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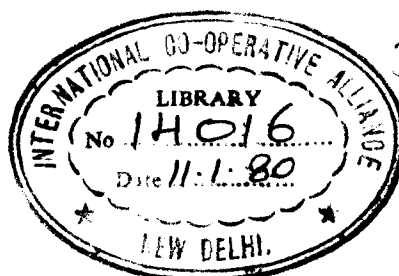
"AGRICULTURAL COOPERATIVE STRATEGY WITH REGARD TO MULTI-NATIONAL CORPORATIONS"

MULTI-NATIONAL CORPORATIONS AND AGRICULTURAL COOPERATION

IN THE NORDIC COUNTRIES

by

Olaf Karlander



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Organised by: International Co-operative Alliance Agricultural Committee
in collaboration with International Federation of Agricultural Producers
Standing Committee on Agricultural Cooperation

MULTI-NATIONAL CORPORATIONS AND AGRICULTURAL COOPERATION

IN THE NORDIC COUNTRIES

BACKGROUND

The expansion and acquisition of new market sectors is often regarded as a necessary requirement for the long-term profitable conducting of a business. Extensive development, both nationally and internationally, can influence the conditions for safeguarding agricultural cooperative interests. The rapid growth of the multi-national corporations is probably the most significant and dynamic aspect of post-war economic development. The big corporations have grown more swiftly than their surroundings, and even though this growth rate may not seem very impressive on an annual basis, in the long run, it nevertheless creates an entirely different structure in world economy.

Even though world economy is unlikely to expand as strongly during the next few years, there are still various reasons for assuming that the multi-national corporations will strengthen their hold on food production and the food trade. Some of these reasons are as follows:

- Multi-national corporations operate in expansive production areas. They have a widely varied and usually technically advanced production programme. Considerable resources are set aside for research and production development. They have experienced techniques in such fields as planning, coordination, management development and advisory and control systems. Their international surveys enable them to utilize efficiently the international capital and loan market which becomes increasingly relevant to to their development.
- There is an inner dynamism here where expansion is a deliberate objective. They use practical measures - a 10% annual increase in turnover for assured development; the turnover should never be less than half that of the largest competitor, etc.
- The big corporations endeavour to vary their production so as to be less vulnerable to trade fluctuations. Two types of corporation are discernible here. There are those which formerly have dealt in sectors other than food, for example ITT, and there are the food industry concerns which have previously operated in one field only, for example, the dairy sector, but which then enter other fields as well.
- There is also a tendency towards increased vertical integration. In recent years, manufacturing corporations have shown growing interest in the whole-sale and retail trade, while the retail trade has shown greater interest in the manufacturing of food. Integration forwards or backwards can by degrees become even more pronounced as competition on the market increases. This form of development occurs to some extent across national frontiers, Cavenham, for example, is an instance of this.
- The markets are growing. Through the Common Market and EFTA agreements, trade in Western Europe, including certain food-stuffs, has been liberalised. Further liberalisation of this nature is probable, moreover, on account of the interest of the Eastern European countries and certain other countries,

too, in the Western European market. Generally speaking, large markets stimulate the development of large corporations. Unilever, for example, has derived particular growth potential from the emergence of the Common Market.

- Just now, the food industry in Western Europe is undergoing a very extensive structural rationalisation. Family businesses are being eliminated, and this gives the large international corporation an opportunity to become even larger.

MULTI-NATIONAL CORPORATIONS AND FOOD PRODUCTION IN THE NORDIC COUNTRIES

In the Nordic countries, there is only a limited amount of foreign influence in the food industry and retail trade. In Iceland, there are no foreign-owned corporations at all in the food industry or retail trade, and there is only one such corporation in Finland and Norway respectively. It is first and foremost in Denmark and Sweden that we find the foreign-owned food corporations, though here too, they are not as yet very influential.

Foreign corporations handle scarcely 10% of Sweden's total food production, while the producer-cooperative share is 45%. In Denmark the share of the foreign-owned concerns in the nation's total food production is probably smaller still. The largest multi-national food concern in Denmark, Plumrose, is Danish and has an annual turnover of about 2,000 million Danish kronor. Plumrose is Denmark's biggest food concern and supplies both meat and dairy products.

The following table shows the foreign food industry corporations represented in the Nordic countries.

CORPORATION	COUNTRY OF ORIGIN	ESTABLISHED IN			
		DENMARK	FINLAND	NORWAY	SWEDEN
Beatrice Foods	USA	x			
Borden Co	USA	x			
Cadbury-Schwepe	Britain				x
Cavenham	Britain	x			x
CPC	USA				x
General Foods	USA				x
Kraftco	USA	x			x
Nestlé	Switzerland	x		x	x
PepsiCo Overseas	USA				x
Ross Poultry/ Imperial Food	Britain				x
Unigate	Britain	x			
Unilever	Holland/ Britain	x	x		x
		2.			

The six largest food corporations in the world - Unilever, Nestlé, Kraftco, Cavenham, Beatrice Foods and General Foods, in order of size - are all represented in the Nordic countries. A common factor among these corporations is that they are all very large, even when compared with other large international corporations. There are only ten or more corporations of any type in the world that are bigger than the largest international food concerns. The latter also have a very high processing value per employee. Unilever, with a food business turnover of some 30,000 million Swedish kronor, employs 200,000 people in its food industry alone, while the corresponding figures for Nestlé are 25,000 million and 130,000.

One characteristic of the foreign-owned concerns in the Nordic countries is that they all concentrate on manufacturing highly processed products with - at least during the late 1960s and early 1970s - a rapidly growing demand. In most instances, moreover, they have acquired a very considerable share of the market.

The foreign concerns in the Nordic countries manufacture, among other things:

- canned meats - 35% Swedish market, 25% (including cured meats, etc.) Danish market*
- canned milks, etc. - 3 $\frac{3}{4}$ % Danish market*
- edible fats - 45% Swedish market, c. 16% Finnish market, parts of Danish market
- yoghurt - 25% Swedish market
- ice-cream - 75% Danish market, 60% Swedish market (together with producer-cooperative)
- frozen chicken, almost 50% Swedish market
- frozen meat and ready-cooked foods - 18% Swedish market
- frozen vegetables 75% Swedish market
- baby foods - 50% Swedish market, 40% Norwegian market
- dried potatoes - 70% Swedish market.

MULTI-NATIONAL CORPORATIONS AND THE SUPPLIES SECTOR IN THE NORDIC COUNTRIES

No studies have been made concerning the influence of the multi-national corporations in the agricultural supplies sector in the Nordic countries, but the present market situation for the more important supplies gives reason to assume that vital agricultural interests could be threatened if the trend continues towards further concentration in this field of business.

In many countries, the market is often dominated by one or a couple of industrial fertilizer concerns. The Western European industrial fertilizer

* The major part of the above share of the Danish market for canned and cured meats, and also canned milks, is handled by the Danish multi-national East Asia Company, partly through its subsidiary, Plumrose.

Industry has formed collaboration organisations to safeguard common interests. There are often only one or two suppliers for each of the most important plant protectants. Profits developed more favourably in the large chemical corporations after, rather than prior to, the international oil crisis.

The more expensive agricultural machinery, which incurs increasingly higher development costs, is being made by fewer and fewer concerns. The tendency here is for the larger corporations to become larger still, and the smaller concerns, smaller and fewer. In other sectors such as planting seed, oil-plant products and feeds, there is often the same tendency towards larger and fewer corporations.

WHY ARE THE MULTI-NATIONAL CORPORATIONS A PROBLEM?

The problem with the large multi-national corporations is not necessarily that they have a large turnover and many employees, and due to their size, these corporations often have the resources to develop new and better (though sometimes inferior) products, to spread technology across national frontiers, and so on. Instead, the problem with these concerns is associated with the fact that they often have a dominating influence on the market, while, at the same time, outsiders have little opportunity of gaining any sort of insight into them. A hierarchical structure, the combination of centralised and decentralised decision-making, manufacturing in many countries, and frequently a very varied assortment of products, are factors which limit the scope for any sort of proper insight into many of these concerns. This problem is not made easier, moreover, when the international concerns are often, in their turn, part of an international economic network where banks, insurance companies, manufacturing firms and advertising agencies are interwoven.

The international corporations often have access to advanced technology and extensive information on conditions in different parts of the world, and they are thus able to utilise very quickly the shortcomings in the international economic system. Their activities can be of considerable social and economic consequence to different groups of people within the community. Thus, altogether it is not difficult to understand that these big international corporations are watched very carefully, and that the trade unions, cooperatives, various authorities and international organisations are demanding adequate insight into their activities.

COOPERATIVE CONCERNS - AN ALTERNATIVE

In various respects, the cooperative system is the direct opposite of the multi-national corporations. The cooperative system is not only an alternative to national and international capitalism, but also to state ownership. It is based on the principles of open membership, democratic administration, information activities, collaboration, and so on. Cooperative concerns are associations of people, not amalgamations of capital. No individual member can make any sort of claim on a cooperative's capital growth. The concerns develop and their value increases, yet despite this, the shares remain nominal.

The cooperative organisation provides the farmers with valuable advice. It also develops primary production and has, on certain occasions, embarked upon public undertakings, amongst other things, in implementing agricultural policy. It gives proper consideration to social and regional factors, in such matters

for example as its duty to handle the produce of small and geographically remote suppliers.

At a time when the authorities and trade unions are becoming increasingly insistent in their demands for an insight into business, and when wage-earners are demanding a share in capital growth, the cooperative system should be an attractive form of organisation. It ought thus to be in the interests of the community to help ensure that these do not lose ground to the large national and international concerns.

The cooperative organisation has other trump cards too. One of its strengths in countries where it is well established - in the Nordic countries for example - is its control over raw materials production, and also that it often works in close contact with the farmers' union movement. When raw materials competition becomes stiffer, the connection between the economy and farmers' union movements is an advantage.

However, at the same time, it must be remembered that the advantages of the cooperative system in the modern community can sometimes be regarded as disadvantages from the view point of the individual concern. The cooperative system is nationally orientated and thereby subject to the nation's regulations in different fields. Consequently, it is unable to make use of the shortcomings and strengths of the international system. Activities are restricted to certain products and to specific regions. In most cases, members cannot contribute more capital in the way that the owners of a company can. This can create problems for the financing of undertakings. Added to this is the fact that cooperative activities - collecting and to a certain, often limited extent refining raw materials - do not produce large profits.

AGRICULTURAL COOPERATIVE STRATEGY IN THE NORDIC COUNTRIES

Consumer cooperation has been a front runner in the Nordic countries, due to the establishment of the Nordic Cooperative Wholesale Society (NAF). This collaboration means that these cooperatives have joined forces and formed joint concerns in different fields of production, so as to safeguard their interests by utilising the advantages of large-scale operations. The Nordic agricultural cooperative organisation has not developed any similar type of activity.

It is probable that, for several reasons, the multi-national food concerns will not expand so much in the Nordic countries. The individual markets which are regulated by a national agricultural policy are small (except Denmark as a member of the EEC) where agricultural cooperatives have acquired a major influence on food production, and consumer cooperation has a very strong position.

The agricultural cooperatives have established a dominating position in food production, both horizontally and vertically for themselves. And if this lead is used properly, then increased foreign influence can be hindered in the Danish and Swedish food industries in particular. One requirement for this, meanwhile, is that the cooperative concerns continue to have the scope to develop and adapt themselves to the changes around them. Since the large international corporations can never be got rid of through legislation, the best means of counteracting a foreign-owned food industry should be for the community to allow the cooperatives to develop further so that they can compete in their own right with these international corporations.

At the 1975 General Assembly of the Nordic Farmers' Organisations' Central Council, the question of agricultural cooperation and the multi-national corporations in the Nordic countries was discussed. The general principles put forward concerned how agricultural cooperation should proceed to counteract increased international participation in both the food and supplies industries. It was agreed that the starting points for such agricultural cooperative action should be:

- retaining the popular movement character of the organisation
- maintaining the most decentralised business structure possible within the framework of the existing competitive potential.

It was particularly stressed that a prerequisite for such decentralisation is that the cooperative societies collaborate loyally and unselfishly, and do not attempt to operate individually. Each cooperative society is a cog in the overall machinery - the Cooperative Movement - which must function without interruption or discord, if it is going to take up the challenge of the big national and international concerns effectively.

Through a proper distribution of activities between the different cooperative corporations, agricultural cooperation as a whole in the Nordic countries has begun to utilise the advantages of large-scale operation, while the small concerns have become more efficient and competitive too. However, the Nordic markets are individually small (apart from Denmark which is a member of the Common Market). This, combined with increasingly high production costs, brings up the question of closer cooperative production collaboration between the agricultural cooperative organisations in the Nordic countries. Through even more collaboration, the agricultural cooperatives should, inter-Nordically as well, continue to pursue the established policy and utilise the advantages of large-scale operations which they have at their combined disposal in terms of personnel, personnel development, management, training in cooperative ideology, financing, production, marketing, research and development. They should also utilise jointly modern administrative methods as far as possible.

The agricultural cooperative concerns have already recognised the value of a good negotiating position in terms of low prices and dependable deliveries when competing with the large national and international manufacturers of farming supplies. It was possible to achieve these advantages through far-reaching purchasing collaboration between the cooperative concerns in the different Nordic countries. In this field too, it should be possible to bring about a joint Nordic action to strengthen agricultural cooperation further.

Research and development are becoming increasingly important sectors for the cooperative organisation as well. In this realm, meanwhile, which demands more and more resources, one means could be to work on some form of collaboration with the state.

At the General Assembly of the Central Council of the Nordic Farmers' Association, the presiding officers were asked to draw up general principles to increase Nordic collaboration for the purpose of promoting agricultural cooperatives' competitive potential against the multi-national corporations. It was decided in November of the same year to appoint a working group to examine the conditions and opportunities for closer collaboration in the farming supplies sector. In April this year, the working group presented its recommendations, and these were approved in May. This decision meant that a Nordic Branch Committee for Farming Supplies should be set up. The duties of this Branch Committee would be:

- to promote collaboration in the supplies sector among the Nordic agricultural cooperatives
- to coordinate and prepare activities in the supplies sector within CEA, INTERCOOP, ICA and IFAP.

At the same time, it was decided to appoint special working groups in this field with the scope for achieving worthwhile collaboration. Working groups have been set up for industrial fertilizers, feeds, planting seeds, oil-plant products, chemicals and machines. The purpose of this collaboration is to exchange experience with respect to legislative questions, marketing, manufacturing techniques, distribution, price and market questions, research, development, and so on. In addition - and this is more important - the possibilities for joint undertakings in other sectors, including research and development work, the joint purchasing of supplies, and also the possible joint manufacturing and marketing of supplies will be examined.

Cooperative collaboration has already been established among the Nordic countries in the dairy, meat marketing and egg marketing organisations, and likewise in the computer field. Enclosed here is a Nordic Farmers' Association organogram.

Generally speaking, the measures taken hitherto between the agricultural cooperatives in the Nordic countries have been modest. They might be regarded as a move in the direction of broader and deeper collaboration for the benefit of Nordic consumers and producers alike. In the long term, such collaboration as required should be developed to embrace producer cooperatives in other countries as well. Such a procedure is already functioning on a small scale.

PROGRAMME POINTS

In each individual country, the cooperative organisation should strive for a larger share of the market and greater solidarity in collaboration across national frontiers.

In the business field, inter-cooperative trade should be the principle for collaboration. When importing from another country, a consumer cooperative should give priority to that country's producer cooperative. Producer cooperation should first and foremost initiate trading collaboration with products which complement its own production programme.

Cooperative concerns should form bodies for research and development purposes not only within a country, but also among countries, and likewise for other suitable ends.

The cooperative organisation should create a bank to collect information on structural development in the food business throughout the world. This bank should hold data on all the large international food concerns.

Cooperatives should not reject collaboration with multi-national corporations out of hand, but at the same time, a cooperative should not risk losing its identity through such collaboration.

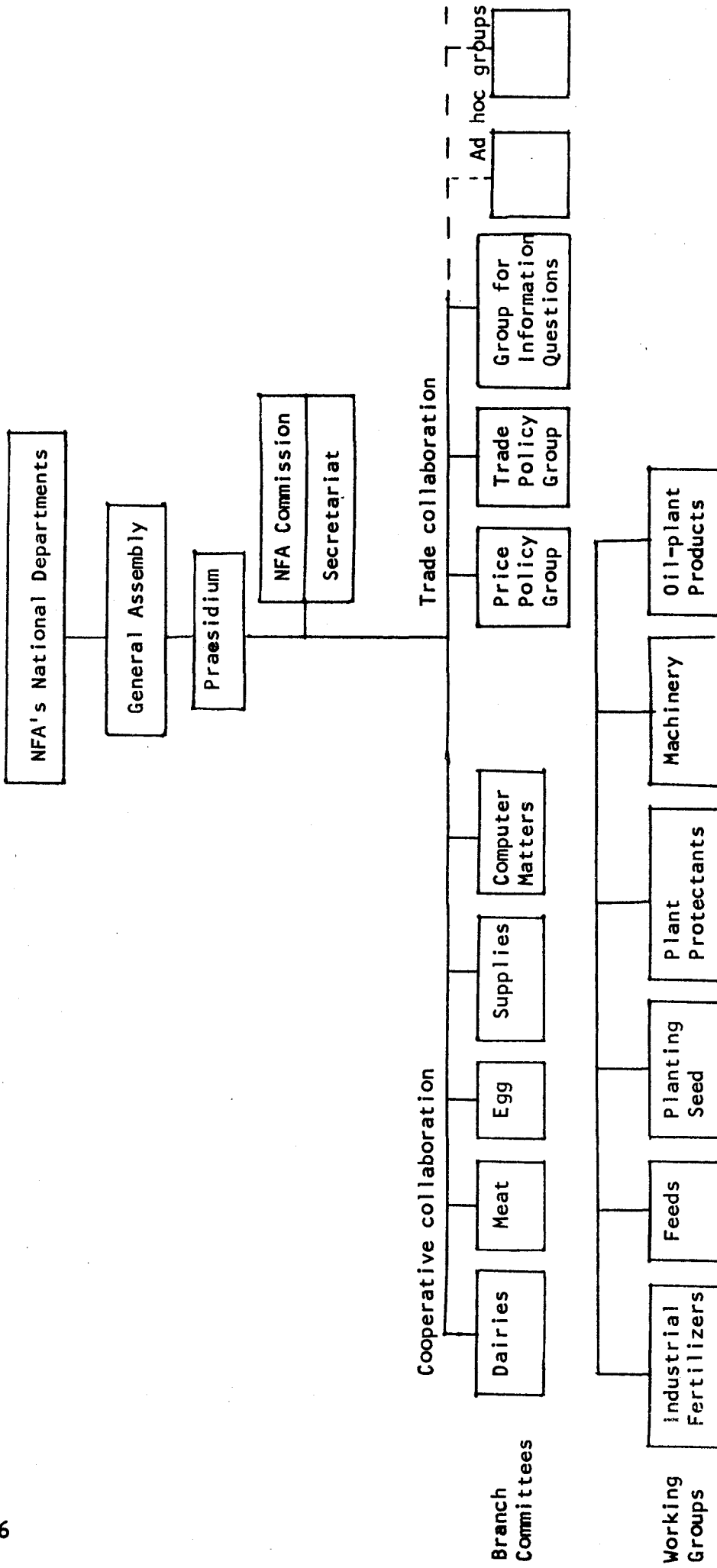
The Cooperative Movement should work actively for international agreements on increased insight into international business.

Cooperative organisations in the industrial countries should strive for more solidarity than hitherto with the cooperative organisations in the developing countries, by actively supporting their work.

The Cooperative Movement must concentrate more at all levels on improved language training and on instruction in international affairs.

The cooperative organisations must give priority to management training which also embraces international issues. The question should be considered of establishing an international college for cooperative management training or, alternatively, international schools for cooperative management as a supplement to other forms of management training.

NORDIC FARMERS' ASSOCIATION ORGANOGRAM



O P E N W O R L D C O N F E R E N C E

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"AGRICULTURAL COOPERATIVE STRATEGY WITH REGARD TO MULTI-NATIONAL CORPORATIONS"

IS IT RELEVANT TO APPLY THE IDEA OF STRATEGY
TO THE PRACTICE OF THE COOPERATIVE SOCIETIES
WITH REGARD TO THE MULTI-NATIONAL CORPORATIONS?

by

Anders Pedersen

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IS IT RELEVANT TO APPLY THE IDEA OF STRATEGY TO THE PRACTICE OF THE
COOPERATIVE SOCIETIES WITH REGARD TO THE MULTI-NATIONAL CORPORATIONS?

A modern interpretation defines the idea of strategy as "the art of controlling and utilising all the resources of a nation - or of a coalition of nations - in such a manner, that the interests of the nation are furthered the best possible way, and in such a manner that the nation is safeguarded against outside enemies - whether existing, potential or even imaginary enemies". True, this definition talks about nations, but with a small transcription, namely replacing "nations" by "cooperative societies", it seems possible to apply both the very idea of strategy and also the above definition of it where cooperative societies are concerned.

However, it will be necessary both to reflect on the necessary prerequisites in order that we may rightly talk of a strategy for cooperative societies and decide whether these conditions are present as far as cooperative societies are concerned. According to the above definition, strategy involves the "control and utilisation" of the resources of the societies are concerned. Such "control and utilisation", however, call for some sort of a central management or a central body capable of framing adequate principles and rules for the activities and doings of the societies. However, looking round in cooperative quarters, one realizes that an organ capable of controlling and utilising the resources of the cooperative societies to such an extent as to further their interests and to safeguard them against other competitors, does not exist - at least not in countries where the free market economy prevails.

The cooperative societies are individual societies; they are governed by bodies elected by the members which are solely responsible to the outside world. Of course, some societies may have framed a strategy which takes the presence of the multi-national corporations into consideration, and there is also the possibility that a group of cooperatives - associated or federated - may solve some of the most urgent problems caused by the presence of the multi-national corporations. However, in general, the individual cooperative societies are not so large, and do not possess such resources as to develop a firm strategy - and even if they manage to do so, such a strategy will therefore be of rather a defensive nature. The outlook is more promising where a coalition of cooperative societies is concerned, but if such a coalition were able to take up the challenge of the multi-national corporations, it would be necessary to have a very firm hold on this collaboration - either by regulations or by a common economy within the fields concerned. Only when this is provided, does a coalition of cooperative societies have the possibility of coping with the big competitors.

There is the question, however, of whether such agreements on collaboration, which make mutual activities possible, comply with the classic definition of strategy, according to which the object was to "control and utilise" all the resources of a society within the framework of that very society. Taking this into consideration, it does not seem very convincing to talk of a strategy of the cooperative societies in their relations to the multi-national corporations, since the necessary prerequisites do not seem to be present. This, however, does not mean that the cooperatives - individually or jointly - are prevented from taking such steps as they find necessary in order to cope with the special kind of competition that the multi-national enterprises offer.

The relations between the cooperatives and the multi-national enterprises have previously been debated in ICA meetings. Nevertheless, the problems of this relationship have not yet been clearly outlined, owing perhaps to the fact that there seem to be some difficulties when it comes to giving an exact definition of the multi-national enterprises. Consequently, it will also be difficult to define the characteristics of these corporations and to separate them from other competitors of the cooperative societies. It should be noted that the relationship between the two kinds of enterprises is not entirely a "pro or contra" relationship, while collaboration between the cooperative societies and the multi-national corporations is known to take place, at least to a certain degree. This collaboration takes place under various forms such as joint ventures or other sorts of collaboration of a more lasting nature. As an example of this it could be mentioned that the buyers of agricultural products are very often found to be multi-national corporations - a state of affairs which forces us to consider whether it is relevant to regard the multi-national corporations as especially dangerous competitors. Furthermore, I think it would be very difficult to prove that the multi-national corporations had taken steps which aimed directly at driving the cooperatives out of the market just because they are cooperatives. I also think it would be as difficult to prove that the multi-national corporations should be more dangerous to the cooperative societies than the large trading houses which have been established for a long time, and which are known within virtually all trades. The multi-national corporations do not seem to make any progress at all where the cooperatives have a strong foothold. Still, it cannot be ignored that the expansion of the cooperatives is very often obstructed due to the strong foothold that the multi-national corporations already have in the market in question, or perhaps because the conduct of the multi-national corporations is very often much more energetic than that of the cooperatives. An example of this is the expansion of the multi-national corporations within the food processing industry in the industrialised countries. This expansion required heavy investment as well as a highly developed technology and efficient management, and it is only fair to mention, that this expansion also introduced new techniques and new products within the sector from which both farmers and consumers benefitted.

Some cooperative societies are indeed multi-national societies, thus for instance, some Scandinavian cooperative export organisations with subsidiaries in other countries may be mentioned, and very often the cooperatives are as effective as the multi-national corporations are said to be. Still, they are hardly superior to the multi-national corporations, and it is not realistic to believe that they - even by improving the management - could drive the multi-national corporations out of the market.

For a number of years, some international organisations, for instance, ILO, OECD, The Nordic Council and others, have put the multi-national corporations into focus - urged to do so by the unions, the national governments, political parties and to a certain extent also by the ICA. The reason was that the multi-national corporations, in some cases, were found to have a restrictive trade policy and moreover were found to undermine the efforts of the unions to secure decent wages and fair working conditions for the employees. In some cases, the multi-national corporations were accused of evading taxation, and on the whole, it is generally assumed of the multi-national corporations that they try to by-pass the national laws in every possible way in order to avoid the burdens of responsibility towards any national authority. This may have contributed to the explosive development of the multi-national corporations, though the main reason for this development has been the multi-national enterprises' capacity to react to technical and economic development in general: the

the multi-national corporations have fully mastered the art of developing and applying very expedient management techniques.

Confronted with the expansion of the multi-national corporations and the competition that goes with it, the cooperatives have two alternatives:

One way is, through political efforts pursued by the agricultural cooperative organisations in collaboration with the national government, to introduce legislation limiting the activities of the multi-national corporations and at the same time promoting the development of the cooperative societies. I shall not elaborate on this possibility, but will proceed directly to the other alternative - namely the improvement of the cooperatives' efficiency.

An attempt to explain the success of the multi-national corporations within a number of fields may, at the first glance, seem rather defensive, but on second thoughts, such an explanation could serve as an inspiration for the cooperative societies, and might urge them to look closer into the reasons for this success, and consider whether some of the methods used by the multi-national corporations would be worthy of imitation and compatible with the aims of the cooperatives.

Almost all investigation reports of the multi-national corporations' affairs point out fiscal evasion, considerable resources used for research and promotion, easy access to new capital, highly efficient management and management systems, no national base or responsibility towards capital owners, governments etc. as characteristics of these corporations. (Weapons could be - and were - sold to both sides during the war.) In the following I shall briefly look into these subjects one by one in order to see whether some of the above-mentioned characteristics are applicable to the cooperative societies.

It is often pointed out as a special privilege of the multi-national corporations that they are in a very free position to choose where to invest and where to operate (no passport-oriented management). They are free to choose such countries for their investments in which both wages and taxation are low and where free enterprise is favoured, but in principle, the cooperatives could also establish themselves in such countries.

The fiscal advantages of the multi-national corporations are much talked about, but seem to be somewhat over-estimated. When taxation is mentioned, it should be noted that it is traditional for the taxation of the cooperatives in many countries to be much easier than the taxation of the joint stock companies; furthermore, monopolistic legislation also seems to favour the cooperatives, though there has been a tendency to change this practice lately.

I attach much more importance to the activities of the multi-national corporations within the field of research. Their advantages on an economic scale put them in a position in which they can make full use of their research departments, thus reducing their research costs proportionally, whereas very few cooperative societies are of such a size that they can cope with a research section of their own. The Danish Meat Research Institute is a privately owned institution within the meat industry which serves the cooperative societies as well as a few privately owned minor abattoirs. The activities are especially geared towards an improvement of production techniques.

It is often and rightly said of the multi-national corporations that their ways of raising capital and their ability to transfer capital to other enterprises within the corporation leave them in a very privileged position. An answer to this would be to found an effective national cooperative credit institution which could take care of the interests of the cooperative societies in this field.

Efficient and dynamic management is another characteristic feature of the multi-national corporations. The possibilities for making a career within these corporations are normally good, - the wage level is high and working conditions in general satisfactory - altogether circumstances that are likely to attract professional and highly qualified leaders. The multi-national corporations are in a much better position than the cooperatives to offer their staff advanced and international education and training, deriving from the very nature of the multi-national corporations; thus the individual enterprise within the corporation is quite independent and therefore offers challenges and opportunities to the managers and other personnel in executive positions. Modern management theories can be tested and applied if convenient, while there will probably be a tendency towards a high degree of "careful and secure" management within the ranks of the cooperative societies, not taking many risks.

DIVERSIFICATION

Another distinctive feature of the multi-national corporations is their tendency to "diversify", i.e., to spread their activities both commodity-wise and geographically, which not only makes it possible to follow new marketing opportunities without tedious deliberations with headquarters or boards of directors - but also spreads the risk deriving from being dependent on a few production lines. Regarding diversification, the multi-national corporations have an advantage compared with the cooperatives, as the latter, as a minimum, have to respect and comply with their basic aim, i.e., the agricultural marketing/supply cooperatives have to market the products which can be grown by the farmers in a given region, or supply them with the requisites needed for this production. However, the cooperatives should not be too blinded by their main and major task. The cooperatives also have possibilities of diversification, but it seems as though they are not making the most of the possibilities in this field; horizontal integration between specialised cooperatives dealing with different products, for instance, dairy cooperatives, cooperative feedstuff societies and abattoirs only occurs in the northern part of Sweden and in a few cases in the USA.

WHICH CONCRETE ACTIONS COULD BE OF INTEREST TO THE COOPERATIVES TODAY?

Amalgamating the cooperative societies might solve many of their problems. An alternative to amalgamation would be a close collaboration between the cooperative societies. Such collaboration is already known to take place within the meat industry in some Scandinavian countries - though it should be added that this collaboration has been somewhat problematic lately, since certain of the large cooperative societies seem to think that they are strong enough to solve the problems on their own, and thus place themselves outside the collaboration. If such a concept gains a foothold, it would be a most dominant obstacle with a view to framing a cooperative strategy.

If the presence of the multi-national corporations is considered a serious threat to the cooperative societies, it will be relevant to try to obtain as much information as possible about these enterprises, since it is simply not possible to formulate any kind of strategy without a thorough knowledge of the opposition. Admittedly, it is difficult for the individual societies to keep

themselves informed of the multi-national corporations' activities within the sphere of cooperative interests, but to this end, national collaboration between cooperatives as well as international collaboration between the central cooperative organisations would be very valuable.

A recent investigation undertaken by the Danish Institute for Futures Studies illustrates how we in Denmark have taken the initial steps in order to systematise the collection of information. The investigation resulted in a report which aimed at encompassing those fields in which Danish export organisations are particularly interested, and in which the multi-national corporations are also active. We found it wiser to let an organisation outside the ranks of the cooperatives undertake the collection of information, as such an independent organisation would most likely be able to procure more and better information than the cooperatives themselves. This work will be carried on and kept up to date, but we think it would be useful to extend the collecting of information to also include the ways of raising capital and the staff education programme of the multi-national enterprises. With a view to collecting this information, and in order to create a common practice in this field, we would like to contact interested cooperatives in other countries, as we think that an exchange and a comparison of information would be very fruitful. Further, it is our opinion that the international organisations, such as IFAP and ICA should contribute to organising the collection of information.

Formal and practical (on-the-job) training for the cooperatives' management members is another way for the cooperatives to improve their competitive power, and here international collaboration is much needed. When the central organisations in Denmark in the sixties highly recommended an amalgamation of the small societies in order to make the cooperative societies more efficient and competitive, they hardly realised the heavy demands which the new type of large societies would make on the management. Though well-educated and very efficient within the small societies, the managers of the new large societies necessarily had to acquire knowledge and practice of new and different management techniques and systems in order to cope with the problems that the management of such societies may present. I also think that cooperation across the frontiers would prove to be very fruitful here, when it comes to creating an effective and systematic education for the executives of the cooperative societies. Attempts have been made to establish a scheme for exchanging executives from the cooperatives within the framework of ICA, but the expected effects have failed to show up so far - at least, I am not aware of any Danish leaders who have been able to benefit from this arrangement of ICA. I think it would be possible to make the exchange schedule for the executives of cooperatives far more effective, if we could manage to establish an international and extended commercial collaboration among the cooperative societies. Such business relations, for instance, between European and American cooperatives, would indeed form an excellent and probably necessary background for an exchange of managers and executives, who could spend one or two years in the foreign country, functioning for instance as responsible executives of self-operating sections. One of the reasons why the ICA experiment was unsuccessful might be that the handling of the exchange programme ended in the hands of the wrong people within the national and local cooperative societies. The responsibility for such an arrangement should probably be left with the staff managers and considered as an integral part of the staff training programme, before the effects will be satisfactory.

APPENDIX

MULTI-NATIONAL AND NATIONAL SOCIETIES IN THE CHIEF EXPORTS MARKETS OF DANISH

AGRICULTURE

The Danish Institute for Futures Studies has recently published the findings of an investigation into the influence of multi-national corporations in the food trade in the chief export markets for Danish agricultural products. The report is prepared by Erik Juul Jørgensen and Hanne Sørensen of the above Institute at the request of, and in collaboration with, the agricultural organisations in Denmark.

The investigation aimed at obtaining adequate and factual information about the multi-national corporations' production and trade within the food sector. Though much has been said and written about the menace of the multi-national societies to the cooperative enterprises, only a very few people have tried quantitatively to sum up the production of these corporations and their share of the market. This lack of exact knowledge, however, is easily explained by the fact that it is extremely difficult to obtain information about the multi-national corporations, and it is even more difficult to make such information appear in a proper and clear context; consequently, a certain limitation as to the fields of investigation has been necessary.

In the above report, it was decided to concentrate on the dairy and meat sectors, as well as the retail trade, in seven of the principal export markets of Danish agricultural products, namely the four big EEC partners: Great Britain, Federal Republic of Germany, France and Italy - and outside the EEC: USA, Sweden and Japan; these seven countries consume four-fifths of all Danish agricultural exports. Furthermore, in order to complete the picture, this report includes a chapter on the role of the multi-national corporations in the Danish home market. The following attempts to sketch the main features of the situation in the countries just mentioned.

FRANCE

The French food trade in general is characterised by many small enterprises, a situation which offers the few existing industrial giants very favourable possibilities for expansion. The largest company in the French food trade is B.S.N. GERVAIS DANONE with an annual turnover of approximately 2,2 milliard dollars. Only half of the turnover is derived from the food sector, and the activities of the company are spread over a number of European countries; most importance, however, is attached to the production and selling of foods and beverages. SICA OUEST LAIT is another large company, with an annual turnover of more than 820 mill. dollars; it is partly a privately-owned and partly a cooperative enterprise, and like the B.S.N. GERVAIS DANONE, its main activities are concentrated on the dairy sector, but the society has now begun to take an interest in other branches of the food trade, and in other European countries. Another big company in the French dairy industry and with a large share of the market is NESTLÉ, especially within the field of non-perishable products. NESTLÉ also carries on trade under different names through a number of subsidiaries.

Within the meat processing industry in France, the GABY family is the largest shareholder in some of the major companies, whose total annual turnover amounts to more than 660 million dollars. As a curiosity, it may be mentioned

that one of these societies imports pork from China for further processing. FLEURY MICHON, another society with growing importance within the meat sector, has very close relations with the companies just mentioned, which shows the increasing tendency towards concentration within the meat sector; this tendency, however, is less conspicuous than in the dairy sector.

GREAT BRITAIN

The dairy industry in Great Britain is characterised by a very high degree of concentration, thus 12 large companies treat more than 75% of the total quantity of milk. Of these companies, UNIGATE is by far the largest with an annual turnover of more than 1 milliard dollars, and its production share represents 25-45% of the total production of principal dairy products. The national production of dairy products in Great Britain is, as known, very modest compared with the consumption, but UNIGATE must also be regarded as the largest importer of dairy products, which again is connected with the considerable interests UNIGATE has in the dairy production of other countries, including Denmark. When UNIGATE took over SCOT BOWYERS, the third largest company in the meat processing industry, they also obtained interests in the meat sector. Furthermore, UNIGATE does considerable trade in convenience foods. Other large corporations in the dairy industry are EXPRESS DAIRY, whose production of yoghurt covers half the British market, and NESTLÉ, which has made the production of milk powder their speciality in Great Britain.

In the meat processing sector in Great Britain, FATSTOCK MARKETING CORPORATION, owned by the National Farmers' Union, is the largest with an annual turnover of 410 mill. dollars; a quarter of the pig killings and an eighth of the cattle slaughtering are performed by FMC. T. WALLS and SON is, with an annual turnover of 83 million dollars, the second largest in the meat sector; it is owned by UNILEVER, while SCOT BOWYERS, the third largest society, is owned by UNIGATE, as already mentioned, thus showing the considerable degree of integration within the various branches of the food trade in Britain.

FEDERAL REPUBLIC OF GERMANY

Unlike the situation in the two countries just mentioned, the cooperative movement in Federal Germany occupies a fairly strong position within the dairy industry, and three-quarters of the total quantity of milk is delivered to cooperative dairies. Of course, this state of affairs limits the scope of the multi-national corporations; nevertheless, NESTLÉ's dairy societies in Federal Germany have an annual turnover of more than 410 million dollars - and KRAFTCO, a subsidiary of the American company of the same name, has a considerable share of the cheese sales. UNILEVER should also be mentioned; it has an annual turnover of more than 2,2 milliard dollars in Federal Germany. Half the turnover is derived from the food trade, and thus for instance, UNILEVER's butter production represents 20% of Federal Germany's total butter production.

Within the meat sector, the cooperative societies perform more than a quarter of the killings, while the remaining three-quarters are performed by the public slaughter-houses. In the meat processing industry, however, there is more room for the multi-national enterprises. The SCHWEISFURTH GROUP, owned by the SCHWEISFURTH family, is the largest in the meat processing industry, with its annual turnover of approximately 250 million dollars. Next come a couple of enterprises owned by the Federal German Consumer Cooperative, and finally some enterprises owned by UNILEVER and NESTLÉ.

ITALY

It has been extremely difficult to get information from this country. However, within the dairy sector, it is estimated that the Cooperative Movement takes in between a third and a half of the total quantity of milk. The size of the individual enterprises, both cooperative and privately-owned, is small compared with other European countries, which leaves the multi-national societies very favourable possibilities for expansion.

The meat industry is highly marked by the Italian family enterprises, and private amalgamation initiatives are rare. For most of the companies, imports are as important as national produce, which is why most of them have chosen the highly industrialised northern part of Italy as their domicile.

The Italian Government plays an important role in both the food industry and in industrial life in general, and has considerable influence in several of the major firms. This prominent position of the state in Italian industrial life is based mainly upon a wish to make production, as well as the distribution in the food market, more effective, but also upon a wish to stem the foreign influence.

UNITED STATES OF AMERICA

The American food industry is characterised by very large groups; however, due to the size of the market, none of these groups individually has a predominant position. The Cooperative Movement is fairly strong within the dairy sector. It receives 60% of the total quantity of milk, but a large share of the milk is then sold to privately-owned enterprises of which KRAFTCO CORPORATION, with an annual turnover of 4,5 milliard dollars, is the largest; however, only half KRAFTCO's turnover is derived from dairy products. In 1973, 15% of KRAFTCO's turnover came from abroad, - mainly countries within the EEC, - and this share of the market has no doubt increased since then. BEATRICE FOODS has an annual turnover of 4,1 milliard dollars, but only 30% of this is derived from the dairy sector. The aim of BEATRICE FOODS is to market new and highly processed dairy products.

BORDEN is the third largest enterprise in the dairy industry, with an annual turnover of 3,3 milliard dollars. However, only a quarter of this turnover is derived from its trade in dairy products. This is explained by the fact that in 1964, BORDEN was ordered to sell eight of the dairy enterprises which it had bought earlier - and furthermore, was ordered not to take over any new plants producing certain dairy products for the next ten years, without the sanction of the Monopolies Commission - indeed, an example of a very firm anti-monopolistic policy. All of the three enterprises just mentioned have interests in Denmark: KRAFTCO in the cheese trade, BEATRICE in ice-cream production, and BORDEN in the production of milk powder.

The structure of the American meat industry closely resembles that of the dairy industry; however, the influence of the Cooperative Movement is much weaker in the meat branch than in the dairy branch. SWIFT, a subsidiary of the ESMARK GROUP, is the largest enterprise in the meat sector, with an annual turnover of 3,5 milliard dollars. ARMOUR, a subsidiary of GREYHOUND, comes second with an annual turnover of 2,3 milliard dollars, and WILSON, a subsidiary of the L.T.V. CORPORATION, is third largest, with an annual turnover of two milliard dollars. In the past few years, the meat industry in the USA has been

characterised by a trend away from concentration, so that the large societies have a smaller share of the market than before. An explanation of this state of affairs may be found in the fact that the three large corporations just mentioned have placed their production plants very close to the big cities. Production costs are high here, and the conditions for competition are consequently less favourable than those of the smaller firms in rural areas, where raw materials are close at hand, and where the disadvantage of long distances to the cities is eliminated, thanks to the modern refrigeration techniques in the transportation equipment. Nevertheless, the result was, as already mentioned, that the three large societies were taken over by others, but they still deal with the main part of the annual turnover of their respective parent companies.

SWEDEN

Compared with the other countries mentioned in the report, Sweden together with Denmark, have an exceptional position due to their strong Cooperative Movements. In Sweden, the cooperative dairies receive 99% of the total quantity of milk, and 85% of the killings take place in the cooperative slaughterhouses. In the meat processing sector, the production societies have approximately 30-40% share of the market, and the consumers cooperatives have about 17-25% share of the market. The multi-national enterprises only do better in the meat canning industry, where NESTLÉ and CAVENHAM, through their Swedish subsidiaries, have 40% of the production.

JAPAN

Japan is a very interesting market, due to the huge number of consumers, - more than 100 million, - living in a distinctive import country with a rapidly improving economy. As in the other branches of Japanese industrial life, the food trade also shows an increasing tendency towards concentration, both in production as well as in trade, but there are also a large number of very small societies, so that production is very wide-spread, especially within the dairy sector. The three largest enterprises, owned by banks and holding companies, share two-thirds of the market for the principal products in the dairy trade. Moreover, two of these enterprises have agreements for cooperation with corresponding American giants. There is a distinct concentration in the meat sector as well, where the three largest companies have a 40% share of the market, though this is less prevalent than in the dairy sector. As is the case in the dairy industry, some of the large companies have cooperation agreements with corresponding American companies, especially in connection with the development of new products and know how.

A most-distinctive feature of the multi-national corporations may be taken from the report: they all either are or have been involved in a period of growth - a growth which has various forms of manifesting itself:

- Increased activity in existing subsidiaries in order to oust present and potential competitors, or acquirement of new subsidiaries.
- Taking over already established enterprises, which are in a state of financial dependence on the take-over company.
- Taking over established enterprises without sufficient means for future expansion.

- Taking over previous one-man businesses, for instance, in cases where the younger generation succeeds the older generation.

When a society has achieved a large share of the market in one country, it is inclined to look around for the sales potential in other countries or other sectors. This is due to the fact that the costs of increasing an already large share of the market are very high. Moreover, the monopolies authorities threaten to interfere if one corporation's share of the market becomes too large. Also, the fact that diversifying the activities leaves the corporation less vulnerable to market fluctuations within the sector in question, has spurred on this trend towards widening the fields of activity.

Apart from stressing the necessity for synchronising Danish agricultural exports, this report does not take up any political position towards the problems it has just dealt with, as the task was merely to procure basic information about the practices of the multi-national corporations. It should be said, however, that the very strength of these enterprises is based upon their wide range of activities, whereas cooperative societies within agriculture traditionally work in one sector only, and do not seem to take much interest in developments in other branches within the food industry.

This difference in the way of looking at things is no doubt a weakness of the agricultural cooperatives in their competition with the multi-national corporations.