Year Book of Agricultural Co-operation

1980

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isbn 0 85042 037 7

issn 0142-498X

Typed by Kim Wells and
printed by Parchment (Oxford) Ltd

YEAR BOOK OF

AGRICULTURAL CO-OPERATION

1980

THE PLUNKETT FOUNDATION FOR CO-OPERATIVE STUDIES
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FOREWORD

The *Year Book for Agricultural Co-operation* has been published by the Plunkett Foundation for Co-operative Studies since 1927. Its purpose is to provide a continuous review of agricultural co-operative development throughout the world from a wide range of view points by publishing articles on countries at regular intervals, and on particular aspects of co-operation when these are innovatory or of topical interest. Articles are normally invited from authors representing variously academic, government, grass-roots and outside points of view, on the basis of an annual editorial plan. However, unsolicited articles will also be considered.

Intending contributors should note that articles should conform with the general policy of the *Year Book*, presenting an informed analysis of recent developments backed by factual statements and figures. (Historical references and descriptive background should be kept to a minimum). The purpose of the article should be clearly stated at the beginning and the author should develop the contribution by comparisons, critical comments or recommendations. All articles must be original and accompanied by a statement that they will not be published elsewhere; and they should not exceed 5,000 words and cannot be accepted later than June of the year of publication. Two copies of the manuscript should be submitted in English or French, typed in double spacing, with the full name of the author, his position and the name of the organisation with which he is associated. Articles are accepted for publication on the understanding that they may be subjected to editorial revision.

* * * * *

The *Year Book* has always carried a classified list of accessions to the Plunkett Foundation Co-operative Library. This year, however, it has been omitted as a new publication, *Co-operative Literature; Accessions List for the Period October 1978 - September 1979*, has been compiled jointly by the Librarians of the U.K. Co-operative Libraries, and published by the Foundation. It is planned to bring out the list annually, and it is hoped that readers of the *Year Book* will find this comprehensive guide to co-operative literature more useful in its new supplementary and fuller form.

E D I T O R I A L

The success or failure of a government is often associated with its ability to feed the nation. Agricultural production, marketing systems and food prices have always attracted controversy. The intensity of debate becomes more acute as prices rise in the developed countries or hunger and deprivation strikes in less developed countries. In the European Economic Community problems with the Common Agricultural Policy demand ever increasing attention and accentuate the difference in attitudes to agriculture between Member States. In Eastern Europe high food prices, occasional shortages and increasing demands by farmers for more representation is becoming apparent.

In Africa both the U.N. Food and Agriculture Organisation and the Organisation for African Unity have issued dire warnings that food production is decreasing yet populations are still rising in many countries. At the same time FAO has advised that world cereal production in 1980-81 is expected to fall for the second consecutive year. The reasons often stated for unsatisfactory agricultural production include drought, crop failure, lack of foreign exchange for fertiliser purchase or shortage of seed at planting time and it is not uncommon for one or all of these problems to occur. Rarely do we see human failure or inappropriate government agricultural policies quoted as a factor contributing to decline in production or mitigating against the development of increased production.

Throughout the world today one rarely finds a country that does not have as part of its agricultural policy, some form of co-operative development. The particular forms of co-operative organisation and structure may vary considerably depending on political philosophy and ideology. In all these countries it is possible to identify groups of farmers working together at various levels in order to produce food and create wealth for themselves and the nation. This shared activity designated 'co-operative' in its different forms of organisation and structure is undertaken to provide major contributions to the economic and social welfare of the farmers and their families. There is a need however to re-examine more critically existing and planned co-operative structures to ensure that they are achieving the desired results.

International development organisations are focussing more closely on small farmer groups, helping them to organise themselves in what amounts to pre-co-operative stages of development. There are indications that many established forms of co-operative organisation have failed to produce the dynamism necessary to promote increased agricultural production. There is considerable empirical evidence that producer co-operatives farming collectively lack impetus. Collective systems of agriculture are integral components of many socialist philosophies but their success depends on a massive commitment to the political ideology and the government of the day.

Within these systems farmers usually have their own parcels of land which they cultivate to produce agricultural and horticultural crops. These individual holdings satisfy the acquisitive nature of man and enable farmers to obtain job satisfaction from achievements based on their own individual efforts. This dual system of agricultural production, adopted in order to satisfy society, often gives rise to conflict. In the collective system (producer co-operatives) both the labour and those responsible for the development often lack the necessary motivation or indeed feel no real responsibility for achieving high yields or maintaining soil fertility. On the other hand farmers working as individuals on their own land but belonging to a co-operative group, will often achieve high levels of production and are prepared to invest their labour and money in their land in order to develop a long term future for their families.

Unsatisfactory marketing systems in which farmers and their co-operatives have little or no opportunity to influence policy or prices are all too frequent. The produce from state farms or producer co-operatives is usually marketed through the government marketing system (crop authorities or marketing boards) at prices determined by government which in the experience of the farming community are often below the actual production costs. At the same time production by individual farmers on their own land is often marketed direct to consumers at higher prices than the official government price. This dual marketing system tends to penalise the poor and those who live and work in urban areas where periodic shortages of price-controlled staple foods may be frequent. The end result is that a free market economy develops which is at variance with the government agricultural policies that were intended to feed the nation and give equal opportunity to all citizens.

These disturbing trends can readily be discerned in a number of African countries and also in parts of Eastern Europe. Whilst the value of collective agricultural systems is not questioned by many governments it is becoming apparent that they may have fundamental management problems which diminish their value as a major force in ensuring adequate food production through organised government control.

Agricultural co-operatives throughout the world have a vital role to play in maintaining and increasing food production. The environment in which they are formed, developed and succeed depends largely on government agricultural policies. The role of governments should include critical reappraisal of their agricultural co-operative systems on the basis that these organisations are people-oriented and are therefore sensitive to policies and systems within which they operate. The answer to increased food production depends less on the green revolution but is more closely associated with the opportunities created by government for farmers to work together seeking individual job satisfaction as they produce food for their families and the nation.

Increased food production does not mean more direct government control of co-operative activity, with civil servants holding executive positions in farmer organisations. The key to increased production in agriculture depends on climate, availability of inputs, good management and, as in any other economic activity, incentive. Farmers who often work in difficult conditions need the stimulus of added incentive as much, if not more than other groups in society who are involved in the creation of wealth. This was recognised at the beginning of the century when Sir Horace Curzon Plunkett created the phrase "Better farming, better business, better living".

C.E. McKone.

PATRONAGE AND SELF RELIANCE IN CO-OPERATIVES FROM RAIFFEISEN ONWARDS

by

Peter Yeo*

For most people, there is no "real" co-operative unless people with shared needs are working together to meet them. That is what the "self-reliance" in the title means. In most co-operatives, in practice, somebody who does not have the same needs as most of the members plays a leading role. That is what the word "patronage" in the title means. Unpaid middle-class people working as committee members or advisers can be patrons. So can managers or government officials or activists from political parties or employees of secondary co-operatives. The identifying characteristic of patrons in this sense is that they lead or strongly influence co-operatives without sharing the needs which the co-operative is supposed to be trying to meet.

Patrons are often outstandingly good people but patronage, nevertheless, presents a serious problem. Without it, co-operatives would be rare, especially among poor people. Yet with it, self-reliance is rare. Some patrons smother self-reliance with misguided good intentions; some kill it for personal gain; only a few work themselves out of a job and leave a self-reliant co-operative which has ceased to need patronage.

This analysis starts from Raiffeisen because he has the best right to be called the father (or perhaps the original patron) of modern co-operation. Also, the book *The Credit Unions,* which he wrote more than a century ago, highlights the contradictions between patronage and self-reliance which continue to puzzle co-operators to this day. This paper compares what he wrote with developments in Britain, in India and in Tanzania.

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* International Co-operative Training College, Loughborough

Raiffeisen's own words set out the case for co-operative self-reliance perfectly. He wrote:

> "Although appropriate legal regulations are required to facilitate the improvements, to eliminate all obstacles, and to reduce taxes, the needy people themselves must do the rest and act according to the proverb: 'God helps those who help themselves'... What the individual cannot perform, can, however, be performed by united effort" (p.34)*

> "Direct help of any kind without equivalent effort from the population is, however, highly detrimental ... where subsidies cannot be avoided, they should be given in the only way that public works ought to be performed - in order to give all needy people a chance to earn money". (p.33)*

Co-operative self-reliance in its usual form can only help those who can contribute something to the joint effort. For Raiffeisen there were people so weak in character and property that he could offer them little more than sermons.

> "It is true, unfortunately, as generally stated, that much poverty prevails everywhere, and that help is urgently required; however, this help should also be used as a medium to improve the population's moral standing". (p.60)

> "It is, therefore, in the interest of the persons themselves who cannot be trusted to use the money for the improvement of their business, as well as in the interest of the Unions to refuse their applications for loans in advance. The applicants should urgently be admonished to change for the better, and the granting of loans should be promised only on condition that they comply with the admonition". (p.38)

By using unlimited liability rather than shares to make his Unions creditworthy, he was able to let in those who could not spare money to buy shares, but in defending this arrangement he assumed that they had some property to make the unlimited liability meaningful. (p.49)

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* Page numbers in brackets refer to *The Credit Unions*, by F.W. Raiffeisen, translated by K. Engelmann. Raiffeisen Printing and Publishing Co., 8th edition, 1970.

It is well known that Raiffeisen said that credit unions must be kept small because unlimited liability can only work on a basis of trust between people who know each other well. His other reasons for insisting on smallness are not so often quoted. He wrote:-

> "Finally, it is also recommended, in the interest of effective management, to confine the individual Unions to narrow districts - this for two reasons; rarely are there people to be found in rural areas who are able to manage large-scale business transactions. On the other hand, only in small regions can management free of charge be attained, the advantages of which will later be shown". (p.38)

So, if a co-operative gets big it will have to employ paid managers. An element of patronage comes in since these managers do not usually share the same needs as the members. Managers and growth tend to stimulate each other:

> "Apart from viewing these functions as sources of income, the institutions of salaried functionaries and profit sharing directors suggest the temptation to carry out as many transactions as possible and to make the highest possible profits in order to enable the firm to continue to pay high salaries and to increase the profit shares". (p.56)

Raiffeisen wanted to avoid patronage by managers but he seems to have been remarkably blind to the disadvantages of the patronage by the unpaid voluntary leaders. One of the portraits of him at his memorial at Neuwied shows him patting a poor man on the head. It is called "Charity" and it suggests patronage far more than self-reliance. The following quotations show that this is a fair portrayal of a major aspect of Raiffeisen:

> "Well-to-do citizens should join credit unions in order to add to the society's security ... by participating without any self-interest". (p.18)

> "Unselfish work will also be particularly blessed and gratifying for the managers and directors themselves". (p.58)

"Charity", relief on the Raiffeisen Monument in Neuwied.
Reprinted by kind permission of Deutscher Genossenschafts-Verlag eG, Wiesbaden.

Raiffeisen had enormous trust in the wisdom and good intentions of such patrons. He welcomed the fact that poor people so often choose rich people in free elections but, just in case they sometimes did not, he preferred open voting to secret ballot.

> "Guided by good sense, the poor have always elected wealthy citizens to be their trustees in administration, without having been coerced to do so". (p.39)

> "the leading personalities .... i.e. the members of the supervisory and executive boards, act without any self-interest in the best interest of the unions. If they reach an agreement beforehand with regard to the persons to be elected, as it does really happen, results are generally better for the unions than with the use of secret ballots". (p.65)

So Raiffeisen's vision was of thrifty owners of small amounts of property joining together under the leadership of benevolent people of greater wealth or enlightenment. It was self-reliance with a very strong element of patronage.

Meanwhile, in Britain from 1844, the Rochdale pattern of co-operation was developing.

Like Raiffeisen's, it could do little for those who were insufficiently thrifty or who lacked anything to be thrifty with. Such people were excluded by refusal of credit and insistence on sale of unadulterated goods which were often too expensive for the very poor.

According to G.D.H. Cole*, the Rochdale Pioneers were reacting against the kind of middle-class patronage which Raiffeisen liked. They had seen it go wrong in the Owenite community at Queenwood. Their successors have been true to this tradition, and patronage by wealthy citizens has been rare in British consumer co-operatives.

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* G.D.H. Cole, *A Century of Co-operation,* George Allen & Unwin, 1944.

However, patronage has come in another way. In 1856 wholesaling was established on a regular basis and in the same year, the first branch shop was opened by the Pioneers' Society. They were on their way to large-scale organisations, which inevitably means patronage by managers. As Raiffeisen could have told them, this is a self-feeding tendency and can be explained without imputing bad motives to anyone. Even if a manager is not motivated by the desire to enlarge his empire as a means to increase his salary and prestige, he often has to argue for expansion. It enables better services to be provided and it spreads the fixed cost of management, at least until more managers are recruited to cope with the extra work. The members usually benefit but at the cost of ceasing to control their own co-operative.

Again, any self-reliance that survives is accompanied by a very strong element of patronage.

In 1903, Sir Denzil Ibbotson introduced the Co-operative Credit Societies Bill to the Indian Legislative Council. His speech* sets out the strategy of the British rulers as they began to introduce co-operatives into their colonial territories. They were looking to Raiffeisen as a model. They knew that the majority of the people they wished to benefit from co-operatives were poorer than those who had benefited from Raiffeisen or the Rochdale co-operatives. Government aid would be needed, and this time government officers would be the patrons.

Ibbotson said in his speech:-

> "It is abundantly clear that no real advance will be made without the active encouragement and assistance of the government".
>
> "The District Officer ... must give the first impulses; he must explain the new law and preach the new gospel, he must select the places in which the experiment is most likely to succeed and must suggest to the people that they should try it, putting it to them as action to be taken, not by government but by themselves, while explaining how far and in what way government is ready to help them".

There was to be a full time Registrar of Co-operatives in each province.

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* *Anthology of Co-operative Thought,* National Co-operative Union of India, 1975

> "For the first few years at least he will constantly be going round, visiting the societies and watching their progress, criticising and assisting them, but as a friendly adviser rather than as an inspecting officer. As experience is accumulated and societies gain strength and are able to stand alone, and as their numbers multiply, the "drynurse" element will disappear from his duties, which will become purely official"

It did not quite work like that. The "drynurse" duties have continued. In Ibbotson's speech he had said that the amount of government money lent to co-operatives on favourable terms would not be greater than the amount the members themselves put in. In later years, especially after independence, the government was far more generous. Unfortunately, the more generous the government aid, the more the rich moved into the co-operatives to divert these benefits from the poor to themselves. In the fourth Five Year Plan of independent India we read that:-

> "in institutions like the co-operatives which were fashioned to promote socio-economic democracy the propertied classes and the rich dominate".

The plan suggests that the federal co-operatives should act to correct this. Raiffeisen would have preferred this to government action (p.105), but it obviously cannot work if the secondaries are themselves dominated by rich exploiters. The more usual remedy is to send government officials to supervise yet more closely or even to second them to manage the secondary co-operatives.

The government patrons are needed to save the co-operatives from the attentions of the rich patrons on whom Raiffeisen relied. However, Raiffeisen has not been proved wrong. His formula was explicitly not designed to work with an amount of government aid which is big enough to attract the vultures.

Most countries which have been ruled by Britain in this century could be used to illustrate the same co-operative story as India. In Tanzania, as elsewhere, government officials have had to protect co-operatives from vultures attracted by government aid. However, the reason for discussing Tanzania here is a different one. There the co-operative model has been drastically altered in an attempt to reach the poorest, who did not benefit much from Raiffeisen, Rochdale or Indian co-operatives.

In 1967, in *Socialism and Rural Development,* President Nyerere wrote:-

> "It is only if the agricultural production itself is organised on a socialist pattern that co-operative marketing societies are serving socialism".

Conventional agricultural co-operatives can only serve those who have access to land and who have the initiative to join and use them. They will tend to widen the gap between those who have such land and initiative and those who have not. Tanzania has attempted to solve this problem by grouping all the inhabitants of each village in one organisation which is supposed to act both as local government unit and as co-operative. Ultimately, most production in the village will be done by the village corporately. The poorest and least thrifty are members, so if the village succeeds in spite of carrying their weight, there will be benefit available for them, and, as there will not be much private property, there should be no rich property owners to divert the benefits from them.

To keep the village running in the desired direction, the agents of the one political party play the role of patron, alert to malpractices of government officials as well as of private citizens. The chairman and secretary of the local party branch are ex-officio chairman and secretary of the village council. In the terms of this paper, they are "patrons", except in cases where they are local people sharing the same needs as other villagers.

Raiffeisen would not have approved at all. He wrote:-

> "...compulsory co-operative societies and credit associations based on village, town and other community connections have been recommended. Both types can be judged simultaneously, because, strictly speaking, a community as such already represents a compulsory society ... Both types of credit institutions are objectionable". (pp. 43-44)

It is possible that the Rochdale Pioneers would have approved more. They started their shop in Toad Lane as a preliminary to building communities which might have been something like a private enterprise version of what the Tanzanian government is now sponsoring. However, G.D.H. Cole tells us that within ten years this ideal had definitely faded from their minds.

Nyerere wrote in 1968 in *Freedom and Development:*

> "people cannot be developed; they can only develop themselves".

Raiffeisen said virtually the same thing in the first passage quoted in this paper. So did Ibbotson in his speech. The Rochdale Pioneers would have agreed. For all of them, self-reliance was the goal, yet all of them found a need for patrons. Too often the patrons have inhibited the self-reliance and too often new types of patron have to be brought in to combat the earlier type. It is rather like the story of the mongoose which was introduced to control the snakes in sugar plantations. Now the mongoose is itself a pest and a new predator is needed to control it.

Even among poor people there have always been isolated cases of co-operatives based on pure self-reliance, but you cannot build a system on that. Patrons may not be the idealist's solution but patrons are needed. The problem is to find the form of patronage which best promotes self-reliance.

PARTICIPATION OF AGRICULTURAL CO-OPERATIVES IN INTERNATIONAL TRADE

by

Ph. Nicolas*

translated by Elise Bayley**

It is becoming imperative that agricultural co-operatives in countries with a developed marketing economy participate in the fast developing internationalisation of trade. They will have to take a more and more active part in the future to ensure that their members are supplied with products essential to agriculture, to dispose of surplus products to foreign markets and to reduce the influence of transnational firms.

According to representatives of the co-operative movement the results obtained so far have little relation to what is in fact needed. In France, however, a recent estimate shows that direct exports from co-operatives represent as much as 25 to 30 per cent of the total exports of agricultural and food products.*** (1)

In the United States, on the other hand, this global percentage would hardly exceed 9 per cent (with indirect exports for cereals and soya reaching however, nearly 30 per cent of the total exports of these products).(2)

The international activity of agricultural co-operatives can be seen today in many forms. In its own country the co-operative society can carry out its operations itself or by the agency of a specialised subsidiary. It can become one of a group with other co-operatives, participate with international business firms, and even set up joint enterprises with these societies.

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** Plunkett Foundation

*** A distinction must be made between 'direct' and 'indirect' exports: the first are carried out by co-operatives themselves or by the enterprises they control. The second correspond to products collected by co-operatives (who often transport them to their own harbour facilities) but which are exported by other organisations.

Today these diverse alternatives are put into practice with a certain amount of success. However, the association of co-operatives with commercial organisations practically always means a reallocation of work, and a division of labour which generally favours the partner working under non-co-operative legal provisions. This is why the recent development of a direct commercial collaboration between co-operatives from different countries offers new perspectives and merits particular attention.

This brief analysis gives some concrete examples illustrating each method of action. A clear distinction will be established between transactions without organised international co-operative collaboration, and those operations carried out conjointly by co-operatives of different nationality (international inter-co-operation). The study will be concerned exclusively with co-operative societies in countries with a developed market economy but will be completed by a rapid examination of the relations they have with countries with a planned economy and developing countries. The survey will be followed by a conclusion in the form of a brief observation on the conditions of formation, the potential and the specific characteristics of an international network constructed on a framework of inter-co-operative communications.

Operations carried out by French Co-operatives without organised collaboration with Foreign Co-operatives.

In France, agricultural co-operation is less oriented towards international co-operation than in the Netherlands or Denmark. There are, however, co-operatives that hold a place of first importance among French exporters of raw materials. The central society SOCOPA is a notable example, operating between 25 and 30 per cent of France's meat exports. Fromonçais SA, subsidiary of the Union Laitiere Normande, (ULN), the Societe de Co-operatives Agricoles de Semences de Limagne (LIMAGRAIN), and the Union National des Cooperatives Agricoles de Cereales (UNCAC), are others.

a) In certain cases, the co-operatives themselves carry out their international transactions. In others, they use non co-operative subsidiaries (e.g. Fromonçais SA, completely controlled by ULN), or they have a majority share in a trading firm, occasionally by means of a holding society, such as BOCAVIANDE set up by the co-operatives of Normandy (of which ULN is one).

The para-co-operative form SICA (Société d'Intérêt Collectif Agricole), whose legal status is less constricting than that of co-operatives or unions, is also used to amalgamate co-operative societies - the majority shareholders - with non-co-operative societies. S.C.SOCOPA, for example, has been able to take control of the Groupe SALOMON which has subsidiaries in the Federal Republic of Germany, the Netherlands and in Central America, in this way.

b) Certain French co-operatives have organised joint ventures with large international organisations.

i) The Union Francaise de Cereales (UFC) was set up in 1971 by the Union Genéral des Cooperatives Agricoles Francaises (UGCAF) and the S.A. Louis Dreyfus et Cie. As a result the mixed subsidiary benefited from the know-how of a large trading organisation and from the services of the Credit Agricole Mutuel. Although its function was to distribute its members' produce, it was also able to obtain supplies on the (French and foreign) markets. It seems however that this society has not rendered all the services expected of it by the producers. The UFC case poses problems of relations and points particularly to the problem of the division of power in mixed subsidiaries between the agricultural co-operative and the international trading organisation.

ii) French agricultural co-operatives export to countries with a planned economy mainly via an agent, the Société INTERAGRA founded by J.B. Doumeng, in which the Ùnion des Cooperatives du Sud-Ouest (UCASO) hold a minority share (40 per cent).[3] The Societe INTERAGRA maintain close ties with a certain number of large French co-operative groups, particularly with S.C. SOCOPA and with the central French agricultural bank (Comptoir Agricole Francais), in which the majority holding is owned by ULN, UCASO, UNCAC and the Union Nationale des Cooperatives d'Approvisionnement Agricole. INTERAGRA has carried out important contracts with the USSR in wheat, butter and meat.

International Collaboration between Co-operatives.

Since its inception the co-operative movement has always considered international inter-co-operation as one of its fundamental objectives. It is to be found explicitly prescribed in one of the six co-operative principles laid down by the International Co-operative Alliance during the Vienna Congress in 1966. The principle states that "All co-operative organisations, in order to best serve the interests of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels". The General Committee of Agricultural Co-operation of the EEC (COGECA) and the International Federation of Agricultural Producers (IFAP) also endeavour to develop international inter-co-operation. Although today commercial arrangements made between co-operatives of different nationalities are relatively few in number. They are effected by the drawing up of commercial contracts, the formation of international trade agencies, the establishment of multinational enterprises with co-operative participation, and the creation of genuine multinational co-operatives.

a) Commercial Agreements Between American and Japanese Co-operatives

In 1968 a commercial contract was signed for significant quantities of cereals and soya, by Producers Grain Corporation, Texas, and the Japanese National Union of Agricultural Co-operatives (formerly Zenkoren, now Zen-Noh). More recently, another American co-operative (Farmers Export Company, Missouri) has become involved in these operations.

The importance of Zen-Noh is considerable, equal to that of some of the biggest commercial Japanese companies. Its office in New York has been set up specifically to purchase raw materials for the manufacture of animal feed in its own factories, whose production represents about 45 per cent of the national product. Zen-Noh is seeking to expand its part of the market, particularly through long-term contracts with co-operatives throughout the world.

The development of the international co-operative cereal trade is strongly encouraged not only by American co-operatives but also by the U.S. Department of Agriculture which recommended in a report of June 1976 an expansion of the links already established with Japanese co-operatives into associations with West European co-operatives - a recommendation which has now been realised (early in 1979) under conditions which will be discussed later.[4]

b) <u>European Co-operative Trade Agency</u>

The Society EUROGRAIN was formed in Zurich by the co-operative federations of Spain, Finland, Ireland, Great Britain, the Netherlands, the Federal Republic of Germany, Sweden and Switzerland. Austrian, Belgian, Danish and Italian co-operatives were admitted as members in 1971. EUROGRAIN, whose headquarters are in Hamburg, has welcomed the participation of European co-operatives in international trade but its activities are limited to broking, and it has only played a restricted role in the development of inter-co-operative business.

c) <u>Multinational Society Formed by Co-operatives of Different Nationalities Associated with an International Trading Organisation.</u>

What the European co-operatives were not able to achieve between themselves, they managed to do in association with American co-operatives in 1979, i.e. they have established a multinational organisation with the international organisation Alfred C. Toepfer (Hamburg), mainly orientated towards trade in cereals and oil seeds, of which they hold 50 per cent of the capital.

Participating in this operation are:

<u>United States</u>

- Gold Kist, Atlanta, Ga.
- Indiana Farm Bureau Co-operative Association, Indianapolis, Ind.
- Land O'Lakes, Minneapolis, Minn.
- Citrus World, Lake Wales, Fla.
- Agway, Syracuse, N.Y.
- Lanmark, Columbus, Ohio

Europe

- CEBECO, Rotterdam, Netherlands
- DRWZ, Frankfurt, Federal Republic of Germany
- GIG, Verwaltungs-Gesellschaft, Duisburg, "
- UNCAC, Paris, France. The participation of this union is operated via the society INTERGRAINS, in which it has the majority holding, the other shareholders being UNIGRAINS and SOFIPAR (Credit Agricole). (5)

Because of its very recent development it is not yet possible to reach any conclusions as to the results of this experiment.

d) Multinational Co-operatives

i) Founded in 1946, CF Industries is a union of 17 American regional co-operatives (of which Gold Kist, Indiana Farm Bureau Co-operative and Land O'Lakes are notable), two Canadian co-operatives (United Co-operatives of Ontario, and the Cooperative Fédérée de Québec). It provides feed and fertiliser to about 6,000 local co-operatives, representing 1½ million farmers drawn from 44 American States and 2 Canadian provinces, and is the largest requisites supplier in North America. CF Industries owns plants and mineral rights in various American states, notably in Louisiana and Florida, and in two Canadian provinces, Alberta and Saskatchewan, where it has also formed a mixed subsidiary (joint venture) - the Central Potash Company Ltd., with the non-co-operative Noranda Mines Ltd. In Alberta, it has joined forces with the Wheat Pools of the Western provinces and the Federated Co-operative Ltd. to construct an industrial complex. (6)

ii) In Scandinavia, international co-operation has appeared in the form of a multinational co-operative - Olje Konsumenterna (OK), which is a group of consumer and agricultural co-operatives from Denmark, Sweden and Norway. The OK Society, which owns a refinery in Sweden where it controls more than 20 per cent of the distribution of petroleum products, is itself a member of another multinational co-operative, the International Co-operative Petroleum Association formed in 1947 by 41 societies from 24 countries. (6)

These last examples show that it is easier to bring together co-operatives of different nationalities for the supply and manufacture of requisities (here feed, fertiliser and petroleum products) than for the marketing and processing of agricultural products.

The Société Bordeaux-Oléagineux (oils and oil cake), established more recently, represents an intermediate case. Formed by both co-operative and non-co-operative organisations, it owns a factory at Bordeaux for the processing of oil seeds (rape, sunflower, soyabeans). The principal shareholders are the national technical and agricultural bank (Comptoir National Technique Agricole) whose major shareholders are co-operatives and which is itself the major shareholder in Bordeaux-Oleágineux; the Louis Drefus and ELF societies. Brazilian co-operatives exporting soyabean hold 10 per cent of the capital through the BANTRADE Society.

Relations of Co-operatives in Countries with developed market economies with those in Countries with planned economies and in Developing Countries.

a) Countries with Planned Economics

In 1977 the American co-operative Gold Kist succeeded in finalising a contract with the USSR for the sale of poultry, and another with Rumania for the direct sale of sorghum. In 1979, a union of 12 American regional co-operatives, Farmers Export (Overland Park, Kansas) carried out the largest sale of cereals ever brought off by an agricultural co-operative.

The role played by INTERAGRA has already been noted. It should be added that UCASO created a joint enterprise (ACTIF-ACTO) in 1967 with a Soviet company exporting tractors(TRACTOREXPORT).[9]

According to several experts, countries with planned economies are in favour of direct arrangements being made with agricultural co-operatives in countries with developed market economies, on condition that they are capable of holding to contracts involving large quantities of produce. The formation of multi-national co-operatives is therefore particularly favourable for the establishment and the development of such arrangements.

b) Developing Countries

The need to strengthen the relations of the co-operatives of industrial countries with developing countries was underlined at the conference in New York in November 1978 on international trade between co-operatives. The participants asked for the assistance of international organisations concerned with agriculture and aid to the Third World. Ways of developing trade could be opened up with the transfer of technology and the installing of equipment (such as industrial buildings, silos, refrigerated storehouses).

i) In 1976, CF Industries, with other American co-operatives and the Co-operative League of the USA (CLUSA) formed a new organisation, Co-operative Fertilisers International. This body provided the government and agricultural organisations in India with technical assistance for the construction of a fertiliser plant based on that of CF Industries at Donaldsonville in Louisiana which remained the property, and under the control of an Indian co-operative, Indian Farmers Fertiliser Co-operative[7]. In 1977, CF Industries also made contacts with leading European co-operatives, particularly French co-operatives, in order to research the means for a collaboration which could lead, without doubt, to the formation of communal enterprises. Since 1975 in fact, this same society has been looking into the possibility of constructing a factory in Latin America in association with Latin American co-operatives. They are today working out projects with Africa.[9]

ii) In 1975, a contract was signed between the French co-operative group GAMM (to which UNCAC and UNCAA belong) and the Union National des Agriculteurs Tunisiens, for the construction of large dairy complexes and the delivery of dairy cows. Two years later, the engineering society of the GAMM Group, SEQUIPAG, reached an agreement with the interprofessional Algerian Cereals Bureau for the construction of ten silos.

It is clear that the agricultural problems experienced by co-operatives, and the close contacts they have with farmers render them specially equipped to advise developing countries on how to bring about the realisation of their plans for development and the organisation of man in a rural environment.

Conclusion

The methods of intervention used by the agricultural co-operatives of countries with planned market economies to operate direct exports and imports show that they are not always in a position to implement and maintain their intentions through their own powers in the large international circuits of trade in agricultural and food products. In fact there exist deep structural and functional differences between co-operative societies and capitalist enterprises. The organic relations they have with agriculture, the application of co-operative principles and, in certain cases such as in France, restrictive statutory rules reduce both their freedom of supply and the availability of funds; keep them relatively confined to a narrow area of operation, both geographically and as regards their activities; and generally limit their capacity to accumulate capital.[10]

Agricultural co-operators are at the same time both members and users of their societies. They form co-operatives both in order to distribute their products in the best possible way and for their profit. Multinational firms operating in all big markets, on the contrary, benefiting from considerable financial opportunities and enormously diversified (the amount played by agri-food activities in their turnover is generally less than 30 per cent) can prcure their supplies wherever they wish, arbitrate on time bargains, play the money markets and cover themselves on freight matters.

One can imagine the difficulties of an exclusive international collaboration between co-operatives under these conditions. Collaboration certainly exists, but more common for supply than for the exchange of products. It is not exclusive, as has been shown through the participation of the group recently formed by the European and American co-operatives with the capital of an international trading firm.

However, these obstacles and limits must not make one forget that international inter-co-operation exists and it is developing. One must ask oneself to what measure the specifically co-operative characteristics observed at the national level - and which determine the equally specific role of agricultural co-operation in the economy and agri-food politics - will be found at the international level. Can one hope to reduce, also at this level, and by means of the relations established on the basis of co-operative principles, the effects of speculation and of domination? Must one believe that the deliberate withdrawal of financial capital from certain agri-food activities judged insufficiently profit earning, (a withdrawal that one can observe already in the national framework) will arise also in certain international trade circuits?

The various observations presented in this brief report should, it seems, justify initiating research into the conditions of development, and the advantages of an international co-operative network.

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A BRIEF SKETCH OF THE CO-OPERATIVE MOVEMENT IN CHINA

by

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The history of the co-operative movement in China is not very long. At the beginning of the 20th century, co-operative credit societies were organised in North China, mainly in Hebei, Sanxi and Suiyuan (new Inner Mongolia) as part of the relief project of the China International Famine Relief Commission. Later, agricultural marketing co-operatives were widely organised in cotton growing regions such as Hebei, Shenxi, Zhejiang and Jiangau. In 1935, a National Co-operative Conference was called and the first co-operative law was promulgated immediately afterward. Since then, not only credit and agricultural co-operatives but also other kinds of co-operative organisations such as consumers' co-operatives and housing co-operatives were organised. However, up to 1937 the co-operative movement in China did not expand much further than the area of credit and farm products marketing.

Immediately after the outbreak of the war with Japan, the Chinese Industrial Co-operatives came into being. The movement was first initiated in Shanghai by a group of patriotic intellectuals and a few prominent foreign friends such as Mr. Rewi Alley and Mr. and Mrs. Edgar Snow. Due to the shortage of all kinds of manufactured goods in the interior of China over 3,000 industrialal co-operatives were organised with the active participation of hundreds and thousands of refugee labour and skilled workers evacuated from the coastal provinces and with popular and international support. The industrial co-operatives did a grand job during the war years, not just giving employment to thousands of refugees, but also making all kinds of needed commodities including over a million army blankets.

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The industrial co-operatives were also well developed in the Eight Route and Four Route Army areas, making small arms to support the guerilla warfare. The Chinese Industrial Co-operatives also did a great deal of training and educational work during the years before liberation, as its promoters foresaw the ultimate victory of the war and believed that co-operatives were going to play an important role in the rehabilitation and rebuilding of post-war China.

Since liberation and after the founding of the People's Republic in 1949, a National Co-operative Commission was set up, headed by Mr. Meng Yung-qian, a former founder of the CIC, and entrusted with the task of promoting co-operative organisations. The co-operative movement had made smooth and swift development: the supply and marketing co-operatives and credit co-operatives were widely organised in rural areas and thousands of handicraft workers joined together in producers' co-operatives in most of the big cities. In 1954, the First National Congress of Co-operatives was convened and the National Federation of Supply and Marketing Co-operatives was instituted. Co-operative organisations through their various activities had during the first 7 - 8 years of the Republic's existence helped greatly in the restoration and furtherance of agricultural and industrial production and in the improvement of the livelihood of the peasants and workers.

In 1958, we had the so-called "Great Leap Forward" movement and since then a kind of "left" influence interfered with the development of our national economy. Centralisation was unduly emphasised and co-operative enterprises were considered pseudo-socialistic, or at least not progressive enough, so that overnight they were all reorganised and turned into state bodies. This influence in the national economic structure was getting even worse during the period of the Cultural Revolution when the Gang of Four was in power. However, since the Gang was crushed, an atmosphere of ease and freedom in all spheres of national life has developed in China. Economically, we are now undergoing an important period of readjustment and reformation. Collective enterprises and co-operatives have been widely developed and they are generally regarded now as organic and indispensable parts of our national socialistic economic structure. Though at the present time, not all collective enterprises are organised according to co-operative principles, we believe that the co-operative way is a better way for managing and organising collective enterprises. There is the possibility in China of a new revival of the co-operative movement and the implementation of co-operative ideas and ideals in the furtherance of her collective trade and industries.

For the time being, the supply and marketing co-operatives are still occupying the most prominent position in the co-operative development of China. The Federation of the Supply and Marketing Co-operatives is the national union of the supply and marketing co-operatives. While it is an organisation of the people, at the same time it serves as one of the Government ministries, giving all round guidance and directions to the supply and marketing co-operatives of the whole country. The Federation has a staff of more than 800 with over a dozen business units or departments. They are: the Secretariat, Policy Study and Research Section, Bureau of Planning and Statistics, Bureau of Financial Affairs, Bureau of Prices, Bureau of Cotton and Tobacco, Bureau of Fruits and Native Products, Bureau of Agricultural Machinery and Chemicals, Bureau of Household Commodities and Waste Materials, Bureau of Tea and Animal Products, Bureau of Science and Technology. There are also five research institutes for tea, cotton and tobacco, utilisation and processing of wild plants and storage installations. We have also two colleges for the training of students of co-operation and commerce which are run co-operatively under the joint direction of the Federation and the National Ministry of Education.

There are altogether over 35,000 basic supply and marketing co-operatives in the 29 provinces and special minority regions not including Taiwan through the country. Over 80 per cent of the Commune members are members of the supply and marketing co-operatives. The accumulated assets of all the basic societies are estimated at around 11,000 million yuan, (the average of each society being about 300,000 yuan) of which over 30 million yuan are paid shares from the members. Business activities of the supply and marketing co-operatives spread well over the countryside. There are altogether 270,000 shop stores for retail trade and 439,000 collecting centres for the purchase and collecting of farm products and waste materials. The total number of employees of the supply and marketing co-operatives are over 3,500,000 of whom approximately 70 per cent work in basic co-operatives and the rest in the wholesale businesses on the provincial and regional levels. The supply and marketing co-operatives handle 40 per cent of the total farm products purchased by the State and provide 51 per cent of the total rural retail trade.

This provides only a very brief picture of co-operative development in China and it is but logical that many important details are left out. However, even such a brief introduction may help co-operative friends abroad to become better acquainted with the latest noticeable developments in China. There is definitely a new turn toward social and economic stability. Bureaucracy will be checked and more power will be delegated to enterprises. Besides state-owning plants and corporations, collective enterprises will be promoted and even small traders and handicrafts working on a private and individual basis are encouraged. Under these new circumstances, the prospect of a new co-operative development is assured, and co-operative organisations with their stand for the dignity of men and women as individuals and with their insistence on the principles of democratic control will surely play an important role in the march of China toward democracy and modernisation.

THE PROGRAMME OF ACTION OF THE WORLD CONFERENCE ON AGRARIAN REFORM AND RURAL DEVELOPMENT (WCARRD), WITH PARTICULAR EMPHASIS ON PEOPLE'S PARTICIPATION AND ORGANISATION

by

N.J. Newiger*

The WCARRD Approach

The World Conference on Agrarian Reform and Rural Development was held in FAO Headquarters from 12-20 July 1979. It was attended by four heads of state and by 145 countries with high-level representation, including 89 ministers, 25 deputy ministers and 1,343 delegates and observers, and representatives of three national liberation movements. Also represented were 21 UN agencies and bodies, 19 inter-governmental organisations. In addition, there were 87 representatives of peasant associations, co-operatives and other rural action groups, who formed part of the national delegations from more than 50 of the poorest countries.

The World Conference adopted a Declaration of Principles, a Programme of Action, and a Resolution on Follow-up Action for FAO and other Organisations.** The Declaration of Principles defines not only what is meant by agrarian reform and rural development, but provides a conceptual orientation of all that should be done in the future to achieve their fundamental purposes. The Programme of Action contains a new and authoritative definition of the objectives, strategies and specific programme actions that should be followed. Both the Programme of Action and the Follow-up Resolution specifically recognise the responsibility of FAO as the leading agency for agrarian reform and rural development.

The goal of agrarian reform and rural development, as defined by WCARRD, is "transformation of rural life and activities in all their economic, social, cultural, institutional, environmental and human aspects. National objectives and strategies to achieve this transformation should focus on eradication of poverty, including nutritional improvement, and be governed by policies for attaining growth with equity, redistribution of economic and political power, and people's participation.

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* Food and Agricultural Organization, Rome. (The views expressed are those of the author and do not necessarily reflect the views of FAO).

** Report on World Conference on Agrarian Reform and Rural Development, FAO, Rome, 1979.

These strategies should include the imposition of ceilings on the size of private holdings, resource mobilisation for increased investment, expansion of production and employment, strengthening of the economic base for small farmers, organisations of farmers' associations, co-operatives and other groups of the rural poor as well as state farms, introduction of technical innovations, efficiency in the use of resources through adequate incentives and prices, balanced development of rural and urban areas and equity and justice in the sharing of productive resources and the benefits of progress".

The incomes of the rural poor and their access to goods and services should grow at a faster rate than that of other sections of the population. They should benefit from equitable access to land, water and other resources, from their development and from increased employment opportunities. In addition, they need equitable access to public utilities, services and investment capital.

A national strategy for eradicating rural poverty requires:

(a) the promotion of rural institutions and people's participation;

(b) structural reforms; and

(c) increased commitment of resources.

These are closely linked with each other. Larger resource flows are an essential condition for rural development. Appropriate structural reforms ensure that benefits flow to the disadvantaged. People's participation ensures that growth with equity is self-sustaining and meets the basic requirements of rural people as perceived by them.

Each government will choose policies intended to have the maximum possible impact on poverty. Quantifiable targets will have to be established against which the effectiveness of action can be judged.

Key Area of WCARRD Programme of Action: People's Participation and Organisation.

The WCARRD Declaration of Principles and Programme of Action are highlighting people's participation in the institutions and systems which govern their lives as a basic human right. The Conference considered this as essential for realignment of political power in favour of the disadvantaged groups and for social and economic development. It is stated that "Rural development strategies can realise their full potential only through the motivation, active involvement and organisation at the grass-roots' level of rural people, with special emphasis on the least advantaged, in conceptualising and designing policies and programmes, and in creating administrative, social and economic institutions, including co-operatives and other voluntary forms of organisation, for planning, implementing and evaluating them".

The WCARRD approach is based on the assumption that active participation of the poor can only be brought about by adequate people's organisations at the local level and decentralisation of government decision-making in a manner to allow the local people to influence them adequately.

Documents before the Conference showed clearly that existing organisations do not involve or serve the large majority of the rural poor (smallholders, fishermen, tenants, sharecroppers, landless labourers, artisans, tribal minorities, rural women and children). Their membership, and especially the decision-making and resources allocation, benefit largely the better-off rural people. These local organisations do not effectively develop and mobilise a large part of the rural resources. The rural poor who perform most of the work, even though frequently not fully or effectively employed, have little or no possibility to participate in making decisions that affect their future well-being. They lack access to appropriate and timely inputs and services, effective and profitable markets for their initially meager surplusses, and lack the means to prevent imposition on them of technologies or programmes they cannot use. Thus rural development, particularly agricultural production, stagnates far below its potential.

Until the majority of the rural people in developing countries can be mobilised through their own organisations, the technology and other resources being offered are not likely to be utilised adequately and efficiently by the smallholders and rural labourers, and the goods and services produced will not be equitably distributed. Thus the entire structure of rural society will be increasingly characterised by unemployment and social tension. These problems will be increasingly transferred to urban centres through migration.

Involving people may be regarded as the cardinal issue of the very complex and long-term process of rural development and agrarian reform, entailing changes in patterns of ownership of the productive assets, decision-making and power structure, social traditions and attitudes, the organisation of economic activity and the institutional and administrative set-up of each society.

Thus, support and promotion of people's organisaitons, coupled with gainful employment, is considered by WCARRD as the most effective means to secure people's participation in rural development at the local level. Obviously all interests in the local community must, in some way, be involved and balanced within a total rural development scheme. However, the aim should be to strengthen the weak for their successful participation. They initially require sufficient protection and preferential access to resources to make that possible. While there can be no universal model, general principles are drawn from past experience from which models may be fashioned to fit or to reshape the existing institutional structures of developing countries.

An effective strategy would seek governments' commitments:

(a) to improve the effectiveness of <u>existing</u> self-help organisations to support the rural poor and promote their active participation in development efforts;

(b) to stimulate the <u>creation</u>, particularly by the rural poor themselves, of adequate forms of organisations at village level, which the poor regard as their own, and can be effective to improve their conditions and satisfy their specific needs; and

(c) to enable such organisations to participate in the decision-making process of rural development, particularly at the local level, and in projects and programmes directly concerning them. Initially, it may be necessary to give specific representation to disadvantaged groups/segments (as distinct from the non-poor who are already well-represented), in quasi-governmental and local bodies concerned with rural development.

To be effective, people's organisations must develop the capacity to provide their members with (a) a significant degree of self-determination and (b) preferential access to resources and/or employment, information and technology, requisite skills and influence over relevant institutions.

In order that national governments provide the bases for effective participation of the rural poor, legal and institutional barriers need to be removed to enable their association in organisations of their choice. Among others, this would involve:

(a) ratification and enforcement of ILO Covention Nos. 87 and 141 and Recommendation No. 149 on the role of rural workers' organisations in economic and social development;

(b) relaxing complicated formal requirements of organisation and registrations for small, local organisations;

(c) easing collateral and repayment terms for small loans and other contracts with mutual guarantee groups.

The responsbility for the promotion of people's participation in development through appropriate people's organisations may be assumed by, or turned over to a suitable institution at regional, state or national level. Such an institution could be governmental or non-governmental such as a department for rural development, a university, a research and/or training institute, a federation of voluntary agencies, etc. The major criteria are the suitability and appropriate capabilities of such an institution. This can be decided only in each country on a case-by-case basis, with special consideration of their relationships with other relevant institutions.

At district and local levels, such an institution will have to be a part of an appropriate linking mechanism which enables the central/provincial government to share responsibility with people's organisations and other non-governmental institutions, as well as those who finance projects. This may take the form of a committee(s) for initiation, review, evaluation and general programme guidance, including judgement of technical viability of proposed rural development activities, composed of all interested parties. Appropriate and effective representation of people's organisations is essential. Important tasks of such committees would also be to provide protection to rural poor organisations, and to prevent undue interference with their activities and leadership.

People's Organisations and Agricultural Production

Improving the productivity levels of small farmers, forest workers and fishermen is an important policy goal of WCARRD, as is the achievement of food security for the poor through increased food production and fair distribution arrangements. This is in line with FAO's policy to expand agricultural output as a basis for improving the standard of living and nutrition of the masses of rural people in the developing countries. In most of these countries, where it is crucial to narrow the gap between food supply and overall demand, increased agricultural production depends largely upon raising the performance of the very numerous but predominantly small farmers whose own living standards are among the first to need improvement. To reach them in any major degree and to motivate and mobilise them for development purposes is usually a task which transcends the resources of official agencies concerned.*

Experience in various developing countries has indicated that the capabilities of co-operatives and other organisations of small farmers, tenants and sharecroppers as agents of agricultural/rural development can be significantly increased if they become more closely orientated to the production process. This means that small farmers' organisations are concerned with what takes place on the farms and not simply with providing commercial services. In other words, raising the efficiency and improving the viability of the members' farms, and raising the income of farm families, become a prime focus of their attention.

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* The emphasis on small farmers, tenants and sharecroppers and agricultural production in this section does not intend to diminish the importance of small-scale fishermen and forestry workers and their production. To the contrary, the importance of mobilising the under-privileged for gainful employment and increased production in fisheries and forestry can hardly be over-emphasised. Many programmes, such as the projects for the development of small-scale fishermen in South-East Asia, as well as the forestry for local community development, provide evidence of increasing FAO activities in these fields.

In adopting this orientation, the organisations achieve greater relevance to the vast numbers of small farmers (whether owners or tenants) upon whom increased production very largely depends. Besides helping the small farmers to raise the level of their performance, they provide a broader means of communication between the primary producers at grassroots' level and the planners at others. Through this mechanism the farmers can more actively participate in decision-making concerning agricultural development.

Action to increase agricultural production through farmers' organisations can take many forms. Generally, one of its basic ingredients is some degree of production planning within the co-operative for, by and between the associated farms. Thereby production lines, targets and requirements can be more clearly assessed and the means to deal with them more precisely determined. Such traditional activities as credit, inputs supply, and marketing then become functionally integrated with the production process and with each other. To advance desirable institutional changes in the production system, channels of credit, marketing and processing, small farmers' organisations must also represent and articulate the interests and needs of farmers and other segments of the rural population.

In view of the trend towards much larger organisations at the primary level, there is an urgent need to promote the establishment of small formal or informal grassroots' level groups comprising, say, between twenty and forty members, partly to involve the farmers in the planning and implementation of activities, partly to ensure the best possible service by the organisation to their members.

The strengthening of such groups should proceed simultaneously with the development of professional management within the organisations. The more that farmers are directly involved in the planning process the better they are likely to implement the production programme. Such grassroots' level groups should be the vehicles not only for decision-making by farmers, but also for farm-guidance provision, experiments with more advanced agricultural practices and new inputs and generally raising the professional capabilities of farmers.

The participation and influence of rural people's organisations in the official process of planning and programming at various levels will usually be more effective when there are strong federal organisations from primary to national level. In developing countries, the higher-level units can play a most vital role, not only in helping primary organisations to improve their own and their members' operations, but also in serving as spokesmen of farmers to official agencies. Furthermore, the existence of small farmers' organisations at various levels facilititates decentralised planning and plan-implementation in agriculture; by fostering local human capabilities and encouraging planning from grassroots upwards, it promotes a two-way exchange within the planning structure; it thus supplements national and regional level planning by the micro-planning which is necessary with the dispersed nature of the agricultural sector.

Development of Appropriate Management Systems for Agricultural Co-operatives*

In the new approach of fully integrated production-oriented co-operatives, primary producers are involved in all the stages of agricultural production from the farm to the consumer. This production-orientated and integrated co-operative system provides a structure for grassroots' involvement of the farmer with the provision of a complete package of input services and opportunities of storage, processing and marketing his product to the consumer, in order to improve economic and social gains. This integrated system has in addition the following main characteristics:

(a) The main objective of this integrated system is to create conditions for a self-reliant and growth-orientated farmers' organisation.

(b) It attempts to increase income of the members/farmers and simultaneously helps improve social benefits.

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* This section is based on the Conclusions of the Expert Consultation on Appropriate Management Systems for Agricultural Co-operatives, held in Arusha, Tanzania, 19-23 May 1980.

(c) Active involvement of co-operative members in the identification, planning and implementation of co-operative activities - on-farm as well as off-farm.

(d) The management should be characterised by "development entrepreneurship", supporting and guiding the members in the identification, planning and implementation process.

(e) The production orientation of the system normally involves the joint undertaking of primary production planning and operations by farmer groups or all farmer members of the co-operative.

(f) The system, generally, should encompass and utilise all vertical and horizontal linkages that enhace its performance.

In recognising this integrated system and the economic and social benefits that it can achieve, existing co-operative approaches and structures should be examined with the intention of enhancing their degree of integration. A step by step approach should be adopted in order to avoid failure. This would involve a careful assessment of the prevailing economic and structural situations to decide on the most suitable form of integration within a particular country. Effective integrated development will necessitate a clear understanding between government and co-operatives to define their respective roles and to ensure that co-operatives and their members participate in production and marketing systems with satisfactory margins and returns.

Each country has different forms of government organisational structure and many governments operate marketing boards or crop authorities for marketing agricultural commodities. Vertically integrated developments realise their full economic and social benefits for grassroots' members only if certain basic conditions are fulfilled. There is in particular a need for an even more effective implementation or rural and agricultural development policies which is a part of the development policy of many governments. This would include the improvement of the organisation of government services to agriculture through better co-ordination among the ministries involved. Special attention should be given to the need of harmonising the agricultural extension services with co-operatives. Another important prerequisite is a government policy, practised in many countries, of permitting co-operatives a gradually wider sphere of action as they develop in capacity.

Representation of small farmers on marketing boards or crop authorities is essential in order to participate in determination of price structures and thereby ensure that primary producers enjoy the full economic advantages of their labour. This should ensure an optimum cash flow back to small farmers. This example emphasises the need for a careful appraisal of the relationship between co-operative producers organised on an integrated basis for production and their government. It suggests that support and understanding by the government will be required, with the possibility of adjustments to the relationship which permit scope for initiative and planning functions arising from below.

The Amul Dairy Co-operative at Anand, India, is an example of a fully integrated co-operative handling a non-export commodity. Many arable food crops are more difficult to organise co-operatively. The possibilities of achieving co-operative integration in the field of subsidiary food crops and other commodities should be fully explored.

Many existing co-operatives are multipurpose societies and they often operate a collection of separate functions not directly aiming at the increase of farm income. In the new approach to integrated functioning, the activities could be examined in the light of management targets set to create the optimum economic and social gains for their members. This may involve additional directly related functions designed in a purposeful manner to build a stronger system.

Potential economic and social benefits from integrated production-orientated co-operative structures should lead to opportunities for allocating part of the surplus to social benefits for members. Economic gains could include increased income; opportunities for capital formation; decreased level of risks; and increased services to members. The social implication for a co-operative having a strong financial base include the possibility of increased employment; increased freedom and self-confidence; better opportunities for skill improvements and educational projects. The effect on a local population belonging to such a co-operative could result in a substantially improved quality of life.

Training for members is considered particularly important as it is considered essential that they understand the co-operative system in which they participate. In the development of integrated systems, success will depend on the establishment of appropriate management systems capable of responding to meet the needs of an organisation growing in size and complexity. This should not be considered to be a constraint or a problem but should be treated as an essential input for which provision must be made. Thus management training should take place from basic to senior levels and be geared to equip staff with appropriate training for their expected tasks and responsibilities, with particular emphasis on management. There will arise needs for re-training of staff in new concepts and also special skills that may be outside the experience of the existing co-operative staff. It is likely that changes of direction or new co-operative ventures will create the need for work-shop seminars designed to familiarise local development staff, especially agricultural extension staff, and administrators with the new concepts of co-operative development that are being exploited.

The FAO programme for the development of Appropriate Management Systems for Agricultural Co-operatives (AMSAC) has been initiated with this end in view. This new approach of integrated co-operative management systems is being developed with national institutions like the Indian Institute of Management, Ahmedabad (IIMA) and the University of Marburg, Germany. The programme is carried out in close collaboration with the German Foundation for International Development (DSE); the Plunkett Foundation, Oxford; the Overseas Development Administration, U.K. (ODA); and the Swedish International Development Authority (SIDA). International organisations like the International Co-operative Alliance (ICA) and the Agricultural Co-operative Development International (ACDI) are also participating.

The AMSAC programme envisages four action phases. During the <u>first phase</u> a guide on Management of Small Farmers' Co-operatives has been prepared, with a view to sensitising co-operative leaders and trainers in the integrated co-operative approach. The <u>second phase</u> involves assisting the national institutions in developing countries in the preparation of country-specific manuals and training materials, keeping in view the specific management systems related to different crops, organisation structures, and taking into account different social and political conditions. The <u>third phase</u> assists, where appropriate, in the development of action-orientated programmes including the testing of the applicability of specific manuals. The <u>fourth phase</u> is to organise comprehensive training programmes for policy-makers and management personnel in co-operative systems. An integral part of such a programme is the development of appropriate methods for the evaluation of rural co-operatives.

In the early stages of implementing programmes of this nature, government support for training would be essential but the co-operatives themselves should eventually assume the responsibility for training their own staff and members.

The role of research, including feasibility studies, constitutes one of the first steps in seeking the way forward in this new type of co-operative approach. Feasibility studies could be conducted within existing co-operative movements to develop a more integrated approach. This research should include studies on one or more commodities, including the whole range of possible stages of co-operative involvement. Emphasis should be given to studies on the relationship which should be established between co-operatives and outside institutions, particularly marketing boards. Governments should be encouraged to support this research with the objective of finding pragmatic solutions to proposed organisational changes. The international agencies already mentioned are requested to assist the research studies with both finance and experienced co-operative personnel. It is considered that a number of small but well-integrated co-operative systems already exist, often supported by non-governmental organisations (NGOs) and these should be studied to see if their experiences could be helpful to those contemplating integrated developments.

FAO Action in Support of People's Participation and Organisation

The 20th Session of the FAO Conference (by paragraph 10 of Resolution 7/79) on the Follow-up to WCARRD, called upon all States concerned and FAO, to take effective measures which will assist in the establishment and strengthening of self-reliant and representative rural organisations, including rural women's and youth organisations, so that such organisations can effectively and democratically participate in the implementation of the Programme of Action. The FAO Conference Resolution also called upon FAO to collaborate more closely with non-governmental organisations in the development of such adequate new forms of people's organisations and participatory methods.*

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* Report of the Conference of FAO, Twentieth Session, Rome, 10-28 November 1979.

In operational terms, future programmes of FAO should work towards people's participation in almost all rural development programmes and projects to be assisted by FAO. In the future, it is hoped that the introduction of a project component or at least a modality for implementation through people's participation would be one criterion for assistance to rural development projects. The future trend, for which projects are being designed now, will work towards people's participation in planning, design, implementation and evaluation of rural development programmes and projects. These are long-term goals which FAO seeks to introduce into rural development projects. NGO collaboration in this process is essential.

As a major step in this direction, FAO has embarked upon a new programme entitled "People's Participation in Rural Development through the Promotion of Self-Help Organisations" which is closely related to the programme for the development of Appropriate Management Systems for Agricultural Co-operatives (AMSAC). It is based on a recognition that the active participation of the poor can only become a reality through adequate people's organisations at the local level catering especially to the disadvantaged groups, providing a significant degree of socio-economic homogeneity, self-determination, and effective access to resources, employment, technology, skills and the required servicing.

The urgent need to embark on the people's participation programme as a new and innovative action to develop suitable organisational structures and methodologies conducive to people's participation at the grassroots' level has been borne out by FAO programmes such as the Rural Organisations Action Programme (ROAP), the Small Farmer Development Programme, consultations with International Trade Unions and other NGOs, and similar activities in the fields of fisheries and forestry. It is therefore considered essential for FAO, based on the new mandate provided by the 20th Session of the FAO Conference in the form of the WCARRD Follow-up Resolution, to collaborate closely with non-governmental organisations in the development of adequate new forms of people's organisations and participatory methods.

The specific objective of the programme is to assist interested governments and non-governmental organisations to develop on a pilot basis tailor-made organisational models and methods to fit their own conditions by:

(a) providing more effective receiving mechanisms in the form of people's self-help organisations at the village level;

(b) support of rural employment and income-raising activities of these organisations;

(c) stimulation of, and linkage with, existing national rural servicing agencies.

The multi-donor, open-ended programme for people's participation constitutes a comprehensive and feasible system of various elements of technical assistance in support of the development of innovative organisational forms and participatory methods of people's organisations in support of different income and employment raising group activities. Its orientation and objectives will be to mobilise, organise, strengthen, train and service self-help organisations of the rural poor. A major feature will be to bring about closer collaboration with NGOs, especially those directly involved in the promotion of people's participation, such as the International Co-operative Alliance, the International Federation of Agricultural Producers, and the International Trade Union Organisations. Likewise, it will seek to co-ordinate programme activities within the UN System, especially with the International Labour Organisation which has a major interest in this field. This is is line with the conclusions of the informal meeting of International Non-Governmental Organisations, 13 November 1979, which pointed out the need to proceed from generalisation to more specific arrangements for practical FAO/NGO co-operation with emphasis on action at the country level.

The open-ended programme will be advised by a Programme Advisory Committee, composed of FAO, ILO, participating non-governmental organisations and donors, which will meet twic a year in order to advise on all aspects of the programme. The collaboration of NGOs in the execution of the programme will be obtained through national advisory mechanisms and sub-contractual arrangements relating to project activities at the country level. Pilot projects will be introduced in about 30 countries which are expected to be supported either through FAO or other agencies, including donor NGOs, over a period of four to five years.

In order to support this people's participation programme and, in particular, the projects at the country level, there is an urgent need for the establishment of mobile task forces at the regional level, possibly in connection with the Regional Centres for Integrated Rural Development and/or regional NGOs.

The major purpose of such mobile task forces would be to assist with: (a) exchange of experiences among participating countries; (b) planning and monitoring projects in individual countries; (c) sensitising the policy-making level; and (d) training programmes at all levels. These task forces would be composed of about three specialists in the fields of people's participation and organisation, management and training. Regional and local short-term consultants would help in meeting requirements in other specialised fields.

The regional mobile task forces will require support for at least four years. The longer-term expectation is that the mobile task forces will be fully integrated and supported by regional institutions such as the Centres for Integrated Rural Development.

It is anticipated that the experience gained through this innovative programme will provide the base for increased efforts in this field of promotion of self-help organisations. In particular, the new organisational models which will be developed on a pilot basis, as well as the methodologies evolved, are expected to go a long way in strengthening the organisational base for people's participation at the local level.

THE CO-OPERATIVE DEVELOPMENT ACTIVITIES

OF THE

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

by

John R. Shaffer*

While support to co-operative development projects has been part of the United States development assistance effort since its inception, it became a special emphasis of that programme beginning in 1961. In that year the U.S. Congress adopted the "Humphrey Amendment" (after the late U.S. Senator/Vice President who introduced the legislation), declaring it to be U.S. policy to encourage the formation of co-operatives and credit unions in developing countries and calling upon the U.S. Government assistance programme to involve U.S. co-operatives in that effort.

In 1962 special relationships were established with a number of U.S. co-operative organisations, and funding was provided to permit them to establish or expand their international programme activity. At the same time an advisory committee, now the Advisory Committee on Overseas Co-operative Development, was established to advise the U.S. Government concerning its relations with and assistance to U.S. co-operatives working in the less developed countries.

The United States Congress has maintained a particular interest in co-operative development as part of its foreign assistance programme and recently asked the Agency for International Development (AID) for a report of its current and recent activities in this field. This article is based on the information provided in that report.

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* Co-ordinator of Co-operative Development, United States Agency for International Development. Washington.

The report indicated that AID during four fiscal years, October 1, 1977, through September 30, 1981, will have engaged in 207 projects in which development or strengthening of co-operatives will have been all or a portion of the focus of programme activity. For the purpose of reporting, the projects are grouped in four categories. Of the total identified 52 are projects in which co-operative development is the sole focus of the programme (Category I). 60 projects include co-operative development as a component of a larger project but where the development of a co-operative or co-operatives is essential to the achievement of the overall success of the total project (Category II). 52 projects included co-operative development or strengthening as one of the "major outcomes" expected from that programme but this activity is not crucial to project success (Category III). 43 projects include some facet of co-operative development activity but this activity is only an incidental aspect of the total project (Category IV).

Historically, the majority of AID assistance to co-operative development has been centred in its Latin America/Caribbean region. While this is still the case, there are growing programmes in Africa and Asia. Table 1, A-D, lists the projects by country/region, dividing them into the four categories described above.

Table 1-A - Africa Region

Country	Category of Projects I	II	III	IV	Total
Djibouti	-	-	1	-	1
Kenya	1	2	1	1	5
Nigeria	-	-	-	1	1
Tanzania	-	1	2	1	4
Cameroon	1	-	-	-	1
Lesotho	-	1	-	-	1
Botswana	-	-	-	1	1
Gambia	-	-	2	-	2
Sierra Leone	1	-	-	-	1
Ghana	-	-	2	-	2
Swaziland	1	-	-	-	1
Somalia	-	-	-	6	6
Sudan	-	1	-	-	1
Guinea-Bissau	-	-	-	1	1
Zaire	-	1	-	-	1
Ethiopia	-	-	1	-	1
Liberia	1	2	1	-	4
Congo	-	-	1	-	1
Mauritania	-	-	2	-	2
Niger	1	4	1	-	6
Senegal	-	1	-	5	6
Upper Volta	-	-	1	-	1
Mali	-	-	1	3	4
Togo	-	-	-	2	2
Rwanda	-	3	-	-	3
Regional	1	2	3	-	6
Totals	7	18	19	21	65

Table 1-B - Asia/Pacific Region

Country	Category of Projects I	II	III	IV	Total
Bangladesh	-	3	3	-	6
Nepal	-	-	-	1	1
Philippines	1	9	-	2	12
Thailand	-	1	1	1	3
Indonesia	-	2	1	-	3
Regional	-	-	3	-	3
Totals	1	15	8	4	28

Table 1-C - Latin America/Caribbean Region

Country	Category of Projects I	II	III	IV	Total
Bolivia	2	1	2	1	6
Chile	2	-	-	1	3
Colombia	1	1	-	-	2
Costa Rica	-	3	3	-	6
Dominican Republic	-	1	3	-	4
Ecuador	1	-	1	-	2
El Salvador	1	3	1	-	5
Guatemala	2	2	1	1	6
Haiti	-	1	3	2	6
Honduras	-	3	2	1	6
Nicaragua	4	-	1	-	5
Panama	2	1	1	-	4
Paraguay	4	3	1	-	8
Peru	3	1	1	-	5
Uruguay	3	-	-	-	3
Jamaica	-	-	1	2	3
Regional	4	1	3	1	9
Total	29	21	24	9	83

Table 1-D - Near East Region

Country	Category of Projects I	II	III	IV	Total
Egypt	1	-	-	5	6
Jordan	-	2	1	-	3
Yemen	-	-	-	1	1
Lebanon	-	1	-	-	1
Tunisia	-	-	-	2	2
Regional	-	1	-	-	1
Totals	1	4	1	8	14

The funds allocated for implementation of the co-operative development aspects of the several categories of projects for the four fiscal years considered are listed in Table 2

Table 2 - (In thousands of dollars)
Allocations for Co-operative Development
by Fiscal Year/Category of Project

Co-operative Development Activity	Actual 1978	Actual 1979	Estimated 1980	Proposed 1981	Total
Category I	10,962	15,478	4,413	8,487	39,340
Category II	9,892	15,380	17,765	23,704	66,741
Category III	5,081	2,582	6,267	8,767	22,697
Category IV	1,446	1,569	1,514	1,471	6,000
Total	23,381	35,009	29,959	42,429	134,778

Table 3 lists the allocations for co-operative development by region and fiscal year.

Table 3 - (In thousands of dollars)

Allocations for Co-operative Development by Fiscal Year/Region

Region	Actual 1978	Actual 1979	Estimated 1980	Proposed 1981	Total
Africa	10,306	7,598	9,000	10,264	37,168
Asia	5,456	11,319	4,315	9,529	30,619
LAC	7,496	6,678	11,449	16,069	41,692
NE	686	6,801	2,445	3,467	13,399
Central	3,437	2,613	2,750	3,100	11,900
Total	27,381	35,009	29,959	42,429	134,778

Table 4 lists the percentages of the total U.S. development assistance allocated for co-operative development for the four fiscal years considered.

Table 4 - (In thousands of dollars)

Percentage of Development Assistance for Co-operative Development

Fiscal Year	Development Assistance Accounts	Obligations for Co-op Development	Co-operative % of Total
1978 (Actual)	1,058,000	27,381	2.59%
1979 (Actual)	1,222,000	35,009	2.86%
1980 (Estimated)	1,272,000	29,959	2.36%
1981 (Proposed)	1,528,000	42,429	2.78%
Total	5,080,000	134,778	2.65%

Each of the projects being assisted by AID was examined to identify the principle types of co-operative development activity which were the focus of project activities. A summary of this information is included in Table 5.

Table 5 - Co-operative Activity*

	REGION					Category of projects				Total all
	AFR	ASIA	LAC	NE	CENTRAL	I	II	III	IV	Projects
1. Organise local co-operatives	19	16	26	0	5	11	36	16	3	66
2. Upgrade local co-operatives	8	0	21	1	2	10	10	11	1	32
3. Organise credit unions	4	1	8	0	2	11	2	2	0	15
4. Strengthen credit unions	3	0	14	0	4	15	4	2	0	21
5. Organise co-operative federations	4	1	9	0	7	14	4	3	0	21
6. Strengthen co-operative federations	2	2	10	0	5	15	4	0	0	19
7. Develop co-operative financial institutions	1	1	3	1	2	3	2	3	0	8
8. Upgrade co-operative financial institutions	2	0	2	0	5	6	1	2	0	9
9. Capitalise co-operative financial institutions	3	1	10	2	2	6	8	3	1	18
10. Small loans/grants to co-operatives	4	0	19	3	0	3	10	12	1	26
11. Assist government co-operative development	4	1	6	0	11	13	6	2	1	22
12. Assist development of co-operative legislation	1	1	0	0	0	1	0	1	0	2
13. Co-operatives used for community development	3	1	3	0	0	0	6	1	0	7
14. Co-operatives used for business enterprises	3	0	4	0	0	1	3	2	1	7
15. Co-ops used as structure for project implementation	7	11	5	0	5	4	18	6	0	28
16. Co-operative credit	12	4	3	0	0	3	8	7	1	19
17. Co-operative supply	9	0	3	0	0	2	5	4	1	12
18. Co-operative production	2	1	2	0	0	1	3	1	0	5
19. Co-operative marketing	11	4	9	1	0	6	10	6	3	25
20. Development of co-operative service to members	5	1	3	0	9	10	6	1	1	18
21. Construct co-operative facilities	5	1	0	0	0	1	4	1	0	6
22. Provide equipment to co-operatives	1	0	0	0	0	0	0	1	0	1
23. Co-operative training - general	10	5	2	2	4	6	11	5	1	23
24. Training co-operative management	6	0	11	0	0	8	7	2	0	17
25. Training co-operative membership	1	0	6	0	0	5	2	0	0	7
26. General goal of co-operative development	24	7	7	8	9	7	5	12	31	55
27. General goal of improving co-operative systems	5	1	8	1	5	12	6	1	1	20

* Total of co-operative activities exceed total projects because projects generally include more than one type of activity.

The projects were examined also to identify the types of organisations that were providing the technical assistance for co-operative development. Table 6 lists these by type of organisation and categories of co-operative development activity. (Total exceed the number of projects in that some projects are assisted by more than one type of organisation).

Table 6 - Technical Assistance for Co-operative Development.

Type of Organisation	Categories/Co-op Projects I	II	III	IV	Total
U.S. Co-operative Organisation	33	20	8	7	68
U.S. Private/Voluntary Organisation	1	8	8	6	23
U.S. University/Universities	0	4	4	8	16
U.S. Consulting Firm	2	9	5	5	21
Personal Services Contract	0	5	1	6	12
U.S. Department of Agriculture	0	3	0	4	7
Peace Corps	2	3	7	5	17
LDC Organisations	22	10	17	6	55
To be determined (FY80,FY81)	4	10	12	14	40

Since 1962 AID has maintained a special relationship with certain U.S. co-operative organisations which have reflected the U.S. co-operative movements' concern for co-operative development in the less developed countries (LDCs). During the 1970s this relationship has been with six such organisations - Agricultural Co-operative Development International (ACDI), The Co-operative League of the United States of America (CLUSA), Credit Union National Association (CUNA), Foundation for Co-operative Housing (FCH), National Rural Electric Co-operative Association (NRECA), and Volunteer Development Corps (VDC).

During the calendar years 1970 through 1978 these organisations received grants and contracts from AID totalling $29,104,122 which permitted them to establish and support their international activities and to implement co-operative development programmes in developing countries. Individually the amounts received were:

ACDI........................$7,904,212
CLUSA.......................$6,593,895
CUNA........................$8,074,366
FCH.........................$8,398,511
NRECA.......................$4,010,224
VDC.........................$1,717,914

In recent years all of these organisations will have received institutional support grants which are designed to permit the organisations to establish and maintain an in-place co-operative development expertise. This allows them to be utilised by AID and other donor agencies but also enables these organisations to relate directly to co-operative organisations in the developing countries. For the four years under consideration this support will have been as follows:

Table 7 - Institutional Support Grants (In thousands of dollars)

Co-operative Organisation	Fiscal years 1978	1979	1980	1981 (Est.)	Total
ACDI	450	350	400	600	1,800
CLUSA	600	550	600	800	2,550
CUNA	500	600	850	950	2,900
FCH	-	-	-	200	200
NRECA	450	550	500	600	2,100
VDC	415	550	550	700	2,215
Total	2,415	2,600	2,900	3,850	11,765

In addition, during 1975 - 1978 each of the six co-operative development organisations was a recipient of a Development Programme Grant (DPG). These grants were designed to assist the organisations to improve their capacity to plan, develop, implement and evaluate projects. These grants totalled $3,687,000. The individual grants for the six organisations were as follows:

ACDI	$ 458,000
CLUSA	$ 906,000
CUNA	$1,000,000
FCH	$ 600,000
NRECA	$ 498,000
VDC	$ 225,000

Beginning in FY 1981 (October 1, 1980 through September 30, 1981) it is anticipated that additional funds will be made available ($500,000 to $1,000,000 in the first year) to U.S. co-operative organisations to engage in direct co-operative-to-co-operative programmes with LDC co-operative counterparts outside the context of government-to-government interests. Initial grants for such activity, which will be made available on a cost-sharing basis, are under discussion with the Credit Union National Association (CUNA) and Agricultural Co-operative Development International (ACDI). CUNA has proposed to raise $150,000 from U.S. credit union members through its new CUNA Foundation which will be matched by AID and used for small project activity among LDC credit unions. ACDI is proposing to commit $100,000 from its Development Fund (established by contributions from ACDI member co-operatives) which, when matched by AID will provide the funds for outstationing a U.S. co-operative representative in Nairobi. This person will relate directly to co-operative counterparts in Kenya and other East Africa countries outside any government-to-government programmes. Project proposals of a similar nature are expected from other U.S.co-operative organisations.

In recent years, in addition to support for U.S. co-operative development organisations, AID has provided a small grant assistance to the Joint Committee for the Promotion of Aid to Co-operatives (COPAC). An AID grant provided funds to assist LDC co-operative representatives to attend a COPAC conference dealing with "Co-operatives and the Poor". Currently AID is assisting COPAC with a $50,000, eighteen-month grant to expand the available data base dealing with the state of co-operative development in LDCs. Among the COPAC activities will be the production of country reports describing the history, current status, problems and opportunities for co-operative development in 10 LDCs.

Through its support to the Co-operative League of the USA, AID has provided assistance for selected activities of the International Co-operative Alliance.

AID recently completed a year-long review of its work in co-operative development including an examination of its relationships with U.S. co-operative organisations and of certain issues raised by the U.S. Congress. A major outcome of the review has been the preparation and approval of a policy on "AID - U.S. Co-operative Organisation Relationships". This policy affirms AID's intention to continue to utilise the resources of the U.S. co-operatives in the implementation of bilateral assistance programmes. It also, however, provides for a new approach in which AID will encourage and assist the U.S. co-operatives to relate directly to their sister organisations in the developing countries on a private-organisation to private-organisation basis, beyond the framework of the usual government-to-government bilateral programmes. It is hoped that this latter aspect of the new policy will lead to an expansion and strengthening of the private, nongovernmental sector of LDC societies, will enhance the independence and flexibility of U.S. co-operatives, and will encourage the U.S. co-operatives to invest a greater share of their own resources in this effort which will be supplemented with appropriated public funds.

The new AID policy envisages the continued use of grants from AID Missions in individual LDCs as a vehicle for implementation of co-operative projects and the continuation of institutional support grants (core support) for six U.S. co-operative development organisations which will assure their availability for technical assistance and project management. It provides for new contracting mechanisms for the co-operative development organisations which should facilitate the fuller use of their services by AID Missions.

To facilitate assistance to co-operative development activity in AID a new position of Co-ordinator to Co-operative Development was created during this past year. The incumbent, who functions as a part of the Office of Private and Voluntary Co-operation, is a senior official familiar both with U.S. co-operatives and with overseas development. He is responsible for relationships with U.S. and international co-operative organisations, for recommending appropriate action on matters dealing with co-operative development, and for planning the implementation of the new AID co-operative policy. The establishment of this position was deemed more appropriate than the creation of "a high-level Co-operative Office within AID" as had been suggested by the U.S. Congress. AID feels that its new policy and staffing will result in a fuller use of the programme and technical expertise of U.S. co-operatives than would be the case if a bureaucratic structure for co-operatives was created within AID. Further, this new structure will place greater reliance on the expertise to be found in U.S. co-operative organisations.

The entire text of the new AID policy on its relationships with U.S. co-operatives follows.

Policy on AID - U.S. Co-operative Organisation Relationships

Governing Legislation. Section 123(a) of the Foreign Assistance Act, as amended in 1978, declares a public policy in favour of public subsidies to supplement private financial resources in order to expand the overseas development activities of certain private groups without compromising their private and independent nature.

The groups are private and voluntary organisations and co-operatives which embody the American spirit of self-help and assistance to others to improve their lives and income.

The purposes of the support are to (1) assist and accelerate in an effective manner the participation of the rural and urban poor in their countries' development and (2) mobilise private American financial and human resources to benefit poor people in developing countries.

The activities to be supported must be consistent with U.S. development assistance policy as stated in Section 102 of the Foreign Assistance Act.

Section 111 of the Foreign Assistance Act directs that high priority be given to the development and use of co-operatives in developing countries which will enable and encourage greater numbers of the poor to help themselves toward a better life.

Section 601(a) of the same law and Section 123(a) also encourage the participation of co-operatives in the implementation of U.S. Government foreign assistance programmes.

Background. Co-operatives have played an important role in the economic growth of the developed world. They continue to figure prominently today. It was easy, therefore, for government to look to the co-operatives of the developed world to make an equally important contribution to the development process overseas. Ideological considerations - an idealistic association between co-operatives and egalitarianism and social change - as well as an appreciation of co-operatives as effective business enterprises underlay these conclusions.

The U.S. Congress directed that foreign assistance agencies should promote the development of co-operatives in the developing countries and engage the American co-operative movement in this enterprise. What had been a modest effort in the Point IV era became a larger, more directed effort in the 60s and into the 70s. In recent years Congress has shown particular interest in the sum that should be expended for co-operatives.

Almost $3 million is currently provided annually to support international offices of American co-operative development organisations. This amount includes specific grants made to the co-operatives to enhance their skills in project design and evaluation.

The results of efforts to encourage and promote co-operative activity have been mixed. There has been a prodigious growth of credit unions in Latin America and a steady increase in Africa. A major co-operative achievement was the organisation of the Indian Farmer Fertiliser Co-operative, including the building of a fertiliser plant and the organisation of a co-operative marketing structure. Rural electric co-operatives flourish in several countries. Other demonstrations of the contribution of the American co-operative movement exist as well, but some programmes have had spotty histories, failing to adequately address the degree of difficulty and complexity associated with developing co-operative business enterprises in developing countries.

Occasionally questions have been raised about the appropriateness of modern, business-oriented western co-operatives in the context of a developing economy. It has been assumed that the style and talents of the modern co-operative structure would be relevant to, and needed by, developing countries. Yet co-operatives in the U.S. have evolved in a unique environment and in response to unique conditions which do not similarly prevail in developing countries. Their current operational approaches and levels of capitalisation makes them dramatically different organisations than those which characterised their earlier years.

These questions, observations and recommendations raised in recent literature suggest that the best of the co-operative competence and spirit is not always being engaged in the development effort. More thorough attention should be given to encouraging application of the experience and capabilities of the co-operative organisations to those situations where they can realistically be expected to achieve their objectives.

An examination of such issues, particularly as they related to small farmers, was carried out under the auspices of the Agricultural Development Council. The results of that study were the subject of a three-day conference at Wingspread, the Johnson Foundation's conference centre at Racine, Wisconsin, in late April 1978. Scholars, donor agency officials, and co-operative leaders of the U.S., Europe and the Third World were participants.

The conclusions drawn from the exercise follow:

1. That there is indeed a role for American co-operatives to play in overseas development, but that the fit must be carefully made;

2. That AID and the American co-operatives should place new emphasis on direct co-operative-to-co-operative relations and less on co-operatives as instruments of government-to-government aid programmes;

3. That co-operative development should be recognised as a long-term process and that U.S. Government and co-operative movement commitments must be of a longer-term nature than has been common in the past;

4. That U.S. Government support should be provided in a manner that leaves maximum flexibility in the hands of the co-operatives;

5. That U.S. Government support should not in the long run be the sole financial basis for direct co-operative-to-co-operative relations;

6. That U.S. (and other foreign) co-operatives have been more effective in providing technical assistance to already organised co-operatives, to national confederations, and regional co-operative organisations, and been less so in organising local co-operatives and co-operative movements in developing countries.

General Policy. It is our policy to further the development and use of developing country co-operatives which will enable greater numbers of the poor to help themselves to better lives. U.S. co-operative organisations can play a significant role in furthering this objective, consistent with the principles stated in Section 102 of the Foreign Assistance Act.

To assist in the development of co-operatives, AID will support two approaches. First, it will continue to consider co-operative development an integral concern of its bilateral programmes and provide support in that context. Second, it will encourage U.S. co-operatives to relate directly to developing country co-operative counterparts as private organisation-to-private organisation and will support this effort beyond the framework of the usual government-to-government bilateral programmes. Each of these approaches will have distinct requirements.

1. In the first category, project financing will continue to be provided by Regional Bureaus and USAIDs with the existing OPG procedures and authorities. Co-operative organisations will also be eligible for contracts related to bilateral aid programmes administered by AID. The application of the collaborative assistance method (Policy Determination 65) will be extended to embrace the co-operative development organisations which are recognised and listed as such by the AA/PDC. Such activities will be carried out in the context and with the usual requirements, including project review and rigorous evaluations, of all of AID's other bilateral programmes.

2. In the second category, which emphasises the co-operatives' private contacts and character, AID will encourage U.S. co-operatives to seek out and develop their own relationships with developing co-operatives. Through fraternal association in international organisations such as the International Co-operative Alliance, International Federation of Agricultural Producers, the World Council of Credit Unions, the Joint Committee for the Promotion of Aid to Co-operatives, etc., through regional organisations such as ACOSCA, COLAC, OCA, SIDEFCOOP, etc., and through familiarity with national co-operative organisations, the U.S. co-operatives have developed relationships which will identify opportunities for assistance. To support further the movement-to-movement relationship, AID will encourage the co-operative groups to decentralise their international headquarters staffs, associating them where feasible and appropriate with national and international affinity groups. AID-supported co-operatives should also be able to continue to function where bilateral programmes have terminated except when specifically prohibited by law.

3. Direct co-operative-to-co-operative relations supported by AID must serve both the goal of enabling and encouraging greater numbers of the poor to help themselves toward a better life and the internationally accepted co-operative movement principles of voluntarism, democratic control, equitable sharing of benefits, and business purpose.

There are many different kinds of organisations and programmes which are called "co-operative". Some do not actually serve this goal, which is the purpose of AID support; and some are out of line with the fundamental international co-operative principles. When AID funds are involved, U.S. co-operatives should seek out "emerging co-operatives" and forego assistance to large, moneyed "establishment" co-operatives, when the latter do not serve directly low-income people.

4. Institutional support to the U.S. co-operative organisations and funds to support independent co-operative-to-co-operative programmes will be centrally funded. This centrally-funded support will be provided subject to periodic reviews and funds availability in a manner that leaves maximum flexibility in the hands of the co-operatives, subject to the principles in this statement, including point five below. This support will not be exclusively part of the country programming process. U.S. Government approval for specific activities, for travel, and for other aspects of the work will not be required. The American co-operatives and their local partners will be responsible for obtaining whatever foreign government approvals are required. No logistic or other support will be sought from U.S. Government officials or agencies other than what might normally be provided for private persons and organisations which operate without Government funding and independent of the Government. AID will assist the American co-operatives with training, orientation and similar services as agreed upon and convenient to both parties.

5. For institutional support to U.S. co-operative development organisations, the review procedures for discrete country programme activity will be the same as those now being used for PVO matching grants. The AID-funded U.S. co-operative development organisations, when contemplating programme activity, will consult with USAIDs in the countries involved regarding their plans. Should a USAID feel that a contemplated activity is inappropriate, such concerns will be communicated by AID/Washington to the Governing Board of the co-operative organisation involved.

6. The provision of support for co-operative-to-co-operative activity should not be regarded as an automatic AID commitment to provide funding for specific project activity which might flow from such co-operative-to-co-operative relations.

7. The success of the independent co-operative-to-co-operative aspects of this policy depends on an expanded commitment of resources by U.S. co-operators on a matching grant basis, the details to be agreed with the co-operatives.

THE WEST GERMAN FOUNDATION

FOR INTERNATIONAL DEVELOPMENT

by

Gabriele Ullrich*

DSE General Policy and Tasks

The German Foundation for International Development (DSE) was founded in 1959 and charged with the task of fostering relations between the Federal Republic of Germany and other countries on the basis of a mutual exchange of views and experiences in the field of development policy. DSE discharges this statutory function within the framework of Federal German Technical Assistance aimed at supporting the economic, social and cultural advancements of developing countries in Africa, Asia and Latin America.

In collaboration with national and international partner organisations at home and abroad, DSE has been conducting programme events for over 20 years now enabling managerial personnel and specialists from over 100 countries of the Third World to engage in an exchange of views and experiences on problems and aspects of international development or undergo advanced training relevant to their professional tasks.

DSE programme events take the following form:

- conferences, meetings, seminars, symposia, expert consultations, etc. serving the exchange of experiences at national and international level (usually of short duration);

- training courses for specialists and managerial personnel of Third World countries;

- colloquia for German experts who are actively engaged in the field of development policy in one form or another.

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Many DSE programme events are linked to bilateral and multilateral development projects.

In accordance with the development policy concept of the German Federal Government the areas of priority of DSE programmes are:

- improving the planning and organisation capability of developing countries in the fields of administration, business, industry and education;

- combating unemployment and underemployment;

- improving agricultural production and infrastructure in rural areas;

- promoting the development of work and environment-oriented education systems;

- expanding and diversifying the industrial sector.

The six DSE Centres dealing with these priority areas are located at various places in the Federal Republic of Germany. Their programmes are conducted both in Germany or in the region of the countries represented.

DSE Basis Development and Self-help Organisations Section

Although DSE has held a number of events on the problematique of co-operatives and similar organisations in developing countries from the outset, the greater priority now given to the promotion of rural areas (in which 60 to 90 per cent of the total population of most developing countries in Africa, Asia and Latin America are living) in the development policy of the federal German Government, has strengthened the commitment of DSE to promote the development of these areas and to pay particular respect to institutional aspects. Accordingly, DSE established a special Basis Development and Self-help Organisations Section in 1978. The Section considers it its task to contribute towards the creation of a structure of non-governmental supportive organisations by indirectly promoting self-help organisations and to initiate the processes of change required for infrastructure development by promoting rural youth groups.

According to the statutes of DSE and in agreement with other German bodies carrying responsibility for development aid the Section organises seminars and similar meetings, as well as training courses on the problem areas. These are designed to facilitate problem analysis and the elaboration of solution approaches on the one hand, and the sensitisation and motivation of decision-makers for problems of basis development and self-help organisations on the other.

The conceptual point of departure for the work of this Section of the DSE Food and Agriculture Development Centre is the insight that traditional instruments and methods of promotion have not reached the masses of the rural population. Their orientation towards production permitted only an inadequate consideration of structural and sociopolitical problems. Today it is evident that a top-downward approach to development is not sufficient and that the involvement and active participation of large sections of the population in the development process is a prerequisite for an increase in agricultural production and in the income of the rural masses. Such active participation in the development process is possible only if appropriate participatory institutions are available. Suitable organisational forms in this connection range from informal self-help organisations (SHOs, traditional groupings, quasi-co-operatives and pre-cooperative organisations), to formal self-help organisations (SHOs, different types of co-operatives). The DSE Basis Development and Self-help Organisations Section seeks to promote a number of different organisational types, the salient criterion being their appropriateness to the socioeconomic conditions prevailing in the country concerned.

The target group to be reached by such measures is the small farmer family whose income and living standard are to be raised. Special attention is paid to the promotion of youths and women. Since the limited possibilities of the work of DSE imply that this target group cannot be addressed directly, the programme events of the Section are directed at multipliers at different levels of information and training. Of special significance are the national and local self-help promotion organisations (SPOs), in the form of private, semi-governmental and governmental bodies, which act as intermediaries between development programmes at the top and participation at grass-root level.

The measures carried out by the Section at the various levels may be subdivided as follows:

a) programme events designed to promote policy identification, exchange of experiences and expert discussions for

- managerial personnel of SHOs, SPOs and other institutions of basis development;

- decision-makers at the political and implementing level of the public development and SHO administration in developing countries (e.g. ministries, co-operative authorities), high-level personnel of co-operative organisations (e.g. co-operative unions and apex organisations);

- high ranking personnel of national and international development agencies of donor countries;

- high-level personnel of training and research institutions dealing with basis development and SHOs in developing and industrial countries;

- consultants from academic and practical life in developing and industrial countries;

- leading project personnel of Federal German SHO projects.

b) training events (training and continuing training) are above all addressed to:

- managerial personnel of the national development aid administration;

- managerial personnel from SHOs, SPOs, and other institutions of basis development;

- promoters and teaching personnel from SHO training and research institutions;

- specialists and managerial personnel from Federal German SHO projects.

These programme events are organised in co-operation and in agreement with national and international partner organisations in both the developing countries and the industrial countries. During the first two years of its activities the Section co-operated with other Federal German development aid agencies and training and research institutions as well as with FAO, ICA, COPAC and the Plunkett Foundation for Co-operative Studies. The partner institutions in developing countries were primarily SEARCA, Philippines (where a number of programmes for SHO promotion were conducted with the aid of a resident DSE expert) and the Indian Institute of Management, Ahmedabad (IIMA).

The work of the Section has so far concentrated on the promotion of formal SHOs, i.e. co-operatives. In the future, however, more emphasis is to be placed on the role of informal groupings (e.g. rural youth and women) in the development process in order to make full use of the possibilities of appropriate organisational forms supported by the infrastructure. Two main priority areas characterise the work of the Section:

a) the promotion of co-operatives and other rural self-help organisations through governmental and other assistance, and

b) the appropriate organisation of these institutions from inside to ensure optimum participation and efficiency.

Seminars have been organised on both priority areas, although it is not always expedient to strictly distinguish the topics as above. The first priority area is being dealt with in a number of regional seminars in which government representatives and representatives of co-operative organisations have the opportunity to exchange experiences on the problems of state promotion of SHOs. Special attention is being paid to promotion through the legal regulation of co-operatives, an aspect to which a whole series of regional seminars has been devoted. In the course of this discussion attention is also being paid to the development of suitable evaluation systems to facilitate the control and feedback aspects of state promotion measures. This has been discussed within the framework of various events.

Once initial policy identification events and events to sensitise and motivate the above-mentioned partners have progressed to a sufficient level, work will begin on developing training courses on evaluation.

Two different series of regional events are being conducted on appropriate organisational forms. The first focuses on the development and discussion of appropriate management systems for formal SHO types, and the second on the development and promotion of SHO forms which facilitate the integration of the rural poor into the development process. In both cases an important role is assumed by a training approach, which expressly recognises the value of encouraging the personnel of these organisations to integrate new findings into their management practice. A decisive factor in this context is the realisation that participatory organisations can be successful on a long-term basis only if their activities are so oriented towards the needs of their members that these maintain their interest in sustaining their own organisations. Special forms of management (including evaluation), financing, management style and training methods are necessary for this purpose. Once initial events to sensitise and motivate political decision-makers as regards such organisational forms and their design and management have been concluded, the findings are to be imparted to the relevant personnel within the framework of training courses.

Follow-up measures and activities (which may also be carried out by other organisations) will afford continuity to the dialogue and training events of the Section.

Case Study to Illustrate the Work of the Section

A two-week Seminar on Co-operative Law - A Comparative Approach, held in October 1980 for participants from East, Central and Southern Africa, may be taken to illustrate the above-described work of the Section.

The Seminar was prepared and implemented in conjunction with the Institute for Co-operation in Developing Countries represented by Professor H.-H. Münkner, DANIDA and the Plunkett Foundation for Co-operative Studies, Oxford. The first step in preparing the Seminar was a one-day expert meeting during which international experts and representatives of DSE undertook to identify the objective, content and methodology of the future Seminar.

Although such a seminar is indeed convened to deal with a number of specific topics already identified by the organisers, the experts are given as much freedom as possible in selecting the seminar content according to their requirements. Lectures are restricted to a minimum and only serve to introduce the problems for discussion. Once the Seminar has advanced beyond the introductory stage, resource persons participate in the working group and plenary sessions. The objectives of the Seminar were:

- to identify problems of co-operative law as an instrument of official SHO promotion,

- to elaborate proposals to improve the legal framework of SHOs,

- identification of training needs and appropriate training material.

The problems pertaining to co-operative law as an instrument of governmental SHO promotion were identified by the participants and were for the most part identical with those originally anticipated by the organisers. As regards methodology, the problems were identified by means of both country reports presented by the participating delegations and a list of keywords collected anonymously. This procedure resulted in a comprehensive survey of the most important problems of co-operative law. The subsequent working group and plenary sessions were devoted to a detailed comparison of co-operative law in the various countries and the elaboration of corresponding recommendations. The findings of this problem-oriented exchange of experience are contained in a detailed seminar report. The principal problems discussed were the following:

a) <u>Government policy and incentives in co-operative development</u>

   The participants requested a clear and comprehensive written policy statement on co-operative promotion, in particular as regards definition, regulations for registration, essential rights and duties of members, fields of activity of co-operatives, necessity of appropriate members' education, government machinery for the promotion of co-operatives and the relationship between governmental and non-governmental institutions of co-operative promotion.

b) Government machinery for Co-operatives

Discussion focused on the separation of the functions and powers of the makers and implementors of policy (ministers, commissioners, registrars of co-operatives) in the various countries and on supportive institutions such as co-operative auditors unions, co-operative tribunals and consultative/co-ordination committees.

c) Societies which may be registered

Discussion on this point was particularly intensive and detailed. It dealt primarily with the stipulations which the law on societies to be registered should contain, which economic and legal prerequisites must be fulfilled before registration, and the problems as to whether co-operatives may or shall be registered when these prerequisites are fulfilled. It was found that groups which do not yet fulfil all the prerequisites for a registration should be registered on a provisional basis as soon as possible in order to consolidate their legal position.

d) Format for conducting economic surveys and feasibility studies (guidelines for field workers)

Such a form was developed during the Seminar and recommendations were issued for its use.

e) Machinery, methods and contents of member education (information, mobilisation and motivation of prospective members of co-operatives)

Recognising that co-operative education should be comprehensive and started at an early age, the Seminar developed a system of training activities and listed the corresponding training personnel. It was emphasised that the required steps must be laid down in legislation. Special attention was accorded to the training of women to increase their participation in co-operative activities.

f) <u>Model by-laws and matters for self-regulation by co-operative societies</u>

Although by-laws should continue to be prepared by the registrar on the basis of model by-laws, they should be discussed with the members and not forced on them against their wishes. Since by-laws are considered to be an important instrument of information on the rights and duties of the members, their wording should be simple and their application made comprehensible by means of a guideline.

g) <u>Audit, auditors, supervision, inspection and inquiry</u>

The procedure and distribution of functions was discussed in depth.

h) <u>Amalgamation of co-operative societies</u>

The discussion began with a detailed examination of the economic advantages of amalgamation and the difficulties involved in its realisation, and subsequently moved on to the problem of obligatory or voluntary amalgamation (including the corresponding incentives).

i) <u>Settlements of disputes by arbitration</u>

A number of different procedures was recommended in this respect; particular emphasis was placed on the legal establishment of a permanent and independent body to determine co-operative disputes, to be known as a co-operative tribunal.

j) <u>Miscellaneous items for the improvement of co-operative legislation</u>

The following items were dealt with:

- definition of the terms "officer of a co-operative" and "co-operative officer";
- requirements for co-operative membership;
- conversion of co-operatives into companies and vice versa;
- requirements as to quorum of members;
- management committees;
- qualification of delegates in secondary societies;

- proxy voting in co-operatives;

- voluntary liquidation of co-operatives;

- distribution of assets after liquidation;

- special legal provisions for women co-operators.

The full report on the proceedings and findings of the Seminar will be made accessible to the public through DSE. The findings and the observations made during the Seminar discussions will also be included in the new edition of the "Handbook of Co-operative Law" by Professor H.-H. Münkner, to be published by the Plunkett Foundation.

The DSE Basis Development and Self-help Organisations Section is able to derive valuable recommendations and suggestions from such events with regard to the need for further events on the same and similar topics and in particular to the transposition of policy concepts into DSE training practice. The findings of this particular Seminar should be integrated as far as possible into the Section's training courses on the management of co-operative societies. The Seminar itself was considered to have promoted a vaulable exchange among the participants, the resource persons and the organisers which extended from exchange of legal texts to the exchange of practical experience in connection with the application of individual legal provisions.

CO-OPERATIVE SUPPORT TO EGYPT -

AN EXAMPLE OF SWEDISH CO-OPERATIVE ASSISTANCE

by

Birgitta Svensson*

In Sweden the consumer co-operative movement and the agricultural co-operative movement have separate apex organisations. These two organisations co-operate in at least one field, however: that of development assistance to co-operative movements in the third world.

The Swedish Co-operative Centre (SCC) was formed for this purpose. It is a foundation with Kooperativa Forbundet (The Co-operative Union and Wholesale Society, KF), Lantbrukarnas Riksförbund (The Federation of Swedish Farmers, LRF), Kooperativa Konsumentgilles-förbundet (The Union of Co-operative Consumer Guilds), Oljekonsumenternasförbund (The Oil Consumers Association, OK), and Folksam (The Co-operative Insurance Society) as members. The financial basis for the activities of the SCC is the money collected through fundraising among members and employees in these co-operative organisations. The SCC also gets financial support from the Swedish International Development Authority (SIDA), but although the contribution from SIDA now amounts to more than 80 per cent of the total budget, the voluntary contributions from the Swedish co-operators guarantee the independence of the co-operative development assistance. The SCC can give assistance also to countries which are not included among the "programme countries" with which SIDA has signed development assistance agreements. Egypt is an example of that.

The SCC concentrates its efforts on education and training of co-operators, both members and employees. The policy is to educate the educators to get a multiplying effect. The SCC collaborates closely with the International Co-operative Alliance (ICA), and especially with the Regional Offices in South-East Asia and East and Central Africa. Most of the education activities take place locally, but seminars are also arranged at regional level. Once a year a seminar on a specific subject is held in Sweden.

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* Swedish Co-operative Centre, Stockholm

Other important tasks for the SCC are to advise SIDA in co-operative matters and to recruit Swedish advisers for co-operative projects in developing countries. The recruitment is done not only for SCC projects but also projects run by SIDA, other Scandinavian organisations for development assistance (e.g. DANIDA), ILO, FAO and other UN bodies.

The member organisations of the SCC represent the co-operative movement in Sweden. The policy of these organisations is to promote the co-operative movements in the developing countries. However, as state plays a very important role in the co-operatives of most developing countries, the SCC also co-operates with the Ministry or Department for Co-operative Development in the various countries, and government officials are sometimes included among the seminar participants.

The Co-operative Development Centre for Education and Training in Egypt (CDC) is the SCC's biggest agricultural project. The first agreement between the Central Agricultural Co-operative Union (CACU) in Egypt and the SCC was signed in 1975. In June 1976 a new agreement was signed, also involving the Ministry of Agriculture. Later that year, in August, the CACU was dissolved by a presidential decree. The CDC could fortunately continue its activities as the Ministry had also signed the agreement.

The CACU was the apex organisation for all agricultural co-operative societies in Egypt. There are three types of societies:

1. The "old" multipurpose societies, which are now mostly called Credit Societies. Before the revolution in 1952 these were the tools of the big landowners, after the revolution they became agents of government policy more than societies whose basic aim is to serve their members.

2. After the revolution the big landowners' land was redistributed and the Agrarian Reform Societies were formed. The members own their plot of land, but it is cultivated under a common scheme.

3. Egypt has reclaimed 383,000 ha of land during the period 1952-1972. Reclaimed Land and Settlement Co-operative Societies have been formed to cultivate this land. These societies have the same basic structure as the Agrarian Reform Societies.

When CACU was dissolved, the Credit Societies lost some of their main functions, i.e. credit and marketing. These were handed over to newly established Village Banks, belonging to the government-owned Agricultural Development Bank. The Agrarian Reform Societies and the Land Reclamation Societies were not affected.

The request from Egypt for Swedish assistance identified the main problem within the Egyptian co-operative movement as lack of knowledge about co-operation among the leaders and inefficient training and education of board members and employees in the societies. No structure for this education existed for the Credit Societies, while the Agrarian Reform Societies had a training department on a national level, but needed assistance to build a structure for the local level. Well trained co-operative leaders and staff are seen as a means for the rapid improvement of the agricultural co-operatives and thus also as a means for the increase in food production Egypt is at present not quite self sufficient in food, and any increase in production would help to raise the standard of living in the country. Better routines for marketing and distribution of vegetables would also improve the situation as now up to 50 per cent of the produce is spoilt on the way from the producer to the consumer.

The original purpose of the Co-operative Development Centre was to "be the organ of vocational training and research in matters destined to raise the operational efficiency of co-operatives and their top level organisations in the fields of multipurpose co-operatives, the land reform and land settlement co-operatives, rural industries co-operatives and marketing co-operative societies" (as stated in the Project Agreement). This is certainly a very ambitious objective. As the CDC, like most development assistance projects has had limited resources, both as regards manpower and finance, this objective has not been achieved. What actually has been done is, however, quite impressive although it is limited to Credit and Agrarian Reform Societies.

The CDC has now created a training structure for the Credit Societies in all provinces. Owing to the limited resources the education programme has so far been carried out in six provinces only. For the Agrarian Reform Societies, the CDC has assisted in building up the local education structure. Modern training methods and techniques have been introduced through the project. The lecturers engaged by the CDC have all received training in new methods for adult education.

The CDC office is in Cairo and is headed by the Egyptian Project Director. The Swedish Project Adviser is also stationed in Cairo, as is one Swedish Co-operative Education and Training Expert. Some of the education activities are carried out in Cairo. One Co-operative Education and Training Expert has been stationed in Alexandria, where the CDC has its education centre at the Sidi Bishr Training Centre.

However, to reach the large number of co-operators in the villages the training and education activities had to be decentralised. Persons with knowledge and experience of management of co-operatives were engaged, and were trained in the new adult education methods and techniques. 400 lecturers have now been trained and are carrying out the education programmes locally. A "Handbook for Co-operative Educators" has been published both in Arabic and English.

Literacy is a prerequisite for board members in Egyptian co-operative societies. The degree of literacy varies, however, and most of the ordinary members, the would-be board members, are illiterate. This also influences the training methods, and audio-visual aids have to be used to a large extent. Literacy classes have also been started in some areas.

In 1979 an evaluation of the CDC project was carried out by Mr. Olle Hakelius, at the request of the SCC. Mr. Hakelius's conclusions and recommendations were submitted to the Board of the SCC in spring 1980.

Mr. Hakelius recommends that if the present situation prevails in Egypt, where the government has a very strong influence over the co-operative movement, Swedish assistance should be prolonged for a maximum of two years, i.e. until 30th June 1982. A new co-operative law has, however, been discussed in Egypt for some years, which would allow for a more independent co-operative movement. When such a law is adopted, a request for continued assistance from the Swedish Co-operative Movement to the Egyptian Co-operative Movement even after June 1982, may be favourably considered by the SCC.

The assistance agreement has been prolonged until 30th June 1982, and by the end of 1981 a new evaluation will be undertaken to investigate if the prerequisites exist to support the co-operative development on a Movement-to-Movement basis.

In October 1980 the SCC was informed that the new co-operative law has been passed by Parliament. In that case co-operation in Egypt will have possibilities to develop into a strong and independent movement that can serve its members efficiently. Swedish co-operators may wish to help in this development.

AGRICULTURAL CO-OPERATION IN ISRAEL*

by

Nora Doherty**

The State of Israel has made remarkable progress in developing its agriculture in both production and marketing to a level well renowned throughout the world. Co-operation has been a key factor in this development as it extends into all aspects involved in the producers' life style, settlement, agricultural production, supply and marketing. As much as 82% of the agricultural output in Israel is produced by co-operative settlements and marketed by co-operative organisations. While the geographical, political and social environment is naturally unique to Israel, there are certain lessons we can perhaps take note of in terms of the potential of co-operation both as a concept and as a form of organisation.

General Background

Towards the end of the nineteenth century, the early immigrants to Palestine had to grapple with limitations of space and water, a long neglected soil and an exiguous market. Through strong pioneering determination and hard physical work, a revolution was wrought by applying new production methods and techniques, maintaining a co-operative agricultural structure and establishing an extensive system of agricultural information and education. In a short time, Israel has become a leading expert on modern production and irrigation techniques. After independence, the earlier intensive mixed farming gave way to increased specialisation and an emphasis on the export of agricultural products. In 1976, direct agricultural exports (in producer prices) reached nearly 4 million IL, including field and industrial crops, vegetables, potatoes, cucumbers, melons, fruit, flowers, seedlings and ornamental plants. Citrus amounted to almost half of this.

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* This paper is the edited version of Pamphlet No. 61 published in 1980 by the Anglo-Israel Association

** Wyndham Deedes Scholar

For some years Israel has been entirely self-sufficient in vegetables, potatoes, deciduous and sub-tropical fruit, milk, eggs and poultry. It is 80 per cent self-sufficient in meat, 72 per cent in fish and 25 per cent in wheat, legumes and fodder. The oldest and still one of the most successful branches in agriculture is the production of citrus fruits - over half a million tons of which is shipped to Western Europe. With only a small population (3.65 million in 1977) Israel has had to adapt itself to being a major exporter of agricultural produce. Since the 1960's, more and more of the vegetable production is now under glass in order to supply the out-of-season markets in Europe.

A relatively recent development has been the introduction of cotton growing in Israel which is now one of its leading field crops and a high export earner. Against the background of limited land area, and the great need for water in the arid zones, it is difficult to assume how all this could have been accomplished without the establishment of a sound organisational infrastructure in credit, research and extensive services, and the creation of two original forms of agricultural settlement - the Kibbutz and the Moshav - which provide a unique social framework for constant development and change.

Table 1

Development of Agricultural Production in Israel, 1948-1977

(in 000's, if not otherwise stated)

Year	Vegetables	Fruit	Citrus	Cereals	Meat	of which (poultry)	Eggs (Millions)	Milk (Million Litres)	Field Crops*
1948	93	40	273	55	7	(5)	242	86	27
1960	348	145	610	96	82	(46)	1,115	318	279
1977	600	357	1,465	285	268	(200)	1,600	725	641

* Main field crops are cotton, sugar, beet, potatoes and peanuts.

Source: *The Future Development of Israel's Agriculture and its Exports*, by Reuven Eiland, London, 1978.

Types of Co-operative Settlements

While almost everyone has heard of the Kibbutz, very few people realise that this is not the only form of co-operative settlement in Israel. There are a large number of Moshavim, which produce a slightly larger percentage of the national agricultural output than do the Kibbutz and whose organisation may hold more relevance to agricultural co-operation in the U.K. amongst individual farmers. The third main type of co-operative settlement is the Moshav Shitufi.

Table 2

Number of Co-operative Settlements and Population, 1977

	Kibbutizm	Moshavim	Moshav Shitufi	Total
Settlements	247	383	30	660
Population	102,000	135,000	7,100	244,100

The Kibbutz is based on the principle of communal ownership of property and on equality and co-operation in all spheres of production, consumption and education. The land is owned and farmed collectively and all buying and selling is done co-operatively. While individual Kibbutniks have their own small houses, everyone eats together in a communal dining room and, in general, children are brought up together in the children's homes.

The Moshav (or Moshav Ovedim) is a co-operative smallholders' village combining some of the features of both co-operative and private farming. It is separated into a number of individual farm units for which each family is responsible. The income derived from the farm is also owned by the individual farmer, not the community. Supplies, marketing, education and cultural activities, however, are normally all organised collectively by all the members of the Moshav.

The Moshav Shitufi combines features of both the Kibbutzim and the Moshavim. The land is owned and worked collectively but it is family-based in that there are no communal dining rooms or children's houses. The financial returns from the farm are allotted to each family according to their needs, while production, supplies, marketing and cultural activities are collectively organised. Because there is but a small number (30) of these settlements in Israel, the Moshav Shitufi will not be further detailed.

Table 3

Agricultural Output by Settlement Type, 1969 and 1976

	1969	1976
Kibbutizim (and Moshav Shitufi)	35.5%	40%
Moshavim	40.6%	42%
Others*	23.9%	18%

* All other farm units in Israel.

Source: Ministry of Agriculture and the Jewish Agency, *Agricultural Sector,* 1976.

The Kibbutz

Historical Background

The Kibbutz, as the present form of co-operative settlement, developed historically from the establishment of much smaller settlements which were originally called "Kvutza". From the training farms first acquired in 1905 by the Jewish National Fund, a group of young people strove to be more independent by establishing their own small holdings. At first these farming settlements were regarded as no more than an experiment but, over time, the Kvutza collectives took root and became a common type of agricultural settlement. There were at first strong objections to their radical form of social and economic principles, but the Palestine office realised that this type of settlement best answered the particular conditions of the country and the need to absorb the continuing inflow of immigrants.

It was during the First World War that the Kvutza were enlarged numerically in order to absorb new members and to accelerate their economic independence. These larger settlements were called Kibbutzim and the diversification of their economy included the gradual establishment of small-scale industries on the settlements. The Jewish National Fund still owns the land of the Kibbutzim - which is rented on a 99-year lease in return for a nominal annual rent.

The Kibbutzim encouraged an individual's desire to improve his own material standard of living as well as that of the community as a whole. The Kibbutzim was thus ideologically geared to progress and development, not only in production but also, to a large extent, in consumption, providing for the desire for a rising - though equal - standard of living. It was this orientation which reinforced the impetus toward constant innovations and improvements.

The main forces behind the development of the Kibbutzim in Israel can be briefly outlined as follows:

Zionistic Socialism. The socialist principles of the early immigrants, particularly from Eastern Europe, emphasised the settlers' belief in equality and co-operation as a practical ideal. These principles for which they struggled very hard in the early years were also based on the non-exploitation of labour and direct democracy.

Development of the Country. The Zionist impetus to create a homeland in Palestine was based on the belief that the development of the country's economy depended first on a sound agricultural basis of production. This zest for a "return to the soil" and the emphasis put on the rewards of hard, physical work also helped to break down the traditional employment roles of the Jewish immigrants towards the needs for building up a new country.

Settlement of Immigrants. The Kibbutz played a major role in the settlement of thousands of immigrants who arrived in Israel during the five main immigration stages of the Aliyah (from 1800-1938) and after Independence.

Defence. The collective form of the Kibbutz settlements was seen as the most appropriate means of settling the border areas of Israel. Many Kibbutzim, particularly those made up of younger settlers, are both agricultural units and defence outposts. Most of the settlements established under the difficult conditions during and immediately after World War II, especially in the Negev and more recently in the Golan Heights, were Kibbutzim.

It was a combination of many such factors which led to the establishment of the most fundamental principles of the present Kibbutzim:

- Equality and co-operation
- Self-labour
- Self-management
- Direct democracy

Numbers and Population

There are now some 247 Kibbutzim in Israel, with a total population of approximately 102,000 that is 3 per cent of the national population. Despite the Kibbutz's extraordinary position within Israel's agricultural, economic and political life, it is now and always has been a minority phenomenon as the following table indicates. However, in relation to the rural population in Israel, it is the major form of agricultural settlement along with the Moshavim.

Table 4

Changes in the Kibbutz Population 1948 - 1961 - 1971

	1948	1961	1971
Israeli population	872,700	2,234,000	3,095,100
Israeli rural population	-	297,000	275,200
Kibbutz population	54,200	77,000	99,700
Kibbutz population as percentage of total population	6%	3.5%	3%
Kibbutz population as percentage of rural population	-	26%	36%

Source: *Dynamics of Development in the Israeli Kibbutz*, by Yehuda Don, 1977.

The Kibbutzim are very much like small, rural communities. In 1975, the average population of the Kibbutzim was around 450, while the largest Kibbutzim had a population of 1,500. Over the last thirty years, the population of the Kibbutzim, as a percentage of the national population, has been steadily declining particularly as more people decide to settle in the cities. In more recent years, however, this decline has settled and population numbers have remained stable.

	1948	1961	1971
Numbers of Kibbutz Settlements	177	228	234
Average population per Kibbutz	306	338	426

National Structure of Kibbutz Movements

The Kibbutzim are not all aligned to the same movement as there are a number of slight differences in organisation and ideology between them. In order to provide a framework for national mutual aid, all the Kibbutzim are now affiliated to one of the main kibbutz movements accoding to their individual social and political ideology. These movements provide the overall structure for investment, planning, supplies, and the development of small-scale industries.

Ichud Hakerutzot Vehakibbitzim: this movement today has 83 Kibbutzim members with a total population of 32,000 and a total cultivated area of 115,000 acres. The Ichud includes the oldest Kibbutzim settlements as well as new settlements set up by the pioneer Youth Movements in Israel. The central economic operation of the Ichud is being implemented by:

- Keren Haichud Ltd: the main financial instrument for mutual aid among the Kibbutzim members.

- Mishkey Haichud Ltd: a purchasing organisation for all the members.

Hakibbutz Haartzi ("Hashomer Hatzair"): established in 1927, this movement sprang from the Youth Movement organised on the eve of World War I in Poland and is the most left-wing of the Kibbutz movements, consistently professing its faith in Zionism, socialism and the Kibbutzim ideology. The Kibbutz Haartzi has today 75 Kibbutzim with a population of 31,000. It is also an integral part of the United Labour Party (MAPAM) in Israel.

The economic institutions of this movement include a company to encourage the development of industrial and agricultural plants; a central co-operative society which purchases products for its members; an import supply company for industrial materials; a marketing company for industrial products and a construction and engineering department.

Hakibbutz Hameuchad: founded in 1927, this movement was the driving force for activism in all fields of the struggle for Independence. In the War of Independence, many of its settlements were in the line of fire and its members fought as individuals and in the Israeli army. After the Six Day War, Hakibbutz Hameuchad was among the initiators of new settlement projects in the Sinai and the Golan Heights. This movement has 58 member settlements with a total population of 26,000. Central projects include a training centre, a publishing house, a central purchasing company, a financial institution, a shipping company and an investment department.

Hakibbutz Hadati: this movement includes the religious Kibbutz which number 13. In each settlement synagogues were built which serve as the spiritual centre of the Kibbutz. The Hakibbutz Hadati is responsible for the religious youth movement.

In 1963, the Federation of the Kibbutz Movements was founded as a result of an increasing co-operation among the different Kibbutz movements. It is the roof organisation of the movements and operates in all fields of Kibbutz activity. Social, economic and political schisms still exist between the different Kibbutz movements (i.e. some now allow children to stay with their parents, while others regard this as a break with Kibbutz ideology) but, overall, all the Kibbutz settlements are similar in basic ideology and organisation.

Marketing Structure

The methods of marketing employed by the Kibbutz are part and parcel of the overall planned production and marketing structure within Israel. As the settlements are collectively organised, so the marketing organisation is generally set up as co-operatives based on producer (or in this case settlement) control.

Alongside the various political groupings within the Kibbutz Movement which provide finance and organise the collective purchase of agricultural and industrial supplies, another important change has been the establishment of regional supply and marketing co-operatives.

They are made up of a number of Kibbutz settlements which have decided to work together and to invest finance in co-operatively owned, regional enterprises. While there has been co-operation in the past in credit and marketing, the new direction has been to invest in processing plants and packhouses in order to increase marketing efficiency and to partially offset the drop in profits from primary agricultural production. Among such enterprises are food processing plants, slaughterhouses, cotton gins and packhouses for fruit and vegetables.

Each member Kibbutz (and sometimes Moshav members) has an investment share or ownership in the enterprise. Regional co-operative enterprises were developed in order to maintain the full value of a large scale operation which even a large agricultural unit, such as a Kibbutz, could not economically justify on its own. There are ten such regional co-operatives for the Kibbutzim (and three for the Moshavim). These regional co-operatives which individually employ up to 1,000 people, are primary processing and marketing co-operatives which normally sell their produce through the national marketing boards and producer co-operatives such as the Cotton Marketing Board, TNUVA and AGREXCO. Like the farmers in the U.K. the individual Kibbutz and Moshav settlements have increased their marketing power and capabilities by co-operating together. These regional co-operatives also act as very effective relayers of market and production information which is very well-developed.

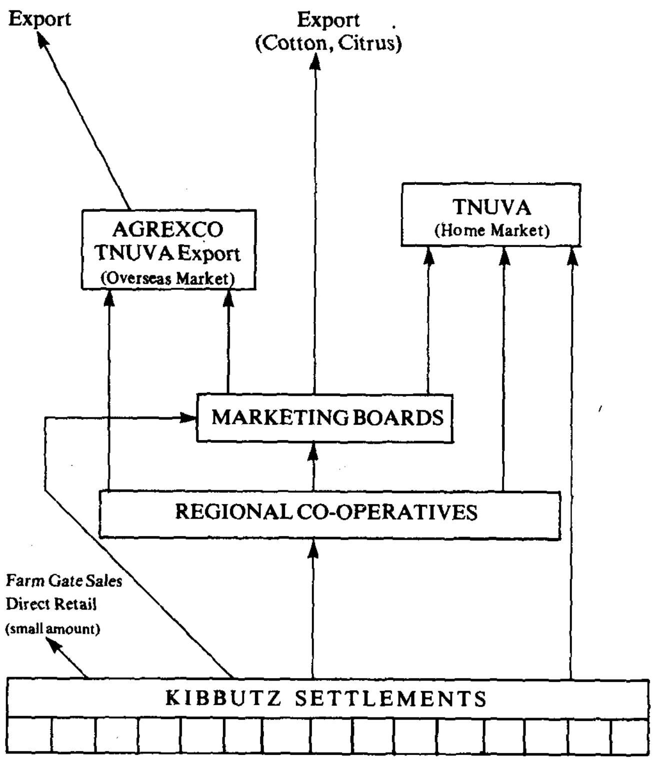
The structure of marketing is relatively complex, but the majority of the suppliers of agricultural inputs as well as the wholesale marketing and export of agricultural produce is based on farmer or producer co-operatives or boards. Figure 1 presents a simplified view of how the Kibbutz settlements market their agricultural produce. The specific market outlet depends very much on the individual produce to be sold - those products which require some form of primary processing (such as cotton, the packaging of fruit and vegetables, or the preparation of poultry meat) are normally sent directly from the Kibbutz to their regional co-operative. From here, the produce will be sent either through the marketing boards, direct to TNUVA or direct to AGREXCO if they are for export. Other produce for the home market may be sent direct from the Kibbutz to TNUVA to be distributed to the wholesale market throughout Israel or for further processing. Apart from the Cotton, Citrus and Peanut Marketing Boards, the marketing boards in general do not physically handle the produce. Their main role is one of overall planning and co-ordination, advice, the allocation of what acreage of crops should be grown, the issue of licences for the movement of produce to market, market information and research programmes.

Their basic principle that production and marketing policies for every agricultural branch shall be fixed by an administrative body, in which producers, marketing bodies (wholesalers, retailers etc.), TNUVA and the Government are represented.

TNUVA (The Central Marketing Co-operative of Agricultural Produce in Israel, Ltd.), is the central co-operative body for the marketing, processing and distribution within the home market, and agricultural produce supplied by the Kibbutz and Moshavim settlements. It can be seen from the above, that the majority (up to 80 per cent) of the agricultural produce in Israel is co-operatively produced and marketed. At the moment, independent wholesalers or exporters of produce play a very minor role, but the policies of the present right-wing Government may bring about changes.

Figure 1

The Overall Structure of Marketing by the Kibbutzim



Management/Democratic Structure of the Kibbutz

An emphasis on self-management and direct democracy has always been one of the main principles of the Kibbutzim. The purpose of the management structure is not only to organise the productive and social elements in the settlement but to maintain and intensify the sense of involvement of each individual member.

The sovereign decision-making body is the General Assembly - which consists of all the members of the Kibbutz (who each have one vote) and meets generally once a week to vote on major proposals and decisions. The meeting of the General Assembly is also a social event; a time when members of the Kibbutz come together. The average attendance at these meetings is about 50 per cent, which increases if the subject matter of the meeting is thought to be important.

Actual day-to-day deliberations and decision-making is in the hands of the Secretariat which is made up of the Secretary, the Treasurer, the economic co-ordinator and up to 8/10 members of the Kibbutz. All members of the Secretariat are elected on a rotational basis by the General Assembly, i.e. by the members of the Kibbutz.

For all the main activities or aspects of the Kibbutz, a committee - which falls into one of the two broad categories of social and economic - is elected. There are up to 15 such committees which are made responsible for particular areas of Kibbutz life, i.e. education, culture, health and security. The various work sectors of the Kibbutz itself - the orchards, field crops, the kitchen, the factory - are called "Work branches" where the day-to-day running decisions are made. The elaborate system of committees and the host of community functions means that a significant part of the adult population of a Kibbutz has some sort of involvement in community responsibility. Work on these committees is additional to a member's regular job and is normally carried out in the evenings.

The main mechanisms assuring the democratic pattern of decision-making on the Kibbutz are as follows:

- the work branches maintain a system of grass-root democracy and direct participation in decisions. Every member of the Kibbutz apart from three of four functionaries, is part of a particular work branch.

- the committees (to which any member may be elected) allows people control over the many aspects of their life.

- the General Assembly is based on direct government with equal voting rights for all members.

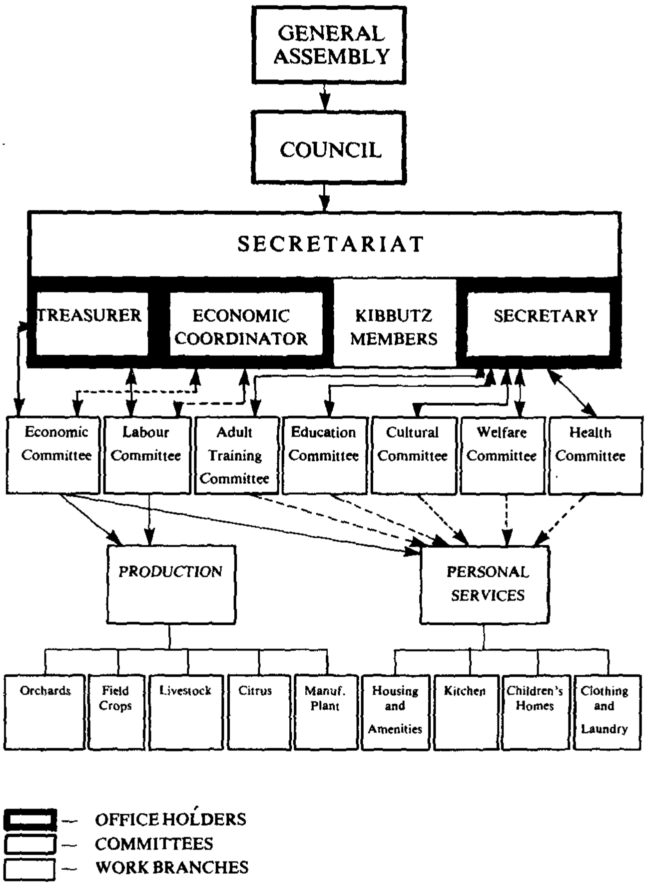
- the rotation of personnel in all positions from the Secretary of the Kibbutz to a work branch manager, allows everyone the equal opportunity to hold more valued posts, and discourages the formulation of an elite.

- the right of appeal at every level.

While each Kibbutz may have individual differences in management structure Figure 2 present the most typical management organisations of a Kibbutz.

Figure 2

Management Structure of the Kibbutz



Present trends and changes in the Kibbutz

There is no doubt that the Kibbutzim in Israel have undergone major changes since their initial inception in response to their changing environment and differing needs. While some people hold that the social and political influence of the Kibbutz is on the decline, others look to the Kibbutz as a successful example of co-operative principles in action. The fact that the principles of co-operation and member participation have worked so well within a capitalist economy cannot easily be ignored.

The main lines of Kibbutz development and change are as follows:

Population. For the last ten years, the total population of the Kibbutz has remained at much the same level, at around 90,000 to a 100,000. While this accounts for 3 per cent of the national population and over one third of the rural population it is still true to say that the Kibbutzim have found it increasingly difficult to attract new members. About one half of the children born on the Kibbutzim decide to leave.

While the Kibbutz offers communal living, mutual aid, a pleasant rural life, it is also very much a closed society. Members work and eat with the same people year after year and the long hours of work restrict any kind of social movement or travel. While this is changing somewhat as more Kibbutzim can afford to offer free holidays abroad to older members, it is difficult for a Kibbutzim to have a regular contact with other social groups.

Because the Kibbutz population is not growing at the same rate as the population for the country as a whole, the shortage of labour can be a problem. The volunteer system of giving accommodation food and pocket money in exchange for work has attracted much needed labour from all over the world. While this system has worked very well, it has also brought its own problems.

No Hired Labour. One of the main principles of the Kibbutz is the rule of "no hiring of labour" - all the work on the Kibbutz must be carried out by the members themselves in order to avoid falling into the trap of exploiting other people's work. The present shortage of labour is thus exacerbated by the fact that the Kibbutz cannot hire workers from outside the settlement. This has probably been the most difficult principle for the Kibbutzim to hold to, and has subsequently been the principle most infringed. While most of the Kibbutz have kept to this rule, there are an outside number of settlements who do hire labour, which is mainly made up from the Arab population. Of all the principles of the Kibbutz such as equality and direct democracy, it would appear that this self-labour rule is the only one which has been seriously weakened in the face of pressures from a competitive economic system and the demand for a higher standard of living from members.

Participation in the Kibbutz. As the Kibbutzim have grown larger and more complex, so the structures of direct democracy have become more difficult to organise. Fewer members now attend the General Assembly and it is less easy to find members who are willing or able to take on the more difficult management posts. This has been overcome to a certain extent by the development of training programmes and courses which enable members to learn the necessary skills and information to carry out these jobs. It is all too easy to allow someone to carry on in a particular post because he/she has the necessary know-how and experience, but direct participation in its many forms must be backed up by a system of education or information-sharing if it is to work efficiently.

Increased Agricultural Production. One of the major trends in the development of the Kibbutzim has been their success in increasing production. They have become one of the most dynamic and innovative sectors in Israel contributing 40 per cent of the gross agricultural product of the Jewish sector of Israeli agriculture and 12 per cent of Israel's total gross national product. While the labour force has remained much the same, agricultural production over the last ten years has more than doubled, due no doubt to the rapid introduction of mechanisation on the farms. The opportunity to apply highly capital intensive production methods has led to the gradual withdrawal from the mixed and more labour intensive enterprises to those which are more specialised. One example of agricultural development on the Kibbutz and the emphasis put on high earning export crops is cotton production which between 1960 and 1968 increased more than tenfold - from less than 10 per cent to nearly 80 per cent of all the cotton produced in Israel.

Industrialistation. One of the most notable developments in the Kibbutz has been the rapid growth of industrialisation. Almost every Kibbutz now has some kind of industry on the settlement. In most instances, these industries developed as a result of local initiatives relying first on branches which served the Kibbutz itself e.g. workshops, carpentries, manufacturing of agricultural tools and so on. Now the industries have very little to do with what is produced on the Kibbutz. Social and economic realities motivated the Kibbutz to add small-scale industry to its framework in order to create work places for members who had not found employment in agriculture or for those unable to work in the fields. This was further motivated by the falling profits in agricultural production. While the Kibbutz now produce 5 per cent of Israel's industrial products, the gross income for such industries is estimated to be 35 per cent of the total income of the Kibbutz. This has meant that almost the entire addition of the labour force in the Kibbutzim from 1960 onwards has been diverted to industry. The percentage of the population working in Kibbutz industries rose from 15 per cent in 1960 to 65 per cent in 1973.

The Moshav

Historical Background

"National land, self-labour, mutual aid, joint buying and selling - these are the fundamental principles of the Moshav, the smallholders' village". The principles were written by Eliezer Yaffe in 1919 when the idea of the Moshav was given definite shape. The initial idea was evolved during World War 1 in the quest for a form of settlement that was not only based on the collective principles of the Kibbutz, but also on the need for individual initiative and enterprise. In this way, the Moshavim settlements of individual small holdings grew out of the earlier established Kibbutzim.

The first Moshavim was founded in 1921 by people who had formerly been members of a Kibbutzim. By 1948, when the State of Israel was established, there were 58 Moshavim settlements in the country. Most of the new immigrants who arrived in large numbers immediately after the establishment of the State of Israel differed in many respects from the early pioneers who had spent years in agricultural training before land was given to them. They consisted mainly of families with children and elderly people, even entire communities who arrived en masse. The Moshav village with its basic family structure (rather than the communal living of the Kibbutz) was felt to be the best means of settling these immigrants on the land. In the period between 1949-1956, 250 new Moshavim were established which greatly increased their importance as a form of agricultural settlement.

Nationalised Land. All the land of the Moshavim is owned by the Jewish National Fund and leased for a period of 49 years. National ownership was seen as a means of controlling settlement; preventing a small number of people owning larger tracts of land; and of limiting speculation. Each farm member of the Moshav has an equal amount of land to farm.

Self-Labour. Each farmer works the land with his own physical labour and that of his family, with no recourse to the hiring of labour which may lead to exploitation of others. The Moshav farmer lives from the profits of his own work, not that of others.

Mutual Aid. The Moshav takes care of its members if in need, provides communal services and cultural activities and for the education of children. Mutual aid amongst members means that competition is replaced by co-operation; and labour-sharing is practised when a farmer cannot work for reasons of health or army service.

Co-operative Supply and Marketing. The central organisation of the Moshav takes responsibility for the marketing of agricultural produce and for the sorting and transportation. It also sees to the bulk purchase of agricultural requisites such as machinery, fertilisers and sprays, as well as certain household goods, clothes and foodstuffs.

Numbers and Population

In 1977, there were 383 Moshavim with a total population of 135,000. This is 4 per cent of the total population in Israel and numbers appear to be steadily increasing, making the Moshavim the most important agricultural settlement in Israel in terms of numbers. For those not interested in communal life, the Moshav offers a practical compromise between individual enterprise and co-operative activities. This appears to have been more attractive to the recent immigrants to Israel.

National Structure of Moshav Movement

The Moshavim are united in five different movements:

- The Moshav Movement
- Hapoel Hamizrahi
- Haihud Hahaklai
- Po'alei Agudat Israel
- Ha'oved Hazioni

The largest of these movements is the Moshavim Movement of which 240 Moshavim are members, i.e. almost two-thirds of all the Moshavim in the country. The Moshav Movement was founded in the mid-1930s to cope with the problems of the existing Moshavim, to preserve the Moshav principles and to help establish further settlements. The Movement is at present an integral part of the Histadrut, of which all its members are automatically members.

The task of the Movement today is expressed by inter-Moshavim mutual assistance in financial and economic matters, by the management of joint regional and national enterprises, and joint purchasing and marketing organisations, by activity in education and training, and by organising youth groups. The Movement also publishes newspapers and acts as a representative of the Moshavim in national and government organisations.

Marketing Structure

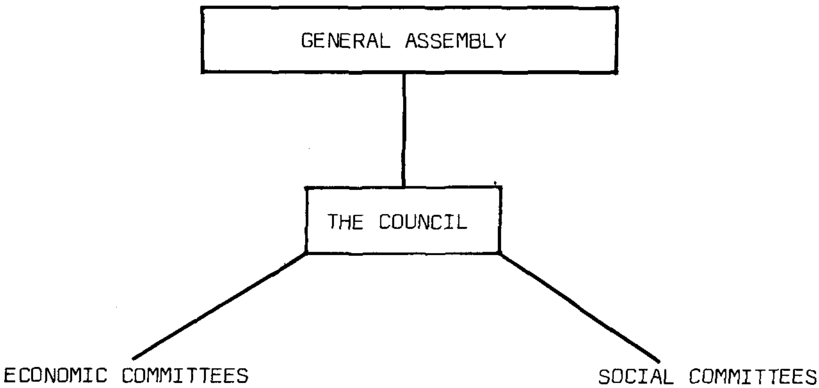
The marketing channels used by the majority of the Moshavim are very similar to those of the Kibbutz as presented in Figure 1. On a smaller scale than the Kibbutz, the Moshavim have also established regional co-operative enterprises, in co-operation with local councils, to package and process agricultural produce and to lower the cost of services (such as aerial crop spraying, the hiring of large machinery, etc.). Examples of these enterprises include citrus-canning plants, fodder plants, slaughter-houses, packhouses, egg-sorting and incubating, and cold storage plants.

While the majority of the Moshavim farmers market their produce through the co-operative channels of the regional co-operatives, the Marketing Boards or TNUVA, there is an increasing trend for some farmers to go it alone and speculate on the wholesale markets, despite the fact that it is frowned upon by the Moshav management.

Management/Democratic Structure

Each Moshav is organised as a co-operative society and constitutes a unit of local government. The activities of the Moshav are governed by the principles earlier detailed which serve as a pattern for each Moshav, new or old.

As in the Kibbutz, the main decision-making body of the Moshav is the General Assembly in which all members hold one vote. All the major financial and social policies of the settlement are decided at this Assembly, which meets regularly. The Assembly also elects the Management Committee of the Council which is made up of 15 to 20 members of the Moshav, including the financial director and the Secretary of the Moshav. The Council is charged with implementing the Assembly's resolutions, carrying out the day-to-day management of the Moshav, and representing the village vis-a-vis outside bodies or institutions. A number of committees are also elected to take responsibility for the many social and economic aspects of the Moshav.



Present Trends and Changes in the Moshav

Growth of Family. A farm on a Moshav can only be passed onto one member of the family; it is too small to be divided amongst the children and the number of farm units in a Moshav is set and cannot be expanded. With the larger families of the newer immigrants from the Yemen and other Arab countries, this fact has caused considerable problems. The majority of the younger generation must, therefore, leave the Moshav in order to find work. It is a general rule that only those people who have a farm or who work in the Moshav are allowed to live there. There are some Moshavim, however, who are now allowing private housing to be built in the Moshav. This has tended to cause problems as the community is then split between the farmers and the non-farmers, and lack of involvement has been detrimental to the co-operative or communal atmosphere of the Moshav.

No Hired Labour. As for the Kibbutz, the no hired labour rule has caused certain problems. Generally, Moshav farmers are not allowed to hire workers even during high labour peaks on the farm but increasingly, Moshavim allow the hiring of outside - normally Arab - labour which has caused some argument within the Moshav Movement. Problems also occur if labour is hired in a Moshav factory. The presence of non-members working within the Moshav and the situation of "boss" and "worker" contravenes the Moshav's principle of non-exploitation and self-labour. Unlike the Kibbutz, the Moshavim do not have a system of volunteers helping on the farms, mainly because of its family structure and lack of communal accommodation facilities.

Co-operation. The Moshavim show a very high degree of co-operation in the purchase of supplies and the marketing of produce which provides substantial economic benefits for the individual smallholder. There are however, some Moshavim farmers who try and obtain better prices by speculating on the open market. While this is a threat to the principle of working together as a whole, it tends to happen only to those Moshavim which are weaker either in terms of organisation or in co-operative spirit.

Machinery and Labour Sharing. The Moshavim pattern of small holdings has led to the development of more effective systems for machinery and labour sharing amongst the farmers. While each individual farmer owns his own tractor and other necessary machinery, the Moshav has invested in a wide-range of agricultural machinery and implements which farmers can hire. The proximity of the farms to the collective services located in the centre of the village facilitates the system, and the charge for hire is deducted directly from the farmer's income so that no money changes hands.

Reciprocal, informal short term labour-sharing is organised when needed by the farmers themselves. For longer periods of time a formal labour-sharing rota is set up by the chairman of the labour-sharing Committee.

Specialisation. In the past, the prevalent Moshav production pattern was that of a diversified, mixed farm. In a more competitive environment and to raise the standard of living, the Moshav has become increasingly specialised. Examples of this are the increased production of vegetables for export, avacadoes, cotton and flowers. This trend in specialisation has also involved an increase in the amount of communal production, in which parcels of land are cultivated collectively.

Market Uncertainty. As for all farmers, fluctuations in the market price for produce is a major problem. While Israeli agriculture and its marketing system, are particularly well-structured and planned, the recent problems in the Israeli economy and the policies of the new right-wing government (who have allowed subsidised imports of meat, for example) have meant increasing uncertainty amongst farmers. As a major exporter of agricultural produce, Israel is vulnerable to recessions in world trade and relies to a large extent on the EEC market. When Greece and Spain become full members of the EEC, Israel will have to face serious competition. The external market environment, therefore, has a considerable effect on the Moshav producers who must continue to adapt their production systems and techniques accordingly.

Industrialisation. Unlike the Kibbutzim, the process of industrialisation has been very slow on the Moshav. There would be many direct benefits in establishing Moshav-owned industries as a means of diversifying production activities, increasing prosperity and providing employment opportunities for the younger people. The Moshav still remains predominantly agricultural: in 1968, over 70 per cent of all the people working on a Moshav were employed in direct agricultural production, and this has changed very little up until the present time. Although a national Moshav organisation has been established by the Moshav Movement and the Jewish Agency to encourage the establishment of small-scale industry in the Moshavim, industrial production still does not account for more than 10 per cent of the Moshav economy.

Discussion

While the existence and form of the Kibbutzim and Moshavim are undoubtedly bound up with the unique social and political conditions in Israel, there are certain aspects which may have direct relevance to co-operation in the U.K.

The rise and expansion of the European co-operative movement have their roots in the economic and social changes which took place in the late eighteenth and throughout the nineteenth century. With the rapid disintegration of the traditional family communities and the unpredictable market changes that farmers had to face, the farmer had to somehow protect himself from the disadvantages of the capitalist system of which he was now a part. This was done by farmers coming together in order to purchase bulk supplies and requisites, and later on to market their produce together, thus increasing their power in the market place.

The first U.K. agricultural trading society was established in 1867, and like all co-operatives since then, it was based on the principles of co-operation as first outlined by the Rochdale Pioneers in 1844. It is interesting to compare these principles with those of the Kibbutzim and Moshavim.

<u>U.K. Co-operative Principles</u>

1. Open membership (regardless of religion or politics)
2. Democratic control (one man one vote and member participation)
3. Limited interest on shares
4. Honest management
5. Patronage dividends (distribution of profits amongst members according to trade)

<u>Kibbutz and Moshav Principles</u>

1. Equality and co-operation
2. Self-labour
3. Self-management
4. Direct democracy

One of the main differences in these two sets of co-operative guidelines is that the U.K. co-operative principles relate to a form of company (with limited interest and the distribution of profits to member shareholders) while the Israeli principles relate directly to wider co-operatives structures, and settlements. Agricultural co-operatives in the U.K., registered under the *Industrial and Provident Societies Act*, are not unlike ordinary companies with a paid, professional management, except that farmer-members are shareholders and their representatives make up the Board of Directors.

Despite the very different social and economic background to the development of agricultural co-operatives in Israel and the U.K., these two movements are brought together by two main concepts: first, the principle of co-operation (working together for a common aim) and second, that of democratic control.

Agricultural co-operation today in the U.K., particularly in supply co-operatives, is characterised by large, impersonal societies or companies which in many respects differ very little from other companies. In their efforts to become more efficient and profit-making, most of the early principles of co-operation have been rejected or deliberately forgotten. They argue that a successful and profitable co-operative cannot be based on member participation or the distribution of profits as they constitute an insurmountable hindrance to their economic development or expansion. Most member-farmers therefore, regard their co-operatives as they would any other supply or marketing company and have very little or no say in its running or decision making.

Perhaps one of the main lessons we can learn from the Kibbutzim and Moshavim is that co-operation and direct participation can prove successful and efficient in a competitive, capitalist economy, not only in terms of increased returns for members but also in strengthening their real power in the market. Participation can be a two-way system of not only allowing members a say in the running of their own co-operative but also as a means of relaying up-to-date market information back to the farmer, so that they are more able to adapt readily to market changes and adopt new practices where necessary.

During the last decade there has been a growing interest in such concepts as self-management and workers' participation and many researchers have looked at the experiences of the Kibbutzim and the Moshavim where direct democracy is implemented, not only by the structure of the General Assemblies as the main decision-making bodies, but also through the rotation of management personnel and the non-hierarchic organisational structure. The UK co-operatives, on the other hand, appear to be more like co-operative oligarchies as the strength of the professional management, particularly that of the Managing Director, continues to increase. While the democratic structures of an Israeli Kibbutz cannot be transposed to a U.K. co-operative, the means of encouraging the positive aspects of co-operation and participation in agriculture today are numerous.

In addition to the many economic advantages of co-operation in agriculture (in production, marketing, supplies, machinery or labour-sharing), there are also many possible social benefits. Taking the example of a Kibbutz where one unit of land (say 1,000 acres) and one factory can maintain several hundred people in a very pleasant and prosperous life, it is possible to envisage the future potential of such an economic form of organisation. In a time of increasing unemployment, decreasing resources and the pressure to produce more food for a rapidly growing world population, the economic and social possibilities of co-operation in agriculture may become far more important than they are at the present time. If so, the experiences of the Kibbutzim and the Moshavim will prove invaluable.

To conclude, the main factors arising from this study in relation to the development of agricultural co-operation in the U.K., are that:

- co-operation is a "whole" concept - it is not just selling or buying produce for farmers but including the wider principles of co-operation and direct democracy

- there is no necessary contradiction between economic efficiency and member participation. The relationship between members and the co-operative determine the society's inner strength, its ability to withstand difficult times, and also the "sociological" potential for future growth and success.

- education is one of the key factors in developing co-operation and participation in terms of including co-operative studies in schools and colleges, emphasising the benefits of "working together" rather than individual competition. It is vital to provide people with the information base for effective participation in decision-making.

- for co-operatives to develop and to expand, there is a need for national government support in the field of finance, credit, planning, market information and for further co-operation between existing co-operative societies. Effective overall co-ordination has been one of the major keys to the success of co-operation in Israel.

INTEGRATED HORTICULTURAL PRODUCTION AND MARKETING

By

W. R. Taylor*

This paper described the management ability to co-ordinate crop production and distribution to meet customers' requirements in an industry operating under generally unstable and mainly unprotected producer prices. It makes general reference to outdoor production of salad and vegetable crops, although many of the comments may be common to a number of crop types.

Recent technical advances in new seed varieties, particularly through hybridisation, have raised crop yield expectations significantly in comparison to ten years ago. At the same time harvesting periods have been prolonged with successional cropping, while early season varieties have been introduced with protection from glass or plastic tunnels.

However, the potential of new techniques can only be achieved with improved crop management in many situations. High yielding crops are generally sensitive to changes in soil moisture levels and many growers have invested in irrigation equipment to reduce the effect of dry periods during crop growth. A high plant population is usually essential to produce good quality consistent crops which may be harvested either with a small labour force or possibly by machine.

The traditional areas of salad and vegetable crop production were situated close to major cities to minimise transport delays, but the new seed varieties and advanced growing techniques encouraged many farmers in other areas to experiment with some success. Expansion in motorway routes and efficient high capacity vehicles offered rapid distribution links to the consumer and the traditional areas either responded to the new competition or changed to other farming systems.

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Although competition within the country was becoming more intense for producers, an expansion in cargo capacity of large jet aircraft and an increasing number of regular ferry links offered importers the opportunity to supply a wide range of imported crops to the customer. Product standards were high, with sales and distribution frequently co-ordinated through major marketing boards or co-operative groups, which had national support in some countries.

In the retail sector major changes have taken place with a decline in the number of independent outlets and an increasing market share established by multiples and supermarkets. In the early supermarket group development some emphasis was given to prepacked produce, which improved in-store efficiency and met good customer demand. However, as packaging costs increased many outlets offered customers both prepacked and loose crop selection. Although smaller retailers are still under pressure from the large organisations, there may still be new possibilities for small specialist outlets which can offer high standards of customer service, i.e. long opening hours.

The impact of change can be damaging to the unprepared, and producers must be efficient, flexible and aggresive to both retain and expand customer accounts.

Produce Marketing

The industry is characterised by the influence of seasonal climatic patterns which adjust both customer demand, crop availability and quality standards, and result in an unstable seasonal price structure for producers in many markets. However, major customers were often not happy with the frequent changes in retail values caused by these variations in crop supplies, and as there were no restrictions on customer/producer links several alternative methods of marketing became established.

1. Processing. The major companies in this area were designing crop production plans for their growers in the early 1950s. Limited factory processing capacity in conjunction with rigid quality control standards resulted in specialist technical field staff being employed by the purchasing company. Crops were programmed to meet a well planned sales target and projections were based upon tonnage rather than acreage. Whilst the processing market has expanded considerably over the years, the basic approach from the leading buyers has changed little, although the market has been influenced by the independent processing companies.

The major buyers base their requirements on a written production contract which is mutually agreed between buyer and producer before each crop planting season. Quality standards are specified in depth, together with procedural methods for crops falling partially outside those quality grades. This generally results in a percentage deduction from the agreed price level in minor cases, or to total rejection of the consignment for serious shortfalls. The producer is therefore operating a high risk supply system if his standards are not of the highest level. This contract also contains an agreed buying price for the crop, which is usually fixed for the whole harvesting season, and reflects production costs as the basis for agreement. However, the buyer must also reflect market forces in this price, and in seasons where sales targets are not achieved the buyer is unlikely to reflect fully the impact of inflation on production costs in the new contract negotiations. The system has operated successfully, for once prices are agreed the grower can concentrate totally on technical efficiency without the worry of fresh market forces.

However, the success and stability of the processing market attracted independent processing plant construction which offered plant capacity to merchants and growers, and resulted in a wide range of crop quality grades being offered for sale to independent brokers and commission agents.

Without co-ordination of production to market requirements major losses were incurred by some speculators and closures followed. The instability created in the market by these changes has offered new challenges to co-operative groups with specialist management and the capital base necessary to fund long-term crop storage and processing costs.

Crops for processing are frequently supplied in bulk and in very large volumes during the most suitable harvest periods. The producer prices therefore reflect production costs as far as possible and are not comparable with fresh market or prepacked produce values. Comparison between producer returns is therefore only possible on a seasonal basis.

2. National Wholesale Markets. The pattern of trading has changed little over the years, with producers sending crops on trust to agents who achieve the best possible price for their growers on a daily basis. The most significant change in many of the markets has been the construction of new secure premises (New Covent Garden) to replace the traditional congested street trading. Price levels are assessed subjectively by skilled salesmen competing for supplies from producers and at the same time remaining competitive with their customers. Any form of written contract, legal obligation, production programme or forward price commitment is unusual for English horticultural producers and the resultant system offers considerable flexibility to both producer and agent on a daily basis. However, by comparison, some of the large importing companies - both marketing boards and co-operatives - have achieved a large degree of distribution control and forward price planning by offering high quality crops through one marketing office or agent. In some cases the crop is purchased by the wholesaler prior to delivery, but where imported crops are not distributed within an organisation, the market may easily be over-supplied and prices depressed. If agents are committed financially to such consignments there may be some tendency towards encouraging customers to purchase such imported crops to the detriment of local supplies.

English horticultural co-operative groups follow the success of co-ordinated imports with both interest and envy. Due to the short distribution links in England between producers and wholesale markets there will always be the opportunity for producers to remain in direct contact with the salesmen and a ready market for their crops. However, in the best long term interests of producer and salesmen it is desirable to achieve greater control on the volume of produce being distributed to each of the various wholesale markets in an effort to equate supply and demand more accurately. Price levels would be more stable and any uplift in producer prices would benefit the salesmen in greater income. While the system is effective on many imported crops, and many people agree in principle to better producer marketing through co-operatives, the principles generally apply to every grower's neighbour rather than to themselves. In the same way many wholesale companies resent any involvement of organised production on a system of marketing that has worked successfully for generations. Yet at the present time few producers are happy with wholesale market prices, the salesman urgently need a higher standard of crop presentation to compete with imported crops; packaging and distribution costs are rising with inflation, which encourages some growers to look for even cheaper methods of making boxes and so adding to the salemens' problems.

However, a number of growers and co-operative groups are firmly established as market leaders in the trade, with considerable customer loyalty based on high standards of crop quality and presentation. The premium for this standard of presentation is sometimes insufficient to cover the additional costs, but in difficult trading conditions the outstanding samples will always find a customer, while the indifferent crops are best left in the field or glasshouse.

Due to the competitive nature of the market it is possible for producers to make both high profits and major losses during a crop season. The assessment of price levels each day is still a subjective, personal value judgement by the salesmen on the level of competing crops in the market and the number of customer inquiries. The experience of the salesman is therefore critical to make a continuous on-going judgement of buying and selling which is happening in the market as a whole, and reflect this in the best possible price for the producer at every sale negotiation. For this reason prices in a market are rarely stable and producers can see a range of returns for identical packs of the same crop in one market on a daily basis. An exact market price for crops is not usually quoted in grower/salesmen discussions, more an average of the range of values reflecting various customer sales. Little regard may be taken by the salesman of production costs, much to many growers' concern, and the industry is characterised by the peaks and troughs of pricing policy as supplies fluctuate. The price may not reflect crop quality over a season for as a general guide high market prices are achieved at the start and at the end of a crop season when crops may be small and immature, or perhaps later over-mature, while the main season high quality crops usually return the lowest price per box. Many English producers can admit that their poorer quality crops make the highest return in some seasons and this has resulted in a generally slow acceptance of change in the wholesale sector in comparison to the development in alternative markets.

3. <u>Direct Multiple Retail Outlets</u>. The specialist multiple food groups and supermarkets are currently expanding more quickly than any other market sector. New store openings in High Street or residential areas are in conjunction with limited developments in hypermarkets by some retail groups. The growth can be attributed to a high standard of customer services and competitive prices. These services include 'one-stop' food shopping, on-site or convenient car parking facilities, late evening opening, consistent quality standards, a pleasant shopping environment in many air-conditioned stores, self-service and minimal delays at payment points. In conjunction with these factors an increasing number of women are undertaking either full-time or part-time employment and therefore the opportunities for shopping during the week are declining.

From the retailer's viewpoint the produce section is one of the few areas of the store with a constantly changing catalogue of both local and imported lines and therefore offering store management considerable flexibility in sales promotion and participation. Unlike grocery items where long life goods and continuity of supply ensures full shelves, the supply of produce lines, in spite of recent progress, is still not guaranteed and shortfalls may occur. Short life crops such as lettuce, tomatoes, grapes and peaches may also sell out and therefore a constant assessment of quality standards, stock levels and shelf layout is required by store staff.

Many customers purchase fruit and vegetables on impulse as it is one area where the housewife can select a varied and interesting range of essential foods for the family. Thus displays offering the most attractive, most competitive, or most unusual crops will gain customer attention. Although selling prices are a very important part of retailing, the aspects of customer convenience must not be overlooked when comparisons are made between the supermarkets and other independent retailers.

From the producer's viewpoint supplies to multiple retailers and supermarket groups offer some advantages which must be related to the high quality standards expected and the keen prices demanded.

i) The scale of orders placed with established producers is usually greater than traditional fresh market outlets.

ii) High quality standards are expected in the produce and at supplier premises. Co-operatives have particular advantages in this area where co-ordination of production can offer high quality standards and meet the continuity of supply required. Substantial investment has been undertaken by the major groups to meet the standards expected by buyers and traditional farm facilities have been expanded to processing standards. The scale of this development is considerably beyond the capacity of the majority of independent growers and co-operatives have become firmly established as leaders in this expanding market area.

iii) Customers will generally offer new business to established suppliers. Greatest opportunities for new producers are available in new crops or sources of supply, out of season production and the ability to make up possible shortfalls from established suppliers.

iv) Firm product prices are usually agreed in advance of distribution with one review during the five or six day supply period.

v) At the same time the buyer will give the supplier a forecast of order levels or programme which will be updated on a daily basis in response to customer demand. Over a period of years the experience of people involved in supply programmes results in very accurate assessment of forward requirements. The leading retailers go further with their suppliers by providing an annual programme which reflects new store expansion and the supplier's 'track record' over the previous one or perhaps two seasons. Poor quality control standards, produce shortfalls, or difficulties in price discussions leading to breaks in supply, are considered to have the most serious consequences in the highly competitive marketing between major suppliers. However, not all customers provide such forward programmes and it is therefore up to the individual suppliers to record marketing information details.

vi) Technical advice and new product research are an integral part of the retailer's development. Although many various sources of information are available to the independent growers from agricultural organisations, commercial companies and the trade journals, the scale and diversification of major retailers throughout the sources of international produce supplies provide a unique intelligence network which is respected in confidence by the established suppliers. New ideas and techniques of production are regularly discussed and marketing trials undertaken.

vii) Two leading retail groups made an early assessment of new packaging techniques with returnable containers. Regional pools of standard size containers were established and made available to suppliers at lower cost than comparable wood or cardboard packaging. Suppliers are responsible for the hygiene of containers, which adds to distribution costs, but the additional benefits of container strength for product protection, ease of stacking and cold store tolerance help to offset some of these costs.

viii) Security of producer payment is very high in the retail sector and the leading outlets take a responsible attitude to financial efficiency and controls.

ix) Co-ordination of deliveries into regional distribution depots offers good vehicle utilisation. Deliveries are scheduled from each supplier and unloading fully mechanised. High calibre drivers are attracted to these conditions which permit the use of specialised equipment.

The combination of items(i) to (ix) makes the multiple retail sector unique in Western Europe. Although many of these items were introduced on the continent at an earlier stage, the key factor is the high level of direct producer links which lead to price stablity for the consumer.

4. Exports. England has a longer tradition as net food importers than as producers seeking new export markets. However, membership of the European Economic Community in 1973 provided opportunities for growers to assess new trading possibilities, in a tariff and quota free European Market. Unfortunately the presentation standards and supply continuity of English produce were generally below the highly efficient, organised and nationally promoted European producer organisations.

However, in the winter of 1978/79 an unusually severe frost devastated the vegetable crops of Northern Europe, while causing less serious damage to crops in this island. In a four month period many new contacts were made between leading European buyers and co-operative organisations. The levels of producer returns in this period enabled significant progress to be made in establishing export grading and distribution standards, and the European market is now accepted as an important development area in the marketing plans of many producer groups.

5. Farm Gate Sales and Pick-Your-Own. With generally escalating marketing and distribution costs some producers close to urban areas are successfully developing retail farm businesses and while the level of total turnover is difficult to establish a tentative suggestion of 5-10% of national produce sales could be realistic at the present time.

The established trade outlets are generally concerned with this area of commercial development as growers must use the price levels current in the trade to assess ex farm prices. The temptation for producers to offer produce at wholesale prices is very real as it will offer the customer a saving in the prices offered by retailers. It is also easy for a family farm to offer weekend and evening opening on farm shop sales while not reflecting the overhead costs of distributors, retail service staff, city rates, and planning regulations. While farm sales operate in a small way the impact of these costs will not be a consideration to the producer, but if the business expands the overheads will affect the producer in exactly the same way as retailers. However, an efficiently organised small farm shop can provide additional income to producers in return for long hours of customer service, and offer the customer a limited range of crops with produce freshness second only to the domestic garden.

Integration of Production

Before producers' interests can be co-ordinated within a group it is imperative that the company's directors assess the potential of the present plans of major growers and how these may fit into a co-operative marketing plan. From an agreed objective the commercial trading relationships can be developed over a period of years. With an established sales pattern on each crop the technical production requirements can be refined each season in line with customer demand. A major advantage of salad and vegetable crops is the seasonal planting and harvesting pattern which allows fairly rapid response to changes in marketing patterns.

In the ideal theoretical situation producers should only establish the volume of crops required by their customers. In real life the variation in our climatic conditions each season is unpredictable and yields may be reduced by up to one half of expectation in poor conditions. The direct technical assessment of seed type, plant density, pest and disease control, fertiliser levels and rotational patterns can be planned in great detail in advance of crop planting dates. But some difficulties still arise in obtaining new specialist types of seed as it may take up to twelve years of intensive research to find new varieties for commercial trial. As each new variety generally offers higher quality potential, yield potential or disease resistance than those in common commercial use, the propagation of specialist varieties is always under pressure. Unfortunately some new types have a limited life expectancy and long term forward planning is becoming difficult on a number of crops. Many producers can highlight new hybrid varieties giving very promising results in two or three successive seasons and then inexplicably failing to meet expectation, due to climatic factors, failing to hold varietal type, or pest and disease susceptibility.

For this reason the co-operative member will be advised by his technical staff to plan a balanced programme of seed types which will combine a proportion of the most recent variety developments, supported by well-established varieties which may not offer all the apparent advantages of the new research. The technical staff will also aim to spread the production of major crops over a number of producers in differing geographic areas and possibly soil types. Unless weather conditions are extreme it is then usually possible to maintain continuity at planting and harvesting periods and so guarantee continuity of supply to customers.

In groups with large acreages of specialist crops, supported by efficient grading equipment and trained staff, the effects of partial or perhaps total crop failure could be very serious. For this reason many major buyers will, as a matter of procurement policy, spread their crop programmes over a national or international area. In the same way, the risks of regional pest or disease attack, climatic factors, or factory fire, are spread both by the buyer from his suppliers and in some cases by the co-operative within the membership. Thus it places an upper limit upon the expansion of even the most successful group with any one customer.

Integration of production could perhaps be best described as a complete understanding between people. The customer will reflect preference between retailers and between lines offered by the selected outlet. The efficient retailer will respond to any change in customer demand as a result of new sales competition either from other retailers or from new lines within the shop or store. A sound trading relationship between retailer and the distributor/producer should lead to a feedback of this consumer information both during the supply period and in forward planning decisions.

The variation in feedback will vary between customers due to their differing commercial objectives. The specialist marketing staff of leading co-operatives have a key role in assessing the wide ranging and changing customer requirements, while at the same time appreciating the daily or seasonal constraints of crop production. As the national multiple retailers, supermarkets and processors compete for a larger market share in this country the opportunities for established co-operatives to grow with their customers are substantial.

However, the business is likely to remain ruthlessly competitive in the foreseeable future and intense pressure will remain upon co-operative marketing and technical staff, both from their customers and members who rightly argue that the overhead costs of production are not being recovered in the present market structure.

The Future

The current pattern of customer/producer marketing links may be improved by new developments in communications which could significantly reduce the numbers of personnel required in administration positions.

The integration of producers' radio telephones with the national telephone network would result in a high standard of crop supply information to customers. Marketing staff would also be released from the traditional telephone sales office to assist field crop inspections.

Further computerisation of accountancy and stock control systems would also lead to greater efficiency, particularly if customer and producer computers are interlinked, resulting in immediate data transfer and minimal paperwork.

Major progress in specialist marketing information systems is expected shortly. Again new computer technology is making the development of a central data bank possible which could be linked to producers and buyers simultaneously via telephone lines and visual display screens. Fresh market price information from a variety of national and international services could be immediately relayed to producers during trading periods. The investment costs on developments of this type may be beyond the average producer but co-operative producer groups will be able to take full advantage of the new systems.

In the packhouse further automation of prepacking is anticipated, with new mechanical developments. Crop grading and quality selection which is currently undertaken manually may also become automated with developments in electronic systems. Major progress has already been made on the potato crop with electronic selection and size grading equipment on trial. In conjunction with these changes, the size and capacity of farm tractors is increasing. A number of producers are already testing mobile field packing and grading systems built around large traction units. If trials were successful some of the modern producer packhouses would assume greater importance as distribution centres in the future.

Technical trials of many of the developments suggested above are already in progress and if successful significant changes in current marketing methods can be expected.

Few people could have foreseen the dramatic rate of change in production techniques and marketing patterns over the last twenty years and the next twenty years look even more exciting.

The eleven papers that follow were presented at the *Symposium on the Role of Co-operation (in the Forms of Co-operatives and in Other Forms) in Agricultural and Food Marketing,* organised by the Committee on Agricultural Problems of the United Nations Economic Commission for Europe, and held in Geneva, 16-20 June, 1980.

They were selected from the many other excellent papers on the basis of their particular suitability to the policy of this year's edition of the *Year Book* and are reproduced with the permission of their authors and the organisers of the *Symposium.*

THE ROLE OF CO-OPERATION IN AGRICULTURAL AND FOOD MARKETING*

Types of Co-operatives

Agricultural co-operatives have a long tradition in many EEC countries and their intervention in marketing is long standing as well. Usually, initial action to form co-operatives was connected to the decision to co-ordinate purchase of inputs (sometimes including services), to improve credit facilities or to arrange co-ordinated sales of specific products to the market. In Eastern Europe, the movement of agricultural producer co-operatives has a distinct and qualitatively different content. As well as production, they are also engaged in processing and marketing. The ground for this co-operative movement is the agricultural enterprise united on a democratic basis. The activities of these co-operatives are actively supported by the State.

The basic characteristics are generally the non-profit making nature of the co-operatives and the principle of one man - one vote. A general trend towards concentration by quite a large number of separate and simply-structured co-operatives into fewer, but more complex co-operative organisations can be observed. Apart from activities directed to purchasing and selling of products the functions of the co-operative are becoming increasingly complex and include many kinds of services, processing and even research and development in the most advanced types. This continuous change requires a flexible legislation in order to avoid unnecessary obstacles to development within the co-operative movement.

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* This paper is part of the Final Report of the United Nations Symposium.

While some countries, such as the United Kingdom, have established regulatory agricultural marketing boards, other countries, such as Norway, Finland and Switzerland, have delegated similar regulatory powers to big nation-wide co-operative organisations. In the majority of Eastern European countries the co-operative movement of agricultural producers has also found its organisational form on the national level. Thus official policies influence to a significant extent the role, power and type of agricultural marketing co-operatives. Apart from the internal market, marketing co-operatives can play an important role in exports, here again as an alternative to marketing boards or state monopolies.

Importance of Co-operatives

Several reports evaluate the over-all share of co-operatives in agri-food marketing, including processing. Here one could cite France and the Federal Republic of Germany with about 53 per cent of all sales and purchases of agriculture (for the food industry alone, the share in France amounts to about 22 per cent), Sweden with a share of 46 per cent in the total production of the food processing industry, the United States of America with about 30 per cent of total sales at the farm level, and Spain with about 13 per cent of national production. In Hungary, Bulgaria and the U.S.S.R. agricultural co-operatives produce about 60 to 70 per cent of all agricultural commodities. Co-operative organisations in these countries secure between 45 and 55 per cent of the retail trade in food products. The picture is highly divergent when it comes to specific products.

Marketing and processing of milk is one important field of activity for agricultural co-operatives. Between 90 and 100 per cent of this market is in the hands of co-operatives in Denmark, Finland, Ireland, Norway, Sweden and Switzerland. The Netherlands and the Federal Republic of Germany (79 per cent) are not far behind this level. In Belgium and France, more than 50 per cent belong to agricultural co-operatives. In the United States, 75 per cent is reached at the first assembly level and 30 per cent at the processed level.

In the marketing and slaughtering of slaughter animals the share of agricultural co-operatives varies more widely, ranging from about 15 per cent in France and the United States to 74 per cent in Norway, 86 per cent in Finland (including consumer co-operatives) and as much as 90 per cent for pig meat alone in Denmark. In the United Kingdom, on the other hand, the share for slaughter pigs does not exceed about 3 per cent. For cereals, Finland with 74 per cent (excluding storage) and France with 70 per cent mark the upper end, while the figure for the United Kingdom does not exceed 15 per cent. In the United States, 40 per cent at the first assembly levels are controlled by co-operatives.

Finally, fresh fruit and vegetables are another important field of activity for agricultural co-operatives. In several countries their share of the total marketed produce amounts to between 40 and 60 per cent (e.g. Belgium, Denmark, Turkey - for exports), but to as much as over 80 per cent passing through co-operative auctions in the Netherlands.

To summarise it can be stated that co-operative marketing seems to offer particular advantages for two main groups of products: (a) highly perishable products (e.g. fresh fruit and vegetables, milk) and (b) products which necessarily have to undergo some basic form of processing before entering the market (e.g. slaughter animals, cereals, cotton, sugar beets). In both cases the small agricultural producer faces great difficulties in bargaining for a fair price if he is left to himself. The foundation and the growth of agricultural producer marketing co-operatives create favourable conditions for an efficient marketing of agricultural and food products.

Main Trends in Agri-Food Marketing

The material provided by the various countries at different levels of economic development clearly reveals the main trends observed in agri-food marketing in the course of economic development. These trends could be summed up in the following way:

(a) Rising national incomes and level of economic activity lead to more services and other demands upon the food sector. Economic organisation of the food sector is characterised by increasing concentration into fewer but larger firms and co-operatives, especially at the processing, wholesale and retail levels.

(b) Higher consumer incomes and more working women lead to an increasing demand for more convenience in the food products and also to an increasing food consumption away from home. As a consequence there is a rising degree of processing and valorisation involved in food preparation.

(c) The increasing importance of food processing also leads to an increasing emphasis on vertical integration. At the same time, the processing industry is developing increasingly complex production programmes with a steadily increasing variety of products and particularly of different brands of food products. This, in turn, means a reduced importance of the traditional open markets and increasing importance of sales from agriculture to industry under contract.

(d) Following the laws of an industrialised economy there is a steadily advanced trend towards specialisation and concentration in the food processing, wholesale and retail trade.

All these general trends operate to the detriment of the freedom of the conventional type of family farm. Furthermore, specialisation at the farm level offers possibilities for increasing the productivity and hence incomes in agriculture, but adds to the problem of market risks. Under these conditions there is an obvious need for farmers to join forces in order to improve their competitive position and to keep some influence on the marketing processes. The latter seems only possible, however, under the conditions of some involvement of farmers' co-operatives in food processing and/or wholesaling. This process can be observed in many countries and in particular in the most industrialised countries of North-Western Europe and in the United States of America. The development of the processes of agro-industrialisation in Eastern Europe and the U.S.S.R. reveals an evolution in the same direction.

Advantages and Shortcomings of Marketing Co-operatives

The previous paragraph has already led to the general consideration of the potential role of farmers' co-operatives. If one tries to list the most common arguments brought forward as advantages of the intervention of co-operatives, including producer co-operatives, the following points can be made:

(a) The very concept of co-operatives is based on the direct representation of all members which safeguards the individual rights and opens up a possibility to each of the members to have his opinion and his needs observed and respected. This requires a good balance between all interests involved and usually results in a general feeling of loyalty and mutual assistance amongst the members.

(b) The establishment of marketing co-operatives, whether for market sales of farm products or for the purchase of inputs, improves the bargaining position and leads to a greater stability of the market for each individual farmer.

(c) Marketing co-operatives reduce the disparity between the traditionally dispersed sale of agricultural products and the increasingly concentrated processing and wholesale sectors. This improves the bargaining position of farmers and contributes to more rational marketing.

(d) Marketing co-operatives offer the possibility of extending the business activities of farmers vertically. This is a very important advantage in a situation characterised by the steadily increasing role of processing in food consumption. The decisive points of competition are gradually moving away from traditional open markets for basic agricultural commodities and towards increasing processed food products and even particular brands of food products. In some cases food industries are beginning to integrate backwards into primary agricultural production and strong, vertically integrated co-operatives are a suitable instrument for competing with such massive concentration of market power.

(e) Closely related with point (d) is the fact that international trade in food products is increasing rapidly and is subject to the considerable influence of big multinational companies. Strong and well-organised marketing co-operatives need to play a role in this international trade and there are cases of successful activities of this kind in many countries, as well as the beginning of multinational trade co-operatives.

What are then the shortcomings of marketing co-operatives? It is a certain irony of development that the shortcomings - or rather contradictions - in the set-up of co-operatives are tending to emerge or to grow with their successful adjustment to the over-all trends in agri-food marketing. It has been stated that co-operatives offer a possibility for vertical integration and concentration in order to compete efficiently with continuously more complex and concentrated food processing, wholesale and retail sectors. In the course of this development the following problems became apparent:

(a) Through advancing vertical integration and through mergers of many smaller local and regional co-operatives, big enterprises are being formed which call for an efficient and professional management. The basic democracy of co-operatives, on the other hand, calls for a board of directors formed by farmer members who are facing increasingly complex tasks of planning and controlling professional managers and their co-operatives. There is, therefore, the increasing challenge of balancing the basic democracy of co-operatives with the requirements of successful management.

(b) Likewise there is an increasing discrepancy between the constantly rising requirement for investment capital and the ability and/or willingness of farmer members to provide the necessary share capital or to subscribe to the required sizeable loans. Also there is a great variation in the ability of co-operatives to generate capital through net savings.

(c) There is also a rising discrepancy between the needs for a rational management and the sales strategy of the co-operative enterprise on the one hand, and the right of the members to sell all their produce to the co-operative on the other hand. This refers both to the lack of an efficient over-all supply control and, in particular, to the need for a rational supply of raw material. Some co-operatives offer a better price per unit to larger members on a cost-justified basis which emphasises equitable rather than equal treatment.

(d) The concentration into ever bigger units may gradually reach a nation-wide and dominating position, particularly in the smaller European countries, but also on a regional level. While co-operatives stimulate competition at an early stage of development, they continue to enhance competition only so long as members and not the co-operative make individual production decisions. Larger-sized co-operatives typically lead to closer scrutiny by the regulators.

(e) Vertical co-ordination using contract production can reduce farmers' entrepreneurial role and therefore the self-help nature of co-operation.

Conclusions

What has been said above indicates clearly that there cannot be general conclusions which are equally valid for all countries and for all levels of development. Perhaps a meaningful distinction can be made between countries with a limited co-operative development so far, those with a somewhat more advanced development and those with a very advanced co-operative development.

In the case of countries with a little or no development of co-operative marketing, governments ought to promote this development by several means, i.e. by providing appropriate training to farmers, advisory assistance to co-operatives and by providing the necessary initial guarantees of financial availability, combined with some kind of taxation measures in favour of co-operatives.

Once marketing co-operatives have become more widespread, governments in market economy countries can limit themselves to a more passive role and leave the co-operatives to the competitive forces of the market. To this end, a flexible legislative framework seems to be highly desirable in order to facilitate a wide choice of organisational structures.

In the further course of development co-operatives will grow bigger and bigger through mergers and by extending their operations vertically. This may carry the risk of challenge from governments in order to safeguard a minimum of competition on certain markets, be it on a national or a regional level. Members themselves will more frequently have to make a decision between a maximum of the co-operative enterprise's economic efficiency and a maximum of internal democracy. While considering the opportunities and risks and while respecting competition rules, co-operative enterprises ought to plan on a case by case basis, extending into forms of modern food processing, and into wholesale and international trade operations. Here their activities will increasingly make direct contact with the growing activities of consumer co-operatives and food distribution chains.

The inter-generational shift to third and fourth generation co-operative members has demonstrated deficiencies in knowledge and understanding of the principles and benefits of co-operation in many countries. It is recommended that renewed emphasis be placed on co-operative education, including university courses and other levels of higher education. It is further recommended that research be encouraged on co-operative issues, including the development of co-operatives, control by members, performance of co-operatives and the structure of larger scale complex co-operative organisations.

THE ROLE OF CO-OPERATION IN AGRICULTURAL AND FOOD MARKETING IN THE UNITED KINGDOM

by

J.A.E. Morley*

Types of Co-operatives (and other similar organisational forms) in Agri-Food Marketing, including the Main Related Legal Regulations and Provisions.

For mainly historical reasons, agricultural policies of the United Kingdom during the last century have been directed towards the improving of production of food rather than the marketing of it. Although over the last 20 years increasing attention has been given to marketing, most agricultural organisations are are still predominantly concerned with production.

A considerable quantity of agricultural and horticultural produce is sold to buyers by producers in transactions with which no third party is either directly or indirectly involved. However, the greater part of it is disposed of in arrangements which:

- form part of a nationally or locally co-ordinated system adopted by producers in the interest of more orderly marketing; and/or

- are subject to some degree of statutory regulation imposed by the United Kingdom Government with the object of improving the conditions in which the marketing of produce takes place; and, in some cases,

- benefit from provisions laid down under national legislation or by EEC Regulations or Directives, these having the object of implementing the relevant aims of the Common Agricultural Policy, and being financed from the Guidance section of the European Agricultural Guidance and Guarantee Fund.

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In more detail, these arrangements may be described as follows:

(a) Co-ordinated systems adopted by producers are of two main types:

- Agricultural marketing boards established under the Agricultural Marketing Act 1958 and the equivalent Act for Northern Ireland of 1964. Their essential feature is that they allow a regulatory scheme to be introduced for a product on the initiative of and with the approval of sufficient number of producers; such a scheme may require producers to sell only to, or through the agency of a Board, and to grade, pack or otherwise prepare the regulated product for market as the Board requires. All the Boards set up under the various schemes exercise a regulatory role; the extent of their direct involvement in marketing varies.

- Agricultural co-operatives, which may have been incorporated either under the Industrial and Provident Societies Acts 1965 to 1975 and the equivalent Act for Northern Ireland of 1969, or under the Companies Acts 1948 to 1976 and the equivalent Act for Northern Ireland of 1960. There is no substantial difference in the resulting form of organisation, but agricultural co-operative companies have to be somewhat more rigorously defined in law. At the last count there were 556 agricultural co-operatives (378 societies and 178 companies) in the United Kingdom. They can be divided into three main groups. First, a group of 119 co-operatives mainly concerned with the provision of farm requisites but which also handled a certain volume of farm products. Second, a group of 404 co-operatives mainly concerned with the preparation for market or marketing of a particular farm crop, or range of related crops, though also to a minor extent supplying farm requisites. Thirdly, a relatively less important group of 33 co-operatives concerned with the function of providing farm services.

(b) Statutory systems applying to or available to producers are again of two types:

- There are four sectoral organisations with intelligence or liaison and some marketing-related functions. These organisations are the Home Grown Cereals Authority (established under the Agriculture Act 1965); the Apple and Pear Development Council (established in 1966 under the Industrial Organisation and Development Act 1947); the Meat and Livestock Commission (established under the Agriculture Act 1967 - its powers include the furtherance of producer co-operatives), with the equivalent Livestock Marketing Commission of Northern Ireland; and the Eggs Authority (established under the Agriculture Act 1970).

- There is the Central Council for Agricultural and Horticultural Co-operation set up under the Agriculture Act 1967 which covers all sectors of the industry but is concerned with the co-operative elements in each sector. Although having a wide general remit, the Council concentrates in particular on measures to promote marketing.

(c) Government financial aid for co-operatives engaged in marketing is channelled through an Agricultural and Horticultural Co-operation scheme, which is backed up by various forms of technical assistance. EEC Regulations and Directives should also be mentioned here, in particular Regulation 1035/72 which deals with arrangements for the marketing of fruit and vegetables and Regulation 355/77 which deals with programmes for the marketing or processing of agricultural products, since both are important to co-operatives for the development of a stronger marketing capability.

Main Trends in Agri-Food Marketing

Since the Second World War, and particularly over the last 20 years, there has been a gradual change of emphasis in the British agricultural industry's main objectives. From early in the nineteenth century, as the industry began to take on a more modern shape, until the middle of the twentieth century, the object of farm production was the supplying of food for sale in small quantities to local markets. For a hundred years or more, these markets had been well provided with grain and meat from America, fruit from the southern hemisphere and oilseeds from tropical countries.

The economy of the country became less dependent on agriculture, and the agricultural vote, though important, ceased to be dominant in politics after the middle of the nineteenth century. Thereafter, a principal aim of British Governments was to ensure that food prices were kept low, in the interest of a mostly non-agricultural population. In the latter part of the period, Government began to concern itself more actively with the prosperity of the agricultural industry. There was a powerful incentive to do so because of the serious threat to supplies from abroad which arose during the two World Wars. However, in order to be able to pursue this policy, without the agricultural industry suffering unduly as a result of it, a system of agricultural support was operated which to some extent isolated agricultural incomes from current food prices. These measures were easier to apply in the United Kingdom than would have been the case elsewhere, because of the relatively small numbers of population involved in agriculture and the relatively large size of individual farm units.

Since the war, a number of factors have caused this policy to be considerably modified. In the first place, markets are no longer local. The more general process of concentration into larger sized units has only seriously begun to influence the food distribution industry over the past 20 to 30 years, but has advanced rapidly during that time. Secondly, and partly as a result of this change in the system of distribution, production demands have become much more exacting. Thirdly, the decision to join the Common Market made it necessary to abandon the special form of safeguard which had been worked out for the benefit of the British agricultural industry, and to adopt policies which would help it to survive in a competitive environment. Fourthly, balance of payment considerations caused more importance to be given to the contribution which a healthy agricultural industry could make to the over-all economy.

In this connection, it is interesting to note that the measure of United Kingdom self sufficiency in food rose significantly between 1970 and 1978. At current prices (a more relevant indicator of trends than constant prices), self sufficiency in all food rose from 49 per cent to 56 per cent, and for indigenous produce from 62 per cent to 70 per cent. The considerable increase in farm production that has taken place during the past two or three decades is of course mainly due to the important technological improvements adopted by farmers, under the stimulus of rising costs and lower margins of profit. These margins have, however, been high enough to encourage new investment.

The objectives of British agricultural policy have developed in recent years from simply improving and expanding production towards production for a market. Requirements of the market have an increasing influence not only on what is produced and how, but also on what is done to the product between the time that it leaves the farm and the point of first sale. Naturally, these influences vary greatly in their importance and effect from one product to another, so that it will be necessary to consider each of them individually.

In order to assess the relative importance of the different crops, the proportion of total 1978 output contributed by each of them should be mentioned: cereals 14-15 per cent, other arable crops 7 per cent, fruit 2 per cent, vegetables 6 per cent, cattle 18-19 per cent, sheep 4-5 per cent, pigs 10 per cent, poultry etc. 6 per cent, milk and milk products 22-23 per cent, eggs 5 per cent. The balance is made up of miscellaneous items, including non-edible horticultural products and wool.

For cereals, increasing production resulting from higher yields and favourable prices, has resulted in larger quantities being traded. The structure of the trade has changed, with the number of outlets being progressively reduced. Manufacturers (flour millers for wheat, maltsters for barley, animal feed manufacturers for both wheat and barley) have become more demanding of quality. Grain merchants take up a substantial proportion of the crop; national and international firms, often operating through subsidiaries, are powerful in this sector of the trade, while the number and importance of private, family-owned merchant businesses has greatly declined. The country is now normally self sufficient in barley, but hard wheats for breadmaking continue to be imported.

The production of potatoes has, with assistance from the Potato Marketing Board, been kept steady for some years. Much of the crop is still grown with too little appreciation of consumer needs. Opportunities for adding value exist and are being developed; there is perhaps more scope for marketing improvement in this than in any other sector.

All hops are marketed by a statutory board and all sugar beet by a single public company. No change is foreseen in these arrangements.

There has been a fourfold increase in oilseed rape production over the past five years; the bulk of this crop is sold to crushers on contract.

The marketing systems for fruit, both soft fruit and orchard fruit, are fairly well developed. It has become apparent that the latter in particular needs co-ordination if it is to withstand the impact of foreign competition.

Major changes are taking place in the marketing channels for vegetables which increasingly form part of the stock in trade of supermarkets. Much more preparation of the crop has to be undertaken before it can be placed on the shop shelves. Vegetable growing is becoming large-scale and specialised, so it is expected that this trend will continue.

Cattle and calf marketing is fairly evenly divided between the live and deadweight channels; in the absence of an agreed carcass classification system the method of selling at auctions will only slowly be displaced. Slaughtering, meat marketing and meat processing are being concentrated into a smaller number of firms. New plants are being set up in production areas, rather than in the towns. Technological improvements in the preservation of fresh meat are foreseen and would, if introduced, hasten the process of concentration.

The marketing of sheep and lambs is even more weighted in favour of public auctions but a carcass classification system exists and contract selling is likely to develop.

So far as pigs are concerned, production of pork and pork products is approximately equal to home demand, but production of bacon and ham falls well short of it. Sales are made almost entirely on a deadweight basis, and there is a high degree of vertical integration. The same is true of poultry.

The sale of all milk and milk products is handled by marketing boards, and no change in this arrangement is foreseen. The boards are required by law to consult the dairy trade, in order to negotiate and agree prices. The country is self sufficient in milk and milk powder, but not in butter or cheese.

There are several distinct channels for the marketing of eggs. The share taken by the grocery trade is not expanding; more than half the eggs produced are still disposed of under some form of direct selling arrangement.

Importance and Development of Co-operatives in Agri-Food Marketing

The importance and development of co-operatives concerned with the marketing of agricultural food products in the United Kingdom vary from one product to another. But there have been certain adverse or favourable conditions common to all sectors. Firstly, because the United Kingdom is a deficit country where foodstuffs are concerned, producers have had little need to develop export markets, whereas this need has proved an effective stimulus to co-operation in other countries. Secondly, the development of the statutory marketing board system for some commodities led many producers to believe that efforts on their part to improve marketing by voluntary methods were unnecessary. Thirdly, a long period of food shortage during and after the Second World War caused attention to be focused almost entirely on production, and the subsequent system of guaranteed prices supported agriculture without disturbing the price of food to consumers. All these factors militated for a long time against the development of co-operative marketing.

Over recent years, however, conditions have become much more favourable to co-operative marketing development. In the 1960s it became apparent that there was little scope for the extension of the statutory marketing board system or long-term continuation of price guarantees. The growth in the size of retail distribution undertakings meant that other links in the food industry chain had to move in a similar direction. While it was not often possible for farm production units to amalgamate, it became increasingly desirable and indeed essential that their trading operations should be co-ordinated. It is worth noting that a good deal of the stimulus to form co-operatives has come not from farmers themselves but from their trading partners. Additionally, the decline in the number of persons employed on farms has led to many of the post-harvesting operations concerned with improving the quality of the crop being removed from the farms, this move coinciding with a demand from the trade for more rigorous quality standards. Successive British Governments from the mid-1960s have given greater attention to co-operative marketing possibilities, and to providing incentives to develop it.

Where a statutory marketing system is in force, or where local authorities have considered it part of their duty to provide outlets for farm produce, there has been less incentive for farmers to undertake any responsibility. In certain other cases, the nature of the product makes it possible for the production of it to be wholly or partly integrated with the non-agricultural business of a manufacturer or wholesaler, and here too there is less scope for co-operation. In general the best conditions for the development of co-operatives exist where there is the strongest pressure on producers to add value to the primary product, e.g. by grading, storing or packing, as a condition of being able to market effectively. The importance of co-operative development is often measured by the size of the co-operative market share in each sector. Accurate measurement is difficult, however, and the results are not to be taken at their face value. Quality as well as volume of sales is important, and competition between co-operatives may minimise the significance of the market share which they hold collectively.

When considering the role of co-operatives in the marketing sector it is important not to lose sight of the objectives for which they are set up. The intention is that producers should benefit from collective purpose and strength and should become better aware of and more responsive to consumer requirements. Marketing co-operatives vary considerably in the extent to which these objectives are attained. There is a fairly well-defined distinction between on the one hand the more recently formed, normally specialist co-operatives, with a relatively small membership, a high investment per member, and a system of contracts to protect that investment and on the other hand, the more traditional co-operatives (more commonly found in the requisite than in the marketing sector) which tend to have a much larger membership, a comparatively low level of investment by members, and no contractual links with them. A further difference is that the more recently formed co-operatives usually act as agents for their members, while the more traditional co-operatives tend to sell to or buy from them as principals.

The latest estimate of the proportion of ex-farm sales of cereals handled by co-operatives was made in the crop year 1977/78, when the figure was 15.0 per cent, but it has probably increased somewhat since then. Added value is supplied in the first place by identifying the quality of the grain, and placing it in the appropriate category, and then by cleaning, drying and storage, expert marketing, and reduction of risk through price pooling. Marketing of grain is sometimes undertaken by the co-operative itself, sometimes by an external agent and to an increasing extent by federals. Co-operatives are fairly important in the manufacture of animal foodstuffs, of which cereals are a main constituent, their share of the market in 1977 being calculated as 9 per cent. In addition, they distributed a further 12 per cent of other firms' production.

Agricultural co-operatives are only involved to a limited extent in the processing of potatoes even less, as yet, in the marketing of seed. Their main interest is in the ware potato crop, where they are developing facilities for central grading and storage. The latest figure of market share based on a census is for 1976, when co-operatives handled a little more than 8 per cent, seed and ware included, but this proportion is likely to have increased subsequently.

For the reasons given on pages 127-129, there is at present no pressure for the development of marketing co-operatives in the sugar beet and hops sectors.

Co-operatives play a significant part in the marketing of oilseed rape; market share is estimated to be 40 per cent.

As regards fruit, co-operatives are less concerned with soft fruit (e.g. strawberries, currants, etc.) than with orchard fruit, which has the marketing advantages of being capable of being held off the market for a protracted period. In 1976 co-operatives handled 11-12 per cent of small fruit and 34-35 per cent of orchard fruit, though the latter figure would be approximately 50 per cent if only commercial orchards of over 5 acres were taken into account. Co-operative marketing of top fruit is relatively sophisticated, compared with that of some other crops, but there is clearly a need for greater co-ordination in order to meet increasing competition from other sources.

Co-operatives' involvement in the marketing of vegetables is becoming increasingly important and has changed in character; as with potatoes, co-operatives are taking the opportunity of adding value to produce by pre-cooling, grading, storing and packing or prepacking it. Co-operative market share was estimated in 1976 to be: glasshouse crops 20 per cent; brassica crops 10 per cent; carrots and onions 13 per cent; peas and dwarf beans for processing 31 per cent. These mainly specialist co-operatives often work closely with merchants, who are able to supply the markets with a wider range of produce than any one co-operative can provide.

Co-operatives are involved in the intermediate marketing of livestock, i.e. from breeders to fatteners, and perform a useful role there although its importance cannot easily be assessed because of the lack of comparable national figures. These are only available for finished livestock. Where cattle and calves are concerned, co-operatives were estimated in 1977 to handle 7 per cent of the total, but much of this consisted of the throughput of co-operatively owned auctions. The growth in direct marketing of this class of stock has been greatest in that part of the trade which consists of deadweight sales from farm to slaughterhouse. Only a small part of total slaughterhouse capacity is co-operatively owned. In this connection however it is important to mention the existence of a large mainly farmer owned company, FMC Limited. The co-operatives' share of finished sheep and lambs was estimated in 1977 to be 9 per cent of the total, with auctions accounting for only a small part. Comparatively few pigs pass through auction markets, and co-operative interest in this sector is modest, amounting in 1977 to 3 per cent. In Northern Ireland, until recently, all pigs have been marketed only through a Pigs Marketing Board. Co-operatives are hardly at all involved in the marketing of poultry.

A very important area of co-operative activity in most countries consists of milk and milk products, but in the United Kingdom, marketing is controlled by five Marketing Boards and the few co-operatives which still exist operate only as agents of the Boards.

Co-operatives handled in 1978 about 29 per cent of total packing station throughput of eggs, dealing mainly with supermarket customers.

Assessment of Shortcomings and Advantages of Co-operatives in Agricultural Marketing

An agricultural co-operative is a corporate organisation which has an aim distinct from that of the general commercial company. This aim is to bring benefit to its members in proportion to their patronage, and subject to their democratic control. In addition, a co-operative has to succeed as a commercial business in its own right, in competition with other businesses. It is not easy to establish or maintain an organisation which satisfies these two separate criteria, but there are good reasons for trying to do so. Farmers trading on their own tend to be weak and disorganised, but can overcome this disability if they work together in an organisation in which they have confidence; an organisation which is owned and controlled by them, the profits of which are distributed in an equitable manner, should be able to inspire such confidence. It must always be more difficult for farmers to understand the necessity of producing for the market unless they are given a direct responsibility for the success or failure of the marketing operation.

In the United Kingdom, the Government has passed legislation to encourage and enable farmers to overcome their organisational disability and to undertake direct marketing responsibilities. However, such help is not given unconditionally. Three conditions are imposed, supplementary to the established co-operative principles. The conditions are:

- financing by members proportionate to use;
- total commitment of product;
- operation of the co-operative as an agent rather than a principal.

Given the fulfilment of these conditions, and the employment of first class staff, co-operatives have been able to perform just as well as - and sometimes better than - other concerns. Finance is sometimes a difficulty, given the fact that there is no agricultural bank in the United Kingdom with specialist knowledge of the problems of the industry. Agricultural co-operatives at the beginning of their operations, with no record of success, may have difficulty in persuading financial institutions, which cannot be offered a share in the equity, to provide them with the loan backing which they need in order to start up a new, capital-intensive enterprise. In practice this difficulty has usually been surmounted, with good management and financial advice, and with some assistance from government loan guarantee schemes (from which, incidentally, only one failure has had to be funded during the 16 years that they have been in existence).

Several products derive considerable benefit from co-operative marketing in the United Kingdom. Perhaps the best example of these is cereals. Unless grain is sold directly it is harvested, a procedure involving unacceptable marketing risks, it must be stored. Central storage, grading, cleaning and marketing add value which more than meets the costs involved. The same is broadly true of potatoes where a greater differential in the value of the different grades makes central grading even more important. In the case of oilseed rape, the benefit of storage is derived more particularly from the possibility of selling by specification, and from the advance payments on favourable terms which a co-operative is able to negotiate. The advantages of co-operation in the top fruit sector have been clearly understood and are demonstrated by the high degree of co-operation in this sector. The length of the production cycle and consequent uncertainty in beef and veal, and difficulties relating to finance have limited the scope for co-operatives. Co-operatives, however, have more advantages and greater scope in sheepmeat. Restructuring of the egg and pigmeat industries have demonstrated more advantages for co-operatives in the former sector than in the latter.

THE ROLE OF CO-OPERATION IN AGRICULTURAL AND FOOD MARKETING IN DENMARK

by

A. Pedersen*

General Characteristics

At their inception, some 100 years ago, co-operatives were organised horizontally within the Danish agricultural industry according to their function: dairies, slaughterhouses, agricultural supply societies, egg-collecting societies, insurance companies, banks, consumer co-operatives, etc.

After some decades of operation they organised themselves federally, with the Federation of Danish Co-operative Organisations at their apex. The function of this Federation was - and still is - of a representative character with no commercial purpose. The Federation also serves as a forum for discussion of problems common to the co-operative societies.

The co-operative organisations and the people behind them have always been very much business-oriented. We talk of co-operative "movement", but this expression was probably attached to the co-operatives rather late (i.e. after they established themselves in the Danish economy).

Farmers' participation in the affairs of the co-operatives has always been considered sufficient, although the participation varies a lot from society to society. Until modern times, i.e. when agriculture became mechanised, there was a tight link between the farmer, his farm and its produce and the co-operative enterprise. These components together made a unit which formed the basis for the financial frame of agricultural co-operatives. Farmers did not provide any input in the form of money - they provided, in solidarity, an unlimited guarantee for the loans granted from banks and other money lenders.

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* The Central Co-operative Committee of Denmark, Copenhagen

This guarantee was linked with an obligation to deliver all the products concerned to the co-operative society and to buy all agricultural requisites needed for production from the farm supply society for a fixed period, for instance, ten years. During this period the loans would be repaid, and afterwards the members would start again for a new period. Gradually, capital was accumulated in the societies. This particular way of providing security for loans meant, however, that the temptation to minimise accumulation of common capital (capital belonging to the society) was always there. It proved to be an obstacle when technical development and economic conditions forced smaller village-based co-operatives to amalgamate into larger units. The system of joint unlimited liability, together with the obligation of total commitment did not work any longer, as neither the banks nor the management of the co-operative societies, nor the members themselves had sufficient knowledge of each other any more. It was acting in the dark to undertake a joint unlimited liability obligation, as no one knew his partners' economic state. Moreover, farming systems changed from mixed farming to specialised farming with concentrated output. A dairy farmer might, for example, concentrate his efforts on pigs, get rid of his dairy herd and withdraw his membership from the dairy society.

The co-operative societies were forced to react, and today nearly all the larger dairy societies merging through amalgamation of scores of smaller societies, practice limited liability in one form or another. The new co-operatives gradually acquired a considerable common (equity) capital, which now forms the security base for obtaining loans from the banks or elsewhere. It follows that the members can enter and leave the society in a much more flexible way than before. Normally, they can become members without paying in any share capital, but they will not get any money out of the society when withdrawing their membership.

Legal Provisions

Co-operative societies are not set in a firm legal context for there is no specific act concerning co-operatives. In Denmark only the stockholding companies are controlled by a particular act. In the absence of law, the expression "co-operative society" is not defined nor protected from use by non-co-operative organisations (the Stockholding Companies' Act stipulates that stockholding companies should be called so and nothing else). On the other hand, some co-operatives, although they are considered as genuine co-operatives and operating according to the classic co-operative principles, are organised as stockholding companies.

There are no requirements for co-operative societies to register publicly. Some however, register as trade enterprises, thereby achieving official "legitimisation" of the society, which may be specially relevant when operating in the export market.

Fundamentally, the legal basis of the co-operative society is the principle of free contract which is an integral part of Danish law. This principle permits people to get together to do business and to operate with joint and several unlimited liability for the debts of the parties. It also allows members of such societies to limit their liability for debts, which is the common form today. However, when doing so, the society must add the letters: "a.m.b.a." to its name to declare to business partners that the liability of the members is limited.

The co-operative society therefore has no existence as a legal entity separate from its membership. The members are the co-operative, which is governed by rules formed and approved by the members themselves. (The rules represent the agreement, or contract between the members). The rules are vital, as in the absence of law, they contain, together with the minutes of meetings and common law decisions, the whole of the relationship between the member and the society, and the society and its external contacts such as debtors, creditors and others.

Importance and development of Co-operatives in Agri-Food Marketing

What has been said above concerns the so-called primary society only. Generally speaking, co-operative societies are structured in two or three tiers, although some societies (eggs, seed, poultry) are national, i.e. one society covering the whole country. (See Figure 1).

Dairies, bacon factories and supply societies are organised in federations representing the particular branch. These federations may or may not transact business. A few will be mentioned below.

In the dairy sector there is a federation of Danish co-operative butter exporters named ANDELSSMØR (BUTTER-DANE). This organisation co-ordinates and operates 99 per cent of the butter exports from Denmark (the organisation may have a few privately-owned dairies among its members). A similar practice is found in the bacon sector, where a national organisation comprising all bacon factories, co-operatives and the few privately owned ones, carries out a considerable part of the export of bacon.

Figure 1

Member Organisation 1978

Products/ sector	Individual Members	Plants	Primary Societies	Secondary Societies (and Member Organisations of the Central Co-operative Committee of Denmark)
Milk	45,000	291 dairy plants	204 coop.dairy societies	The Federation of Danish Dairies
Butter			202 coop.dairies	Butterdane
Cheese			35 coop.dairies	Danish Cheese
Liquid Milk			38 coop.dairies	Dan-Milk
			516 dairies and personal members	Danish Dairies' Joint Supply Society and Machinery Works
			290 dairies	DANAPAK, Danish Dairies Packaging Factories
Bacon	70,000	35 slaughtering plants	22 coop.bacon factories	The Federation of Danish Coop. Bacon Factories
			107 abattoirs and others	Joint Purchasing Association of the Bacon Factories
			39 abattoirs and others	Hides and Skins Central Office
		5 rendering plants		The Association of Rendering Plants
Beef	14,960		15 export associations	Federation of Danish Cattle Export Societies
Beef	32,150		20 cattle marketing associations	Danish Farmers' Coop. Cattle Sales Organisation
Eggs	500	5 packing stations		The Danish Coop. Egg Export Association
Poultry	500	6 slaughtering plants		DANPO, Danish Coop. Poultry Packing Society
Seed	4,135	12 seed storage rooms		Danish Farmers' Coop. Seed Supply Association
Fruit and vegetables	3,500		21 local marketing associations	GASA DANMARK, The Danish Marketing Associations for Fruit and Vegetables
Fish	1,100		25 fish marketing associations	Federation of Fish Marketing Associations
Farm Supply	A: 16,780	45 regional centres		DLG, Danish Coop. Farm Supply
	B:		563 retail societies	
	C and D:		95 wholesale societies and 7 others	
	A: 4,710	17 FAF branches		FAF, Funen Coop. Feeding-Stuff Society
	B:		101 wholesale societies and others	
		18 branches	DLG and FAF	Coop. Agricultural Machinery Supply
Other	824		1,103 local societies	The Danish Coop. Cement Factory
Supply			1,400 local societies	Oil Company Denmark
			Consumers Wholesale Society and Swedish OK	OK Oil, Ltd., Supply Society
Insurance	1,200,000			TRYG Insurance, The Coop.Life and Accident Insurance Society
	572,000			The Fire Insurance Society for Rural Buildings
	11,900			The Coop.Pensions Insurance Society
Banking	92,500	272 branches		DANEBANK, The Coop. Bank
	18,800		60 village banks	The Association of Coop. Village Banks
Others			704 coop. dairies and others	The Sanatorium Association of Cooperatives

The market shares of the co-operative societies vary from branch to branch. The primary dairies and bacon factories receive approximately 90 per cent of the milk and bacon pigs. This does not mean, however, that the co-operatives have what comes near to a monopoly. There are 15 individual, and individually operating, bacon factories competing with each other both in the home market and to a certain extent in the export markets, where - as already described - in particular the bacon export to the United Kingdom is co-ordinated. The same pattern is found in the dairy sector. It is therefore more or less openly a task for the secondary organisations to try as much as possible to regulate this internal competition between the co-operatives which cannot, in general, be in the interest of the farmers. In practice, however, this proves to be very difficult, as the individual societies generally stick very hard to their own interests, maintaining their independence.

Generally, the more processed a product becomes, the less involved are the co-operative organisations: co-operatives receive and sell 90 per cent of pigs slaughtered and export 60 per cent through their joint export organisation, ESS-FOOD, in the form of bacon, pork or similar products. Twenty per cent of pig meat is canned, but only half of the canning capacity is owned by co-operatives.

In the dairy sector the same pattern prevails: butter is handled by the co-operatives, cheese is traded partly by the co-operatives, partly by private exporters (35 per cent with a growing trend). Canning of milk products, the making of ice-cream for consumption and other sophisticated milk products are mainly in the hands of private enterprises.

The market shares for other products such as eggs, poultry, seeds, fruit and vegetables, cattle for slaughter, are not as high as for the main products. Generally speaking, the market shares of these products range from 40 - 60 per cent.

In the supply sector co-operatives account for 50 per cent of cereals and feedingstuff and 45 per cent of the fertiliser trade.

Main trends observed in Agri-Food Marketing

The collecting and the first stage of processing of agricultural products have undergone tremendous development during the last decade.

While the collecting of milk from farms up to 1950-1960 was done mainly by horse-drawn carriages, these are now substituted by lorries. The introduction of milk-collecting tank lorries, refrigeration equipment on the farms which allows collecting every second day only, and storage of raw milk at the dairy, has meant that the dairy industry has become a really large-scale industry, as the daily transportation of milk from the farm to the dairy is no longer a bottle-neck for the site of operation. As a consequence the number of dairy societies has dropped from some 1,300 co-operative dairies 40 years ago, to 190 today, and more amalgamations are expected. It is difficult, however, to guess where and when the decline in the number of co-operative dairies will stop. The present dairy structure has become very heterogeneous with a small number of large-scale societies and a larger number rather small. Seven dairy societies receive 36 per cent of the total quantity received, while at the other end of the scale 92 dairies account for 17 per cent.

The collecting and the processing stages were the first to become rationalised. Streamlining of marketing operations came afterwards. To achieve progress in this field has been more cumbersome, as the traditional trade patterns were usually respected after amalgamation, despite changes in the processing structure. Very often the larger societies, emerging from amalgamations, preferred to stick to old trade names and old customers, because the markets once developed could then be maintained. The marketing function has nevertheless been steadily concentrated and centralised as the larger societies gained control of an ever-growing part of the industry. Competition between the larger societies prevails, which worries the farmers who complain that the competition between the farmer-owned co-operative societies is diminishing their income. The situation described above is mainly valid in the case of the other large co-operative sector, the pig industry.

Assessment of advantages and shortcomings of Marketing Co-operatives in the light of the general trends in Agri-Food Marketing

In both sectors the policy makers, both farmer/member representatives and management, have worked eagerly over the years to find solutions to the structural problems prevailing. Committees, comprising technicians, managers, office holders, business experts etc., have succeeded committees, and each one has reported that much could be gained by better co-ordination of processing and marketing operations, by co-ordinating investments in new factories. But the actual development is lagging behind and following its own pattern, different from the recommendations of the experts.

Today the main problems are: (1) the lack of co-ordination of investments, with overinvestment or useless investment as a consequence; (2) the lack of sufficient co-ordination in marketing, both in the home market and the export market.

Although the majority of the member-elected board members - who are responsible for the policy and the development of the co-operatives - have a clear understanding of these problems, no solutions seem available. The independent co-operatives, represented by their chairmen and their chief managers, do not seem to be ready to submit their responsibility as regards product policy, financing, marketing, profit sharing etc. to any representative body that could or should be responsible for the co-ordination.

The only solution that could be expected to work would be a general amalgamation within each sector, with a centralised management responsible for over-all policies, combined with a local (decentralised) management system which would safeguard the efficiency in the processing plants.

Neither in the dairy industry nor in the bacon industry would such a solution be nonsense. In fact, as mentioned above, a very great part of the marketing of agricultural products is already controlled by central bodies. (Examples: the bacon trade with the United Kingdom, the export of butter, the co-operative share of cheese exports).

It is not an unrealistic possibility to go the rest of the way towards nationwide organisations, although some obstacles can easily be foreseen. A major problem would be that of management. Though many of the co-operative organisations today rank among the largest companies in Denmark, and therefore provide a training ground for future managers, lack of well-trained and experienced managers is a problem. The manager of a Danish co-operative society has to be Danish in order to communicate with the members; foreign and well-qualified managers cannot be taken into consideration. Some can be found in the private - non-co-operative - sector, but actually only very few of these are of a size which could be compared with that of the co-operatives. Denmark, being a small country with its own language, is not a stamping ground for large-scale industry managers.

Another problem will be that of respecting the co-operative principle: "that the society should be managed (directed) by a board, elected in a democratic manner". Such a board will be manned by farmers who are non-professional as business administrators. Therefore, sufficient education of farmer board members is a must in order to support the farmer in his office.

The present need for amalgamation, centralisation and a high degree of co-ordination of investments and activities stems from the development of the structure in the purchasing sector, especially in the home market. The wholesale trade is fading away - from 250 companies ten years ago to 100 (of which only two are of a considerable size) in 1980 - partly because of amalgamations, partly because some of the chain stores go directly to the supplier to place their orders. The number of purchasers is dwindling - and their need for standard commodities is at the same time increasing. The suppliers, i.e. the dairies and the slaughterhouses, should react to this by concentrating the number of sales points. The latest trend, which puts even more stress on the need for adaptation in the supply structure, is the emergence of major capital-powerful industries, the breweries and tobacco companies, into the food trade. Their presence can be considered a threat to the stronghold which the co-operative processing and supply societies hitherto have maintained in the home market.

Co-operative societies, owning a considerable part of the processing facilities, have so far controlled the physical handling and distribution of the food supply. If they want to keep this position, they simply have to go for a more intensive collaboration with a more centralised marketing system. Otherwise they run the risk of being split up - or rather remaining split up, as they are just now. However, it seems as if the producers' control may be maintained in the future.

A new trend, which will be very carefully observed, is a sort of joint venture between the consumer wholesale society FDB * (by far the largest retailer in Denmark with 23 per cent of the market for household consumption) and the dairy society, DAIRY DENMARK, representing one quarter of the raw milk intake in Denmark. Both organisations participate in a producer-controlled co-operative society, DAN-MAELK, producing liquid milk for comsumption and other milk products. (See Figure 2). In reality, the arrangement represents an agreement about the delivery of milk and milk products from DAIRY DENMARK to the wholesale society FDB - an agreement which comprises price setting, numbers of years of collaboration, etc. The latest development is a follow-up of this "joint venture" system, as there are plans for establishing so-called "fresh food terminals". Again, the driving forces are DAIRY DENMARK and the Co-operative Wholesale Society. One of the larger co-operative slaughterhouses is now entering the scene.

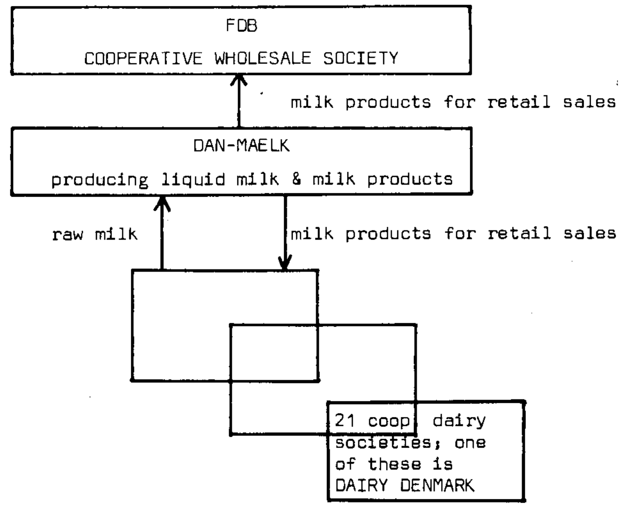
The Co-operative Wholesale Society has for some years run a fresh food terminal in a geographically restricted region, the island of Funen. The idea behind the terminal system is that local retail units should be provided with fresh food within 18 hours from ordering, in practice every night or next morning. In order to justify this high frequency of distribution to comparatively small retail units, the outgoing lorries must be fully loaded and stop as little as possible. Hence the need for having control over the distribution of goods.

The plan for introducing fresh food terminals has been considered for some time, and there are some obstacles: if the Co-operative Wholesale Society owns a part of a terminal operating nationwide, the competitors of the Co-operative Wholesale Society, i.e. the private wholesalers, chains and retailers, will not participate and will not accept to have their goods delivered from such a terminal. Indeed, they would refuse to trade with those agricultural co-operatives which delivered thereto, and would probably attempt to build up a parallel terminal system. Everyone agrees that this would be senseless, with heavy overinvestment in buildings, lorries and personnel as a result.

* Faellesforeningen for Danmarks Brugsforeninger

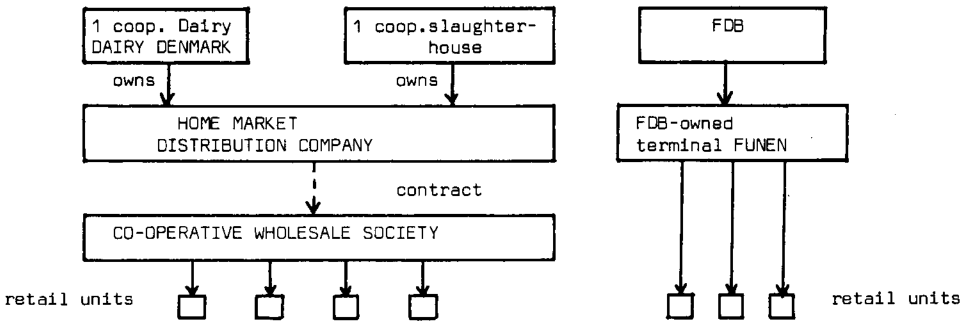
FIGURE 2

Arrangment for Trading Liquid Milk

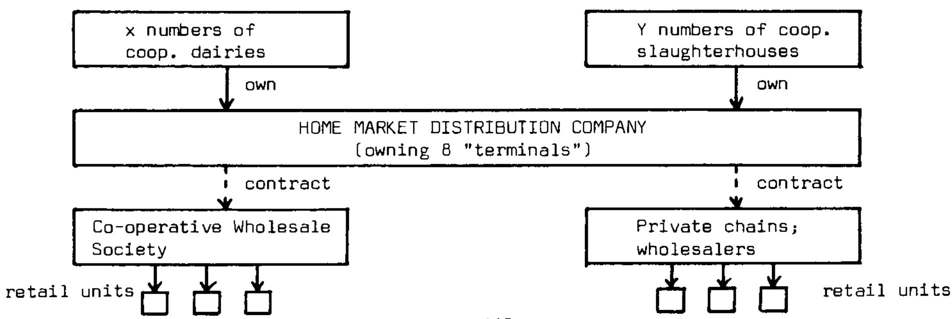


Home Market Distribution System

present situation:



Expansion Plan:



The problem seems to be solved, however, as the two major co-operative societies (dairy and slaughterhouse) mentioned before have established the Home Market Distribution Company - and the Co-operative Wholesale Society is not a member or shareholder. The Co-operative Wholesale Society has, on the other hand, signed a delivery contract with the Home Market Distribution Company, which means that the Company can start operations.

The Co-operative Wholesale Society will not be represented in the management of the Distribution Company, which will be in the hands of the farmers representing the participating co-operatives. But they will contribute with know-how and experience gained from their own forerunner at Funen, which at a later stage could be included in the nationwide arrangement. The scheduled expansion concerns the participation of more - if not all - co-operative dairies and slaughterhouses, and also delivery contracts with the private retail trade as well as with the Co-operative Wholesale Society; there should be a possibility of the private sector accepting this, as the Co-operative Wholesale Society is actually keeping a very neutral profile in the Home Market Distribution Company. It is envisaged that there will be eight terminals covering the whole country, and if this is achieved, the turnover of the terminals will be 20 billion kroner.

THE ROLE OF CO-OPERATION IN AGRICULTURAL AND FOOD MARKETING IN THE NETHERLANDS

by

Frida Terlouw*

To understand the position of Dutch co-operatives in agricultural and food marketing some specific features of the Netherlands should be mentioned which, in one way or another, influence the market structure.

The Dutch Economy - from Open to Mixed

a) The Open Economy. From the 1850s to 1930 the Netherlands had an open economy without any protection, foreign trade was the main source of income, the result of a combination of the favourable economic geographical situation of the country and a lack of natural resources.

The principle of free trade was adhered to, even when Dutch agriculture in the 1880s - like the major part of European agriculture - suffered heavily from the crisis caused by the large imports of cheaply produced and transported grains from North America. However, the government did support agriculture by building up a widespread system of agricultural education and extension.

The crisis, plus new technical and economic developments, resulted in fundamental changes in the pattern of agricultural production. The backwardness of farming methods stimulated the development of intensive production on the meagre amount of land available.

- In infertile regions the introduction of fertilisers stimulated a switch from subsistence farming to production for the market. In areas of mixed farming, dairy cattle, pig and poultry holdings were developed, using the cheap grains then being imported into Europe.

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* National Co-operative Council for Agriculture and Horticulture, The Hague.

- Outlets were found in neighbouring countries, where as a consequence of industrialisation, purchasing power rose followed by a demand for more and better quality food.

Apart from the interruption of World War I, Dutch agriculture developed almost unhampered along these lines, until the crisis of the 1930s.

b) The Mixed Economy. The crisis of the 1930s led to a socio-economic policy aimed at protecting the economy as a whole. To maintain the import/export pattern as the basis of Dutch agriculture, a complicated system of measures was necessary to guarantee a minimum income to farmers. The Governments' policy was the beginning of the development of a mixed economy which retained, however, its character of an open market economy, in which private enterprise played the dominant part in production. As elsewhere after World War II the Government took on greater responsibility for the whole of the economy.

Agricultural export became more important than before and until the middle of the 1950s Dutch agriculture was able to do without any price support. When the situation demanded a new agricultural policy, the price guarantees given to farmers to secure a minimum income were far more realistic than in the crisis, as they were based on a comprehensive system of cost accounting. Governmental intervention was also structural. Reallocation of land and land reclamation - already begun in the 1930s - served agriculture still more after World War II. Both agricultural production and agricultural trade and industry were supported by various governmental institutes which opened the way to modern technology and its economic application to farming. Intensified farming of the little land available was increased, agriculture as a whole still being dominated by small holdings.

c) The European Communities. The creation of the Common Market greatly benefited the Dutch economy and particularly its agriculture. Agricultural export to the EEC countries expanded while export to third world countries kept its significance. Because of the growing saturation in economically developed countries with food, additional export possibilities elsewhere are being sought - in developing areas where technical skills and basic materials are being exported to help to develop agriculture.

Without any doubt EEC agricultural policy has stimulated specialised Dutch agricultural production. This expansion was favoured by its competitive power, its market structure and its organisation of transport both to the Common Market and the world market. Co-operatives are also a subject of EEC policy and a general European co-operative law is an aim. In agricultural co-operation there is a policy to favour producer groups, a subject looked at critically by Dutch co-operatives because Government intervention is frowned upon.

The Origin of Agricultural Co-operatives in the Netherlands

a) Co-operatives as instruments of self-help. The Government's attitude being one of non-interference, it did not intervene in the agricultural market structure in the crisis of the 1880s. However it approved the recommendation of a study committee on agriculture so that Dutch farmers could help themselves to improve their market situation. The same report also advised the establishment of credit co-operatives through the savings of both farmers and other rural dwellers. Farmers' organisations and other agricultural bodies, together with many individuals, helped the farmers set up co-operatives as instruments of self-help. The farmers' readiness to collaborate was greatly helped by the education and extension schemes promoted by the Government which enabled the farmers to better understand their own position and become entrepreneurs on their own holdings and in their co-operatives. The solidarity of the farming community (its social structure not being characterised by broad gaps between the social "classes") eliminated any competitive action which was another contribution to success.

Co-operatives came into being in a large number, their development being closely linked with the fundamental changes in the pattern of agricultural production at that time; and in regions where subsistence farming had changed to production for the market, marketing skills were developed considerably by co-operatives.

Having to fight their own way both in the internal and in the external market co-operatives became accustomed to competition and were already highly developed before the crisis of the 1930s. It should be remembered, however, that this growth was greatly stimulated by the almost undisturbed expansion of the world economy from 1890 onwards.

b) Co-operatives; a corrective. Although the idea of co-operation developed from a social movement concerned with the low status of the majority of farmers, co-operatives came into being for economic reasons. Farmers individually are always in a weak marketing position because:

- their demand and supply is for very small holdings;
- their products are often perishable;
- they are not able to guarantee consistent quality;
- they have no marketing expertise;
- with poor credit facilities farmers depended on trade and industry, thus weakening their market position.

Co-operatives were able to offer the advantages of large-scale production impossible to the individual farmer. Both the nature of the product and the market structure in several sectors were such as to invite farmers to set up co-operatives. The first were supply co-operatives: various types of co-operatives for the sale of agricultural produce which included fruit and vegetable auctions; and credit co-operatives which are outside the scope of this paper. Whether co-operatives just became simple marketing co-operatives or technically highly developed industrial co-operatives, was due partly to circumstances at the time.

Technical developments in making butter and cheese promoted a change from farm to factory production. Lack of private initiative in the dairy and the factories and the perishability of milk which precluded the creation of milk selling co-operatives, forced farmers to take the initiative.

Similarly, when a co-operative for the sale of sugar beet did not succeed in breaking the market power of non-co-operative sugar beet factories, farmers again set up their own factories. The change in farming methods led to the establishment of various other types of co-operatives such as machinery supply and marketing and processing co-operatives.

Certain others started considerably later: it was difficult to start co-operatives for livestock marketing as this had long been dominated by very strong non-co-operative enterprises. Grain marketing too was so well organised via grain exchanges that competition made the price mechanism work very well, and no corrective was needed.

Co-operation was never considered as an aim in itself; co-operatives were always applied as instruments of countervailing power and came into being only when the farmers' position in the market demanded a corrective, and for that reason they are highly specialised.

c) Creation and growth without plan. Because co-operatives were born out of the immediate needs of the farmers and set up through their initiative, co-operatives did not develop according to any plan: their success in one place led to the example being followed in another and a network of primary local or regional co-operatives began to grow without any coherence. The foundation of central co-operatives soon followed but did not change the pattern of development. Autonomy at the bottom was respected and every new co-operative was welcomed by the central co-operatives, which were not authorised to give any guidance to their development. Co-operative growth being favoured by the general economic expansion in their first stages, they were settled institutions by the crisis of the 1930s and did not suffer much from falling production, especially where agricultural support was given via industry which received subsidies from the Government.

The tendency towards concentration after World War II, which caused a decline in the number of co-operatives was again a spontaneous reaction to changing circumstances. In the last ten years the trend towards amalgamation has been even stronger than before World War II.

The Attitude of the Government towards Co-operatives

a) Neutrality. Even today, when Government intervention exists in other areas it maintains its initial neutral and non-discriminatory attitude towards co-operatives in accord with its former open economy policy. Although an agricultural policy was formed in the 1930s and again in the 1950s, the EEC policy is more concerned with co-operatives than the Dutch Government has ever been.

The Government's neutrality also applies to the "organisations under public law", which include the so-called "commodity boards" which market farm inputs such as feed grains and other final agricultural products. These boards exist for various branches of agricultural trade and industry, each specialising in a particular product or group of products. They are vertical organisations i.e. comprising groups of enterprises dealing with a certain product. Each board is made up of representatives of the producers and employees in the groups of enterprises, the number of seats being dependent on the economic significance of each group. Both co-operatives and non-co-operatives have the right to nominate board members.

The commodity boards cover all enterprises with activities related to the working area of the board. The are financed by levies, paid by the industry, getting no subsidy whatsoever from the Government.

The boards have two important functions:

- to create a market organisation in which the enterprises can flourish.

- to stimulate scientific research.

These functions are carried out

- autonomously, where regulations are required by the relevant ministry;
- jointly with the government thereby co-operating with them on implementation of the law;
- and by acting as advisers to the ministries concerned.

It should be stressed that commodity boards are not active in agricultural production, trade and industry: they follow the market rather than intervene in market activities.

b) Co-operative law. As soon as co-operatives became important in the agricultural industry, a co-operative law was needed. Until then co-operatives were just "associations", based on a more general law. The first co-operative law dates from 1876, and was revised in 1925. The latest law was made in 1976, treating a co-operative association (and the mutual insurance society) as a specific form of the "general" association.

The law provides compulsory and voluntary rules but does not go into much detail. That is why a real understanding of the Dutch co-operatives' structure can only be reached by a study of their own rules which individually differ a great deal according to the nature of the product and its market.

For more detailed information see Annex.

c) The financing of co-operatives: an entirely "private enterprise". Because of Government's neutral attitude to financing agriculture, private initiative was stimulated which in turn maintained the Governement's neutrality. The farmers themselves set up credit co-operatives which became the backbone for the development of agriculture and its co-operatives.

Credit co-operatives have the same structure as co-operative societies particularly where the liability rules are concerned. (see Annex A). Until recently they had unlimited liability for members, now changed to limited liability (co-operatives in trade and industry have a limited liability).

Credit co-operatives supplied a need to agricultural co-operatives unfulfilled by the commercial banks who took no interest in their development, their attention being focussed at that time on trade and the development of the new industries. Moreover, they were reluctant to give credit on the basis of liability. Only recently have they begun to show more interest in financing co-operatives, especially the larger ones.

Today Dutch credit co-operatives are a type of "general" bank, having extended their services - both in the field of savings and credit - so that they are now comparable with the commercial banks but remain the main banks for agriculture and co-operatives. Where agriculture is not financed by its own assets, co-operatives use credit co-operatives exclusively. Credit co-operatives, rendering co-operatives independent of other banks and of the Government, promoted the farmers' feeling of trust in self-help and in themselves. The lack of intervention by Government therefore causes no concern, but this does not mean lack of interest, for meetings between the Ministry of Agriculture and Fisheries and co-operatives and non-co-operative agricultural representatives take place regularly.

Types of Co-operation

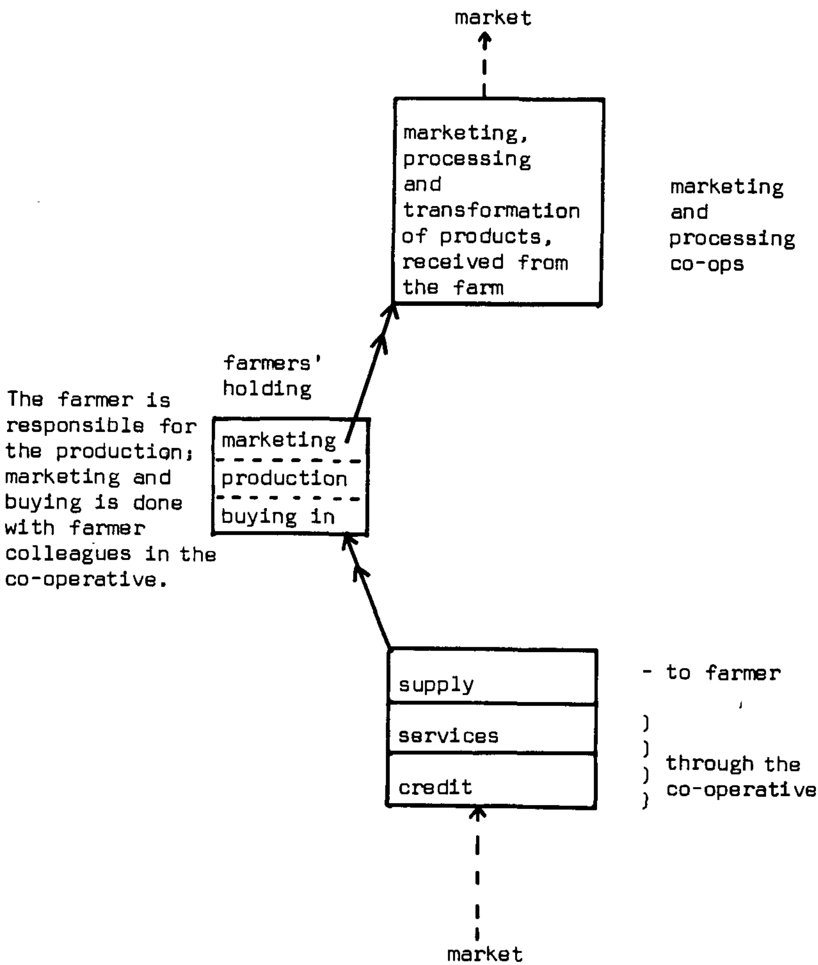
a) Economic organisation. The term "co-operative" covers many forms of collaboration between people which differ under different conditions. In the Netherlands the term "co-operative" is reserved for a very specific form of collaboration, viz. for one sprung from private enterprise i.e. a voluntary organisation. Agricultural co-operatives are economic organisations in which farmers collaborate to bring together in a common enterprise part of their activities, running that enterprise at their common risk, which gives members the right of decisions in their co-operative. In other words, a co-operative is run on the responsibility of the members and is therefore democratic in its structure.

According to this definition co-operatives cannot have a social aim though this does not exclude their social effect, both in the interrelation of members and in the improvement of the social status of the members as a group.

b) Partial integration. Those activities brought together through the co-operatives are mainly concerned with marketing (used here in its broadest sense referring both to the supply of various types of input and to the sale of agricultural products from the farm.

Every farmer is responsible for all production decisions on his own farm. Co-operation in agricultural production hardly exists and collective use of holdings comes under a legal form differing from the co-operative one. But the co-operative is so closely connected with the farmer's activities that its mere existence is bound to his pattern of production. In other words, it is an extension of the farmer/members' activities and works two ways in that inputs and outputs depend on each other and this, rather than the capital invested, forms the aim and function of the co-operative and is indeed the difference between it and the non-co-operative enterprise (see Figure 1). To conclude: farmer's activities should only be partially integrated into those of the co-operative.

Figure 1


market
marketing, processing and transformation of products, received from the farm
marketing and processing co-ops
farmers' holding
The farmer is responsible for the production; marketing and buying is done with farmer colleagues in the co-operative.
marketing
production
buying in
supply
services
credit
- to farmer
through the co-operative
market

99 per cent of co-operative enterprises fall into the legal category of co-operative society. However, in some cases, the industrial part of the co-operative - i.e. processing - is run as a limited company, the co-operative society remaining responsible for member relations, both organisational and "commercial". The co-operative association, being the only shareholder of the limited company, renders the latter an extension of the co-operative society. So, two legal forms of organisation join and represent one co-operative enterprise.

c) Horizontal and vertical integration. The first co-operatives were set up because of the nature of the product and the market structure. In some cases additional activities were undertaken by the co-operative for the market, and it is this which roughly determines the difference between a "horizontal" and a "vertical"structure. By working horizontally the demand for farm inputs balanced the supply of agricultural products so that the farmers' position in the market was strengthened. Once the co-operative took on additional activities - transformation, processing - it penetrated vertically into the market.

Some examples show the variety of these types of co-operatives. Fruit and vegetable, and flower and plant auctions are marketing co-operatives which are confined to the market place. Although recently some auctions combine the lots of individual growers, lots are normally sold individually. The co-operatives' main task is to ensure orderly marketing. For that purpose they have built up an almost perfect system of selling, for which a number of conditions have to be fulfilled:

- the obligation of all members to deliver all their produce to the auction;
- a good quality standard for the lots offered;
- an open system - via "the clock" - of bidding;
- sufficient competition amongst the dealers who buy in the auction;
- a check on the solvency of the buyers.

The grower gets the price fetched for his produce less his share in the total cost of the auction.

Other types of co-operatives transform the product in one way or another; from sorting, packing etc., to highly developed technological processing. Some co-operatives deal with farmers' requisites, others with those selling the produce (see Table 1 for the development of various types of co-operatives).

The more activities undertaken by the marketing co-operatives to satisfy the consumer, the more they can take part in the margins made in the several stages. So vertical penetration by the co-operative makes it possible in principle for farmers to get a greater share in the "consumer's" dollar, the outcome depending on the market position of the co-operative concerned. (For differences in the degree of vertical penetration by co-operatives in agricultural and food marketing see Figure 2). Again, this integration is always partial.

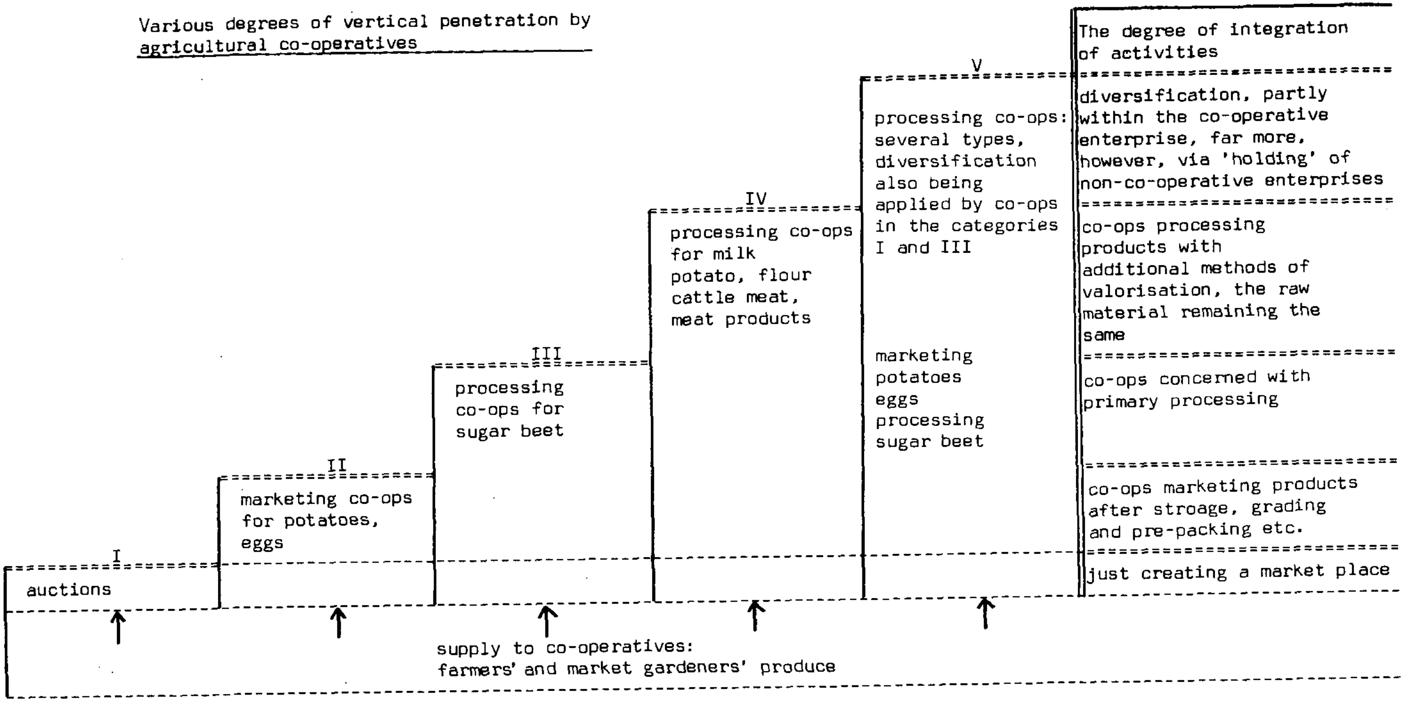
Vertical integration has never touched the retail trade. Nor are there specific relations with consumer co-operatives which in fact never gained much ground: in the last decade their significance declined and their market share dropped to only 5 per cent in groceries, their main business.

Although there is not primarily an obligation for a member to commit all his produce to the co-operative, the co-operatives' success is linked to the members' production. So as well as auctions, co-operative dairies, marketing co-operatives for potatoes and seeds, certain co-operatives for the sale and processing of cattle and meat and, co-operatives running sugar beet factors are held to commitment (the latter because these co-operatives are based on shares).

A share, in principle, represents a certain financial obligation to the co-operative (including the liability) and a regulation on delivery of primary produce, which includes both the obligation to deliver a minimum quantity and the right to deliver a maximum quantity of raw produce per share.

Figure 2

Various degrees of vertical penetration by agricultural co-operatives



This scheme, follows an exact line. In reality there is overlapping.

So, for instance, a farmer has to deliver at least 20 tons and is allowed to deliver the maximum of 30 tons of sugar beet per share. For deliveries up to that maximum the farmer gets the so-called "member's" price, the highest price the co-operative pays. All other beet, the delivery of which is not covered by shares but by contracts, are paid at a lower price. In the case of the co-operative sugar beet factories, a member must take at least one share but in fact he will probably cover part or even most of his area of sugar beet by his shares. As well as being obliged to deliver a minimum quantity per share, he will also have to produce a certain area of beet.

Some marketing and processing co-operatives differ from the auctions in yet another way. Whereas at the auction the producer receives a price for his individual lot, the other co-operatives apply a "pooling" method, whereby each member receives an equal part of the return of all produce delivered to the co-operative. Only exceptionally, as in the sale of live cattle is the produce dealt with individually. (see Table I for the development).

Importance and Development of Co-operatives in Agri-food Marketing

a) Co-operatives' significance. Both the number of co-operatives and their joint market share can be inferred from Table 2. Irrespective of how the data in the statistics are interpreted, any assessment of that market share should take into account the following factors.

In the first place, the figures refer to the primary produce supplied to the preparation and processing co-operatives, and only exceptionally to the portion of the final products in the consumers' market for which no data are available. In the second place, this share of the market does not in itself provide a correct insight into the market "strength" of the co-operatives. Competition between a large number of co-operatives with a large joint share of the market can weaken their joint position, both in the primary produce market, to which the figures refer, as well as in the marketing of final products. And in all cases there is competition with the non-co-operative organisations, the effect of which, depending partly on market structure, cannot be measured.

Table 1

The development of Dutch agricultural and horticultural co-operatives (1949-1975)

Sectors	Number of co-operatives at 1.1.49.	1.1.59.	1.1.72.	1.1.75.*
Credit	1,322	1,327	1,203	1,079
Buying-in	1,160	860	449	335
Processing				
Dairy	416	352	90	61 (176 fact)
Sugar beet processing	4	4	1	1
Flour/potato processing	15	15	1	1
Marketing and processing of cattle, meat & meat products	8	9	2	2
Strawboard processing	10	10	9	5****
Flax processing	2	2	1**	1****
Poultry for slaughter	-	2***	1	1****
Sales				
Dairy marketing	7	7	3	3
Egg marketing	28	18	±8	10-15
Auctions for vegetable and fruit	169	141	80	68
Auctions for flowers and plants	18	18	16	±15
Wool marketing	1	1	1	1

* The figures concern co-operative trading societies only and not those without any economic activity of their own

** Reduction of the number was due to the closing of factories; not due to amalgamation

*** This figure relates to 1964

**** These co-operatives disappeared in the years after 1975, see also Table 2

Table 2

Market shares of co-operatives

Sector	Turnover, production	Market shares of co-operatives %					
		1974	1975	1976	1977	1978	1979
Credit	Money banked with savings banks	43	42	42	42	±42	±42
	Granted credit to agriculture and horticulture	±90	±90	±90	±90	±90	±90
Buying-in	Cattle-feed turnover	52	52	52	52	53	
	Fertiliser turnover	±61	±61	±61	±61	±60	
Processing							
Dairy	Milk deliveries	89	89	89	89	89	87.5
	Butter production	94	94	93	93	94	93
	Cheese production	92	92	92	92	92	93
	Milk powder	85	81	85	85	86	85
	Condensed milk	73	75	77	75	76	78
	Liquid milk	78	78	75	78	79	83
Cattle and meat	Slaughtered pigs	27	±26	±26	±26	±27	±26
	Slaughtered cattle	8	±17	±18	±18	±18	±18
Sugar	Sugar beet deliveries	63	61.5	61	61	60	62.5
Potatoes for processing	Processed potatoes	80	80	80	80	100	100
Flax	Processed flax	42	40	41	-	0	
Poultry for slaughter	Slaughtered chickens and broilers	-	33	33	32	-	
Sales							
Dairy	Butter sales	79	80	79	79	77	
	Cheese sales	67	70	69	68	68	
	Milk powder sales	51	59	57	54	58	
Eggs	Marketed eggs	19	20	19	20	21	21
Vegetables	Marketed vegetables	84	84	84	84	±84	±84
Fruit	Marketed fruit	82	82	82	82	±82	±82
Flowers and plants	Marketed flowers and plants	-	±83	±83	±85	±85	±85
Wool	Intake of wool	-	-	±60	±65	±65	65-70
Ware Potatoes	Sold ware Potatoes	±26	±26	±26	±26	±27	
Seed Potatoes	Sold seed potatoes	±52	±52	±52	-	±56	±56
Services							
Mushrooms	Supply of raw materials for mushroom culture	±90	±90	±80	±85	±80	80
A.I. - cows	Cattle breeders	-	65	66	67	69	71
pigs	Pigs	12	12	13	15-16	19	-
Co-operative book-keeping offices	Main occupation farms	-	-	±29	±38	±39	±40
Grass drying	Production	59	42.5	45	49	52	54
Farm relief	Main occupation farms > 50 standard farm units	-	27.5	31	35	37	39

- unknown

A historical comparison is helpful in an assessment of the development of the co-operatives' market position as regards both the supply of the required primary produce and the sale of the final product. (See again Table 1). Broadly speaking we may compare the situation nowadays with that of about 1950 when the most serious problems consequent on World War II had been overcome. The factors which since then have played a major role are the following:

i Scale enlargement. In the first place this is due to the autonomous growth of individual co-operatives as a result of the tremendous increase in agricultural production, the growth being intensified in some cases by the co-operative(s) in question gaining an increasing share of the market.

The growth towards even larger co-operative enterprises as a result of mergers. In the past the overall picture was of each co-operative society, acting autonomously, the number of *co-operative societies* thus equalling the number of co-operative enterprises. Due to mergers, the number of societies has diminished considerably, one enterprise often covering several societies, (see Table 2). At the same time the differences in size are marked. So, for example several dairy co-operatives showed autonomous growth but did not give up their independence. In the co-operative dairy industry today the five largest enterprises receive two-thirds of all the milk delivered to co-operative dairy factories.

ii Forms of inter co-operative co-operation. At an early stage central co-operatives were created to undertake certain functions on behalf of the associated primary co-operatives, in buying, selling, etc. The credit co-operatives started to co-operate in, at that time two, central banks, which have in the meantime been merged into one. These forms of co-operation undoubtedly signified a strengthening of the market position held by the totality of the co-operatives concerned, the degree depending on the extent to which the members co-operatives were prepared to hand over powers to that central co-operative. There was great diversity, so the co-operative in dairy production raised no objections to compulsory supply to the "top co-operatives" - specialised dairy marketing co-operatives and/or milk processing co-operatives - partly because there already existed a delivery commitment system in the primary co-operatives.

Sometimes compulsory use of the central co-operative was not feasible (e.g. a central purchasing co-operative); in some cases a solution was found where members of the central co-operative were divided into those prepared to accept such an obligation and those left free to reject it.

Besides the so-called "commercial" central co-operatives there are also central organisations which aim at promoting the common interest of the associated co-operatives, without being commercially or industrially active themselves. In certain cases their objectives extend further and they may in fact make regulations for the group as a whole. For example, the Central Bureau of Horticultural Auctions (CBT) has considerable powers to unify the conditions under which auctioning takes place thus promoting the transparency of the market and benefiting price formation. On the authority of the CBT - i.e. by the joint decision of the associated auctions - further regulations for effective marketing via the affiliated auctions are also made to improve the auctions' common function.

Several central co-operative organisations have become redundant as a result of the trend towards one or a few co-operatives in certain branches taking over the functions originally performed by these non-commercial organisations themselves.

Forms of co-operation between co-operatives in different branches are of more limited significance. These play a role, for instance, where both the supply and marketing co-operative are involved in contract farming (see below).

For the rest new enterprises have occasionally been established by co-operatives from different sectors, a successful example being one where various types of co-operatives participate in a joint enterprise for the processing of potatoes into various kinds of potato products (see Table 2).

iii Valorisation and diversification. Valorisation and diversification have contributed significantly to the development of co-operatives. Valorisation here means further processing, so increasing the value of the primary produce, for the processing of which the co-operative was created originally. Diversification means activities which need not be wholly foreign to the nature of the co-operative but cannot be directly derived from its original objective. As regards valorisation we need only refer to the large variety of milk products, to the wide range of final products of the potato flour industry - resembling a chemical industry - and of the above-mentioned potato products industry. Diversification covers an exceedingly wide range of products. Valorisation largely takes place within the co-operative itself. In the interests of diversification co-operatives have often taken over or acquired an interest in non-co-operative enterprises.

iv Internationalisation. In view of the great importance of imports of ingredients for compound feed, as well as of exports of a large number of final products from agriculutral produce, developments in the markets outside the Netherlands are of great importance. Particularly as a result of scale enlargement our co-operatives meet either large, capitalised, national enterprises with widespread activities throughout the world and a correspondingly dominant market position, or multinationals which have come to include various agricultural products in their broad assortment of commodities. In the resultant market structure the co-operatives feel increasingly compelled to build up a countervailing power by seeking co-operation with foreign enterprises. Sometimes this means co-operation with importers or trading houses with a particular enterprise in the receiving country in order to safeguard part of their sales. Sometimes they co-operate with internationally -oriented enterprises so as to strengthen their own market position, i.e. in purchasing feed grains. Where such relations are lacking, co-operatives often establish their own sales offices in the exporting countries. This trend towards internationalisation has only just started and forms of intra-European, notably intra-EEC, co-operation are still markedly scarce.

v Relations with non-co-operative enterprises. At an early stage relations between co-operatives and non-co-operative enterprises emerged here and there, occasionally developing into forms of co-operation. It was mentioned earlier that occasionally participation was acquired in non-co-operative enterprises as a part of the move towards diversification. In further valorisation, a spectacular example was given by the co-operative dairy industry where, in one part of the country, dairy co-operatives started as milk marketing enterprises but through gradual penetration into existing limited liability companies finally managed to acquire their own processing factories by taking them over. These examples present the results of one-sided action by the co-operatives. On the other hand a genuine form of co-operation was developed in a very early stage in the Dutch sugar industry, where co-operative and non-co-operative enterprises and factories decided on the joint operation of a distilling factory for the manufacture of alcohol from molasses.

Although both types of enterprise frequently stress their common interest, the existence of relationships and forms of co-operation does not prevent co-operatives from defending the specific character of co-operative trade and industry. That is why there is a fierce competition between the two types on the domestic market, the Common Market and the world market.

b) Co-operatives and their prices. An important yardstick for the significance of the co-operative as a corrective on the market ought to be the prices ultimately paid to the members. There are, however, several difficulties in this respect. A general feature of co-operatives is that they work on the basis of their costs, i.e., that they pay to the member the highest possible prices for their produce and charge them the lowest possible prices for their inputs. The more co-operatives need capital for investment in order to safeguard the continuity of the enterprise, however, the greater the part kept for writing off for depreciation and for reserves. These items are decided upon not only by economic considerations but also by "policy", i.e. taking into account the co-operative's competitive power, its expectations for the future, etc. The latter in particular influence the rate of retention which is, moreover, also subject to considerations of the liability of members, the intention being, at least in the long run, to replace part of the liability by personal assets.

All this forms complications which make it more difficult to judge the prices of co-operatives. Moreover, in the markets in which they operate, competition between co-operatives and non-co-operative enterprises has often created a certain balance of power, in which the prices in the two categories do not differ greatly. The farmers, looking at the final result of the co-operative in respect to their holdings, are very conscious that the co-operative in itself represents a marketing instrument working in their favour; without the co-operative, they would be back in their original weak market position.

In most cases - apart from the EEC-market regulations - the price resulting from the working of the price mechanism being a datum - there is one important example in the trade in which the co-operatives themselves try to prevent a price falling below a certain minimum. This example refers to the Dutch auctions. The system applied works as follows:

When supply is so large in relation to demand that a deep fall in price is expected, the supply is no longer offered for sale once the minimum price fixed by the auction is reached. For once a market is ruined by low prices for products as perishable as vegetables, fruit and flowers, recovery is very slow. The grower gets a remuneration* for the lots not sold. This remuneration, however, is lower than the minimum price and does not give full compensation for the costs of production, in order to prevent the system stimulating production.

Apart from funds given by the EEC for three types of vegetables, the whole system of Dutch auctions is private enterprise in the sense that the funds necessary for the paying of the lots not sold are built up from levies on all growers using the auction. Funds are specialised, i.e. per product or per group of products.

From the 1960s onwards, when large-scale enterprises also developed in trade and industry dealing with the products auctioned, i.e. among the buyers, there was doubt about the effectiveness of the auction. Supply was threatened by concentration on the buyers' side.

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* The minimum price system is applied by the auctions for both vegetables and fruit, and for flowers and plants. Only the former dispose of funds to give a remuneration for products unsold.

The auctions gave an effective answer: by reducing the number of auctions to half in 1950, they in turn concentrated supply. Moreover, they improved the auction system to give a better insight into all the auctioning in the country. Today, both suppliers and buyers are so well served by the auction system that its efficiency is no longer in doubt.

c) Price differentiation. In the system of pooling every farmer does not necessarily receive the same price. From their inception co-operatives have determined payment by quality of produce. Now it is accepted that a differential of price should also be applied on the basis of costs incurred. Thus, by larger, less frequent deliveries the co-operative spends less and the farmer benefits. Modern technology - silos for cattle feed, tanks for milk - also reduce the co-operative costs diminishing the frequency of collection and taking over part of the storage from the co-operative. Price differential is therefore an incentive for the members to act as economically as possible in their relations to the co-operative. Non-co-operative enterprises also apply price differentials and choose as their clients large-scale farmers to whom rebates can be offered. If the co-operative does not do the same, it loses members.

Today's Main Trends in Agri-food Marketing

a) The co-operatives' position. In the last section it was mentioned that co-operatives broadened their variety of products by valorisation and diversification as an answer to the demand (due to the increase in income after World War II) for a greater variety of food and the prepacking, preparation etc. needed for the self-service stores. As supermarkets required large quantities of constant quality produce at regular periods, so the suppliers had to answer the demand. Traditionally Dutch agricultural co-operatives conformed to the farmer's pattern of production. Differences in co-operative regulations and the lack of enforcement of commitment (except in a few cases) meant that regularity of delivery could not be guaranteed. Only the beet processing co-operative, where commitment was obligatory, could estimate supply by calculating the area cultivated and with correct timing of delivery, could work the factory capacity. And by permitting only seclected seeds to be used, quality could be maintained.

b) Contract farming. The beet processing co-operative's methods can be compared with the contract farming used today to regulate supply to demand. The farmer agrees to produce a certain quantity of constant quality and to deliver this produce in accordance with a timetable. He may also agree to use prescribed reproduction material. He may be provided with special guidance and also finance, although this is often done by a bank, or in the case of co-operatives by a credit co-operative, also interested in the contract. The farmer can be sure of an outlet for his produce, the contract may also guarantees a certain price, and he will be less liable to price fluctuations. He cannot however, avoid the risks as an entrepreneur, as even if contracts contain price guarantee, these can never be considered as an 'everlasting' security and will have to be adapted to the market situation. Contract farming originates in arable farming but is now of great importance for animal production, in particular pigs, calves, poultry and eggs.

Contracting in arable farming. Co-operative processing of sugar beet because of its obligation to delivery is tied to shares, was more or less a translation into co-operative terms of the contract agreement applied by the industry before the existence of the first co-operative factory. Contracting is dependent on the nature of the perishable product, which normally needs processing quickly.

Contracts are used nowadays both by co-operative and non-co-operative enterprises in sugar beet processing: by co-operatives for those beets delivered by members but not covered by shares, and for the deliveries of beets by non-members. The contract system has been used for certain other arable products for some time. Co-operatives marketing seed potatoes and seeds apply their own rules, following a type of contract system.

Contracting in animal production dates from the 1960s using special contracts, though the rules remain the basis for member relations with their co-operative, e.g. of importance in the case of additional payments for members' deliveries if the yearly result allows. Moreover, these contracts are subject to the approval of the members. Co-operatives today contract for pigs, calves, poultry and eggs: following the initiative of non-co-operative business in order to compete. Contract farming in animal production, aiming at a certain degree of vertical integration, was not easy to start because of the high degree of specialisation of the various types of co-operatives.

Figure 3

Pig Production

Example of 'interrelated' contract farming, resulting in a 'complete' model of vertical integration

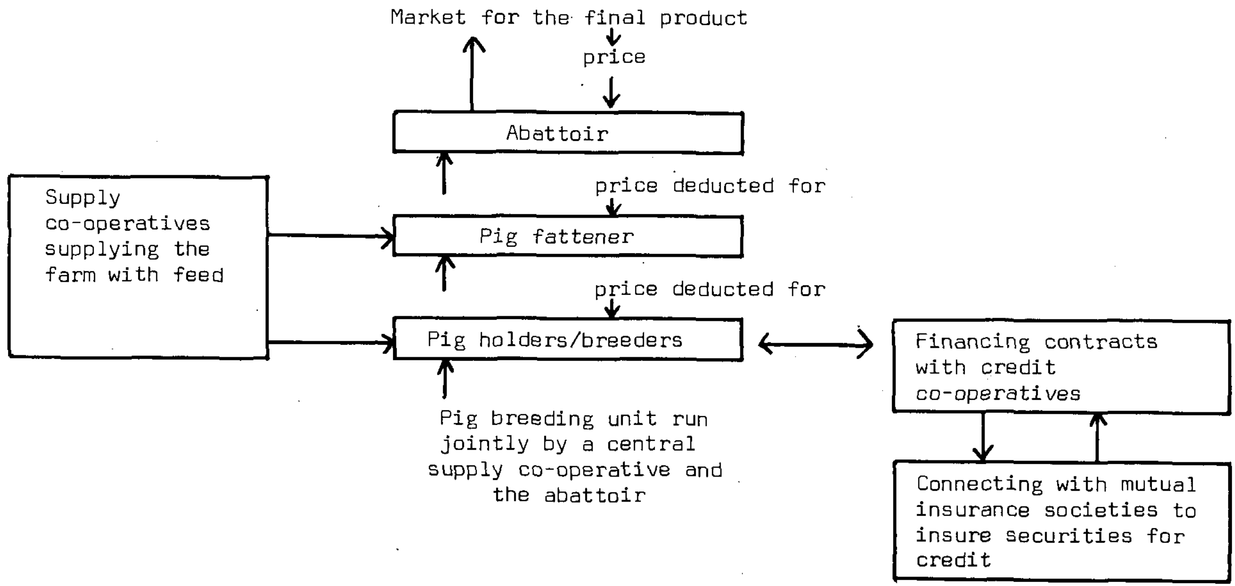
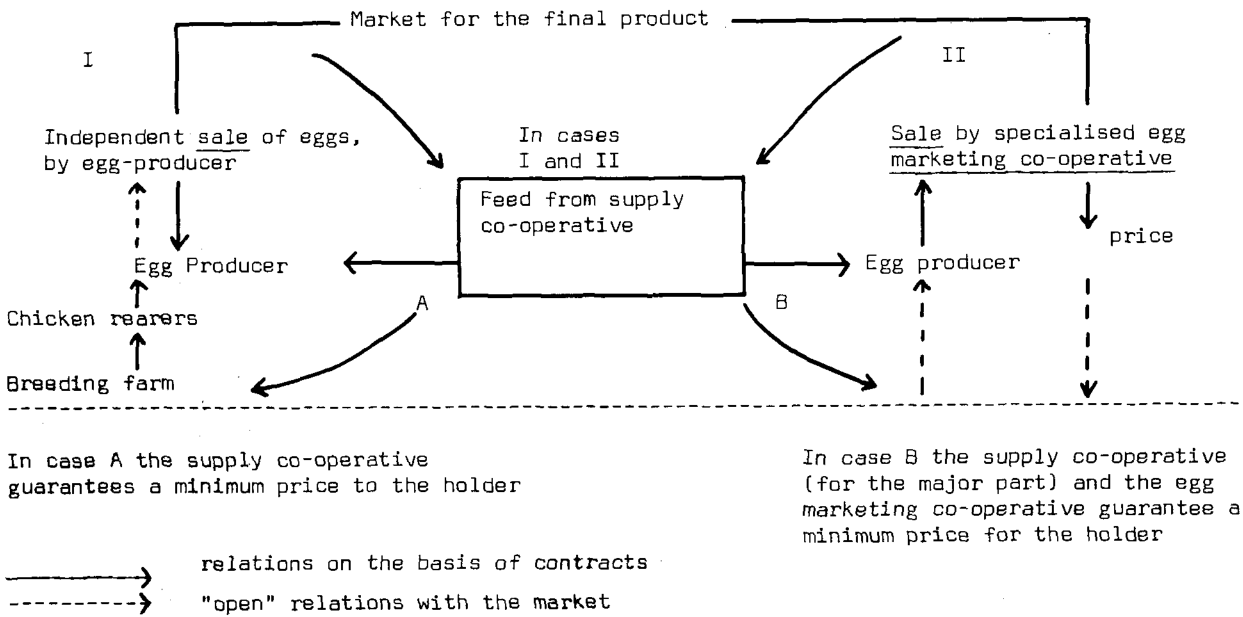


Figure 4

Eggs

Examples of 'interrelated' contract farming, resulting in an 'incomplete' model of vertical integration



To apply it effectively there had to be a special form of inter-co-operative collaboration: so in pig holding for instance, where co-operatives marketing breeders, supply co-operatives delivering the pig feed, and co-operatives involved in the processing and the marketing combine. The credit co-operative also became a partner in contract farming. If special financing was needed, even mutual insurance societies got involved, insuring the securities offered to the bank as a guarantee for the credit. Such a high degree of vertical integration can be reached only if every producer in the 'chain' is favoured by the contract system. Therefore it is almost necessary to make an agreement as to how to divide the returns of the ultimate product amongst all partners in the various stages of production. The interrelations which exist are given in the scheme in Figure 3.

Similar 'complete' vertical integration is applied in poultry production, in which the supply co-operative (delivering the feed) is the initiator of the contract, obliging the contracted farmer to deliver the final product to an abattoir belonging to the supply co-operative. In other cases vertical integration is less complete.

c) Effectiveness of contract farming. As the price obtained on the market decides the price paid to the farmer (and that of course is dependent on national supply and demand) contract farming cannot give over-all security to the farmer. Contract farming is then no more than an attempt to balance supply and demand, via a chain, between a group of suppliers and the enterprise delivering to the retail trade. Its success also depends on the type of contract made. Co-operatives that have not entered into the retail trade but having special links with consumers' co-operatives have to compete in a free market with non-co-operative enterprises.

Guarantees cannot be strict either. Co-operatives also have to limit their risks and that is why as far as they guarantee (minimum) prices the system should be flexible, leaving open the possibility of changing the guarantee as soon as the contract expires rather than stimulating uneconomic production. In several co-operatives, farmers pay a levy to a special fund against risk. Sometimes two co-operatives involved in the same type of contract will collaborate.

To conclude: contract farming cannot work independently of the price mechanism in the free market; and can never be such a guarantee for the farmer that it takes over his risks.

d) Modern marketing. The problem is the same for both co-operative and for non-co-operative enterprises but co-operatives, with their close link to the farm holding, have a particular duty to their members to give guidance in the production of the primary produce. Both producers and the industry have always been concerned with quality, and government research institutes have helped in product innovation and quality improvement. Farmers' organisations and the industry became involved in the policy of those institutes and a close connection was formed between research and practical problems. Co-operatives also have contributed substantially to the promotion of quality production, being involved in several experimental stations and in their own research institutes. Through a widespread extension service of their own, the knowledge obtained there is relayed to the farmer.

The commodity boards are also concerned with quality. Special funds were set up to promote the sale of Dutch products whether produced by co-operative or non-co-operative enterprises. Those activities are paid for by the enterprises affiliated to the board concerned out of levies. Certain private organisations also promote agricultural products: the Central Bureau for Horticultural Auctions pays for a general promotion of vegetables and fruit with part of the funds raised for the system of minimum prices. Auctions also try to help in the improvement and the presentation of the product by developing modern methods of packing, etc.

Both co-operative and non-co-operative enterprises - particularly the larger ones - nowadays apply modern marketing techniques, amongst which the 'marketing mix' takes an important place. Branding plays an important part in agri-food marketing, the brand name given by the retail traders generally being more successful than the co-operative name.

Assessment of the Advantages and Shortcomings of Marketing Co-operatives in the Light of the General Trends in Agri-food Marketing.

Co-operative "dualism". Because the specific character of agricultural co-operatives derives from its adaptation to the farmer's activities, member relations are important for the co-operative's potential in the market. One may even conclude that the shortcomings and advantages of the co-operative in agri-food marketing are ultimately based on the fact that the co-operative runs an enterprise on behalf of the members. In fact, there is not a free market between the co-operative and the farmer members but a market more or less "conditioned" by the rules of the co-operative.

On the other hand, the co-operative operates in the market in exactly the same way as the non-co-operative enterprise does. Both have to fight for their position in a free market, and for the buyers of their products they have the same face. This "dualism" within the co-operative is made more clear in Figure 5 in which it is also indicated that these two sides of the co-operative form part of one enterprise, for whose management the Board is responsible.

Advantages and disadvantages in the supply of primary produce.

Advantages:

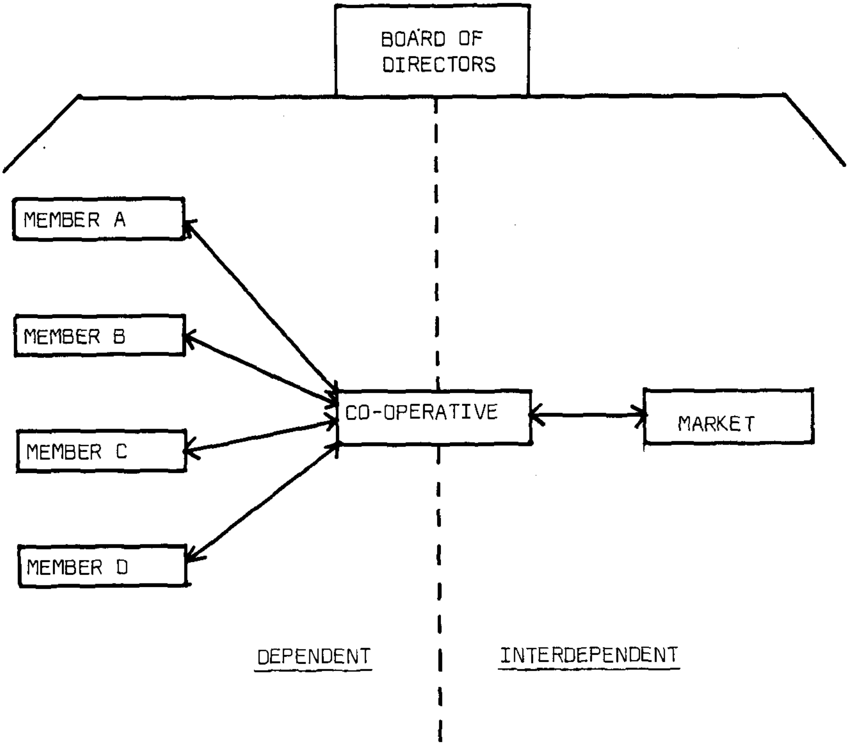
- the activities of co-operative and the farmer are interdependent and therefore a regular supply of produce is assured;

- where commitment is enforced the co-operative estimates the quantity of produce it can expect; estimates are also possible if members' loyalty, without an obligation to deliver, is high;

- where trade with non-members is legal the co-operative can buy in additional material from outside to meet the demand for its final product;

- payment according to quality has always been an effective incentive for high-quality production by the members.

Figure 5


BOARD OF DIRECTORS
MEMBER A
MEMBER B
MEMBER C
MEMBER D
CO-OPERATIVE
MARKET
DEPENDENT
INTERDEPENDENT

The disadvantages:

- because members are in principle entitled to deliver all their products to the co-operative, the situation can arise where supply is far larger than the demand. For the same reason the co-operative can receive bad quality produce;

- the co-operative is supplied by members from varying distances so, not being in the non-co-operative's position to select its suppliers, it may work at a higher cost;

- the co-operative is limited to a certain region by its members' location. However as the Netherlands is a small country, it is possible for one co-operative to cover the whole of the country and for co-operatives to get produce from across the border;

- in its marketing of the final products, co-operatives cannot offer such a broad assortment as some concerns in food marketing because their pattern of diversification is limited due to its relation with the farm holdings and to the risks that farmers/members are prepared to take. In general, there is a reluctancy to extend the co-operative's activities to those which have nothing to do with the farmers' own pattern of production. However, as long as diversification is connected with the co-operative's already existing production facilities or distribution channels, it is generally accepted.

Contract farming can offer a solution for several of the disadvantages mentioned though this does have its limitations in a free market economy. Moreover, in several cases contract farming includes only a part of the primary produce supplied to the co-operative. Contract farming is also short-term; the rules of a co-operative offer more security representing in fact a long-term contract.

As a consequence of the co-operative's aim therefore, these disadvantages have to be accepted as limitations inherent in a form of enterprise chosen voluntarily.

Effectiveness in the management of the co-operative

Outsiders often have their doubts about the effectiveness of the management of co-operatives. The quality of management is decisive for the success of a co-operative, and essential for its marketing, working as it does in a market economy with fierce competition. Co-operatives are run by a board chosen by the members from their ranks, so they have no professional management at that level. Tradition and the feeling that the co-operative is their own organisation tends to preclude the legal possibility of appointing non-members with specialised expertise to the board relegating farmers to a supervisory committee.

ANNEX

Main items from the law on co-operative associations.

The relevant law is not only applicable to agricultural co-operatives but to co-operative associations in general.

The law also sees the aim of the co-operative as an economic one, i.e. "to meet material wishes" via the exploitation of a common enterprise. To achieve this aim, the co-operative is allowed to have relations with non-members, only to such an extent, however, that they take a minor position in the whole of the co-operative activity.

The law is not concerned with member relations, apart from ruling that every member has at least one vote. More and more however, a differentiation in votes is being applied, the right to vote being related to the turnover of the members' business with his co-operative. Under this system a majority of members with a minority of votes need to be protected by the rules.

The law does not rule on 'business' relations between the co-operative and its members. The aim of the co-operative being to run a common enterprise, the members' obligation to use the co-operative is more or less "included" in the definition. To understand member relations one must look at the practice of the individual co-operative, as regulated by rules that differ considerably.

A basic item regulated by the law is the liability of members. This liability plays an important role because co-operatives were set up with few assets; farmers although not lacking solvency at the time of the foundation, were not prepared to invest cash. Assets were replaced by a liability which at the same time was a guarantee for those who lent money to the co-operative. In addition, an obligation on the member to deliver all his produce to the co-operative could be necessary to enable the co-operative to offer sufficient security to the money lender. Borrowed money was gradually replaced by own capital from reserves built up from profits.

However, the level of equity in Dutch co-operatives is still relatively small.

The law distinguishes three forms of liability:

- legal liability, which means unlimited liability for equal or unequal parts
- limited liability (limited liability for equal or unequal parts)
- liability excluded

If the rules of the co-operative do not specify the form of liability, the law assumes the form of liability in equal parts.

In practice, limited liability has growing significance, more and more for unequal parts, the liability being related to the turnover of the member's business with his co-operative.

The law also regulates the internal organisation - e.g. the general assembly, the board, the supervisory committee, etc. - which are not dealt with here. The important principle is that the co-operative's structure is democratic, the members having the ultimate say in all decisions.

CO-OPERATIVE AGRICULTURAL MARKETING IN SWITZERLAND*

by

E. Jaggi**

Types of Co-operatives in Agri-Food Marketing

Agricultural co-operatives. These are active in the supply of production equipment, the marketing of agricultural products and the provision of a wide variety of services to farmers.

Dairy co-operatives process and market milk, either liquid or in the form of dairy products.

Other marketing co-operatives deal with fatstock, eggs and poultry, fruit, wine and vegetables.

The consumer co-operatives (Migros and Co-op) set up and managed by consumers and supplying both food and non-food products are an important sector.

The legal status of co-operatives and co-operative federations is defined in the Swiss Code of Contract Law, articles 828-926.

Importance and Development of Agricultural Co-operatives

Swiss agricultural co-operatives are grouped into nine regional federations. The federations offer their co-operative members the benfits of concentration and co-operation in large-scale purchasing of fertilisers, feedstuffs, seeds, pest control products, fuel and petrol, agricultural machinery and everyday goods, and in the manufacture of concentrated feedstuffs.

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* Summary of report transmitted by the Government of Switzerland.

** Union of Agricultural Co-operative Federations of Switzerland, Winterthur

Another field of activity is the preparation, packing and marketing of agricultural products (feed grains, potatoes, fruit, wine and vegetables cannot be processed efficiently except in large quantities). The processing may, in some cases, go so far as the preparation of pre-cooked dishes.

With the support of the federations, agricultural co-operatives are able to offer additional services such as technical assistance in animal husbandry (advice on feeding, rearing and selection, sometimes in fully-integrated operations), the marketing of breeding stock and fatstock, advice on manuring, etc.

In 1979 the turnover of the nine federations amounted to 2.40 billion francs (including the processing of bread cereals). Compared with the 1969 figure of 1.08 billion, the increase was therefore 122 per cent in ten years. To strengthen their position in the country as a whole, the nine agricultural federations have set up the Union of Agricultural Co-operative Federations of Switzerland. The objective of this joint undertaking was initially to group at country-wide level activities which were beyond the capacity of the individual federations and to combine their purchasing power. Various joint enterprises have been set up which are operating successfully in the fuels, machinery, seeds, slaughter and other sectors; in research on pig nutrition, selection rearing; and in the manufacture of specialities such as mineral salts and milk powder. Through these joint enterprises, co-operation in the Union has been of benefit to the whole of the agricultural sector.

Main Trends Observed in Agri-Food Marketing

For years it has been observed that the new patterns of distribution and consumer demand have an influence beyond the range of industry and commerce and affect the supply and demand structure in agriculture. The market, which is consumer-dominated, is characterised by greater insistence on quality and an increase in the proportion of packaging costs, to the disadvantage of the producer's share. The multinationals call the tune and the agricultural co-operatives are forced to close ranks. Only by offering similar large-scale deals can Swiss agriculture and its co-operatives withstand the pressure of the surpluses unloaded by neighbouring countries. The market situation is such that it is no longer a question of producing more but rather of producing exactly what the market wants and what sells best. The co-operatives must therefore help the farmers to adapt their production to market demand.

There is a continually increasing need for equipment for sorting, preparation, and packaging so that the produce of the soil can be delivered in sufficiently large and homogeneous lots. The big distribution chains with their purchasing power can bring considerable pressure to bear on the producers so that both horizontal and vertical integration of agricultural production are essential to adapt to the new market structures.

Assessment of Advantages and Shortcomings of Marketing Co-operatives in the Light of the General Trends in Agri-Food Marketing

Horizontal and vertical integration of the agricultural co-operatives means that the demand for production resources can be grouped and a united front presented to suppliers of, for instance, fertilisers and pesticides on an equal footing. Joint institutions take over the task of processing agricultural products into fully-prepared foodstuffs (potato-based and deep-frozen items, fruit juices, wines etc.), thus strengthening the co-operatives' position in dealing with buyers. Despite the rather traditional ways of thinking of the co-operatives, they and their organisations have proved that they are capable of dealing with the era of automation in undertaking new and onerous tasks.

Conclusions

The agricultural sector as a whole has to take an active part in the process of concentrating supplies if it is to withstand the pressure exerted by the purchasing power of the big distribution chains. Only in this way can agriculture play a decisive role in the market. Farmers have to be persuaded that close and systematic co-operation between producers and the strongly-organised co-operatives increases their chances of success. The family farm today has to do business with customers and suppliers whose economic superiority is overwhelming. The imbalance does not favour a harmonious relationship, but inevitably leads to the domination of the weaker by the stronger in one form or another and the agricultural sector can escape from this only by developing forms of organisation which enable it to combine its purchasing and sales potential. The many successes achieved in this field do not mean that its evolution is complete: in adapting themselves to constantly changing economic conditions, co-operative organisations are endeavouring to promote the principle of mutual aid in the farm community.

AGRICULTURAL CO-OPERATIVES IN AUSTRIA

THE RAIFFEISEN CO-OPERATIVE ORGANISATION

by

Herbert Kleiss*

A brief summary of the overall economic situation in Austria in general and of the significance of agriculture in particular may be necessary to better understand the importance of agricultural co-operatives in Austria.

Austria has approximately 7.5 million inhabitants, 617,000 of whom work on the land.

The nominal gross national product amounted to A.S. 873,300 million in 1979; agriculture and forestry accounted for A.S. 40,200 million. This corresponds to 4.6 per cent of the entire gross national product. It is estimated that 305,500 people are employed in agriculture and forestry. 170,000 of the total 360,000 agricultural enterprises are operated by full-time farmers. The average size of a farm is about 21 hectares.

Supplying Domestic Markets with Agricultural Products

Domestic demands for most agricultural products can be met almost entirely. Only for fats and oils is the supply rate about 55 per cent, since Austria depends almost entirely on imports for these products. But in spite of this situation, Austria's agriculture is confronted with massive imports of agricultural products.

The quantities of home-produced raw materials and staple food products consumed in Austria in 1979 are indicated over:-

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	'000s of tons
Bread grains	644
Potatoes	414
Sugar	275
Meat	586
Slaughtering fats	81
Eggs	96
Whole Milk	928
Cheese	32
Butter	40
Fresh fruit	241
Vegetables	466

Agriculture and Foreign Trade

In 1979 Austria's foreign trade balance showed a surplus of imports to the amount of A.S. 63,600 million. The European Community is Austria's most important trading partner: goods worth A.S. 110,430 million went to Community countries in 1979.

Agricultural exports amounting to A.S. 8,870 million were offset by imports valued at A.S. 21,040 million. Accordingly the agricultural foreign trade deficit amounted to A.S. 12,170 million. The most important categories of agricultural exports are: breeding and store livestock and cattle for slaughter amounting to A.S. 1,920 million; dairy products and eggs to the amount of A.S. 1,740 million; and cereals amounting to A.S. 268,400.

The largest section by far of agricultural imports came from countries of the European Community, which accounted for 65 per cent. Fruits and vegetables for a total sum of A.S. 5,540 million are the most important group of imported goods, accounting for slightly more than a quarter of total agricultural imports.

Agricultural Co-operatives

A few characteristic figures may serve to illustrate the importance of agricultural co-operatives in Austria. Agricultural co-operatives and the organisation of Raiffeisen co-operatives comprised approximately 2,900 individual co-operatives in 1980. The services of these institutions are utilised by more than two million members - who are co-owners at the same time. Every second Austrian citizen has a savings account with a Raiffeisen bank, Raiffeisen warehouses receive two thirds of the entire grain harvest, co-operative dairy and cheese factories receive almost 90 per cent of the milk produced in Austria. The examples given here relate to the three most important branches of a total of 50 different types of activities. The Raiffeisen Association of Austria is a purely private undertaking. Accordingly, it plays an important role as employer for the private economic sector: it provides jobs for about 45,000 people. In addition, there are more than 36,000 elected officers who represent co-operative members and manage and check the activities of individual co-operatives. With annual investments amounting to thousands of millions, agricultural co-operative societies are an essential factor in stimulating the economy in general.

Beyond their economic importance, Raiffeisen co-operatives have a significant social function in Austria. Being purely private enterprises, co-operative societies play an important role in a country where large sections of the economy are nationalised or semi-nationalised. Raiffeisen co-operatives in Austria therefore feel they provide a fundamental alternative to nationalised and semi-nationalised organisations and institutions. Every individual co-operative enjoys full autonomy. There is no interference by the top-echelon management, as is the case with stock corporations. The voluntary association formed by co-operatives rather provides that co-operative societies of one section can look after their members' interests in the best possible manner and can prove themselves against the toughest of competitors.

Structure of Agricultural Co-operatives

At present the Raiffeisen organisation comprises 2,900 co-operative societies with 2,300 branch-offices. A de-centralised structure is characteristic of the organisation. Each and every of the 2,900 co-operative societies is run on democratic principles. Accordingly, there is no central command post and instructions cannot come "from higher up". This system is in contrast to tendencies towards centralisation, as can be observed in other economic structures. It is not intended to bring any changes to this time-tested organisational structure.

In spite of the above, the number of individual co-operative societies has diminished in recent years; in 1960, for example, there were still 4,100 co-operative societies. This decrease in the number of individual co-operative societies does, however, not mean that there is a trend towards establishing branch offices, rather than co-operatives, on the primary level. It is only a logical consequence of the structural changes in the different economic sectors, as well as the outcome of efforts to establish efficient entities. In this context, turnover figures are not necessarily the critical element, in most cases the decisive factor is the services provided by a given co-operative society, taking account at the same time of managerial and operating aspects.

Although every individual co-operative society is an autonomous entity, it is also part of the Raiffeisen Association. Without doubt, it also applies to Raiffeisen co-operative societies that small individual groupings can hold their own only by forming a strong association.

The primary co-operative societies of the most important economic sectors are incorporated in provincial associations on the regional level and in federal central organisations on the national level. These provincial associations and federal central organisations are members of the Austrian Raiffeisen Association, the umbrella organisation for all co-operative societies of the Raiffeisen type in Austria. The Austrian Raiffeisen Association is not engaged in any commercial activities. Its main tasks are to audit member co-operatives, to provide consultation services and to represent members' interests. In addition, the Austrian Raiffeisen Association is in charge of training the co-operatives' staff of about 45,000 full-time employees and 36,000 elected officers. Furthermore, the Austrian Raiffeisen Association maintains relations on an international level.

Agricultural Co-operatives - The Most Important Categories

Credit Co-operatives Societies. More than 1,200 Raiffeisen banks, with almost 1,100 branch offices, are universal banks for the middle classes, offering every kind of banking service. On the provincial level they are united in provincial central banks. On the national level the "Genossenschaftliche Zentralbank AG" (Central Co-operative Banking Corporation) in Vienna is the top institute for the entire Raiffeisen money group. This leading banking institute - which belongs to the UNICO group of banks - is also in charge of foreign banking transactions of the Raiffeisen money group.

The following companies, among others, belong to the Raiffeisen group: "Raiffeisen-Finanzierung AG" (Raiffeisen Financing Corporation), "Raiffeisen-Bausparkasse Ges.m.b.H." (Raiffeisen Building and Loan Association Ltd.), "Raiffeisen-Versicherung AG" (Raiffeisen Insurance Corporation), "Raiffeisen-Leasing Ges.m.b.H" (Raiffeisen Leasing Ltd.), "Raiffeisen-Reisedienste" (Raiffeisen Travel Services).

Almost 1,4 million Austrians are members of Raiffeisen banks. The Raiffeisen money organisation share in the savings deposits of all Austrian money institutes is approximately 24 per cent. Its share in the volume of commercial loans is 17 per cent. Raiffeisen banks are the most important money source for middle-class Austrians: they meet up to 64 per cent of the credit demands of agriculture and forestry, up to 27 per cent of those of tourism, and up to 27 per cent of those of trading enterprises.

Towards the end of 1979 the Raiffeisen money organisation had a total volume of deposits in the amount of A.S. 130,000 million and a volume of loans of A.S. 113,000 million.

Buying and Selling Co-operatives. About 170 Raiffeisen buying and selling co-operatives with about 210,000 members engage in joint purchases of essential commodities and joint sales of agricultural products, thus achieving trading advantages for their members. The buying and selling co-operatives are incorporated in provincial associations and federal central organisations.

The co-operative commodities organisation has a leading position in Austria with regard to the collection and marketing of bread, industrial and fodder grains. Raiffeisen warehouses receive, dry, store and market two thirds of the entire cereal harvest. In 1979 the total wheat production, amounting to 850,000 tons, was considerably below the value for the previous year, on account of unfavourable weather conditions. They have a silage and storage capacity of more than 1,700,000 tons of grain. To some extent, the warehouse co-operative societies are also involved in the processing of potatoes and the marketing of timber. There are more than 1,000 co-operative filling stations which play an important role in stocking supplies, their tanks accomodating more than 50 million litres of fuel.

The warehouse co-operatives are also of significance for local supplies. They provide their customers with commodities of all kinds and render a number of services such as trading of commercial fertilisers, seeds, herbicides and pesticides, machinery, oils and fuels, construction materials and farming, household and gardening tools and appliances.

Further functions are consultation services for members on production technologies and farm management, on fertilisation and animal feeding problems, as well as on the purchase of machinery.

The steady upward development of the Raiffeisen commodities group - the buying and selling co-operatives together with their central organisations - can be illustrated by the turnover figures: the total turnover rose from A.S. 16,500 million in 1969 to A.S. 41,500 million in 1979.

Dairy Co-operatives. The 78 dairies and other milk processing factories have about 190,000 members and belong to the group of processing co-operatives. They receive 90 per cent of the milk produced in Austria, process it and deliver milk and milk products to the individual supply regions. The dairy co-operatives are incorporated in provincial associations. On the federal level, the commercial interests are vested in the "Österreichische Molkerei - und Käsereiverband" (Austrian Dairy and Cheese Association). A good number of milk processing co-operatives are engaged in the manufacturing of cheese whose export is of special importance to Austria. In 1979 approximately 24,200 tons of hard cheese, 9,500 tons of other cheese varieties, 16,700 tons of whole milk powder, 8,200 tons of skim milk powder and 400 tons of butter were exported.

The dairy co-operatives, together with the provincial and central associations, had a turnover of A.S. 25,500 million

Other Co-operative Societies. Animal and meat marketing on a co-operative basis is also structured on three levels; primary co-operatives, provincial associations and a central organisation. It is the task of Raiffeisen co-operatives to receive, process and market animals, meat and meat products. In keeping with the special requirements of individual regions, processing plants as well as slaughterhouses are attached to the relevant co-operatives. One of their important tasks is to procure and sell healthy and efficient breeding and productive animals.

This group of co-operative societies has a market share of about 45 per cent in the export of cattle for slaughtering and almost 40 per cent in the export of breeding and productive cattle.

47 winegrowers' co-operatives process and market the harvest of Austrian winegrowers. The cellars of co-operative societies have a storage capacity of more than 1 million hectolitres.

There are further processing co-operatives for fruits and vegetables, timber, seed-growing and apiculture.

Machinery sharing co-operatives enable their members the joint - and thus economical - use of equipment and machinery. In this group we find machinery and equipment co-operatives, milling, sawmilling and electricity supply co-operatives, animal breeding and pasture utilisation co-operatives.

In addition there are also Raiffeisen co-operatives for the most diverse services: electricity company co-operatives, afforestation co-operatives, beet-growers co-operatives, land acquisition co-operatives, agricultural and forest road construction co-operatives and others.

General Considerations Concerning Co-operative Societies

During recent years agricultural co-operatives in Austria have developed at a more than average rate. In 1950 membership was still only about 800,000: today more than 2 million members belong to Raiffeisen Austria. In 1950 the market share of the Raiffeisen money organisation, with regard to total deposits, accounted for 5.6 per cent of all Austrian banking institutes: in 1979 the share was 20.6 per cent. During the last 20 years the Raiffeisen warehouse organisation has built up tremendous storage capacities which today are an important element of Austria's supply policy.

In less developed regions with a lower rate of industrialisation and a lower population density the range of services and products offered were adjusted to the needs of the population. Co-operative dairy and cheese factories are mainly responsible for the processing and marketing activities of this economic sector, which is of major importance for Austria. They also ensure that small quantities of milk from even the remotest parts of the country can be processed. A planned programme of quality improvement has made it possible to obtain a major increase in the consumption of milk and milk products in recent years.

The above data corroborate the fact that the idea of co-operative self-help, based on the principles of democracy, has proved successful in every respect. There is hardly a comparable economic organisation where economic democracy is practiced in such a pure form. On account of the decentralised structure, local and regional peculiarities find adequate recognition. Central organisations on the provincial and federal levels make sure that strong associations can intervene in the free play of mightier forces where the individual co-operative society would not have sufficient powers.

The Austrian Raiffeisen Association takes a continuous interest in improving its organisational structure and in streamlining and expanding those of its branches which obviously offer an economic potential. This does not mean, however, that we strive for growth at all costs. Agricultural co-operatives in Austria stand for security, and this guiding principle has paid very well so far. Only this policy can ensure that agricultural co-operatives in Austria will continue to be a stabilising force in the country's social market economy, fulfilling its mission as a private economic organisation for the middle classes and of promoting members' interests in the best possible manner.

THE ROLE OF CO-OPERATION IN AGRICULTURAL AND FOOD MARKETING IN HUNGARY

by

L. Vajda* and H. Radnoti**

Types of Co-operatives (and other similar organisation forms) in Agri-Food Marketing, including the Main Related Legal Regulations and Provisions

The two basic units of our socialist economy are the State-owned enterprises and the co-operatives of which there exist about 2,500. They employ one-third of the active population, produce 25 per cent of the national income and can be found in almost every branch of the economy - in agriculture, industry, the building industry, trade and services.

The State supports the co-operative movement from political, legal, moral and financial aspects. Paragraph 10 of the Hungarian Constitution declares "the State promotes the co-operative movement based on the voluntary association of workers". At the same time as the sectoral structure of our economy was consolidated over the period 1967-71, a legal framework for co-operative activities was created and the legal provisions ensure the freedom of co-operation, and the independence of co-operative economy. The government does not impose compulsory plans on the co-operatives: the accord between the interests of co-operative members and the national objectives is ensured through the well-established self-government of co-operatives, and the economic and administrative regulation by the State. Professional guidance of co-operatives is carried out by the relevant ministries (Ministry of Agriculture and Food, Ministry of Internal Trade, etc.). Co-operatives belonging to the same sector have created regional and national bodies to safeguard their interests.

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The body for agricultural production co-operatives is the National Council of Farming Co-operatives (Termelőszövetkezetek Országos Tanácsa, TOT), for the General Consumer and Sales Co-operatives, the National Council of Consumer Co-operatives (Fogyasztási Szövetkezetek Országos Tanácsa, SzÖVOSz), and the National Council of Industrial Co-operatives (Ipari Szövetkezetek Országos Tanácsa, OKISz). The co-ordinating body of all three is the National Co-operative Council (Országos Szövetkezeti Tanács, OSzT).

The development of the national economy resulted in the formation of different types of collaboration in the late 1960s. Based on the relevant act of 1978 so-called "economic association" can be established, through association contracts between State enterprises, co-operatives and other economic organisations. This economic co-operation aims at the promotion of the interests of members through common activities and the co-ordination of their other activities. The act makes distinction between those economic co-operations which are, and those which are not, independent legal entities.

Main Trends actually observed in Agri-Food Marketing

The role of the different sectors in agricultural and food production. Agricultural and food production are important sectors of the national economy. The gross production of agriculture in 1978 amounted to 183 billion forints, that of the food industry to 151 billion forints, which together yield 22 per cent of the gross domestic product.*

A comparison of the contribution of the various sectors is shown in the table below.

Table 1

Agricultural Production			Food Production 1978		
State	Co-operatives (Common land and household plots)	Auxiliary Farms	State	Co-operatives (agricultural & consumer)	Private sector
%	%	%	%	%	%
16	69	15	84	15.6	0.4

* All data refer to 1978, if not indicated otherwise.

The share of co-operatives in agricultural production has been relatively constant in the last few years, but in food production it rose dynamically (being in 1973 only 9.2 per cent). Concentration and specialisation of production coincided with various types of horizontal and vertical integration. The collaboration between economic units is an example of horizontal integration. In 1978 there were about 700 co-operative associations of which more than 600 were agricultural. One hundred and seventy four of these partnerships were legal entities, 442 worked within the organisation of one of the members. The combined income of this economic co-operation was 46 billion forints.

The role of different sectors in the marketing of agri-food products.

Production. The development of the economic and social life in the past decades resulted in an increasing share of commodity production in agriculture. In 1970, 64 per cent of the agricultural gross product was marketed, in 1978 the marketed volume rose to 82 per cent (150 billion forints). 16 per cent of the gross agricultural commodity production was provided by the State sector, 75 per cent came from common and household farms of the co-operatives, and 9 per cent from the auxiliary and private farms. The share of co-operatives is relatively stable, that of the private sector is declining.

Different enterprises participate in the distribution of agricultural products, and every producer is free to choose his own method. The planned system in this part of the trade is represented by the contracts (on which about 85 per cent of the production is based) and by the different integrational schemes.

20 to 25 per cent of the food produced is exported, the rest is mainly for domestic consumption, though some products are channelled back to agriculture (e.g. in the form of feed) or serve as basic materials in different branches of the industry.

Sales. As with production, the State enterprises, co-operatives and their associations, and the private sector all participate in the wholesale and retail sale of agri-food products. The private sector is active only in the retail sale, but its role is not so significant as in production. A diminishing number of small-scale farmers are still marketing their products in the market-place and there are also some "professional" private traders mainly in the fruit, vegetable and flower trade.

Direct sales to the consumer, through farm shops or in the market-place are declining, amounting to only 5 per cent. 20 per cent of the agricultural product is traded among the producers themselves (mainly feedstuffs), and 75 per cent of the marketed goods is bought by the food industry's commercial and catering organisations.

The State is the largest agricultural trader: its large enterprises (trusts) operate all over the country and buy agricultural products for processing, for wholesale and, in some rare cases, also for retail sale (e.g. the feed industry). Food wholesale trading is carried out by a State commercial network. Only a part of the goods gets into this channel, depending on the nature of the product while the rest is delivered directly to the retail trade, much of it being produce of the co-operative food industry.

The total turnover of food (including 12 per cent import goods) in the retail trade (both shops and catering trade) was 125 billion forints. The co-operative share was 45 per cent and that of the State sector 55 per cent. The co-operative share in 1970 was only 38 per cent, so they had a dynamic expansion in the following years.

Importance of Co-operatives and other forms of Co-operation in the Agri-Food Trade

Despite the preponderance of the State sector in the agri-food trade, co-operatives, their "co-operative enterprises" and other types of co-operation also play an important role. Co-operatives affect trade to a greater extent than their share, in so far as they create competition for the State and private sector. Co-operative trade adjusts itself flexibly to market conditions and their activities offset shortages as regards both certain areas and commodities. Co-operatives in agriculture and in the food industry also sell about 2 per cent of their marketed goods directly to the consumers in their own shops. The General Consumer and Marketing Co-operatives (Általános Fogyasztási és Értékesitési Szövetkezetek, ÁFÉSz) whose members are mainly rural people, play an important role in local supply. They organise agricultural production and marketing for their members, carry out food processing, industrial and servicing activities, and they also contribute to the cultural education of their members. In 1978, there were 300 ÁFÉSz active in Hungary with a total membership of 1.6 million (15 per cent of the total population). The gross turnover of the ÁFÉSz was 100 billion forints. The ÁFÉSz also play an important role in the marketing of fruit and vegetables produced by small farmers, livestock for the State-owned meat and poultry industry, and in the trade of products which are beyond the scope of the specialised State enterprises, such as straw, hay, beans, poppy, honey, herbs. A great part of those products is exported.

The ÁFÉSz make production and purchase contracts with the small-scale producers. To promote their production, the ÁFÉSz supplies them with breeding animals, seeds, fertilisers, herbicides, feedstuffs, in many cases with preferential conditions.

There are also "agricultural specialised groups" (e.g. for pigeon breeders, rabbit breeders, vegetable producers) within which the producers obtain the latest production methods, the best stocks and species, and receive financial assistance.

Marketing activities of the trading organisation founded by them. The agricultural production co-operatives have a common trading organisation, the Selling, Procuring and Servicing Joint Enterprise of the Farming Co-operatives (Termelőszövetkezetek Értékesitő, Beszerző és Szolgáltató Közös Vállalata, TSzKER). 1,130 out of the 1,350 production co-operatives are members of TSzKER. TSzKER carries out its activities almost exclusively as commissioner for the co-operatives, in exchange for a modest percentage. One part of the profit is repaid to the member co-operatives. The gross turnover of TSzKER in 1979 was 10.5 billion forints, which was about 20 per cent higher than in the previous year.

The organisation participates in the trade between agricultural co-operatives, helps in marketing different products to State-owned food processing enterprises and exporting companies (e.g. alfalfa meal, seeds, wine, sunflower seed). TSzKER procures fertilisers, herbicides, trucks, machines and feedstuffs for farming co-operatives. The company has its own network of food and retail trade. In addition to trading, they have production units of agriculture and in the trade and service sector as well. TSzKER is a member of foreign trade-oriented co-operations for several products.

The consumer and marketing co-operatives have founded different organisations at regional and country level to organise trade among themselves and for export. These "co-operative enterprises" had a gross income of 50 billion forints, which resulted mainly from selling agri-food products. Some examples of such co-operative enterprises are:-

- Trading Society for Fruit and Vegetables (Zöldség-Gyümöles Kereskedelmi Egyesülés, ZÖLDKER) which acts as the wholesale trade organisation for fruit and vegetables. In buying products from small-scale farmers ZÖLDÉRT is in contact with ÁFÉSz. Besides the wholesale activity ZÖLDÉRT cleans, sorts and packages goods, and has a significant retail network.

- HUNGAROFRUCT, which exports and imports fresh and processed horticultural products. Its partners are agricultural production co-operatives, the ZÖLDÉRT, and the State-owned enterprise for canned products.

- HUNGARONEKTÁR (Országos Méhészeti Szövetkezeti Közös Vállalat), the joint apicultural enterprise of 120 co-operatives, which organises apicultural production, buying, preparing for consumption and selling the product.

- MAVAD (Hungarian Co-operative Enterprise for the Trade in Game), which buys, processes and sells small and big game at home and for export, and organises hunting and shooting for hunters from abroad. MAVAD is authorised to carry out foreign trade by itself.

- HUNGAROCOOP (Co-operative Foreign Trade Company), which is the authorised foreign trade company of different types of co-operatives (industrial and consumer). It is concerned with agricultural and food products only to a small extent.

Co-operatives take part in joint venture department stores. The ÁFÉSz units are the main members of the country-wide SKÁLA-COOP co-operative department store network. They offer a wide range of consumer goods besides food products both in the countryside and in Budapest.

Economic Associations. As well as co-operatives and their joint enterprises other types of co-operative organisations participate in the marketing of agri-food products. Among these are the economic associations some, though not all, of which are independent legal entities.

- ÁGKER KFT is the trading organisation of the State farms, in the form of a limited company. Its turnover was 15 billion forints in 1978. ÁGKER KFT organises trade among the State farms, markets their products for the State enterprise food industry, procures input goods for the State farms, and has a few food and feed retail shops.

- The export of reeds produced by State farms is performed by NÁDEX KFT.

- The "foreign trade associations" are economic associations without legal power, and have been set up in the last few years. These associations co-ordinate the activities of the foreign trade enterprise and its most important domestic partners dealing in the same product. They promote closer co-operation between production and marketing. Foreign trade associations already exist for the export of rabbit, fish, wine, alfalfa meal and seeds.

The common marketing activity of the different agricultural production associations can be regarded as a further form of co-operation in agri-food marketing (e.g. agro-industrial associations, production systems).

Advantages and Shortcomings of Marketing Co-operatives (and similar organisational forms) in the light of the General Trends in Agri-Food Marketing

The marketing of agricultural products continues to rise more steeply than production. This arises from the ever higher degree of specialisation, from the declining share of the active population employed in agriculture, and from the upward trend of urbanisation. The trade in agricultural products continues to be carried out through a free, multichannel system. Co-operatives' traditional role in the marketing of agricultural products was extended dynamically over the past few years. Other forms of co-operation also increased their share in the marketing of agricultural products substantially in line with their growing role in agricultural production. Specialisation is accompanied by tendencies towards integration to stabilise production and marketing.

The advantages of co-operatives and other forms of co-operation appear to be the following:-

- the direct representation of the members' interests in marketing activities,

- flexibility and fresh ideas in marketing and also in production, produced by market trends,

- contribution to the equilibrium of demand and supply, and the better supply of goods to the population,

- dispensing with the middleman in delivery of produce to the consumer, thus diminishing costs,

- adjusting production to processing and vice versa.

Marketing co-operatives and other forms of co-operation are active primarily in domestic trade but they also play a significant role in international trade. It has already been mentioned that certain co-operative enterprises are authorised to carry out foreign trade or are founded directly for this purpose (HUNGAROFRUCT, MAVAD, HUNGARACOOP). About 25 per cent of total Hungarian exports are in agri-food products so that many producer co-operatives are to some extent in contact with foreign markets.

CO-OPERATIVES IN AGRICULTURAL AND FOOD MARKETING IN FINLAND

by

I. Vainio-Mattila*

Co-operative undertakings have become a permanent feature of the Finnish economy, playing a vital role in Finnish industry and foreign trade, and receiving positive support from the population, particularly from farmers, inhabitants of rural areas and persons under the age of 30. Co-operative activity is organised around three different central organisations, which may cause some confusion when presenting an overall view of this activity.

Phases of Development

Co-operative activity in Finland was begun in an organised form at the turn of this century. In fact, various societies had been established earlier among, for instance, the farmers. But not until the foundation of the Pellervo Society in 1899 and the enactment of a special co-operative societies act in 1901 was a formally uniform basis for establishing different forms of co-operatives created. Accompanied by the development of livestock farming and dairy production a great number of co-operative dairies were established in community villages, mostly for the production of butter. The Co-operative for Butter Exports, Valio (currently the Finnish Co-operative Dairies' Association, Valio) was founded in 1905 as a central co-operative. The Finnish Co-operative Wholesale Society, SOK, was established in 1904 as the central co-operative for local co-operative stores, as was the General Union of Co-operative Societies, YOL, an ideological central co-operative organisation set up in 1908.

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As the benefits of the farm population did not in reality coincide with those of the urban working class within the framework of the same co-operative organisation, partly due to party policy reasons, the so-called progressive consumer co-operatives, or the working class co-operatives, split from the YOL and founded a separate central organisation, the Central Union of Consumers' Co-operative Societies, KK, in 1916, and, in the following year, a central co-operative organisation, the Co-operative Wholesale Society, OTK (currently the Central Co-operative Society OTK). This was the origin of the co-operative system today known as the E co-operative movement. The Swedish co-operative societies in Finland broke off from the Pellervo Society in 1919 chiefly for reasons of language policy and founded their own central organisation, the Swedish Co-operative Union, FSA.

The first slaughterhouse co-operatives in Finland were also established mainly on a regional basis, namely the co-operatives for livestock sales, in the second decade of the century. The Central Co-operative for Livestock in Finland (currently the Central Co-operative Karjakunta) was founded as their central organisation in 1918. Many member co-operatives of SOK later joined it. In 1936 the regional slaughterhouse co-operatives withdrew from Karjakunta and established their own meat packing central organisation, the Finnish Farmers' Meat Marketing Association, TLK, since the member co-operative stores of SOK constituted the majority in the Central Co-operative for Livestock. Other fundamental co-operatives and their central organisations were also founded in Finland, of which the Egg Exporters' Co-operative (currently the Egg Producers' Co-operative), founded as the central organisation for egg marketing co-operatives, may be mentioned.

A description of the phases of development of co-operative activity can broadly be broken down into four stages: periods of foundation, rationalisation, concentration and marketing. These phases have emerged in this order, but none have completely terminated even today. The number of co-operatives expanded rapidly until 1930 and have since then palpably declined in spite of the fact that new co-operatives have been founded. As an example, improved transportation networks and rationalisation of operations began to eliminate unprofitable, virtually single-village co-operatives. An era of concentration began in the 1940s, leading to mergers of co-operatives and the further division of labour between co-operatives. This development currently occurs within the framework of so-called industrial rationalisation. Produce saturation and a prevailing buyer's market as well as increased internationalisation reinforced the need for product development, research and advertising. This resulted in the transition to a period of marketing at the turn of the 1950s and 1960s.

Co-operative Activity as part of the Economy

Co-operative Activity has not spread into every branch of Finnish society, and therefore its significance is prominent only in some sectors of the economy.

The share of co-operatives amounted to nearly ten per cent of total gross industrial value in 1977. The share held by co-operatives in the food processing industry was correspondingly roughly one half, which is due to the central position of the food processing industry (95 per cent of gross value) in the co-operative industry itself. It is worth mentioning in this context that the food processing industry is the third largest branch of industry in Finland with a production value of 18 per cent of gross industrial value at 12 per cent of value added. Approximately 90 per cent of the raw material used in the food processing industry consists of domestic agricultural products.

About 42 per cent of the sales of general stores and groceries and approximately 60 per cent of the sales of department stores fall under co-operative business operations. Co-operative enterprises are also responsible for a substantial part of the hotel and restaurant trade in Finland. Thus co-operative activity can be regarded as an essential mechanism directing the food processing branch.

Industry owned by co-operatives employed a total of 26,500 persons in 1977 and its gross production value came to 9,800 million marks. The personnel of co-operatives totalled approximately 105,000 workers and staff in 1978. In the same year, the market share for food retail was estimated to be 19.6 per cent for the SOK group and 16.9 per cent for the OTK group.

Co-operative Activity in the Marketing of Agricultural Produce

Milk, cereals, meat and eggs are the basic agricultural produce in Finland. Their share in farm income is more than 90 per cent. The share of co-operative undertakings for each product group is separately examined on the basis of available statistics and research.

For Finnish farmers, milk is in general decidedly the single most important product, as approximately 45 per cent of farm income is generated by it. Milk production, however, exceeds domestic demand by approximately one fourth. Co-operative dairies and their central organisations, the Finnish Co-operative Dairies' Association, Valio, play a leading role in the milk market. By way of example, all co-operative dairies received 96.6 per cent of milk production in 1978, compared with 91.4 per cent for Valio and its member dairies in 1979. The market share of the Finnish Co-operative Dairies' Association, Valio for different dairy products were as follows in 1977:

Butter	89.5%	(sales by the central organisation)
Liquid Milk	88.1%	
Cheese	85.0%	
Ice-cream	72.2%	
Yoghurt	65.4%	

Nearly 40 per cent of the retail sales of all milk products is estimated to pass through SOK and OTK co-operative stores.

The share of meat in farm income was approximately one fifth in the 1950s and 1960s but exceeded 30 per cent on occasion in the 1970s. The share of co-operative enterprises in meat markets has developed along the following lines:

In 1974 the total market share was 86 per cent, of which the share of co-operative slaughterhouses was 48 percentage units, Karjakunta 20 percentage units and E co-operatives 18 percentage units. The organisation of co-operative slaughterhouses has assumed greater importance in recent years, particularly through commercial purchases. Thus its share in meat purchasing was 55.9 per cent in 1978. The purchasing share was 58.9 per cent for pork, 52.5 per cent for beef, 57.4 per cent for sheep meat and 49.6 per cent for poultry. In 1978 the organisation of co-operative slaughterhouses purchased the following amounts of meat from producers:

Beef	54	million kilogrammes
Pork	88	" "
Poultry	8	" "
Other meat	1	" "

The use of meat by the organisation of co-operative slaughterhouses is relatively evenly distributed between its own meat processing industry, retail sales and large consumers within its own marketing area and the central organisation and other co-operative slaughterhouses. The SOK co-operative stores accounted for approximately 22 per cent and the E group 17 per cent of the retail sale of meat in 1978.

The share of eggs in farm income has generally amounted to five per cent, but this figure has slightly fallen in the last few years as egg production has been sharply restricted. The market share of eggs for the wholesale trade in co-operative enterprises was 76.5 per cent in 1978, as follows:

Egg Producers' Co-operative	31.1%
SOK co-operative stores	18.0%
Central Co-operative Österbottens Ägg	10.5%
E co-operatives	8.9%

The share of co-operatives in the overall egg marketing (wholesale plus other sales) was about 60 per cent in 1978.

Excluding recent crop failures, the share of cereals in farm income has exceeded ten per cent. Pellervo co-operatives receive approximately two thirds and the E group seven per cent of cereals sold through the central co-operatives.

Machinery and supplies purchased by farmers are also largely acquired through co-operatives. The share of the Pellervo sector in machinery purchases is approximately 60 per cent and that of the E group nearly 5 per cent. The Pellervo group also accounts for 60 per cent and the E group about 10 per cent of purchases of agricultural supplies.

Credits for agriculture, forestry and fishing granted by the co-operative bank organisation strengthen the position of co-operative activity in the agricultural sector. These credits amounted to 3,900 million marks in 1978, or 49 per cent of the entire credit supply used by agriculture and forestry. Of all credits granted by agricultural financial institutions, the share of co-operative banks was approximately 60 per cent.

Main Trends observed in Agri-Food Marketing

Agricultural production by far exceeds domestic consumption in Finland. Many means have been implemented in the endeavour to regulate agricultural production. The rapid increase in energy prices has weakened the chances for further gains in production.

Self-sufficiency in agricultural production in 1976-79 in percentages.

	1976	1977	1978	1979
Milk	127	128	126	128
Beef	101	99	101	102
Pork	111	109	117	120
Eggs	167	166	141	134
Wheat	155	137	42	27
Rye	133	96	53	62

In the early 1950s total daily calorie consumption was some 3,000 per capita, rising to nearly 3,200 calories in the mid 50s and falling to less than 3,000 calories in the mid 70s. The factors causing this downward trend include decreased manual labour and the process of urbanisation in general.

The consumption level of cereals and potatoes is higher in Finland that the average level in European countries. On the other hand, vegetable and fruit consumption is lower. A striking feature of the Finnish diet is a high consumption of dairy products (for instance the consumption of butter is higher than that of margarine), though the total fat consumption is not exceptionally high.

The real price development of food and non-food items has indicated that after a sharp decline in 1950, food gradually became more expensive in real terms. A sharp price rise occurred in 1975-77, accompanied by a decline in real earnings.

The marketing of food products has also been developed through the following measures:

- raising production to meet the growth in demand,

- expanding product selection to satisfy diversified demand; this required product advertising,

- restraining distribution costs by restructuring trade; development of e.g. supermarkets,

- rationalisation of production and other measures as well as product development, bearing in mind increasingly complex legislation on consumer, employee, nature and environmental protection.

Price competition as well as restrictions by public authorities cause certain products meriting sales promotion to be frequently unprofitable.

School cafeterias and canteen services at work places are highly developed in Finland; dining out (about 850 million meals per year) has become widespread and altered the market for food products. The frequency of purchases of food products has generally declined; retail food products are more highly processed than before and packaging has become more general in all phases of marketing. Prepared products are coming into use to an increasing extent in mass catering.

Developing the Finnish Co-operative Societies Act

The Co-operative Societies Act was first enacted in Finland in 1901. A new Act on Co-operation was passed in 1954, and strong pressure exists at the moment to amend this law. The Ministry of Justice has therefore drafted amendments in co-ordination with co-operative organisations with the intent to improve the prerequisites to raise share capital and to harmonise certain sections of the Co-operative Societies Act with the new Joint Stock Companies Act, which entered into force on 1.1.1980. The most significant proposals for the amendments are:

1. Increasing share capital by issuing additional shares, on which dividends are paid from the surplus but which do not grant additional rights to, nor impose obligations on members.

2. At least five per cent of the surplus must be transferred to a reserve fund after losses have been covered. According to its rules, a co-operative can for instance, pay dividends on additional shares from the remaining part of the surplus.

3. Releasing more detailed information on the balance-sheet, as required in the Joint Stock Company Act.

Appendix 1

Model of decision-making levels in co-operatives

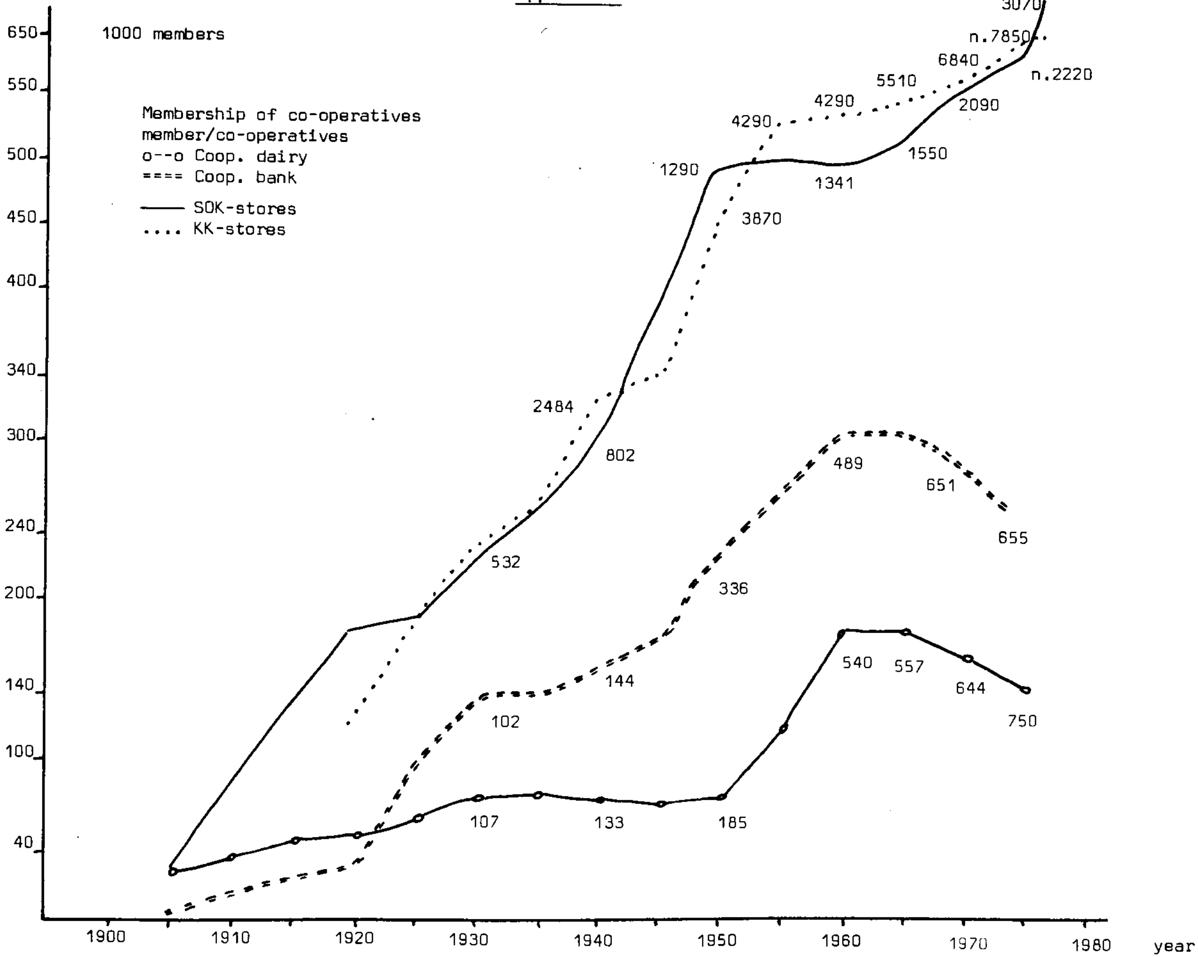
Assembly of members	Annual meeting/ Representatives	Resources of the business and its continuity Approval of business rationals Decision of membership share Election of appointed representatives Use of profit
Elected administrators	Administrative board	General policy Policy planning directives Approval of certain plans Election of board and managing director
Specialist members of the Board	Board of Directors	Policy planning and management Establishing business rationals objectives Formulating business strategy Agreement on objectives Approval of operations policy Decisions on general organisation Approval of the management elections
Professional leaders	Managing director/ Management group	Planning and operations Drawing up budgets and operational plans and programmes Manning the organisation

Appendix 2

The basis for the right to vote in co-operative societies and the election of members to the Board of Administration

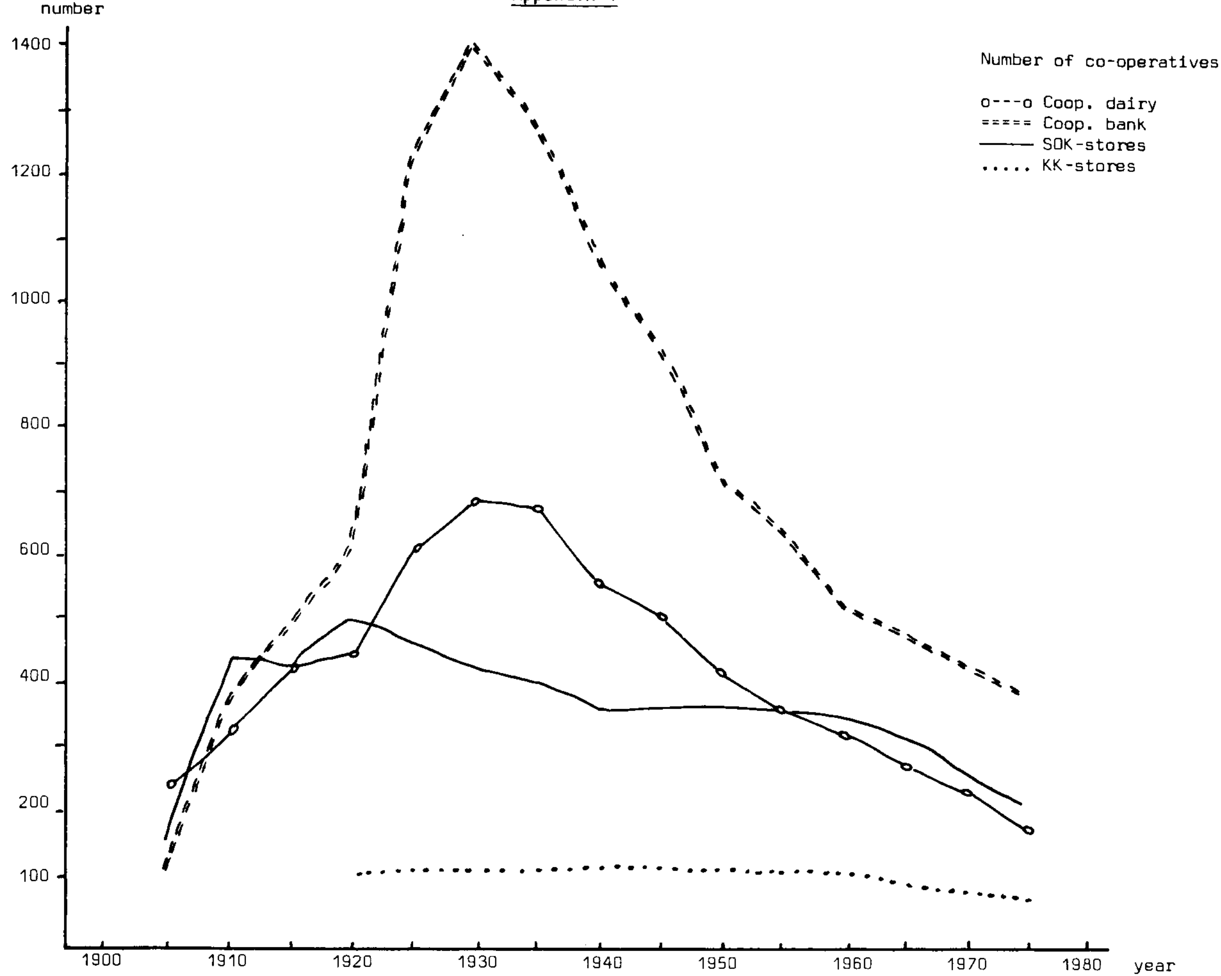
	Membership in 1977	Supreme decision-making body	Basis of electing members to the Board of Administration (and number)
Finnish Farmers' Meat Marketing Association, TLK II stage co-operative	8 co-operative slaughterhouses	General meeting 1 vote per each 3 million kilos or fraction thereof 1 vote per each 5,000 members or fraction thereof with maximum of 21 votes	Members of a member society on the Board of Administration in proportion to the number of votes. Only producers and, if possible, management of members associations (18-21)
Finnish Co-operative Dairies' Association, VALIO. II stage co-operative	154 co-operative dairies	General meeting one member - one vote principle This principle also applies to a II stage co-operative as members of Valio	Member seats on the Board of Administration are distributed in proportion to litres of milk represented by dairy associations, but at least one member from each association. Milk selling dairies form a distinct group parallel to dairy associations. Always one member from the Province of Lapland. (An amendment pending due to reorganisation of dairy associations) Only milk producers (27)
SOK II stage co-operative	217 co-operative stores	General meeting one member - one vote principle	A member of the Board of Administration shall be a member of a SOK co-operative (18)
Egg Producers' Co-operative I stage co-operative	12,363 egg producers 80 co-operatives	General meeting one member - one vote principle	3/4 of the members of the Board of Administration egg producers (15-27)

Appendix 3



1000 members
Membership of co-operatives
member/co-operatives
o--o Coop. dairy
==== Coop. bank
SOK-stores
.... KK-stores
650
550
500
450
400
340
300
240
200
140
100
40
1900
1910
1920
1930
1940
1950
1960
1970
1980
year
3070
n.7850
6840
5510
4290
4290
n.2220
2090
1550
1341
1290
3870
2484
802
532
489
651
655
336
144
102
540
557
644
750
107
133
185

Appendix 4


number
1400
1200
1000
800
600
400
200
100
1900
1910
1920
1930
1940
1950
1960
1970
1980
year
Number of co-operatives
o---o Coop. dairy
===== Coop. bank
SOK-stores
..... KK-stores

THE ROLE OF CO-OPERATION IN AGRICULTURAL AND FOOD MARKETING IN NORWAY

by

Ö. Gran*

Types of Agricultural Marketing Co-operatives

Starting as independent local societies more than a hundred years ago, co-operatives today are single-purpose organisations, (i.e. dairy, livestock etc.) covering all main products except grains.

Agricultural marketing co-operatives consist of nine national associations with their regional and local organisations as shown in Table 1. In addition there are three national associations of purchasing co-operatives, three credit and insurance associations and two animal breeding associations which are all affiliated to the Central Federation of Agricultural Co-operatives. There is no grain marketing co-operative organisation in Norway: all grains are marketed by the State Grain Corporation, which is a State monopoly.

Co-operatives handle 100 per cent of milk sales from the farmers, 75 per cent of meat and pork, 72 per cent of eggs and 35-40 per cent of fruit and vegetables. Forest co-operatives handle more than 70 per cent of the sales of timber and in the case of fur, skins and honey the market share is above 90 per cent (see Table 2).

Legal Basis

There is no co-operative law in Norway. It should be noted that certain general acts are used also for co-operatives; an example is the taxation act which includes specific taxation rules for co-operatives. A special agricultural marketing act of 1930 sets out the principles under which the market regulation work is carried out as described later.

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* Central Federation of Agricultural Co-operatives, Oslo

Table 1

Number of Members and Organisations

Commodity handled	Number of members		Number of primary organisations		Number of plants operated	
	1960	1978	1960	1978	1960	1978
Milk	134,000	42,000	242	142	352	180
Meat and pork	118,000	65,000	17	10	58[1]	52[1]
Eggs and poultry	27,000	3,100	13	13	30[2]	-
Horticultural produce	9,200	-	1	1	30[3]	-
Potatoes for industrial use	5,100	5,000	18	16	18[4]	16[4]
Honey	-	-		1		1
Fur skins	3,800	2,200	1	1	1[5]	1[5]
Timber	50,800	55,200	22	20	20[6]	-

1. Slaughterhouses and meat processing plants
2. Poultry slaughterhouses and egg packing centres
3. Potato, fruit and vegetable packing and wholesale centres
4. Distilleries and Potato Flour Factories (two organisations)
5. The Oslo Fur Skins Auction Company
6. Saw mills, particle board mills and pulp and paper mills

Table 2

Volume of Business and Share of the Market

Commodity	Quantity 1,000 tons		Value mill.n.cr.[1]		Per cent of total production for sale	
	1960	1978	1960	1978	1960	1978
Milk	1,286[2]	1,732[2]	1,000	4,060	98	100
Meat and pork	58.8	117.8	324	2,660	59	74
Eggs	10.7	26.6	48	332	47	72
Horticultural prod.[3]	81.0	135.1	53	284	30-35	(35-40)
Potatoes for industrial use	86.0	-	17	62	100	100
Honey	-	0.44	-	13		
Fur skins	.	.	82	339	85	(98)
Timber	4,506[4]	4,602[4]	397	812	60	(70-72)
Total			1,921	8,562		

1. First-hand value
2. Mill. litre
3. Including unprocessed potatoes for food
4. 1,000 m^3

Marketing Development

At an early stage in the history of co-operatives, the functions were mainly of a commercial nature, i.e. gathering, grading, storing and marketing. For many years co-operatives operated independently in the market, and often in direct competition with each other, but in the early 1930s they took steps to bring the competition between the co-operatives to an end and to regulate the market and stabilise prices by establishing authoritative nation-wide associations with local or regional co-operatives affiliated.

To eliminate the competition between local co-operatives the country was divided into marketing or sales districts, the sales districts of a local or regional co-operative corresponding generally to the district where the co-operative has its members. The Oslo market is considered as a common market for all local and regional co-operatives and sales there are therefore generally in the hands of the national associations.

Regulating the market and stabilising prices were a big challenge to the marketing co-operatives: market regulations had to be financed and storage facilities acquired. A sufficiently large share of the market was essential. Co-operatives were not able to finance the market regulation on their own, as the burden on members would have been too great. The Government was asked for support in terms of legislation and the Marketing Act came into being in 1930. According to the act a marketing fee was levied on all sales of agricultural products (and thus paid by every farmer, not only those who were members of the co-operatives), and the revenue used by the national associations to cover the cost of the market regulation activities.

The Marketing Act has been an important factor in the development of the co-operatives, as in addition to their traditional functions they are also responsible for activities which in other countries are carried out by the State or some kind of marketing board. Thus they have a part in the agricultural policy. However, the market regulation has its limits. The regulation can only handle quantities of a certain size, defined as the quantities corresponding to financial means available.

The marketing co-operatives also process their own products. The dairies did this from the beginning, but most other co-operatives began processing later, even as late as the 1950s. Of special interest are the forest co-operatives which during the last 15 years have built up their own timber processing industry. However, most of this industry is organised as joint stock companies with the forest co-operatives as stock holders.

Co-operatives had hardly finished the investment in processing when it became necessary to introduce modern marketing, during the 1960s. Marketing functions such as product development, national brands, sales promotion, advertising, market strategy and price policy were established under the direction of the national associations. They were given authority to co-ordinate marketing activities, thus avoiding for example a great number of brands. Product development was centralised rather than being carried out by individual co-operatives.

Modern marketing was necessary not least because of the keen competition from the "private" sector. The purpose was to improve the strategic position in the market.

The marketing co-operatives built up a comprehensive information and advisory service for the members to facilitate contact between co-operative organisations and the individual member, promote production of the right quality and assist the farmer in achieving better economic results.

Structural changes in agricultural marketing co-operatives.

Today the changes in economic conditions, technology and market demand created a need for structural changes in the co-operative movement.

a) Mergers

Changes in the relative prices of labour and technical equipment havein the recent years favoured large-scale operations. The introduction of modern food technology and the development of transportation have strengthened this tendency. The number of primary co-operatives has therefore for years been decreasing due to mergers. From 1960 to 1978 the number of local dairy organisations decreased from about 240 to 140: dairy plants decreased in the same period from about 350 to 180: the average delivery of milk per dairy increased from 3.8 million litres in 1960 to 9.6 million litres in 1974. The changes in the number of co-operative organisations and number of plants operated in both the dairy sector and other sectors are shown in Table 1.

b) Specialisation

Even though there has been a significant increase in the size of the co-operative processing plants, many of them are still small. They will for several reasons continue to be small, at least compared with corresponding plants in many European countries. An alternative is specialisation of the processing at plant level. Some dairies produce only fresh milk and cream for sale, other dairies produce butter and/or cheese. Cheese production also is specialised so that each cheese-producing dairy produces only one or a few types of cheese and meat processing plants produce only a limited number of processed meat products. For example, there is only one plant producing canned meat and a few plants dealing with frozen meat.

c) Co-ordination of processing

To co-ordinate production and to exchange products between local or regional organisations, responsibility for the processing policy has been transferred from the local or regional co-operatives to the national associations which are also responsible for the planning of the future structure of the co-operatives, through technical planning, investment planning and so on.

d) Structural changes in the wholesale and retail sector

During the post war period the different agricultural marketing co-operatives have developed country-wide systems for distribution of fresh food to the retailers - i.e. distribution of milk and dairy products, meat and meat products, eggs, potatoes, fruit and vegetables. In the same period the wholesalers built up and expanded the distribution system for groceries and other commodities. Furthermore a strong concentration in the wholesale sector took place through mergers. Today there are only four wholesale chains left. These chains have integrated the retail trade to the extent that more than 90 per cent of the retailers have become more or less linked to the chains. The wholesalers could not expand further within their traditional types of commodities. Therefore they show great interest in the fresh food sector where agricultural marketing co-operatives dominate.

Faced with this situation agricultural marketing co-operatives have two types of strategies to choose between:

- to accept that the wholesalers are taking over the distribution of fresh food and instead concentrate on securing prices and marketing etc. through agreements with the wholesalers;

- to continue to take care of the distribution of fresh food to the retailers keeping in mind the increased competition with the wholesalers it may imply.

Co-operatives have chosen the second strategy, although it may demand big investment and it calls for an extensive collaboration between the various branches of marketing co-operatives. Also big investment in a new distribution system may be necessary.

Other changes and developments

Norway has altogether 17 national associations and in 1945 they established The Central Federation of Agricultural Co-operatives, an apex organisation, whose purpose is to take care of the common interests of the co-operatives, promote collaboration between the various types of co-operatives and to organise common services for the co-operatives - i.e. education, PR research, short-term farm credit etc.

After the second world war professional farm organisations acquired the formal right to negotiate with the State regarding all aspects of the agricultural policy, including prices, market regulation and thus also the farmers' income level. The negotiations are formalised in biennial agreements. According to the agreement the national associations are responsible for the fulfilment of the target prices laid down in the agreement. They use all available means to make sure that the farmers really get the prices laid down. The most important means is market regulation. This means that the associations have accepted the task of carrying into effect a great part of the agricultural policy laid down in the agreement. It is consequently a division of labour - the professional farm organisations are responsible for the negotiations and the agricultural agreement: the co-operatives are responsible for the carrying out of the agreement.

The consequence of the division of labour is that a considerable extension of the collaboration between the national associations and the professional farm organisations has taken place in recent years, and because the State is one of the negotiating parts in the agreement, the collaboration between the associations and the State has been extended year by year.

In order to simplify the organisational structure at the national level it has been agreed upon that the professional farm organisation Norges Bondelag (Farmers Union) will establish a new department called "The Co-operative Department". The tasks of the department will correspond to those of The Central Federation of Agricultural Co-operatives. The expenses will be paid by the national associations, the Central Federal of Agricultural Co-operatives as such will cease to exist.

In 1972 the Norwegian Parliament decided - by law - to realise the idea of industrial democracy, making it possible for employees to be represented in the decision-making bodies in joint-stock companies. The law did not include co-operatives, but Parliament assumed that industrial democracy would be introduced also into the co-operatives. Agricultural co-operatives therefore made a voluntary agreement with the Trade Unions that employees should be represented in the decision-making bodies in agricultural co-operatives in principle in the same way and to the same extent as employees in joint-stock companies. That is, in agricultural co-operatives with more than 50 employees, a majority of the employees can request that a third of the members of the board, and in any case at least two members, shall be elected by the employees from their own ranks; in agricultural co-operatives with more than 200 employees in addition to the representation on the board, the employees shall be represented in the annual meeting.

The annual meeting in due course elects the members of the board. The meeting is the co-operatives' final authority concerning important investment decisions, rationalisation or reorganisation which may affect the employees. (In joint-stock companies the employees are represented on the board and on the board of representatives (a new concept) which have the same authority as the annual meeting in a co-operative organisation). The experience with participation of the employees in the decision-making process in the co-operatives is, so far, good.

Women's role in general and their participation in the decision-making process is gaining increased attention. In Norway the women account for one-third of the labour force in agriculture (mainly family farms) and 80 per cent of the women work on the farm. Despite this fact, relatively few women have a seat on the board or in other decision-making bodies of the agricultural co-operatives. In annual meetings in Norway in 1979 a total of 1,807 men and 115 women took part i.e. 6 per cent.

Women's role and position in the agricultural co-operatives was analysed by a committee in 1979 and several recommendations were put forward in the report. They found that the co-operative principle regarding information and education of members is not fulfilled with respect to the women in agriculture. The committee also observed that it is the farmer generally who is registered as member of the co-operative despite the fact that the by-laws of the co-operatives do not discriminate between men and women. The committee's recommendation is that all owners or those who really run a farm shall be entitled to be a member of a co-operative, which means that the farmer and his wife shall have equal right to be members of a co-operative.

The committee recommends that the principle, one member - one vote be effected which means that each farm will have two votes.

The report of the committee, including the recommendations, was dealt with by The Federation of Agricultural Co-operatives in 1979. They requested the agricultural co-operatives to put them into effect.

Advantages, shortcomings and problems

The collaboration between the national associations and the State is clearly an advantage for the associations. On the other hand it means the interdependence of the associations and the State, and the resultant desire of the State to control and influence the associations. There is great concern that the associations' role as caretaker of the interests of the members may be threatened if they are too much under the influence of the State. The result could be that the allocation of responsibilities is blurred or even wrong. Members may even lose their governing power in certain questions. Mutual understanding and confidence will be necessary in order to sort out and solve the problems. It must be kept in mind that the main purpose of the marketing co-operatives is to promote the interests of the members.

Large scale operations and increasing complexity is resulting in lack of communication between members and co-operatives, the complexity of management and necessity for highly technical knowledge and improved skills on the board. These two problems will call for great attention in the future if members, boards and annual meetings are to maintain their governing position. Systematic information, training and education at all levels of the co-operative movement are essential. Furthermore members and employees will have to learn to act jointly in order to maintain and develop the present democracy in the movement.

There is a tendency towards conflicting interest between co-operatives and the rest of society, which is present in all types of industry and activities in the country today. On the one hand, technological and economic development calls for large-scale operations and increased efficiency for reasons of economy, changes which coincide with the economic interests of the members. On the other hand, the goals and the policy of society may be different. Society may demand that consideration should rather be given to scarce resources, pollution, social environment and rural life. Co-operatives therefore cannot rely only on purely economic criteria in their decision-making: they have a role to play on behalf of society, the challenge is to find a reasonable balance between the conflicting interests. To meet this and other challenges the Central Federation has appointed a committee to work out a programme founded on principles.

THE ROLE OF CO-OPERATIVES IN AGRICULTURAL AND FOOD MARKETING IN SWEDEN

by

Carl Utterström*

Development of Co-operatives in the Food Sector

The first co-operative society in Sweden was formed in the year 1850 with farmers as members, and sold consumer goods, hardware, and implements to the farmers in the neighbourhood. The founders combined proven collective buying practices with ideas from the consumer co-operative movement in Great Britain. During the 1880s many small village dairies and large estate dairies were transformed into farmer-owned dairy co-operatives. Many smaller purchasing societies were also formed and around the turn of the century the first meat packing co-operatives were created. All these farmer co-operatives were local in character and did not co-ordinate their business activities. However, quite early the purchasing societies started to work together in regional federations, and in 1905 seven regional federations founded a national organisation, the Swedish Farmers' Supply and Crop Marketing Association (SLR).

A large number of consumer co-operatives were started in the 1860s and 70s, but only a few of these managed to survive and prosper. In the first part of the 1890s, new consumer co-operatives were set up and became more successful. In 1899 the Co-operative Union and Wholesale Society (KF) was formed as a central organisation for the consumer co-operatives and started in 1904 wholesale activities on a small scale.

The economic depression in the late 1920s and early 1930s hit Swedish agriculture hard. A nationwide general farm organisation, the National Farmers' Union (RLF), was founded in 1929 and a new agricultural price regulation system was introduced in which the farmer co-operatives played an important role. National federations of farmer co-operatives were founded, for example, in dairy, meat marketing and egg marketing which co-ordinated production and the marketing activities and their members. As a result farmer co-operatives ceased to compete with each other. Products from surplus areas were marketed to deficit areas with the help of the national federations.

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The number of farmer co-operatives has decreased rapidly since World War II with a major merger wave taking place in the 1960s and early 1970s. Several large marketing co-operatives were created with some 30,000 farmers as members and many small slaughterhouses and dairies were closed down. The national federations made industrial sector analyses and decided to change the co-operative industrial structure: a small number of regional co-operatives were formed in each branch and the Swedish Dairy Federation (SMR) even decided in 1970 that the structural goal for the dairy industry would be one nationwide dairy company. In 1970 the National Farmers' Union (RLF) merged with the Federation of Swedish Farmers' Associations (SL) and formed the National Federation of Swedish Farmers (LRF). Consequently, today only one national organisation represents the Swedish farmers in, for example, price negotiations with representatives for the consumers and the government about agricultural product prices.

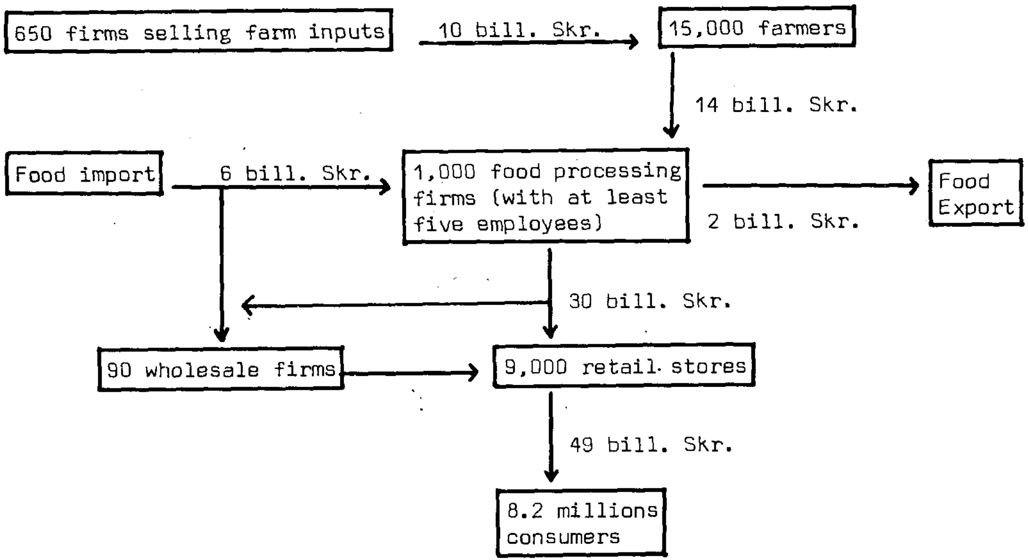
Large structural changes have taken place in the consumer co-operative sector as well. The number of consumer co-operatives decreased substantially during a twenty-year period between 1955 and 1975, and the number of stores decreased from 8,200 in 1952 to 2,200 today.

The Swedish Food System

The Swedish farmers produce agricultural products for about 14 billion Skr annually. In order to do so the farmers use inputs such as fertilizers, seed and machinery to the value of 10 billion Skr yearly. The market value of the total food processing industry's annual production is 30 billion Skr. The consumers pay annually 49 billion Skr for food, including imported food of a value of 6 billion Skr, but not including alcoholic beverages and tobacco. In Figure 1 the main elements of the Swedish food system are shown.

Figure 1

The Swedish Food System, 1978



Of the 14 billion Skr. that farmers receive for their products, about 3.5 billion Skr. are paid in food subsidies over the State budget.

Grain is the major agricultural export commodity and accounts for about 1.5 - 2 billion Skr. The value of food imports is four times higher, the major products being fruit, vegetables and coffee.

In Table 1 the ownership structure of the food processing industry is shown. Foreign-owned companies, established in the 1960s and early 70s, mostly through acquisitions of Swedish firms, sell about 12 per cent of the output of the food industry. About two-thirds of the production of foreign food firms in Sweden are controlled by four large multinational firms: Unilever, Nestle, Cavenham and General Foods. Foreign-owned food firms have specialised in processed food, such as fruit and vegetable canning and tinning, frozen food and coffee roasting.

Table 1

Ownership Structure of the Food Processing Industry

Type of firm	Per cent of total food industry's production
Agricultural co-operatives	46
Private companies	25
Consumer co-operatives	12
Foreign owned companies	12
State owned companies	5

Wholesale trading and retailing of convenience goods have to a large extent been concentrated into three integrated blocks:

1. The Co-operative Union and Wholesale Society (KF) and the (165) consumer co-operatives.
2. ICA, an association of 4,000 private retailers. ICA owns distribution centres and several food processing industries.
3. Dagab, owned by private conglomerates, mainly involved in shipping, the departmental stores group NK-Ahlens, the fruit and vegetable wholesaling firm JS Saba, and two retailing chains, Vivo and Favor. Dagab owns distribution centres and wholesale firms.

Co-operatives in Agri-Food Marketing

There are essentially two types of co-operatives that are of importance in the food system in Sweden today, farmer-owned marketing co-operatives and consumer co-operatives. Associations for collective farming are, despite favourable legislation, uncommon in Sweden; today there are only five such associations operating plus some 75 collective grazing associations. A large number of individual farmers co-operate on an informal basis, for example by co-ownership of agricultural implements. Farm supply co-operatives are of great significance in the farm input sector and they have a 70 per cent market share of purchased feed, 80 per cent of fertilisers, 35 per cent of tractors and 55 per cent of fuel used in agriculture. Farm supply co-operatives are today integrated into grain marketing. These and other farmer-owned marketing co-operatives and consumer co-operatives will be further described below.

Farmer co-operatives. The major part of the agricultural production in Sweden is collected, processed, and marketed through farmer-owned co-operatives which account for 46 per cent of the total production of the food processing industry. They are dominant in the dairy and meat-packing industries, with market shares of 100 per cent for fluid milk and butter, 80 per cent for slaughtering and 40 per cent for meat processing. Farm supply co-operatives collect about 80 per cent of the produced grain. Mainly through acquisitions, farm supply co-operatives have integrated vertically into milling and baking and control today 40 per cent of the flour industry and 10 per cent of the baking industry. Farmer co-operatives are to a small extent involved in manufacturing of the most processed types of food, such as frozen food or tinned food, but they have started marketing some products not based on Swedish primary commodities. For example, the dairy co-operatives have become market leaders in orange juice. In Table 2, market shares of farmer co-operatives for some food articles are shown.

Table 2

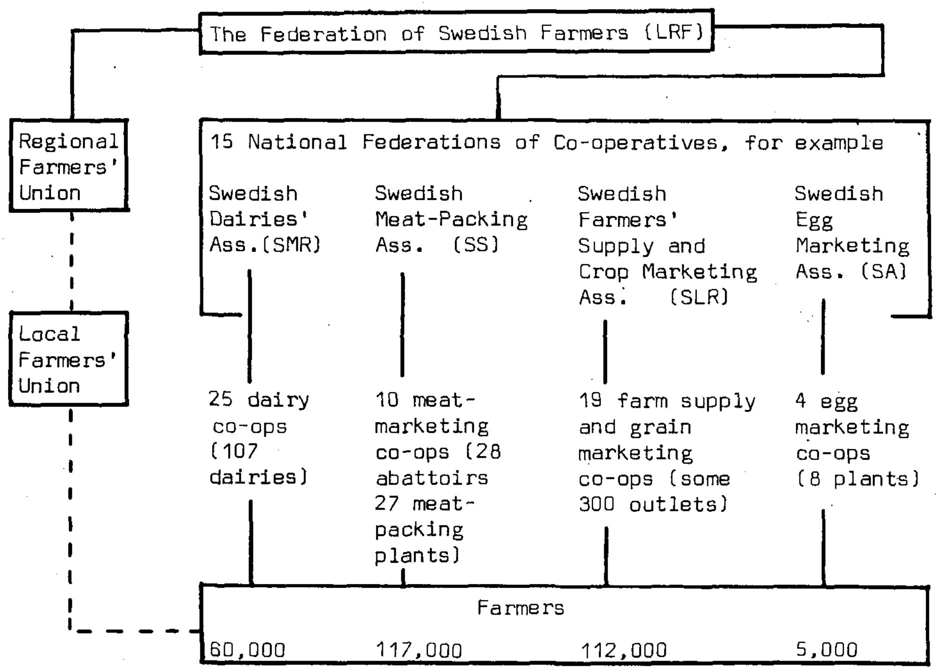
Market Shares of Farmer Co-operatives

Article	Per cent	Article	Per cent
Fluid milk	100	Frozen meat	24
Butter	100	Canned meat	24
Cheese	83	Chicken	40
Edible fats	33	Juice	51
Eggs	46	Bread	21
Potatoes	40	Flour	63
Meat, fresh	34	Baby food	52

All farmer co-operatives in one line of business are members of one national federation, for example, the dairy co-operatives are members of the Swedish Dairies' Association (SMR). The structure of the farmer co-operative sector is shown in Figure 2.

Figure 2

The Structure of the Farmer Co-operative Sector



Farmers' marketing co-operatives have traditionally been single-purpose societies. Today there is only one farmer co-operative of a mixed character - a multipurpose co-operative. This firm, Nedre Norrlands Producentforening (NNP), was formed in 1970 through mergers among six dairy, meat marketing, and farm supply co-operatives, and is situated in the north of Sweden where conditions are advantageous for multipurpose co-operatives, due to a sparse population and long distances between mostly small farms. Possible co-ordination effects in transportation, capital procurement, and in administration were the main reasons behind the creation of NNP.

In the dairy sector Arla is the largest co-operative with about 60 per cent of the total market and some 25,000 dairy farmers as members. The three largest meat marketing co-operatives Skanek, Farmek and Scan Vast, together account for 70 per cent of farmer co-operatives' slaughtering. In the egg marketing sector all egg packing is today handled by the national federation, SA.

Consumer Co-operatives. The consumer co-operatives' market share of food retailing is today 21 per cent. The national federation, the Co-operative Union and Wholesale Society (KF) has 165 consumer co-operatives as members. KF is also one of the largest industrial groups in Sweden with subsidiary companies manufacturing, for example rubber tyres, electric bulbs, paper pulp, clothes and food. A few of the largest consumer co-operatives have integrated vertically and own bakeries. The consumer co-operatives today have a 12 per cent market share of the total Swedish food industry.

Consumer-owned food industries directly compete with farmer co-operatives in several areas as well as private firms. KF's meat packing plants account for 7 per cent of total slaughtering in the country and 22 per cent of the meat packing. In the milling industry KF has a market share of 22 per cent and in the baking industry KF has a market share of 15 per cent. KF are also involved in other parts of the food industry such as fruit and vegetable canning, manufacturing of ice-cream, margarine, chocolate, confectionery and fish processing.

KF's wholesale activities are exclusively directed towards the consumer co-operatives and cover about 80 per cent of the consumer co-operatives' need for daily goods. The 165 consumer co-operatives have today about 2,100 stores, ranging in size from departmental stores to small neighbourhood stores.

Legal Regulations and Provisions for the Co-operatives

Co-operation as a form of business organisation is specially regulated in Sweden. The first law of co-operative associations was introduced in 1895 and today's law dates from 1951. It is a general type of law covering different forms of co-operatives, with supplementary laws regulating the activities of, for example associations for collective farming. By-laws are left to co-operatives to formulate. There are imperative provisions on how the surplus of the co-operatives is to be divided among the members and on the limitations of interest rate on members' capital. The law also stipulates that members decide the affairs of the society and that it has to be an open organisation. However, these rules are optional and a co-operative society has the freedom to formulate these rules in its own ways in its by-laws. For example, there is no paragraph in the co-operative law stipulating the one person - one vote principle.

There are no rules in the law of co-operative associations about inter-organisational co-operation. Farmer co-operatives have been allowed to co-ordinate their business activities and to achieve a very high market share. Agricultural co-operatives have, however been criticised by the Office of the Commission for Freedom of Commerce (NO) that investigates cases where lack of competition can mean less efficiency and higher prices. The main criticism by NO of farmer co-operatives has not been about the co-ordination of their businesses, but about the relations between the members and co-operatives. In the 1950s, and again recently, NO criticised farm supply co-operatives about the rules in their by-laws saying that a member had to deliver all his grain to the co-operative and to buy all his requirements from the supply co-operative. These rules, according to NO, have the effect of reducing competition and restricting the freedom of the farmers to sell their products to different food processing firms. As a result, in the 50s farm supply co-operatives changed their by-laws and discontinued to request from their members a complete buying and selling commitment.

A settlement will probably be reached this spring to the effect that a member of a co-operative marketing firm will have the right to deliver his products to a competitor of the co-operative during one year of his membership period and then return to the co-operative without any economic consequences.

Main Trends in Agri-Food Marketing

The Swedish food marketing system has changed substantially during the last twenty-year period. The following main trends can be noticed:

- an increasing concentration on food processing, wholesaling and retailing - today higher than in most other countries. Wholesaling and retailing of food is done in only three commercial groups. Closures of plants and stores have, however, been reduced during the latter half of the 1970s;

- new food regulations with tougher rules about hygiene, preservatives, additives, and consumer protection laws.

- more governmental interventions in the already highly regulated market for food. Food subsidies have been introduced on fluid milk, cheese, meat, bacon, chicken and cereals.

- increase in food consumption during the period 1963-70 by 2.5 per cent annually (in fixed prices). In 1970-76 the rate of increase was 1.4 per cent yearly. However, in 1977 and 1978 the value of the food consumption decreased and it is expected that food consumption will increase by 1 per cent annually in the 1980s.

- change in food demands, with decreasing sales of flour, potatoes, and sugar and increasing sales of cheese, milk, butter, fat, bacon, fruit, vegetables and broilers.

- the number of meals served outside the home are increasing, both in restaurants and institutions/workplaces.

- employee's influence over the decision-making process in the food industry (as well as in other types of industries and organisations) have increased formally through laws stipulating that in firms with more than 25 employees two board members have to be elected by the employees. Furthermore, the Industrial Co-determination Act from 1977 stipulates that employees have the right to take part in all decisions in an organisation: negotiations with the employees have to take place before a decision can be made.

Ideological Reflections

In the 1960s there was a clear trend towards economic concentration, large-scale production and centralisation in Swedish society. A large number of mergers took place between industrial firms, the local authorities were combined into larger administrative units, and the cities grew in size. The agricultural policy emphasised larger farms and a smaller total production. The co-operative sector, both farmer and consumer co-operatives, experienced a similar transformation period of many mergers and closures of smaller plants and stores.

In the 1970s a reaction against this centralisation trend occurred. Decentralisation, environmental considerations and regional policy became words of honour in the political debate. The agricultural policy changed. The family farm is today supported and protected and the production goal has increased. In the co-operative sector the previous emphasis on economic efficiency was combined with a more ideologically oriented debate. In the consumer co-operative movement an ideological action programme was discussed and formulated in 1974; farmer co-operatives decided on an action programme in 1979. Both programmes are based upon the co-operative principles as formulated by the International Co-operative Alliance and the co-operatives' activities and practices are discussed from an ideological point of view.

There is also a renewed interest in co-operatives outside the co-operative sector. A National Commission on the Swedish Co-operative Movement and Its Role in Society was set up in 1977. The Commission has so far published one report describing the co-operative sector in the society. The Commission has furthermore a mandate to analyse the following questions more closely:

- the role of the co-operative movement in the transformation of trade and industry;
- the significance of co-operatives in the area of consumer policy;
- comparison between the conditions of co operatives and other forms of enterprise;
- the co-operative movement's social responsibility - premises and consequences;
- the capital procurements of co-operatives;

- the co-operative movement and the democratisation of trade and industry;

- the international role of the co-operative movement;

The work of the Commission has spurred an interest in co-operatives among researchers and a forum has temporarily been established where representatives from different parts of the co-operative movement can meet and exchange views on subjects of mutual interests.

Problems of marketing co-operatives

Member Democracy in Large-Scale Marketing Co-operatives. The formation of large-scale co-operatives raised the question about the possibility of combining member influence with economic efficiency. The membership organisation of co-operatives developed from a direct democracy in the small co-operative, where all members could go to the annual meeting, to an indirect democracy with elected representatives at several levels in the organisational system.

Co-operatives did not only grow in size, but also in complexity: administrative systems have become advanced and complex with the introduction, for example, of computerised budget, accounting, and order systems; technical processes of the industries, e.g. highly processed food products, computer-control, automatic packaging and goods handling systems, have become more complicated and, therefore difficult for the layman to understand. However, more important, from a member democratic standpoint, member related activities of the co-operatives have also become more complicated. The number of a member's shares are based upon his business value with the co-operative, with certain steps and a ceiling number of shares together with rules about changes in steps and ceiling according to price - and inflation - developments. Co-operatives' internal pricing system has become more complex, making payments not only according to quality, but also according to quantity, season, contractual agreements, transportation, "stop" fees, and so on. Member relations thereby have become more inpersonalised, again resulting in an increased sense of distance between members and leaders.

The accompanying growth of bureaucracy, with more and more specialists involved as the manager surrounds himself with experts in various fields further changing the relations between himself and the board of directors, has led to a fear that the "technostructure" of the organisation will strip the members and their representatives of all their power.

All board members in marketing co-operatives are farmers elected at the annual meeting, except two board members who represent the employees. The increasing complexity and the larger size of the co-operatives make heavy demands upon the board members. In other types of food firms board members are mostly highly educated and experienced general managers, lawyers, bankers and so on. Farmer co-operatives have put larger emphasis on educational activities directed towards both members and elected representatives in order to increase the quality of the democratic decision-making process. There is, furthermore, an ongoing debate as to whether specialists from outside co-operatives should be allowed to become board members.

Many have also raised doubts as to whether members would be as active as before in attending meetings when the co-operatives got larger. The member attendance at meetings of farmer co-operatives were between 10 and 15 per cent in the early 1950s. In today's large farmer co-operatives the average member attendance is 13 per cent with a range from 4 to 44 per cent. The difference in attendance between co-operatives with an indirect democracy in the size range of 1,000 to 30,000 members are minor. There are, however, significant differences in member attendance between types of farmer co-operatives. Dairy marketing co-operatives have on average a member attendance of 25 per cent, meat marketing co-operatives 10 per cent, and farm supply co-operatives 8 per cent.

The conclusion, therefore, is that farmer marketing co-operatives have by and large been successful in finding procedures to retain a workable member democracy. There are today no signs of an acute democratic crisis in the co-operatives, but there is a continuous need for member information, education and other activities in order to secure a living member democracy in the future.

In the 1970s the differences in size among the members have increased. Specialised farmers with salaried employees are members as well as part-time farmers. For example, in one meat marketing co-operative the largest member delivers annually as many hogs as the smaller producers deliver all together. The internal price policy of the co-operatives has therefore changed and the largest hog producers are paid premium prices that are based on marginal cost calculations. The fierce competition in some regions between private, consumer co-operative and farmer co-operative abattoirs has made the deliveries from the large producers very valuable in order to have a high capacity in the plants. Since the farmer co-operatives are open to all producers - both small and large - they face economic disadvantages in comparison with other types of firms that can select their producers.

There is today a heated debate going on among farmers as to whether the internal price policy of the co-operatives is fair and equitable. In future the large-scale marketing co-operatives, with an increasingly heterogenous membership body, might encounter greater difficulties in keeping the members loyal to the organisation.

Market Orientation. Farmer co-operatives were traditionally producer-oriented: the objective of the co-operative was to market what the members produced. The large co-operatives in the last decade have become more market-oriented: co-operative brand names have been introduced, often on a national level in co-operation with the national federation; promotional efforts have been increased and market research has been much more common; new products have been developed and successfully introduced. Some of these highly processed food products are today exported or manufactured in other countries under licence agreements.

Marketing Co-operatives and the Future. Agricultural marketing co-operatives have in the past twenty years radically changed their industrial and organisational structure. Today they are market leaders in almost all sectors of the food market they are operating in, but foreseeable changes will impose severe demands on their abilities to adjust. The key to future success is their degree of flexibility in comparison with other types of food firms. The democratic decision-making process of the co-operatives and the special relations between the members and the co-operative industry will be both advantageous and disadvantageous. The ideological basis of co-operatives can in some instances create difficulties in finding workable solutions, but in other cases simplify matters.

Future Problems Facing Agricultural Marketing Co-operatives. Farmer-owned marketing co-operatives are today highly integrated vertically with own-brand-name products and in many instances with a direct distribution to the retailers. The large wholesaling groups and retailing chains want to distribute a complete line of products and to sell food under their own brand name, and to a large extent these products have to be manufactured by the farmer co-operatives. Marketing co-operatives will have to re-examine their reasons for their vertical integration, the alternative being to concentrate on collecting the products, controlling the supply, and to act as bargaining agents representing the farmers to the food industry.

If farmers want to continue to have the same degree of vertically integrated co-operatives, they will have to invest in new facilities, and co-operatives may have difficulties in raising enough capital from a decreasing number of members as they have certain disadvantages in capital procurement in comparison with joint-stock companies. It is today very difficult to transfer capital to co-operatives from bond loans and institutional investors such as insurance companies and pension insurance funds. Several types of industrial employee funds are under discussion, but there are considerable difficulties in applying them to co-operatives. Marketing co-operatives have experience of democratic decision-making procedures and may have a certain advantage in finding practical ways of meeting demands for larger influence by employees but there are no models of how member democracy and employee democracy can be combined in a co-operative society. Solutions will have to be found that permit marketing co-operatives to continue to be based on co-operative principles, to keep a more heterogenous membership body loyal to the co-operative and at the same time be economically efficient. The new interest in the co-operative form of organisation, as manifested in the appointment of the National Commission on Co-operatives, the lively internal ideological debates in the co-operative movement and in new research projects and new courses on co-operatives at the universities, is, however, an encouraging sign for farmer co-operatives. Co-operatives will, most probably, continue to be an important sector in the Swedish food marketing system.

CO-OPERATION IN AGRICULTURAL AND FOOD MARKETING IN SPAIN

by

J.E. Gonzales del Barrio*

Generally speaking, associations set up by Spanish producers for economic purposes are of two main legal types: the Co-operative (COOP) and the Agricultural Processing Society (SAT).

Spanish COOPS, which are at present regulated by the Act of 19 December 1974, are very similar in their conception, philosophy and mode of operation to their namesakes in the rest of Western Europe.

The SAT is a truly Spanish institution, having its origin in the "Farm Settlement Act" of 1940. Like the COOP, the SAT is mainly a personalist body; but it differs from the former by the option to waive or relax some of its analagous principles. Some SATS are hardly differentiated at all from the most orthodox type of co-operative, whereas others are more in the nature of trading or profit-making concerns.

In recent years, by virtue of the Act of 22 July 1972 and specifically in the marketing sphere, the concept of the Agricultural Producers Association (APA) has emerged. Actually, the Act does not create a new legal entity but, as under parallel policies in the Common Market countries, the Government recognises as APA joint-marketing COOPS and SATS, both those already existing and those newly formed, provided they fulfil certain economic conditions guaranteeing their viability, and certain social conditions presupposing their acceptance of the co-operative philosophy.

The most reliable data available indicate that there are approximately 4,000 agricultural marketing organisations, of which approximately 75 per cent are COOPS and 25 per cent are SATS. These bodies control slightly more than 10 per cent of agricultural production in its initial phase.

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Given their number (almost 50 per cent of the total), special reference must be made to the associations operating in the olive oil and wine-productive sub-sectors, which for the most part have a co-operative structure. In Spain, rather more than 1,000 oil mills, representing 50 per cent of the industries in this sector, produce over 40 per cent of our olive oil under co-operative arrangements. In addition, 800 co-operative vaults handle 40 per cent of the total amount of Spanish table wine produced. It should however be noted that, so far as these two sub-sectors are concerned, the marketing process has been developed hardly at all, which suggests that most of these co-operatives confine their activities simply to the industrial processing of raw material.

In the other sub-sectors, the share of the marketing associations is much smaller. Mention might, however, be made of the work done recently in the fruit and vegetable sub-sectors, as well as in that of intensive livestock-breeding, mainly pigs and poultry.

In Spain, there is no geographically balanced development of marketing associations. The phenomenon of horizontal integration has spread to some extent in areas such as southern Catalonia and along the Mediterranean coast, where medium-sized farms predominate; but in areas where there are very large farms or, conversely, small holdings, it has had but little effect.

Moreover, with a few though significant exceptions, there are no major all-purpose co-operative organisations in Spain capable of adequately solving all the marketing problems of the agricultural undertakings in a particular geographical area or region. This state of affairs flows from and reflects the very poor development of associations of lower standing as well as of those of higher standing, which leads to inefficiency in the sectoral and zonal co-ordination of the commercial operations of associations.

In general, it may be said that in many cases Spanish COOPS and SATS suffer from serious structural deficiencies (size, technical structure and capitalisation and financing problems), which have an adverse effect of the effective operation of such undertakings.

With regard to organisation, Spanish associations have still not overcome (at least until now) the effects of and inconsistencies caused by the deep-seated and rapid process of political and social change which our country has been undergoing for the past five years. Under the old system, such organisations were placed under the protection, admittedly more theoretical than real, of certain vertical official trade-union structures. COOPs were compulsorily formed in "Uniones", both at the provincial and at the national level. With the disappearance of the old integrated structures, Spanish associations have yet to find a valid alternative within the new context of democratic freedoms. In the short term, the hope is that the promulgation of a new law on co-operatives and the consolidation of the process of regional autonomy now under way will improve that particular aspect of the matter. Otherwise, the consequences for our agricultural association movement, lacking the necessary muscle to make its voice heard, could be very bad indeed.

It may be observed that the significance of the co-operative system for Spanish marketing, notwithstanding its lack of status, its present size, its undoubted problems and its internal inconsistencies, is a tangible force to be reckoned with.

The existing associations are performing an important function which benefits not only the farmers integrated in them but also those operating on their own. The latter are protected to some extent by the existence and the activities of the associations, which provide a frame of reference for conventional operations within the agri-food system.

To extend and strengthen our movement of agricultural organisations which are economic in character, the basic efforts will have to come from the agricultural sector, which must receive suitable support from the Government. There are some very positive signs, among which must be mentioned the emphasis and attention given in the new Spanish Constitution of 1978, to the development of the co-operative movement.

AGRICULTURAL COOPERATIVES

IN PORTUGAL

by

Patricia Goldey*

Since 1974 the co-operative sector in Portugal has more than tripled, from an estimated 950 co-operatives in April 1974 to 3,572 co-operatives in December 1979. This vastly expanded sector presently functions under legislation which came into effect with the commercial code of 1888. A new code has been elaborated by a three-man committee named in October 1978 and will cover credit, construction, housing, agricultural and insurance associations. Other co-operative enterprises - workers' co-operatives, consumer, fishery and cultural co-operatives - are still under consideration and will be included in the code at a later date. The Assembly of the Republic should debate the new code after the October 1980 general election. This paper looks specifically at the development of agricultural co-operatives over the past six years in Portugal, north and south; the administrative changes in co-operative policy; the problems encountered in the sudden growth of the co-operative sector; and the future prospects for agricultural co-operation within Portugal.

Recent official statistics on the co-operative sector are plentiful but unfortunately they do not agree: estimates from the *Ministerio de Agricultura e Pescas* (MAP) and the *Instituto Antonio Sergio do Sector Cooperativo* (INSCOOP) differ but the trend is significant and indisputable. In 1974 there were 950/981 co-operatives of which 435/401 were agricultural co-operatives. By June 1978 these had increased to 3,596/3,644 co-operatives of which 1,356/1,308 are agricultural co-operatives. Given the lack of precision of official statistics any breakdown by units of activity in the co-operative sector can only be a rough estimate, but with that proviso, official statistics show that of the total 36% are agricultural co-operatives; 14% consumer co-operatives, 14% industrial production co-operatives, 7% housing, 4% credit, 2% fishing and 21% are mixed or outside these main categories. Overall, the co-operative sector accounts for approximately 5.5% of the GNP and for about 50,000 jobs.**

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** INSCOOP 1980

There is no national confederation of co-operatives and only three organised federations which between them represent about half the country's co-operatives: these are FENACOOP (consumer co-operatives), FENACEM (agricultural credit co-operatives) and the National Federation of Fruit Growers co-operatives. In addition to these three Federations, there exist 63 co-operative unions, organised either regionally or sectorally. This article will concentrate solely on agricultural co-operatives.

Government Policy and Co-operative Legislation pre 1974

Although consumer and credit co-operatives were to be found in Portugal before 1880 agricultural co-operatives as such were slow to develop. The Basilar Law of July 2nd 1867 legalised the formation of 'class associations' and was swiftly followed by the establishment of credit houses and consumer associations in Porto and Lisbon. In 1871 two such societies were set up in Porto: the *Sociedade de Cooperativa e Caixa Economica do Porto* and the *Sociedade Cooperativa de Credito e Auxilio da Industrial Fabril*. In the same year in Lisbon four consumer associations were also established. The commercial Code of 28th June 1888 gave a further impetus to mutual aid associations and credit co-operatives but many of these were of short duration or became polivalent organisations. The legislation of 1894 and 1896 further encouraged the establishment of "mutual aid associations, co-operative societies, insurance societies, banks of agricultural credit" as an aid to regional development.* Under it agricultural trade unions were established. By 1908 sixty-six of these unions existed but very few co-operatives had been set up despite the legal encouragement of 1896, and where they did exist they were linked in legislation and practice to the agricultural unions. Between 1867 and 1936 it appears that only 5 agricultural co-operatives were established and functioning.** From 1926 all trade unions suffered from acute police persecution. In 1937 and 1939 legislation of the corporatist state, the *Estado Novo,* legally extinguished effective union organisation and introduced the *Gremios* and *Casas da Lavoura* structures which brought together producers, owners, and workers in the same organisations based on sectoral groupings, thus denying the division or separation of class interests.

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* Decree of 5 July 1894 and 3 July 1896

** Henrique de Barros

Some co-operatives continued but under government control; most prominent were associations of wine producers and milk producers, both dominantly northern, which benefited from the somewhat delayed mechanisation policies of the 1960s. By 1966 there were 364 agricultural co-operatives in a total of 642 co-operatives. The agricultural co-operative sector mainly embraced the collection and marketing of wine, olive oil and milk and there were also a few agricultural machinery co-operatives. By 1969 the *adegas cooperatives* (wine producers co-operatives) were handling 25% of national wine production; oil co-operatives were handling 9% of national oil production; and 34% of milk production was in co-operative hands. But in social terms the co-operative sector - estimated at 142,864 co-operators - did not reach even 10% of the active agricultural population.*

The Agricultural Sector pre 1974

In 1970 almost one-third of the active population still worked in agriculture.** Twenty years before, in 1950, the proportion had been 47%, the steep decline being due to mass migration from the rural areas to the Portuguese cities on the coast and especially to northern Europe. Labour migration abroad had depleted the wage labouring group from the capitalist/market sector, but peasant sons went too, with the result that by 1970 over 45% of Portuguese farmers were aged 55 years or older. An ageing farmer population was but one problem facing Portuguese agriculture before 1974.

Table 1

Land ownership***

(% of total)

	% owners	% land holding
up to 4 ha	78	15
5 - 50 ha	21	34
over 50 ha	1	51

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* Silva Lourenco

** Official statistics vary from 30.4% to 33.5%

*** World Bank, 1968

A constant structural problem was the variation in land holding size and type. There were approximately 800,000 farms in 1970 of which 300,000 had less than 1 hectare; a further 300,000 had between 1 and 4 hectares and about 500 had over 1,000 hectares. Large farms accounted for 21% of cultivable land area; and small farms of under 4 hectares accounted for 15% of land area.* The other agricultural problems were not lessened by the division of the country in agricultural terms into two distinct areas: ***minifundia*** in the north, where small fragmented holdings predominate, and ***latifundia*** in the south, large estates many of them pre-1974 owned by absentee landlords.

Table 2

Land holding patterns in North & South Portugal (1970)

		% of number of farmers	% of area farmed
NORTH			
	-4 ha	77.9	24.9
	4 -50 ha	21.2	61.1
	+ 50 ha	0.4	14.0
SOUTH			
	-4 ha	55.6	3.2
	4 -50 ha	37.8	18.6
	+ 50 ha	5.3	78.2

Portuguese agriculture suffered from low productivity, even in comparison with its southern European neighbours. This was not only due to a lack of investment but also to organisational difficulties in the Ministry of Agriculture, whose field services were woefully inadequate. Extension services were weak in personnel terms, and the links with the research institutes on the one hand, and the farmers on the other were also poor. Credit to the rural sector was inadequate and access to it was not easy for the smaller farmer. The state of Portuguese agriculture in the 1970s was in part a result of the old regimes policy of lack of investment in agriculture since the 1950s and in part the consequence of inadequate supporting services to provide credit, research information and extension services to farmers.

* Trigo de Abreu, A.

Despite having one-third of its active population in the rural sector, agricultural production was extremely low, with real annual productivity gains below 1% for the period 1954 - 1973. The importation of foodstuffs and animal feeds increased dramatically in the late 1960s: in the latter case from 3% of total agricultural imports in 1963 to 20% in 1973.*

Despite the increased use of modern inputs in the form of mechanisation (the use of tractor and combines trebled in the years 1965-75), the use of fertiliser and improved seeds stayed low in relation to other Mediterranean countries.

Constitutional Changes 1974-1976 and their impact on the Co-operative Sector

After April 25th 1974, agitation in the rural sector centred on three issues:

1. the restoration of peasant rights to the *baldios* or common lands - mainly a northern issue;

2. the improvement of the situation of the sharecropper in both north and south;

3. the right to full employment for agricultural labourers who, especially in Alentejo were victims of seasonal unemployment - their position worsened by recent increased mechanisation.

Only the last issue is directly relevant to the present article.

The other two have sometimes divided peasant farmers, tenants or sharecroppers against each other while providing a strong focus for each group, disposing them to form agricultural or political organisations of various types, and have certainly led to the emergence of strong rural pressure groups.

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* Trigo de Abreu, A.

In 1974, many large landowners in the prevailing unstable situation avoided entering into new contracts with their sharecroppers and tenants (contracts were often arranged annually and verbally). There was a growing intervention by workers in the daily running of farms in order to secure employment. There were some occupations of uncultivated land by 'new sharecroppers' in order primarily to secure rentability of their new, expensive machinery. In December 1974 came the first land occupations in Beja, a process that escalated through the spring of 1975. Elsewhere in Alentejo the spontaneous rural agitation found organisational assistance from the *Partido Communista Portugues,* and later in some places from the *Partido Socialista*. The PCP's position was made clear by February 1975. They demanded that:

1. uncultivated lands should be compulsorily rented by the state;

2. some land should be expropriated with or without compensation when landowners had behaved improperly;

3. that land should be made available to those who worked it or wished to work it, either in production co-operatives or on collectively run state farms;

4. occupation of the land should be led by the agricultural unions and the associations of small farmers.

The government responded to the new status quo - the occupations together with general rural agitation and demands - by issuing a decree in April 1975, announcing the desirability of a progressive programme of agrarian reform. This was followed by the new Tenancy Law, the Expropriation Law and the announcement of new facilities for agricultural credit essential to keep the new co-operatives afloat. The Expropriation Law (*Decreto-Lei* 406-A/75) aimed to suppress the power of the big landowners. Land to be expropriated was assessed on a points system; anything over 50,000 points or 700 hectares was liable to expropriation. However, individual owner-farmers were to be allowed to keep a reserve for their own use. Compensation would be defined later.

Out of the estimated 1,600,000 ha that were thereby subject to expropriation, about 900,000 ha had been expropriated by 1977. (This is a lower figure than that for occupied lands, as occupations have not always been 'legalised'). Despite many changes and fluctuations in government, about one million hectares - a third of the Alentejo's agricultural land - had been legally transformed by September 1977. About 415 *Unidades Collectivas de Producao* (UCPs) or co-operatives had been formed, giving jobs to almost 50,000 workers in the area of operation of the agrarian reform (ZIRA).

The beneficiaries or target groups of the expropriation law were landless workers and small peasants or sharecroppers who were incorporated into the collective or co-operative production units. The most dramatic change was without doubt the immediate redistributon of assets and redistribution of income in Alentejo, a real reversal of the social structure. Grain production was increased on the UCPs and co-operatives immediately followed redistribution, restoring (often marginal) land to cultivation; and permanent employment was provided for about 50,000 workers or small farmers. However, the agrarian reform has not been without its problems, not the least of which is the conflict between the two basic goals of those urging the agrarian reform - the aim of full, guaranteed employment for the labourer, and increased agricultural production and productivity through modernisation and mechanisation. This is a problem that has not yet been met but must surely come to a head.

Most UCPs are very large units (29% are between 1,000-25,000 ha; 20%,2,500-5,000 ha). Therefore internal democracy is not easy, and given the educational level of the workers, internal management skills are scarce, leaving the UCPs vulnerable to control from outside, either by unions, political cadres, or latterly the old managers. Technical problems exist too with poor quality soils being brought into cultivation with inadequate technical assistance from MAP.

In 1977 the new Land Reform Law was promulgated in an attempt to restrict further occupations and redress illegal occupations. A higher limit was established for expropriation. The points system qualification for expropriation was raised to 70,000 points, and the status of the reserve was raised by extending the right to all landowners, giving a more favourable treatment for multi-ownership holdings, and making it possible for owners to choose the site of their reserve. To some extent the 1977 Law backtracked on the Law of 1975, re-establishing a dual private/co-operative production system and eroding the unimodal, redistributive strategy of 1975.

The New Constitution of 1976

The new Portuguese constitution of 1976 deals in part with Agrarian Reform and co-operatives.* Article 96, Titulo IV, Part II states that agrarian reform is one of the fundamental instruments for the construction of a socialist society and has as its objectives:

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* Especially articles 61º, 84º, 97º, 98º, 100º, 102º.

Table 3

Co-operatives in Portugal

Type	No.			%		
	APRIL 1974	1 JAN 1979	1 JAN 1980	APRIL 1974	1 JAN 1979	1 JAN 1980
Agriculture	401	1203	1286	42.2	36.7	36.0
Consumer	193	469	513	20.3	14.3	14.4
Credit	132	132	141	13.9	4.0	3.9
Fisheries	-	75	96	-	2.3	2.7
Housing	40	212	258	4.2	6.5	7.2
Production	10	464	499	1.1	14.2	14.0
Others	174	719	779	18.3	22.0	21.8
TOTAL	950	3274	3572	100.0	100.0	100.0

(Source: INSCOOP, March 1980)

Table 4

Regional Distribution of Co-operatives

NORTH		CENTRE		SOUTH	
Braga	94	Aveiro	136	Beja	257
Braganca	43	C. Branco	57	Evora	302
Porto	376	Coimbra	137	Faro	157
V. Castelo	61	Guarda	49	Portalegre	136
V. Real	51	Leiria	151	Setubal	305
		Lisboa	868		
		Santarem	257		
		Visou	87		
TOTAL	625		1,742		1,157

1. "to promote improvements in the economic, cultural and social situation of rural workers and of small and medium sized farmers ... by the progressive transference of the possession of land and of the means of production directly used in its exploitation to those who work the land, as a first step in the creation of new relations of production in agriculture".*

2. "to increase production and productivity by means of improving infrastructures and human resources, both of a technical and financial nature, to secure the better provisioning of the country, as well as an increase in exports".

3. "to create the conditions necessary so that those who work in agriculture may attain effective equality with other workers, and to prevent the agricultural sector being disfavoured in their exchange relations with the other sectors".

In fact the constitution accepted the regional diversity of Portugal and implied that agrarian reform legislation would be confined to the southern *latifundia* - as confirmed in Law No. 236-B/76, where the 'zone of intervention" is limited to the Alentejo. The northern *minifundia* farmers were to be encouraged to enter into *"integracao cooperativa"* of their lands, though for the northern farmer quite how he was voluntarily to integrate his lands with others, or quite how beneficial it would be for him if he were to do so, is not clear from the constitution, nor from legal decrees since 1976. Most of the administrative emphasis of the agrarian reform, most of the credit offered to finance it and most of the political manoeuvring and agitation that surrounded it was directed towards the south. The agrarian reform in Southern Portugal meant the formation of co-operatives or collective farming units.

There are at least 10 articles of the 1976 constitution which refer to co-operatives. The constitution affirmed the freedom of citizens to establish co-operative societies: if these co-operatives met with certain conditions they should be entitled to tax benefits and technical assistance from the state. Articles 61 and 84 of the constitution state that:

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* Article 96º, Portuguese Constitution 1976, Part II,IV.

1. citizens have the right to set up co-operatives;

2. the state has a duty to "stimulate and support such initiatives" on the condition that they should fit into the general Plan, and observe co-operative principles;

3. the state's assistance, under the Agrarian Reform Plan and the National Plan should include:

   a) the concession of credit and technical assistance;
   b) the support of public bodies and of marketing co-operatives for the increase of production;
   c) the socialisation of risks resulting from "climatic and unforeseen and uncontrollable accidents.*

How far has co-operation fitted the requirements of the state's plan for agrarian reform, and to what extent has the state fulfilled its duties to the co-operative sector in the years 1976-80? To answer this crucial question with inadequate official data perhaps risks the criticism of being unscientific, but given the growing numerical importance of the co-operative sector it deserves some response. To answer it one has to look at the 'zone of intervention' - the south separately from the north - the zone of 'voluntary integration'.

The South 1974-80

The 1977 alterations to the 1975 Agrarian Reform Law, principal among them the expansion of the concept of reserves, somewhat shifted the new balance of power in Alentejo to favour the ex-landowners again, especially when a conservative government came to power in Lisbon. It is clear that over the past two years some co-operatives and UCPs have broken up as a direct result of this shift. Although figures are not available, probably some 80 to 100 co-operatives or UCPs, have stopped functioning or diminished their land area as a direct result of the implementations of this decree.Perhaps more important in the long term has been the necessary use of force on some co-operatives and UCPs to enforce the new regulations, the deployment of the *Guarda Nacional Republicana* to evict occupiers and enforce the reserve with the inevitable increase in tension and class hostility, not to mention several deaths and injuries.

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* Article 102, Portuguese Constitution.

Table 5

Distribution by branches of co-operatives

(Dec.1979)

Types of Co-operative	Number of Co-operators	Number of Co-operatives
Agriculture	511,200	1,278
Consumer	325,000	494
Credit	66,000	141
Fisheries	2,350	94
Housing	187,000	234
Industrial	24,600	492
Others (including insurance)	830,000	720
Unions	-	69
Total	1,946,150	3,524

(Source: INSCOOP)

In a situation of growing urban unemployment, the Alentejo co-operators or collective workers cannot view with equanimity any threat to reduce their security on the land; the historical record shows that the origin of rural agitation in Alentejo and the subsequent formation of co-operatives did not arise from any 'land hunger' but rather from a need for secure year round employment, and a living wage. In April 1980, when 400 full time workers in one co-operative threatened with dissolution were offered the alternatives of unemployment benefit or the option to receive land, cattle and equipment to constitute individual economically viable farm units of about 30 ha each of mixed farm land, only 170 wished to inscribe themselves for the land offer.

Table 6

Agricultural Production on UCPs and Co-operatives in Alentejo

	Before occupation	1975/76	1976/77	1977/78
a) Total cropland(ha)				
	94,500	271,000	265,000	358,000
Increases		+ 176,500	-6,000	+93,000
b) Dryland crops (ha)				
Cereals	78,000	222,000	174,000	250,000
Others	7,000	33,000	54,000	64,000
c) Irrigated crops(ha)				
Rice	5,340	6,150	9,300	9,900
Tomato	2,660	4,300	5,500	4,900
Maize	700	2,750	3,500	4,400
d) Production (tons)				
Cereals	90,000	240,000	110,000	-
Rice	23,550	24,500	38,000	-
Tomato	72,000	113,000	181,000	-
e) Animal stock				
Bovine	55,000	84,000	103,000	118,000
Sheep	278,000	401,000	437,000	511,000
Pigs	31,000	91,000	170,000	225,000

In general, agricultural product generated in UCPs amounted to 10% of the National Agricultural Product. Components of that product are animal production (45%), forest products (25%), grains (10%), irrigated crops (13%) and oil-seeds and olives (5%). Agrarian Reform Conferences claim an increase on cultivated area of about 80,000 ha (new land brought into cultivation) and an increase of irrigated area amounting to 9,000 ha. Gross fixed capital formation was small and mainly in irrigation projects, for example, small dam building and repairs. Mechanisation increased: available data, from the same sources, show the following increases:

Table 7

	Before occupation	1975/76	1976/77
Tractors	2,690	4,150	4,560
Harvesters	960	1,720	2,060

Labour inputs showed the following evolution:

		Before occupation	1975/76	1976/77
Workers:				
Permanent	M	9,200	30,500	31,600
	F	1,900	13,600	13,600
	TOTAL	11,100	44,100	45,200
Temporary	M	5,700	15,000	7,000
	F	4,900	12,000	12,000
	TOTAL	10,600	27,800	19,000
TOTAL		21,700	71,900	64,200

The reliability of these data is low and no more recent data is available as yet. What is clear is that increased employment and mechanisation on unimproved land were incompatible aims. This meant that many UCPs depended on the state to bridge their deficits, usually by paying the salaries of their workers. They were thus very vulnerable to a change of policy in Lisbon.

Co-operation in the North 1974-80

Although often contrasted with the south, the north of Portugal, embracing Minho, Tras-os-Montes and Douro, is not itself homogenous but has sharp contrasts between the coastal strip and the interior. Population density varies from 304 inhabitants per sq.km. in the coastal municipalities to 41 inhabitants per sq.km. in the interior. While inland 68% of the active population are engaged in agriculture, on the coastal strip this figure falls to 22%. The average size of farm on the coastal strip is under two hectares while inland it rises to an average of 6.5 ha. Farms larger than 20 hectares represent less than 2.5% of total farms in the region: while farms smaller than 1 hectare represent 56.4% of farms in the coastal sub-region and 36.3% in the interior.* The area is characterised overall with a low level of farmer training (illiteracy among farmers is around 45%), deficient irrigation systems, poor communications, and deficient market structure.

Before 1974 the existing 'co-operatives' were state controlled corporativist organisations, based either on the *Gremios* or *Casas de Lavoura*. The *Gremios da Lavoura* were established by Salazar in 1939 to replace the agricultural unions; all proprietors, landlords, tenants and sharecroppers were to be members. Membership fees were mandatory for all except those who owned no land. The *Gremio* functioned as a state agency for the commercialisation of agriculture, providing inputs (fertiliser, seeds, machinery and credit). Technical assistance was also available but on a limited basis. The *Gremio* served as an intermediary, not actually buying produce but aiding the national marketing boards by assuming the responsibilities of registering producers, and controlling the production of the main crops. Throughout the 1940s and 1950s the *Gremios* held substantial powers in the rural areas, but by 1970 were in decline in many parts of the north. The establishment of the *Gremios da Lavoura* was imposed by central government and ignored the diversity of interests of the smallholders, farm workers and sharecroppers, by linking them compulsorily together in one association under the control of the big farmers, landlords, or other local notables *(caciques)*.

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* INE 1970.

By decree 482 of September 1974 the *Gremios* were dissolved to be replaced by agricultural marketing co-operatives: the transformation of one institutional form into another has taken several years, and only now in 1980 are most *Gremios* in fact registered as co-operatives. Unfortunately in some instances the change has been one of nomenclature only and the same identification of the *Gremio* with big proprietors and absentee landlords has carried over into the 'new' co-operatives. In most instances the managerial and salaried personnel have remained the same. In some, the once-nominated directors are now automatically elected. In many instances therefore, despite the change of name, the managerial personnel and the directorate remain the same as in the days of the *Gremio*.

The main northern cash 'crops' - milk and wine - are now largely passed through co-operative hands: 35% of national milk production is handled by the large co-operative unions, and 34% of national wine production. Milk production, collection and distribution has benefited from state aid over the past ten years in the shape of subsidies, mechanisation, and improved breeding programmes, to the extent that milk production in the north, as handled by the Milk Marketing Union of northern co-operatives. has increased by 34% in 1977-8, and by a further 36% in 1978-9.

However, the milk marketing co-operatives in the north are not without their problems. The union, two-tier structure does not encourage farmer participation but rather reinforces the role of the paid manager. The unions tend to emphasise the industrial side of the business and are distant from the agricultural producers and first tier co-operatives. There is a tendency for farmers to complain about both these features of their relationship with the union and for there to be some conflict between the rural, generally uneducated farmer producers, and the urban, educated salaried workers of the Union.

Given the conversion of the *Gremios* into co-operatives, the increase in co-operatives in the north over the past six years is not remarkable. For example, in April 1974 in the District of Braga there were 49 co-operatives; this increased to 84 by January 1979 although the proportion of agricultural co-operatives in relation to other sectors fell.

Table 8

Co-operatives in the District of Braga

1974-1979

	Agricultural	Consumer	Credit	Fishing	Housing	Production	Others
1974	14(28.6%)	13(26.5%)	13(26.5%)	-	1(2%)	1(2%)	7(14.4%)
1979	20(23.8%)	20(23%)	13(16%)	-	2(2.4%)	15(17.9%)	14(16.6%)

A similar increase appears in the District of Vila Real, an agricultural district of the interior: in 1974 there were 36 co-operatives in Vila Real district, by 1979 this figure had increased to 51, although again the proportion of agricultural co-operatives in relation to the other sectors had fallen.

Table 9

Co-operatives in the District of Vila Real

1974-1979

	Agricultural	Consumer	Credit	Fishing	Housing	Production	Others
1974	27(75%)	1(2.8%)	7(19.4%)	-	1(2.8%)	-	-
1978	31(60.8%)	3(5.9%)	7(13.7%)	-	4(7.8%)	1(2%)	5(9.8%)

(Source: INSCOOP 1979)

<u>Table 10</u>

<u>Portuguese Co-operative Sector</u>

Districts		Agriculture	Consumer	Credit	Fisheries	Housing	Production	Others	Totals	
		No.	No.	No.	No.	No.	No.	No.	No.	
V. Castelo		20	2	8	3	1	12	6	52	1,4
Braga		20	21	13	-	2	16	18	90	2,4
Vila Real		82	3	7	-	4	1	3	50	1,3
Bragança		20	4	4	-	2	6	5	41	1,1
Porto		45	63	2	7	51	93	101	362	10,0
Aveiro		44	41	1	2	8	17	19	132	4,0
Visou		51	5	6	-	3	4	9	78	2,1
Guarda		31	4	-	-	3	2	6	46	1,2
Coimbra		42	12	5	5	9	15	20	108	3,0
C. Branco		29	6	2	-	3	7	8	55	1,4
Leiria		51	10	8	27	4	20	25	145	4,0
Santarém		162	19	15	-	13	34	28	271	7,4
Portalegre		104	15	14	-	7	8	3	151	4,1
Lisboa		116	166	10	6	98	230	413	1,039	28,5
Setúbal		111	46	6	13	22	71	53	322	9,0
Evora		179	43	12	-	9	21	15	279	7,6
Beja		196	25	10	-	5	17	10	263	7,2
Faro		65	20	9	7	13	26	30	160	4,3
Totals	No.	1,368	505	132	70	257	600	722	3,644	
		36,0	14,0	3,6	2,0	7,0	16,4	21,0		

INSCOOP, 1979

It is clear that agricultural co-operation in the north has still some way to go, despite the relatively high percentages of the main cash crops that are now handled by the northern co-operatives.

Problems faced by the Portuguese Agricultural Co-operative Sector and Recommendations for Future Development

While there are some problematic features faced by co-operative development in both north and south, the two main regions have to be taken separately from both the diagnostic and prescriptive viewpoints.

Northern Portugal

1. Many of the northern co-operatives are not 'true' co-operatives in the sense that they are corporativist institutions in the process of transformation into co-operative institutions. The names have changed but it will take time, education and investment of assistance, money and technology to transform structures and habits.

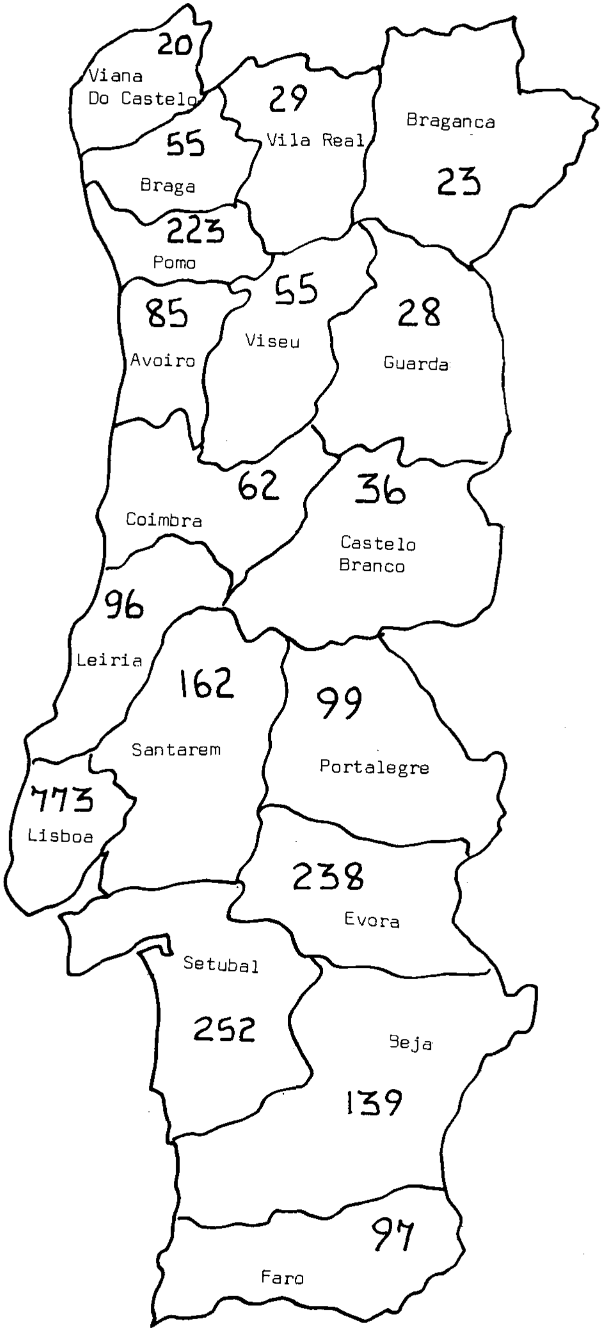
2. Little credit has been offered to northern farmers, while it poured into the south in 1974-6 for reasons of ideology and politics, not of economic rationality.

3. Especially in the north there has been a conspicuous lack of competent and timely technical help from state bodies. The recent reorganisation of the Ministry of Agriculture may help to remedy this lack, but there are hundreds of villages in the north who have never seen an extension officer, nor an official from any branch of the Ministry of Agriculture. The extension service is weak, and in the regions where it exists the links it has with both research institutes and the farmers are poor. It is to be hoped that the reorganisation of the Ministry of Agriculture presently underway will do something more than just multiply the bureaucracy.

4. There is still a need to tackle the established power of local elites and the economic stranglehold that intermediaries still hold in some areas of the regional market.

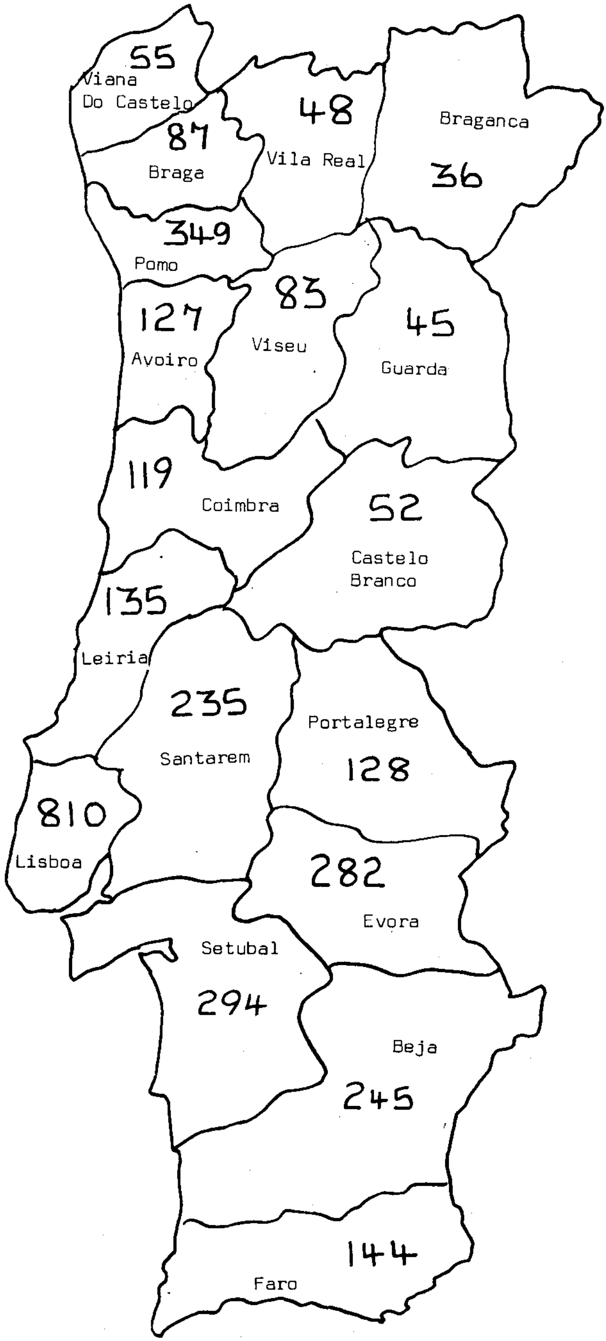
DISTRIBUTION OF CO-OPERATIVES IN PORTUGAL

1976

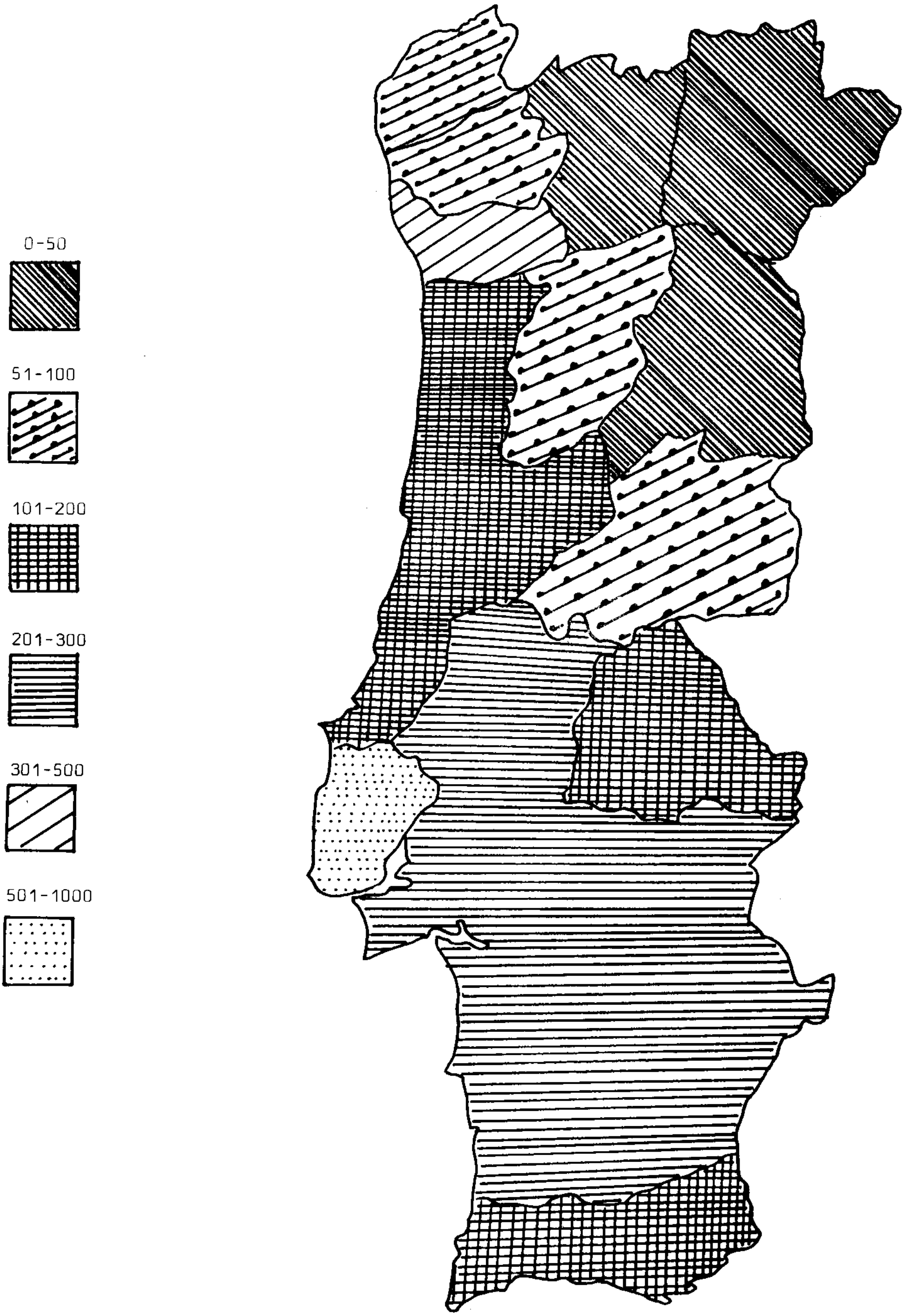


DISTRIBUTION OF CO-OPERATIVES IN PORTUGAL

1979



Number of Co-operatives - at 1st January, 1980



5. There has been no official attempt made to build on the numerous traditional pre-co-operative structures that exist all over northern Portugal; these range from communal herding *(vezeiras)* or communal labour *(troca de servicos)* to long established mutual insurance schemes on a village or multi-village level *(mutuas)*. In some instances when initiatives have been taken by such groups to transform themselves into 'legal' co-operatives, they have been negated by the official bodies.

Southern Portugal :

1. Credit was given readily in 1975-6 but since 1978 is being steadily withdrawn. One argument in support of this policy is that of cost effectiveness: co-operatives or collectives which cannot operate as efficient businesses have no right to subsidies. It is certainly a cause for concern that political differences dictated credit apportionment. A further concern is that given the low general educational level of the farming population, book keeping and accountancy skills were scarce on the co-operatives and collectives, with the result that much of the credit literally cannot be accounted for. Despite the legal obligation to publish accounts only 11 co-operatives in 1979 published their accounts in the *Diario do Republica*. Credit money went to paying salaries and buying machinery, an illustration of the conflict of interests mentioned earlier.

2. In some cases marginal land has been brought into cereal production. While there was an immediate increase in acreage planted after the agrarian revolution in Alentejo, yields remain low and there is a danger with marginal land being utilised for cereal crops that yields will fall further.

If we accept INSCOOP's estimate of two million co-operators in Portugal, that still means that only one in five farmers at the optimum measure might be members of co-operatives (farmers frequently belong to different co-operatives for different crops/services) so that the number of farmers involved in co-operatives does not reach 20% of the farming population.

Given the recent increase in population, and the sharp increases in food imports (900 million dollars in 1977) there is a clear need to increase agricultural productivity. The very backwardness of Portuguese agriculture means that the potential for growth is there; yields could be increased by about 200% given sustained effort over time. There seems no other way to sustain the fragmented northern peasantry. The agrarian reform so far undertaken in Portugal has not yet shown signs of providing for increased productivity. What it achieved in the south was a dramatic restructuring of production relationships with the revolutionary shift from private ownership to collective or co-operative production. In this sense the rural agitation of 1974 that pressured the government into presenting some agrarian reform measures if not a programme, has meant a move towards equity in the south, and has guaranteed employment to around 50,000 men and women who were previously in a vulnerable economic and social situation. But given the present slow agricultural growth, the lack of investment, the poor technical and financial organisational support system, the relative ignoring of the northern peasant farmer, there is still much restructuring to be done before the co-operative sector in Portugal can claim to be truly successful either in strict economic terms or in social terms in fulfilling the needs of the small farmer or those of the nation.

ACKNOWLEDGEMENTS AND REFERENCES

The author gratefully acknowledges the financial aid of the British Academy who kindly funded fieldwork in Portugal in 1979 on which this article is partly based. I am also beholden to friends and colleagues in Portugal: among others, to the executives and members of co-operatives in Evora, Braga, Porto and Vila Real districts, and to C. Borges Pires and A. Trigo de Abreu of the Gulbenkian Foundation, Oeiras.

1) *Projecto de Investigacao do sector cooperativo Portugues,* INSCOOP, Lisbon, March 1980.

2) Decrees of July 5 1894 and July 3 1896.

3) de Barros, H., *Cooperacao Agricola,* Lisbon 1963.

4) Silva Lourenco, J., *Importancia actual da cooperacao agricola no mundo e em Portugal,* Revista Agronomica, p 171. See also *Principios da Reforma Agraria na Constituicao de 1976,* Economia, January 1977.

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6) World Bank, 1968.

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8) ibid.

9) ibid.

10) Especially articles 61, 84, 97, 98, 100 and 102.

11) Article 96, *Portuguese Constitution,* 1976.

12) Article 102, *Portuguese Constitution,* 1976.

13) This section rests on the detailed work of A. Trigo de Abreu, 1978, op. cit. from which the tables also come.

14) I.N.E. 1970.

TOURISM - A NEW SUBJECT FOR CO-OPERATION AMONG FARMERS?

by

Michael Dower*

This year's Congress of the Confederation of European Agriculture held in the Tyrolean capital of Innsbruck, had as one main theme the growing importance of tourism as a source of secondary income to European Farmers.

We were given some startling figures. Over 20,000 farms in Germany offer farmhouse accommodation for guests. Austria has a similar total. In the United Kingdom, at least 15,000 farms offer either farmhouse accommodation or flats, caravans, cottages or camp sites. Nearly 10,000 French farmers advertise "gites de vacances". Thousands of farms in Finland offer sites for summer homes. In these and other countries, a growing number of farmers also gain secondary income from sales of farm produce to visitors; running of farm shops, restaurants, cafes and bars; provision of holiday activities, such as riding, fishing or skiing, or of equipment for these; farm-based attractions, such as farm museums or displays of rare breeds of farm animals; or educational activities, including summer camps for children, farm open-days, guided farm tours and the like.

The importance of tourism in the farm economy varies, obviously, from region to region. In central and eastern England, it is negligible. In Devon and Cornwall, one farmer in four is in the tourism business, and many gain a quarter or a third of their net income from it. In an Alpine valley which CEA Congress delegates visited in the Tyrol, 59 out of 62 farmers offered farmhouse accommodation. Most of these farms had less than 25 acres of land, so that the tourist enterprise was of high importance to them.

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* Dartington Amenity Research Trust

The CEA Congress adopted a resolution which urged governments, tourist boards, agricultural bodies and others to recognise the importance of tourism in the farm economy; and to give such help as was needed to promote soundly-based tourism enterprises. It pointed also to the role which co-operatives could play in this process. In Austria, for example farmers' co-operatives have long been active in agriculture (purchasing, running markets, abattoirs, machinery etc.) and in forestry (woodland management, sawmills, marketing). Now they are becoming involved in tourism, particularly the marketing of those smaller accommondation units which fall below the size which the tourist board will market.

In Britain, we have as yet no farm tourism co-operatives as such. To market their accommodation, many farm families rely on individual advertising, on firms such as English Country Cottages, or on the tourist boards. For advice on equipment or management of the enterprise, they look to the tourist boards, some ADAS officers, local technical colleges, the British Horse Society, and others. Tourism enterprises are, in general, not affected by the high costs of capital equipment or of raw materials which impel farmers to co-operate in the agricultural field.

However, there are signs that co-operatives may have a useful role in farm tourism. A number of farmers already belong to local tourist associations, such as those on Dartmoor or in the Vale of the White Horse. Such associations undertake joint marketing of members' enterprises; and provide information to visitors. Many act as booking agencies and certainly hand on visitors to each other when their own accommodation is full; and as sources of advice to their members and of political pressure where this is needed, (for example in relation to controls over signposting). Elsewhere, farmers who run pony-trekking establishments have teamed up with local hotels and guest-houses to offer riding holidays on a 'package deal'.

In the pursuit of these and other purposes, there may well be scope for farmers' co-operatives to contribute to the growing field of tourism enterprises of farms.

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