
Support for Farmers' Cooperatives

Country Report Belgium

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Support for Farmers' Cooperatives; ***Country Report Belgium***

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Preface and acknowledgements

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, “Support for Farmers’ Cooperatives”, that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC-project this country report on the evolution of agricultural cooperatives in Belgium has been written. Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 26 other country reports, 8 sector reports, 33 case studies, 6 EU synthesis reports, a report on cluster analysis, a study on the development of agricultural cooperatives in other OECD countries, and a final report.

The Country Report Belgium is one of the country reports that have been coordinated by Caroline Gijselinckx, HIVA - Catholic University of Leuven, Belgium. The following figure shows the five regional coordinators of the SFC-project.

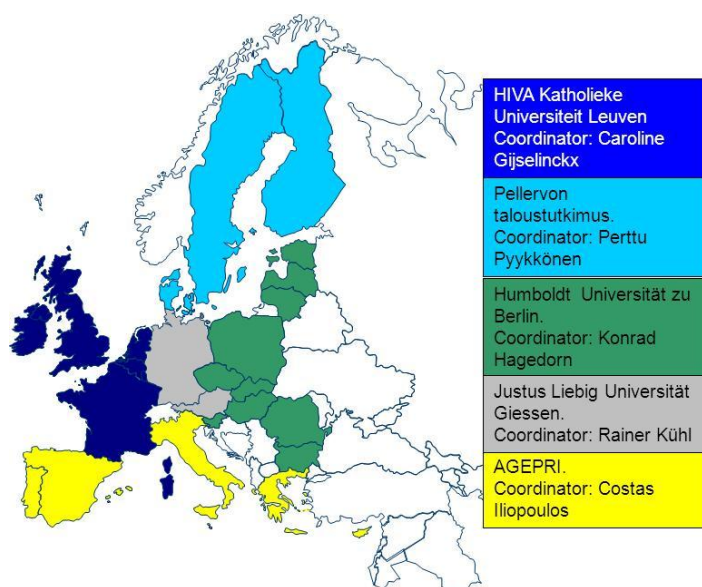


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1 Introduction

1.1 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers' Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the relevant knowledge from Belgium.

In this context, the specific objectives of the project, and this country report, are the following:

First, to provide a comprehensive description of the current level of development of cooperatives and other forms of producer organisations in Belgium. The description presented in this report will pay special attention to the following drivers and constraints for the development of cooperatives:

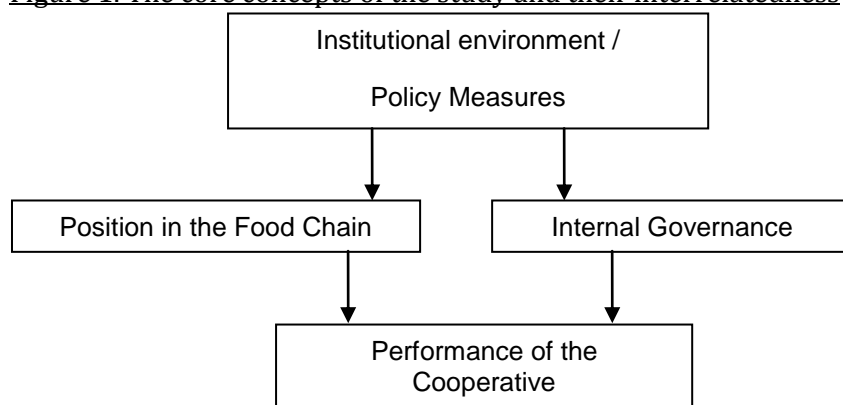
- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between cooperatives/POs and the actors of the food chain;
- Internal governance of the cooperatives/POs.

Second, identify laws and regulations that enable or constrain cooperative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting cooperatives and other forms of producer organisations in the agricultural sector in Belgium.

1.2 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

Figure 1. The core concepts of the study and their interrelatedness



1.3 Definition of the cooperative

In this study on cooperatives and policy measures we have used the following definition of cooperatives and Producer Organisations (POs). A cooperative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;
- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;
- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and POs (from now on shortened in the text as cooperatives) includes cooperatives of cooperatives and associations of producer organisation (often called federated or secondary cooperatives).

1.4 Method of data collection

Multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying the database of the National Council for Cooperation (*Nationale Raad voor de Coöperatie* in dutch, *Conseil National de la Coopération* in French, abbreviated NCC-CNC), annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives and farmers, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

1.5 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed.

2 Facts and figures on agriculture

2.1 Share of agriculture in the economy

A study of farmers' cooperatives can best start at the farmers side, in agriculture. In 2007 agriculture is 0.86% of GDP (Figure 2). As is obvious from Figure 2 primary agriculture in Belgium represents but a marginal part of the Belgian economy (less than 1% of GDP), showing a continuously declining trend. This decline has not been straightforward however, revealing an occasional surge (the years preceding 1997, in 2000 and in the aftermath of the steep recession in 2005). Recent figures of the FOD Economy show that in 2010 the share of agriculture in the GDP has further diminished till 0,65%. However, it is worth mentioning that primary agriculture in Belgium exports 6 times its share of GDP. If one also takes into account the important agrifood industry this figure increases up to 12 times (FOD Economy, 2010).

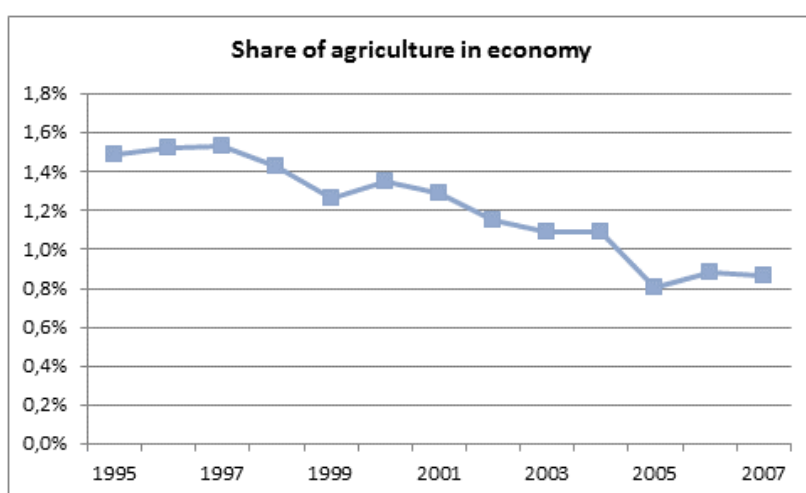


Figure 2 Share of agriculture in GDP in Belgium. Source: Eurostat Nat. Accounts

The area of land used for agriculture decreases year after year. The number of farms also decreases yearly. This trend goes hand in hand with a strong concentration of farmland in ever bigger farms. Over the last 25 years 56% of Belgian farms have disappeared and the average farm acreage has doubled. Concentration is accompanied by a loss of employment in the agricultural sector: 45% of the jobs in agriculture has disappeared over the last 30 years (FOD Economy, 2010).

In the next paragraphs, we discuss in more detail the evolutions in different sectors of agriculture in Belgium. Within the framework of the research on 'Support for Farmers' Cooperatives' commissioned by the European Commission (DG Agri), which is the framework within which this country report is written, specific attention will be paid to the sectors of sheep meat, pig meat, dairy, olive oil and table olives, wine, fruit and vegetables, sugar, and cereals. In Belgium, no olive oil and table olives are produced. The production of wine is negligible in economic terms. Therefore, these sectors will be omitted from the analysis. (FOD Economy, 2010).

2.2 Agricultural output per sector

From Figure 3 the importance (in terms of output) of sectors different from those covered by this study is clear. The total output of the sectors analyzed represents half of the total Belgian agricultural output. Pig meat, fruit & vegetables, and dairy take up the lion's share of the output studied. Cereals, and especially sugar and sheep meat, are of minor importance in terms of

production at producer prices. The category 'other', representing the other half of the agricultural output in Belgium, refers mainly to beef meat, as well as poultry and, to a minor extent, ornamental plant cultivation and horsemeat (FOD Economy, 2010).

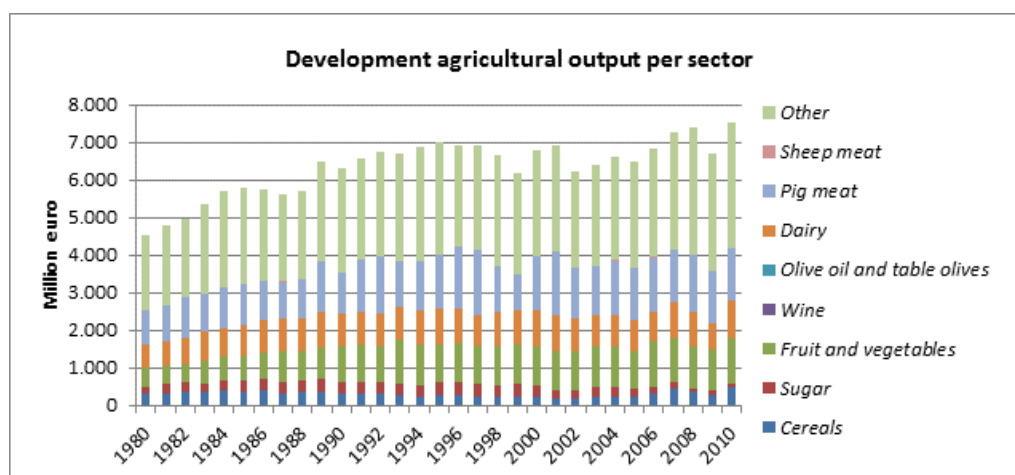


Figure 3 Development of the different sectors in agriculture in Belgium. Value of production at producer prices, in millions of Euro. Source: Agriculture Economic Accounts, Eurostat

When trying to assess the development in output of each sector however, the above Figure is of less use. In Figure 4 this development is shown for the period 2001-2009, calculated on a 3-year average around 2001 and around 2009. The growth in output is clearly unrelated to the contribution of the sector to the total agricultural output: the cereal sector boasts the strongest growth (according to an analysis of the FOD Economy (2010), mainly due to the increase of maize and, to a lesser extent, of winter wheat and winter barley, together with beef meat, followed by the (in terms of absolute output, largest) fruit and vegetables sector. The production of pig meat (by far the biggest cattle breeding sector in Belgium) slightly falls year after year, as does dairy, while the already extremely marginal sectors of sheep and goat meat and sugar severely falter. To a large extent, the decline in the production of sugar can be related to the EU Sugar Reform (2005).

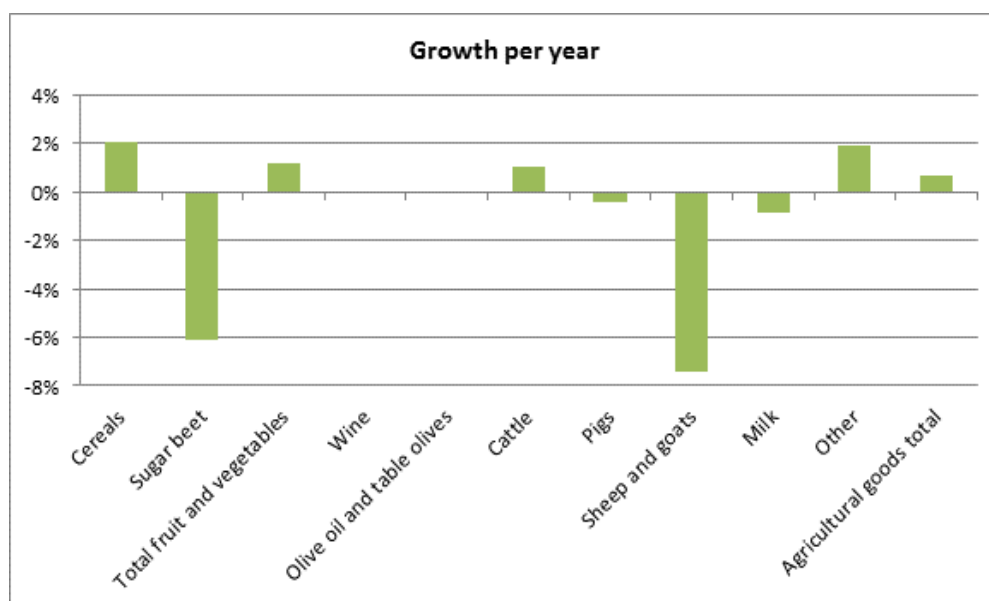


Figure 4: Trend in output per sector "2001" - "2009". Source: Economic Accounts of Agriculture, Eurostat.

2.3 Development in the number of farms

The number of farms in the sectors covered by this study in Belgium is given in Table 1 and Figure 5. A decline in the total number of farms (Figure 5), can be observed. A trend that affects all but one sector (cereals) where the number of farms remains stable. This general trend also goes for the sectors that are not covered in detail by this study. As we mentioned above, a study by the FOD Economy (2010) reports a decreasing number of farms year after year. The increase in production of fruit and vegetables as well as in beef meat is realized within ever more concentrated and intensified sectors. The numbers of dairy and pig farms are falling. A trend which is accompanied by a small loss of production. However, also within these sectors concentration and intensified production can be observed, since both pig meat and dairy stand for major parts of agricultural output. The already marginal sector of sheep meat is declining, both in terms of production and in terms of the number of farms. An interesting phenomenon can be observed in the sugar sector: although the output of this sector is marginal, the number of farms – though declining – involved in the production of sugar beets is important. Though marginal in terms of production, the sugar sector is the second biggest sector in terms of the number of farms in Belgium involved.

Table 1: Number of farms in Belgium

	2000	2007	% change per year
Cereals	1.870	1.880	0.08
Sugar	7.020	6.390	-1.33
Pig meat	4.260	2.980	-4.98
Sheep meat	4.620	3.580	-3.58
Total fruits and vegetables	6.380	5.130	-3.07
Horticulture	4.740	3.840	
Fruits and citrus fruit	1.640	1.290	
Olive oil and table olives	0	0	
Wine	0	0	
Dairy	8.830	6.570	-4.14
Beef	11.250	8.650	-3.68

Source: Eurostat, Farm Structure Survey.

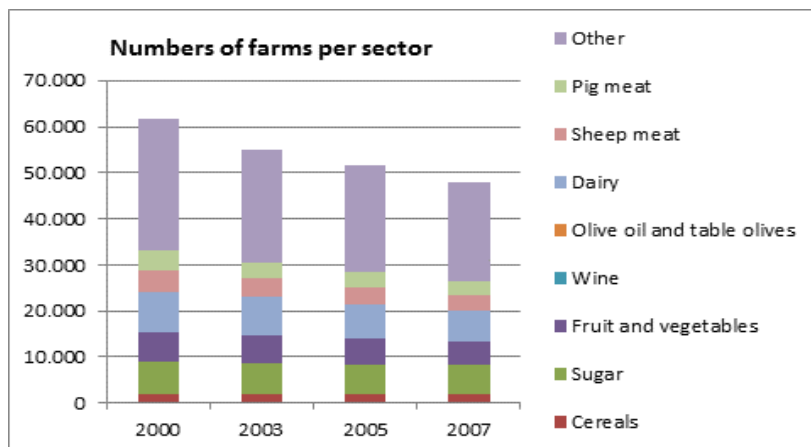


Figure 5 Number of farms 2000 - 2007 with data per specialist type of farming, Belgium. Source: Eurostat, Farm Structure Survey.

Between 2000 and 2009 the number of break downs in agriculture increased from 87 (in 2000) to 147 (in 2009) (FOD Economy, 2010). The farm size of the remaining farms increased as we will describe in the next section.

2.4 Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Figure 6 shows the distribution of farms per size class, measured in European Size Units (ESU).¹ The sectors boasting the largest farms might not be the most labour-intensive on the whole, as it might be the case that the sector mainly consists of large farms which are nonetheless few in number occupying less personnel. If we couple this information with the information on the economic prominence of the sector (2.1.2), this hypothesis seems to be confirmed: in Belgium the largest farms are those engaged in the production of pig meat, dairy products (milk), and horticultural products and fruit and vegetables. Farms involved in the production of sheep meat seem to be the smallest ones.

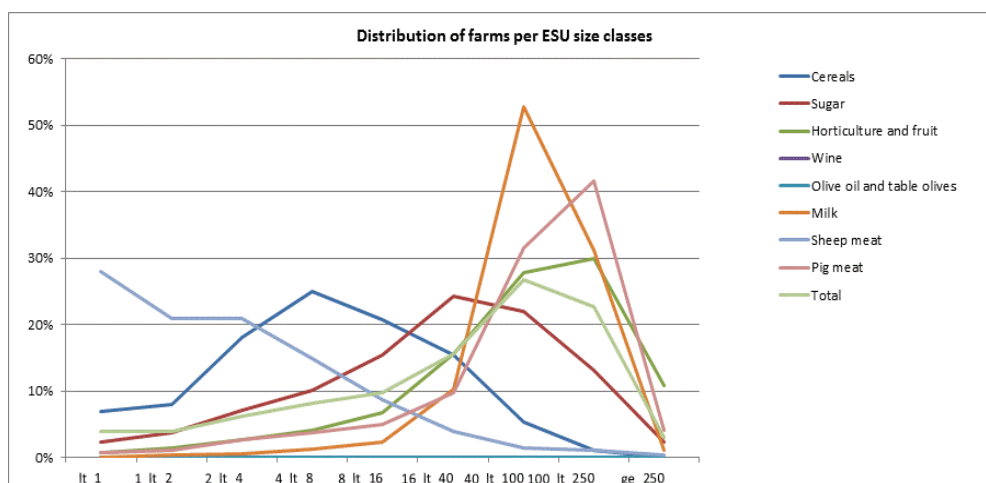


Figure 6 Number of farms per size class, measured in ESU, per specialist type of farming, Belgium. Source: Eurostat, Farm Structure Survey.

¹ ESU is a measure, developed by EUROSTAT to measure the size of farms. For each activity ("enterprise") on a farm or in a farm holding (for instance wheat, dairy cow or vineyard) a standard gross margin (SGM) is estimated, based on the area (or the number of heads) and a regional coefficient. The sum of such margins in a farm is its economic size, expressed in European Size Units (ESU) with 1 ESU = 1200 Euro standard gross margin) (Eurostat, 2009) (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-020/EN/KS-SF-09-020-EN.PDF).

Of particular interest might be those sectors portraying a wide array of farm sizes, as this heterogeneity might prove to be problematic in setting up cooperatives in the sector, or it might predicate decision making in established cooperatives (due to for example the difference in economic influence of the various farms, contributing to a perceived difference in vote legitimacy). Examples of such sectors appear to be the sugar and cereals sector in which no substantial cooperative activity is seen in Belgium.

2.5 Age of farmers: distribution of farms to age classes

The age of farmers differs. Some countries have more younger farmers, some have larger numbers of old-age farmers.

On the whole, European agriculture is practiced by older generations. Poland has the largest amount of young farmers, but even there over 60% of the farmers is older than 45. The oldest farmers (+65 years old) are to be found in Italy, Bulgaria, Lithuania, Romania and Greece. As for Belgium, it is located in the middle of the European classification. Despite an ageing population, Belgium appears to have a smaller segment of high-age farmers (65 and older).

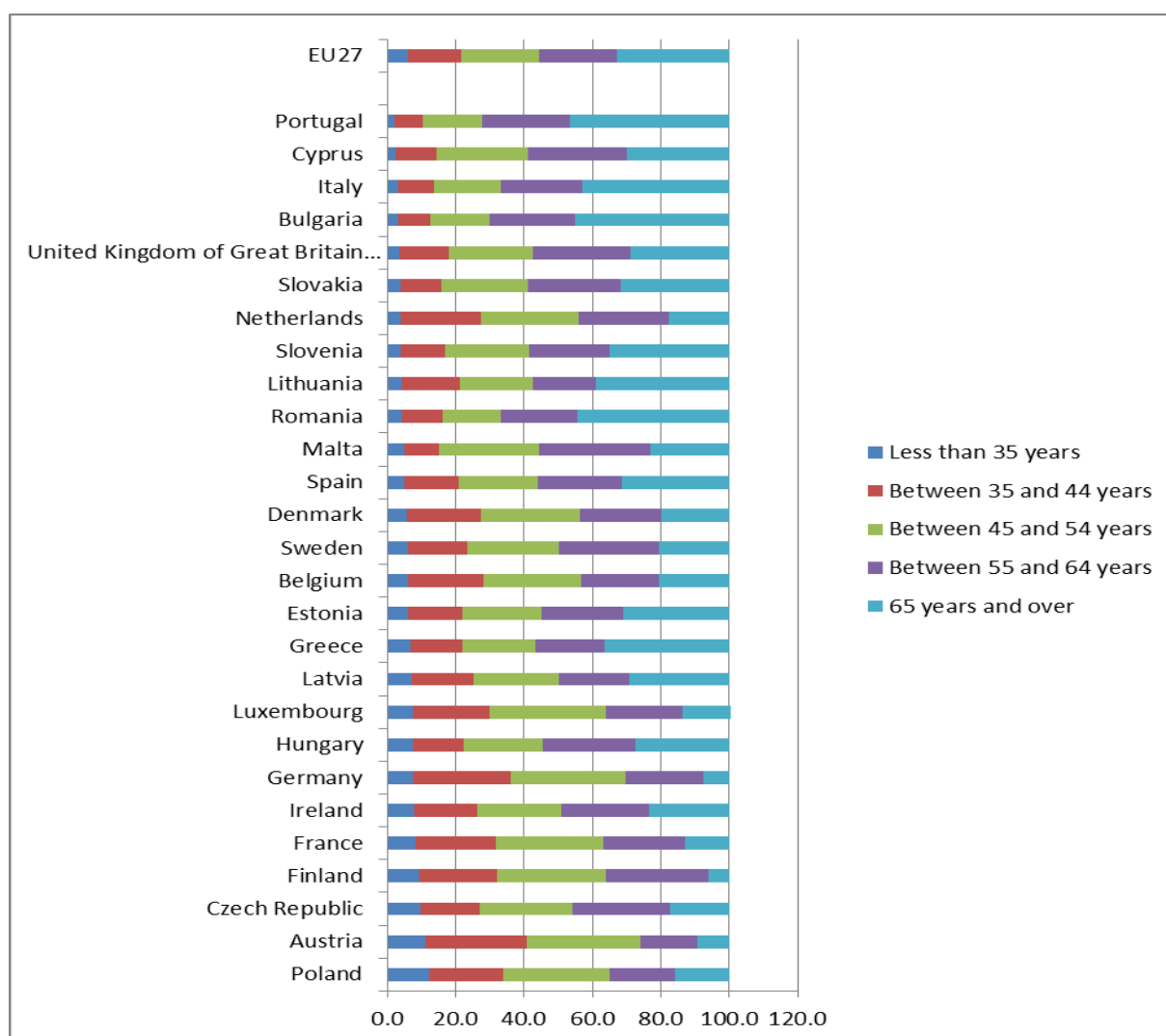


Figure 7 Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top). Source: Eurostat, Farm Structure Survey.

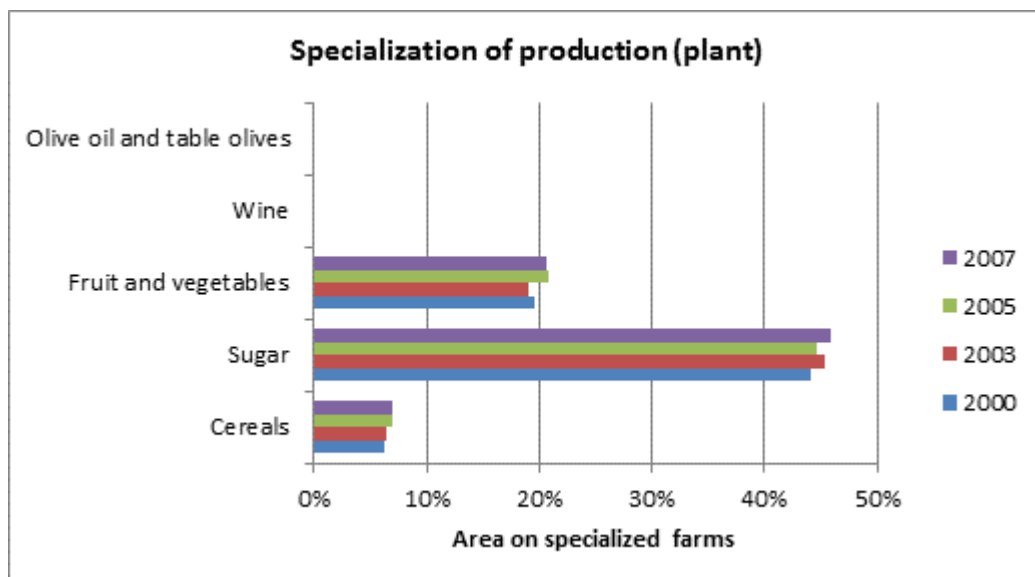
The age of farmers in a country could bear consequences on the motivation for the formation and continuation of cooperatives. As is spelled out by a variety of authors, young farmers and old farmers differ on the whole with respect to their reasons for joining or starting a cooperative (see Hakelius, 1999; Galle, 2010). If cooperatives tend to have an older membership, the question is whether they will be going to survive at the turn of the generations. We will come back to this in a later stage of this research project (i.e. when we analyse the social, historical and cultural aspects that have an impact on the propensity of farmers to cooperate in different EU-countries). Earlier research confirms that membership of cooperatives is, overall, indeed of middle and older age (Develtere, Meireman & Raymaekers, 2005).

2.6 Specialisation of farm production

Cooperatives might not only have member-farmers with different farm sizes or different age. Farms also have a different composition of their production and therefore their input. This is even true for specialist farms, where e.g. some so called specialist dairy farmers also have beef or sheep or sell hay. In addition to that a lot of mixed (non-specialized) farms exist. The heterogeneity of farming in terms of specialisation can be estimated by calculating the share that specialized farms have in the total production.

In Flanders as well as in Wallonia, the relative importance of specialized farms in arable farming and cattle breeding is on the increase to the detriment of dairy and mixed farming (FOD Economy, 2010).

Figure 8 (split up into 8A for plant production and 8B for animal production) shows that specialization seems to appeal more to livestock agriculture, covering at least 55% of the total sectoral production and amounting to 62% in the bovine sector. The share of specialization in the plant sectors is nowhere near this, ranging from approximately 6% in the cereals sector, 20% in the fruit and vegetables sector and a solid 45% in the sugar sector. The latter might change, due to the EU Sugar Reform.



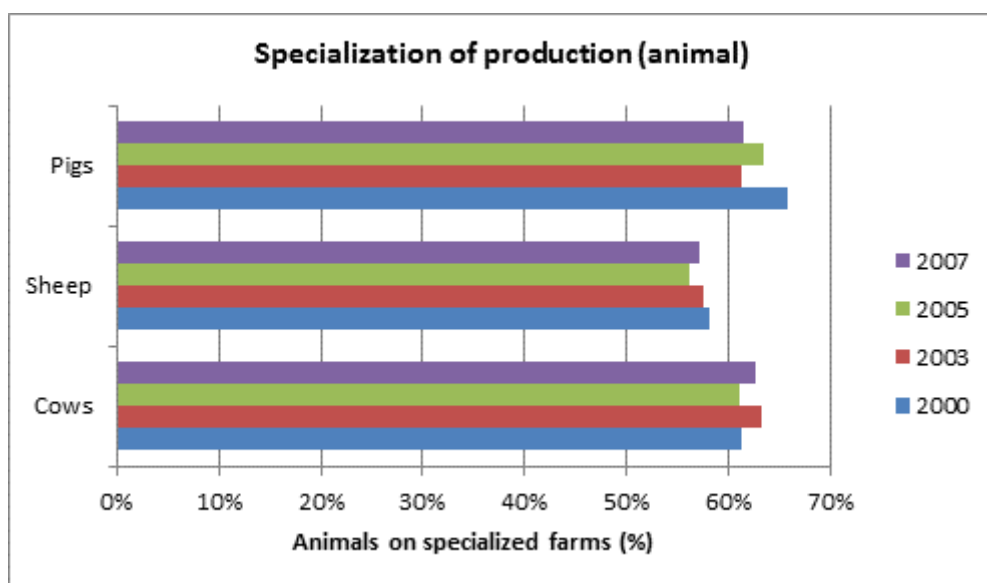


Figure 8 A & B: Heterogeneity in farm production: the share of specialist farm types in total production, Belgium. Source: Economic Accounts of Agriculture, Eurostat.

2.7 Economic indicators of farms

We conclude the description of the sector of agriculture in Belgium with some economic indicators (Table 2) for the subsectors to be analysed within the framework of the 'Support for farmers' cooperatives' study, commissioned by the European Commission. When looking at the figures, we should bear in mind that not all of the total Belgian agricultural output is covered by the analysis.

Figures from FADN are not available (except the number of farms) for the sheep meat sector, which is a really small sector and often a side activity of bigger farms or an activity of retired and amateur farmers.

The indicators presented in table 2 focus on the net value added and income from farming for farmers, as well as the level of their investment. Some of this investment might be in equity of the cooperatives, but far the most will be in farm assets.

Table 2: Economic indicators per farm in averages, Belgium (2006-2008)

	Cereals	Sugar	Fruit and vegetables	Dairy	Pig meat	Sheep meat
Economic size - ESU	47,60	82,87	151,78	88,47	123,80	-
Total labour input - AWU	1,04	1,28	4,14	1,60	1,55	-
Total Utilised Agricultural Area (ha)	60,99	62,66	9,80	46,38	17,49	-
Total output €	70.997	135.931	308.768	147.398	383.751	-
Farm Net Value Added €	20.762	76.515	127.047	73.815	64.461	-
Farm Net Income €	8.315	54.417	65.828	57.353	49.816	-
Total assets €	278.160	461.042	467.283	609.773	482.740	-
Net worth €	206.417	355.584	310.309	471.414	294.289	-
Gross Investment €	34.578	23.657	38.422	43.804	41.411	-
Net Investment €	18.635	6.722	-2.305	23.948	14.743	-
Total subsidies - excl. on investm. €	24.694	29.895	4.258	23.754	7.409	-
Farms represented	620	3.893	4.370	6.207	2.560	160

The FADN-database shows the highest number of farms (6.207) in the dairy sector, followed by fruit & vegetables (4.370) and sugar (3.893). Pig meat comes at a fourth place (2.560), followed, at a big distance, by cereals (620 farms) and sheep meat (160 farms).

Farms producing fruit & vegetables happen to be the biggest farms (152 ESU), followed by those producing pig meat (124 ESU). Farms in the fruit & vegetables sector are also the biggest employers, standing for 4,46 AWU (Total labour input), whereas specialist cereal farms count the least employees (1,04).

The sugarbeet farms are the biggest farms in terms of utilised agricultural area (62,66 ha), followed by dairy (46,38). The relatively small number of hectares used by farms producing pig meat and fruit and vegetables, in combination with the highest output figures realized by them (namely 383.751 Euro for pig farms and 308.768 Euro for fruit & vegetable farms) are indicative for the fact that agriculture is intensive in these sectors.

Farmers growing fruit & vegetables happen to realize the highest family farm income (65.828 Euro), followed at a far distance by dairy farmers (57.353 Euro) and the other sectors. Cereal farmers realize the least family farm income (8.315 Euro).

Dairy farms are the biggest in terms of assets (609.773 Euro), which is over 140.000 Euro more than fruit & vegetable farms, pig farms and farms producing sugar beets.

Gross investment is between 30.000 and 45.000 in most sectors, with sugar farmers showing much less investment. Net investment is much higher in dairy farms than in the other sectors. More new investments are made in dairy farms. This might be an indicator of the capital intensive character of this sector. Gross investment happens to be much smaller in farms growing sugar beets, but on a net level, it is bigger than in the sector of fruit & vegetables. Taking into account Europe's Sugar Reform we may expect new investments are being made in view of restructuring.

Cereal, Sugar and dairy sectors are highly subsidized sectors in Belgium, with respectively 24.694, 29.895 Euro and 23.754 Euro per farm (excluding investment subsidies). Subsidies are much lower in pig meat (7.409 Euro) and smallest in fruit & vegetables (4.258 Euro).

3 Evolution, position and performance of cooperatives

Belgium is a country with a long history of cooperative entrepreneurship and quite a few large cooperatives. In the ICA Global 300 list of largest cooperatives worldwide, Belgium is represented with 8 cooperatives (reference year is 2006), among which 3 agricultural cooperatives: AVEVE Group (a multipurpose company)², Mechelse Veilingen (a vegetable auction) and Milcobel (a dairy cooperative). Cooperatives in Belgium can be found in all activity sectors. On December 31, 2010 26.262 active³ enterprises have the statute of cooperative society (with limited or unlimited liability) (Van Opstal, 2012). This high number of cooperative societies is due to the liberal law on cooperatives, making it easy to start and maintain them. We will come back to this later. In 2010 the turnover of those cooperatives for which figures are available (2.748 cooperatives in total) is 18,39 billion Euro, which represents 5,2% of the GDP in Belgium (Van Opstal, 2012).

3.1 A brief history of Belgian cooperative entrepreneurship

In Belgium the first cooperatives were established during the second half of the 19th century. They were created within the framework of social movements of that time, mainly workers' movements and farmers' movements. Belgium being a pillarized country, this means that cooperatives themselves were pillarized. The socialist pillar had its cooperative shops and pharmacies, its insurance company (P&V) and its federation of cooperatives, Febecoop. The Christian workers movement had its own savings and credit cooperative, cooperative shops and cooperative pharmacies. The Raiffeissen savings and credit cooperatives were embedded in the Christian farmers' movement. Among independent farmers dairy cooperatives and cooperative auctions were created. The cooperative shops disappeared, pushed away by supermarkets. The cooperative pharmacies however still have a market share of 20%. Dairy cooperatives and cooperative auctions are still extremely important for the agricultural sector in Belgium. The Christian cooperative saving and credit cooperatives, first locally organized, merged into ever bigger entities and, by the end of the 20th century, they sold their banking and insurance activities and became majority shareholders of non cooperative financial groups (Gijssels & Van Opstal, 2008).

The cooperative movement in Belgium initially developed and acquired a network structure within the classical Belgian societal "pillars". Cooperatives were utilised by these movements as an economic instrument to realise their social and economic interests. The socialist and Christian labour movements could rely on their own consumer, insurance, savings cooperatives and credit cooperatives, which were united in respectively the *Belgische federatie van de Coöperatieve en Sociale Economy* (Febecoop, the Belgian federation of the cooperative and social economy) and in the ARCO Group (as a result of the financial crisis which had a major impact on the non-cooperative bank in which the ARCO Group participated, the latter is currently in a state of legal dissolution). The pharmaceutical distribution cooperatives have outgrown this ideological divide and installed a collective *Vereniging van Coöperatieve Apotheken in België* (OPHACO, Association of Cooperative Pharmacies in Belgium; Defourny, Simon & Adam, 2002; Develtere & Raymaekers, 2006; Gijssels & Develtere & Raymaekers, 2007). The (Flemish) Christian farmers

² In fact, AVEVE is not a cooperative society, but a public limited company. It fulfills all but one of the criteria of a cooperative: it is not owned by farmers. Its one and only shareholder is MRBB, the Farmers' Union. The company's intention is to realize benefits for the members of the Farmers' Union. Decision making is in the hands of the farmers who are member of the Farmers' Union. Member-farmers are invited for the annual meeting of the General Assembly and elect among them, the members of the Board. Member councils inform the member farmers of the Farmers' Union, that is the clients of AVEVE, about new trends and techniques in agriculture. The member councils are led by elected farmer-members of the Farmers' Union. At the level of the provinces councils are elected whose task it is to advise the national Board. Member-farmers of the Farmers' Union elect among them members of these provincial councils.

³ The Cross Points Bank of Enterprises in Belgium, contains 38.227 cooperative societies. However, only 26.262 of them are active enterprises not involved in a process of bankruptcy, merger or legal dissolution (Van Opstal, 2012).

had their own agricultural cooperatives which were closely tied to the *Boerenbond* (Farmers' Union) and Cera (a cooperative financial holding which emerged out of the Raiffeisen banks).

A new wave of cooperatives emerged in the aftermath of the great economic recession in the 1970s (mainly worker buy-outs and worker cooperatives aimed to keep or create labor in times of high insecurity in the labour market), especially in the Walloon part of the country. New consumer cooperatives and financial cooperatives in the field of fair trade and sustainable energy were established. Nowadays, the cooperative principles and business form are being rediscovered (Defourny, Simon & Adam, 2002; Gijssels & Van Opstal, 2008). Also by farmers and traditional farmers' cooperatives. In 2003 the Flemish farmers' union (Boerenbond) took the initiative to establish a Cooperative Platform. The Platform aims to promote and support cooperative entrepreneurship in agriculture. In 2005 the Flemish Minister of Agriculture launched an Action Plan to promote cooperation in agricultural cooperatives and in 2006 the Cooperative Platform developed a Corporate Governance Code for Agricultural Cooperatives.⁴

Especially in these times of huge societal challenges, such as globalization, ageing and environmental distortion, and in times of changing family and work patterns, financial crisis and persistent poverty a renewed general interest in cooperation can be observed. Bottom-up cooperatives are being set up, or at least an interest in the model can be observed among individuals, as well as social movements. The Flemish Minister for the Social Economy recently has launched a program to support cooperative entrepreneurship as an answer to contemporary and future societal challenges (Gijssels, Coates & Deneffe, 2011).

Belgian Corporate Law forms the legal framework for cooperative societies. A law on cooperatives was established as early as 1873. The cooperative statute underwent subsequent changes during the last decade of the 20th century, creating a distinction between the cooperative society with limited and unlimited liability and formulating more strict regulations for the establishment and maintenance of the limited liability form, in turn of a stronger protection of the partners. We will discuss this in more detail in paragraphs 3.5 of this report. The corporate law does not stipulate anything with respect to the cooperative principles set forward by the International Cooperative Association.

In order to correct this, and recognize and stimulate cooperative entrepreneurship, the National Council for Cooperation was established and an accreditation procedure, accompanied by advantages for accredited cooperatives was installed.

3.2 The National Council for cooperation and the accreditation of cooperatives

In 1955 the National Council for Cooperation was established, recognized by Royal Decree. The aim of this council is to accredit cooperatives that operate according to principles of cooperative governance:

- entry of members out of free will;
- democratic decision making: either by following the principle of one man – one vote, or by restricting voting rights at the general assembly;
- election (or approval) of board of directors by the general assembly;
- restriction of dividends paid on capital shares;
- use of patronage dividend as a way to share profits with members.

⁴ The Governance Code for Agricultural Cooperatives can be downloaded from <http://www.boerenbond.be/Portals/2/Pdfs/Publicaties/deugdelijk%20bestuur%20cooperaties.pdf>

Accredited cooperatives will be ranged under one of the four commissions of the Council, according to the specific economic sector cooperatives are active in and the function they perform. The basis for the variety of commissions is a typology present in the Royal Decree of January 8, 1962:

- The commission of consumer cooperatives;
- The commission of agricultural cooperatives;
- The commission of production and distribution cooperatives;
- The commission of service cooperatives.

Each commission has representatives in the Council. These representatives are elected from cooperatives having realized a considerable financial turnover in the last three fiscal years. The commissions advise the NCC on matters of importance to their cooperatives. The NCC itself provides advice to the federal government and cooperative societies (Vanhove, 2003; NCC, 2006). The commission of agricultural cooperatives comprises 60% of all accredited cooperatives (301 out of 497 accredited cooperatives; NCC, 2009).

Cooperatives are expected to apply for accreditation themselves, a measure installed in order to implement a mechanism of self-selection, and to limit control to those cooperatives familiar to the cooperative principles and wishing to gain recognition for their cooperative way of operating. Ultimately a mere fraction of all cooperatives seek accreditation at the NCC. Multiple explanations could be given for this reality. Firstly, throughout the years the cooperative statute has attracted organisations for mere pragmatic reasons (its flexible character) and not as an instrument to actively apply cooperative principles. Next to this, a fair number of organisations operating on the basis of cooperative principles do not apply for accreditation because they are not aware of this possibility, or because the related advantages are of little interest to them, or due to potential vagueness on the preconditions for accreditation (Gijssels & Van Opstal, 2008).

In 1962 a Royal Decree was passed which grants social and fiscal advantages to these accredited cooperatives. We will come back to this in section 3.5 of this report.

At the date of February 5, 2009 497 cooperatives⁵ have asked and obtained an accreditation.⁶ Among them are the biggest farmer cooperatives (in terms of members, turnover and employment). Whereas over a period of 40 years time, a dramatic decline⁷ in the number of accredited cooperatives can be observed (the number of accredited cooperatives decreased from 1.243 in 1970 to 505 in 2010), the number of accredited farmers' cooperatives is continuously on the increase. A decline after 2005 can be observed, but this has much to do with mergers and amalgamations in the sector. In an interview with a representative of the farmers' union (Boerenbond) it was confirmed that the farmers' union recommends its members, in case they establish or become member of farmers' cooperatives, to ask for an accreditation for their cooperative.

Through the National Council for Cooperation, we could dispose of a detailed list of accredited cooperatives, drawn up on February 5, 2009, and make a more detailed analysis of these

⁵ 5 of them are associations. They are associations of cooperatives or farmers, not immediately involved in economic activities. They are involved in advocacy, sensibilisation, entrepreneurial advice to their members, and they act as platforms and spokesmen for their members.

⁶ Van Opstal (2012) counted 505 accredited cooperatives on December 31, 2010. Our analysis, however, is based upon the list we received from the NCC, dd. February 5, 2009. For the agricultural cooperatives, this does not make much difference, since Van Opstal (2012) found out that the newest accredited cooperatives are to be found in other activity sectors.

⁷ The decline in the number of accredited cooperatives is the result of multiple factors. First, there are sectoral evolutions, driven by the exigencies of a highly competitive market leading to mergers as well as break downs, but also be the loss of feeling with the cooperative identity and difference. Second, there is the fact that the National Council did not prove to be very active in promoting the cooperative model during this period. The accreditation and its benefits were not promoted actively. The idea among the member cooperatives was that cooperatives were businesses as any other and the feeling with their cooperative identity and difference was lost somehow, thus not promoted. As mentioned above, this has changed over the last couple of years. Also, the coming UN International Year of Cooperation (2012) is an important momentum for the National Council and the sector.

accredited cooperatives, with specific attention for those that are member of the commission of agricultural cooperatives.

Table 3: Evolution of accredited cooperatives in Belgium (commissions in the National Council for Cooperation), 1970 – 2009.

	1970	1990	1995	2000	2005	2008	2009
Consumer coops	156	71	62	59	56	44	43
Agricultural coops	203	126	188	318	330	287	301
Production and distribution coops	42	48	29	26	26	23	28
Service coops	842	525	350	140	123	118	125
Total	1 243	770	629	543	535	472	497

Source: National Council for Cooperation (2009)

What is also clear, from the table below, is that the biggest number of accredited cooperatives is (in 2009) found in Wallonia. Though the surface area of Wallonia and Flanders does not differ spectacularly (unlike Brussels, which is a very small area), and the number of inhabitants as well as the number of farms is roughly speaking almost twice as high in Flanders as in Wallonia⁸, 64% of the (accredited) cooperatives is situated in Wallonia. This does not mean that farmers in Flanders are less involved in cooperatives than in Wallonia. The size of the cooperatives tends to be bigger in Flanders than in Wallonia. Most of the Walloon cooperatives are farmers' cooperatives, among them many machine use cooperatives (Dujardin & Mertens, 2008). Indeed, if we take a closer look at the list of accredited cooperatives in agriculture (February 5, 2009), 37% of these accredited cooperatives can be recognized as machine use cooperatives (CUMA, or 'coopératives d'utilisations de matériel agricole', as they are called in Wallonia, 'machinerings' or 'machinekringen' as they are called in Flanders).

Table 4: Geographical distribution of accredited cooperatives in Belgium

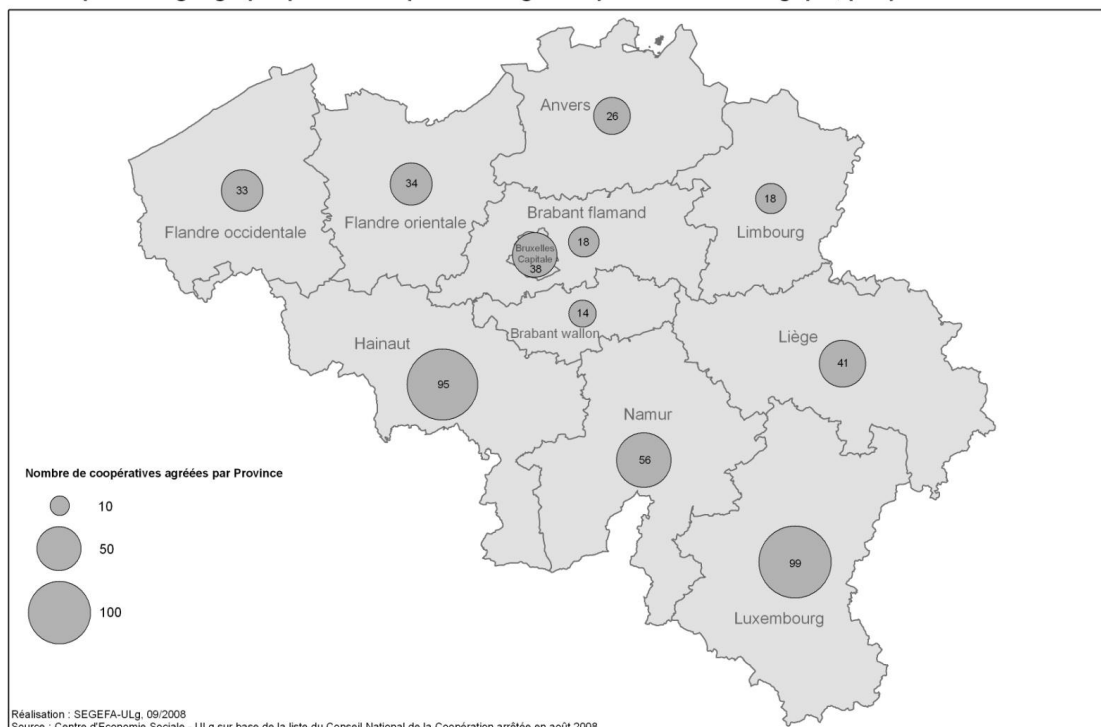
	Wallonia	Flanders	Brussels Capital Region	Belgium
Consumer coops	4	37	2	43
Farmer coops	260	38	3	301
Production and distribution coops	2	17	9	28
Service coops	41	50	34	125
Total	313	142	48	492

Source: National Council for Cooperation (2009)

⁸ However, on average the surface area of Walloon farms is more than double of the farms in Flanders. Walloon farms are more involved in arable farming and in the production of cattle breeding as well as, to a lesser extent, forestry. Flemish farms, on the contrary, are more involved in more intensified agriculture such as fruit & vegetables, pig meat, poultry and ornamental plant cultivation (FOD Economy, 2010).

The distribution of accredited cooperatives over the regions in Belgium is presented on the map below (Mertens & Dujardin, 2008).

Répartition géographique des coopératives agréées par le CNC en Belgique, par province - 2008



An analysis by Mertens & Dujardin (2008) shows that most agricultural cooperatives (among which the CUMA's) do not have paid employment. The agricultural cooperatives only account for 0,21% of full time equivalents employed by accredited cooperatives.⁹ However, important cooperatives in the agribusiness are those that process agrifood and bring unprocessed or processed food to the market: dairy cooperatives and cooperative auctions in the fruit and vegetable sector respectively. Dairy industry is by far the largest employer in the cooperative industry sector and auctions are the biggest employers in the sector of cooperative administrative services (Dujardin & Mertens, 2008).

⁹ Figures are only available for cooperatives for which the annual accounts are centralized at the National Bank of Belgium.

Table 5: Distribution of paid employment according to major activity of accredited cooperatives in Belgium (only for those cooperatives for which the annual accounts are centralized) (2006)

Activity branches	Number of employees	FTE	FTE (%)
Agriculture	11	10	0,21
Industry	856	817	17,14
(dairy industry)		(756)	(15,8)
Construction	25	24	0,5
Wholesale and retail	3 531	3 077	64,56
(Pharmaceutical distribution)		(2 326)	(48,8)
(fruit and vegetables)		(408)	(8,6)
Transportation	45	45	0,94
Hotel and catering industry	24	20	0,42
Information and communication	3	3	0,06
Finance and insurance	195	176	3,69
Real estate	1	1	0,02
Professions, science and technology	57	47	0,99
Administrative services	570	511	10,72
(fruit and vegetable auctions)		(437)	(9,1)
Healthcare and social services	29	19	0,39
Other services	20	16	0,34
Other	3	3	0,06
Total	5 370	4 766	100

Source: Centre d'Economie Sociale (2008) based on National Bank of Belgium

In a survey, held by HIVA-K.U.Leuven in 2006, done within the framework of the Cera Centre for Cooperative Entrepreneurship, accredited cooperatives were asked to report how many members and what type of members they have. 160 answered this question. As is clear from table 6, the cooperatives surveyed¹⁰ all together had more than 2 milion members. The agricultural cooperatives in the survey had 19.068 members. Most of them are small (i.c. have less than 10 members). 59% has only 3 members (the minimum amount of members a cooperative society should legally have). This is especially the case for the machine use cooperatives (Van Opstal, Gijssels & Wyns, 2008).

¹⁰ The survey was held in 2006. The questionnaire was sent to 558 accredited cooperatives (list provided by the National Council for Cooperation, 2006). 175 cooperatives returned the questionnaire.

Table 6: Number of members of accredited cooperatives in Belgium (survey Cera Centre for Cooperative Entrepreneurship, 2006)

		Distribution of members					Total	
		3	4 - 10	11 - 100	101 - 1000	> 1000	Number	%
Total		30%	24%	14%	11%	21%	2 114 691	100%
	Primary sector	59%	30%	8%	2%	2%	19 068	0,90%
	<i>Machine use cooperatives</i>	<i>66%</i>	<i>30%</i>	<i>5%</i>	<i>0%</i>	<i>0%</i>	<i>185</i>	<i>0,01%</i>
	<i>Other farmer cooperatives</i>	<i>41%</i>	<i>29%</i>	<i>18%</i>	<i>6%</i>	<i>6%</i>	<i>18 883</i>	<i>0,89%</i>
	Secondary sector	10%	20%	30%	20%	20%	8 083	0,38%
	Tertiary sector	12%	21%	16%	16%	35%	2 087 540	98,72 %
	<i>Pharmacies</i>	<i>0%</i>	<i>0%</i>	<i>9%</i>	<i>18%</i>	<i>73%</i>	<i>513 260</i>	<i>24,27 %</i>
	<i>financial cooperatives</i>	<i>5%</i>	<i>0%</i>	<i>5%</i>	<i>19%</i>	<i>71%</i>	<i>1 551 708</i>	<i>73,38 %</i>
	<i>Other</i>	<i>18%</i>	<i>33%</i>	<i>21%</i>	<i>14%</i>	<i>14%</i>	<i>22 572</i>	<i>1,07%</i>

Source: Cera Centre for Cooperative Entrepreneurship (HIVA-K.U.Leuven)

N: 160 (item nonrespons: 15)

Most members of agricultural cooperatives surveyed are individual farmers. In the secondary and tertiary sectors, more combinations of individual and institutional members are observed. One third of the financial cooperatives report only have institutions as members. Of those cooperatives in the survey that have institutional members, 36% of these institutional members are cooperatives, another 36% are non-cooperative enterprises, 43% are social organisations and non-profit organisations and 3% are local authorities (Van Opstal, Gijssels & Wyns, 2008).

Table 7: Membership of accredited cooperatives in Belgium (survey Cera Centre for Cooperative Entrepreneurship, 2006)

	<i>Individual members</i>	<i>Institutional members</i>	<i>Combination</i>
<i>Total</i>	<i>50%</i>	<i>11%</i>	<i>39%</i>
Primary sector	82%	5%	13%
<i>Machine use cooperatives</i>	89%	3%	8%
<i>Other farmer cooperatives</i>	65%	12%	24%
Secondary sector	60%	0%	40%
Tertiary sector	13%	40%	55%
<i>Pharmacies</i>	13%	0%	88%
<i>financial cooperatives</i>	19%	31%	50%
<i>Other</i>	34%	14%	52%

Source: Cera Centre for Cooperative Entrepreneurship (HIVA-K.U.Leuven)

N: 154 (item nonrespons: 21); Hypothesis differences between sectors: $p < 0,001$ (Chi2 = 39,0952, 4 d.f.), Cramer's V = 0,3563.

Hypothesis differences within primary sector: $p < 0,1$ (Chi2 = 4,9327, 2 d.f.), Cramer's V = 0,2995

3.3 Types of cooperatives

Cooperatives are economic organisations (enterprises) that aim to deliver products or services to their members that these members cannot obtain individually at the same advantageous conditions. Different types of cooperatives can be observed, according to the type of services they deliver to their members. According to a joined publication by the Flemish Minister of Agriculture and Fishery, the Cooperative Platform and the Flemish Department of Agriculture and Fishery (2007), the following types of cooperatives in the agricultural sector can be distinguished, according to the type(s) of services they deliver:

- Selling and purchasing of resources,
- Processing and marketing of agricultural products,
- Credit loans,
- Auctions,
- Other services such as insurances, contract work, accounting and advice.

If we take a closer look at the list of accredited cooperatives provided by the National Council for Cooperation¹¹ we can get information on the position of the cooperatives in the food chain active in the field of agriculture.¹² We see that most of them are involved in trade (wholesale, retail, organisation of fairs, auctions – most of them situated in the fruit and vegetables sector), closely followed by joint machine use. There is a small number of production cooperatives (4 pig meat, 4 mixed farming, 2 vegetables, 2 cereals, 1 fruit, 1 fodder crops, 1 sheep meat). There is also a small number of cooperative processors (agrifood industry), most of which in the dairy sector. In this sector a movement of concentration can be observed. Once, there used to be many local dairy cooperatives. One important player, Milcobel, has taken over most of these local dairy cooperatives. Recently, also in the sector of fruit and vegetables mergers and groupings of cooperatives can be observed.

Table 8: Position accredited cooperatives in agriculture, according to main activities, Belgium, 2009

Position in the food chain	Number of accredited farmers' cooperatives (2/5/2009)
<i>Machine use cooperatives</i>	182
Production	39
Processing	18
Trade	57
Total	296

Source: National Council for Cooperation, own calculation

A division by sector leads to the conclusion that the sectors of fruit & vegetables and dairy are the ones that have cooperatives involved from production over processing to trade – that is, in the various stages of the food chain.

All cooperatives covered by this analysis are user owned and user controlled and work for the benefit of their members. This is not surprising since these are criteria for obtaining an accreditation.

If we look at their legal status, 99 cooperatives are cooperative societies with limited liability (*société cooperative à responsabilité limitée* in French, *coöperatieve vennootschap met beperkte aansprakelijkheid* in Dutch), 8 are cooperative societies with unlimited liability (all machine use cooperatives) (*société cooperative à responsabilité illimité* in French, *coöperatieve vennootschap met onbeperkte aansprakelijkheid* in Dutch) and 4 cooperatives still have the old legal status of cooperative society (*société cooperative* in French, *coöperatieve vennootschap* in Dutch).

3.4 Market share of farmers' cooperatives in the food chain

Statistics on the market share of cooperatives in the food chain, according to agricultural sector, is scarce and virtually non-existent. Whatever data exists, it remains incomplete and incoherent.

¹¹ The analysis is based on the NACE-BEL codes of the primary activities of cooperatives in the list of accredited cooperatives, National Council for Cooperation, February, 5 2009. The list has a total of 297 agricultural cooperatives. Probably there are many more cooperatives in agriculture, but it is only from the accredited cooperatives and the cooperatives that we know that they have member-farmers or member-farmers organisations, that they are controlled by their members and operate for the benefit of their members, that is that they meet the criteria of the definition of a cooperative (paragraph 1.3).

¹² The list also contains 4 federations (associations) that do not deploy economic activities, as well as 3 cooperatives delivering administrative services to agricultural cooperatives and 7 cooperatives for which no information is available. These organisations are excluded from the analysis. The analysis is based on 296 unique cooperative enterprises, active in the field of agriculture. Moreover, it should be noted that some cooperatives mention different NACE-BEL codes referring to different types of activities. Farms involved in the production of agricultural products for example combine this with trade (mostly retail, sometimes wholesale), and/or with joint machine use.

By no means a full overview of the cooperative market share of every agricultural subsector could be created.

However, it is easy to see that the sugar sector is completely devoid of cooperatives, while both the pig and the sheep sector are usually shunned by cooperatives as well. With respect to the pig sector, it needs to be emphasized that although there are not many cooperatives, the cooperative COVAVEE has a market share of almost 1/5 of the slaughtered pigs. In the dairy sector, up to two thirds of the Flemish dairy sector is driven by cooperatives (Agriculture and Fishery Department - Section Monitoring and Study, 2007, p. 8). The biggest cooperative in the sector, Milcobel, accounts for 1/3 of the processing of Belgian milk (www.milcobel.be). Milcobel is the result of a merger of two important cooperatives: Belgomilk and BZU, also the result of many previous mergers of local dairy cooperatives. As regards the fruit and vegetable sector, 83% of the market is dominated by cooperatives and producer organisations (Agriculture and Fishery Department - Section Monitoring and Study, 2007, p. 8).

Based upon the information we gathered from the top-50 cooperatives in Belgium, we may try to give a more global overview of the importance of cooperatives in Belgian agriculture. The total value created by cooperatives is arrived at by using the list of cooperatives used for constructing the tops in the following paragraphs. Once again, this means the analysis is restricted to those cooperatives that are accredited by the National Council for Cooperation (2009), and hence may lead to an underestimation. Furthermore, we only had access to data from 2008 (see next paragraph for a further discussion on the elaboration of the list of cooperatives), which forecludes the possibility of temporal comparison. The estimation of the market shares in sectors under study are based upon data from publications of the federal and Flemish governments with respect to the agricultural sector in Belgium and Flanders respectively. More details can be found in the sector analyses (paragraph 5 in this report):

Table 9: Value created by the cooperatives studied per agricultural sector

Sector	Market share	Value created by the cooperatives under study (based upon analysis top-50)
Cereals	n.a.	€199.981.689
Sugar	0%	€0
Pig meat	>25%	€268.593.691
Sheep meat	1%	€463.371
Fruit and Vegetables	83%	€1.400.645.867
Dairy	66%	€1.328.084.081

Sources: Survey among top-50 of accredited agricultural cooperatives in Belgium in sectors studied within this study, and publications by federal and Flemish governments (for details see paragraph 5)

3.5 List of top 50 largest farmers' cooperatives

In the table beneath the 50 largest farmers' cooperatives are displayed. For each one of them the sectors they operate in are mentioned. The procedure through which this table has been drawn up was as follows:

The starting point for the construction of the list of top 50 agricultural coops was the list of 'accredited' agricultural cooperatives in Belgium, i.e. the list of those agricultural cooperatives that have obtained an accreditation for the National Council for Cooperation (*Nationale Raad voor de Coöperatie*, NCC). To this, we added those cooperatives that are considered important by

the Farmers' Union (*Boerenbond*) but did not apply for an accreditation. It may be the case that the resulting list is not exhaustive, as many cooperatives exist that, for various reasons (some of which are highlighted throughout this report), don't have an accreditation. We deem the list useful however, as we expect that the vast majority of the large cooperatives aspire an accreditation. This was confirmed by representatives of the National Council for Cooperation and the Farmers' union.

We ran the list through the balance central of the National Bank of Belgium and consequently acquired the individual organisations' revenue data. We had to use the 2008 data however, as this was the most recent year for which all cooperatives considered submitted their annual accounts.

It should be noted that between 2008 en 2011 mergers of cooperatives figuring in the list took place. This is especially the case for the Laiterie Coopérative de Chéoux (assimilated by the Laiterie des Ardennes) and Ste Marie Zuivel (assimilated by Milcobel), Profruco (merged with Belgische Fruitveiling).

As not all accounts declared the company's revenues, but, depending on the type of financial account, only presented the gross margin (or gross value added), the classification could not be readily compiled. For those cooperatives with missing revenue data we obtained information from the National Council for Cooperation who uses this information for the establishment of their advisory boards and has solicited the missing information from their member-cooperatives. Although this procedure didn't result in full coverage of the revenue data, no further actions were taken by the NCC. For those cooperatives where revenue still was missing, the gross margin was used. As this number is by definition lower than their revenue number would have been, these organisations could end up being underestimated in the classification. However, as both the eventual number of such organisations was minimal, and given the consistent treatment of all organisations in the list, the resulting list (and subsequent tops) can be interpreted as a fairly accurate depiction of what it is set out to portray.

As can be noted, the list comprises more than 50 cooperatives. This is to account for the possibility of having erroneously included some cooperatives, such as machineries or other organisations that are not producer organisations. Instead of purging the list of these organisations, we have expanded the list by adding replacements for the potentially unduly included cooperatives.

Cooperatives which might not belong to the top of cooperatives or producer organisations that are the focus of the research within the framework of the 'Support for farmers' cooperatives', and for which a replacement organisation has been added, are: *Scana Noliko* (*Scana Noliko* is the result of mergers of a cooperative of farmers in the vegetables sector (*Noliko*) with other companies. It has taken the form of a limited company. The Belgian farmers are member of *B.N.D.*, an international producer association in the industrial vegetables sector with members in Belgium, the Netherlands and Germany). Also for the *Verbond van Belgische Tuinbouwcoöperaties* (a federation of cooperative auctions), *Cuma de Brye* (a machinery cooperative), *Labrique* (a machinery cooperative), *Société de Participation Betteravière-RT – Bietenplantersvennootschap voor TS-Participatie* (an organisation of employers), and *Fédération Wallonne de l'Agriculture Études – Information* (a study centre and centre for the promotion and support of agriculture) replacements have been made.

Table 10: The 50 largest farmers' cooperatives in the food chain of Belgium

	Name of the Cooperative	Sector(s) involved in:	Turnover (2008) (Euro)
1	Milcobel	Dairy	824 132 268

2	COVAVEE (Coöperatieve Afzet van Vee en Varkens – Commercialisation Coopérative Porcs et Betail – Genossenschaftliche Vieh- und Schweine Verwertung)	Pig meat and beef	267 373 000
3	Mechelse Veilingen	Fruit & Vegetables	252 114 202
4	Molkerei – Laiterie Walhorn	Dairy	213 459 871
5	Coöperatieve Veiling Roeselare	Fruit & Vegetables	171 203 953
6	Eupener Genossenschaftmolkerei – Laiterie Coopérative Eupenoise	Dairy	165 487 000
7	Belgische Fruitveiling	Fruit & Vegetables	145 836 667
8	Société Coopérative Agricole de la Meuse	Cereals, livestock feed	145 216 156
9	Veiling Hoogstraten	Fruit & Vegetables	141 601 261
10	Scana Noliko	Vegetables	134 456 729
11	Laiterie Coopérative de Chéoux	Dairy	88 679 138
12	Veiling Borgloon	Fruit & Vegetables	88 525 498
13	Veiling Haspengouw	Fruit & Vegetables	82 881 155
14	Brava	Fruit & Vegetables	79 146 957
15	Telersvereniging Industriegroenten (INGRO)	Fruit & Vegetables	61 019 215
16	Logistieke en Administratieve Veilingassociatie	Fruit & Vegetables	56 844 588
17	Greenpartners	Fruit & Vegetables	37 900 672
18	Vegras	Fruit & Vegetables	37 350 269
19	Euroveiling – Hallen Van De Producenten	Flowers & Plants	32 309 862
20	Sociétés Coopératives Agricoles Réunies des Regions Herbagères	Cereals, livestock feed	31 938 078
21	Profruco-PVC	Fruit & Vegetables	26 002 973
22	IN-CO	Fruit & Vegetables	23 268 006
23	Rijke Oogst	Vegetables	21 710 049
24	Ste Marie Zuivel	Dairy	19 016 832
25	Limburgse Tuinbouwveiling	Fruit & Vegetables	16 583 517
26	Centragro	Cereals, livestock feed	16 392 642
27	Compagnie Fermière de l'Entre-Sambre-et-Meuse	Dairy	15 856 041
28	BND (Internationale Telersvereniging)	Vegetables	15 486 759
29	European Fruit Co-operation – Europese Fruit Cooperatie – Europäische Frucht Kooperation	Fruit & Vegetables	11 963 097
30	Green Diamond	Fruit & Vegetables	6 076 562
31	L'Alliance Blé	Cereals, potatoes	2 771 532,33
32	Saint Joseph	Fruit & Vegetables	2 771 532,33
33	Delputte Frères	Potatoes, vegetables, cereals	2 490 716,8

34	Grouperment des Producteurs Horticoles de Fruits et Légumes Namurois	Fruit & Vegetables	1 993 795,24
35	Société de Participation Betteravière-RT – Bietenplantersvennootschap voor TS-Participatie	Vegetables	1 903 322,48
36	Fédération Wallonne de l'Agriculture Études – Information	Administration	1 873 592
37	Chassart Potatoes	Potatoes	1 453 300,53
38	Blauwe Bessen Schrijnwerkers	Blueberries	1 353 698,15
39	Poperingse Afzetcoöperatie voor Hop	Hop	1 316 094,44
40	Coopérative de l'Yerne	Fruit & Vegetables	1 219 803
41	La Ferme de Vriese	Potatoes	805 992
42	Société de Montigny	Fruit & Vegetables, potatoes	760 967,64
43	R.D.M. Fru	Fruit & Vegetables	746 341,23
44	Labrique	Equipment, machines	547 324,56
45	Comesa	Vegetables	487 485
46	New Cobelbian	Beef, pig meat	482 972
47	Cuma de Brye	Machines	476 125,5
48	Bois de la Haie	Fruit & Vegetables	471 881,06
49	Verbond van Belgische Tuinbouwcoöperaties	Fruit & Vegetables	450 283
50	Zuivelfabriek H.H. Harlindis en Relindis	Dairy	430 176
51	Floreffe Légumes	Vegetables	429 856,89
52	VRV (Vlaamse Rundveeverbetering)	Beef	423 051
53	Bison d'Ardenne	Dairy	410 972,84
54	Selecta	Sheep & goats	402 860,73
55	Gibru	Cereals, Fruit & Vegetables	382 605,98
56	Limburgse Kaascentrale Bocholt	Dairy	362 203

3.6 List of top 5 largest farmers' cooperatives per sector

The top 5 lists of the largest farmers' cooperatives per sector have been compiled based on the same list of cooperatives used for the construction of the preceding top 50. It should be noted in advance that no cooperatives are operational in the sugar sector (apart from an international cooperative, Sudzucker, who took over the sugar factory of Tienen), and there is an overall absence of production of olive oil & table olives in Belgium. Small wine cooperatives are being set up since 2008, and small wine producers do exist, but this is not a major economic sector in Belgium. Furthermore, no full top 5 could be compiled for the sheep meat sector. As was already apparent from the preceding discussion, the dairy, and fruit and vegetable sector are the sectors cooperatives are most active in in Belgium. It is also within these sectors that cooperatives cover most parts of the food chain (production, trade, processing).

As already stated in the previous paragraph, a few changes have occurred with respect to the composition of the field of cooperatives active in agriculture since 2008. Notably, the *Chéoux* cooperative has merged into the *Laiterie des Ardennes* (teaming up with the *Société Collecte Producteurs Coop. Lac+*), which is why we updated the dairy top to account for this evolution. The *Panier Fermier* has ceased its operations and has consequently been warded from the list.

This brings us to the following tops:

Table 11: Most important cooperatives in the sectors studied in this project

Sector		Name of Cooperative	Turnover (2008) (Euro)
Cereals	1	Société Coopérative Agricole de la Meuse	145 216 156
	2	Sociétés Coopératives Agricoles Réunies des Régions Herbagères	31 938 078
	3	Centragro	16 392 642
	4	L'Alliance Blé	2 771 532,33
	5	Delputte Frères	2 490 716,8
Sugar		No cooperatives active	
Dairy	1	Milcobel	824 132 268
	2	Molkerei – Laiterie Walhorn	213 459 871
	3	Eupener Genossenschaftsmolkerei – Laiterie Coopérative Eupenoise	165 487 000
	4	Laiterie Des Ardennes	(not existing in 2008)
	5	Compagnie Fermière de l'Entre-Sambre-et-Meuse	15 856 041
Fruit and vegetables	1	Mechelse Veilingen	252 114 202
	2	Coöperatieve Veiling Roeselare	171 203 953
	3	Belgische Fruitveiling	145.836.667
	4	Veiling Hoogstraten	141 601 261
	5	Veiling Borgloon	88 525 498
	6	Veiling Haspengouw	82 881 155
Sheep meat	1	Selecta	402 860,73

Pig meat	1	COVAVEE (Coöperatieve Afzet van Vee en Varkens – Commercialisation Coopérative Porcs et Betail – Genossenschaftliche Vieh- und Schweine Verwertung)	267 373 000
	2	New Cobelgian	482 972
	3	Dans l' Tienne	325 113
	4	Varkens K.I. Vlaanderen	100 552,31
	5	Coöperatieve Maatschappij van Antwerpse Varkensfokkers	13 761,7

As these tops 5 form the basis of the subsequent analysis in paragraph 3, it should be noted here that not all of the cooperatives included in the tops participated actively to our research. We sent out questionnaires to the top-cooperatives, but not all of them returned the questionnaire. Due to non-respons and missing data, we were compelled to restrict our analysis to only part of the cooperatives present in the tops. The cooperatives from which we obtained no data are: *Selecta* (thus completely shunning the sheep sector from our analysis), *Dans L' Tienne*, *Eupener Genossenschaftsmolkerei – Laiterie Coopérative Eupenoise*, *Molkerei – Laiterie Walhorn*, *Société Coopérative Agricole de la Meuse*, *Centragro*, *L'Alliance Blé* and *Delputte Frères* (thus significantly reducing our analysis of the cereal sector).

3.7 Transnational cooperatives

Many cooperatives are active internationally. In most cases the foreign activities of cooperatives are limited to marketing, trade and sales. Usually they do not buy agricultural products from farmers, or supply inputs to them. However, there is a growing number of cooperatives that do business with farmers in other EU Member States. These cooperatives are called international cooperatives. They can be marketing cooperatives that buy from farmers in different countries, or they could be supply cooperatives that sell inputs to farmers in different countries. One particular group of international cooperatives is the so-called transnational cooperatives. These cooperatives do not just contract with farmers to buy their products or to sell them inputs, they actually have a membership relationship with those supplying or purchasing farmers. In sum, a transnational cooperative has members in more than one country.

Table 12 below presents the foreign transnational cooperatives and the international cooperatives active in Belgium. These are cooperatives from other EU Member States that have come to Belgium to directly trade with farmers, either as members or as contractual customers.

Table 12: The foreign transnational cooperatives and international cooperatives that are trading with farmers in Belgium

Name of the Cooperative	Mother country	Sector(s) involved in:
Transnationals		
Friesland Campina	The Netherlands	Dairy
Coöperatie Rundveeverbetering	The Netherlands	Beef
Milch-Union Hocheifel EG	Germany	Dairy
Internationals		
Südzucker	Germany	Sugar

Axereal	France	Cereals
Champagne Céréales	France	Cereals
Maïsadour	France	Seeds, Meat
Tereos	France	Sugar
Limagrain	France	Seeds
Berry Gardens	UK	Fruit and Vegetables
Beloia Coop	Grand Ducy of Luxembourg	Cereals

Table 13: The transnational cooperatives and international cooperatives from Belgium that are trading with farmers in other countries

Name of the Cooperative	Host countries	Sector(s) involved in:
Transnationals		
Mechelse Veilingen	The Netherlands	Fruit & Vegetables
Milcobel	The Netherlands, France	Dairy
Veiling Borgloon	The Netherlands	Fruit & Vegetables
Veiling Hoogstraten	The Netherlands	Fruit & Vegetables
Sociétés Coopératives Agricoles Réunies des régions herbagères (SCAR scrl)	Luxemburg, Germany	Cereals
Veiling Haspengouw	France	Fruit & Vegetables
Vegras	France, The Netherlands	Vegetables
European Fruit Co-operation	France, Germany	Fruit
In-Co	The Netherlands	Fruit
B.N.D. (Internationale Telersvereniging)	The Netherlands, Germany	Vegetables
Internationals		
Greenpartners	The Netherlands, France, Germany, ("neighbouring countries")	Vegetables
Euroveiling – Hallen Van De Producenten	Import: The Netherlands, Southern Europe, Israel, Ethiopia, Kenya, Columbia, Ecuador, Sale: France	Flowers & Plants
Belgische Fruitveiling	The Netherlands, China, Slovakia, The Czech Republic, Scandinavia, Southern Europe,	Fruit & Vegetables

Table 13 above presents the transnational and international cooperatives that have their seat in Belgium. They have gone international by taking up members in other countries and/or doing business with non-member farmers in other countries.

It should be noted that both tables are possibly not complete as several other cooperatives might have escaped our scrutiny, for example by being very small yet operating cross-border, while the fact that foreign cooperatives might operate as IOFs in Belgium hampers their recognition. The above list is the result of close scrutiny of websites of cooperatives and policy documents, other documents related to cooperative entrepreneurship, and of information retained from interviews.

As is evidenced in the tables, the majority of transnational (and international) cooperatives is active in the fruit & vegetable sector. This obviously relates to the overall importance of this sector within Belgian agriculture. We can however remark that the trend to expand business internationally has recently gained a new boost, with several cooperatives operating beyond the borders of their home countries having originated only in the second half of the past decennium: Vegras (2005), Ingro (2006), In-Co (2005) (Agriculture and Fishery Department - Section Monitoring and Study, 2007, p. 9).

4 Description of the evolution and position of individual cooperative

4.1 Data gathering per cooperative

The analysis presented within this paragraph predominantly derives from questionnaires sent out to the cooperatives represented in the various sectoral tops. This questionnaire dealt with issues of internal governance, economical accounts and evolutions, position in the food chain, international activity, ... Where deemed useful, the analysis has been strengthened by using additional data retrieved from national accounts, websites, interviews, previous research or other documentation.

4.2 Position in the food chain

As we mentioned earlier, 60% of the accredited cooperatives in Belgium are farmers' cooperatives. These cooperatives perform many functions for their members, such as organising input supply, carrying out investments, storage, product distribution or interest advocacy. The majority of these cooperatives (85%) is active in three main fields, conveying their distribution along the food chain. Sales (both wholesale and specialised shops) take up 22%, followed by agricultural activities in the narrow sense (i.e. primary and secondary production) accounting for 25% of all farmers' cooperatives. Cooperatives providing administrative and supporting services cover near 40% of all cooperative activities in Belgian agriculture however, indicating the perceived need for farmers to engage in innovative relations with regard to this phase in the production chain.

What can be observed is a general tendency to expand the field of activities as time passes: several of the cooperatives broadened their scope by choosing to add primary (and/or secondary) processing of agricultural products to their operations. Rarely (only in 1 occasion) did we notice an abandoning of a line of activity. Another trend is the increase in scale of the cooperatives, through mergers, alliances and the like. This in order to realize economies of scale and to be able to respond to the demand of the big purchasers (especially the supermarkets). Mergers and enlargement of the membership don't stop at the national borders. Recently a number of transnational cooperatives and cooperations with foreign cooperatives were established, most notably in the fruit and vegetable sector.

The most vivid farmers' cooperatives in Belgium are the dairy cooperatives and the producer cooperatives and organizations in the fruit & vegetable sector. They do not stick to the collection and marketing of fresh products (white milk or fresh fruit and vegetables respectively), but developed into important processors and innovators, realizing added value for their farmer members who supply their primary products to the cooperative.

Especially the dairy cooperatives - among which Milcobel is the biggest one, also being the biggest farmers' cooperative in Belgium - are since many decades active in processing milk. Milcobel is a merger of two big cooperatives, *BZU Melkaanvoer en Belgomilk*, themselves results of a long history of important mergers in the sector. As the original smaller dairy cooperatives, Milcobel incorporates dairy factories, producing milk powder and butter, but also products that result in higher margins and added value, such as cheese, milk drinks and ice cream. Recently, important investments have been made in a new cheese factory.

As producer organisations, the fruit and vegetable auctions provide a market, collection, storage and transport, and collective bargaining. Fresh products are delivered by individual farmers on the day before the collective selling takes place. Collective selling mainly goes via the system of the 'clock', but also contracts with fixed prices are being negotiated. The association of (6) fruit and vegetable auctions, Lava, has introduced the Flandria quality label, used in the promotion of

fresh fruits & vegetables that are grown in an environmentally conscious way and that are being recommended because of their high quality and freshness. This way, the auctions try to influence prices paid by purchasers and try to answer to the specific demands of the purchasers with respect to quality, quantity, packaging and freshness. The same strategy is followed by organisations of producers of specific products, trying to label and obtain licences for specific products (such as the Conférence pear for example). These producer organisations are more and more international, associating producers of the same products from different countries. Another tendency in the fruit & vegetable sector is the emergence of producer organisations that, like the dairy cooperatives, adding value for their members, through processing in factories. Also these producer organisations do not stop at the national borders, but are transnational cooperatives with members in neighbouring countries. As in the milk sector, also in the fruit & vegetable sector important mergers (especially among the auctions) can be observed in recent years. These cooperative developments in the fruit & vegetables sector are strategic responses to the exigencies of the market, stimulated by the European CMO Fruit & Vegetables.

The other agricultural sectors are not rife with cooperatives. However it should be mentioned that in the pig sector COVAVEE is responsible for 1/5 of the slaughtered pigs in the country.

More information on these cooperatives in section 4 of this report.

4.3 Institutional environment

The cooperative enterprise was early recognized as a legal form. Corporate law as early as 1873 institutionalized the cooperative society. The original cooperative law was very liberal. It was confined to merely defining what a cooperative society was (an organisational form with an variable number of associates/members and variable capital) and stipulating simple and accessible rules of establishment. A private act sufficed for its establishment, contrary to the notarial deed required in order to establish other modes of organisation. The minimum capital required upon establishment was limited as well, and the statutes of the cooperative could freely be formulated as the law didn't include any specific prescriptions as to what a cooperative society entailed with regard to its organisation and operation. The statute therefore immediately gained widespread attention, which only rose in times of increasingly stringent regulations on the part of the other legal forms (Gijssels & Van Opstal, 2008).

This inequality was countered by the law of July 20, 1991, which established a difference between the cooperative society with limited liability and the cooperative society with unlimited and several liability. The name of the latter was later changed into the cooperative society with unlimited liability, by the law of May 7, 1999. These legal changes provided cooperatives with legal forms similar to the private limited company and the general partnership, while deviating from these with regard to the variability of capital and the flexibility of policy on entry and exit. Shares are furthermore assigned by name and the statutes need to mention whether and how these shares can be transferred. In cooperative societies with unlimited liability associates/members are personally and severally liable for the society's debts. Associates/members of cooperative societies with limited liability are merely liable for the debts of the society to the extent of the capital they have put in. The cooperative society with limited liability however requires a notarial deed and a minimum capital of € 18.550 (of which €6.200 and at least a quarter per share needs to be paid in full at the moment of establishment) in order to be established. A financial plan also needs to be presented, whilst its accounts have to be checked by an auditor. The law of April 13, 1995 refines the 1991 law by stipulating that the distribution of profits cannot take place if net assets fall short of the minimum required capital (Gijssels & Van Opstal, 2008).

Additionally the law of July 20, 1991 provided for another cooperative mode of organisation, i.e. the cooperative society through participation, installing a variety of unlimited and limited liability¹³. This legal form was rescinded by the law of April 13, 1995 and replaced by a specific mode of organisation aimed at supporting organisations with social objectives: the social profit organisation. It concerns a transversal statute that can be applied to by whatever organisation that aims to achieve social objectives through their commercial or industrial activities. In reality however, the statute is taken up predominantly (around 70%) by cooperative societies (Gijssels & Van Opstal, 2008).

It is also possible to establish an 'economic interest grouping'. This is a society with an incomplete legal personality. The grouping must be supportive to member-entrepreneurs and cannot strive for profit for itself. It may not interfere with the enterprises of the members. It can be established by notarial deed, but this is not obligatory. If capital in nature is put in, this must be assessed by an auditor. No minimal capital is required, no minimum number of members is required.¹⁴

Of course, it is also possible to establish European Economic Interest Groupings.

Belgian persons (legal and natural) are also free to engage in the so-called *Societas Cooperativa Europaea* (sce), the European cooperative society¹⁵. The sce can be created *ex novo*, from scratch, or can be the result of a merger of already existing cooperatives, or a transformation of an existing cooperative having, since at least two years, a branch organisation to which the law of another member state applies (Gijssels & Van Opstal, 2008).

The cooperative society is widely used by associations of professionals (lawyers, architects, auditors, ...). Cooperatives classified under public law exist as well, and are mainly associations of communities responsible for waste collection or water. The sce did not appeal to a single organisation as of April 2008¹⁶.

In order to promote the cooperative philosophy, a number of advantages were ascribed to accredited cooperatives. As we mentioned earlier (paragraph 2.2.2 of this report), since 1962 (Royal Decree of January 8, 1962 founded these principles as preconditions for accreditation by the National Council for Cooperation, established by the law of June 20, 1955) cooperatives in Belgium enjoy a specific statute in comparison to common law. We will discuss these advantages in detail in section 5.3 of this report.

In addition to the National Council of Cooperation sector-based umbrella organisations of and for cooperatives exist, such as: for the dairy sector, the Algemeen Verbond der Coöperatieve Zuivelfabrieken (General Union of Cooperative Dairy Factories) founded in 1938 as an umbrella organisation advocating the interests of cooperative dairy farms; for the fruit and vegetable sector, the Verbond van Belgische Tuinbouwveilingen (Union of Belgian Horticultural Auctions), emerging in 1991 from the merger between the Verbond van Coöperatieve Tuinbouwveilingen (Union of Cooperative Horticultural Auctions) and the Federatie van Coöperatieve Tuinbouwveilingen (Federation of Cooperative Horticultural Auctions) and defending the interests of eleven producer cooperatives¹⁷ (Gijssels & Van Opstal, 2008).

¹³ Originally the legislator meant to provide for a different cooperative legal form that would comply with the preconditions for accreditation set out by the National Council for Cooperatives. After a parliamentary discussion the proposal was toned down, retaining as most distinctive feature equal voting rights of all associates/members and a partial decoupling of profit distribution and capital input (Braeckmans & Wymeersch, 1992).

¹⁴ <http://www.belgium.be/nl/economie/onderneming/oprichting/vennootschapsvormen/esv/>

¹⁵ http://www.just.fgov.be/img_justice/publications/pdf/218.pdf

¹⁶ Concomitantly we stress the fact that only 65 European Company Statutes, the European version of the public limited liability company, were inscribed in the KBO-database..

¹⁷ www.veiling.be

As we mentioned earlier, in 2003 the Flemish farmers' union (Boerenbond) took the initiative to establish a Cooperative Platform. The Platform aims to promote and support cooperative entrepreneurship in agriculture. In 2005 the Flemish Minister of Agriculture launched an Action Plan to promote cooperation in agricultural cooperatives and in 2006 the Cooperative Platform developed a Governance Code for Agricultural Cooperatives.¹⁸ Also other ministers are developing support measures to promote cooperative entrepreneurship, a.o. the Action Plan for the promotion of cooperative entrepreneurship as an answer to societal challenges by the Flemish Minister for the Social Economy (2011).

4.4 Internal Governance

Starting from the assertion that membership involvement is essential, governance structures seek out an optimal balance between stakeholder involvement (in Belgium: predominantly referring to cooperative members) and decision making. To this end, two platforms are generally installed to manage governance issues: the Board of Directors (BoD), the General Assembly (GA), sometimes an additional board of supervisors is installed. In smaller cooperatives (not covered in our questionnaires) these functions may be combined into one forum (Gijssels, 2009, p. 13). As the issue of commitment becomes more precarious as the cooperative increases in size, new answers have to be found to respond to the challenge. The larger cooperatives get, the tougher it becomes to engage their members, predicating member commitment, enforcing the need to implement innovative governance structures and channels of communication with members (Gijssels, 2009; Van Opstal, Gijssels & Wyns, 2008; Develtere, Meireman & Raymaekers, 2005)¹⁹. The larger a company gets the more it is the case that external professionals might be attracted for the management. Professionals are frequently employed by the cooperative to deal with daily management, as is the case with 66% of the top-cooperatives that responded to our questionnaire. However, none of these cooperatives, even though considerable in size, attract external professionals to the BoD. Another problem related to the enlargement of cooperatives is the longer distance (both geographically and socially) of the member to its cooperative. A response to this, followed by many of the large (farmers') cooperatives is to decentralise decision-making.

Although cooperatives in Belgium are not obliged to following the principle of "one member – one vote", 66% of the cooperatives studied still reports to apply this principle. However, it is often the case that different categories of members are installed and the general principle is complemented by strategies to safeguard their respective representation in the BoD.

In the top-listed cooperatives large numbers of members are non-active members. However, in general, influence of non-active members on decision-making is reported in the questionnaires is (extremely) restricted.

Member commitment, at least on an economic level, is in a way enforced through the obligation of members to deliver products exclusively to the cooperative. 66% of the approached cooperatives reported upholding this policy. This does not imply that cooperatives provide their services solely to member farmers, as 50% entertained trade relations with non-member farmers. Non-members however are usually excluded from additional supportive and (non-) economic services restricted to those members that trade larger volumes with the cooperatives, as was mentioned by some responding cooperatives (50%), or for members only. To this end, one could refer to administrative, managerial and/or technical support and education or product support such as storage or refrigeration.

¹⁸ The Governance Code for Agricultural Cooperatives can be downloaded from <http://www.boerenbond.be/Portals/2/Pdfs/Publicaties/deugdelijk%20bestuur%20cooperaties.pdf>

¹⁹ Although discussions about the relationship between size and participation have proved inconclusive (see Develtere, Meireman & Raymaekers, 2005), one can argue that size does subvert the swiftness, efficiency and effectivity of democratic decision-making (and the perceived potential of individuals to influence the process).

On a side note it can be mentioned that member commitment might benefit from a stricter entry policy. One can discern restricted accessibility in some of the queried cooperatives, but on the whole becoming a member is relatively easy. Some cooperatives, such as Milcobel, use a temporary restriction of entry as a mechanism to discourage and avoid re-entrance of former members who have left the cooperative in times of higher prices elsewhere in the market. This way the cooperative wants to counteract freeriding and give all priorities and advantages to existing members. In an interview with the director cooperative affairs of Milcobel, he states that the current measure of closing the membership is a temporary measure, taken in times of crisis and uncertainty in the dairy sector, to protect the income of the remaining members. It remains in place until Milcobel 1) gets a clearer view on the evolution of market conditions and prices after the abandonment of the milk quota, and 2) the BoD has worked out new entry rules. It is not the intention of Milcobel to make it a closed structure for allways. Nowadays, children of members can become new members, just as farmers who took over a business of an existing member can become new members of Milcobel. According to the director of Milcobel, the extent to which a cooperative opts to regulate the free entry of new members has to do with a collective form of control over production, without standing in the way of the development of the individual members. The effect of the measure is the avoidance of an uncontrolled increase of delivery of milk which would have had a serious negative effect on the price of milk for the existing members. Participation in decision-making can acquire multiple forms, which in turn can be set along a hierarchical axis ranging from relaying and receiving information to and from members, to having them exercise control over the installed managerial platforms²⁰.

So far we have discussed how members are consulted through the GA, how they participate to decision-making through this very platform and even through common access to the BoD. Various cooperatives have furthermore expressed the existence of a body of control, populated by members (and even outsiders). Additionally, the cooperative might consider relaying information to their members, in the form of newspapers or member columns, websites, ... It should go without mention that cooperatives benefit from member feedback in order to keep in touch with their desires and aspirations. To this end, ad-hoc commissions, regional councils or user groups can be established, members surveys can be held, newsletters and member mailings can be sent, websites can be developed (with specific member pages), annual reports can be sent to all members,... From the cooperatives studied, most of them do these kinds of things. We know from former research for example that Mechelse Veilingen has established 'vegetable groups', Milcobel has 'member circles' and sends out a newsletter to its members,... (Fonteneau & Gijssels, 2010, pp. 2-3). From an interview with representatives of cooperatives in the fruit & vegetable sector, we know that it is common practice among fruit & vegetable cooperatives in Belgium to maintain very close relationships between board members, members of the product and regional councils, and professional managers, thus constantly finetuning member needs and ideas on the one hand and professional management practices.

From the same interview we also learned that Belgian cooperatives in the fruit & vegetables sector have a strong collective orientation. This is exemplified by the fact that funding for producer organisations and associations of producer organisations from the European CMO is consistently used at the collective level of the PO or APO (marketing, quality, research and innovation,...), and the PO or APO is not used as a vehicle for investments at farm level.

4.5 Performance of the cooperatives

From the analysis of the annual accounts of the top-50 cooperatives, know that in 2008 the value created by the farmers' cooperatives studied equals €3.197.768.699 (see paragraph 2.2.4 of this report). As we stated earlier and will discuss in more detail in the next section, the agricultural

²⁰ For a discussion, see Birchall & Simmons (2001).

cooperatives studied, especially those in the dairy and fruit & vegetables sector, are active throughout the whole food chain, open up markets, bring primary products to buyers while responding to the needs and demands of the buyers (in terms of quality, freshness, packaging, quantity, size and form), process primary products thus adding value to it for the primary producers who are members of the cooperative and benefit from the profit made, give advice to members, engage in research and development in order to strengthen their and their members' position in the food chain.

Interviewees have asserted that Belgian cooperatives are small in comparison to European standards. But then, Belgium is a small country too. Moreover, we can deduce from the questionnaire that (all but one of) the biggest cooperatives have been growing (in terms of revenues) gradually, sometimes (partly also) as a result of mergers with other cooperatives. The recent surge of inter- and transnational cooperatives leads us to believe that there is still a lot of potential to be exploited in these sectors. Furthermore, interviewees claimed that Belgian cooperatives, while they might be facing serious competition from abroad, don't seem to be reaching the end of their existence. To top it off, more than once throughout the interviews the statement has been made that growth might endanger the survival of a cooperation, owing to real but undefinable limits to membership increase or managerial capacity (lest it negatively affects cooperative performance). The example of Milcobel shows that entry restrictions may also be put in place in order to guarantee members viable prices and to sanction free riding. Local cooperatives might prove immune to external evolutions to which larger cooperatives are exposed, as the motives for accession might be predominantly normative and social (kinship, social cohesion, ...) rather than economic, or they may concentrate on niche markets.

The most vivid cooperative sectors are dairy and fruit & vegetables. However, also in the cereal and pig meat sector flourishing cooperatives exist. More economic information on the top cooperatives in agriculture was presented in the sector analysis (section 4 of this report).

Performance of cooperatives can also be defined in terms of membership. Is the cooperative an attractive form for farmers? On the whole, we can say that Belgium boasts an elevated degree of cooperative behaviour in several agricultural sectors (such as the dairy, and fruit & vegetable sector, as can be deduced from paragraph 2.2.3), reaching up to a certified 83% in the fruit and vegetable sector and 67% in dairy (in Flanders) (Agriculture and Fishery Department - Section Monitoring and Study, 2007, p. 8). This is however parried by a low degree of cooperative development in other agricultural sectors, such as the sugar and various meat sectors. Reasons for this are multiple, and have to do with historical evolutions, perceived economic needs as well as sector-bound requirements leading the farmers to either engage in or defer from cooperative relations. Our data show that in 2010 25.077 farmers are member of one of the farmers' cooperatives and producer organisations for which we dispose of information on membership. If you relate this to the number of farms in the studied sectors in Belgium (cf. Table 1 in this report, derived from the Eurostat Farm Structure Survey), you would come up with a membership rate of 71%. However, this figure might be somewhat overestimated, since many cooperatives (especially the fruit and vegetable auctions) also have non-active members (retired farmers). For 12 cooperatives out of the top-5 of each sector we dispose of detailed information on non-active membership. Overall, the active membership rate is around 50%. It is especially high for Milcobel (1% non active membership). We can also expect that in the new producer organizations who were only recently established, most if not all member-farmers are active members. Moreover, we do not dispose of detailed membership data for all farmers' cooperatives. So, overall the active membership rate will be higher than 30%, though it is difficult to estimate how much higher.

5 Sector analysis

5.1 Introduction

In this chapter we discuss the developments in the eight sectors that are central in this study. We report on trends in the markets, important changes in (agricultural) policy and we try to link this to the strategies and performance of the investor-owned firms and cooperatives in the sector. The period of observation is 2000 – 2010.

This analysis is predicated by the fact that in Belgium agriculture is a defederalised responsibility, which in practice means that multiple regions are autonomously responsible for agriculture within their jurisdiction. Information on the Belgian (national) level is scarce. We have tried to construct such data ourselves whenever possible, but more often than not we were constricted to use the information at hand. We will consistently point out to which policy level (national or subnational) the data pertain.

To this end, it could be useful pointing out that Flemish agricultural activity accounts for 75% of the total Belgian agricultural end production value (Flemish Parliament, 26.10.2009, p. 8). Although irrefutably useful knowledge, this does not hold many stringent implications for further analysis of the sector, and certainly not when trying to relate this to cooperative performance. As has become evident throughout the interviews, Flanders and Wallonia have very different agricultural policies, owing to differences in soil composure and geographical realities among others. This has undoubtedly given way to different organisational strategies, in light of which a differentiated analysis can only be stimulated.

5.2 Cereals

According to Eurostat and the Belgian federal statistics database, the Belgian cereal sector anno 2009 claims a 4.3% share of Belgian agriculture, with a total value of agricultural output around €290.600.000 in 2009 (Statistics Belgium, 2010). This has been decreasing since 2007, yet has been reported to reach up to €477.000.000 in 2010 which explains the indicated growth of 2% displayed in Figure 4.

As regards the prices paid for cereal products, these reached a maximum in 2007, amounting up to 195% as compared to 2005 prices. This number has decreased every since, from 177% in 2008 to a mere 119% in 2009. The available data prospect an even further decline in 2010 (FOD Economy, 2010, p. 17).

Contrary to what we can observe in many other sectors, the cereal sector seems unaffected by the general trend of scale enlargement. As can be deduced from table 1 (number of farms in Belgium), the number of farms active in the cereal sector rose from 1.870 farms in 2000 to 1.880 farms in 2007. This increase however is restricted to the cereal sector. All other sectors experience scale enlargement (a falling number of farms active in this sector, coinciding with an increase of land belonging to a single farm) or intensification (a falling number of farms, coinciding with a higher production). With regard to the entire sector engaged in arable farming (cereals, potatoes, sugar beets, ...) we note, at least on the Flemish side, both a decrease in the number of farms (24% since 1999) and an expansion of the average land per farm with 39.3% since 1999 (Agriculture and Fishery Department, 15.01.2011, p. 175).

Growing cereals is a space-intensive exercise yet lacking proportional revenues. This is made clear by the fact that 62.6% of all soil in Flanders dedicated to arable farming is used to grow cereals (19.7% or 121.828 hectares of all Flemish arable soil), producing 51% of the total

national cereal production yet accounting for only 29.2%²¹ of the total value realized by the Belgian cereal industry (Agriculture and Fishery Department, 15.01.2011, p. 180; Flemish Parliament, 26.10.2009, p. 10; own calculations based on Eurostat en Statbel).

Specialisation is limited: many firms combine multiple yields, diversifying their end products. In Belgium in 2008, 6% of all farms is specialised (see Figure 8 A & B: Heterogeneity in farm production: the share of specialist farm types in total production) while in Flanders, up to 31% farms engaged to a more or lesser extent in cereal production, really specialises in cereals.

The cereal sector does not feature any cooperatives of significant size (as can be deduced from the top 50 and the sectoral top 5). This is, according to representatives of the sector within the farmers' union, due to the fact that the cultivation of cereals depends on a rich soil, and the end product is durable and usable in many different ways. All these factors contribute to the fact that there is a less apparent need to engage in cooperatives. This thwarts any endeavour to make claims on the functioning of cooperatives in the cereal sector.

The biggest cooperative in this sector (in terms of turnover) is the Société Coopérative Agricole de La Meuse (SCAM). Smaller cooperatives are de Sociétés Coopératives Agricoles Réunies des Régions Herbagères (SCAR), Centragro, and the much smaller cooperatives L'Alliance Blé and Delputte Frères. Not much data is available about these cooperatives. Only for SCAR we dispose of information through the returned questionnaire. The cooperative has 2407 members, among which 4% foreign members (Germany and the Grand Duchy of Luxembourg). The cooperative creates a market, collects and processes cereals, and brings cereal products to the market.

5.3 Sugar²²

According to Eurostat and Statbel, the Belgian sugar sector (represented by the cultivation of sugar beets) anno 2009 claims a 1.8% share of Belgian agriculture, with a total value of agricultural output of €123.650.000 (Statistics Belgium, 2010). Agricultural output value has been steadily decreasing over time, while the sector has shrunk with 6% over an 8 year course (see Figure 4) In 2009, Flanders contributes 40.4% to the national sugar industry.

The sugar sector is a marginal sector in Belgian agriculture, and suffers from most of the same problems other sectors have had to deal with in the past years: price fluctuations (a consistent decrease since 2005 up to 2009, which is prospected to linger) and the simultaneous decline of farms specialising in sugar beet cultivation and the growth of the remaining farms in terms of land ownership (i.e. scale enlargement): farms growing sugar beets have fallen from 7.020 in 2000 to 6.390 in 2007, a fall of 1.33% annually (see table 1). The degree of specialisation on the other hand is quite high, with a near 45% of farms engaged in sugar beet production being specialised (see Figure 8 A & B: Heterogeneity in farm production: the share of specialist farm types in total production).

The entire Belgian sugar industry is managed by two private enterprises, which have steadily grown by the years: *Tiense Suikerraffinaderij* (Sugar Refinery Tienen) and Iscal Sugar. The *Tiense Suikerraffinaderij* has been taken over by *Sudzucker AG* in 1989, a Germany-based cooperative assimilating the sugar refinery in Tienen. However, the company does not uphold cooperative principles in their international dealings but transforms into an IOF at the border, excluding Belgian sugar beet producers from membership. In 2006 14301 farmers were engaged in the production of sugar beets. The production of sugar consistently overshoots the quota, leading to a significant proportion of sugar products exported outside the EU (*Tiense Suikerraffinaderij*, 2006, pp. 20-25).

²¹ This number should be interpreted carefully as it is based on preliminary data. The conclusive percentage is sure to be a bit higher, although the main conclusion still remains that it is a space-intensive industry reaping small benefits.

²² Information on the sugar industry is predominantly obtained from: www.subel.be, www.tiensegroep.com, and www.iscalsugar.com.

Cooperatives (with Belgian sugar beet producers as members) have been notoriously absent in the sugar sector. Again, as with cereals, this can be attributed to a fertile soil in the regions where sugar beets are cultivated, compounded by the relatively easily managed finality of the products (no stringent issue of freshness, as is the case with fruit and vegetables).

5.4 Fruit and vegetables

According to Statbel, the Belgian fruit & vegetable sector anno 2009 claims a 16.7% share of Belgian agriculture, with a total value of agricultural output of €1.105.600.000 at basic prices (excluding plants and flowers; Statistics Belgium, 2010). Although prices on the whole have risen both for fruit and vegetables, both subsectors do not display the same pattern. Where vegetables can only claim a steady, but minimal rise in prices compared to 2005 (in 2007: 0.3%, in 2008: 5.4% and in 2009: 6.2%), the fruit sector boasts a soaring 30.1% rise in 2007, culminating in a 31.5% rise compared to 2005 in 2008. 2009 however broke with this trend, curbing the rise in 2005 prices to 15%. This dispersive trend is continued within 2010 predictions: prices of vegetables products are expected to jump to a whopping 70% increase as compared to 2005 prices, while fruit prices keep sinking, even below 2005 standards by around 10% (FOD Economy, 2010, p. 17). Sectoral growth on the other hand, has grown by 1% between 2001 and 2009 (see Figure 4)

81.2% of the entire value created by the sector has its roots in Flanders, however only claiming 7% of the arable surface and make up 33% of the Flemish agricultural economy. 59% of firms active in this sector is specialised in certain types of crops. 58,7% of the total amount of firms (both specialised and non-specialised) active in this sector, takes to the cultivation of vegetables, 28,5% to fruit cultivation. On a national level, one can however only discern a mere 20% degree of specialisation as of 2007 (see Figure 8 A & B: Heterogeneity in farm production: the share of specialist farm types in total production).

As is the case for most sectors, a trend of scale enlargement is affecting this sector as well, resulting in a 3.07% decrease in the number of farms (from 6.380 to 5.130 between 2000 and 2007) at the national level (see table 1) and a 50% increase in land possession by a single farm in the last decade at the Flemish level (Agriculture and Fishery Department, 15.01.2011, pp. 123-145).

The fruit and vegetable sector has historically been a sector in which many cooperatives are active. This is, according to one of our respondents, mainly due to the vulnerability of the sector in light of the perishable nature of the products. Up to 80% of the market value can be attributed to cooperative dealings (Agriculture and Fishery Department - Section Monitoring and Study, 2007, p. 8). One need only glance at our tops to affirm this. Furthermore, the competitive potential of the Belgian fruit and vegetable sector is evident as high all indicated trans- and internationally active cooperatives that have emerged in recent years reside in this sector.

Another aspect that can be commented upon is the nature and position in the food chain of cooperatives operational in this sector. As is clearly evident from the elaborated rankings, the biggest cooperatives are auctions and therefore engage in establishing a market for their clients. The cooperative collaboration allows for standardization of product quality, packaging, and payment conditions, as well as assures equal and just prices for producers. All of these issues, to a more or lesser extent, historically generated the perceived need to set up cooperative auctions.

According to our respondents, and judging from the information retained from the sites of the largest cooperative auctions, the prices that are decided upon at the auctions (mainly by way of a timer/clock) become the leading market prices that serve as a point of reference for IOF's. Auctions increasingly cooperate (through simultaneous sale and mergers) in order to be able to follow the demand of big purchasers, even across national borders. Next to the clock, also,

contracts with fixed prices are negotiated for certain products, or with specific agreements with respect to quality or type of packaging. The association of (6) fruit and vegetable auctions, Lava, has introduced the Flandria quality label, used in the promotion of high quality, fresh fruits & vegetables that are grown in an environmentally conscious way.

In a report by the Department of Agriculture and Fishery of the Flemish government (2008, update 2011) an analysis has been made of the evolution of traditional auctions to auctions new style. Whereas traditional auctions restricted their activities to sale via clock, administrative sale, product control and logistics, auctions new style do these things, but on top of this they also act as intermediary for sales, offer quality control for processes, plan production, market products, innovate products and processes, engage in wholesale/export/import, process (convenience products) and offer advice to their member growers.

Whilst the traditional auctions are gradually losing active members, new forms of producer organizations emerge in Belgium, all of them operating across borders (transnational cooperatives). They label specific products (such as the Conférence pear for example) or develop specific varieties of products (such as the Kanzi apple for example). Another tendency in the fruit & vegetable sector is the emergence of producer organisations of farmers who sell to the same factory or who, like the dairy cooperatives, themselves try to add value for their members, through processing in factories owned by the producer organisation. Also these producer organisations do not stop at the national borders, but are transnational cooperatives with members in neighbouring countries.

Also more loose cooperations are established (without merging or setting up a cooperative), such as a cooperation between REO (vegetable auction in Roeselare) and actors in the Northern part of France. However, in order to get a recognition as a producer organization in Belgium, the organization must be a cooperative society.

Together the 14 producer organizations (auctions and other producer organizations) have 16.269 members. This figure means that about 83% of the (mostly Flemish) producers in the sector of fruit and vegetables are associated in this kind of organizations.

The European CMO on Fruit & Vegetables has been a stimulus for producers to organize themselves in new producer organizations and for traditional auctions to innovate. The CMO's goal is to create a level playing field for producing and marketing fruit and vegetables in Europe and to help producers to organize themselves in order to increase their economic performance and position in the food chain. The idea was to change public intervention, coupling it to efforts in economic organisation and quality improvement. Producers, in case they want to benefit from European subsidies, are required to set up producer organisations that bundle the offer, market it and encourage environmentally-friendly practices. An "operational program" has to be formulated, then recognized and subsidized by the EU. With the reform of the CMO in 2007 some new measures were introduced: the definition of a national strategy, the creation of new tools for the prevention and management of crises, the abolition of withdrawals, the reinforcement of environmental actions and the attractiveness of producer organisations.

The CMO indeed seems to stimulate the establishment of producer organizations (thus cooperation) in the fruit and vegetables sector. However, the farmers' union argues that these organizations will not be able to substantially increase the position of their members in the food chain unless relevant exceptions in the competence law will be created. The farmers' union also demands a European framework for voluntary contracting to balance this policy.²³

²³ Press text on the CMO Fruit & Vegetables by Boerenbond (October 18, 2011), downloaded from <http://www.boerenbond.be/Home/Persberichten/tabid/1359/ArtikelID/40958/Default.aspx>

As mentioned above, a strong collective orientation and the consistent use of European funding at the level of the PO's and APO's is an important characteristic of the Belgian cooperative fruit & vegetable sector.

5.5 Olive oil and table olives

As stated previously, since there is not production of table olives and olive oil in Belgium, this sector won't be discussed in this report.

5.6 Wine

As stated previously, since the production of wine in Belgium is negligible in economic terms, this sector won't be discussed in this report.

5.7 Dairy

According to Eurostat and Statbel, the Belgian dairy sector anno 2009 claims a 10.3% share of Belgian agriculture, with total value of milk production reaching €697.370.000 (Statistics Belgium, 2010). Flanders claims 62.5%, supplied by 6215 producers. At the Belgian level, the dairy sector seems to be suffering from declines on all fronts. As regards the total amount of cow milk produced, it fell by 10.2% since 1998 – eliciting a consistent failure to meet the national quota by 1,7% in 2008/2009 and a historical 3,7% in 2009/2010 (Belgische Confederatie van de Zuivelindustrie, 2010, p. 44; 2011, p. 44). End production prices for milk have wavered since 2005, initially climbing by 23% in 2007 and 17% in 2008, but falling steeply by over 30% to a level down by 14,4% in 2009 as compared to 2005 prices. The price level was expected to stabilize around the same 2005 level in 2010 (FOD Economy, 2010, p. 17). Indeed, in 2011 prices rose with 3,14 Euro per 100 liter to one of the highest levels since 2000 (BCZ, 2012). The number of dairy producers however further decreased, confirming the general trend of the last decades (BCZ, 2012). The same trends are shown throughout paragraph 2: a decline in output (Figure 4), a fall in number of farms involved in the dairy sector (table 1). As regards the level of specialisation, we can only take recourse to data bearing on species of animals, without segregating between cows kept for their meat or their milk. As far as this is concerned however, we see an elevated degree of specialisation (Figure 8 A & B: Heterogeneity in farm production: the share of specialist farm types in total production) of around 60%. On average, sectors dealing with livestock are considerably more specialised than those involved in crop production.

The dairy sector for a long time has been 'protected' by the Common Organisation of the dairy market (1968) introducing a guaranteed price and a strong protection at the borders, combined with guaranteed prices. At the same time, technical progress was fast and the protection of the CAP encouraged producers to produce large quantities of milk. Before the introduction of the milk quotas in 1984 this led to structural surpluses of milk products in Europe. The 2000 Agenda of the CAP introduced a gradual reduction in milk support prices, a de-coupling of agricultural aid, and cross-compliance. Now, the milk quota are gradually being phased out. What this development will incite is hard to foresee, but experts predict that production will only marginally increase in Belgium as factors such as space, labour, capital, ... restrict explosive growth while the current quota already appear to be a serious challenge to meet for most countries. Belgium is expected to make its quota in 2011, but fell short throughout the previous years (Belgische Confederatie van de Zuivelindustrie, 2010, p. 49). The European Union should however maintain forms of support to this sector (and agriculture in general), in the form of for example stock management or investments in the production chain rather than direct income support. This need arises from the many demands made on the agricultural products (quality and health issues, environmental concerns, ...) and a weak international competitive position of the European Union (specifically regarding the dairy sector).

The dairy sector is rife with cooperatives. Reasons for this are undoubtedly the perishable nature of milk (and many derivative products), as well as the generally small (2.5%) margin of profit on raw milk (SPF Economy, 2007, p. 19). $\frac{1}{4}$ of all member dairy factories of the BCZ are cooperatives. BCZ is the Federation of the Dairy Industry in Belgium, representing 98% of collected milk in Belgium and 95% of turnover of the Belgian dairy industry. All in all, 5699 dairy farmers are member of the dairy cooperatives for which we dispose of more detailed information (that is Milcobel, Laiterie des Ardennes and the Compagnie Fermière de l'Entre-Sambre-et-Meuse (COFERME)). If you compare this to the number of dairy farmers in 2010, it is clear that 50% of the Belgian dairy farmers are member of a cooperative. In Flanders $\frac{2}{3}$ of all dairy farmers are member of a dairy cooperative. Milcobel is a top-player in the Belgian cooperative dairy sector, processing one third of the total national milk production. Milcobel is a cooperative holding, the result of many mergers of smaller dairy cooperatives. The Laiterie Des Ardennes was founded in 2010 through the merger of the former “number 10”, Laiterie de Chéoux, and the Lac+-group. Together with Molkerei Walhorn, the Laiterie des Ardennes and Milcobel form the triumvirate of the Belgian dairy sector. Together with COFERME, Milcobel, the Laiterie des Ardennes and Walhorn collected, processed and marketed more than $\frac{2}{3}$ of Belgian milk production.

Of particular interest is the existence of the so-called Algemeen Verbond der Coöperatieve Zuivelfabrieken (General Federation of Dairy Cooperatives), a non-profit organisation performing among other things studies on the dairy sector in general. Next to the big dairy cooperatives that all are results of important processes of mergers, respondents have also mentioned a swarm of new, small-scale cooperative players. Although we don't have many information on these young cooperatives, it is sure that this increases the complexity of the sector. Already, Milcobel is engaged in many stages of the production chain (basically all shackles of the chain succeeding the production of milk), while new organisations might try to gain access or create niche markets (biomilk and biomilk products for example). Worth mentioning here is the new strategy of Milcobel, the biggest dairy cooperative in Belgium, to set temporary restrictions on entry, discussed earlier in the paragraph on internal governance. These restrictions are put in place in order to guarantee members viable prices and to sanction free riding in these times of crisis and uncertainty.

Another new trend is the association of dairy farmers who supply milk to the Danone company in a producer organization.

5.8 Sheep meat

According to Eurostat, the Belgian sheep sector anno 2009 claims a 0.04% share of Belgian agriculture, with a total value of €2.830.000. This marginal position seriously hampered a detailed economic analysis of the sector. Any analysis on the sector is sure to face more difficulties as the sector is continually shrinking (since 2001 it has shrunk with over 7% annually – see Figure 4, the amount of processed sheep having decreased by 70.8% since 1999, accounting for only 0.0031% of all processed livestock in 2009 (FOD Economy, 2010). The number of farms has declined with 3.58% between 2000 and 2007, however still topping the number of farms active in the pig sector (by 600 farms, see table 1). The sector can boast a high degree of specialisation as well, amounting up to 56% specialised farms (see Figure 8 A & B: Heterogenity in farm production: the share of specialist farm types in total production).

As has been made obvious throughout the paper, supported by the sectoral top, only a very limited (one!) amount of cooperatives are active in this sector. None of these appear specialised in breeding or processing sheep alone, yet combine this with other species.

5.9 Pig meat

According to Eurostat, the Belgian pig sector anno 2009 claims a 20.5% share of Belgian agriculture, with a total output value of €1.378.480.000. It is by far the most important sector dealing with animals meant for consumption: 93% of all processed livestock (an increase of 5.2% in the total amount of processed pigs since 1999) are pigs. The increase in total of pigs processed can't counter the fall in prices however, which have consistently failed to equal 2005 prices by around 10% (with the exception of 2008, when there was a comparative 3% rise), which has led to a marginal shrinking of the sector with less than 1% since 2001 (Figure 4). This negative evolution is commonly attributed to a comparatively expensive euro and concomitant fall in exports as well as higher quality demands posed by Russia. Nevertheless, production value has risen recently, topping that of 2007 (FOD Economy, 2010, pp. 10-18).

Where scale enlargement previously meant the increase of available land per farm unit, in the pig sector this enlargement manifests in the form of a shrinking number of farms (from 4.260 to 2.980, a near 5% decrease between 2000 and 2007 – see table 1) yet a rising number of pigs per farm. As with the previous livestock sectors, specialisation is high: exceeding 60% (Figure 8 A & B: Heterogeneity in farm production: the share of specialist farm types in total production).

When comparing Flanders with the Walloon region, one cannot but note the dominance of Flanders: 94% of all pigs are bred in Flanders, claiming an equal portion of the national production value (Agriculture and Fishery Department - Section Monitoring and Study, 2010, pp. 39-62).

The pig sector does not seem to be a very attractive agricultural sector for cooperative entrepreneurship. According to an expert of the farmers' union, this is partly due to the fact that half of the slaughtered pigs are delivered by farmers who have long term contracts with actors elsewhere in the food chain, which makes them more insensitive to market evolutions. Environmental concerns (manure is a sensitive issue in Belgium) further adds to the deflection of cooperatives in this field.

The main cooperative is COVAVEE, being responsible for a fifth of the total of pigs supplied to the market. However, we've succeeded in identifying four more (much smaller in terms of turnover) cooperatives. We dispose of information of three of these cooperatives: New Cobelvian, Varkens KI Vlaanderen, and the Cooperative Maatschappij van Antwerpse Varkensfokkers (COMAV). The information about these cooperatives shows that, although spread thinly and with the exception of COVAVEE not 'big' in terms of turnover, cooperatives in this sector engage in a variety of activities. In total 682 pig farmers are member of these four cooperatives, of which 418 are member of the biggest cooperative, COVAVEE. While most of these cooperatives are operational at the very first stages of the production chain, i.e. sperm production and distribution, New Cobelvian is specialized in processing and preparing pigs for consumption, branding and selling the meat as a wholesaler. Also COVAVEE is active throughout the whole food chain via its daughter COVALIS.

6 Overview of policy measures

6.1 Regulatory framework

The performance of cooperatives (including producer organisations) is influenced by the regulatory framework in a country. This framework is multi-level: EU regulations, national laws and –in some countries- even regional policies influence the way cooperatives can operate. In this chapter we look especially at the regulatory framework that influences the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

These competitive positions are influenced within the regulatory framework by much more than the law that establishes the rules for running a cooperative (business organisation law). Well known other examples include agricultural policy (e.g. the EU's common market organisation that deals with producer organisations in the fruit and vegetables sector), fiscal policies (at the level of the cooperative and the way returns on investments in cooperatives are taxed at farm level) and competition policies. There are different types of policy measures in the regulatory framework (McDonnell and Elmore (1987):

POLICY MEASURE TYPE	DEFINITION
Mandates	Rules governing the actions of individuals and agencies
Inducements	Transfer money to individuals in return for certain actions
Capacity Building	Spending of time and money for the purpose of investment in material, intellectual, or human resources (this includes research, speeches, extension, etc.)
System Changing	Transfer official authority (rather than money) among individuals and agencies in order to alter the system by which public goods and services are delivered

The objective of this project / report is to identify support measures that have proved to be useful to support farmers' cooperatives. In section 5.2 the relevant policy measures and their potential impact in Belgium are identified. In section 5.3 a number of other legal issues are addressed.

6.2 Policy measures

The table below identifies the policy measures that influence the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

Table 15: Description of policy measures

Policy Measure Name	Policy Measure Type	Regulatory Objective	Policy target	Expert comment on effects on development of the cooperative
European level				
Integrated CMO Regulation ((EC) 1234/2007, and (EC) 361/2008)	Market regulation Financial incentives System changing	Correction of market or regulatory failures	Applicable to business in general	This measure is of course of great importance to all agricultural sectors, as it provides them with a framework within which all farms have to operate and to which most farms synchronise, adjust, their activities. It does not directly influence cooperative behaviour as such, but creates the level playing field, or the institutional environment, within which all players “compete”. Through its prescriptions and financial inducements it will of course have an indirect and marginal influence on the internal governance of cooperatives.
CAP: European Agricultural Fund for Rural Development	Inducement	Correction of market or regulatory failures	Applicable to business in general	By definition this Fund aims at improving the competitive position of the agricultural sector through financial inducement with respect to the environment and local development. This is done through 4 axes, to which a multiplicity of measures can be coupled (as will be made evident when discussing the measures at the regional levels). At this general level, the EAFRD impacts on all three building blocks.
CAP Health Check	Inducement	Attainment of equity or social goals	Applicable to business in general	The health check paved the way for significant alterations to the CAP and impacts the operation of cooperatives in various ways. At this general level one could say it made for a change to the institutional

				environment in which cooperatives function.
School Fruit Scheme	Inducement Other: promotion of healthy life style	Attainment of equity or social goals	Specific to an agricultural sub-sector	The money provided within this programme aims at facilitating the supply chain in favour of supply to schools. It therefore interferes with the environment in which fruit and vegetable cooperatives operate (given the importance of this sector in Belgium, this has considerable potential to stimulate cooperative behaviour) and directly impact the competitive position and the position in the food chain of cooperatives.
School Milk Programme	Other: promotion of healthy life style	Attainment of equity or social goals	Specific to an agricultural sub-sector	Similar to the School Fruit Scheme, albeit for the dairy sector (again a sector of considerable weight in Belgium). Additionally it promotes product differentiation, creating added value in the food chain and improving the potential competitiveness of the sector and the cooperatives.
European Employment Strategy (funded by ESF)	Inducement	Attainment of equity or social goals	Applicable to business in general	These measures are interlinked. Both seek to create more jobs, which of course might benefit cooperative survival. At this general level however it cannot accurately be predicted how it will influence cooperative dealings. As it is a European measure however, it will most likely interact with the institutional environment. One measure inscribed in the ESF aims at fostering transnational cooperation. Though this is not confined to cooperatives as such, it might well have an indirect impact on the playing field of cooperatives.
European Social Fund	Inducement	Attainment of equity or social goals	Applicable to business in general	

European Regional Development Fund	Inducement	Attainment of equity or social goals	Applicable to business in general	Difficult to pin down the field of impact due to the general character. Its financial contributions are geared towards measures that promote regional development, which can take many different forms.
European Grouping for Territorial Cooperation	Inducement	Attainment of equity or social goals	Applicable to business in general	This measure is a legal instrument, directly impacting the institutional environment. However, its applicability for cooperatives is limited.
SCE	Mandating: cooperative legislation Capacity building System changing	Correction of market or regulatory failures	Specific to cooperatives	The SCE legal form greatly impacts the internal governance of those organisations adhering to this statute.
Federal, national level				
NCC-code for cooperative entrepreneurship	Capacity building: technical and managerial assistance	Attainment of equity or social goals	Specific to cooperatives	The code merely stipulates guidelines for cooperative management and entrepreneurship, thereby potentially influencing the internal governance of cooperatives.
Cooperative legal structure	Cooperative legislation	Correction of market or regulatory failures	Specific to cooperatives	Surely this measure entails many consequences on the internal governance of cooperatives as it contains prescriptions as to how they should be organised.
Accreditation by the NCC	System changing	Attainment of equity or social goals	Specific to cooperatives	In order to be awarded an accreditation, several organisational conditions need to be met, thus impacting the internal governance of those specific cooperatives.
Flemish level				
Flemish Agricultural Investment Fund	Inducement	Correction of market or regulatory failures	Applicable to business in general	As the main provider of funds within the framework of the Flemish Rural Development Programme, this institution can have a major impact on all three building blocks underlying the

				competitiveness of cooperatives in agriculture.
Vocational training and information actions	Inducement Capacity building through education	Attainment of equity or social goals	Applicable to business in general	Measures supporting educational projects potentially benefit the performance of cooperatives by for example improving management. In this sense it can influence the position in the food chain, as well as internal governance. Seen as this measure forms part of the 1 st axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.
Setting up of Young farmers	Inducement	Correction of market or regulatory failures	Applicable to business in general	The inclusion of young farmers in the work force potentially changes the institutional environment in which cooperatives function. Seen as this measure forms part of the 1 st axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.
Use of advisory services	Capacity building	Correction of market or regulatory failures	Applicable to business in general	This measure impacts on managerial issues, both internal (governance of the cooperative) as external (how to stay afloat on the market). This measure forms part of the 1 st axis of the EAFRD as well.
Adding value to Agricultural and forestry products	Inducement	Correction of market or regulatory failures	Applicable to business in general	1 st axis EAFRD measure. Specifically geared towards improving the competitiveness in the food chain.
Payments to farmers in areas with handicaps, other than mountain areas Natura 2000 payments and payments linked to directive 2000/06/EC	Inducement	Attainment of equity or social goals	Applicable to business in general	These measures belong to the second axis of the EAFRD. They aim at changing the institutional environment as they are bent on improving the ecological environment and the countryside, thus applying significant changes to the surroundings (both
Agri-environment payments	Inducement Other	Attainment of equity or social goals	Applicable to business in general	

				literally and figuratively) of cooperatives. As ecological issues transcend the local scale, cooperatives focusing on these matters might arise.
Diversification into non-agricultural activities	Inducement	Correction of market or regulatory failures Attainment of equity or social goals	Applicable to business in general	The diversification of activities might induce a change in the position in the food chain, along with consequences resulting from the general scope of this 2 nd axis measure.
Other axis 3 and axis 4 measures	Inducement Other: call for initiatives eligible for subsidies	Attainment of equity or social goals	Applicable to business in general Specific to an agricultural sub-sector	3 rd and 4 th axis measures affect the institutional environment in which cooperatives conduct business. These are not focused on improving the performance as such, but shift attention towards local development and diversification towards non-agricultural activities such as tourism, cultural heritage, etc...
IWT: R&D enterprise projects	Inducement	Correction of market or regulatory failures	Applicable to business in general	Financial aid geared towards R&D, which might enhance the position in the food chain and the competitiveness of the cooperative applying for this supportive measure.
IWT: SME innovation projects	Inducement	Correction of market or regulatory failures	Applicable to business in general	This line of credit aims at fostering innovation in small- and medium-sized enterprises, comprising cooperatives.
Cooperative Platform	Capacity building through multistakeholder participation	Attainment of equity or social goals	Specific to cooperatives	Participatory forum between all stakeholders, engendering a change in the institutional environment
Action Plan "Cooperation in Agriculture"	Other: distributing information	Attainment of equity or social goals	Specific to cooperatives	An action plan presenting multiple lines of action revolving around cooperative entrepreneurship. If anything, it influences the institutional environment once it gains recognition.

Flanders in Action	Inducement Other: call for initiatives eligible for subsidies	Correction of market or regulatory failures Attainment of equity or social goals	Applicable to business in general	Flanders in Action is a government-wide action programme focusing on all sectors and involving all actors. It is mainly bent on inducing change to the institutional environment.
Flemish Sustainable Development Strategy (I & II)	Inducement Other: call for initiatives eligible for subsidies	Correction of market or regulatory failures Attainment of equity or social goals	Applicable to business in general	As with Flanders in Action, this broad programme aims at changing the framework in which cooperatives will need to function.
Mixed Working Group on Cooperation	Capacity building through multistakeholder participation	Attainment of equity or social goals	Specific to cooperatives	Participatory forum between all stakeholders, engendering a change in the institutional environment
Product quality differentiation through labelling	Other: creating niche markets	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Measures such as these generally aim at creating supply markets, therefore improving the position in the food chain.
Youth Action Plan	Capacity building	Attainment of equity or social goals	Applicable to business in general	Action plan aspiring to change the institution environment.
Farmers on Crossroads	Inducement	Attainment of equity or social goals	Applicable to business in general	An agency offering advice to farmers in difficulties. This advice might interact with internal governance or might lead to an improvement in economic performance.
Hermes Fund	Inducement	Correction of market or regulatory failures	Applicable to business in general	Fund aiming at stimulating entrepreneurship, therefore residing with those measures impacting either internal governance or the position in the food chain.
Portfolio for Entrepreneurship	Inducement	Correction of market or regulatory failures	Applicable to business in general	Supplying financial support to individuals seeking to participate in educational programmes, this measure could impact both the position as well as the internal governance of cooperatives.
Strategical Support to SME's and big	Inducement	Correction of market or	Applicable to business in	Geared towards improving the position

enterprises		regulatory failures	general	in the food chain, and the competitiveness in general.
Expenses on the construction of commercial sites and the recovery and reuse of industrial sites	Inducement	Correction of market or regulatory failures	Applicable to business in general	This measure affiliates most with 3 rd and 4 th EAFRD measures, impacting the institutional environment.
Investment support for agricultural cooperatives	Inducement	Correction of market or regulatory failures	Specific to cooperatives	Clearly this measure aims at improving the position of the cooperative in the food chain.
Initial support for collaborative relations between farmers in matters of product sales	Inducement	Correction of market or regulatory failures	Applicable to business in general	This measure eases the costs associated with establishing an association of farmers focusing on the collective sale of products. It therefore impacts on the institutional environment and, to some extent, the competitive position as well.
Walloon level				
Vocational training and information actions	Capacity building through education	Attainment of equity or social goals	Applicable to business in general	Measures supporting educational projects potentially benefit the performance of cooperatives by for example improving management. In this sense it can influence the position in the food chain, as well as internal governance. Seen as this measure forms part of the 1 st axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.
Setting up young farmers	Inducement	Attainment of equity or social goals	Applicable to business in general	The inclusion of young farmers in the work force potentially changes the institutional environment in which cooperatives function. Seen as this measure forms part of the 1 st axis of the EAFRD (improving competitiveness) it aims at affecting the position in the food chain as well.
Adding value to agricultural and forestry products	Inducement	Attainment of equity or social goals	Applicable to business in general	1 st axis EAFRD measure. Specifically geared towards improving the

				competitiveness in the food chain.
Participation of farmers in food quality schemes	Inducement	Correction of market or regulatory failures	Applicable to business in general	Measures such as these generally aim at creating supply markets, therefore improving the position in the food chain.
Payments to farmers in areas with handicaps, other than mountain areas	Inducement	Attainment of equity or social goals	Applicable to business in general	These measures belonging to the second axis of the EAFRD aim at changing the institutional environment as they are bent on improving the ecological environment and the countryside, thus applying significant changes to the surroundings (both literally and figuratively) of cooperatives. As ecological issues transcend the local scale, cooperations focusing on these matters might arise.
Natura 2000 payments and payments linked to Directive 2000/60/EC	Inducement	Attainment of equity or social goal	Applicable to business in general	
Agri-environment payments	Inducement	Attainment of equity or social goals	Applicable to business in general	
Natura 2000 payments	Inducement	Attainment of equity or social goals	Applicable to business in general	
Diversification into non-agricultural activities	Inducement	Correction of market or regulatory failures	Applicable to business in general	The diversification of activities might induce a change in the position in the food chain, along with consequences resulting from the general scope of this 2 nd axis measure.
Support for business creation and development	Inducement	Correction of market or regulatory failures	Applicable to business in general	3 rd and 4 th axis measures affect the institutional environment in which cooperatives conduct business. These are not focused on improving the performance as such, but shift attention towards local development and diversification towards non-agricultural activities such as tourism, cultural heritage, etc...
Implementing local development strategies	Capacity building	Attainment of equity or social goals	Applicable to business in general	
Implementing cooperation projects	Inducement	Correction of market or regulatory failures	Applicable to business in general	
Running the local action group, skills acquisition, animation	Inducement	Correction of market or regulatory failures	Applicable to business in general	
Agricultural Investment System	Inducement	Correction of market or regulatory failures	Applicable to business in general	As the main provider of funds within the framework of the Walloon Rural Development Programme, this institution can have a major impact on all three building blocks

				underlying the competitiveness of cooperatives in agriculture.
Milk Plan	Inducement Capacity building through information	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Being a plan, it mainly sets out lines of action in order to, in this case, support the dairy producers. As such, it can be regarded as affecting the institutional environment.
Milk cow premium	Inducement	Correction of market or regulatory failures	Specific to an agricultural sub-sector	As a direct financial intervention, this measure impacts on the economic performance, and position in the food chain, of the cooperative.
Milk Campaigns	System changing	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Annual plans for the dairy sector, suggesting the comparison with the previous “milk plan” (which was a response to the crisis).
Quota mobility	System changing	Correction of market or regulatory failures	Specific to an agricultural sub-sector	This measure allows for a substantial change in the institutional environment, as it opens up opportunities to flexibly manage production processes.
Quota funds	Inducement System changing	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Similarly, this option instigates flexibility in the institutional environment.
Grass premium	Inducement	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Premiums (i.e. direct financial aid linked to some prestation) directly intervene with the performance of organisations, therefore impacting on the food chain position.
Nut premium	Inducement	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Premiums (i.e. direct financial aid linked to some prestation) directly intervene with the performance of organisations, therefore impacting on the food chain position.
Financial aid for the seed sector	Inducement	Correction of market or regulatory failures	Specific to an agricultural sub-sector	This type of aid is mainly directed at improving the competitive position of farms, therefore interacting with their position in the food chain.

Agreements on the improvement of bovine and goat species	System changing	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Agreements such as these alter the playing field (institutional environment) by setting up new standards.
Agreements on the improvement of porc species	System changing	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Agreements such as these alter the playing field (institutional environment) by setting up new standards.
Plant and seed certifications	System changing	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Agreements such as these alter the playing field (institutional environment) by setting up new standards.
Product quality differentiation through labeling	Other : creating niche markets	Correction of market or regulatory failures	Specific to an agricultural sub-sector	Measures such as these generally aim at creating supply markets, therefore improving the position in the food chain.

The above list has been compiled on the basis of policy documents, websites and interviews. After we have compiled the list of measures, we have forwarded it to various contacts that are either involved in the making of agricultural policy or the management of some of the top cooperatives, and asked them to evaluate the impact of each separate policy measure on the genesis and survival of cooperatives. To our despite, respons was extremely low with only three contacts (two governmental agents, one cooperative manager) responding to our request. Nonetheless we put the received insights to their maximum use in order to estimate the effects of the measures more effectively and carry out a more substantiated analysis. We were not able to get respons from the government administration in Wallonia, which makes the evaluation of those regional policy measures a more tricky and less-guided exercise. As a great deal of the enumerated policy measures stem from the Walloon rural development programme, we could however take recourse to the mid-term evaluation of the programme to gauge their impact²⁴. The evaluation however does not relate specifically to cooperatives per sé, as it indicates solely the importance of the measures in monetary terms. How the measures affect the working field of cooperatives is therefore a factor we had to include on our own terms. This has been done by comparing the Walloon policy measures to their Flemish counterparts (if possible) and otherwise basing our judgement on the description of the policy measure and its theoretical bearing on cooperative behaviour.

The first modification to our initial list of detected measures we made on the basis of the evaluation was to delete those measures that were considered not relevant, obtaining a null score. The list above is the result of this intervention.

What we have learned from the acquired information is that agricultural policy in Belgium is mainly carried out by the defederalised ("regional") policy levels, i.e. the Walloon region and Flanders. Policy at the federal, national level exclusively focuses on the implementation of European law and EU-level co-ordination related to agriculture. The focus in this chapter therefore lies with these subnational policy levels, as well as the European regulations (and other forms of legislation) which have a direct impact on agricultural policy in the regions.

²⁴ Analysis for Economic Decisions (12.2010).

We perceive a plain dominance of measures aiming to induce certain actions through funding and financial support. Approximately 60% of all listed measures is of this sort, as could be expected given the priority they enjoy in the CAP²⁵. Other popular types include advisory centres on all sorts of matters, participatory forums, educational courses, ... building capacity, or system changing measures such as agreements on product quality.

As regards the regulatory objective, we discern a fairly equal distribution amongst both categories, with a slight predominance of measures aiming to correct market or regulatory failures. However, it should be noted that this categorisation is not always easy to make, predicating clear judgement and allowing for a few uncertainties.

When we look at the policy target however, those actors/organisations that form the target group to which the policy measure is catered, a clear discrepancy in-between categories becomes apparent. Consistent with our objective to map all policy measures that *might* have an influence on cooperative behaviour in the agricultural sector, we arrived at an extensive list. Measures aiming at agricultural (or other) businesses in general make up two third of all displayed policy measures. Of all these measures, only a few aim specifically at cooperatives (13%). Legal frameworks and fiscal advantages stimulating cooperative entrepreneurship are situated at the federal level. Investment support for agricultural cooperatives, however, is a Flemish policy measure, within the framework of the overall agricultural policy which is the sovereign responsibility of the regions.

It should come as no surprise that measures aimed specifically at cooperatives are evaluated as being amongst the most influential policy measures when it comes to overall impact on cooperative entrepreneurship. To name a few:

- “Investment support for agricultural cooperatives”: a Flemish policy measure, which has recently been reactivated after a short stop in funding, predicating any projections on the extent to which it will influence cooperative entrepreneurship in the near future. It has however had many positive effects since it has been launched;
- SCE, although it has been discarded (by our interviewees) as of low use to many Belgian cooperatives as they don’t usually aspire to international expansion nor is it a condition sine qua non for such an undertaking: the rule of 1967 stipulates that foreign farmers should be able to become member of coops and not be discriminated against members of the home country of the cooperative. This means that membership of transnational coops is possible and there is in fact no need for a different/additional juridical form;
- The cooperative legal form (for a discussion, see paragraph 3.3);
- “Accreditation by the NCC” and the related (mainly fiscal) advantages;
- “The Cooperative Platform”: a measure once launched by the Flemish government to respond to many pertinent challenges by inviting all stakeholders to formulate responses that might shape eventual policy. It has however ceased to exist;
- “Action Plan ‘Cooperation in agriculture’”;
- “Initial support for collaborative relations between farmers in matters of product sales”: though not geared specifically to cooperatives (its aim is much broader), one of our respondents explicitly added this measure because it provides a very useful line of support to those cooperatives that know of it and apply for it.

²⁵ Common Agricultural Policy, the legislative framework directing all European agriculture.

Policy measures don't have to be specifically dedicated to cooperatives as such to have a considerable influence on them. Policy measures attaining a top evaluation without explicitly promoting cooperatives, are:

- The integrated CMO-regulation ((EC) 1234/2007 and (EC) 261/2008), of which the chapter on fruit and vegetables should be awarded significant attention. It has been mentioned as generating the biggest impact on cooperative entrepreneurship by our respondents;
- The European Agricultural Fund for Rural Development, which is no surprise in light of the multiplicity of derivative measures included in the list: it is a true backbone of agricultural policy and has a widespread effect on many aspects of the sector (although, as will be indicated, the effect might turn out negative in relation to cooperatives);
- "Flemish Agricultural Investment Fund" (and by extension its Walloon counterpart: the "Agricultural Investment System"); this has been mentioned as of great importance as it's the main source from which financial means are extracted to support the rural development programmes (scattered throughout the list), which have a generally positive influence on cooperatives.

Meriting specific mention are those measures rewarded with a negative score, thus having a detrimental impact on cooperative entrepreneurship. None of these are geared specifically to cooperatives. The measures in question all belong to the second, third and fourth axis of the rural development programmes of Flanders and Wallonia (although scores for the latter region had to be constructed on the basis of their description and the scores obtained for their equivalents in Flanders), such as compensation for nature and agri-environmental measures which can not be concluded by groups, therefore excluding cooperatives.

Lastly we will briefly discuss some measures that require some elaboration.

- "Implementing cooperation projects": a Walloon policy measure and the single policy measures with a null score still in the list. This is because it has significant potential to stimulate cooperative entrepreneurship (although the term "cooperation" does not merely refer to cooperatives), yet this potential is all but exploited as the budget remained unused as of 2009;
- "Portfolio for entrepreneurship" and "Strategical support to SMEs and big enterprises": both have the potential to aid in the establishment and survival of cooperatives, however agricultural organisations are shunned from these supportive measures (awarded on the basis of NACE-codes, from which those referring to agriculture have been exempted).
- "IWT: SME innovation projects": cooperative entrepreneurship is regarded as a form of innovative organisational behaviour and as such might be perfectly tailored to this supportive measure. However, in practice we see that few agricultural cooperatives apply for it.
- "NCC code for cooperative entrepreneurship": this is not a policy measure by definition, as it is merely an example of self-regulation. The code has been constructed on initiative of the sector itself, and has been taken up by the NCC – an institute nevertheless integrated in the Federal Department of Economy. The measure is reported to have a (however marginal) positive effect.

6.3 Other legal issues

We discussed the legal statutes available for cooperatives in Belgium earlier in the section on the institutional environment. In the document on 'policy measures and legal aspects' specific questions are dealt with more systematically.

Legal forms for cooperatives/producer organizations

It is compulsory for producer organizations who want to obtain an recognition as producer organization under the CMO to be a cooperative society.

Specific legal forms for cooperative entrepreneurship are:

- 1) Cooperative society with limited liability (Law of July, 20 1991, amending the original cooperative law of 1873)
- 2) Cooperative society with unlimited liability (Law of May, 7 1999, amending the Law of July, 20 1991 that in itself amended the original cooperative law of 1873)
- 3) Economic interest grouping ('Economisch Samenwerkingsverband' / 'Groupement d'intérêt économique') (Law of July, 17 1989)

Associations are not seen as convenient forms for organizations that perform commercial activities (unless as an auxiliary activity, supporting a primary non commercial purpose), since the law on non profit associations and international non profit organizations (Law of May 2, 2002) precludes commercial activities to be executed as the major activities of the organization.

The Law of July 20, 1991 created the distinction between cooperative societies with limited liability and those with unlimited and severally liability. The Corporate Law of May, 7 1999 changed the name of the latter form to 'cooperative society with unlimited liability'. These new laws created legal forms for cooperatives that are analogous to the private society with limited liability and the firm respectively, the main difference being the variability of the capital and the flexible possibilities of entry and exit. The shares are nominal and in the bylaws regulations on transfer of shares are to be stipulated. In a cooperative society with unlimited liability, the partners are individually and severally liable for the debts of the cooperative. In a cooperative with limited liability, partners are responsible for the debts of the cooperative up to the amount of their contribution. In return for the protection of the partners, the exigencies for the establishment and maintenance of a cooperative society with limited liability are higher. The society needs to be established by notarial deed and requires a minimum capital of 18.550 Euro (that needs to be paid up in full for the amount of 6.200 Euro and for at least one fourth of each share). The founders need to present a Financial plan and the society must obtain a financial audit annually. The Corporate Law of April 13, 1995 refines the Law of July 20, 1991 by stipulating that no profit may be shared when the net assets are lower than the minimum capital (Van Opstal, Gijssels & Develtere, 2008).

The cooperative society, and especially if it adheres to the criteria for accreditation by the National Council for Cooperation, is the form that fits best the cooperative criteria of member ownership, member decision making and member benefits (in contrast to IOF's). Furthermore, it gives the right to do business (in contrast to associations). Moreover, it gives the organization a legal personality (in contrast to the economic interest grouping).

The statutes or bylaws of the organization are of particular importance to define the objective of the organization, to regulate the ownership structure, to describe the decision making structure and the way members can enter and exit, as well as the rights and duties of the members.

Formation/establishment of cooperatives.

A cooperative society with limited or unlimited liability must have at least 3 members. A minimum capital is required for cooperative societies with limited liability: €18.550 (minimally €6.200 and for ¼ paid up in full). No minimal capital is required for cooperative societies with unlimited liability and for economic interest groupings. For economic interest groupings no minimum number of members is required. No major costs are to be made for setting up a cooperative society. A notarial deed and a financial plan are required. On average the cost is about €2.500. If the new cooperative is a transformation of an existing company the additional cost is €1.800 on average. However, according to a legal expert of the Farmers Union, the attractiveness of specific business forms cannot be related to the costs of setting them up. Likewise for the costs of maintaining the legal business form. For cooperative societies with limited liability an annual financial audit is required.

Membership and member involvement

Membership in Belgian cooperatives is generally equal to shareholdership. One becomes a member of a cooperative by buying one or more shares. It is common that the statutes prescribe that new members or the acquisition of additional shares by existing members must be approved by the Board of Directors and/or the General Assembly. This in order to avoid majorities or unequal balances. However, nothing is stipulated about this in the corporate law.

Residents of other Member States of the European Union are treated on an equal pace as Belgian residents. They can become member on the same terms as Belgian candidates if they comply with the criteria described in the statutes of the cooperatives.

Shares are nominal. Cooperatives should keep a register of members. Subsidiaries are possible. Corporate Law art. 358 states that the share register can be split up in two parts: one for the holding of the member, the other somewhere else in Belgium or abroad as long as it is not in the same holding. Further no rules stipulated.

The default exit-option according to the corporate law, is that members can only exit or withdraw parts of their shares during the first six months of the financial years. Some cooperatives formulate additional rules for exit/entry. E.g. not in the first three years of membership. We deem this to be fair in view of members' financial participation in the cooperative. According to the legal expert of the Farmers Union, competition law on this aspect is tampered by provisions that allow cooperatives to restrict members to exit the organisations and to engage in economic transactions with other parties, for a given time. Therefore, competition law does not enter into the discussion. Some cooperatives, as the example of Milcobel given earlier made clear, also adopt rules for the restriction of membership in order to protect the interests of the existing members and to discourage free riding by ex-members who left the cooperative in times where better prices could be obtained outside the cooperative.

Voting rights can be assigned through the principle of 'one share, one vote'. This is the default according to Article 382 of the Corporate Law on cooperatives that stipulates: "unless stated otherwise by the Statutes, all members have one vote per share". Obviously, this is not 'one man, one vote'. The Royal Decree on the accreditation of cooperatives (January, 8 1962) however states that accredited cooperatives should organize democratic decision making. This can be through the principle of 'one man-one vote' (the default according to the decree), other systems can be put in place and described in the statutes of the cooperative. Cooperatives can opt for the default system in the corporate law, or they may grant different voting rights to different categories of members. But even then, for accredited cooperatives, a restriction of voting rights is obligatory: one member cannot have more than 10% of the voting rights at the General Assembly. This in order to avoid majority voting rights and safeguard democratic decision making. There are no legal restrictions as to grant voting rights to non-members. Again, the

granting of voting rights should be regulated by the statutes of the cooperatives. As we mentioned in the section on 'internal governance', 66% of the cooperatives in the top-5 of the sectors studied who returned the questionnaire adheres to the principle of 'one man – one vote'.

Mandatory bodies for decision making are the General Assembly and the Board of Directors. Professional managers may be engaged for the day-to-day management of the cooperative. Managers must be appointed by the Board of Directors, directors should be elected by the General Assembly. It is also possible to give members the function of supervisor (provided they have no other function in the governance of the cooperative) and install a Board of Supervision. Sometimes, additional member councils may be put in place, or member surveys may be organized. But this is entirely up to the cooperative to decide. Nothing is stipulated about this in the regulations. Corporate law prescribes that members should be sent an invitation as well as all necessary preparatory documents 15 days before the date of the General Assembly at the latest.

Once more, it is up to the statutes to describe what organs shall be put in place, how eligibility is organized and what the competences of these bodies are. In small cooperatives for example, the General Assembly may be equal to the Board of Directors.

As we mentioned earlier, with respect to accredited cooperatives, it is an advantage for accredited cooperatives that their directors, if they are paid by the cooperative other than through board and lodging, and for whom the management of the cooperative is the most important professional duty, can enjoy the social security system of employees (Art.3, 1° of the Royal Decree of November 28, 1969 implementing the law of June 27, 1969 amending the resolution of December 28, 1944 on the social security of employees),

Financing

In Belgium cooperative societies the typical form for raising equity is by issuing nominal shares. Membership = shareholdership. If additional financing is needed, typically obligations or bank loans are used.

In cooperative societies with unlimited liability, members are unrestrictedly liable in the case of liquidation of the cooperative. In cooperative societies with limited liability, members are liable up till their financial participation in the cooperative. Reserves are to be made, as in all other types of corporations, and no profit can be distributed when the resources are lower than the minimum capital (amendment to the cooperative law of 1995). Member participation in equity raising (shares) is custom, but not necessarily connected to and proportional to the volume of economic transactions between the member and the cooperative.

Profit can be distributed through dividend on capital. For accredited cooperatives this is restricted (6% at the moment). Patronage dividend (a ratio of transactions) is also possible. Decisions about the distribution of profits (after the minimum reservation in the general reserve (5%)) should be made by the General Assembly.

Reorganisation

No specific rules apply for the reorganization of cooperatives.

Taxation

The general law for enterprises applies. An exception is granted to accredited cooperatives: the dividend on capital that they distribute to their shareholders is free from taxation for the shareholder as well as for the cooperative up till a moderate amount (Royal Decree of January, 8 1962).

As we mentioned earlier, with regard to accredited cooperatives, there is a tax exemption for dividends paid to members who are natural persons (Art.21, 6° of the Code of Income Taxes). This tax exemption is applicable for the first instalment of dividend per natural person and per cooperative:

Reference year:	Dividend distributed in year:	First instalment of dividend exempted from taxes (EUR)
2012	2011	180
2011	2010	170
2010	2009	170
2009	2008	170
2008	2007	160
2007	2006	160
2006	2005	160

Source: FOD Economy

However, if a natural person has invested such a high amount of money in a cooperative that the dividend paid is higher than the amount of the first installment of dividend that is exempted from taxes, or if he possesses shares of more than one cooperative and the accumulated dividend received is higher than the amount of the first instalment of dividend that is exempted from taxes, he has to declare the total sum of dividends received minus the amount of the first installment that is free of taxes. The dividends thus are taken into account for the calculation of the income taxes.

Moreover, interests on claims on accredited cooperatives are not qualified as dividend in the Code of Income Taxes (Art.18, 4°).

For all societies that have no more than a total taxable income of 322.500 Euro, a lowered tax rate is applicable. However, some societies are excluded from this lowered tax rate, namely: holdings, subsidiaries and societies that do not pay wages to one of their managers. Accredited cooperatives always enjoy a lowered tax rate, even if they have a taxable income above 322.500 Euro and even if they are holdings, subsidiaries or societies that do not pay wages to one of their managers (Art. 215, par.2., 1°, 2°, 4° of the Code on Income Taxes).

Moreover, accredited cooperatives are exempted from making a prospectus when publicly issuing shares, in case these shares are compulsory for making use of the services of the cooperative and in case the shares issued do not exceed the amount of 2.500.000 Euro. This in contrary to other societies who make an appeal publicly offered investments (Art. 17 and 18 of the law of June 16, 2006 on the public offer of shares and the permission to trade shares on a regulated market).

Competition law

Exemptions exist with regard to internal structure and organization (e.g. restrictions on the dealings of members with other parties and the exit from the organization), but with regard to the impact on the external market, general competition rules apply. Therefore, with regard to market involvement, cooperatives are treated on the same footing as other companies.

Up till now no cases are available of cooperatives/PO's that have a dominant market share which has legal relevance for the application of EU or national competition law.

7 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Belgium. In chapter 2 the basic statistics on agriculture and farmers' cooperatives were provided. In chapter 3 data on individual cooperatives were reported, especially concerning their internal governance, their position in the food chain and the institutional environment in which they operate.

This lead to some first impressions in section 3.5 on the performance of cooperatives in Belgium in relation to their internal governance, institutional environment and position in the food chain.

In chapter 4 the data gathering and analysis was broadened by looking at the differences between the sectors and the influence of sectoral issues on the performance of the cooperatives. Chapter 5 looked into much more detail on the how the regulatory framework influences the competitive position of the cooperatives in the food chain and vis-à-vis the investor-owned firms.

This final chapter assesses the (performance) developments of cooperatives and how they can be explained in terms of the building blocks (institutional environment, position in the food chain including sector specifics, and internal governance). Section 6.1 focusses on the explanation of the performance of cooperatives in terms of their internal governance, their position in the food chain (including sector specificities) and the institutional environment (including the regulatory framework). In section 6.2 an assessment is given on which policy measures in Belgium seem to benefit cooperatives and which ones have a constraining influence.

7.1 Explaining the performance of cooperatives

Cooperatives are important instruments for farmers to add value to their produce, give access to markets and market power, collectivize costs, and allow for big investments in technology and innovation, and to adjust demand and supply.

In Belgium cooperatives are especially vivid and performative in the dairy and fruit and vegetable sectors. Interviewees stated that in other sectors, the need for the establishment of cooperatives might not be felt as hard in other sectors, but cooperation in producer organisations is deemed useful for all sectors.

Mergers and amalgamations have taken place in the dairy sector. Further processing of primary goods in work companies is an important and ongoing trend. New cooperatives and producer organisations, also inter- and transnational ones, are recently being set up in the fruit and vegetables sector. At the same time small structures of cooperation (not necessarily incorporated) are developed in a trend of shortening chains and in market niches of high quality, specialized goods or bio-production. Cooperation in the sector of renewable energy with joint investments in for example bio-fuel, is also worthwhile mentioning.

7.2 Effects of policy measures on the competitive position of cooperatives

The laws on cooperative societies and economic interest groupings allow farmers to set up cooperatives in all phases of the food chain and to opt for more or less regulated forms. Cooperatives have a large freedom to formulate their internal rules. Only for accredited cooperatives the requirements with respect to their adherence to the cooperative principles of democratic and financial participation of members. With respect to competition, the same rules apply for cooperatives and for other companies with regard to their position in the external market. Exemptions are put in place with regard to their internal governance. Tax exemptions

for shareholders of accredited cooperatives receiving dividend on capital and for the accredited cooperatives paying dividend on capital are modest. Recent policy measures are meant to stimulate cooperation in agriculture, to built capacity and to innovate. Financial support to cooperatives is given through the measures of 'investment support for cooperation in agriculture' and "initial support for collaborative relations between farmers in matters of product sales". The CMO on Fruit & Vegetables has been a stimulus to create new producer organisations and to innovate existing cooperatives in this sector.

8 Future research

The present study gives only a partial view of the agricultural sector in Belgium. The present study also gives a partial view of the agricultural cooperative sector. It should be explored more in-depth what other cooperatives than the accredited cooperatives are to be recognized as cooperatives or producer organisations according to the definition used in this study and how and how much value they create. Producer organisations in practice come in different legal forms and sometimes also in unincorporated forms. This should be examined more in detail. It would be interesting to compare the results of cooperative societies and other forms of producer organizations with respect to position in the food chain and the benefits for the farmers involved.

It would also be interesting to study cooperative membership in detail: how many members do agricultural cooperatives and producer cooperatives have, how many of them are active? What is the membership rate of cooperatives and producer organisations of young farmers? What are the actual benefits for members? What does cooperative membership mean to members in terms of income, in terms of risk management, in terms of support and advise,...? What are the barriers and hindrances for (young) farmers to become a member? How are the horizon problem, the free riding problem and the portfolio problem solved?

Moreover, the data we had to rely upon with respect to the top cooperatives are partial. More time would be needed to complete these data.

Very interesting are the new inter- and transnational cooperatives in the fruit and vegetable sector, as well as the producer organisation of dairy farmers delivering to the Danone company.

Differences between inter- and transnational cooperatives with respect to internal governance and financial participation would be worthwhile examining more in-depth.

There is a growing interest in cooperative entrepreneurship in Belgium (in Flanders for sure) among societal actors as well as the government. It remains to be seen what the effect will be on the inclination of people (and organisations) to cooperate, the establishment and performance of cooperatives, the economic position of their members and the various types of value created (not only economic value), also in agriculture.

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Annex 1: Interviewees

We held face-to-face interviews and e-mailconversations with the following persons which we would like to thank very much for their cooperation:

- Mr. Matthieu Vanhove (president of the National Council for Cooperation and director of Cera)
- Mr. Fabrice Wiels (Nationale Raad voor de Coöperatie)
- Mr. Bert Woestenborghs (Centrum Agrarische Geschiedenis)
- Mr. Marc Rosiers (Boerenbond)
- Mr. Rudy Gotzen (Boerenbond)
- Mr. Guy Vandepoel (Boerenbond)
- Mr. François Huyghe (Boerenbond)
- Mr. Alain Masure (Fédération Wallonne de l'Agriculture)
- Mr. Eddy Leloup (Milcobel)
- Mr. Jan Coenegrachts (COVAVEE)
- Mr. Rudy Geerts (Dept. Agriculture and Fishery, Flemish government)
- Mr. Dirk Van Gijseghe (Dept. Agriculture and Fishery, Flemish government)
- Mr. Koen Karels (Strategic Advisory Council Agriculture and Fishery)
- Mr. Jean van Mellaert (National Bank of Belgium - Balanscentrale)
- Mrs. R. Demaré (REO Veiling (Roeselare, Belgium and Verbond van Belgische Tuinbouwcoöperaties (VBT))
- Mr. Philippe Appeltans, (Verbond van Belgische Tuinbouwcoöperaties (VBT))

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- COFERME (Compagnie Fermière de l'entre Sambre et Meuse)
- COMAV (Coöperatieve Maatschappij van Antwerpse Varkensfokkers)
- COVAVEE
- LDA (Laiterie des Ardennes)
- Mechelse Veilingen
- Milcobel
- New Cobelvian
- SCAR (Sociétés Coopératives Agricoles Réunies des régions Herbagères)
- Varkens KI Vlaanderen
- Veiling Borgloon
- Veiling Haspengouw
- Veiling Hoogstraten