Joint ventures in which non-co-operative companies become the partners of co-operative businesses and the more subtle dilution of farmers' involvement in the running of their co-operatives by the creation or extension

non-farmer membership (e.g. in the French SICA) are also apparent in various EEC countries.

Nor do secondary and tertiary co-operatives represent the sole manner in which co-operatives may pursue joint action. Kirk and Ellis¹⁵ discuss the pros and cons of three types of "associative arrangement", namely second-tier co-operatives, amalgamations and mergers, and joint consultative arrangements. The first two are equally capable of providing opportunities for exploiting economies of scale and integration on behalf of their members, but second-tier organisation necessitates a new level of management which is responsible to the members of the various constituent organisations. This may be directly expensive and may, indirectly, cause problems of managerial discretion and autonomy. Joint consultative arrangements usually demand less reorganisation than either of these and also preserve the identities and independence of the primary societies. Especially where they involve exchanges of information, however, they may be subject to restrictive practices legislation. The concluding chapter returns to these measures and discusses the evaluation of their effectiveness to members in terms of the objectives specified above.

It is undoubtedly dangerous to generalise about the effects of a single variable on the relative performances of the co-operative marketing systems of nine separate countries. Some pains have been taken in this chapter to emphasise the financial, governmental and managerial arguments which also contribute to the explanations of differences in market shares. It is interesting and profitable, however, to consider whether particular forms of co-operative organisation and the styles of management associated with them, can be linked with the strength and consistency of countries' co-operative market shares. It will be argued in the concluding chapter that there is a level of association between these variables that is unlikely to be accidental. Purely for ease of exposition, the countries listed in Table 1 may be classified into groups on the basis of the extent to which they consistently exhibit large proportions of markets for farm produce which are attributable to co-operative marketing organisations.

France, Denmark and Holland show consistently high co-operative shares of a number of markets and constitute Group 1. Group 2 consists of West Germany, Luxembourg and the Republic of Ireland, each of whose

co-operative market shares lack consistency despite very high levels in some cases. In Belgium and Italy, which comprise Group 3, while co-operation is clearly important in some of the listed product-markets, it accounts for only a negligible proportion in most of the remainder. Finally, in the UK comparative market shares lag consistently and considerably behind those of most other countries in most of the listed areas. Are the nature and behaviour of the secondary and tertiary co-operative organisations of the Nine significantly different from each other in a manner which corresponds to these groupings?

The rest of this report constitutes an attempt to answer this question. Chapters 2 to 9 deal with what have been called Groups 1, 2 and 3. In each of these chapters, the historical background and development, scope, organisational structure, policy, strategy and financing of agricultural co-operatives are described, with special emphasis on supra-co-operative organisations and its commercial and other effects. In general, an attempt is made to present the current position of the co-operative sector, rather than an historical description; this is so not only in the case of development but in discussions of organisation and finance. The final chapter deals with the UK and examines de novo the relationship between organisational structure and strategy and examines some possible objections to the main argument.

CHAPTER 2

FRANCE

2.1 Development

Extensive development of co-operative marketing in France is a comparatively recent occurrence. Towards the end of the nineteenth century, groups of farmers came together to purchase inputs in bulk; between 1880 and 1910, after the destruction of vineyards by phylloxera, land was given over to the pasture and milk co-operatives were formed; at the same time, wine co-operatives were established by the remaining wine producers whose livelihoods were threatened. Economic necessity again stimulated co-operation in the 1930s, this time in response to the "catastrophic situation of the wheat market". Many vegetable marketing co-operatives developed at this time, too; again their appearance was promoted by economic crisis. By contrast, the 1940s saw the emergence of many co-operatives which owed their existence primarily to ideological concern with forms of socialism but few of them survived the competitive pressures of the succeeding decade.

Co-operative development on a large scale can be seen most vividly in the period since the end of World War II. Difficult trading conditions promoted the establishment of specialised co-operatives, typically dealing in a single product and of small to medium size. During the same period, some important multi-purpose co-operatives have been established, however, and the parallel development of mutual credit and insurance organisations for the agricultural sector has been extended and consolidated.¹ The rebellion of many peasant farmers, long thought to be no more than unimaginative traditionalists in the 1950s and early 1960s, coinciding with the Gaullist determination to include the agricultural sector in the economic planning exercises which were to dominate the 1960s and 1970s, led to a quite novel approach to the co-operatives. The reform of agricultural marketing systems became inevitable and the willingness of the central Government to facilitate this process is nowhere clearer than in the passing of legislation to allow the SICA to combine

agricultural and non-agricultural expertise in the framework of a quasi-co-operative form of organisation.

Central intervention has played an important role in changing attitudes towards co-operation. At the same time, the co-operative sector has featured consistently in the achievement of wider objectives of Government policy, e.g. in regional development. Today, "French co-operation is being carried along a policy of concentration, consolidation and planned expansion". As a result of the attitude which portrays the co-operatives as "an essential stage in the capitalisation of the agricultural industry" it is clear that agricultural co-operation "has become industrialised, both at the level of production and now, increasingly, at successive stages in the marketing chain".² The extent of production-marketing integration is apparent from the following account of the scope of agricultural co-operation in France.

2.2 Scope and Extent of Co-operative Marketing

Recent documents prepared by the French Confederation of Agricultural Co-operatives (CFCA) provide up-to-date statistics information about the scope and scale of French farmer co-operation which allow its importance to be judged.³ The number of co-operatives has declined steadily during the last decade (Table 3): the principal reasons for this continuing decline and the dissolution and regrouping of co-operatives. In 1978, there were some 4,200 co-operative organisations involved in buying and selling agricultural products, about 8,000 machinery and cultivation syndicates (CUMA) and 95 co-operatives offering artificial insemination services. (Available figures do not, according to French Ministry of Agriculture sources, allow the number of unions to be distinguished at this level of national aggregation.)

The commercial co-operatives had some two million members in 1976, compared with 2.5 million in 1970 and 2,232,000 in 1972. About 80% of farmers belong to at least one co-operative; some 800,000 co-operative members actually exist, and these figures are thus inflated by multiple memberships. Naturally, there are considerable differences in memberships among the co-operatives. Table 3

presents the only figures available from which it is possible to judge their dispersion among product grouping. These figures, supplied by CFCA in 1979, refer to 1972.

The number of paid staff employed by marketing (including processing) co-operatives has declined since 1974, after having increased considerably during the first half of the decade (Table 4). Certain sectors, notably meat and livestock, canning and dairying, have shown consistently fast growth during this period, however. The addition of the permanent paid staffs of the CUMA and AI service co-operatives gives a total figure for employment in the co-operative sector in 1977 of 125,000 to 130,000.

The latest figures for the co-operative shares of markets are shown in Table 5 along with the number of co-operative organisations, unions and SICA in each area. Note the strength of co-operation is most arable produce, followed by dairy products, wine, fruit and vegetables, and the comparative weakness of the meat and livestock sector (CPV, 1978).

The contribution of co-operation to the economy cannot, however, be judged solely from data which refer to the size of the co-operative sector itself. Two other important facets are the proportions of exported products attributable to co-operative production and marketing and the relative placings of co-operative firm among companies in general. Table 6 shows clearly that French co-operatives play a crucial role in exporting; the figures relate to the percentage of co-operative exports (total exports in each product market = 100%) averaged over the years 1973-5 inclusive. The policy of concentration and planned expansion which characterised French agricultural co-operation in the 1970s is facilitated by the industrialisation not only of production but, increasingly, of marketing activities. The resulting opportunities for production-marketing integration and the fact that the co-operative sector is taking them are evidenced by figures which show that, in 1977, co-operation accounted for more than 20% of the French agricultural and food sector. Further, in the mid-1970s, two of the four largest food firms and 40 of the largest 100 were

TABLE 3

Numbers of Co-operatives and their Paid Staff

Year	No. of Co-operatives	No. of Paid Staff
1970	5050	n.a.
1972	4700	96,000
1973	4600	108,000
1974	4500	108,000
1975	4400	107,000
1976	4300	105,000
1977	4200	104,000

Source: C.F.C.A. (1979).

TABLE 4

Dispersal of Salaried Staff among Sectors, 1972

Sector	No. of Co-operatives	Paid Staff
Meat and livestock	175	7,000
Poultry and game	50	2,565
Milk and dairy products	860	31,260
Fresh fruit and vegetables	416	4,300
Canned fruit and vegetables	70	6,565
Cereals	540	15,300
Animal feeding stuffs	144	8,370
Wine, alcohol	1,511	7,025
Sugar	9	1,630
Requisites	760	9,820
Various	165	2,165
Totals	4,700	96,000

Source: C.F.C.A. (1979).

TABLE 5

Co-operative Market Shares and Numbers of
Co-operative Organisations, 1977

Product Class	No. of co-operatives, Unions, S.I.C.A.	% of procurement and/or production
Dairy produce	850	47, of which: milk for consumption 57 butter 52 cheese 33 milk powder 51 yoghourt 33
Meat and livestock	114	pigmeat 50 beef, 15, of which: veal 50 sheep meat 18 (or 46% of that produced in industrial abattoirs)
Poultry	42	eggs 25 poultry 40-45
Wool	8	wool 42
Cereals (inc. milling)	550	72% of storage capacity 68.5% of the harvest, or: soft wheat 71 maize 67 rape 61 other cereals 63
Oilseeds	350	70% of the harvest
Wine, alcohol	1195 (wine)	wine sold 50 production 42
	105 (distilleries)	of which: A.O.C. 35 table wine 51 distillations 65
Fruit and vegetables	420	fresh fruit 40 fresh vegetables 30 potatoes 30
Canned products	63	canned fruits 20 - citrus 50 canned veg. 30 or,

cont'd

TABLE 5 - cont'd

Product Class	No. of co-operatives, Unions, S.I.C.A.	% of procurement and/or production
Canned products (cont'd)		- peas, haricot beans 25 - mushrooms 70 - tomatoes 55
Sugar beet	20	sugar 15 beet alcohol 45
Flax, other fibres	21	flax 33 setting 40
Dried Lucerne	70	(95% of
Dried beet pulp	50	(production
Requisites	740	straight fertilizers 50 compound fertilizers 45 pesticides etc. 50-55 agricultural ironmongery 30-35 agricultural machinery 12 animal feeding stuffs 35-40
Feeding stuffs	115	30% of feeding stuffs manufacture
Seeds	90	cereals 73 maize 65 rape 65 herbage 25
Olive oil	53	43% of production
Various	30	forestry, honey, perfume, etc.

Source: C.F.C.A. (1979). (Figures in centre column sum to more than 4,200 as some co-operatives are included in more than one category).

TABLE 6(a)

The Role of Co-operatives in Exporting

1973/1974/1975 mean (Turnover)

Product Market	%
Cereals	40-45
Fresh fruit	70-80
Fresh vegetables	20-30
Canned fruit & veg.	40
Wines (V.C.C.)	20
(A.O.C.-V.D.Q.S.)	15
Sugar	10-15
Oilseeds	50
Meat (total)	35
of which:	
beef	36
veal	24
pork	13
Livestock	30
Poultry	20
Eggs	40
Dairy produce: powder	55
butter	50
cheese	20
casein	60
Canned meat	20
Dried Lucerne	95

Source: C.F.C.A. (1979) and personal communication (1980).

TABLE 6(b)

Co-operatives' Places in the Exporting League
(Turnover)

Sector	Ranking of Largest Co-operative
Livestock and meat	1st Societe Centrale SOCOPA
Dairy products	1st Fromancais (U.L.N.)
Cereals	4th U.N.C.A.C.
Fruits and vegetables	4th GIE du Bassin de la Garonne
Seeds	1st Limagrain
Sugar	1st Sucre-Union (50% co-op.)
Other	4th GIE Euroconserves

Sources: MOCI (1977); C.F.C.A. (1979).

co-operatives. There is considerable emphasis, therefore, on co-operatives being involved in processing rather than simply in the preparation of agricultural product for market.⁴ Overall, the co-operatives enjoy an importance which is disproportionate to their numbers in the agricultural and food sector. Further, "it is not incorrect, when drawing the attention of U.K. co-operatives to the threat of foreign competition, to single out foreign co-operatives as the main competitors, for the statistics support this as far as France is concerned". (CPU, 1978).

In addition, it emerges from the figures in Table 7, that co-operatives accounted for over one fifth of the turnover of the entire food and agricultural sector of French industry in 1977. The 1977 figures of 21.8% compares with one of 16.8% for 1968.

TABLE 7

Co-operative Contributions to the Food and Agricultural Sector, 1977

	Agricultural and Food Sector	Co-operatives in that Sector	% of Co-operative contribution to entire sect.
<u>No. of organisations</u>			
1975	3,899	466	12.0
1977	3,733	479	12.8
<u>Turnover (1000 F)</u>			
1975	136,107,000	29,012,000	21.3
1977	177,507,000	38,659,000	21.8
<u>Permanent Staff</u>			
1975	396,852	57,172	14.25
1977	389,010	58,752	15.1
<u>Gross corporate investment (1000 F)</u>			
1975	4,751,000	1,030,000	21.3
1977	5,538,000	1,032,000	18.6

Source: CFCA (1979).

2.3 Organisation of the Co-operative Sector

The CFCA is a national representative organisation, established in 1966. Its members are 19 national co-operative federations and 17 regional federations, second-tier co-operatives and several other large co-operative organisations. It is one of three organisations which comprise the National Confederation for Mutuality, Co-operation and Agricultural Credit (NMCCA) and is also a member of the French Agricultural Council (CAF) and the General Confederation of Agriculture (CGA).⁵ The aims of CFCA are the representation and defence of agricultural co-operation nationally and publically, with the EEC, and internationally; publication and dissemination of information; promoting and strengthening co-operation by encouraging concentration of, rather than competition for resources by co-operatives; to facilitate labour agreements between its members.⁶

Legally, federations are formed as associations or syndicates and they are representative bodies, without commercial income, reliant upon members' subscriptions. Nineteen well-established national federations are organised on a commodity basis, giving co-operative organisation a "vertical dimension".⁷ The 17 regional federations link co-operatives in various product-markets and thus provide for "horizontal" relationships among co-operatives. They have a regional representative role, promote co-operation and inspect local co-operatives.⁸ Unions are second- and third-tier co-operatives whose members consist of single co-operatives or groups of co-operatives. They wield considerable power as a result of their ability to promote economic concentration in the supply of agricultural produce and, indeed, their influence is increasingly seen and felt nationally rather than regionally. Unions may be specialised or generalised and tend to belong to national federations which thus act as liaison organisations for unions' activities.⁹ The maintenance of managerial and technical competence is promoted in France by a number of organisations which exist solely to train co-operatives' employees.¹⁰

Co-operatives, especially at primary level, may be categorised in several ways. Functionally, there are marketing, supply, and

service co-operatives, the last being syndicates for the joint use of agricultural equipment. These Co-operatives d'Utilisation de Materiel Agricole or CUMA had 159,694 members in 1976, "considerably more than their U.K. counterparts" and control impressive proportions of farm equipment (Table 8). The CUMA have developed in response to the need for more efficient operation among small farmers, the need for time-saving and the substitution of capital-intensive methods of production. The CUMA have also been hailed as a means of ensuring farmers' loyalty and their integration in some cases into larger co-operatives may provide evidence of this.¹¹ CUMA are ignored in the official figures for the turnover of co-operatives but their indirect contribution to sales and profit levels must be immense.

TABLE 8
The Service Co-operatives

Service Activity	No. of Co-operatives	Responsible for:
CUMA	8000 (of which 72 specialise in drainage and soil testing)	30% of combine harvesters 4% of tractors (8-10% of horse power), 30-35% of forage harvesters, 16% of manure and fertilizer spreaders, 10-12% of implements.
Artificial Insemination	95	Inseminating 97% of cows for breeding.
"Fruitieres du Jura"	950	Small co-operative groups for processing gruyere cheese in the mountainous areas of Franceh-Comte, the Savoy and Jura.

Source: CFCA (1979).

A second classification of French co-operatives emphasises the forms of organisation involved. Syndicates are groups of individual farmers who can produce in concert, thus ensuring standardised products, and sell together (but not under a common name). They allow farmers considerable liberty which would not be available in the more inflexible co-operatives. Farmers cannot become shareholders

and remain individuals for accounting purposes. Associations have a stronger commercial role, may merchandise under a common trade name and may engage members patronage through limited contracts. They are non-profit-making. Co-operatives are formal and relatively inflexible organisations. They may develop part-ownership of co-operative and non-co-operative bodies and up to 20% of their turnover may represent business with non-members. Dividends are payable annually to members by means of a formula which reflects patronage and capital investment and the idea of "one man - one vote" has been modified so that co-operatives may, within limits, allow members to accrue additional voting rights on the basis of patronage.

The SICA - Agricultural Collective Interest Societies¹² - were originally intended to serve farmers through schemes for improving electrification, telephone services and rural dwellings but they have come to be involved in a range of agricultural operations where traditional co-operation has proved inadequate - e.g. in cattle slaughtering, milk processing, fruit and vegetable preservation and poultry breeding. They are frequently involved in marketing.¹³ Members may be agriculturists and non-agriculturists and may typically include "farmers, producer groups, dealers, slaughterers, processors and even retailers". Up to half of their business (measured in terms of revenue) may be conducted with non-members; voting is in proportion to the number of shares a member subscribes, though farmers must have overall control and there are limitations on the number of votes which one member may hold.¹⁴ SICA may become co-operative members themselves. Extremely popular in the mid-sixties (89 and 94 were created in 1965 and 1966, respectively), these quasi-co-operatives have not grown in number so quickly of late: 16 new ones were formed in 1969 and 26 in 1970. They nevertheless reflect the increasing marketing-orientation in French agriculture which was noted as emerging during the 1960s in Section 2.1.¹⁵

2.4 Government Intervention: Legislation and Finance

While the primary concern of this monograph is to analyse the effects of organisation on the marketing strategies of countries' co-operative sectors, it is necessary to provide an introduction to the legislative and financial contexts in which co-operatives operate. In the case of France, where these are a highly complex legal structure and pattern of central intervention, this can be no more than a sketch of the elements of legislative and financial provisions that are relevant to the main theme.

In the words of one authority on agricultural co-operation in France, "Government policy towards agricultural co-operation has taken various forms, but it has never been disinterested".¹⁶ Important legislation which permitted and facilitated the establishment of the various forms of co-operation goes back as far as the law of 21st March 1884 which made legal the activities of syndicates formed for the economical bulk purchasing of farm imports, and the law of 1st July 1901, which did the same for the non-profit-making associations. The law of 27th June 1972 had noteworthy consequences for the relationships of the co-operatives and the SICA, both mutually and externally, by allowing the former to trade with non-members as long as this business does not exceed 20% of turnover and to own other businesses, by allowing non-agriculturalists to constitute up to 50% of the trade of the SICA rather than the 30% previously allowed (both measured in terms of turnover) and by permitting the SICA to join co-operatives. These moves undoubtedly strengthened the commercial activities of the co-operatives and allowed the quasi-co-operative SICA the opportunity to market their produce more effectively through being able to select their markets to a greater degree. They also allowed the SICA - which have been referred to as nearly co-operatives - to integrate more closely with the traditional co-operatives. All-in-all, the law of 27th June 1972 made possible a further more sway from the principles of mutual aid for farmers and towards the establishment of viable economic units capable of competing with the non-co-operative sector; furthermore, it allowed the promotion of specific, commercially-promising forms of co-operation at the

expense of other co-operative activities by "'weighting' votes according to loyalty and the importance and type of business contracts undertaken by each member".

These provisions can be seen as strengthening the role of Government in the co-operative sector, a role which, since the early 1960s has involved the restructuring of the entire industry and to extend production - marketing integration. Space permits two examples of the ways in which the central authorities have been involved in regulating the co-operative sector. First, there is the manner in which French Governments have made co-operative businesses an integral part of their regional policies which has had the effect of making these co-operatives which have achieved high levels of production-marketing integration and control into forces for development within the regions in which they operate. Direct financial subsidisation, especially of second- and third-tier co-operatives which comply with and organise Government regional policy, while uncommon, ensure the willingness of agricultural organisations to implement centrally-planned schemes.¹⁷

The second example concerns the arrangements for the financing of French co-operatives and the degree of control exercised over it by the State. While approximately one tenth of French agricultural bank credit is supplied by non-official sources, the overwhelming proportion derives from the National Federation of Agricultural Credit through a system of about 500 regional and local banks which are ultimately controlled by the National Bank of Agricultural Credit (Caisse National du Credit Agricole - usually shortened to CNCA or "Credit agricole"), "the organisation through which the Government directs its financial policy towards agricultural producers and their co-operatives (or SIC)". Digby suggests that, in 1970, 70% of agricultural lending came from co-operative banks, 14% from other banks, 8% from suppliers and 8% from private lenders (including the family). The CNCA grants loans to farmers at rates of interest which are highly subsidised by the Government, receives grants from the Government and appears to have, implicitly, a central Government guarantee against future. Since 1972, co-operatives have had a legal obligation to employ

accountants who must be approved by the CNCA. One interpretation of this is that "through its control of Credit Agricole, the Government has endeavoured to tighten up its control of the co-operative sector, and to oversee how its money is spent. Co-operatives and the SICA have also been obliged to augment their reserves. The law has been constructed in such a way as to make a certain proportion of these compulsory reserves untouchable. They are intended for the satisfaction of creditors (including the State) and members in the event of a society ceasing its trading activities".¹⁹ The financial problems of the French co-operatives, mentioned in Chapter 1, may well serve to make them more dependent on this source of funding and thus increase further the Government's control over their contribution to agriculture and rural development. While some British co-operators may envy their French counterparts their access to capital, they would almost certainly resent strongly Government intervention on such a scale.

2.5 Some Examples of Strategic Management

The term "strategy" is used here to refer to "the relationship between the firm and its environment" and to include the co-operatives' approaches to (among other things) expansion and the seizure of product-market opportunities²⁰. It is impossible to allocate as unitary and simple an objective to co-operatives as does economic theory to firms in general (i.e. profit maximisation) but it is assumed that the framework of strategy consists largely of an economic environment in which co-operative organisations seek financial returns and targets. In order to present some idea of French co-operatives use of such strategies, the following discussion has had to be limited to areas where interesting comparisons with the U.K. may be made. Particular attention will be drawn to the development of large-scale enterprises, based on secondary level co-operatives, to reduce competition among primary co-operatives and to rationalise their activities through reducing their numbers; the ways in which co-operative unions may control supplies and prices; the establishment of exporting co-operatives of considerable scale with the opportunity to compete internationally, very effectively; and the attitudes of Government and farmers which

facilitate these developments.

That there exist in France large, powerful groupings of co-operatives capable of influencing marketing conditions is widely-accepted; reference is often made, for instance, to two national federations, the "MacMahon Group" and the "La Fayette Group" which exerted considerable influence during the 1960s and 1970s, the former comprising two organisations: a union of over 500 cereals marketing co-operatives handling 60-70% of the entire French market, and a requisite co-operative union of 620 societies handling a similar proportion of the market for farm inputs; the latter consisting of a number of co-operative unions; and both having very extensive interests in the form of silos, experimental farming, cereals purchasing and the extension of credit to farmers.²¹

It is not sufficient, however, to assume without specific evidence that large groupings of co-operatives automatically control markets or even attempt to do so in order to know whether they do, it is necessary to draw on detailed studies, preferably carried out by nationals, of precise instances of co-operative organisations carrying out marketing strategies. The first such example to be considered concerns the way in which milk-handing co-operatives in Northeastern France came to control supplies. This was accomplished by the planned use of groups of marketing co-operatives organised on the basis of administrative areas (departments) and "powerful processing co-operatives with an even larger sphere of operations".²² This organisation

- administered a pricing arrangement which affected both co-operative and non-co-operative milk products;
- acted as "an undeniable driving power in the fixing of departmental prices";
- had the right to renew and review negotiations through which it has, on several occasions, driven non-co-operative organisations out of business;
- sub-ordinated primary co-operatives and their union organisation to large-scale processing co-operatives;

- in some departments, established co-operative control of all milk deliveries; and
- promoted a retreat of speculative investment from the dairy industry in general to co-operative management organisations.

A parallel development in the livestock industry, aimed at controlling supplies, has also been reported.²³ In this case, co-operative organisations have the objective of "organising production through the control of collecting areas for traditional cull cows ... through the purchase of private and public slaughterhouses". This objective and strategy were pursued in connection with "baby beef", a new product intended largely for export. The attempt to use acquisitions of private businesses to facilitate the growth of co-operation is apparent here as it was in the case of milk production in the Northeast of France. The interplay of financial forces and attempts at market control is evidenced by BOCAVIANDE, which exists for two unions of co-operatives and a company "formed by investments, notably those of the Rothschild group". "While the financial group concentrates on meat processing at relatively advanced stages, the co-operatives "reinforces its control of slaughtering ... and consequently the supply of agricultural products".²⁴ It is interesting to note that the co-operative is willing to engage in this much less profitable enterprise in order, presumably, to gain such control.

France now has nine nationally-sized co-operative groups, four of them having been described by Rastoin as "particularly powerful co-operative unions"²⁵. Nicolas describes two of these, SODIMA and SOCOPA. The first of these is "a co-operative union set up in 1964 in order to launch a national brand for fresh produce" and which has launched successfully its own brand of milk. Sodima²⁶ according to this source

- accounts for some 100,000 of France's milk producers;
- has agreements with 34 "essentially co-operative" enterprises in 19 countries;
- with 10 in America, 5 in Europe, and 3 in Africa;
- controlled 23% of the French yoghurt market in 1976, the largest market share attributable to a single source;

- suffered a reduction in sales of only 1% in 1976 when the market contracted by 5% and its nearest rival (Gevvais-Danone) experienced a sales decline of 4% and was forced to close its Marseilles factory;
- has achieved this, not only through technological and commercial innovations, but via "the establishment of a strong co-operative network in France".

La Societe Central Socopa is an amalgamation of two meat unions which has benefited from a significant injection of capital from Unigrains which has made similar investments elsewhere.²⁷ Through one of the unions involved in its inception, Socopa is "strongly established in foreign markets (eastern countries, Western Germany Spain, Algeria, Latin America) and has become the leading exporting society in the sector ...". Through its industrial connections, it has become involved in meat processing and one of its slaughterhouses is among Europe's most important meat preparation enterprises. Both horizontal integration, ensuring control of supply, and vertical integration, extending activities towards the market via processing, packaging etc., are apparent in its operations. The use of co-operative forms of business as highly-efficient merchandising organisations, able to compete with private businesses, cannot be overlooked. Sodima and Socopa are clearly examples of "large co-operative unions ... which, by acquiring shares in specialist groups and setting up marketing and processing subsidiaries of their own, seek to exert the greatest commercial influence they can ... one can almost regard such groupings as mini-livestock-meat economies, since they are involved in the import and export trade as well as in domestic production and marketing".²⁸

These developments have been accompanied by rapid increase in the concentration of agricultural production and marketing in the hands of French co-operatives. The number of primary societies declined by about 17% during the period 1970 to 1978, further evidence of the powers of secondary co-operative organisations to regroup, integrate and co-ordinate the locally and regionally-based societies into more efficient economic units. The role of such unions becomes stronger

all the time and about 60% of the entire turnover of French agricultural co-operatives is accounted for by 350 enterprises; over 25% is dealt with by just 29, these having a commonly-agreed strategy and coming together in "Co-operative Promotion" which is a constituent of CFCA. So successful are the co-operatives, that, in spite of some competition between them, the obvious competition between the co-operative and non-co-operative sectors, and internal disputes which suggest that these are far from being monolithic bodies, the private trade is actively organising protests at the State subsidies and exemptions enjoyed by the co-operatives.²⁹ Even without these, however, French co-operatives would have considerable advantages simply on account of the commercial exploitation of their scale. Fertilunion, formed in 1976, which accounts for 113 separate co-operatives distributed almost 3 million tonnes of fertilisers during its first year in business and is actively involved in rationalisation through the reaping of economies of scale in the transportation of fertilisers from their place of manufacture to farm storage points which would simply be unavailable to smaller organisations. The French Cereals Union (UFC) handled some 3 million tonnes of grain in the same year, one third of it for export. Two major national federals (UGCAF and UNCAC) collaborate politically, if not economically.³⁰

Differences of attitude, among French farmers and on the part of the French Government are also apparent. The French Minister of Agriculture has, for instance, portrayed the activities of the federation which is concerned with meat and livestock co-operation as "giving organised production sufficient place to be able to influence the general market" which he carefully distinguished from "creating some sort of monopoly" a distinction which might have baffled his counterpart in the U.K.³¹ Furthermore, French farmers are evidently opposed to competition between co-operatives, deploring the waste and duplication which arises when two or more organisations compete. Even farmers who have no access to competing co-operatives feel this.³² This attitude obviously allows the unions to promote concentration and to exploit the power and influence which accrue to organisations of large size and helpful state interventions.

A last example of the relationship between managerial organisation and marketing strategy concerns the SICA which have been set up since 1961 in response to the need for greater marketing orientation in French agriculture. Delagneau³³ gives examples of the ability of SICA to act as supra-co-operative organisations, co-ordinating, integrating, financing and managing the commercial affairs of whole unions of co-operative societies. The willingness of these quasi-co-operatives to use all aspects of the marketing mix to attain the objectives of their marketing policies and, in particular, their ability to achieve control of expanding market shares present interesting parallels to the more traditional forms of secondary organisation. Together with the merits of the SICA which have already been mentioned, such factors serve to make these organisations worth greater study by co-operators and their advisers in the U.K. Some writers have assumed that SICA type arrangements contain a panacea for ailing co-operative sectors. This is absurd, but the frequency with which such arrangements play a part in resuscitating under-financed, indifferently-managed, production-orientated co-operatives, deserves note.

CHAPTER 3

DENMARK

3.1 Development

The observation that agriculture and co-operation have become synonymous in Denmark has been made so frequently as to be commonplace but there are sure historical grounds for its accuracy nevertheless. Denmark's first co-operative was a dairy (founded in 1882) and, by 1910, some 1200 such co-operative dairies controlled about 80% of their market. As the import of cheap foreign grain encouraged farmers to move out of the hitherto dominant marketing of grain, Danish agriculture became characterised by the production and distribution of animal products aimed at the industrial nations, notably Germany and Britain, whose populations had increased significantly. Considerable stress was placed on the achievement of high levels of quality and technological innovation was thereby encouraged.

The social and economic structures of Denmark greatly facilitated the establishment and development of co-operative organisations and their financing. Farmers' educational levels enabled them to administer the organisations which were required; their status as independent, land-owning peasants, who were relatively debt-free, allowed them to finance their co-operatives and, where necessary, to borrow for this purpose. Co-operative organisation was "simply grafted on to an existing social structure, namely the village communities" and the managerial board of the local co-operative and the parish council might well coincide in terms of their memberships. To this day, this pattern is to be found in some communities.

The growth of the bacon factories was rapid, after the first was founded in 1887 and the importance of the export markets required a scale of organisation which transcended local ties, though production remained locally-structured and, to an extent, control remained at the community level for a time. The exporting of eggs and cattle commenced at around the turn of the century, as did associations for the bulk and collective purchasing of feeding stuffs and fertilizers and this led to the diversification of existing (usually dairy) societies.

Central organisation developed early. In some cases, national organisations are heavily involved in commercial activities while others provide principally a representative, administrative and consultative function. The Central Co-operative Committee, established in 1888, stands at the apex of co-operative organisation.

In recent years, the locally-based co-operatives have suffered a reduction in importance as economic and technical factors have fomented a trend towards the concentration of production into larger units, regionally-based. As will be seen in the next section, these forces of rationalisation and reorganisation are continuing. A second obvious trend has been the expansion of the "commercialisation" of co-operative activities through the extension of co-operative-owned companies and their funding. Changes in traditional marketing arrangements, competition as to the end-use of production and the growing tension in the sphere of member-society relations all combine to present an impression of Danish co-operation undergoing a rather fast and less than completely harmonious period of transition.¹

3.2 Scope and Extent of Co-operative Marketing

It is impossible to discuss the scope and extent of co-operative trading generally in Denmark without reference to the nature of agricultural marketing itself in that country. Strong reliance upon export markets characterise both and, even within Denmark, there is a strong tendency to treat that country as simply one region within an overall market for agricultural produce. In all, about 66% of total production is exported, though important variations are apparent from product market to product market (see Table 9).

Some 75% of all Danish agricultural exports consist of bacon, canned meat, other pigmeat, beef and veal, butter and cheese sold to the UK, Italy, West Germany, the USA and Sweden but the British market has a predominant position among these. Over 90% of exports of both bacon and butter are sold there; looking at this from the point of view of the importing nation, almost 20% of Britain's butter comes from Denmark as does nearly 50% of British supplies of bacon.² The effect of entry to the EEC has been considerable: exports to fellow members have increased considerably since 1973 and now stand at about 78.4% of

TABLE 9

Danish Agricultural Production and Exports, 1976

Product	Production (000s tonnes)	% exported
Pigmeat	800	72
Poultry	90	62
Beef, real	260	50
Milk	4900	50
of which butter	140	70
" " cheese	150	66
Eggs	75	16
Commercial seed	50	72
Corn	6300	10
Potatoes	750	5

Source: Eigler (1977), p.77.

total exports. Between 1973 and 1977, exports to Asia doubled, amounting in 1977 to 6.4% but exports to non-EEC European countries and the Americas have declined during this period.³

The need to export on a large scale is, of itself, a strong force in the establishment of marketing organisations of sufficient size and quality to carry out the appropriate strategies. There is no reason why such organisation should be automatically co-operative in constitution but the social and economic structure of the agricultural community which was mentioned above made co-operative organisation on a considerable scale inevitable in Denmark. Large scale membership of agricultural co-operative associations is also to be expected; there was a total membership of about 176,000 in 1976 distributed among about 300 production and marketing co-operatives. Since there were some 125,000 farms in that year, Danish farmers clearly tend to belong to more than one co-operative.

Co-operation on this scale will naturally account for rather large proportions of national production and marketing. For principal products, market share data for 1979 are presented in Table 10. In addition, further data, for various years relating to the numbers employed by co-operatives, turnover and numbers of societies involved in the marketing of a wide range of products are available.⁴

Some general remarks were made above about the role of co-operatives in exporting and more will be said in the next section about exporting organisations. It is relevant here to note that co-operative marketing associations are responsible for approximately 50% of agricultural products exported, co-operative companies for about another 25% and private exporters for the remaining 25%.

3.3 Organisation of the Co-operative Sector

The complexity of the structure of co-operative organisation in Denmark stems in part from the variety of interrelationships among co-operative and non-co-operative bodies and the many different types of secondary and tertiary organisations which have commercial and/or representative functions. It is impossible to unravel entirely the effects of organisation on farmers without describing the whole structure and, while the following discussion is primarily concerned with the co-operative sector, it will be necessary from time to time to allude to non-co-operative organisations. A general impression of the size and commercial strength of primary and secondary societies engaged in a wide variety of activities during the 1970s can be gained from Table 11; in addition to the number of societies in each sector, this Table shows their turnovers and the increase in turnover during the mid-1970s.

The most prominent national organisation is the Central Co-operative Committee (CCC)⁵ which comprises about 16 agricultural co-operative organisations and numerous co-operative bodies of other types, including insurance, oil and banking organisations. Its functions are "to strengthen contacts, promote unity and represent the co-operatives as a whole in matters of common interest . . . [It] is, therefore, the central body which represents co-operatives to government, to the Agricultural Council, to the export marketing committees and to the EEC."⁶ This "keystone of Danish co-operatives" is also known for its commitment to the principle of democratic management: its member organisations must

TABLE 10

Co-operative Market Shares, 1979

Product-Market	Percentage of production attributable to co-operatives
<u>Processing and Marketing</u>	
Bacon	91
Beef	60
Eggs	59
Fish	20
Poultry	50
Vegetables	70
<u>Supply</u>	
Feedingstuffs	50
Fertiliser	44
Groceries	17
Seeds	45

Source: Central Co-operative Committee, personal communication, 1980.

constitutionally uphold the co-operative ideals of open membership, limited returns of capital investments, and profit distribution among members and it has been active in reviewing the effects of rationalisation among co-operatives in terms of its implications for member democracy.⁷ Table 12 indicates the scope of its member organisations (mainly in the agricultural sector) and also shows the organisational structure of the co-operative sector in terms of membership, plants, primary societies and their umbrella organisations.

In its external role, the CCC acts as a link in the communications chain between producers and their primary co-operatives and the legislators and is able to advise on rates and taxes, the law relating to food processing, grants to farmers, and so on. In these - and wider aspects, the CCC works with and through the Agricultural Council⁸ and with a number of diverse farmers' unions, export boards; the Agricultural Council comprises the Federation of Danish Farmers' Unions, the Danish Smallholders Unions, export boards for a large number of products and the CCC.⁹ (See Figure 1).

With respect to the national and regional federations and unions and the local co-operatives, it would be feasible to present here a largely descriptive account but, in order to conserve space, the essential information has been incorporated in Table 12. (A verbal account which remains largely up-to-date was published by the CCAHC in 1972.).¹⁰ The following discussion concentrates on (a) the role of large scale agricultural organisations in export marketing, (b) the nature of the large supply co-operatives and (c) recent trends in the reorganisation and rationalisation of Danish co-operatives. These three features illustrate vividly the dominating trend towards centralisation which characterised Danish co-operatives during the 1960s and 1970s. Although up to 600 separate organisations are involved in the export of farm produce, export marketing is severely concentrated into the hands of a relatively small number of concerns: 60% of the total of produce exported is handled by fewer than six organisations; perhaps as many as 576 organisations are involved in exporting among them some 20% of all production.¹¹

An interesting facet of Denmark's export marketing organisations is the way in which they combine co-operative and non-co-operative

TABLE 11

Danish Co-operatives and Turnover, 1970-77

No	Products/sector/name (P) primary societies (S) secondary societies	Number of societies				Turnover, mio kroner				Change 1977-6 in per cent
		1970	1975	1976	1977	1970	1975	1976	1977	
1	Milk (P)	397	218	216	204	2.556	5.410	6.311	7.807	+23.7
2	Butter (S)					605	1.471	1.790	1.876	+ 4.8
3	Cheese (S)					157	495	588	699	+18.9
4	Liquid milk (S)					43	116	148	172	+16.2
5	Supply and Machinery Works (S)					124	214	123	132	+ 7.3
6	Packaging (S)					49	125	143	156	+ 9.1
7	Bacon (P)	34	25	22	21	5.475	8.575	10.064	10.155	+ 1.0
8	Joint Purchase (S)					74	123	123	132	+ 7.3
9	Hides and Skins (S)					49	68	102	127	+24.5
10	Rendering (S)					-	-	-	-	-
11	Beef (P)	18	15	15	15	227	304	338	340	+ 0.6
12	Beef (P)	32	21	20	20	375	457	530	560	+ 5.7
13	Egg (P)	1	1	1	1	47	124	202	212	+ 5.0
14	Poultry (P)	4	1	1	1	174	196	218	450	+106.4

continued . . .

Table 11 - continued

No	Products/sector/name (P) primary societies (S) secondary societies	Number of societies				Turnover, mio kroner				Change 1977-6 in per cent
		1970	1975	1976	1977	1970	1975	1976	1977	
15	Seed (P)	1	1	1	1	96	143	119	132	+10.9
16	Fruit and vegetables (P)	22	22	22	21	345	560	683	731	+ 7.0
17	Fish (P)	28	25	25	25	228	447	462	579	+25.3
18	DLG (P)					797	2,165	2,690	3,100	+15.2
19	FAF (P)					224	441	432	515	+19.2
20	RAI (P)					27	83	119	152	+27.7
21	National Federation (S)					-	-	-	-	
22	Machinery Supply (P)					222	236	284	326	+12.7
23	Cement (S)					59	127	141	150	+ 6.4
24	Oil (S)					85	213	263	270	+ 2.7
25	Oil/Gas (S)					79	241	252	226	-10.3
26	Life insurance (P)					70	355	857	1,015	+18.4
27	Fire insurance (P)					-	390	343	365	+ 6.4
28	Pensions insurance (P)					49	113	130	150	+19.2
29	Co-operative Bank (P)	271	288	283	272	3,516	8,000	8,447	10,000	+18.4
30	Village Banks (P)	57	59	60	60	300	680	803	942	+17.3
31	Sanatorium (S)					5	12	12	16	+11.4
TOTAL (-29 and 30)						12,241	23,096	27,467	30,544	+11.2

Source: Central Co-operative Committee, personal communication, 1980.

TABLE 12

The Central Co-operative Committee - Member Organisations, 1978

No	Products/sector	Individual Members	Plants	Primary Societies	Central Organisations (inc. Members of the Central Co-operative Committee of Denmark)
1	Milk	45,000	291 dairy plants	204 co-op. dairy socs	The Federation of Danish Dairies
2	Butter			202 co-op. dairies	Butterdane
3	Cheese			35 co-op. dairies	Danish Cheese
4	Liquid Milk			38 co-op. dairies	Dan-Milk
5				516 dairies and personal members	Danish Dairies Joint Supply Society and Machinery Works
6				290 dairies	DANAPAK, Danish Dairies Packaging Factories
7	Bacon	70,000	35 slaughtering plants	22 co-op. bacon factories	The Federation of Danish Co-op. Bacon Factories
8				107 slaughteries and others	Joint Purchasing Association of the Bacon Factories
9				39 slaughteries and others	Hides and Skins
10			5 rendering plants		Central Office
					The Association of Rendering Plants
11	Beef	14,960		15 exports assns.	Federation of Danish Cattle Export Soc.
12	Beef	32,150		20 cattle marketing associations	Danish Farmers' Co-op. Cattle Sales Organisation
13	Egg	500	5 packing stations		The Danish Co-op. Egg Export Assn.

continued . . .

TABLE 12 - continued

No	Products/sector	Individual Members	Plants	Primary Societies	Central Organisations (inc. Members of the Central Co-operative Committee of Denmark)
14	Poultry	500	6 slaughtering plants		DANPO, Danish Co-op. Poultry Packing Soc.
15	Seed	4,135	12 seed storage rooms		Danish Farmers' Co-op. Seed Supply Assn.
16	Fruit and vegetables	3,500		21 local marketing associations	GASA DANMARK, The Danish Marketing Ass. for Fruit & Veg.
17	Fish	1,100		25 fish marketing associations	Federation of Fish Marketing Assns.
18	Farm Supply	A: 16,780 B: C and D:	45 regional centres	563 Retail Socs.) 95 Wholesale socs.) and 7 others)	DLG, Danish Co-op. Farm Supply
19		A: 4,710 B:	17 FAF branches) 101 Wholesale socs.) and others)	FAF, Funen Co-op. Feeding-Stuff Society
20				55 local socs.	RAI, Ringkobling County Society for Feeding-Stuff
21				115 local socs.	The National Fed. of Farm Supply Dealers
22			18 branches	DLG and FAF	Co-op. Agricultural Machinery Supply

TABLE 12 - continued

No	Products/sector	Individual Members	Plants	Primary Societies	Central Organisations (inc. Members of the Central Co-operative Committee of Denmark)
23	Other	824		1103 local socs.	The Danish Co-op. Cement Factory
24	Supply			1400 local socs.	Oil Company Danmark
25				Consumers Wholesale Society and Swedish OK	OK Oil, Ltd., Supply Society
26	Insurance	1,200,000			TRYG Insurance, The Co-op. Life and Accident Insurance Society
27		572,000			The Fire Insurance Society for Rural Buildings
28		11,900			The Co-op. Pensions Insurance Society
29	Banking	92,500	272 branches		DANEBANK, The Co-op. Bank
30		18,800			The Association of Co-op. Village Banks
31	Others			704 co-op. dairies and others	The Sanatorium Ass. of Co-operatives

Source: Central Co-operative Committee, personal communication, 1980.

interests. For instance, the Danish bacon factories' Export Association (ESS)¹² exports bacon "on a basis of voluntary centralised co-operation between private bacon factories and co-operatives." Although official sources make much of the competition that exists between bacon factories through their production and sale of specialised pigmeat products, the facts remain that ESS has monopolistic control over the distribution of bacon for the British market and that the bacon producers are obliged to supply ESS with sides before they can begin their own processing activities.¹³ Oxexport was, according to Webster, created deliberately in 1950 to overcome the need of obtaining licences to export live cattle to West Germany; after changes in EEC rules, it entered the domestic market and developed considerably its commercial interests owning "large cold stores, export lairages and slaughterhouses."¹⁴ Similarly, the Danish Cheese Producing Dairies Joint Sales and Export Organisation (DOFO) exports cheese products, but additionally is involved in distribution, storing, packing and processing; while Butterdane is a co-operative established by 9 regionally-based butter exporting unions.¹⁵ These organisations have been mentioned as examples and the discussion will return to some of their activities in the section on strategy.

The existence of duplication and inefficient use of resources due to numerous competing co-operatives was recognised for a considerable time before the amalgamations which led to the formation of DLG, a national supply co-operative, in 1969. In addition to the elimination of duplicate facilities, the rationale governing this move was based on a desire to rationalise production processes and distribution networks, reap the benefits of economies of scale in management and transportation and enhance the countervailing position of farmers vis-à-vis the suppliers of farm inputs.¹⁶ DLG operates throughout Denmark, apart from the island of Funen where FAF, Funen's Co-operative Feedingstuffs Society, performs broadly similar functions.¹⁷ These societies, which co-operate one with the other, produce their own fodder composites, buying grain from their members and preparing it for both domestic and export markets. They sell through their own semi-autonomous branches (see below, the section on strategic management) and wholesale supplies to local feedingstuffs societies, which buy mainly from DLG but are free to look elsewhere for supplies.¹⁸ The relationships between DLG and FAF are not without complications but there is considerable hope that FAF will eventually join

DLG, though it must be pointed out that this expectation has been expressed on numerous occasions since the early 1970s without tangible fulfilment.

3.4 Governance, Legislation and Co-operative Finance

Unlike virtually every other country, Denmark lacks specific legislation with regard to co-operatives and individual societies have considerable control over the setting of organisational objectives, members' responsibilities, managerial election and selection and the distribution of surpluses. Nevertheless, while there may be no legal definition of a "co-operative" and no laws which formally exclude certain organisations from thus designating themselves, the "general line" is, according to Pedersen and Knudsen, "that membership is open to all . . . interest on capital is restricted, profits are shared according to deliveries and there is democratic control by members". The absence of legislation reflects a general absence of government intervention and the existence of a more or less autonomous, farmer-governed co-operative sector. Nevertheless, the principle of one man - one vote "which works well at the level of primary co-operatives" is abandoned among the secondary organisations where voting is, for the most part, proportioned to members' patronage. Further, the lack of direct co-operative legislation has not hindered the farmers of general company law from inserting clauses which clarify the position of co-operatives vis-à-vis commercial companies or the assessment (now in progress) of the tax position of co-operatives.¹⁹

While there still exist many societies which are sufficiently small to enjoy complete member-control of their affairs, those which are members of secondary and national federations are involved in the election of the executive committees of these umbrella organisations through a sort of electoral college scheme whose members are elected by district-based groupings of the ordinary membership. Three factors reduce the degree of democracy apparent in this system, however. First, in those secondary and federal organisations, up to national level, which have other co-operative organisations as members, there is a strong tendency towards the use of block votes, the size of which is determined in some cases by the magnitude of member-organisations' memberships, but often by the size of their production or sales. This

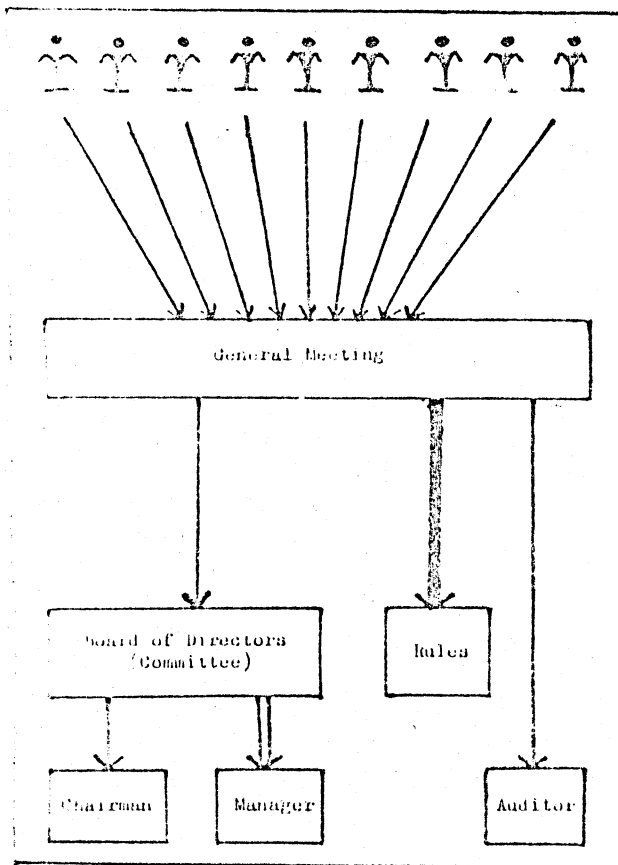
is not to say that there is malicious disregard of ordinary members' views, for there is no obvious evidence of this; but it does represent a - perhaps inevitable - deviation from the one man - one vote principle; individuals and organisations involved in the establishment of second-tier co-operatives in the UK are, of course, aware of this problem,²⁰ but it remains worthy of note here.

Secondly, the representation of the views of individual members and their primary societies at secondary and tertiary levels has not always proceeded smoothly. Amalgamations of co-operatives, in particular, have caused problems, not least in the procurement of able energetic and efficient managers. Nevertheless, it is refreshing to find the "official" literature of Danish co-operation admitting to such problems and suggesting solutions. It remains to be seen whether this frank desire for member-control actually leads to genuine democracy in the face of growing organisations and the consequent and inevitable centralised demands upon the co-operative system.

Thirdly - almost in illustration of the last point - it must not be overlooked that the executive committees of second- and third-tier co-operative bodies elect their own chairman and select the administrative directors. In these respects, the committees are responsible to the delegate conferences which elected them but effective control by ordinary members relies heavily on their being educated to understand the workings of the structures they elect and on their being informed about current performance. Figure 2 shows an attempt by CCC to illustrate the various patterns of co-operative governance appropriate to different types of organisation.

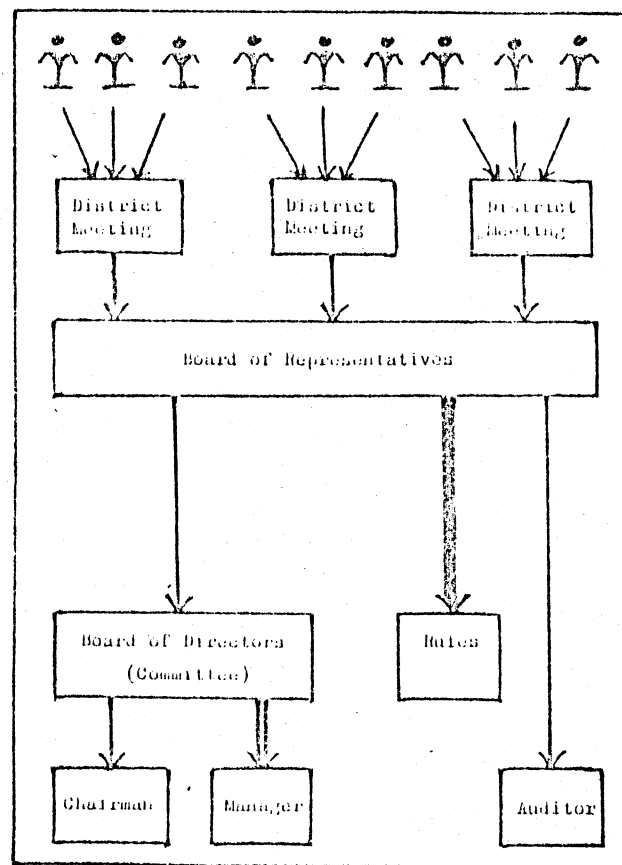
In the small village communities of the past, the financing of co-operatives was locally-arranged through the village banks; for such co-operatives, finance presented few problems but, as societies developed and investment in capital equipment became imperative, so did a new basis of co-operative finance. In 1971, the village banks established a central bank and this has a sound relationship with the Co-operative Bank, Andelsbanken, which is organised as a joint stock company and which is the fourth largest bank in the country. While co-operative organisations own a very considerable proportion of its equity and thus exercise notable control over the formulation and implementation of its policy, its remaining share capital is divided among some

A



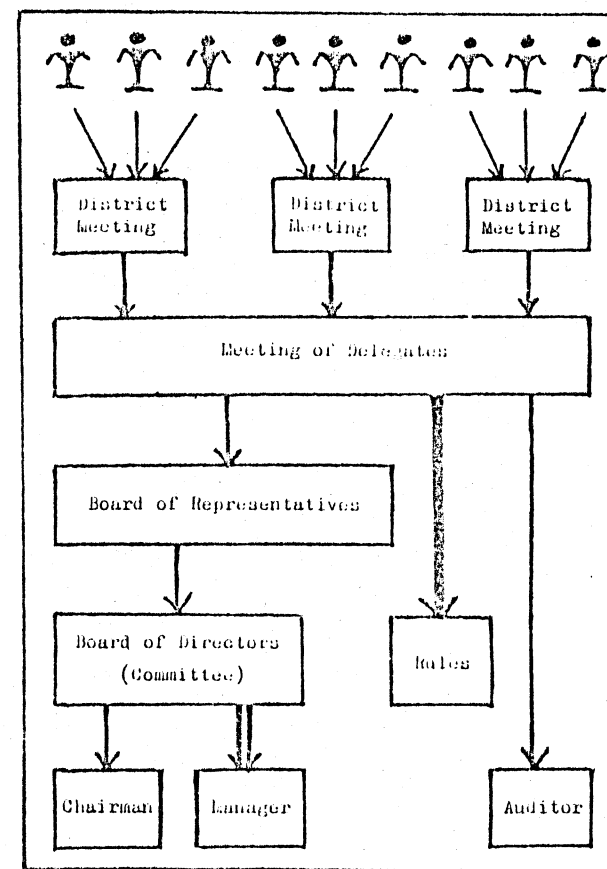
Example A shows the type of organisation in a small primary society. All members have the right to appear and vote at the general meeting of the society. The general meeting is the highest authority, it can adapt and change the rules, and per routine the committee members and auditors are elected. In some societies the general meeting also elects the chairman, but usually this function is performed by the committee who also appoints the manager. This type of organisation where the members have a close and direct influence on the affairs of the cooperative, is to be found in all different fields of activity. It has so far been the most frequent type among primary societies.

B

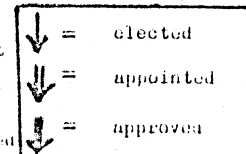


Example B shows the typical structure of organisation in a larger primary society, which may be the result of amalgamation of several small societies so that none of the former small units are operating. Here the board of representatives perform the highest authority of the society, its members have been elected at the district meetings. The size of the districts may be balanced to elect an equal number of representatives, or a number which relates to the number of members or to the turnover with members in the district.

C



Example C has a meeting of delegates put in between district meetings and the board of representatives. The meeting of delegates has the highest authority, its members are elected at the district meetings. The delegates will normally be elected exclusively for the duty to represent the district at the meeting of delegates. The districts may send a number of delegates according to the number of members or to the turnover in the district.



90,000 individuals. The trend towards co-operative amalgamations has led this bank to broaden its operating base and to widen its sphere of involvement in non-agricultural ventures. As agriculture declines in its total contribution to GDP, it is inevitable that the Co-operative Bank will continue to extend its activities into urban areas and that the village banks will continue to decline in number and importance. That the Co-operative Bank has some 200 branches throughout the country is indicative of the new scope of its activities.

Independent mortgage credit organisations and insurance co-operatives complete the range of financial and commercial services available to farmers and their co-operative societies and associations. While the former type of organisation is independent of other organisations, the latter is not; two large insurance companies are connected with the CCC. The scope of the mortgage credit associations is evident from the estimate that half of the country's mortgage debt on real estate has been financed by them. (Digby cites estimates that this proportion might be as high as 98%).²¹

3.5 Strategy, Control and Conflict

The term "strategy" as it is being employed in this monograph, refers to a "realignment of the [organisation's] product-market environment" and usually involves growth, either by straightforward expansion or by diversification. Judging by the example of France, it might appear that co-operatives use strategic management mainly when they are faced with crises but, in common with most businesses, the typical co-operative "seeks to improve its product and process technology, expand sales territory, and increase share of the market".²² The relevance of large-scale organisation to the strategic management of the Danish co-operative sector can be judged by reference to three facets of the behaviour of secondary associations, national federations and international marketing organisations. These are (i) rationalisation of organisations involved in production, product development, processing and distribution, (ii) the market intervention of supra-co-operative organisations and (iii) their collaboration with other co-operative and non-co-operative organisations.

The push towards the creation of large co-operatives has dominated the Danish co-operative sector for two decades; between 1960 and 1978,

the number of co-operatives declined by over 42%. Before 1960, the modal co-operative was "the small local society, with open membership . . . obligatory duty to deliver or purchase . . . personal joint liability and . . . democratic leadership." The process of concentration has taken two forms; either these have been straight amalgamations or societies have been dissolved and their members reallocated. Economically and managerially, it has a two-fold impetus; motorised bulk transportation has led to the need for fewer localised distribution networks and the demand for mechanised production and processing methods could not be met by small organisations. A form of limited liability (sans incorporation, however) has accompanied these organisational changes, as have the changes, as have the changes in representation and election noted above. The trend towards further concentration continues inexorably and it has been judged that "in some sectors, the final goal is to have only one country-wide society."²³ Unfortunately, there is space for only one example: there were 62 co-operative bacon factories in 1962 (single plant societies); by 1975, this had become 26 co-operatives with 40 plants (pig abattoirs) among them. Cattle slaughterhouses declined from 39 in 1960 to 15 in 1973 and about 12 in 1976. At the same time, "the number of bacon factories slaughtering over 40,000 pigs per year has increased from 1 in 1960 to 4 in 1973, when they accounted for over 18 per cent of total slaughterings".²⁴ Similar events have taken place in the dairy, egg and poultry sectors and, as has been mentioned, in the farm supply industry.

Large scale organisation is made necessary by the need to export efficiently; its problems are that the higher echelons of the co-operative organisation, where decision-making is increasingly concentrated, become remote from ordinary members and managerial talent may not always be available to manage expanding firms. Both DLG and FAF have been forced to decentralise decision-making after an earlier opposite trend caused severe managerial problems which helped the private supply trade advance at the co-operatives' expense as well as causing conflict within the co-operative sector.

The development of market power is often a natural consequence of size. DLG has become the sole supplier of many small co-operatives which are wholly dependent on it. This alone is not proof of the use of market power against the smaller societies but the tendency of its

larger customers to enter the supplies markets themselves in order to try to obtain better prices is interesting. It also acts against the establishment and continuity of harmony in the co-operative input supply trade. A graphic example of the value of strong, centralised (in this case quasi-) co-operative organisation arises from the action of Oxexport which promoted the restructuring of national meat marketing on a regional basis with a single central slaughterhouse in each region and regional management committees to administer the new system; in addition, a central organisation was proposed to co-ordinate marketing. Ironically, Oxexport's position and power were reduced in the subsequent rationalisation but the importance of an organisation poised to perceive the need of reorganisation and able to act to promote it is obvious.²⁵

The practice of co-operatives collaborating commercially with one another and with the private trade is widespread. DLG has its own subsidiary, Tectu, to plan and build farm buildings; in addition, "DLG, along with FAF . . . jointly have a subsidiary, the Danish Farmers' Co-operative Association for the Purchase of Agricultural Machinery (DLAM)" which not only supplies farm machinery but is involved in all aspects of associated service, repair and renovation. In the fertiliser business, private and co-operative organisations are well-known for working in concert rather than competitively; there is also evidence that co-operative and non-co-operative bodies in the pig trade have "collaborated to formulate a single price structure which gave confidence to investors." The limitation of members' liability also causes a blurring of the edges between co-operative and private businesses. Pedersen and Knudsen claim in one place that it is democratic control which ensures co-operatives' market power. They go on, however, to admit that the side-by-side working of co-operative organisations and privately-owned firms is of help. And, finally, they admit that there is little difference from the point of view of farmers "between the conditions his co-operatives can offer and those he could receive from the private firms, their competitors." As in France where the SICA have effectively made it difficult to judge where co-operatives end and non-co-operatives begin, Danish agricultural co-operatives often receive the support of - and are sometimes owned by - private companies. The impression is frequently of co-operation (with a small "c") rather than the competition which so

often characterises the relationships between co-operatives and agricultural merchants and dealers in the UK. Whether farmers in Denmark, with their traditional co-operative mentality, appreciate the commercial logic of these arrangements is, in fact, questionable unless that mentality is changing.²⁶

HOLLAND

4.1 Development

Once again the motivation for the establishment of co-operative organisations in agriculture can be clearly traced to the weakness of farmers in markets where they sold their produce. Several dates at the end of the last century are of significance in this development.

- 1880 - setting up of first farmer co-operative;
- 1877 - first supply co-operative established;
- 1886 - first dairy factory;
- 1887 - first vegetable auction co-operative organised;
- 1896 - first co-operative bank in the agricultural sector.

The pattern of establishment in the late nineteenth century, fast growth in terms of the number of co-operatives and post-World War II decline in the same terms - though not in terms of scope, power and effectiveness - as is apparent in so many other EEC member-states can be quite clearly perceived in Holland. Economic pressures have, over the last three decades led to amalgamation, rationalisation and the inevitable concentration of co-operative activity. The main legislative instruments - of 1855 and, more importantly, 1925, define and facilitate co-operation but determine there is minimal Governmental involvement. Co-operative bankers in the agricultural sector have played a crucial role in co-operative development: over 40% of the entire national savings are with co-operative in credit institutions; a very high proportion of loans to agriculture and horticulture originates there. The typical scope of a co-operative is limited to one product-market.

The attitude of government has been neutral as far as co-operative development is concerned. New legislation, which came into force in July 1976, offers a rather different definition of a co-operative from the law of 1925 and restricts transactions, "except minor and occasional" ones, to members - previously, there were no restrictions. Different forms of liability have also been introduced. There is little available evidence as yet to indicate the effects of these changes on commercial operations and market strategy. For clarification, see Issert (1978).¹

4.2 Scope and Extent of Co-operative Marketing

Co-operatively-organised processing and marketing account for an impressive proportion of a wide range of agricultural and horticultural produce in the Netherlands. There is, however, no co-operation in production unless the help-on-enterprise co-operatives be counted as such. Table 13 shows that in many product-markets, the percentage of processing or marketing for which co-operatives account has increased substantially during the last 30 years and that there has frequently been noteworthy expansion during the last decade. The areas in which considerable growth in co-operative market share has taken place are cattle fodder, some items of dairy processing (especially liquid and condensed milk), processed potatoes, items of dairy marketing, potatoes for consumption and bookkeeping. In some cases, market shares have been quite static: the proportion of national savings accounted for by co-operative financed institutes, for instance. Since the early 1970s, the co-operative banks are recorded as supplying 90% of investment capital borrowed for agricultural and horticultural development (before this time, separate figures for this are not available). Other produce-markets have actually experienced a decline in co-operative business measured as a proportion: e.g. eggs, grassdrying, A.I. and, in the last few years, bookkeeping.²

The position of the co-operative sector has been changing in other respects, too, during the 1970s. As Table 14 indicates, the number of members of co-operatives in various product-markets shifted significantly between 1972 and 1977. Many areas show a decline in membership, though some strategically-important sectors such as banking evince a considerable increase. Further, the number of full-time employees in the co-operative sector has grown noticeably in some dominant areas: credit, supply, dairy processing and marketing, bookkeeping and help-on-enterprise. The extent to which personnel are distributed among the major sub-sections of the co-operative sector is also of interest. In addition to the 22,000 employed in credit co-operatives and the 12,000 in supply co-operatives, there were, in 1977

35,360 employees of processing co-operatives,

8,015 employees of marketing co-operatives,

and 3,850 employees of service co-operatives,

a grand total of 81,225.

(Source: NCR (1979) and personal communications).

TABLE 13

Co-operative Market Shares in Holland
(% of national markets, by value)

Product-Market	1948	1970	1975	1979
<u>Credit</u> - savings	37	41	41	42
- granted credit	-	-	90	90
<u>Supply:</u>				
cattle fodder	29	41	52	53
fertilizer	61	61	61	60
<u>Processing:</u>				
Dairy -				
milk deliveries	84	86	87	87
butter production	85	90	94	94
cheese production	86	89	92	92
milk powder	80	87	81	86
condensed milk	29	67	75	76
liquid milk sales	40	70	78	79
Cattle and Meat -				
slaughtered pigs	17	27	26	27
slaughtered cattle	11	17	17	18
slaughtered calves	19	8	11	-
sheep and lambs	-	-	19	-
Sugar beet	59	63	62	60
Manufacturing potatoes	83	80	80	100
Flax	9	-	40	-
Poultry for slaughter	-	-	35	-
<u>Marketing:</u>				
Dairy -				
butter	54	80	80	77
cheese	35	63	70	68
milk powder	27	56	59	58
Eggs	38	19	20	21
Vegetables	-	83	84	84
Fruit	-	79	82	82
Flowers and plants	-	82	83	85
Wool	75	90	c.90	65
Consumption potatoes	2	-	26	27
Seed potatoes	33	41	52	56
Mushrooms	-	-	55	85
<u>Services:</u>				
machinery rentals	8	10	-	-
AI cows	-	100	60	69
AI pigs	-	100	12	19
bookkeeping	16	-	50	33
grassdrying	45	63	43	52
help-on-enterprise	-	100	100	100

TABLE 14

Members and Employees of Co-operatives

Product-market	Members		Employees	
	1972	1977	1972	1977
Credit	677,000	875,000	16,663	22,000
Supply	116,000	100,000	10,900	12,000**
<u>Processing:</u>				
dairy	90,000	80,000	20,000	27,500
cattle & meat	50,357	46,500	3,915	3,800
sugar	19,285	20,000	2,000-3,000*	2,000
mfg. potatoes	7,318	6,000	1,630-1,928*	2,000
flax	110	104	50	60
poultry for slaughter	1,000	-	1,750	- ***
<u>Marketing:</u>				
dairy	-	-	1,200	3,600
eggs	400	800	344	150
veg. & fruit	44,000	32,500	2,500	2,500
flowers & plants	10,500	8,000	975	1,500
wool	23,087	23,000	88	75
consumption & seed potatoes	3,120	2,800	260 - 475*	600
mushrooms	-	834	-	90
<u>Services:</u>				
machinery	12,000	-	1,000	500
AI cows	75,020	64,000	724	720
AI pigs	10,447	9,200	67	70
bookkeeping	74,157	81,000	1,634	1,750
grassdrying	5,012	2,960	314	60
help-on-enterprise	27,362	35,000	481	750

Notes:

*inc. poultry for slaughter:

**seasonal figures:

***see*

Source: NCR (1979) personal communication.

TABLE 15

Numbers of Dutch Co-operatives for
various years, by Product Market

Product-Market	1949	1973	1975	1979
Credit	1322	1133	1050	1000
Supply	1160	-	311	269
<u>Processing:</u>				
dairy	416	68	60	43
cattle & meat	8	2	2	2
sugar	4	1	1	1
mfg. potatoes	15	1	1	1
flax	2	1	1	1
poultry for slaughter	-	2	2	-
<u>Marketing:</u>				
dairy	7	3	3	3
eggs	28	-	4	4
veg. and fruit	169	71	66	57
flowers and plants	18	15	15	14
wool	1	1	1	1
consumption and seed potatoes	16	10	8	-
mushrooms	-	1	1	1
<u>Services:</u>				
machinery	300	128	116	100
AI cows	183	-	56	49
AI pigs	-	-	6	5
bookkeeping	18	19	18	16
grassdrying	52	13	10	9
help-on-enterprise	-	163	132	-

Sources: NCR (1979) and personal communication.

The other particularly noteworthy point is the structural concentration which has reduced the number of co-operatives very greatly during the last 30 years but, especially, over the last decade. Table 15 shows the extent of the changes which have taken place. The credit co-operatives have reduced numbers to about 1,000, though in 1979, they had some 3,102 branches, compared with 3,130 in 1977. A drastic reduction in the number of processing co-operatives can be detected in the case of dairy produce organisations but this is only the most dramatic of a number of separate trends towards concentration and centralisation throughout the processing, marketing and service sectors. Supply co-operatives have declined to fewer than 269 in 1979 from well over 1,100 in 1949.

Finally, in this section, the importance of exporting to co-operation in Holland should be noted. Co-operatives are the predominant exporting organisations for cheese, condensed milk, ware and seed potatoes, potato flour and table poultry.³ Holland is the world's largest exporter of condensed milk and cheese - the latter goes to over 100 foreign countries but some 40% to West Germany. Over 75% of condensed milk production is exported, mainly to the southern hemisphere.⁴

TABLE 16
Significance of Co-operatives in Exporting
(by value)

Product-Markets	Co-operative(s)	Domestic Market Share %	Proportion of exports accounted for %
Dairy	Dairy co-operatives	79 butter) 69 cheese) 57 milk powder)	c.60
Cattle and Meat	COVECO VEE-EN VLEESCENTRALE/ NCB	c.14) slaughtered) pigs c.14)	56 62
Potato flour	AVEBE	80	81
Poultry for slaughter	Fri-Ki Goossens	c.20 c.15	70 60-70

Source: NCR (1979).

4.3 Organisation of the Co-operative Marketing Sector

The national co-operative organisation, NCR, which was founded in 1934, links 26 organisations - three national farmers' unions and 23 central co-operatives (there were 24 until the early 1970s when the consumer co-operative organisation left). The others are all agricultural or horticultural organisations.⁵ The aims and functions of NCR are the defence of co-operation, dissemination of the idea of co-operation, promotion of the interests of co-operation and "defence against any attempt to restrict this right". This sounds fairly aggressive and the objective of co-operatives generally has been unequivocally stated by NCR as "to change the market structure as far as there is an imbalance in the market which works unfavourable for the farmer".⁶ The pursuit of countervailing power is carried on not only through this central organisation but via its members; farmers may ultimately be affiliated to NCR in two ways: through their local/regional co-operatives and through the three unions; co-operatives and the unions thus share a common membership to some extent.

These three organisations, KNBTB, KNLC and CBTB, which are, respectively, Catholic, neutral and Protestant organisations, have a combined membership of 127,000 farmers. Their memberships show recent decline, however, as Table 17 shows.

TABLE 17
Membership of Farmers' Unions

	Number of Members in 000s			
	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1979</u>
KNBTB	76	76.2	66.5	56.6
KNLC	n.a.	c.61.2	c.55.5	c.49
CBTB	n.a.	c.29.3	c.25	c.22

Key: KNBTB = Roman Catholic Netherlands Organisation of Farmers and Horticulturalists, The Hague
 KNLC = The Royal Netherlands Agricultural Committee, The Hague
 CBTB = The Netherlands Protestant Farmers' and Market Gardeners' Federation

Source: NCR (1979).

On account of mergers and amalgamations, the scale of organisation in the co-operative sector is quite large and only one or two central organisations exist in most key product-markets: for example, there is one central bank, one national sugar processing and sales co-operative, one wool marketing co-operative, a single poultry processing and sales co-operative, and two cattle and meat processing and marketing co-operatives.⁷ Many data are available on these organisations in the NCR Yearbook (1979); rather than describe them at length in this section, therefore, their general nature, including that of the central co-operative bank, will, more appropriately, be discussed in the following sections on strategic management.

4.4 Strategic Management in Co-operative Finance

There were, until 1972, two central co-operative banking organisations. These merged to form the Centrale Rabobank,⁸ bringing to an end the system under which Catholic and non-Catholic organisations pursued the aim of their member banks separately. In fact, this merger can be seen as a response to the merging of four commercial banks outside the agricultural sector in 1964 to end the under-utilisation of their separate services by the formation of "two banking giants". Four years later, the two co-operative central banks set up a joint consultative committee which paved the way for the 1972 merger which was "based on considerations of efficiency and . . . the need to avoid too many banking facilities." This apex merger having taken place, there followed a severe rationalisation of local banking facilities to cut out as much duplication of effort and services as possible.⁹ The responsibilities and powers of the central bank were severely tightened, no doubt as a reflection of the new relationship between the apex and the local co-operative banks.

The merger and subsequent rationalisation were undoubtedly based on sound commercial sense but it is interesting to note the way in which Rabobank justifies the moves in co-operative terms. Thus we are assured that "the ideal of local independence will appeal to no-one, if it is offset by higher charges or poorer services, and the benefits gained by a large-scale approach should ensure the containment of costs and the quality of the services offered".

The Central Rabobank illustrates well the strategic potential of

strong central organisations. Such organisations are well-placed to expand co-operative business not only nationally but on an international scale in ways denied to smaller co-operatives which are competing with one another; to plan ahead on their own behalf and that of the entire co-operative sector; and to meet non-co-operative competition.

The Rabobank is deliberately expanding into a multi-national banking corporation and one motivation for this is the immense importance of co-operative exporting business to Holland. The bank's Study Department lists four ways in which this strategy has been pursued since the establishment of the central Bank in 1972. First, there has been, since 1973, participation in a London merchant bank; second, the formation of a joint subsidiary with the Bank of America (1974); third, development with other European banks of a joint banking group; and, fourth, direct international action.

The bank's current position is shown in Table 18.

TABLE 18
Data on Centrale Rabobank

	<u>1976</u>	<u>1977</u>	<u>1978</u>
Members (000s)	875	890	900
Employees	21959	22873	24182
Savings (in guilders)	27740	34184	38491
Loans (in guilders)	32525	40480	50195
Net profit (in guilders)	218	244	273
Balance Sheet Total (in guilders)	50856	61095	74229

Source: CNR (1979). Some figures differ slightly from those in an earlier table though the source of both is CNR publications.

4.5 Organisation and Management

Less specific information is available about the strategic management of co-operative organisations in product markets other than finance but the same relentless movement towards the large scale bodies which can implement the type of policy mentioned in the last section is obvious.¹⁰

In the supply co-operative sector, three national umbrella organisations dominate: Cobeco-Handelsvaad (which is based in Rotterdam), CHV or Cehave (Veghel) and Landbouwbeland (Roermond). The first of these

was formed from merger activity in 1972 and 1973 and now has some 70,000 members; CHV is an apex organisation having 22 member co-operatives which, between them, have 20,000 farmer-members; and Landbouwbelang has some 11,000 members. Recently available information on the financial positions of these organisations is provided in Table 19, but more important are the interconnections among the three organisations. Their joint market shares, which are impressive, were given in an earlier section. In addition, despite many separate interests, there is a jointly-owned pesticide plant, a joint poultry-marketing organisation and joint interests in an organisation concerned with animal feeds research and development. In many areas, therefore, there can hardly be said to be competition among these co-operatives.

In the dairy sector, there are two umbrella organisations which belong to NCR - the Royal Netherlands Dairy Produce Union, FNZ and the Union of Co-operative Dairy Product Sales Societies, BCZV. There is also a similar organisation for private dairies, which prompts the observation that the development of large scale central co-operatives is sometimes a response to the existence of large scale competitors; nevertheless, it must also be noted that, in this case, such development is at the expense of inter-co-operative competition. Over 92% of cheese exports are accounted for by FNZ-affiliated co-operatives; over 75% of condensed milk production is similarly attributable; and 75% of fresh milk is also accounted for by this organisation. Marketing of other dairy produce is managed by three (formerly seven) BCZV-affiliated organisations which have strongly-demarcated, regional markets: Frico, DMV and NCZ. FNZ (1975) states candidly that "co-operation between these trade organisations and the primary dairy co-operatives goes so far that, regularly, consultations take place both concerning production and concerning the range of activities." There is also very close co-operation between these three organisations and FNZ.¹¹ Once again, active competition appears to be a rare occurrence!

The account of the role of central organisations, their efforts to encourage rationalisation through merging primary societies, and their increasingly efficient control of supplies could be continued to cover the other product-markets which have been mentioned - from meat and live-stock, which is dominated by two central bodies to wool, where the single

TABLE 19

Growth in Turnover and Profits of Supply Co-operatives in the Late 1970s

	Cebeco			CHV			Landbouwbelang		
	1975/6	1976/7	1977/8	1975/6	1976/7	1977/8	1975/6	1976/7	1977/8
Output (1000 tons)	4,343	4,772	4,758	2,273	2,335	2,378	850	840	835
Turnover (m. gldrs)	1,896	2,336	2,198	1,214	1,475	1,361	377	419	398
Net profits (1000 guilders)	2,001	3,201	3,727	6,337	12,683	13,613	305	33	1,192

Source: CNR (1979)

central co-operative has disbanded the primary co-operatives and deals directly with its members. But the indications would be similar to what has been documented for the selected product-markets. The observation made in CCAHC (1970) still holds good: "Some central organisations have no commercial function, while in others it is so great as to overshadow the local co-operatives of which they are composed."

CHAPTER 5

WEST GERMANY

5.1 Development

The modest self-help society founded after the failure of the 1846-7 harvest by Friedrich Wilhelm Raiffeisen has evolved into one of the most efficient and powerful co-operative organisations on earth. The movement soon diversified from being a 'bread society' which aimed at overcoming the resulting famine into an organisation able to supply finance to the emergent co-operative sector. The Co-operative Law of 1867 modified the operations of the existing co-operatives. Raiffeisen went on to develop a system of central banks whose shareholders were the pre-existent credit societies; these central banks were shareholders of an apex bank which, in 1876, became the Landwirtschaftliche Central-Darlehenskasse für Deutschland A.G. At about the same time, he developed finally a three-tier co-operative organisation which continues to this day. By 1881, the structure embraced marketing and supply functions.

A system of co-operative organisation developed by Wilhelm Haas grew up at first in close co-operation with the Raiffeisen movement and, subsequently, independently. In 1930 these two organisational structures merged as the Reichsverband der deutschen landwirtschaftlichen Genossenschaften - Raiffeisen c.V. and by 1938 this body had some 40,000 societies in membership.

Since 1945, there has been a continued process of rationalisation based largely on amalgamations. As the number of primary societies has fallen sharply, however, membership and turnover have increased. Structural change during the 1970s has, in addition, involved considerable reorganisation at the topmost levels in order to reduce costs and, more significantly, improve the competitive standing of the co-operative sector.¹

5.2 Scope and Extent of Co-operative Marketing

Huge investments and an impressive turnover rates are noteworthy features of German agricultural co-operation and are reflected in a strong position with regard to marketing, which commands a substantial percentage of the country's annual agricultural appropriation.² In the years 1966-76, the overall turnover increased from 27 to 59 thousand million DM, while membership grew from 3.674 million to 4.36 million. In 1978, 147,000 employees were earning their living through the industry, which invested 18 thousand million DM during the 1948-76 period. The figures for market share (by value) in Table 20 are for 1976 when the approximately 9,000 primary co-operatives enjoyed a composite turnover which was of the order of 69 thousand million marks. Note that of the total turnover earned by the agricultural sector, co-operatives were responsible for over one half, compared with about 37% in 1952, 40% in 1962, and just 50% in 1973.

Several facts, provided by DRV, make clearer the extent of co-operative marketing in specific fields: co-operatives produce and process annually, some 17 million metric tons of dairy products; 8m. heads of swine and 1m. heads of beef are annually slaughtered in co-operative abattoirs; over 200m. kilos of poultry are annually marketed by co-operative packing plants; nearly 670m. eggs are similarly marketed each year; co-operative fisheries have an annual turnover of 151m. DM; wine co-operatives are capable of storing up to 8m. hectolitres and have a turnover of almost 1.1 thousand million DM.

The value of exports for which Raiffeisen co-operatives were responsible in 1978 was 2.4 thousand million DM.

TABLE 20
Co-operative Market Share (by Value) %

Total turnover of agriculture	53%
MARKETING - milk	79
cereals	52
vegetables	49
fruit	27
wine	33
SLAUGHTERING - pigs	21
cattle	20
SUPPLY - feedstuffs	66
fertilisers	62
machinery	36

Sources: Schiffgen (1979): DRV (1979).

5.3 Organisation of the Co-operative Sector

Three separate but closely-interconnected organisations comprise the German Co-operative and Raiffeisen Union (DGRV) which emerged in 1971 as a result of an amalgamation of the rural Raiffeisen Association (DRV) and the urban German Co-operative Association (DGV). The initiative for this came from the Raiffeisen movement and resulted in DGRV's being an apex organisation representing agricultural and industrial co-operatives. Raiffeisen Commodity Co-operatives (BRW) was made part of the German Raiffeisen Association in 1976. The three constituents of DGRV are:

- The German Co-operative Association (including the German Raiffeisen Association);
- The National Union of German People's Banks and Raiffeisen Banks; and
- The National-Union of Co-operative Wholesale and Service Organisations.

DGRV's functions are mainly twofold: it represents and promotes the interests of its member organisations and acts as a national auditing institution for co-operatives. The three members of DGRV promote their own specific interests, performing independently their peculiar public relations functions. The 1971 merger came about as a result of the

TABLE 21

Structure of Agricultural Co-operative
Organisation in West Germany

German Raiffeisen Associations

	5 federal centres (national commodity institutions)
11 regional associations or unions	61 regional centres (for commodities)
8,476 Raiffeisen purchasing, marketing and service co-operatives (primary level)	

Sources: Schiffgen (1979); DRV (1979).

TABLE 22

Co-operatives by Geographical Area

Area	No. of Co-operatives
Baden	965
Bavaria	2218
Lower Saxony	900
Kurhassen	342
Rheinland	594
Rhein-Main	911
Saarland	77
Schleswig-Holstein/Hamburg	584
Weser-Ems	399
Westphalia	356
Wurtemberg	1191
Total (inc. 61 regional commodity centres)	8537

Source: DRV (1979).

view that the "economic power of the co-operative credit institutions should be merged together in order to avoid internal friction, to effect savings in costs and to strengthen the competitive position vis-a-vis other banking groups". That these three organisations co-operate closely with one another is strongly evidenced by a network of "personnel interconnections in executive bodies".³

Turning specifically to the German Raiffeisen Association, its three-tiered structure can be effectively illustrated as in Table 21, whose figures relate to 1979.

The number of primary co-operatives has fallen considerably since the end of World War II, from over 21,000 in 1948 to some 9,000 in 1976 and fewer than 8,500 in 1979. Undoubtedly this reflects the ability of a single co-operative to serve a wider area than was possible in the absence of mass communications; Table 22 indicates the regional distribution of the co-operatives and Table 23 the product-market distribution of the primary societies.

TABLE 23

Primary Co-operatives by Product-Market

Product market	No. of Co-operatives
Credit (also in purchasing and marketing)	2912
Purchasing and marketing	1149
Dairy:	1709
of which milk processing	477
Livestock marketing	253
Egg marketing	16
Fruit and vegetable	156
Wine production and marketing	349
Fishery	34
Other trading	359
Service (cold storage, pasturing and breeding)	400
Other service	1139

Source: DRV (1979).

Ostensibly and legally, the primary co-operatives operate independently; they also tend towards product-market specialisation as the very small degree of double counting in Table 23 shows. Primary co-operatives have, on average, 510 members. The total membership of Raiffeisen co-operatives has expanded considerably over the last twenty-five years: these were 3.14 million in 1956, 3.67m. in 1966, 4.28 m. in 1977 and 4.31m. in 1978 though specialisation makes multiple membership inevitable.

Within the three-tiered structure, very considerable importance indeed is placed on the regional commodity centres which carry out these activities which individual societies are incapable of performing for themselves. and extend the scope of co-operation into new areas. They arrange, for instance, the sharing of expensive items of farm machinery, repair depots, feed mills, abattoirs, egg packing plants and wine cellars. They co-ordinate the activities of the local co-operatives and rationalise their joint processing, storage and distribution processes. Their ability to co-ordinate the supply of commodities produced by a large number of disparate primary co-operatives enables marketing-orientated distribution to occur in a way which meets the requirements of the customers with respect to the relevant elements of the marketing mix, particularly price, bulk supplies of the product, level of product processing, packaging and transportation. Effective marketing management is made possible by their employing marketing regional specialists and quality control personnel. The 61 regional commodity centres included, in 1979:

- 12 regional purchasing and marketing centres,
- 13 dairy centres,
- 5 livestock and meat centres, and
- 6 wine producing and marketing centres.

Nor does the exploitation of higher level organisation end here. Five federal centres - or more accurately, national commodity institutions - have been established by the regional centres in order to provide the co-operatives with commercial services which they could not provide for themselves - at least, not economically. These are:

- 1) The German Raiffeisen Purchasing and Marketing Centre, Frankfurt;
- 2) The German Dairy Central Office, Hamburg;
- 3) Raiffeisen Seeds Imports, Hamburg;

- 4) The National Association of Fruit and Vegetables Producers' Organisation, Bonn; and
- 5) The Wine Marketing Central Office of the German Winegrowers' Co-operatives, Bonn.

It is interesting to note that the functions carried out by these federal centres are mainly connected with marketing and that the current promotion that they will, *inter alia*, perform similar activities. For example, the national commodity centres are involved in branding programmes, joint purchasing schemes and exporting. In connection with the last, which is seen as a means of stabilising prices on the home market and of supporting farmers' incomes, the Raiffeisen co-operatives were responsible for exports valued at 2.4 thousand million DM in 1977.

The three levels of organisation thus far considered have been summarised as the infrastructure, intermediate structure and super-structure of the Raiffeisen movement. But there exists another dimension of organisation which provides the essential functions of liaison, co-ordination and communication among the local, regional and national levels of co-operative organisation. All co-operatives must belong to a regional association for auditing purposes but, in addition to this legal requirement, the associations provide a range of valuable services: advice on economic, legal and business matters, education and training, as well as public relations. They also ensure an economical division of labour among the strata of co-operative organisations; they enable regional strengths and weaknesses to be taken into account in trading and planning operations: their decentralised approach helps ensure that such factors as "husbandry areas, forage growing stations and areas of intensive processing industry" are included in planning and integrative activities.

But the strategic importance of the associations is most graphically brought out by Schiffgen who notes that "the close connection between the money and the commodity sectors is another characteristic of the co-operative interlinked system". Further, "in addition to auditing ... they contribute, in a decisive way, to co-operative competitiveness through advice and guidance, as for planning. In many cases, too, they are interlocutors and negotiators of the State Ministries of

Agriculutre". The associations are closely-linked with the German Raiffeisen Association, which co-ordinates their activities and represents them, along with all other facets of agriculutral co-operation, in Brussels. The financial system appropriate to co-operation is closely associated with many of the organisations which have been mentioned but it will be discussed in its own right below.

5.4 Legislation

Although the Co-operative Law of 27 March 1867, to which reference has been made, provided "legal substance and form" for the existing co-operatives, the basic framework is the Law of 20 May, 1898. German co-operatives are (i) distinct from commercial and civil companies; (ii) registered with the Registrar of Co-operatives; (iii) able to own shares in other companies; and (iv) able to trade up to 50% with non-members.⁴ The strength of the Associations, noted above, derives in part from the Law of 1934 which forces all co-operatives to belong to an association for the purpose of auditing: "collaboration for that purpose led subsequently to co-operation in many others".⁵ The "Novelle" law of 1973, which came into effect at the beginning of 1974, adapted, (but did not entirely supersede) earlier legislation by altering the rules on co-operative capital formation and the roles of management and members. It is now permissible for co-operatives to pay interest on shares held, for instance. Further, whereas previously co-operatives could be formed with either unlimited or limited liability, they could now be established "without liability". Members may renounce shares while remaining in membership; membership may be inherited. Long term, though clearly not self-perpetuating, management became legally possible at the same time. These measures are not binding on co-operatives, however, and relatively few have introduced them⁶

5.5 Co-operative Finance and Financial Strategy

The National Union of German People's Banks and Raiffeisen Banks was noted earlier as a kingpin of the central co-operative organisation. The Body (BVR) consists of more than 5,000 autonomous banks which, between them, have 14,300 branches and "command the densest banking network in Western Europe". Their combined assets amount to over 164,000m. DM⁷. BVR also has 15 regional audit unions (5 joint, 6 agricultural and 4 industrial) reporting to it.

BVR, like its fellow-members of the German Co-operative and Raiffeisen Union has close connections with a number of co-operatively-owned financial organisations, among them:

The German Co-operative Bank;
R & V Insurance;
Schwaleisch-Hall Building Society; and
German Co-operative Mortgage Bank.

The first (Deutsche Genossenschaftsbank or DG Bank) is the most relevant to this discussion. DG Bank makes loans primarily to central co-operative banks which relend, at flexible rates of interest, often to individual farmers. Local and regional co-operative banks often act independently of DG Bank to make short-term loans. DG Bank has, however, made long term capital available for the development of agricultural co-operative marketing. In the face of growing competition from local public savings banks and the "internationalisation of banking" have made even larger scale organisation of German co-operative finance inevitable.⁸

A very important source of financing for the co-operatives is the legal retention of members' dividends. Further, the interest which it is now permissible to pay on shares is seldom paid in fact by primary co-operatives. The co-operatives have thus access to almost cost-free finance. As Carpenter⁹ notes, the German co-operatives' reserves are now growing to the point where they are becoming financially-independent of their members and thus less accountable to them.¹⁰

The results of such financial strategy have been summarised as follows:

1. "The addition of dividends is preferable, as far as the co-operative is concerned, to a bonus paid in cash or accredited to share capital since it 'creates a stable financial base'".
2. It creates capital which cannot be withdrawn from the co-operative.
3. It facilitates the movement of financial resources "between different types and tiers of co-operatives".
4. The use of accounting techniques to "adjust" declared profits means that co-operatives' reserves need not be disclosed. As a consequence, "members cannot benefit directly from expansion through anonymous capital, if they have no control over the way it is used and no direct access to the returns". Arguments used by the Raiffeisen movement to the effect that such financial moves make for greater efficiency have little meaning for individual co-operators who may be unable to benefit from developments which are geographically-remote or involve product-markets which are beyond the scope of the enterprise.¹¹

5.6 Non-financial Management Strategy and Member-Society Relations

Rather than repeat the type of description of co-operatives' commercial strategy which has featured in earlier chapters, in the case of West Germany, it is proposed to examine a cognate area, namely member-society relations and the policy of the second- and third-tier organisations with respect to member involvement in decision-making at primary and subsequent levels. The internal organisational structure of co-operatives has been described by Issert;¹² we note here that, while the principle of one man - one vote at general meetings is generally upheld, plural voting was introduced, within limits, by the 1974 law. The restrictions do not apply to central co-operatives; in co-operatives with more than 3,000 members, the general meeting must be attended by delegates.

The difference between financial and member-co-operative strategies has been thus stated: "the flow of capital is principally 'upwards' from the primary societies to the regional and national levels, while the direction of decision-making and policy formulation is from the national and regional levels down to the primary society. Furthermore, there appear to be no effective elements within the system to prevent these processes continuing". Three features of member-co-operative management can be deduced from Carpenter's painstaking and well-documented study. First, in spite of formal sanctions which members may theoretically use against managements; members' influence is very weak; indeed, it is but nominal. Members frequently do not attend general meetings for the reasons that they found the issues were beyond their comprehension and the conclusions were fore-ordained.

Second, the managerial authority of the managers of primary co-operatives is similarly circumscribed by the actions of the regional unions. Although they were established for the sole purpose of auditing accounts, they have "developed into bodies with extensive advisory powers, and have become the major instruments for implementing policy decided at national level". Their auditing role provides a potential opportunity to sanction primary co-operatives which do not conform and "they have been especially active in carrying out the policy of rationalisation" which was discussed in Section 4.3.

Third, the Raiffeisen Association certainly acts as though it were consciously attempting to monopolise the agricultural industry in Germany in spite of its recognition that farmers are voting for the continuation of the rural system of agricultural merchanting when they make half of their decisions with respect to the sources of supply of their farm inputs and the outlets for their produce.

She concludes: "It seems clear that major policy issues are decided at a national level and implemented through the regional unions, while individual farmers have little influence on decisions taken at local level and none at regional or national level. Furthermore ... they have no sanctions to use in order to change decisions." It is fashionable - and not inaccurate - to criticise some British co-operatives for their remoteness from members but, surely they are still a far cry from the three-tier, self-justifying expansion witnessed here which proceeds in isolation from the interests of farmer-members.

CHAPTER 6

LUXEMBOURG

Although co-operative land improvement schemes pre-dated them by some 20 years, the first co-operative for the purchase of farm inputs and sale of output was set up in 1875. After fairly rapid diffusion of the idea and practice of co-operation, a central organisation, the Federation of Agricultural Associations, was established in 1909. This has been retitled the Agricultural Purchasing and Sales federation and is a member of COGECA. In 1945, the Centrale Paysanne Luxembourgeoise (CPL; the Luxembourg Farmers' Central organisation) was formed and set about making agriculture more efficient through the promotion of centralised processing and marketing - on a co-operative basis - in the farm sector. Co-operatives were legally defined in contradistinction to other companies by the law of 10 August 1915; and the decree of 17 September 1945 delineates their field of activity in the agricultural sector.¹

A recent study characterises CPL as "the only co-operative of any importance" and takes issue with the "official view" to the effect that there is strong competition among the country's co-operatives; in fact, the co-operatives "are nearly all subsidiaries of the Central Paysanne and they do not really engage in active competition with each other."² The product-market shares of Luxembourg's co-operatives (Table 24) are thus very largely the market shares of CPL.

Not only are these co-operative market shares impressive in themselves; the small number of central organisations responsible for such large proportions of most product markets is also noteworthy and reflects not only the (geographically) small domestic market. It stems additionally from a deliberate policy of centralisation of decision-making, market concentration and control of supplies. For instance, in 1978, the three co-operatives responsible collectively for over 90% of Luxembourg's milk production, and which were already integrated through a union, merged to form Luxlait.³ There is also evidence that the organisation which is responsible for the remaining 10% may also enter this central dairy co-operative. Further, the figure for meat and livestock marketing undoubtedly underestimates the

TABLE 24

Market Shares (% of production/consumption)
and Central Organisations - 1979

Product-market	No. of Central Organisations	%
Dairy products	1	91
Cereals	3	90
Animal Feedstuffs	2	65
Eggs	1	90
Potatoes	4	90
Meat and livestock	2	25 - 30+
Fruit	3	70
Seeds	2	95
Services and supply:		
A.I.	1	70
Fertilisers	3	70
Machinery	1	45
Credit	1	75

Sources: CPL (1979; personal communication, 1980).

co-operative market share in view of the considerable expansion of capacity at Agrocentre, Mersch. Through a private limited company which is its subsidiary, CPL was able to purchase up to 20% of marketed fat cattle as long ago as 1975.⁴ The market share figures have also to be interpreted in the knowledge that no strong, unified alternative marketing system to co-operation is to be found in the country.

As far as organisation is concerned, the predominance of CPL makes any discussion necessarily brief. CPL provides a wide range of services to farmers in an atmosphere of minimal competitive pressures; they include the sale of animal feeds, stock, A.I., construction, veterinary, legal and accounting services and "in addition . . . the Agrocentre buys grain, seeds, fruit, wine, dairy products, eggs and potatoes and also handles the processing."⁵ This wide range of services has the strategic function of encouraging farmer loyalty via the extension to members of so integrated a service that it is doubtful whether they will look elsewhere for outlets for their product or,

in their absence, develop alternatives to the co-operatives. In addition to its own depots and local offices, CPL provides banking and credit facilities which enhance co-operative patronage and thus co-operative shares.⁶ (The provision of co-operative credit is well-developed: rural banks had their origins as early as 1925 and were later merged with a Central Bank for Agricultural Associations which continues to be of considerable importance, having 100 affiliated rural banks and supplying some 75% of agricultural credit. The banks are closely involved in the provision of finance for production; in this area, some 1,400 farmers belong to 4 central bodies via their mutual organisations formed for machinery sharing).⁷

Generally, the development of co-operation in Luxembourg cannot be separated from that of the central co-operative bodies. One aspect of central strategy - the provision of an integrated and comprehensive system of services and outlets - has been noted. Another facet of strategic management, which ensures that farmers look to the co-operatives more and more in all aspects of their trading, is the provision by the co-operatives of access to all-important export markets. CPL's purchase of the Belgian pigmeat enterprise, Les Patrons Characters in 1973 "gives the Mersch operation access to pig supplies, technical know-how and a distribution network for its products in Belgium . . ." Attractive as co-operation is, however, for farmers in the absence of anything else, there are signs that its commercial success is at the expense of member participation in the decision-making processes, a decline in co-operative spirit and an inevitable delegation of business autonomy to larger and larger commercial units.⁸

CHAPTER 7

IRELAND

7.1 Development

The legislative and organisational framework with which agricultural co-operation operates in the Irish Republic are very similar to those of the Great Britain and Northern Ireland. This is entirely as might be predicted since the organised growth of farm co-operation in these islands can be traced to the Ireland of the 1880's where it spread to what was, in those days, the rest of the United Kingdom.¹ The first successful co-operative was set up in 1889 and heralded the beginning of two decades of very fast development, particularly in the dairy co-operative sector. Since 1894 a representative and service organisation, national in scope has operated: originally it was the Irish Agricultural Organisation Society but it changed its name in 1979 to the Irish Co-operative Organisation Society. A wholesale society was also an early feature of the Irish co-operative scene.

The 1950s and 1960s also showed considerable bursts of development though mergers have been a feature of this growth. Although early developments saw multi-purpose societies dominating the picture, recent development and rationalisation has had the effect of encouraging the growth of specialist societies. The main legislative framework for Irish co-operation is the UK Industrial and Provident Societies' Act of 1893 although some minor differences exist between Irish co-operative rules and those governing its co-operation; for instance, although most primary societies have statutes which embrace the "one man, one vote" principles, this is not a legal requirement.²

7.2 Scope and Extent of Co-operative Marketing

Table 25 shows the scope of agricultural marketing by co-operatives in terms of the major product-markets served and the extent to which the co-operative sector supplies demand in those markets. The following table indicates the co-operative shares of markets for farm inputs. The major area in which co-operatives flourish is the dairy sector, though the figures for farm requisite purchases show the co-operatives' marketing strength to be far from negligible. In addition to the product-markets specified in these tables, the co-operatives have 25% of egg

sales, 23% of cereals sales, 14% of fruit sales and 22% of vegetable sales.

Selected financial and membership statistics are provided in Table 27. The growth which is apparent from these figures indicates that, in spite of historically high rates of inflation, the Irish co-operative movement has been able to increase its business in many respects faster than the rate at which the agricultural sector, which has shown considerable expansion anyway since 1970, has itself developed.

Information respecting recent developments in and the current position of the co-operative sector in Irish agriculture is readily available in the Annual Reports of IAOS and ICOS. Discussion is not, therefore, protracted here, but an example of the types of co-operative development possible within the Irish co-operative system is essential and, in order to comply with this necessity, the following figures relating to pigs and bacon is based on data from IAOS (1979b). The discussion relates to 1978, the latest year for which data were available at the time of writing.

During that year, pig fattening co-operatives expanded their gross output by about 14% over 1977, the new total being 480,000. The 1978 rate of increase "exceeds the National gross output of pigs ... by 9.5%". The 1978 Annual Report of IAOS puts the share of the total number of pigs slaughtered in 1978 attributable to co-operatives in its membership at 24%.

TABLE 25

Co-operative Market Shares in Ireland
(% of total national market, by value)

Product-Market	1973-4	1975-6	1977-8
<u>Dairy</u>			
manufacturing			
milk	100	100	
consumption milk	32	35	88+
butter production	100	100	average
cheese	60	65	
skim milk	74	70	
<u>Meat and livestock</u>			
beef (cattle			
slaughtering)	68	35.4	33
pigmeat	37	25.5	25
livestock marketing	60	60	-
poultry	35	40	50

Source: Irish Farmers in Business (various issues);
IAOS (1979a); COEGECA, personal communication.

TABLE 26

Co-operative Shares of Markets for Farm Inputs

Product-market	1973-4 %	1975-6 %	1976 - value of Co-op share £m
Feed (sales)	47	48	77.8
Feed (processing)	23	28	-
Fertilizer (sales)	45	45	39.8
Fertilizer (pro- duction)	16	-	-
Seeds (sales)	55	55	5.3
Machinery	-	3.9	2.2
Building materials	-	17	8.0
Oils	-	0.8	0.2
Agrichemicals	-	30	3.7
Total value of co-op share			£137 m
Co-op share of total inputs in 1976			34%

Source: IAOS (1979); this document specifies primary sources.

TABLE 27
Selected Financial Data

Product-Market	Turnover £m			1977 Statistics		
	1950	1960	1970	Turnover*	Δ76**	Members
Multi-purpose dairies	22.8	39.8	66.9	1,020,517	26.4	93,121
- dairy produce	16.1	28.8	47.2	829,580	23.3	-
- other sales	6.7	11.0	19.7	190,937	41.7	-
Livestock marts	-	7.6	22.2	384,560	21.6	34,339
Meat processing	3.22	9.4	10.1	202,164	29.5	45,242
Wholesales	2.24	4.6	6.6	53,234	35.6	246
Agri-storage	1.78	3.3	4.1	29,336	14.5	16,713
Horticulture				5,132	(17.1)	3,498
Fishing				11,018	39.2	1,435
Pig fattening	0.13*	0.78	3.4	12,463	45.1	5,435
Home produce				598	32.6	10,087
Livestock breeding				2,545	22.5	42
Gaeltacht				2,270	45.8	7,137
Misc.				6,642	41.2	5,426
TOTAL	30.22	65.55	278.4	1,730,479	25.6	222,721

* In £000

** Increase on 1976

*** These figures refer to "sundry other societies".

Source: ICOS (1979a)

7.3 Organisation of the Co-operative Sector

The apex organisation, to which corporate organisations with co-operative constitutions may belong, is the Irish Co-operative Organisation Society, ICOS.³ The growth in the membership of ICOS is indicated in Table 28.

TABLE 28

Number of Co-operatives in ICOS

Type	1974	1976	1978
Multi-purpose dairies	61	55	54
Livestock	33	40	39
Meat processing	3	6	6
Wholesale	3	2	3
Agri-storage	33	31	28
Horticultural	7	7	8
Fishing	11	11	16
Pig fattening	13	15	17
Home produce	8	5	5
Livestock breeding	5	4	4
Gaeltacht	5	15	22
Other	19	18	140
TOTAL	200	209	342*

* Excludes 154 Group Water Co-operatives but includes "supplementary list" - see IAOS (1979).

Source: ICOS Annual Reports, various years.

ICOS describes itself as "the central body responsible for organising, promoting and servicing agricultural co-operatives" and as having "a regional presence through its co-operative development services" but this does not amount to a system of territorially-based unions as encountered on the Continent. Its functions involve acting as a "national, promotional, organising, advisory and co-ordinating body" for primary co-operatives. As such, perhaps less than 5% of co-operative trade is accounted for by organisations which are not ICOS members.

The scope of ICOS's activities is further indicated by its decision-making and representative roles and involvement. The ICOS is ultimately under the control of members through general meetings and district conferences, but it is essentially directed by its National Council. The structure of this Council is as follows:

- 31 members of whom
- 10 are nominees of individual societies/co-operatives/
- 5 are elected by the marts,
- 1 is elected by meat processors,
- 1 is elected by pig co-operatives,
- 1 is elected by cattle breeding societies,
- 1 is elected by agricultural societies,
- 1 is elected by fishing and miscellaneous co-operatives
- and 6 are co-opted.

Executive decisions are made by a full-time, professional management, headed by a Director-General; ICOS is a member of COGECA.

Several federations of co-operatives, by and large members of ICOS, operate nationally; others act on a more restricted geographical basis but not, in general, with specific geographical boundaries in mind. Some of the more important are briefly described here in order to give an indication of the scope of federal organisation.⁴

Two important wholesale societies exist to service primary co-operatives: the Irish Agricultural Wholesale Society (IAWS), which was mentioned in passing in section 7.1, and the Irish Co-operative Society (ICS). These operate from Dublin and Limerick respectively. A smaller wholesale organisation, Co-operative Animal Health (CAH) operates from Carlow. (See Table 29). A fourth national federation is the Federation of Irish Fishing Co-operatives, Dublin, which was founded in 1968.

TABLE 29

Co-operative Wholesale Federals

Name	Turnover 1977 £000	Member Co-operatives	% change in no. of member co-ops since 1970 (approx.)
IAWS	47,220	204	-30
ICS	4,267	38	-50
CAH	1,747	4	- 3.3

Sources: ICOS (1979), CCAHC (1972).

Two other federals, whose scope is less than national, are Golden Vale Food Products, which is based in Limerick and responsible for the processing and marketing of a wide range of dairy produce, and Avonmore, based in Co. Kilkenny, a dairy federal concerned with the marketing of butter and milk powder. In 1977, their sales and (farmer) memberships were:

	<u>£000</u>	<u>No.</u>
Golden Vale		
sales	72,138	
members		6,439
Avonmore		
sales	67,644	
members		11,707

Farm enterprises in Ireland are almost invariably mixed and this is represented in the nature of its farm co-operatives. It has been hypothesised that the consequent lack of commodity-based national federations is the reason for strong commodity planning committees which function under the auspices of ICOS. These committees now exist for livestock marts, grain and inputs, pig production, dairy produce, animal health, etc.

There is no co-operative banking system but one agricultural insurance company operates and the non-co-operative credit union scheme has developed considerably during the last two decades.

7.4 Managerial Strategy

It is tempting to speak of Ireland's co-operative organisational structure as cast in the same mould as those formed in the Continental countries hitherto reviewed, albeit differing from them in degree. There is certainly a well-developed desire to achieve co-operative success by the use of organisation as witness the recent development of a co-operative body to co-ordinate the activities of societies involved in offshore oil exploration. In addition, there is a well-developed federal structure in certain sub-sectors which, along with the ICOS national committee and associations, have a planning capacity and with which probably exceeds that found in the U.K. The parallel between Ireland and other Group 2 countries must not be overdrawn, however, in order to make

this country fit the framework of analysis which was outlined in Chapter 1 (see also the concluding chapter).

Ireland's co-operative organisation is, nevertheless, more structured, more managed than first glance suggests. There has been a planned rationalisation of the dairy sector going on since the mid-1960s with the appropriate organisational forms for this great change being created and used as necessary. Economies of scale in the dairy sector have been deliberately encouraged by ICOS which has "been guiding multi-purpose dairy co-operatives towards voluntary consolidation and mergers". Co-operative federals have also been deliberately encouraged in the input trade and in meat and livestock production and processing.

Thus, without exaggerating the importance of secondary co-operation in Ireland, one must be impressed by the willingness to develop supra-co-operation organisations in that country and to use them boldly to encourage the structural redevelopments required to facilitate farming efficiency. As will be seen from the final chapter, the present U.K. proposals for secondary co-operation are fairly modest compared with Continental developments. As these plans are operationalised, however, we may do well to keep a close watch on Irish developments in addition to the workings of more elaborate co-operative organisational structures elsewhere in the EEC.

CHAPTER 8

BELGIUM

8.1 Development

As in France the key to early co-operative development is to be found in acute economic necessity. Strenuous labour for low returns motivated farmers to band together towards the end of the last century: the first farmers' guild was formed in 1887 in Heist-Gor. The Belgian Boerenbond (or farmers' League) was established on 20 July 1890 in Lourain; the occupational pressure groups or farmers' guilds, now had a central umbrella organisation. The lack of a distinct division between co-operative and other agricultural organisations stems from this time and frequently makes discussion of Belgian "agricultural co-operation" difficult and imprecise. A central organisation covering the local bulk-buying units was formed in 1901 and is known as the Buying and Sales Association of the Belgian Boerenbond. It is, however, more than a central supply co-operative organisation, owning mills for the production of animal feeds and flour, considerable marketing interests and being closely connected with enterprises in Holland. It belongs to Eurograin.

Mutual insurance companies were formed as early as 1905 and were, in 1922, incorporated in a single organisation, the Insurance Company of the Belgian Boerenbond. There is also a well-established co-operation banking system, headed by the Central Raiffeisenbank.

The pervasiveness of early attempts to enhance the social and practical interests of the rural population is evident from the publication of a newspaper, "De Boer", in 1891, and the establishment of the Country Women's League (1911) and the Rural Youth League (1926) as well as organisations for study and self-improvement. Although the Boerenbond boasted nearly 128,000 farmer-members in 1929, many were alienated by the failure in 1934, at the height of the depression, of the Boerenbond credit bank (Middenkredietkas). After the second war, new leadership regained the confidence of many farmers and the organisation embarked upon a programme of specialisation in the production and marketing of agricultural output. Recent re-organisation stems from 1972 when the Boerenbond's General Board decided to separate the strictly agricultural and horticultural facets of its work from its

social, cultural and political aspects through the formation of rural guilds and professional guilds.¹

The nature of co-operation generally in Belgium needs to be judged according to the changing status of the agricultural sector itself. Some details are provided in Appendix C but it is sufficient to note here that we are now dealing with a comparatively efficient (for the EEC) farming system in which the number of producers is still falling at a considerable rate and thus in which the scope for co-operation might be said to be decreasing too.

8.2 Scope and Extent of Co-operative Marketing

In general, co-operatives have a rather smaller proportion of agricultural markets than is the case in many European countries. Table 30 indicates the most recent measures of co-operative market share for the total membership and number of co-operatives at various times during the 1970s.

Apart from the dairy industry, to which co-operatives contribute significantly in most EEC countries, the only product-markets in which co-operation plays an important role are those for fruit and vegetables. Belgium is climatically and agronomically well-suited for their cultivation, and some facts about their production are provided in Table 31.

Data for co-operative market shares do not appear to be as freely published in up-to-date form as is the case in other countries and figures from different sources also show anomalies; the 10% figure for pigs shown in Table 30 for 1974 should be compared with the 12.4% quoted for 1971 and 13.5% for 1972 elsewhere.²

Further appreciation of the scope of co-operative marketing can be obtained from a discussion of the co-operative organisation which exists in Belgium. The most important aspects of co-operative organisation are discussed below but some other facets of co-operative management must be mentioned here in so far as they highlight differences between Belgium and the UK and help explain the table. Note, firstly, the considerable decline in the number of production (machinery) co-operatives. This trend has occurred as the number of help-on-enterprise co-operatives, and their memberships, have shown significant increases. The help-on-enterprise associations provide labour in emergencies from

TABLE 30

The Belgian Co-operative Sector in the 1970s

Product-Market	Number of Co-operatives			Number of Members			Co-operative share of national total (% turnover)			
	1970	1974	1977	1970	1974	1977	Product Market	1970	1974	1977
Supply	1000	750	369	42000	25000	40000	Cattle feed	17	18	18.5
							Fertilisers	13	17	19
							Seed grain	12	16	14
							Cereals	10	12	12
Marketing: Dairy	60	52	42	50000	55000	40000	Milk supply	60	75	70
							Butter production	75	80	80
							Cheese	80	85	84
							Milk powder	70	80	75
							Liquid milk	35	60	55
Meat supplies	6	6	6	7000	7000	8500	Pigs	10	10	18
Cattle for breeding	1									
Meat trade	1									
Poultry	1	1	1					5	3	3
Eggs	1	1								
Fruit and vegetables	24	19		30000	25000	22000		60	60	60
Hops	2	2	2	150	100	80		25	25	25
Other marketing	-	3	3		150	250			5	5
Services:							Agricultural credit	50	50	50
Credit	800	600	500	85000	110000	133000				
Insurance	1	1	1	900	900	555				
Machinery	20	20	10							
Help in Enterprise	230	330	359	4500	6000	9000				
TOTALS	2147	1785	1293	219550	229150	253385				

Source: CNC, personal communication, 1979.

TABLE 31
Belgian Fruit and Vegetable Production

	Fruit	Vegetables
Hectares cultivated, 1976	22,000	55,000
Value: (BF, 1960)	1.8 billion	5.9 billion
(BF, 1975)	4.5 billion	15.2 billion
Production (tons, 1975):		
Outdoor vegetables		800,000
Glasshouse vegetables		200,000
Fruit	40,000	
Proportion exported	20%	30%

Source: VCTV (1977).

among their members. They are organised into a national union. In addition, note the work of the guarantee/insurance co-operative which stands behind the loans obtained by farmers and co-operatives.

Finally, mention must be made of the criées, or auctions, which have been deliberately developed since the early-1960s after Governmental pressure was applied to the encouragement of deadweight sales of carcasses rather than livestock marketing. The rationale was that more accurate communication between sellers and buyers, especially with regard to prices, of more homogeneous products could be better attained in this way. Criées thus provide the local sales outlet for livestock production and marketing groups. They are not used exclusively by co-operative producers, some of whom are attracted to the alternative marketing channels favoured by purchasers who prefer live sales. And, although some producers use the criées as outlets for their less saleable livestock, the conclusion of several commentators is that they have improved significantly product quality, at the same time reducing or eliminating distribution intermediaries.³

8.3 Organisation of the Co-operative Sector

The Boerenbond is officially described as "a Christian, socio-economic union"; it has close connections with the Flemish Catholic Socialist Party. Its Charter refers to it as "a free professional organisation for agriculture and horticulture [designed] to improve the situation of its members". It not only attempts to improve production and marketing directly but to promote the cause of co-operation among Government officials; it acts "as a social movement" dedicated to the provision of educational, social and training services; and it claims to desire to contribute to the development of LDCs. More specifically, the manifest functions of the Boerenbond include

- 1) the grouping of farmers, locally and regionally, into professional guilds and trade groups;
- 2) the representation and defence of the interests of agriculture and horticulture on municipal, district, provincial and national governing bodies;
- 3) to advance the interests and education of the rural population via organisations like the Catholic Movement for Rural Women and the Catholic Rural Youth;
- 4) to finance the social and economic associations of the Boerenbond (see below); and
- 5) to represent Belgian co-operation nationally in the EEC and internationally.⁴

Although it is common to equate Belgian co-operative organisation with the Boerenbond - and the following discussion reflects its dominant position - it should be noted that the Boerenbond's sphere of activity is largely confined to Flemish farmers. Its geographical sphere thus includes Flanders, the Cantons of Eupen, Malmédy and St. Vith and Brabant in Walloon. French-speaking areas are formally served by a separate organisation, l'Alliance Agricole Belge, but in practice the two bodies co-operate to a considerable extent in that the Boerenbond's economic and social organisations operate throughout Walloon. A third organisation, les Unions Professionnelles Agricoles (UPA) operates also mainly in Walloon but has both Flemish and French speaking farmer-members. All three bodies are more than centralised co-operative organisations in that they also represent farmers qua

farmers and not simply as co-operators. It is necessary at the outset to emphasise, however, that although they have considerable power in some contexts, they are by no means as strong as the co-operative organisations which were discussed in the section on the Group 1 countries of France, Denmark and the Netherlands.

The unified, central organisation of Belgian agricultural co-operation incorporates a wide range of social, cultural and economic activities and makes possible the transmission of information, finance and authority between the various levels within the Boerenbond hierarchy and among the social, economic and cultural arms. The local, professional guilds are superimposed on existing organisational (municipalities and parishes, for instance) since their boundaries are determined by the scope of specific enterprises (beef production, horticulture and pig production, for example). This local organisational form, closely integrated and unified with older Boerenbond forms of organisation, as we have noted, is of great importance in providing information to assist decision-making, adapting agriculturalists to the changing technological conditions of farming, training, and the development of solidarity among farmers. The Boerenbond has been accurately depicted as having a role which incorporates many of the functions of both the largest UK co-operatives and the NFU; and it is the effectiveness of its local organisation which undoubtedly contributes to this comprehensive role. In 1976, there were some 652 professional guilds, having 46,753 members among them. Although discussion of the social, cultural and associated guilds is beyond the scope of this report, their inevitable contribution to farming and rural life should not be overlooked; they also have close links with the bodies which comprise the "Central Co-operation" which will be discussed below.⁵

Two central organisations of the Boerenbond require attention; the "Central Organisation" and the "Central Co-operation". The first is of less crucial importance from the point of view of this report, being primarily concerned with the co-ordination of the activities of the rural guilds by the provision of central services. While many such services are of a predominantly welfare nature, the farm Management Service and Co-operation Service are relevant here. The former

provides bookkeeping and technical advice and services to farmers while the latter gives managerial advice directly to the co-operatives with respect to accounting, legal, fiscal and technical matters in a manner similar to that proposed for second tier co-operatives in the UK. They also administer the dairy, auction and horticultural sectors on behalf of certain co-operatives.

The Central Co-operation also has functions which are not strictly relevant to the argument pursued in this monograph which it exercises through its "associations of social law" and which largely concern what would, in the UK, be referred to as aspects of social insurance and security. The three economic departments of this arm of the Boerenbond are, however, of considerable interest.

The first of these is the Boerenbond Insurance Company which is the fifth biggest company in Belgium and which has an international role in reinsurance. So well developed is it that it now underwrites risks in non-agricultural ventures in order to spread its risks. The Insurance Company had over 2,000 agents in the mid-1970s, about three-quarters of them in Walloon but an increasing share of its business is acquired through brokers. At the beginning of 1976, it had assets of over 4 thousand billion BF.

The Boerenbond Purchasing and Marketing Company performs the standard function of a central co-operative for the approximately 400 local co-operatives. (At the end of the war, they numbered about 1,300). The Purchasing and Sales Company is one of Belgium's most important firms with a turnover of over 11 thousand million BF in 1977. Despite its evolution into a limited company which ranks among Belgium's most efficient companies both within and external to the agricultural sector - it holds first place in the Belgian fodder industry, for instance - its primary objective remains the bulk purchasing of inputs and the co-ordinated marketing of farm outputs. This it accomplishes by owning and operating fodder plants, wholesaling and retailing activities in such product-markets as bread, fodder-corn, chemical fertilisers, fuel, lime, seeds, requisites and raw materials. It owns and runs experimental farms and has invested heavily in agricultural research. In addition to the centralised marketing of certain commodities (dairy produce at Brussels, eggs, fruit and vegetables by the

Auction Haselt at Berbroek), the Purchasing and Marketing Company has pursued production-marketing integration; for example, in poultry where these processes are entirely undertaken, integrated and co-ordinated by sub-departments of the Company.

The Boerenbond also collaborates with two notable organisations in the meat and livestock sector, Covavée and Centravée. One of the concerns of the research reported here has been to establish and interpret the nature of co-operative organisations at federal and central levels rather than to describe in detail their current functionings. For one thing, such descriptions are quickly outdated; secondly, in this case, useful descriptions are already available as a result of recent empirical investigations.⁶ In terms of the nature of these organisations, it is relevant to note that, whereas official Belgian sources do not deny the Boerenbond's association with Covavée and Centravée entirely, they are at considerable pains to point out that these are independent companies. British observers have, however, drawn attention to their managerial links with the Boerenbond and the fact that Centravée, for example, was founded with its technical and financial assistance.⁷ The contribution of these organisations to strategic management in the co-operative sector is discussed in a later section.

The third economic department of the Boerenbond is the Central Raiffeisenbank with its affiliated local Raiffeisenbanks. This, Belgium's largest credit bank and private savings bank, had deposits of over 72 thousand million BF at the beginning of 1976, an increase of over 100% (in money terms) over 1971. In addition, it had outstanding loans of more than 35.5 thousand million BF in 1976 and assets of more than 3 million million BF. The number of associated co-operative banks has deliberately been run down of late; there were over 700 local Raiffeisenbanks in 1973 compared with 540 at the end of 1975. The concentration of rural banking is a matter of policy of the co-ordinating Central Raiffeisenbank.

8.4 Management Decision-Making and Organisational Strategy

In some of the countries whose co-operative systems have been described and analysed in earlier chapters, it was noted that the pursuit of product-market strategy frequently precluded, or even derived from the relegation of, member democracy to the formalities of an annual meeting whose decisions were not necessarily binding on the administrators of the co-operative hierarchy. In Belgium, the opportunity to use organisation to achieve what unco-ordinated individual action cannot attain has seldom been missed where organisation has been deemed appropriate, but there has also been a preoccupation with attempting to ensure the representation of farmer-members.

Especially since the reorganisation of the Boerenbond in 1972, the search for a democratic structure has been highlighted. Although representation to the General Board of this complex organisation is via a delegate college elected at district level, this is balanced by the appointment by the specially-established, functionally-specialised provincial and central professional associations, whose officers are elected at local level, to the General Board. The power wielded by this Board must not be overlooked, however; it has extensive decision-making roles which impinge on the professional guilds and the economic departments. It is, nevertheless, checked in its scope by the Managing Board which is composed, inter alia, of active farmers (albeit appointed by the General Board) and formal representations of the economic departments. Although the Managing Board is described as "managing the organisation and taking all fundamental decisions" and is accurately depicted as the "Government of the Boerenbond", its activity within the economic departments does not extend to matters that affect the agricultural and co-operative sectors.⁸ Furthermore, at local level, the articles of association of a co-operative must clearly lay down the circumstances in which directors may be removed by the membership.⁹

Three examples of the pragmatic use of organisational strategy are to hand. First, there is the development of Covavée, the pig marketing organisation and of Centravée which exists to market meat products and their interrelations. These developments show the flexibility of the Boerenbond through its willingness to support and collaborate with organisations which are not formally within its structure. Covavée

collects and arranges the slaughter of pigs, marketing their carcasses to wholesalers, manufacturers or the Centravée co-operative. The tactical advantages of this marketing co-operative tie is its national scale of operations (cf. the locally-based criée alternative) and, since its sales are not based on auctions, the elimination of the possibility of "rigging". Centravée is involved in the distribution of meat at all levels to the final consumer and in deep freezing. Its operations amount to "a form of vertical integration from producer to consumer, albeit fairly flexibly joined together."¹⁰

Second, the development of the Union of Fruit and Vegetable Auction Co-operatives "to give administrative, financial, and commercial advice, to establish directives concerning the rationalisation, standardisation, and packing of produce, to help finance the representation of the auctions with the higher authorities, and to promote scientific research and development" further illustrates the determination to use organisation where it can succeed. This umbrella organisation, VCTV, provides marketing intelligence and research, promotional propaganda, funding, scientific research and other services to a dozen fruit and vegetable auctions which are co-operatively constructed. The attitude that rationalisation is required is firmly established and VCTV has asserted in the process of establishing new varieties (e.g. Cox's Orange Pippin) while others (such as Courtpendu) have discontinued; it has encouraged marketing-orientation, reduced the number of co-operative auctions from 19 to 12, assisted the development of new auctioneering sales techniques, export marketing, advertising and promotion and education. Above all, it has spread and gained acceptance for the view that unity via merger and centralised supply to balance the concentration of power in the hands of buyers are essential and require strong central organisation to bring them about. It has succeeded, too: turnover improved from 2 thousand million BF in 1964 to a sum three times larger in 1976.¹¹

Third, there is the willingness of the Boerenbond to act as a surrogate central co-operative for those organisations which have not developed a central organisation among themselves.¹² This pragmatic approach reduces the administrative overheads of the societies, preserves a considerable degree of independence and distributes the managerial experience of the Boerenbond, its departments and services.

In conclusion, it is clear that in Belgium, we have encountered a rather different approach to co-operative organisation from that apparent elsewhere in the EEC so far. Although the Boerenbond remains pre-eminent - "more powerful than any co-operative over here"¹³ - its scope is limited by the attitudes of Belgian farmers and, one suspects, administrators, who view organisation as a means rather than an end, and by the scope for the development of innovative, perhaps even entrepreneurial alternatives to the large-scale co-operatives - e.g. the *criées*. It would be a mistake to overplay the relationship between the farmer and the services attempts since 1972 at encouraging member democracy. But the latter, coupled with farmers' opportunities and willingness to employ alternative channels of distribution for their produce may well not be entirely fortuitously linked with the more open style of management and the apparently sincere search for a means of ensuring managerial responsibility to the membership.

CHAPTER 9

ITALY

9.1 Development

Although collective systems of various types predate it, modern agricultural co-operation in Italy began with the development of supply co-operatives in the mid-nineteenth century. Co-operative dairies date from 1881, wine co-operatives from about 1900. Co-operatives for "work and cultivation" were established at the end of the last century to drain markets in order to make more agricultural land available and had the additional social and economic advantage of allowing agricultural workers to become farmers in their own right. The spread of the co-operative form of organisation into other product-markets, notably fruit and vegetables, was thereafter quite rapid and the establishment in 1892 of provincial, second-tier organisations, the Conzonzi Agraria and their third-tier federation, was a local development from the agricultural "shows" which formed the basis of regional organisation. The Rederazioni Italiana dei Consorzi Agrari (or Federconsorzi), together with its member organisations, played an initial role in "co-ordinating and strengthening the existing co-operatives which were small, isolated and often weak". Co-operatives derive their legal status from the Civil Code (Article 2511) and organisations which conform to the structures of this and later articles receive tax advantages. Although there is potential legal freedom to trade with third parties, the articles of the Civil Code which define the permitted agricultural activities of co-operatives in this sector effectively limit third party transactions.

The Federconsorzi and other organisations also provide credit and insurance services to co-operatives; indeed, co-operation in the sphere of credit provision dates back to the end of the last century and by 1897, there was a considerable degree of organisation in this area with strong Raiffeisen-type practices and structure being incorporated into the religious and moral climate of the Italian culture.¹

TABLE 32

Co-operative Market Shares (A)

Product-Market	Number of Co-operatives	Co-operative Production	National Production	%
Wine	412	24 m hl.	70 m. hl.	34
Milk	1,199	16.56 m hl.	85 m. qhl.	18
Oil	88	1.2 m q.li	5 m. qhl.	24
Flowers	18	-	-	n.a.
Tobacco	19	100,000 q.li	1,100,000 q.li	9.9
Meat/Slaughtering	33	40-50,000 m lira	n.a.	n.a.
Fruit and veg.	398	-	n.a.	n.a.

Source: Federconsorzi

TABLE 33

Co-operative Market Shares (B)

Product-Market	Co-operative Share (Value) %
Pigmeat	3
Beef	5
Poultry	10
Eggs	5
Milk	35
Sugar beet	15
Cereals	15
Fruit	50
Vegetables	5

Source: COGECA, personal communication.

9.2 Scope and Extent of Co-operative Marketing

Although it has not proved easy to obtain up-to-date figures on Italian co-operative marketing as has been the case elsewhere, it is not an unduly difficult task to sketch the nature of the system, though its full flavour cannot be appreciated in the absence of a discussion of organisational forms which is the subject of a later section.

The figures for co-operative market shares presented in Tables 32 and 33 are derived from Cogeca and Federconsorzi sources; both provide incomplete data but together they provide a rough guide to co-operative activity in 1976/7. The Federconsorzi figures appear to relate only to co-operatives under its control since it is differentially estimated² that the market share for wine is, in fact, 36% for milk, 52%, and for fruit and vegetables, 30%. According to this source, wine co-operatives in some regions exceed the average quoted above: in Sardinia, it is 60%, while in Trentino, Venezia, Emilia, Romagna, Sicily and Apulia, it is 36%. The co-operative role is increasing in this product-market among farmers who are not individually placed for wine production. Of milk products, butter and cheese account for the highest market share - 62% in each case of national production (by tonnage). Co-operatives are important to the market for pasteurised milk, providing 30% of production but lag behind the private sector in long-life milk production and marketing where they supply but 15%. Turning to fruit and vegetables, apart from in Sicily where 30% of the citrus crop is co-operatively controlled, the strongest co-operatives are found in northern Italy where the market share is in excess of 50%.

In sharp contrast to the trends encountered in other EEC countries, the number of agricultural co-operatives in Italy is rising steadily; the number rose by 26% between 1970 and 1976 (see Table 34). A broadly similar trend is apparent in the number of co-operatives in other sectors, with the general exception of consumer co-operatives which have been slightly reduced in number over the same period. In addition to the 11,287 registered agricultural co-operatives listed for 1976, there are about 2,830 unregistered ones, making a total of 14,123. The number of agricultural co-operatives has, also, according to statistics provided

by the Italian Ministry of Labour (Ministero del Lavoro, 1978), grown at a much faster rate than the total number of co-operatives. There were 1,891 registered agricultural co-operatives in 1951, 11,618 in 1977, an increase of 514%; by comparison, there were, in all, 14,331 co-operatives in 1951, 67,172 in 1977, an increase of 468%.

TABLE 34
Number of Registered Agricultural Co-operatives

Year	Number of Co-operatives in	
	Agriculture	Fisheries
1967	7,887	470
1968	8,268	488
1969	8,705	497
1970	8,943	491
1971	9,282	494
1972	8,932	492
1973	9,532	507
1974	10,079	526
1975	10,725	534
1976	11,287	564

Source: Federconsorzi

9.3 Organisation of the Co-operative Sector

The extremely complex organisational structure of agricultural co-operation in Italy stems from two sources: (1) the political and religious affiliations of the central co-operatives; and (2) their constitution as co-operative organisations embracing consumer, fishery, building, industrial and consumer co-operation as well as agricultural. The resulting fragmentation of policy-making and implementation, alongside the frequent failure to plan separately for agricultural co-operation, makes the use of managerial strategy, as observed in other EEC member-states, almost impossible.

Two organisations of national, economic significance deserve first mention. Federconsorzi, which has already been referred to, is a limited liability co-operative which includes 87 Consorzi Agrari (the second-tier provincial and regional agricultural consortia of primary co-operatives), 6 port installations and 20 foreign offices. It is characterised as being of national political and economic scope and as "an economic tool"

of the president of the Italian farmers' unions. It is Christian democratic. Federconsorzi's aims are:

- the production and marketing of agricultural inputs;
- acting as an agent, the encouragement of physical distribution functions such as the harvesting and processing, storage and marketing of farm produce;
- the loan of agricultural machinery;
- financial loans to farmers to facilitate production-marketing integration;
- research and development; and
- mutual co-operation with the State and other organisations to facilitate its own aims and that of the national food distribution.

It is, in actuality, linked financially with some 300 associations in agricultural supply and marketing co-operation and represents agricultural co-operation in Italy at Cogeca. CCAHC (1970) identifies Federconsorzi accurately as having a national and international significance over and above that of the national federations and associations which will be discussed below. However, it is also accurate broadly to divide Italian co-operative organisations into communist and non-communist bodies³ and in this respect Federconsorzi may be judged to have a narrower, more partisan role than that of the national representative bodies in other nations' co-operative systems.

The National Federation of Agricultural Co-operation (FNCA) was deliberately created to administer farm co-operative schemes in the 600,000 ha of the reform areas in 1957. Although its roles is not officially recognised and it has fewer than 1000 co-operative members, its activities are widely based throughout the spheres of input buying and produce marketing. It comprises:

- service co-operatives - 625
- specialist processing and storage co-operatives - 152
- second and third-tier co-operatives - 28, and
- livestock co-operatives - 203.

Although it was founded to undertake educational and representational work for the Land Reform Institute, its development of a commercial organisation attests to its expertise in the fields of marketing both to and on behalf of farmers. The FNCA is supported by the Government through tax concessions, grants, subsidies, land allocations, etc. in order to pursue its policy of land reform.⁴

The three major co-operative organisations at national level which have yet to be discussed can be conveniently referred to as the Confederation, the League and the Association. Details of their affiliations and organisational structures are given in Table 35. Between them, these co-operative organisations controlled, at the beginning of 1975, some 75,280 co-operatives, 12,985 in the agricultural sector.

Of the 12,362 agricultural co-operatives which belonged to the Confederation in 1977, 4,343 were in the agricultural sector and of these 44 were supply co-operatives, 2,440 were involved in processing and physical distribution and 1,859 in marketing. Their activities by product-market are shown in Table 36. In addition, CCI is involved in co-operative financing through a federalised system of banks and credit provision.

The League, which is a communist organisation, has several subsidiary organisations which are of interest and for which some data are available. In 1975, for instance, AICA, the second-tier wholesaling organisation which operates like other communist co-operatives, primarily in the Emilia-Romagna region, had the following scope and characteristics:

- Total value of turnover - 820,000 m. lira
- Area of land under cultivation - 65,000 ha
- Wine production - 3,500,000 hl.
- Oil production - 100,000 q.li.
- Dairy produce production - 8,000,000 q.li.
- Flour production - 2,500,000 q.li.
- Pasta production - 380,000 q.li.
- Fruit and vegetable production - 2,000,000 q.li.
- Head of beef for breeding - 32,000
- Head of beef slaughtered - 130,000

TABLE 35

Principal Co-operative Organisations

Organisation	Affiliation	Co-operative Members of Significance	No. of Member Co-ops.	
			Total	Agricultural (1975)
Confederation of Italian Co-operatives	Christian- Democrat	National Federation of Agricultural Co- operatives; Italian Federation of Wine Co-operatives; National Federation of Dairy & Cheese Co- operatives; National Federation of Fruit & Veg. Co-operatives; National Federation of Rural & Workers' Banks	12,018	4,163
National League of Co-operatives and Mutuels	Communist	National Association of Agricultural Co- operatives; National Centre for the Redevel- opment of Associative & Co-operative Organ- isations in Agricult- ure	9,368	1,683
General Association of Italian Co-operatives	Republican	National Federation of Agricultural Co-operatives	2,258	412

Source: Anon. (1976).

TABLE 36

Member Co-operatives of CCI by Product-Market, 1977

Product-Market	Number of CCI Co-operatives	No. of Co-operatives Nationally
Labour and services	1,910	6,908
Tobacco	19	54
Drying	13	45
Floriculture	18	51
Oil	88	387
Wine	412	779
Dairy product	1,199	2,654
Fruit and vegetable	398	800

Source: Federconsorzi

The final general organisation of significance to be mentioned, the General Association of Agricultural Co-operatives, has but 412 agricultural co-operatives in membership, though this figure also represents an increase from the 383 members recorded for 1968. This is another multi-purpose co-operative organisation, operating primarily in the Ravenna province but is relatively unimportant in strategic terms. Even the Christian Association of Italian Workers (ACLI), which lacks official recognition, controls as many farm co-operatives.

All of the national organisations mentioned here, with the exception of the specialist FNCA, have networks of regional co-operative organisations, variously dubbed unions and federations, which co-ordinate action but do not have all that strong a role in imposing policy.

Pigs slaughtered - 102,000

Value of exports - 80,000 m. lira

Estimated investment for 1976 and 1977 - 105,000 m. lira

Another important organisation in membership of the League, is the National Association of Agricultural Co-operatives, (ANCA), the turnover of which grew from 108,000 m. lira in 1967 to 750,000m. lira in 1976; over the same period, the number of co-operatives in its membership expanded from about 1,600 to 2,321 and the total number of co-operators who were associated with it in 1976 was 330,834. Some figures are available⁵ for the three-year plan which ANCA was to

operationalise between 1977 and 1980. An investment programme of 516,352 m. lira was planned for the period, 92,300 m. of which would be self-financed, the remainder coming from public finance schemes and FEOGA. The funds were to be distributed among principal sectors as follows:

Co-operation in production	22.21%
Animal production/marketing	38.63
Fruit and Vegetables/marketing	12.69
Wine production/marketing	10.14
Olive production/marketing	5.38
Other	10.95
	<hr/>
	100.00%
	<hr/>

In all, some 1,296 new ventures, including new co-operatives, restructuring and developments were envisaged in order to achieve a co-operative membership of 480,000, a cultivated area of 104,247 ha and a turnover of 1,200,000 m. lira.

9.4 Co-operative Finance⁶

Mention has already been made of the dual development of agricultural credit co-operation in the last quarter of the nineteenth century. While both strands were based on the German model, the truly Raiffeisen-type organisation was found by Leone Wallemberg; the Catholic organisation founded by Rev. Luigi Cerruti encouraged a note of rivalry between the two groups which was not removed by their being embraced by the Italian Federation of Rural Banks, a member of the Confederation described in the last section.

The rapid early development of credit co-operatives is shown by their total in 1897: 125 rural savings banks plus 779 Catholic banks. In the early 1970s, there were 670 savings banks plus 860 agencies; between them they were responsible for a quarter of agricultural credit provision. At the same time, banks affiliated to Federconsorzi provided 21% of the national requirement for farm credit generally and 33% of credit for agricultural capital investment which other co-operation organisations provided 24% of the total. There is, in addition, a well-

developed, network of agricultural insurance companies, notably the Confederation's subsidiary Unipol.

9.5 Strategy

The forms of strategic management which have been so readily identified in so many other EEC countries are absent from the Italian co-operative scene. There is certainly plenty of evidence of managerial activity within each of the National organisations and a will to achieve objectives plus the economic, agronomical and managerial resources required to implement plans. There is thus no lack of strategic management in the sense developed by Ansoff (1968), Thomas (1979), etc. But there is a profound lack of overall, national co-ordination, the ability to put country-wide plans into operation with a will which cuts through local objectives and a lack of concern with the disruptions and inconveniences of rationalisation and reorganisation.

Thus, without suggesting lack of managerial skill and efficiency within the national organisations, it is necessary to explain the difference between Italian co-operative organisations and their market strategies and those found in countries such as France, Denmark, Holland and West Germany.

There appear to be several strands to the explanation.⁷ There is active competition between co-operatives and, especially, between the co-operatives which represent antithetical ideologies. We have noted repeatedly the close relationship between the lack of competition among co-operatives (and, sometimes between the co-operative and non-co-operative sectors) and the use of market strategy by co-operative organisations. Competition and the associated "apparent lack of any central development policy or direction" mean that, while co-operation will continue to force ahead in Italian agriculture, the development of a unified technostructure, able to plan and implement its plans through organisations, will be impeded. This tendency is accentuated by the autonomy of the regional governments and co-operatives which militate against the implementation of uniform plans and practices. McClean Bullen and Pickard (1945) identify this, together with the fact that "the Italian farmer seems temperamentally opposed to co-operation" as factors

in the relative lack of co-operative organisational strategy in Italy and the whole tenor of the evidence which has been available in the unity of the present report strongly supports this view. In addition, the frequent unwillingness of farmers to allow their co-operative executives to implement changes which are not approved by members acts as a check on managerial autonomy and central market strategy.⁸

CHAPTER 10

ORGANISATIONAL STRUCTURE AND MARKET STRATEGY:

A CONCLUSION WITH SPECIAL REFERENCE TO THE UNITED KINGDOM

10.1 Hypothesis and Evidence

The purpose of the foregoing review of co-operative organisational forms found in EEC countries has been to enable conclusions to be drawn about the relationship between management organisation and market strategy. The countries have been examined in four groupings, representing the strength of their market strategy as indicated by their co-operative market shares. Market share is but a preliminary indicator of the use of strong market strategies and two important factors in the discussions which have provided the bases of Chapters 2 to 9 have been (i) the identification of other evidence which suggests that a healthy market share position might also be manifested in the strategic management of co-operative marketing systems and (ii) testing of the tentative, working hypothesis introduced in Chapter 1 to the effect that the existence of certain types of organisational structure (second and third-tier co-operative bodies) are associated with the planned development and use of market power which is expressed, inter alia, in relatively high levels of market share attributable to co-operative enterprises.

To what extent do the facts which have been presented support this hypothesis? France, Denmark and Holland, the Group 1 countries which have relatively high co-operative market shares across a considerable range of product-markets clearly have highly complicated co-operative organisational structures coupled with a considerable amount of centralised planning in their agricultural co-operative sectors. In each case, the pattern of organisation is three-tiered and within the framework provided by this structure strong organisations, national in scope, are able to implement thorough plans aimed at the enhancement of the co-operative sector's efficiency (measured in economic terms) as well as carrying out their more mundane tasks of effective representation of co-operatives to politicians and others. In addition, the activities of primary co-operatives are capable of being integrated and co-ordinated on a large scale through secondary co-operative organisations operating territorially or on a commodity basis, though there is some evidence

that the latter prove the more effective. As a result of secondary level action, competition among co-operatives and replication of essential services (such as market research) are not simply avoided; they are (some would say ruthlessly) cut out. Often implementing the plans developed at territory level, these second-tier bodies have been well-placed to encourage or force substantial structural re-organisations among their member co-operatives. They differ clearly in this respect from supra-co-operative organisations in the United Kingdom in that they are not only in a position to perceive the need for change: they have also been able to take strong, interventionist action to make sure that change is forthcoming.

Product-market integration, especially through the extension of co-operative organisation into the processing, storage and distribution phases of marketing management, is also characteristic of Group 1 members. And, frequently connected with this, the possibility of co-operatives trading with non-members has been deliberately promoted in these countries, sometimes via the formation of new quasi-co-operative organisational forms (e.g. SICA) for which enabling legislation has been purposefully passed. These have, on occasion, had the effect of reducing competition not just between co-operatives themselves but between the co-operative and non-co-operative sectors (e.g., the Danish fertiliser industry).

The need for effective organisation of co-operative management in these countries is further promoted by the necessity of providing strong export marketing bodies. The growth of these organisations has had consequences for the co-operative sector and its administration, as witness the strategies of Oxexport, ESS and FNZ.

The close relationship between co-operative organisations at second and tertiary levels and the ways in which members' funds are appropriated and employed by the co-operative structures cannot be overlooked. Some authors, as was noted in the first chapter, have attributed the whole of the difference in co-operative marketing development on the Continent, as compared with that in the UK, to the provision of funds. The true significance of the availability of finance seems, however, to be connected with the relationships of credit co-operatives, co-operative banks and other co-operative organisations and with the style of financial management pursued by all three. The deliberate use of

members' funds for co-operative development over which members have little, if any, actual control appears to be a feature of co-operative management strategy in the more successful EEC member-states' co-operative sectors. This is allied to another characteristics of the organisations which have been described and whose behaviour has been analysed: the relative lack of member-control which they exhibit. Again and again, empirical studies present the co-operative organisations of the countries which have been identified as having strong co-operative market strategies as being or becoming self-perpetuating corporate bodies whose manifest functions include the increasing of their own power and profitability rather than those of their members who are effectively kept out of the real decision-making at second- and third-tier levels. Even if this is an overstatement - as the presentation of these organisations as monolithic technostuctures with omnipotent managements certainly is - the fact remains that the improvement of the lot of farmer-members usually involves the development of somewhat oligarchic organisations and is achieved at the expense of "one man, one vote" or any other genuinely-democratic method of management. A correspondingly low level of managerial autonomy at primary level is also apparent. Nor is this unpredicable since the development of countervailing power in agricultural marketing is bound to involve strong discipline which may have to be imposed by co-operatives (law, culture and attitudes permitting) if it is not otherwise available. The legal, cultural, attitudinal and, perhaps, economic framework with which such a style of co-operative management thrives are, by and large, simply not to be found in the UK.

Of the Group 2 countries - West Germany, Luxembourg and Ireland - the first two have systems of co-operative organisation which differ in degree rather than in kind from those of Group 1 members. Again, there is evidence of strong centralised authority with the elbowroom to plan and compel reorganisation among co-operatives. The German Raiffeisen system exemplifies well the ability of a single organisational structure to reorganise, rationalise and restructure a co-operative sector. While it fits the present argument well, however, this argument must not be allowed to distort the nature of the organisation by pushing the relationship between organisation and strategy too far. The cracks appearing in the ostensibly completely unified Raiffeisen

structure (some of which have been informally communicated to the author and which cannot be documented here) lead to the view that this is not a monolithic body, nor even a true Galbraithian techno-structure, but simply a very powerful organisation which has its competitors: for nearly 50% of their marketing business, German farmers prefer, and are free to choose the alternatives.

Centrale Paysanne Luxembourgoise thrives in a marketing context which permits little such competition and which, by giving its members access to otherwise closed marketing opportunities, and by offering a comprehensive co-operative service, is attractive to farmers.

In terms of its organisational structure, Ireland seems at first completely anomalous in this Group, though it belongs here by virtue of the pattern of this co-operative market share. The organisation of its co-operative sector appears so similar to that of the UK which has negligible development of powerful secondary and tertiary organisations that one would predict from the argument here pursued that Ireland would have a relatively low level of co-operative activity. In fact, examination of the forms of co-operative organisation in existence in Ireland and of the managerial strategies there pursued indicates that there is certainly more central pressure there than is to be found in the UK and that there is a definite relationship between organisation and market strategy. But, the anomaly is not entirely removed by such considerations - the organisational form does not mirror that of Germany or Luxembourg - and one must look elsewhere for a comprehensive explanation of Ireland's co-operative market share position (some suggestions are made below).

Belgium and Italy (Group 3) also provide superficial problems: after all, co-operative organisations extend to so many areas of farmers' lives, there are several tiers of co-operative management and the central organisations certainly have a greater degree of control over things than is the case in the UK. Closer scrutiny reveals, however, that these countries' experiences support the hypothesis. Both exhibit a different attitude towards co-operative organisation than is found in Groups 1 and 2. Organisation is to be used when its benefits are obvious but it is not an objective to be sought in its own right. In addition, there is a robustly independent non-co-operative sector

which can innovate by devising and/or developing alternative marketing channels. An absence of centrally-conceived, national plans and the ability to enforce their implementation effects the lack of unitary authority. This observation should not hide the fact that things are being deliberately achieved through organisation in both countries; but competition, lack of the will to impose general solutions nationally and farmers' less positive attitudes towards co-operation in any form make the lower co-operative shares encountered in these countries quite comprehensible within the argument developed in this report.

Some objections to the hypothesis have been considered elsewhere in a paper which formed a progress report to the CCAHC (Foxall, 1979) and will not be reiterated here. The claim made in that paper that a prima facie case had been established for the proposition that co-operative organisation has certain prominent characteristics in those states which exhibit strong member patronage in marketing are absent from, or at least undeveloped, in those states where co-operative market shares are consistently low has been substantiated by this more detailed analysis. No claims about causal relationships have been made and it would be interesting, for example, to examine Chandler's thesis that structure follows strategy in the light of the evidence available regarding European agricultural co-operatives, but that is beyond the scope of this monograph. The need to examine the proposed promotion of second-tier co-operatives in the UK in this light is, however, most pertinent.

10.2 The United Kingdom

Because of its familiarity to the intended readership of this report, because of its accurate and currently-valid depiction in recent publications (CCAHC, 1971; Morley, 1975) and because of the ready availability of contemporary data (e.g. in the statistical reports of the Plunkett Foundation for Co-operative Studies and the annual report of the CCAHC), it is unnecessary to describe the UK system of co-operative organisation in detail. (See Tables 37 and 38). It is, nonetheless, exactly what would be predicated from the hypothesis from a knowledge of the UK's market share statistics. The various central organisations may plan, promote and encourage developments in co-operative marketing but their ability to compel primary co-operatives

TABLE 37

The U.K. Co-operative Movement in 1978

Members and Co-operatives (Societies & Companies)

Sector	Number of Co-operatives	Members
Supply	118	199,451
Marketing (total) of which:	393	115,639
dairy	17	7,101
eggs & poultry	19	26,140
livestock	97	29,488
meat & bacon	15	24,278
horticulture	145	8,049
potato	21	661
grain	37	1,481
wool	7	15,626
	35	2,812
Service	32	13,588
TOTAL	543	328,678

Source: Plunkett Foundation (1980).

TABLE 38

The U.K. Co-operative Movement 1977/78

Turnover, Profit, Employees

	<u>Employees</u>	Turnover £000s	Net Profit £000s	Members
1978	17,047	1,508,307	30,503	328,678
1977	16,838	1,314,731	29,481	326,537
% increase 1977/78	1.2	14.7	3.5	0.7

Source: Plunkett Foundation (1980).

to rationalise or restructure their operations is very severely circumscribed indeed.

As for secondary co-operatives, they remain, for the most part, underdeveloped. It might be argued that, although primary co-operatives predominate, some of the largest organisations in the primary sector are so large as to fulfil the essential functions of second-tier organisations. It has also been pointed out that, of the approximately 600 co-operatives in the country, about one quarter have some experience of associative arrangements. Nevertheless, most of these consist of what might be termed associations, which are fairly amorphous groups through which limited types of information are exchanged or minimal co-ordination of trading activities occur, or federations, through which some policy is centrally formulated but within which individual co-operatives ultimately make their own decisions, rather than federals, or truly second-tier co-operatives in which autonomous secondary management takes decisions which are binding upon the member societies and, in turn, upon their members. (CCAHC, 1979).

It is quite evident that if the UK's co-operative sector is expected to pursue managerial policies which are aimed at obtaining the full benefits of joint action for their members - such as gains for members in the form of reduced costs of inputs and services, improved production methods, better facilities for the preparation of produce for the market, new marketing outlets, higher returns and greater security, (CCAHC, 1979a) - they must increase the countervailing power at their disposal and improve the production - processing - marketing chain through the pursuit of integration.

Against this background, the central co-operative bodies put forward in 1978, proposals for the promotion of second-tier co-operatives (CCAHC, 1978) on the following grounds: first, in order to meet the structures of EEC membership, second-tier co-operatives are necessary to interpret to primary co-operatives the rules of the Community and to improve the co-operative sector's marketing performance in order to meet European competition more effectively; second, supra-co-operative organisations are needed to give the final advice essential to organisations which trade within the context of the CAP with its transfer of monetary compensatory amounts ("the Green pound" etc.); third, these

new organisations will be able to bring the benefits of research and development in agricultural science to the co-operatives; and, finally, they promise to be able to supply market research data to ensure that co-operatives meet the demands of food retailers, notably the super-markets which demand high quality and standardisation.

In the author's opinion, there are sound reasons for the encouragement of second-tier co-operative organisations in the UK and it is his belief that the development of higher levels of co-operative management will allow the implementation of market strategies which will improve this country's co-operative marketing performance. Thus the proposals outlined in CCAHC (1978) are to be welcomed as a means of overcoming the problems identified by one of the country's foremost co-operative managers who characterised British co-operatives as "fragmented, fighting one another" to the extent that "there are parts of this country where the battle between the co-operatives is more intense than it is between the co-operatives and the rest of the world". As a result, the impressive overall turnover of UK co-operatives - over £1.5 billion in 1978 - is spread over a number of separate empires and the market power of the co-operative sector is no greater than that of the largest individual co-operative (Thomas, 1977).

However, the development of second-tier co-operation with such goals as these in mind raises a dilemma. Co-operation in the UK is firmly based on a number of principles and failure to adhere to these co-operative principles makes it impossible for an organisation to continue to be registered under the Industrial and Provident Societies Acts and thereby liable to forfeit the privileges of such registration. The principles are to the effect that trade must be carried out for the most part with members; bonuses must be paid in proportion to the financial value of trade done by the member; share capital is limited (to £5,000 at present); each member has a single vote; interest paid on share capital is limited; and membership must not be artificially restricted.

The dilemma is simply this: if the UK is to reap the advantages of supra-co-operative organisation, it must eventually go further than the present proposals and begin to develop the types of organisation which dominate the co-operative scenes of other EEC members. (No claims for a deterministic relationship between organisational strategy

and market share have been made in this report, but it is obvious enough that some form of relationship exists between these variables). Many of the organisational systems which have been considered in Chapters 2 to 9 transcend, ignore or transgress these principles and, moreover, their "transgression" is an essential part of the circumstances which permit secondary and tertiary co-operatives to implement aggressive market policies and strategies.

It is unlikely that the development of organisations which break so explicitly with co-operative principles will be a part of the UK agricultural scene during the next decades and so the pursuit of market power via the development of secondary organisation appears to be in jeopardy. Consideration has been given, of course, to the effects of organisational development on member-society relations, democracy and managerial autonomy (CCAHC, 1978, 1979; Webster and Kimble, 1978), and to the nature and relevance of joint ventures (Gill, 1979). The precise form of organisation required and the "payment" which the authorities are likely and willing to make for it by a trade off of co-operative principles as yet require firm policy decisions.

There are, of course, many ways of rationalising the apparent lack of enthusiasm in some quarters for the development in the UK of second-tier co-operative organisation. It is argued on occasion, for instance, that, in order to work, federalisation must develop at an early stage and that, despite the advantages of supra-co-operative organisation, it is too late for its encouragement here. If this is true, it applies only to requisite co-operation; the emerging impetus of co-operative marketing in this country suggests that this is the time to stimulate federals.

Another problem, if one wishes to interpret it as such, is the well-established network of alternatives to co-operation in the UK which acts against the enhancement of co-operative market shares whatever forms of organisation are involved. Yet the alternatives thrive on scale which enables them to reap the benefits traditionally ascribed to co-operative business organisation. Why not give marketing co-operatives the opportunity to thrive in this respect? Any why not allow them to develop the dynamic of co-operative/non-co-operative business integration and co-operation which works so well in other European

states' agricultural sectors?

It would be pleasing to end on the positive note that a new dynamic in the UK agricultural marketing sector is emerging: it may be, but it requires careful nurture and perhaps the release of one of its hands from behind its back.

NOTES

Introduction

1. See, for instance, CCAHC (1970; 1972).
2. Acknowledgement is made of the studies on which it has been possible to draw, especially McClean Bullen and Pickard (1975 a, 1975b, 1976, 1977) and Carpenter (1977; 1979).
3. This report also draws on several previous studies and reports preliminary assessments; see Foxall (1978a; 1978b; 1979, 1980).

Chapter 1

1. As has been shown by a number of empirical studies: Le Vay (1975); Foxall and McConnell-Wood (1976); Gasson (1977). Some authors have gone so far as to define co-operation as "an association of individuals adopting an economic relationship to each other" (Bailey and Gibbons, 1970, p.12).
2. See Chapter 1 of Morley (1975).
3. Oakeshott (1978).
4. Source: Tierney (1977).
5. Falk (n.d.).
6. See Farming Business, Spring 1976, p.6: "The French Connection".
7. Rickard, (1969).
8. Drucker (1969), p.1, (sic.).
9. Sargent (1975), p.20.
10. See final note to Introduction.
11. Sargent and Doherty (1977), pp.120-22.
12. Cf. CCAHC (1979a), Baron (1978) and Bateman (1976).
13. These arguments are developed further in Foxall (1979).
14. The basic argument can be found in Galbraith (1969); its application to agriculture and, more specifically, co-operation, is commented upon by Morsink (1971), Butterwick (1969) and Nicolas (1979).
15. Kirk and Ellis (1969). See also Pickard (1970).

Chapter 2

1. Brief details are given in Cogeca (1974). See especially p.35.
2. McClean Bullen and Pickard (1977), pp.91-2.
3. C.F.C.A. (1979a). This section draws on the figures made available in this report and on personal communications with C.F.C.A. during 1979 and 1980.
4. Confédération française de la Coopération agricole - French Confederation of Agricultural Cooperation.
5. CNMCCA - Confédération nationale de la Mutualité, de la Coopération et du Credit agricoles. CAF - Conseil de l'Agriculture française. CGA - Confédération générale de l'Agriculture.
6. CCAHC (1970), pp.6-7. In 1968, France established a National Co-operative Federation which deals with all forms of co-operative activity. This organisation has formed a strong Co-operative Parliamentary Group and has revived the Higher Council of Co-operation which has members of parliament, civil servants and co-operative organisations as its members. Its aim is "to study and follow up, especially in the office of the Prime Minister, all questions of interest to co-operation, and to suggest measures which would be useful in developing all forms of co-operation." (Belleville, 1977).
7. COGECA (1974), op.cit.
8. Together with the National Inspection Association (ANR).
9. COGECA (1974), op.cit.
10. Principally the CNCA - Centre national de la Coopération agricole - National Centre for Agricultural Co-operatives.
11. Anon. (1977), p.18.
12. Société d'Intérêt Collectif Agricole.
13. Delagneau (1976).
14. McClean Bullen and Pickard (1977), p.94. Delagneau (1976), pp.101-3.
15. Ibid.
16. CCAHC (1970), p.6.
17. McClean Bullen and Pickard (1977).
18. CCAHC (1970), pp.15-16. See this source for a brief description of institutions and the subtle observation that a principal federation of non-official credit co-operatives shares the same building as one of France's largest groups of agricultural co-operative unions.

19. McClean Bullen and Pickard (1977), p.96. (This section has not specifically mentioned grants to French co-operatives from EEC sources such as FEOGA which are often channelled through CNCA). See also Digby (1976).
20. Ansoff (1968, 1969): in the latter, see especially, Ansoff's essay "Towards a strategic theory of the firm".
21. CCAHC (1970); Foxall (1978).
22. The original study is by Hairy and Perraud (1978); this account is based on a summary by Nicolas (1979) as are several other accounts provided in this section.
23. Cranney and Rio (1974).
24. Rio (1976). The unions are: ULN (the Union Laitière Normande) and UCANOR (Union des Coopératives Agricoles de Normandie). The former consists of 13 co-operatives and a subsidiary and accounts for the collection, processing and marketing of the milk products of some 40,000 producers in Western France. The latter has 15 co-operatives which produced 160,000 tonnes of animal feeds in 1974/5, placing it "among the largest manufacturers in this field" (McClean Bullen and Pickard, 1977, pp.98-9). The financial organisation is the Pien and Glasson Company (Nicolas, 1979, p.26). See McClean Bullen and Pickard for details of the rapid growth of Bocaviande since its inception.
25. Rostoin (1974).
26. Société de Développement et d'Innovations des Marchés Agricoles et Alimentaires.
27. Nicolas (1979), p.28.
28. McClean Bullen and Pickard (1977), p.98.
29. Nicolas (1979), p.31.
30. Anon. (1977a).
31. Anon. (1977b).
32. Anon. (1978).
33. Delagneau (1976).

Chapter 3

1. CCAHC (1972), p.1; Cogeca, (1974), pp.19-20; McClean Bullen and Pickard (1976), pp.9-12; Foxall and McConnell-Wood (1976); Pedersen and Knudsen (1977), pp.141-144; Webster (1973).
2. See Ejler (1977), pp.80-1 for a fuller discussion of Denmark's principal export markets and the effects of EEC membership.

3. Andelsudvalget (the Central Co-operative Committee), personal communication, 1979, 1980.
4. Ejler (1977), p.89.
5. Andelsudvalget or Federation of Danish Co-operative Societies. The CCC is, in fact, the predecessor of FDCS but is retained as its executive committee.
6. Webster (1973), p.60.
7. Cogeca (1974), p.23; McClean Bullen and Pickard (1976), p.20.
8. Landbrugsraadet.
9. See McClean Bullen and Pickard (1976, pp.20-21) for further description, and Pedersen and Knudsen (1977, pp.109-120) for a somewhat uncritical account of the Agricultural Council and other organisations which represent Danish farmers. Webster (1973, chapter 4) describes the organisational structure of agricultural marketing in Denmark.
10. CCAHC (1972). See, especially, pp.2-5.
11. See Ejler (1977), p.89.
12. Eksport-Svineslagteriernes Salgsforening.
13. Compare: Pedersen and Knudsen (1977, p.128) and McClean Bullen and Pickard (1976, p.13).
14. See Webster (1973), pp.109-111.
15. Ibid., pp.78-80. This source provides a very readable account of Danish co-operative organisations which has been relied upon by later researchers but which is increasingly out-of-date, especially in terms of the figures it presents and in some of the predictions it makes.
16. McClean Bullen and Pickard (1976), p.17. DLG stands for Dansk Landbrugs Grovvarerelskab - the Danish Co-operative Farm Supply.
17. FAF stands for Fyens Andels Foderstofforretning - Funen's Co-operative Feedingstuffs Society.
18. Pedersen and Knudsen (1977), pp.13-3; Webster (1973), pp.117-136 provides valuable description of DLG and FAF to the early-1970s. See these sources for accounts of other agricultural organisations which impinge on co-operatives but are beyond the scope of this study.
19. Op.cit., p.122.
20. CCAHC (1978a, 1979b); Webster and Kimble (1978).

21. Pedersen and Knudsen (1977), p.140; Webster (1973), pp.43-5; CCAHC (1972), p.5; Digby (1976) provides a general account of co-operative finance up to the early 1970s.
22. Ansoff (1968), p.112.
23. Cogeca (1974).
24. McClean Bullen and Pickard (1976), pp.39-42.
25. Ibid., p.13.
26. Ibid., p.11; Pedersen and Knudsen (1977), pp.121-5.

Chapter 4

1. CCAHC (1970). It is difficult to find genuinely original sources here; much of this information is taken from COGECA (1974). See also Isserts (1978).
2. For a detailed account of this last feature of co-operation in the Netherlands, see Jollink (1976) who provides interesting information on the history, organisation, objectives and recent developments of co-operatives' bookkeeping services.
3. ICA (1978).
4. FNZ (1975).
5. NCR = Nationale Co-operative Raad voor Land- en Tuinbouw = National Co-operative Council for Agriculture and Horticulture.
6. NCR (1978).
7. ICA (1978).
8. Co-operative Centrale Raiffeisen - Boerenleenbank.
9. Digby (1976) provides a useful account of the development of credit institutions in the co-operative sector until the early to mid-1970s. A more recent account is available in the article by the Study Department of the Centrale Rabobank (1979) on which the following discussion is, in part, based.
10. Data in this sector are taken primarily from CNR (1979) but other sources, which have provided valuable insights on strategic management are CCAHC (1970), FNZ (1975), Issert (1978), Cogeca (1974).
11. NCR (1979).

Chapter 5

1. A concise and illuminating history of the Raiffeisen movement is to be found in Schiffgen (1979). See also Cogeca (1974).

2. The data for this section are taken by and large from Schiffgen (op.cit.) and DRV (1978; 1979). See also CCAHC (1970).
3. Schiffgen, (1979), p.250.
4. Issert (1978), p.43.
5. CCAHC (1970), p.17.
6. Cogeca (1974), p.29; Carpenter (1979), p.38.
7. Schiffgen (1979), p.251.
8. Digby (1976).
9. Carpenter (1977).
10. Ibid.
11. Carpenter (1979), pp.39-43.
12. Issert (1978), pp.48-50. For a description of the board structure which co-operatives are obliged to create see this source and Carpenter (1979).

Chapter 6

1. COGECA (1974); CCAHC (1970); CPL (1979).
2. McClean Bullen and Pickard (1975), p.7.
3. A history can be found in CPL (1979), pp.30-32.
4. McClean Bullen and Pickard (1975).
5. Ibid.
6. COGECA (1974); CPL, personal communication.
7. McClean Bullen and Pickard (1975).

Chapter 7

1. CCAHC (1972), p.6. See, for the authoratative account of the development of Irish agricultural co-operation, Bolger (1977).
2. COGECA (1974), pp.43-5. See also Bolger (1977).
3. Although some of the managerial behaviour dealt with in this and subsequent sections should, strictly speaking, be attributed to the IAOS (see section 7.1), in order to avoid confusion and undue complexity the organisation is referred to by its current name. Note that publications of the IAOS are referred to as IAOS (19--) etc.
4. See CCAHC (1972); ICOS Annual Reports; ICOS (1979a).

Chapter 8

1. CCAHC (1970); COGECA (1974); CNC (1977).
2. McClean Bullen and Pickard (1975).
3. Ibid. This source provides some recent description of criée activities in the livestock area.
4. CNC (1977).
5. Ibid. This discussion does not include the social and cultural guilds and organisations within the Boerenbond. For details of these, see this source.
6. See McClean Bullen and Pickard (1975) but note that even their figures are now dated.
7. CNC (1977), p.80. Cf. McClean Bullen and Pickard (1975), pp.13-19; CCAHC (1970), p.4.
8. CNC (1977). For a complete description of the Boerenbond's organisation and management and of the legal constraints on co-operation, see Issert (1978).
9. Issert (1978).
10. In the words of McClean Bullen and Pickard (1975) from which source most of the facts in this paragraph have been taken.
11. CCTV (1977).
12. CNC (1977).
13. McClean Bullen and Pickard, op.cit.

Chapter 9

1. COGECA (1974); Issert (1978).
2. Anon. (1976). This paper was produced by the agricultural attaché at the French Embassy in Italy and its general aims are not necessarily those of the British reader. Nevertheless, in view of the shortage of information about Italian co-operation today, it has proved a useful source and the following section makes considerable use of it. Another source which includes valuable judgement and discussion is CCAHC (1970). It is clear from a comparison of the two, that the latter remains a fairly up-to-date account.
3. McClean Bullen and Pickard (1975). This widely available source provides descriptions of the Italian farmers' unions which are beyond the scope of the present study.
4. CCAHC (1970); Anon. (1976).

5. For a full discussion, see Galetti (1977), chapter 5.
6. Unfortunately, data in this section are somewhat out-of-date but represent the most recently available information. See CCAHC (1970); COGECA (1974).
7. This argument is based on several sources, notably McClean Bullen and Pickard (1975) but supplemented with data, ideas and impressions from various issues of Farming Business and discussions with co-operative managers and researchers.
8. See, for instance, Coyle (1978).

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