Dr. Jos Bijman

- Associate Professor of Cooperative Organisations, at Wageningen University

- Educational Background: Business Administration, Economics, Political Science

- Research Topics:
  - Structure and strategy of agricultural cooperatives: internal governance, member commitment, board-management relationship, internationalization strategies
  - Contract farming arrangements in developing countries
AGRICULTURAL COOPERATIVES IN THE NETHERLANDS
Dutch Farmer Cooperatives
## Cooperatives in The Netherlands (2011)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of cooperatives</th>
<th>Turnover (billion euro)</th>
<th>Employment (# fte)</th>
<th>Members (x 1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>225</td>
<td>61</td>
<td>95,000</td>
<td>22,900</td>
</tr>
<tr>
<td>Agriculture</td>
<td>215</td>
<td>32</td>
<td>50,000</td>
<td>140</td>
</tr>
<tr>
<td>Purchasing</td>
<td>100</td>
<td>15</td>
<td>6,000</td>
<td>787</td>
</tr>
<tr>
<td>Others</td>
<td>2100</td>
<td>3</td>
<td>15,000</td>
<td>668</td>
</tr>
<tr>
<td>Total</td>
<td>2640</td>
<td>111</td>
<td>166,000</td>
<td>24,500</td>
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</table>
### Number of cooperatives, market share, members

<table>
<thead>
<tr>
<th>2010</th>
<th>Number</th>
<th>Market Share (%)</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>2</td>
<td>100</td>
<td>9940</td>
</tr>
<tr>
<td>Cereals</td>
<td>3</td>
<td>&gt;55</td>
<td>n.a.</td>
</tr>
<tr>
<td>Dairy (milk processing)</td>
<td>5</td>
<td>86</td>
<td>15,200</td>
</tr>
<tr>
<td>Pig meat</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Wine</td>
<td>1</td>
<td>n.a.</td>
<td>12</td>
</tr>
<tr>
<td>Fruit &amp; Vegetables</td>
<td>19</td>
<td>95</td>
<td>4,500</td>
</tr>
<tr>
<td>Potato starch</td>
<td>1</td>
<td>100</td>
<td>1,600</td>
</tr>
<tr>
<td>Seed and Ware Potatoes</td>
<td>6</td>
<td>n.a.</td>
<td>1,500</td>
</tr>
<tr>
<td>Mushrooms</td>
<td>3</td>
<td>&gt;80</td>
<td>200</td>
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<tr>
<td>Flowers</td>
<td>3</td>
<td>95</td>
<td>5,300</td>
</tr>
<tr>
<td>Pig breeding</td>
<td>1</td>
<td>85</td>
<td>2,300</td>
</tr>
<tr>
<td>Cattle breeding</td>
<td>1</td>
<td>80-90</td>
<td>18,000</td>
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<tr>
<td>Farm inputs</td>
<td>15</td>
<td>n.a.</td>
<td>35,000</td>
</tr>
<tr>
<td>Of which animal feed</td>
<td>13</td>
<td>55</td>
<td>28,000</td>
</tr>
<tr>
<td>Rank</td>
<td>Name of Cooperative</td>
<td>Sector/Activity</td>
<td>Turnover 2012 (million €)</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------</td>
<td>-------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>1</td>
<td>FrieslandCampina</td>
<td>Dairy</td>
<td>10309</td>
</tr>
<tr>
<td>2</td>
<td>ForFarmers</td>
<td>Supply / Feed</td>
<td>6562</td>
</tr>
<tr>
<td>3</td>
<td>FloraHolland</td>
<td>Ornamentals</td>
<td>4398</td>
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<tr>
<td>4</td>
<td>Agrifirm</td>
<td>Supply / Feed</td>
<td>2436</td>
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<tr>
<td>5</td>
<td>Royal Cosun</td>
<td>Sugar</td>
<td>1945</td>
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<tr>
<td>6</td>
<td>Coforta/The Greenery</td>
<td>Vegetables and Fruit</td>
<td>1397</td>
</tr>
<tr>
<td>7</td>
<td>FresQ</td>
<td>Vegetables</td>
<td>849</td>
</tr>
<tr>
<td>8</td>
<td>Avebe</td>
<td>Starch Potatoes</td>
<td>554</td>
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<tr>
<td>9</td>
<td>DOC Kaas</td>
<td>Dairy</td>
<td>456</td>
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<tr>
<td>10</td>
<td>CZAV</td>
<td>Supply / Feed</td>
<td>420</td>
</tr>
<tr>
<td>11</td>
<td>ZON fruit &amp; vegetables</td>
<td>Vegetables and Fruit</td>
<td>353</td>
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<tr>
<td>12</td>
<td>AgruniekRijnvallei</td>
<td>Supply / Feed</td>
<td>293</td>
</tr>
<tr>
<td>13</td>
<td>CNB</td>
<td>Flower bulbs</td>
<td>284</td>
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<tr>
<td>14</td>
<td>Boerenbond Deurne</td>
<td>Supply / Feed</td>
<td>269</td>
</tr>
<tr>
<td>15</td>
<td>Best of Four</td>
<td>Vegetables and Fruit</td>
<td>282</td>
</tr>
<tr>
<td>16</td>
<td>Van Nature</td>
<td>Vegetables</td>
<td>259</td>
</tr>
<tr>
<td>17</td>
<td>CNC</td>
<td>Mushrooms / Compost</td>
<td>226</td>
</tr>
<tr>
<td>18</td>
<td>Agrico</td>
<td>Seed Potatoes</td>
<td>209</td>
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<tr>
<td>19</td>
<td>Horticoop</td>
<td>Supply to horticulture</td>
<td>191</td>
</tr>
<tr>
<td>20</td>
<td>Fruitmasters</td>
<td>Fruit</td>
<td>189</td>
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SUPPORT FOR FARMERS’ COOPERATIVES (SFC)
Support for Farmers’ Cooperatives (SFC)

Key question: What is the current status of agricultural marketing cooperatives in the EU, and what is the role of public policies in supporting the development of cooperatives?

- Project for the European Union
- Carried out in 2011 and 2012
- Consortium: 11 university partners + 27 cooperative experts (one from each EU Member State)
- Budget: 4.5 million Euro (app. 5 million USD)
Deliverables of the SFC project

- 27 country reports
- 8 sector reports
  - cereals, dairy, F&V, pig meat, sheep meat, olives, wine and sugar
- 6 cross-cutting theme reports
  - Legal issues, policy measures, internal governance, internationalization, social and cultural aspects, food chain
- 34 case studies
  - 18 national/sectoral cases
  - 15 transnational cases
- 3 other reports
  - A report on development of cooperatives in other OECD countries
  - A cluster analysis
  - A typology
Core concepts in our approach

- Institutional Environment
  - Policy Measures
- Position in the Food Chain
- Internal Governance
- Performance of Cooperatives
PERFORMANCE: MARKET SHARE
Performance of cooperatives

How to measure the performance of cooperatives? There is no agreement among academics on the best measure of performance (e.g. growth, financial ratio’s, member satisfaction, quality of the services, etc.)

We used three indicators:

- Market share of all cooperatives (per sector/country)
- Change in market share
- Prices paid to farmers (only in dairy)
Market share of cooperatives

NUTS level 0 (2006)
TOTAL8
- not relevant
- not available
- zero
- 0 - 25 %
- 25 - 50 %
- more than 50%
Market share cooperatives, per country, 2010
Market share cooperatives, EU per sector, 2010

- Sheep Meat
- Olives
- Wine
- Cereals
- Pig Meat
- Sugar
- Dairy
- F&V
- total8
# Development of Market Shares

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>AU</td>
<td>90</td>
<td>94</td>
<td>95</td>
<td>n.a.</td>
<td>35</td>
<td>50</td>
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<tr>
<td>B</td>
<td>50</td>
<td>50</td>
<td>66</td>
<td>70-90</td>
<td>85</td>
<td>83</td>
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<td>DK</td>
<td>93</td>
<td>97</td>
<td>96</td>
<td>20-25</td>
<td>30</td>
<td>50</td>
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<tr>
<td>FI</td>
<td>94</td>
<td>97</td>
<td>97</td>
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<td>40</td>
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<tr>
<td>FR</td>
<td>49</td>
<td>37</td>
<td>55</td>
<td>35-50</td>
<td>45</td>
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<td>GE</td>
<td>20</td>
<td>68</td>
<td>65</td>
<td>60</td>
<td>30</td>
<td>40</td>
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<tr>
<td>IT</td>
<td>38</td>
<td>n.a.</td>
<td>42</td>
<td>41</td>
<td>n.a.</td>
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<td>NL</td>
<td>82</td>
<td>85</td>
<td>90</td>
<td>70-96</td>
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<td>ES</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>15-45</td>
<td>50</td>
<td></td>
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<tr>
<td>SW</td>
<td>99</td>
<td>90</td>
<td>100</td>
<td>60</td>
<td>45</td>
<td>70</td>
</tr>
</tbody>
</table>
Competitive Yardstick Theory

Do cooperatives lead to higher prices?

For the dairy sector, Hanisch et al. (2013) found that a large market share of cooperatives in a country leads to a higher price and a lower price volatility.

STRATEGY: POSITIONING, GROWTH, INTERNATIONALIZATION,
Strategic Positioning

Clustering of 500 European Cooperatives
Bargaining power is crucial
Strategic challenges for agrifood cooperatives

- Concentrated retail sector
  - Strengthen bargaining power

- Food safety and quality
  - Enhance supply chain coordination

- Globalisation
  - Grow domestically and internationally?

- Attract good managers
  - Change in internal governance?

- Finding additional equity capital
  - Change ownership structure?
Traditional vs. modern strategies of cooperatives

- **Traditional strategies:**
  - Bargaining in input and output markets
  - Reduction of transaction costs
  - Providing credit / insurance / technical assistance

- **Modern strategies:**
  - Customer responsiveness
  - Quality control / quality assurance
  - Innovation / product development
  - Logistic efficiency
  - *Traditional Strategies*
Dairy cooperative DeltaMilk, the Netherlands

- 1990: study club of dairy farmers
- 1993: DeltaFeed, a joint purchasing association with 30 members
- 2003: establishment of DeltaMilk, a bargaining cooperative for jointly selling milk
- 2007: first sales contract
- 2009: acquisition of cheese factory “De Graafstroom” (from FrieslandCampina)
- 2013: 150 members; 180 million euro turnover
How international are cooperatives in Europe?

- Cooperatives are very international in selling products

- Cooperatives are mainly national as in location of members

- Out of the top 500 agricultural cooperatives in Europe, only 46 had members in two or more countries (=transnational cooperatives)
  - Mainly in Dairy, and Fruit and Vegetables
  - Mainly in Netherlands, Denmark, Belgium, Austria, Ireland
Case Study: Arla Foods

- 2000: Arla Foods was the result of a merger between the Swedish dairy cooperative Arla and the Danish dairy company MD Foods.

- 2006: Acquisition of cheese speciality dairy White Clover in Wisconsin, USA.

- 2006: Acquisition of Tholstrup Cheese, Denmark, and Ingman Foods, Finland.

- 2007: Merger with Express Dairies in the UK

- 2009: Acquisition of Fresh Nijkerk (from FrieslandCampina), the Netherlands.

- 2011: Acquisition of Allgäu Land-Käsereien in Germany.

- 2011: Merger with Hansa Milch in Germany.

- 2012: Merger with Milch-Union Hocheifel in Germany.

- 2012: Merger with Milk Link in Great Britain.

The 2012 mergers meant that Arla Foods grew from 8,024 members in Denmark, Sweden and Germany to 12,700 members in Denmark, Sweden, Germany, Belgium, Luxembourg, The Netherlands and the UK.
REGIONAL DIFFERENCES IN EUROPE
Membership intensity
1: ≥ 10%
2: ≥ 10%, < 30%
3: ≥ 30%, < 50%
4: ≥ 50%, > 80%
5: ≥ 80%
Regional differences in federated structures

- In Southern Europe, ties with local government are still strong; to combine local benefits with scale economies in processing and marketing, federated structures are still very popular.

- In Northern Europe, federated structures are disappearing, due to the need to shorten supply chains and to reduce transaction costs.

- In France, cooperatives are registered by territory. Through cooperative groups they combine territorial benefits and expansion outside the territory.
Regional differences in public policies

- Many countries have some supportive policies (tax exemption, educational support, some financial incentives)
- Explicit support does not necessarily lead to more/better cooperatives
- Southern Europe: more state support, but constraining legislation / Northern Europe: less state support, but enabling legislation
- At EU level the only support measure for cooperatives is the financial support for Producer Organisations in Fruit & Vegetables
Internal Governance

- Corporate Governance in Cooperatives vs. IOFs
  - Similar issues of control
  - Key difference: cooperative is member-based organisation

- Every country in Europe has its own legislation on the governance structure of cooperatives (and some countries have no legislation)

- Different Board Structures:
  - North Europe: Clear task division between Board of Directors and Professional Management (Dualist system)
  - South Europe: Chairman is often CEO (Monist system)
Traditional Model of Internal Governance

- General Assembly
  - Election and Appointment
  - Control

- Board of Directors

- Supervisory Committee
  - Election and Appointment
Why / how is internal governance changing?

- **Why**: Decision making is shifting from members to managers, in response to changes in markets.

- **How**: Emergence of innovative mechanisms of internal governance:
  - Professional managers
  - Proportional voting
  - Non-members in Board of Directors
  - Non-members in Supervisory Board
  - Legal separation between association and firm
  - Member Council taking role of General Assembly
  - Hybrid Ownership Structures: inviting non-members as owners
Do internal governance choices matter?

The SFC Project found that the following attributes of “modern” cooperatives have a positive effect on cooperative performance:

- proportional voting rights
- professional management
- supervisory board, with outsiders
- selection of directors based on expertise or product representation as opposed to regional origin
CONCLUSIONS
Conclusions

- Major differences in development of farmer cooperatives across Europe
- All cooperatives pursue growth strategies, particularly in response to retail concentration
- Internationalisation of membership is not widespread
- Internal governance is changing to strengthen both professional management and member control
- No state support in Northern Europe; limited state support in Southern Europe
Thank you for your attention

All reports of the SFC project can be found at:


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