
Support for Farmers' Cooperatives

Country Report Austria

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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 “Support for Farmers’ Cooperatives” project this country report on the evolution of agricultural cooperatives in Austria 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 Austria is one of the country reports that have been coordinated by Rainer Kühl, Justus Liebig Universität, Giessen. The following figure shows the five regional coordinators of the “Support for Farmers’ Cooperatives” project.

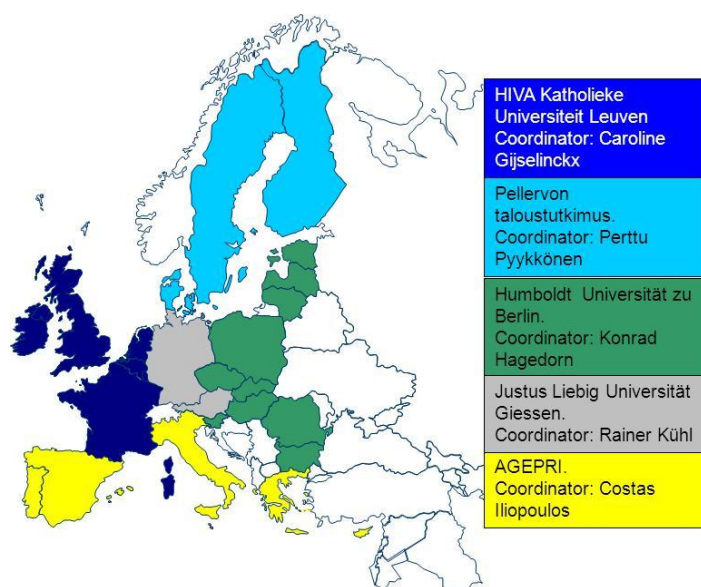


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1 Introduction

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 Austria.

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 Austria. 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 Austria.

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).

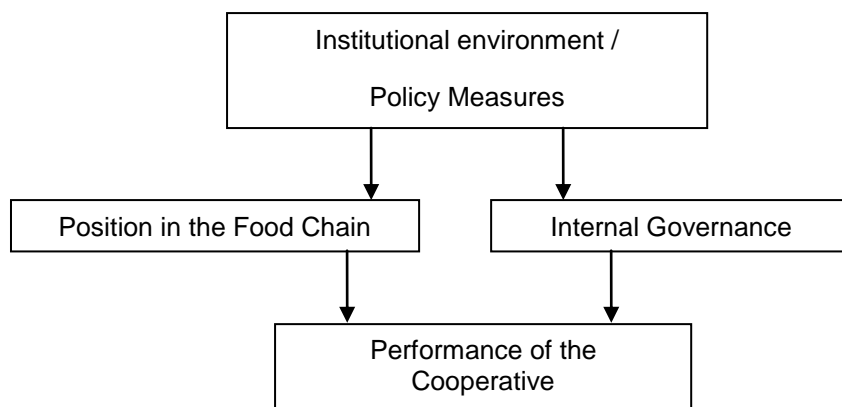


Figure 1. The core concepts of the study and their interrelatedness

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 annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives, 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 1.77% of GDP (Figure 2). In 1995 the agricultural economy was 2.63% of GDP. In general, since 1995 the share of agricultural in the economy shows a downward trend till 2005. From 2005 to 2007 the downward trend has been changed into an upward development. But, all in all, we could not expect an strong increase but only a tendency to a stabilized share on a low level.

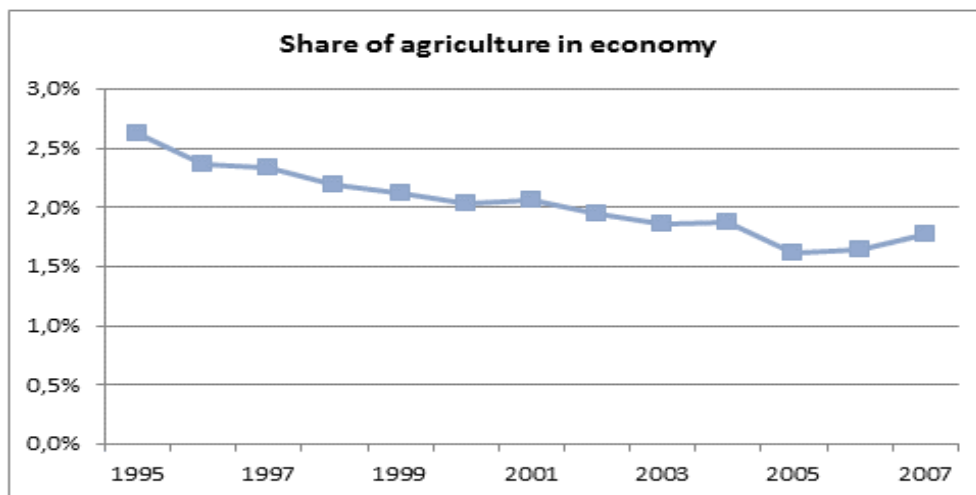


Figure 2 Share of agriculture in GDP. Source: Eurostat Nat. Accounts

2.2 Agricultural output per sector

Within agriculture several sectors exist. Figure 3 provides information on the main sectors in Austria. Figure 3 shows the value of production for the agricultural sector at producer prices in millions of Euro. Furthermore, it shows the output per sector. These sectors include: cereals, sugar, fruit and vegetables, wine, olive oil and table olives, dairy, pig meat, sheep meat and others. From 1990 to 1994 the output was nearly 6 billion euro. In the period from 1995 to 2006 the output decreased to a lower level of about 4.7 billions euro. Since 2007 the increase in farm prices led to an increase of the output level to nearly the former level of approx. 5.7 billions euro. It is also obvious that the price fluctuations on the international markets cause also more variations to the annual agriculture output. Sectors like olives, sheep meat and sugar are contributing to the total output only a minor percentage, while wine, pig meat, cereals and dairy are by far the most important agricultural sectors.

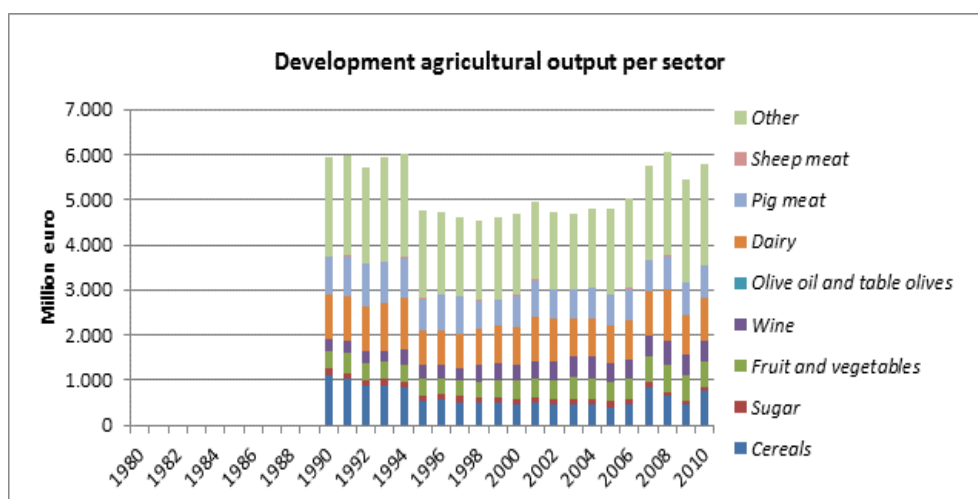


Figure 3 Development of the different sectors in agriculture, value of production at producer prices, in millions of Euro. Source: Agriculture Economic Accounts, Eurostat

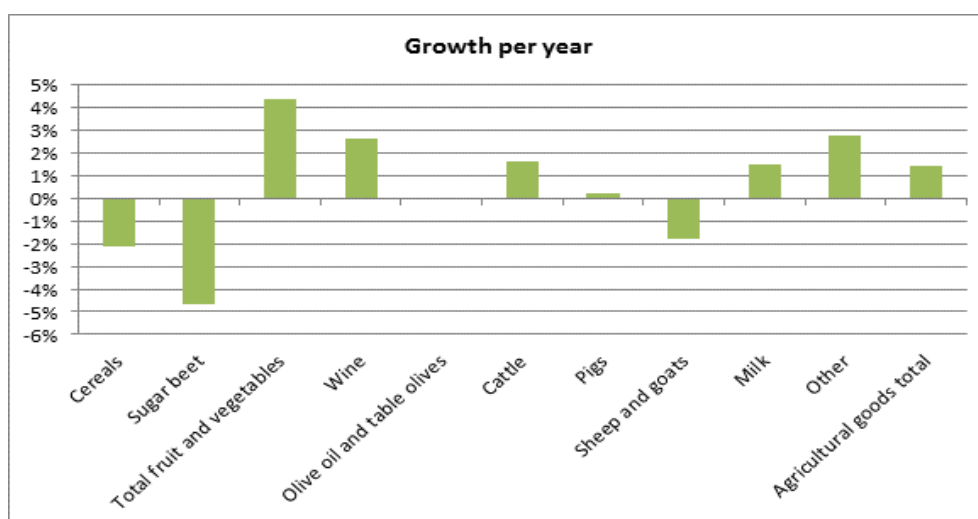


Figure 4 Trend in output per sector "2001" - "2009". Source: Economic Accounts of Agriculture, Eurostat.

Figure 4 demonstrates the development in output for the period 2001 - 2009, calculated on a 3 years-average of 2000 -2002 and 2008-2010. The by far most growing sectors are fruits and vegetables (4,4%), wine (2,6%) and others (2,7%). The sectors sugar beet and cereals experienced a negative growth with a decrease of about – 4.7% resp. 2%.

2.3 Development in the number of farms

The number of farms in Austria is given in Table 1 and Figure 5. From 2000 to 2007 the total number of farm decreased from 157,940 to 138,540. This is an annual average change -1.8%. Taken the numbers of farms, sheep meat and dairy are by far the most frequent type of farms (31,000 in sheep meat and dairy). We do not know how these farms are statistically counted, but measured by production volume sheep meat farms must be very small. The dairy and the fruits and vegetables sector have experienced structural changes in this period. Average decrease of farm numbers exceeds the 5%-level (-5.67% in dairy and 5.23% in fruits and vegetable). Nevertheless, counted by numbers dairy still is the predominant sector in Austrian agriculture. The cereal and beef sector contain nearly 20.000 fams for each sector. Beef and pig meat sectors are the farming sectors that experienced an increase in the number of farms in this period.

Table 1: Number of farms

	2000	2007	% change per year
Cereals	25.430	19.540	-3,69
Sugar	8.500	8.020	-0,83
Pig meat	6.950	7.340	0,78
Sheep meat	29.780	31.610	0,86
Total fruits and vegetables	5.710	3.920	-5,23
horticulture	1.550	1.200	
fruit and citrus fruit	4.160	2.720	
Olive oil and table olives	0	0	
Wine	14.830	12.600	-2,30
Dairy	47.750	31.730	-5,67
Beef	13.280	19.860	5,92

Source: Eurostat, Farm Structure Survey.

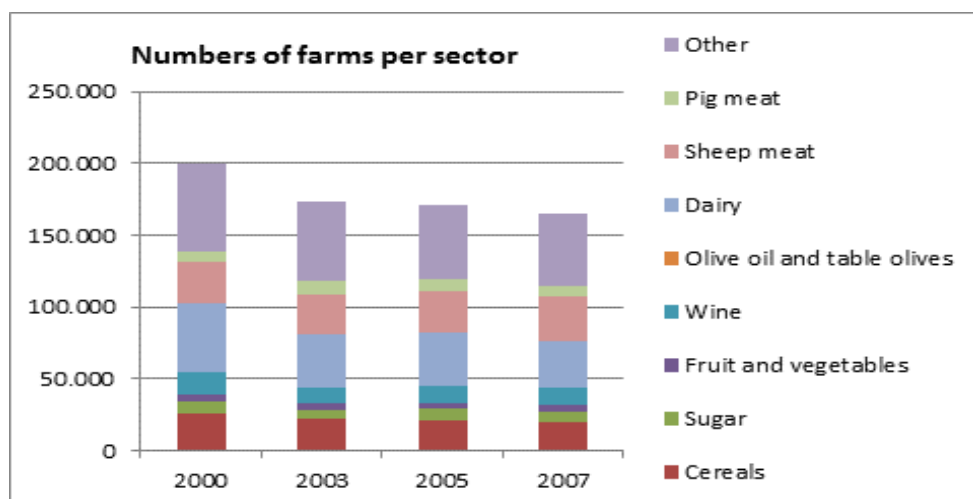


Figure 5 Number of farms 2000 - 2007 with data per specialist type of farming. Source: Eurostat, Farm Structure Survey.

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). Measured by these size classes in certain sectors Austrian agriculture is dominated by (very) small farms. The figures on the number of farms already indicated that in particular the meat sector (and with exception the pig meat sector) mostly consists of very small farms with only a minor impact on the processing industry. Nearly 67% of the farms in the sheep meat sector are in ESU size class one. As well 23 – 28 % of the farms in the sectors sugar and pig meat are smaller farms (ESU size class 16 – 40). With 23% and 43% in the sectors horticulture and fruit and milk are part of the upper size classes (ESU 16 – 40).

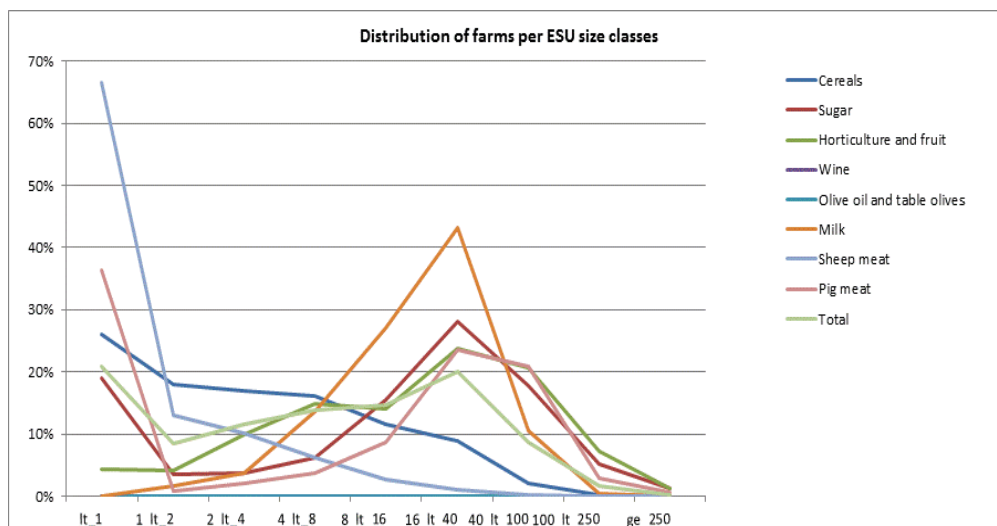


Figure 6 Number of farms per size class, measured in ESU, per specialist type of farming. Source: Eurostat, Farm Structure Survey.

2.5 Age of farmers: distribution of farms to age classes

The age of farmers differs. In average a large number of the Austrian farmers are young farmers. About 11 % of the farmers are younger than 35 years and 63% of the farmers are between 35 and 54 years. Compared to the average of the EU 27 countries there are nearly twice as many farmers between 35 and 54 years in Austria than in the EU. Nearly 10 % of the Austrian farmers are older than 64 years.

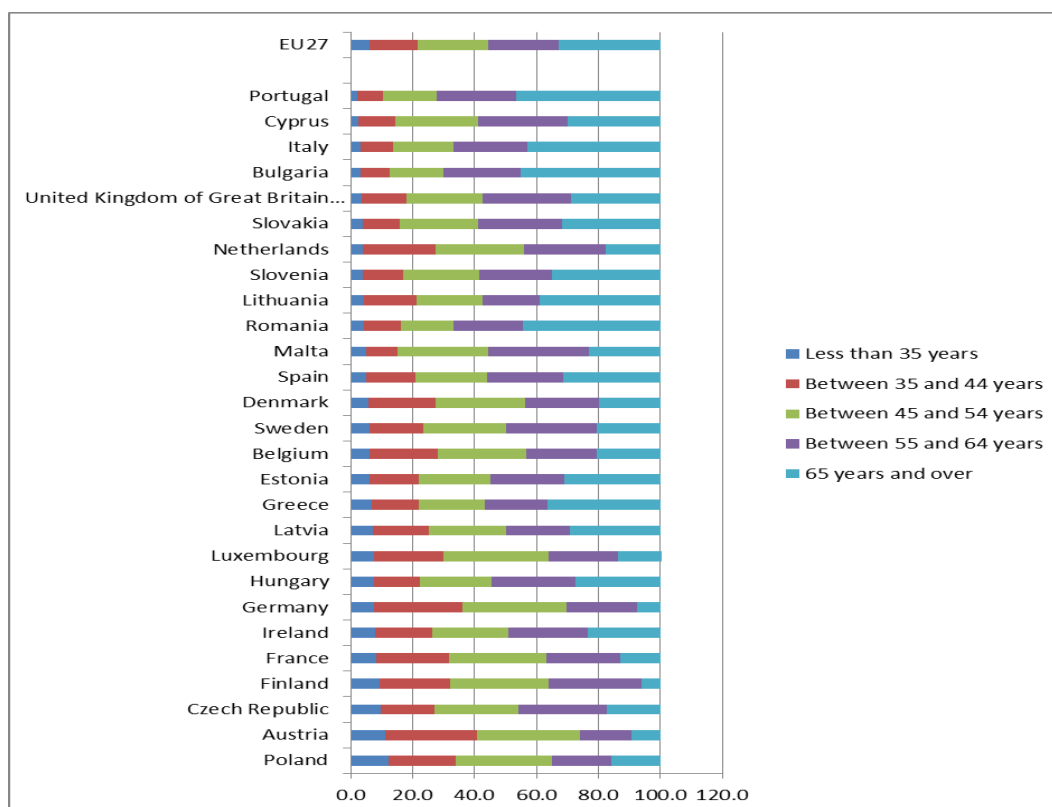


Figure 7 Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top). Source: Eurostat, Farm Structure Survey.

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. This is what Figure 8 (split in 8A for plant production and 8B for animal production) shows. The wine sector is the most specialized sector in Austrian agriculture. Nearly 90% of the farm production comes from specialised wine growers. There has been a strong trend towards specialisation since the year 2000 (68%). Sugar and cereal farms are more diversified. Their share of production was only up to 50% from specialised farming. In the sectors fruit and vegetables and cereals the specialised farms even have a relatively smaller share in the total production with 19% for fruit and vegetables and 28% for cereals. In the sectors dairy farms 81% of the production happens in specialised farms. Sheep farming with a share of 70% is a special case and not comparable with professional farming.

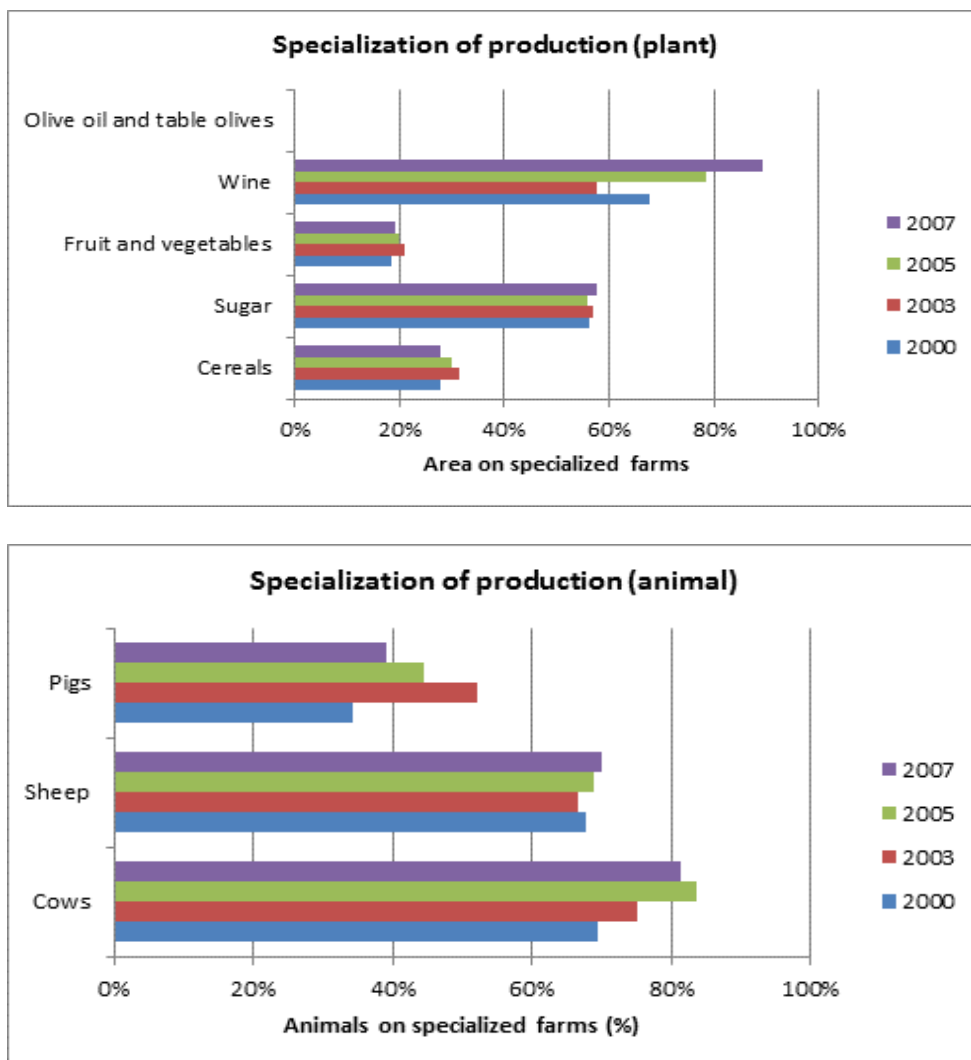


Figure 8 A & B: Heterogeneity in farm production: the share of specialist farm types in total production. Source: Economic Accounts of Agriculture, Eurostat.

2.7 Economic indicators of farms

The description of agriculture is concluded with some economic indicators (Table 2). These indicators 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. The farms in the sectors wine, olive oil and table olive and sugar have the biggest economic size with ESU 64 for olive oil and wine and ESU 44 for sugar. Including the sectors dairy, pig meat and sheep meat they are also the labor intensive sectors with AWU of 1, 37 – 1, 7 per farm. The sector cereals and sugar need the most utilised agricultural area with about 50 ha per farm. With a total output of 141,498 € per farm the sector pig meat has the biggest output. All other sectors show a spectrum of ca. 44,000 to 88,000 € output per farm. The biggest net value- added and farm income show the farms in the sugar sector with 58,589 € net value- added and 45,348 € income per farm. Pig meat farms have the largest total assets (532,126 € per farm) and also the largest net worth (461,162 € per farm). Followed by the dairy and sheep meat farms. The lowest total assets and net worth provide the farms of the fruit and vegetables sector. The farms in the sectors pig meat, dairy and sheep meat count for the largest gross investment and also net investments. Cereal farms are the only sector that is experiencing negative investments.

Table 2: Economic indicators for farms

Economic indicators average per farm (2006 - 2008)

	Cereals	Sugar	Fruit and vegetables	Olive oil and table olive	Dairy	Wine	Pig meat	Sheep meat
Economic size-ESU	20,77	44,57	26,60	64,33	26,00	64,33	44,67	17,70
Total labour input-AWU	0,92	1,37	1,20	1,69	1,70	1,69	1,59	1,56
Total Utilised Agricult. Area-ha	52,89	50,38	6,39	20,18	31,25	20,18	24,39	33,27
Total output €	54.229	88.843	44.875	65.756	64.804	65.756	141.498	49.997
Farm Net Value Added €	37.793	58.589	28.474	35.877	37.519	35.877	43.058	28.313
Family Farm Income €	28.982	45.346	19.591	27.335	32.739	27.335	35.457	22.799
Total assets €	314.920	391.418	167.968	314.006	437.305	314.006	532.126	426.393
Net worth €	285.563	352.262	151.229	274.196	395.806	274.196	461.162	386.538
Gross Investment €	13.053	16.671	10.931	16.257	22.630	16.257	27.943	24.831
Net Investment €	-261	1.250	3.260	3.611	7.225	3.611	6.839	9.827
Total subsidies-excl.investm. €	30.590	29.968	4.366	11.875	19.528	11.875	11.352	22.230
Farms represented	4.417	5.430	1.797	7.370	25.730	7.370	4.033	1.263

Source: DG Agri, FADN.

3 Evolution, position and performance of cooperatives

3.1 Types of cooperatives

The Austrian law concerning cooperatives, short GenG, was enacted in 1873. Several amendments have been made; recent ones are the *Genossenschaftsrechts-aenderungsgesetz* 2006 (law changing the law concerning cooperatives). In the year 1946 the Austrian Cooperative Union („Österreichische Genossenschaftsverband“) was founded. It was established as the main auditing organisation for the local (non-agricultural) commodity and service cooperatives. This Union also was responsible for the auditing service of the local cooperative banks. Structural differences and the diversity of industries prevent agricultural cooperatives from getting organized in one central Austrian Union.

The cooperative system in Austria has a long tradition and it plays an important role in the Austrian economy. The most important cooperatives are agricultural cooperatives, measured by numbers and contribution to the value added of the cooperative system. Currently, there exist four cooperative associations or confederations (Genossenschaftsverbände): Austrian Cooperative Confederation (Österreichischer Genossenschaftsverband; ÖGV), Austrian Raiffeisen Confederation (Österreichischer Raiffeisenverband, ÖRV), the Central Federation of Consumer Cooperatives (Konsumverband) and the national Association of Housing cooperatives (Verband gemeinnütziger Bauvereinigungen-Revisionsverband).

In Austria, there are approx. 551 cooperative banks, 99 Raiffeisen commodity, service and agricultural cooperatives, 118 dairy cooperatives and other milk collecting and processing cooperatives and about 830 cooperatives of other purposes. In total, cooperatives can count on 2.1 Millionen memberships. As important partners of agriculture, these enterprises are providing the farmers with production equipment and are buying their agricultural products, which will be then processed according to the demand on the food markets. For example, 95% of the milk produced by farmers is distributed to the dairy cooperatives. The market share of dairy cooperatives on the domestic consumer markets is very high: 96% in fresh milk, 95% in butter, 80% of the yoghurt market, and between 66 – 85% on the different cheese markets. Dairy cooperative can count 64,000 memberships. In 2008 99 Raiffeisen commodity and agricultural cooperatives realized a turnover of 4.035 billion € (2007: 3.785 billion €). Approx. 44 out of 99 Raiffeisen cooperatives are shareholders of the central Raiffeisen cooperative “Raiffeisen Ware Austria” and they realized a turnover of about 2,1296 billion € in 2008 and 1,999 billion € in 2010.

Table 3: Turnover of the Raiffeisen cooperatives independent of RWA (in million €)

Year	2000	2003	2005	2007	2009	2010
Turnover	2.09	2.2	2.42	2.7	2.74	3.00

Raiffeisen co-operatives are important for the area-wide supply of basic commodities. They deliver fuels from their own warehouses and approx. 850 service stations. They run approx. 676 building markets and specialized stores with a wide range of offer. The wholesale and retail trade with ecological building materials is becoming more and more significant. 1,600 Raiffeisen markets offer a wide, up-market product range for home and garden and also food for domestic animals to the consumers. The significance of self and co-determination and of individual initiative is constantly growing, while state welfare and heteronomy is diminishing. This trend is raising the level of interest in the founding of new cooperatives. In the six years, more than 150 new cooperatives in average have been founded every year. But, it is evident that the food and agricultural sector is not the target of these foundations. Main activities can be found in the health care, the (solar, bio-)energy sector and in IT-services.

The Raiffeisenbanks together with their regional banks and the Raiffeisen Centralbank (RZB) form a two-level system. The regional banks at the federal states level are partly banks and departments of the regional federation. Their capital is held by the local Raiffeisenbanks and other Raiffeisen cooperatives. Their task lies essentially in liquidity management for the Raiffeisenbanks and in providing credit for the rural merchandise cooperatives.

The past development of the „Raiffeisen Ware Austria“ (RWA) has had a number of interesting implications for the organisation of the agricultural cooperative sector in Austria. In 1993 the RWA Raiffeisen Ware Austria reg.Gen.m.b.H. (registered cooperative with limited liability) was founded, based on the agreement of three regional cooperative agricultural commodity cooperative unions (Niederösterreich, Oberösterreich and Steiermark) to join the former central cooperative Österreichische Waren-Zentrale (ÖRWZ). In 1998 the RWA transferred all their business activities to the newly founded RWA Raiffeisen Ware Austria AG (shareholder company). In the year 1999 the German based cooperative BAYWA entered the Austrian market and formed a strategic alliance with the RWA AG in Vienna. Five years later (2004) four formerly independent agricultural cooperatives from the federal state Burgenland joined the RWA as new members. Today, RWA has a total number of 44 local cooperatives distributed over Austria.

3.2 Market share of farmers' cooperatives in the food chain

Table 4: Market Share of Cooperatives

	“2000”		“2010”		Comments
Sector	Number of members	Market Share (%)	Number of members	Market Share (%)	
Cereals		50 in 1997	144,000	70	Raiffeisen Ware Austria AG and Raiffeisen-Lagerhouses
Pig meat	?	?	Approx. 90,000	?	Definitely no data available
Fruit and vegetables			Approx. 6,000	> 50	
Dairy	67,000	92	64,000	95	40% market share in milk collecting by the newly (2011) merged companies Berglandmilch and Tirol Milch
Wine		Approx. 20%	2,300	15%	Market share for first handling (collecting wine from farmers)
Sugar	Approx. more then 90% (see comments in section 5.3)				
Sheep meat	Not relevant for Austria				
Olive oil and table olives	Not relevant for Austria				

Sources: personal interviews, own calculations, Raiffeisenverband Österreich.

3.3 List of top 50 largest farmers' cooperatives

Table 5: The 50 largest farmers' cooperatives in the food chain of Austria

	Name of the Cooperative	Sector(s) involved in:
1	AGRANA Beteiligungs AG* Turnover (2010): 2,165,900,000 €	Sugar
2	Raiffeisen Ware Austria AG, RWA Turnover (2009): 827,995,000 €	Cereals
3	Berglandmilch e Gen Turnover (2010): 770,000,000 €	Dairy
4	NÖM AG Turnover (2009): 345,153,052 €	Dairy
5	Landgenossenschaft Ennstal e Gen Turnover (2010): 280,000,000 €	Dairy, cereals, other
6	Erzeugergemeinschaft Gut Streitdorf e Gen Turnover (2010): 191,000,000 € (estimated)	Pig meat, beef, sheep
7	Gmundner Molkerei reg Gen mbH Turnover (2010): 170,000,000 €	Dairy
8	Tirol Milch reg Gen mbH Turnover (2009): 136,200,000 €	Dairy
9	Raiffeisen Lagerhaus Zwettl reg Gen mbH Turnover (2010): 134,000,000 €	Cereals
10	Raiffeisen Lagerhaus Hollabrunn - Horn Turnover (2010): 125,100,000 €	Cereals
11	efko Frischfrucht und Delikatessen GmbH Turnover (2009): 120,000,000 €	Fruit and vegetables
12	Raiffeisen Lagerhaus GmbH Turnover (2010): 117,690,000 €	Cereals
13	Alpenmilch Salzburg Ges mbH Turnover (2009): 114,100,000 €	Dairy
14	Innviertler Lagerhausgenossenschaft eGen Turnover (2010): 107,000,000 €	Cereals
15	Milchgenossenschaft Niederösterreich Turnover (2009): 98,800,000 €	Dairy
16	Lagerhaus Oberösterreich Mitte Gen Turnover (2010): 94,650,000 € (estimated)	Cereals
17	Raiffeisen- Lagerhaus Amstetten reg Gen mbH Turnover (2010): 91,000,000 € (estimated)	Cereals
18	Raiffeisen Lagerhaus Weinviertel Mitte reg Gen mbH Turnover (2010): 88,000,000 € (estimated)	Cereals
19	Kärntner Milch reg Gen mbH Turnover (2010): 82,300,000 €	Dairy
20	LGV-Frischgemüse Wien reg Gen mbH Turnover (2010): 81,200,000 €	Fruit and vegetables
21	Obersteirische Molkerei e Gen Turnover (2010): 79,560,000 € (estimated)	Dairy
22	Lagerhaus Graz Land reg Gen mbH Turnover (2010): 78,000,000 €	Cereals
23	BÄKO Österreich e Gen Turnover (2010): 77,790,000 €	Cereals
24	Landring Weiz Lagerhausgenossenschaft & Co. KG Turnover (2010): 71,640,000 € (estimated)	Cereals
25	Pinzgau Milch Produktions Ges mbH Turnover (2010): 71,040,000 € (estimated)	Dairy
26	Raiffeisen Lagerhaus Wiener Becken reg Gen mbH Turnover (2010): 70,250,000 € (estimated)	Cereals
27	Raiffeisen Lagerhaus Gmünd-Vitis reg Gen mbH Turnover (2010): 59,790,000 € (estimated)	Cereals

28	Raiffeisen-Lagerhaus Absdorf-Ziersdorf reg Gen mbH Turnover (2010): 57,140,000 € (estimated)	Cereals
29	Raiffeisen Lagerhaus Süd- Burgenland reg Gen mbH Turnover (2010): 51,860,000 € (estimated)	Cereals
30	Raiffeisen Lagerhaus Lavanttal reg.Gen.m.b.H. Turnover (2010): 44,010,000 € (estimated)	Cereals
31	Vorarlberg Milch e Gen Turnover (2010): 40,000,000 €	Dairy
32	Raiffeisengenossenschaft Osttirol reg Gen mbH Turnover (2010): 30,660,000 € (estimated)	Cereals
33	Mühlviertler Milch Molkereigenossenschaft Freistadt Turnover (2010): 23,000,000 €	Dairy
34	Stainzer Milch, Steirische Molkerei e Gen Turnover (2009): 21,600,000 €	Dairy
35	Winzer Krems e Gen Turnover (2010): 18,070,000 € (estimated)	Wine
36	Vöcklakäserei reg Gen mbH Turnover (2010): 12,000,000 € (estimated)	Dairy
37	Domäne Wachau eGen mbH Turnover (2009): 11,000,000 €	Wine
38	Steirische Beerenobstgenossenschaft Turnover (2010): 5,000,000 € (estimated)	Fruit and vegetables
39	Winzerkeller Andau und Umgebung reg Gen mbH Turnover (2010): 5,000,000 €	Wine
40	Genossenschaftsweinkeller reg Gen mbH Turnover (2010): 2,500,000 €	Wine
41	Winzerkeller Neckenmarkt reg Gen mbH Turnover (2009): 2,100,000 €	Wine
42	Österreichische Bergkräutergenossenschaft Turnover (2010): 1,830,000 € (estimated)	Fruit and vegetables
43	Biokäserei Walchsee und Umgebung e Gen Turnover (2010): 1,300,000 € (estimated)	Dairy
44	Sennerei Lingenau reg Gen mbH Turnover (2010): 1,200,000 € (estimated)	Dairy
45	Sennerei Schnifis und Umgebung reg Gen mbH Turnover (2010): 985,000 € (estimated)	Dairy
46	Sennerei Huban reg Gen mbH Turnover (2010): 773,000 € (estimated)	Dairy
47	Salzburger Käsewelt reg Gen mbH Turnover (2010): 600,000 € (estimated)	Dairy
48	Raiffeisen Warenbetriebe Salzburg reg Gen mbH Turnover (2010): 400,000 €	Cereals
49	Sennerei Sibratsgfall reg Gen mbH Turnover (2010): 385,000 € (estimated)	Dairy
50	Sennerei Jungholz-Hinteregg reg Gen mbH Turnover (2010): 298,000 € (estimated)	Dairy

* see comments in section 5.3

3.4 List of top 5 largests farmers' cooperatives per sector

Table 6: Most important cooperatives in the sectors studied in this project

Sector		Name of Cooperative
Cereals	1	Raiffeisen Ware Austria AG
	2	Raiffeisen Lagerhaus Zwettl reg.Gen.m.b.H.
	3	Raiffeisen Lagerhaus Hollabrunn - Horn reg.Gen.m.b.H.
	4	Raiffeisen Lagerhaus GmbH
	5	Innviertler Lagerhausgenossenschaft eGen
Fruit and vegetables	1	Efko Frischfrucht und Delikatessen GmbH
	2	LGV-Frischgemüse Wien reg. Gen.m.b.H.
	3	Gemüseerzeugerorganisation Ostösterreich reg.Gen.m.b.H
	4	Steirische Beerenobstgenossenschaft
	5	Österreichische Bergkräutergenossenschaft
Wine	1	Winzer Krems eG
	2	Domäne Wachau eGen(mbH)
	3	Winzerkeller Andau und Umgebung reg.Gen.m.b.H.
	4	Vereinte Winzer Blaufränkischland reg Gen mbH
	5	Genossenschaftsweinkeller reg Gen mbH
Dairy	1	Berglandmilch eGen
	2	NÖM AG
	3	Gmundner Molkerei reg.Gen.m.b.H.
	4	Tirol Milch reg.Gen.m.b.H.
	5	Alpenmilch Salzburg Ges.m.b.H.
Pig meat	1	Erzeugergemeinschaft Gut Streitdorf e Gen
	2	Wirtschaftsgenossenschaft der Fleischer Oberösterreichs reg Gen mbH
	3	Bäuerliche Vermarktung Kärntnerfleisch Gen mbH
	4	-
Sugar	1	Not relevant for Austria
Olive oil and table olives	1	Not relevant for Austria
Sheep meat	1	Not relevant for Austria

3.5 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 group 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 7 below presents the foreign transnational cooperatives and the international cooperatives active in Austria. These are cooperatives from other EU Member States that have come to Austria to directly trade with farmers, either as members or as contractual customers.

Table 7: The foreign transnational cooperatives and international cooperatives that are trading with farmers in Austria

Name of the Cooperative	Mother country	Sector(s) involved in:
Transnationals		
BayWA Raiffeisen-Warenzentrale	D	Cereals, Fruit and vegetables
Internationals		
Bäko Marken und Service eG http://www.baekosued.de/ueber-uns.html	Germany	Trade

Table 8: The transnational cooperatives and international cooperatives from Austria that are trading with farmers in other countries

Name of the Cooperative	Host countries	Sector(s) involved in:
Transnationals		
Raiffeisen Warenzentrale		Cereals
RWA Raiffeisen Ware Austria	Slovenia, Czech Republic, Hungary, Croatia, Slovakia, Romania, Poland, Serbia http://www.rwa.at/?id=2500%2C%2C4003791%2C	Cereals
NÖM AG	Great Briain, Ukraine, Hungary, Italy http://www.noem.at/index.php?id=13350635&txmn=517547	dairy
Berglandmilch e Gen	Slovenia, Czech Republic, Hungary, Italy, Estonia, http://www.berglandmilch.at/images_portal/Berglandmilch_Organigramm_Konzernstruktur.pdf	dairy
efko Frischfrucht und Delikatessen GmbH	Germany, Czech Republic, Poland http://at.efko.cc/unternehmen/niederlassungen/tschechien/	Fruit and vegetables
Internationals		

Table 8 above presents the transnational and international cooperatives that have their seat in Austria. They have gone international by taking up members in other countries and/or doing business with non-member farmers in other countries

4 Description of the evolution and position of individual cooperatives

4.1 Data gathering per cooperative

Data were gathered by various ways. The screening of the past and the current literature on producer cooperatives in the food complex was very disappointing. There is not much literature (studies, journal publications, working papers) to be found. Most of these publications are solely descriptive in that sense that the institutional and organizational structure of the agricultural cooperatives is explained. It was surprising for the expert that both existing cooperative institutes in Austria were not aware of recent studies on agribusiness cooperatives. Additional to these findings we screened websites of the cooperatives identified and also took a look at the library of our own Institut of Cooperatives and those in Austria. Annual reports were collected and analysed. In case of missing data we contacted the cooperatives personally by eMail or telephone interviews. In most cases we were not very successful. There was no great enthusiasm to support the research project with the required data. We also sent out two interviewers to directly make interviews with the cooperatives. But, even these activities provide us only with minor additional information and data. The same kind of “resistance” to provide more transparency happened with our telephone and personal interviews with the representatives of the national associations. So, we only got at this point of time a limited but, as we hope a sufficient insight into the cooperative sector in Austria.

4.2 Position in the food chain

The producer organisations’ position in the food chain in Austria was analysed for five out of eight sectors. In the sheep meat, and the olive sector producer organisations have only minor economic relevance or, these sectors do not exist in Austria. For the sugar sector see section 4.3. For the remaining sectors, producer organisations are a relevant factor in the food chain. Producer organisations we looked at are exposed to at least three dimensions: the vertical dimension (e.g., dairy complex), where the chain runs from suppliers of farm inputs through to the end consumer; the horizontal dimension of different food products for traders and processors (cereals, fruit and vegetables, pig meat), and the international dimension with its foreign competitors. The position of producer organisations in the food chain in Austria is characterized by the interaction between these dimensions. The saturation of the quantity of foodstuffs in the market appears to have resulted in a more or less constant value for the primary sector, despite rising consumer expenditure.

As in other countries in Austria the relationship with retail chains is just as well considered one of the major issues the producer cooperatives are facing since a long time. The spread of various types of retail outlets has involved Austria more or less in the last few years, but as in most other countries the role of each type is changing rapidly. For Austria we can say that a precise type of distribution prevails and that is the discount store. Over the last years the spread of the supermarkets has reached its full potential. Further growth possibilities of different distribution formulas can be found only in the expansion of services associated with the enhancement of product qualities. In Austria, the spread of hyper-markets has stalled because of the enormous spread of hard and soft discount formulas, which have won an ample share of the market. The supermarket concept has taken the lead in the food-distribution system in Austria. As regards the degree of concentration in food retailing the three largest chains account for 66%. One of the leading chains is the German based discounter ALDI/Hofer Group. They have the same strategies as all over Europe: high level of standardization and great scale economies were made possible by the large volumes dealt with. As a result of the changes in the competition scenario (both among similar forms of retail food distribution, and formulas based on different operating and trade criteria), the cost-reduction strategies have been the first to be brought into use. In

particular, the price factor has been the main element in the competition among distribution formulas based on differing commercial concepts.

The attempt to increase bargaining power versus the concentration in the retail sector was the main impetus behind the structural changes in the agribusiness sector in Austria. The economic structure under which such cooperatives operate their business are heterogeneous. In certain sectors a strong reduction in the numbers of cooperatives (dairy, wine, pig meat) can be observed which results in a very intensive concentration and growth process. As a result we find very large cooperatives (measured in number of members and turnover) with high market shares and also very small local market segments serving cooperatives (fruit and vegetables, cereals). We experience an enlargement of firm sizes in three different directions: vertical boundaries will be enlarged (degree of vertical integration), the horizontal boundaries (economies of size and scope) and also changes in the the regional boundaries (i.e. changes of the cooperative's location of its various businesses and/or stages of the value chain). In some cases we can observe these strategic reorganisations within one single cooperative. Typical examples for these phenomena are cooperatives in the dairy sector and the supply/marketing cooperatives. As a consequence, in the dairy sector recently two large dairy cooperatives Berglandmilch and Tirol Milch announced their merger.

4.3 Institutional environment

Austria's cooperative system has a long tradition and it is dated back to the year 1873. The law applies to associations with legal personality and an indeterminate number of members with the principal object to promote their members' business and personal economic activities such as credit-, purchasing-, retail-, consumer-, collecting-, utilisation-, housing- and housing estate cooperatives. Business and economic cooperatives can either be established with unlimited or with limited liability of their members. In the former case every cooperative member is jointly and severally liable for liabilities of the cooperative with all of its private assets; in the second case its liability is limited to a certain pre-fixed sum. As in other European countries the cooperative system is organized into central institutions, like the cooperative unions (Austrian Cooperative Union [Österreichischer Genossenschaftsverband, ÖGV] and Austrian Raiffeisenverband [Österreichischer Raiffeisenverband, ÖRV]). The cooperative organisation is not structured like a centralized group but rather from the bottom upwards. Work is divided according to the subsidiarity principle. The superordinate central cooperatives are only engaged when it doesn't seem possible or sensible to act at local level.

The Raiffeisen organization has its traditional roots in the rural area in Austria. For these regions the Raiffeisen Union (ÖRV) focuses on three main functions:

- Raiffeisen banks are providing the local business and the people with credit and other financial services.
- There is a nearly even distribution and close net of rural Raiffeisen supply, farm machinery service, and marketing cooperatives, providing farm inputs, energy, and house building material to the rural population.
- The dairy industry in Austria is nearly completely organized in Raiffeisen cooperatives. More than 95% of the delivered milk is processed by cooperatives.

The cooperative system is organized as a two level system, with locally operating cooperatives and one central (national operating) institution. This system is well established in the finance sector. With the beginning of the 90's the Raiffeisen central bank "Raiffeisen Zentralbank Österreich AG" could be established successfully. In the milk and the agricultural commodity sector the establishment of a central institution has not been that promising. The Raiffeisen

organization has made several attempts in the formation of central cooperative, but the competition between the regional cooperatives and between the federal states made it even more complicated to establish a central institution (see section 2.2.1 for further explanations).

The Austrian cooperative organization is characterized by the fact that the competitiveness of the locally active primary cooperatives is enhanced by central business organizations. The cooperative structure is built from the bottom up, and democratic control, as in the political sphere, is exercised in indirect form.

Soon after their creation the associations established one more function which became ever more important in building up the cooperative organization in Austria: the training function. The cooperative educational and training system had originally a broad orientation and, following the early cooperative philosophy, tried to reach not only the employees of the cooperatives but through them also the members. Later on, however, the target group of the cooperative training efforts was limited again to the employees of the cooperatives, the members of their boards and the employees of the associations, especially to the auditors.

Every cooperative must be member of an auditing association in Austria. The auditing association is also involved in the formation of a cooperative by preparing an expert opinion. Both these legal provisions assure an efficient auditing system which is in the interest of the cooperative enterprises, the members and creditors of the cooperative. The right of auditing is granted to the association by state authorities, usually the Ministry of Economic Affairs.

The compulsory audit of cooperatives is made with the purpose of determining the economic conditions of the cooperative and verifying that its business is properly conducted. Therefore, its facilities, assets and business management have to be examined at regular intervals. The compulsory audit of cooperatives goes beyond the framework of a formal audit of annual accounts with regard to its purpose and extent. The association has to prepare a written report on the result of the audit. The report contains comments on the financial situation and perspective of the cooperative. It also illustrates the existing and planned supply of capital, the liquidity position the planned extent of the business, the earning power, and the structure and expected development of business risk. With a report cooperatives receive also information on their relative position compared to other cooperatives and they will find an evaluation of organizational structure, the corporate strategic perspectives and financial planning. There are no obligations going with the report, but pronounced recommendations are given.

The law on competition applicable to cooperative societies is not part of the Act on Cooperatives, because that Act is a law relating to organizations and not to competitive relations. As independent enterprises competing on the market, cooperatives rather are subject to the general legal standards which apply to competition, especially to the law against restraints on competition.

4.4 Internal Governance

To this subject the literature is very rare. We could not get any written contribution with relation to the prevailing governance structures in Austrian cooperatives. From secondary studies and other (informal) sources we can conclude that the so-called traditional model of a cooperative still prevails. It seems that the legal and traditional organizational form is still a suitable model for all sectors and specific market positions of cooperatives.

In the sectors we analysed all types of corporate governance models found, with the traditional model dominating. No one single model prevails in a sector or between groups of cooperatives. In the cereal sector the majority of the cooperatives have still established the traditional cooperative model (registered cooperative "e.G."), with an advisory board, board of directors,

and a general assembly. Only, the central organization (Raiffeisen Ware AG) has been transferred into a public shareholder company.

Management in almost all cooperatives consists of professional managers, some of them are members of the cooperative, others are not. There are no quantitative data available to answer the question on how many of these managers are members of the Board of Directors or form a separate management board.

4.5 Performance of the cooperatives

Except for the cereals or farm input sector foreign multinational cooperatives play no significant role in the sectors studied in Austria. In the dairy and the cereal sector cooperatives' position is strong in every region in Austria. There are no real IOF competitors with significant portion of the market. The dairy cooperatives have made several attempts to merge but this has happened to be not very successful with some exceptions. There is a relatively low readiness between cooperatives to cooperate and to realize economies of scale. One reason seems to be that numerous cooperatives have focused their strategy to serve smaller market segments. They enjoy market leadership in a small selected regional or product markets. This is accomplished by including only a few products in the product portfolio or by focusing on niche markets. Specialized and local expertise in the market segments is the decisive competitive factor. The pig meat, fruit and vegetable, and the wine sector are other examples of the same performance of the cooperatives. They all are characterized by a highly diversified structure. The cooperatives here are serving small markets with locally adapted products or some specialized product differentiations. This option is popular for Austria and it is used particularly by smaller cooperatives, which are unable to operate on a large-scale.

As a small country, measured by inhabitants, Austria is not that exposed to the rapidly growing and internationalizing of the agribusiness. Many farmers strongly prefer more the local or regional marketing activities of their organisations. And, there are no indications in the literature or in the interviews made that there will a change coming up in the near future. Except for the cooperative dairy industry – the recent merger between the two large dairy cooperatives – it seems that there will be no structural reorganization. The observations also show that in these sectors horizontal cooperations between cooperatives are not seen as a way to improve the competitive position of them.

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.

5.2 Cereals

Nearly 60% of the agricultural used area is used as arable land. This figure has been nearly stable over the last 10 years. It sums up to a total of about 1,364 million ha. Cereals production has the largest share of the acreage, but it has slightly decreased in the period from 2000 to 2010 from about 59.3% to 58.8% or from 828,000 to 802,000 ha. The cereal production is the third most important sector in agriculture. It provides in terms of value in average between 405 and 864 million € a proportion of 8.2% to 14.8% of the total economic output of Austrian farms. Despite of all discussions of food or non-food consumption over the last ten years grain usage changed only to some extent: proportion of the food industry is nearly stable (24% of cereals were used by the food industry in 2001; in 2009 it dropped slightly to 23%), while the technical and energy industry raised its share from 9% (2001) up to 13% (2009); the foodstuff industry takes the largest proportion with 66% in 2001 and 63% in 2009. Cereals production is nearly evenly distributed across Austria.

The emphasis in Austrian plant production is on the cultivation of cereals. The area used for cereal cultivation comprised some 591,615 hectares in year 2010, thereof 13 % was organic production. All together the harvest was about 2.8 million tonnes cereal in year 2010. Nearly 75% of the acreage is cultivated with soft wheat and barley, whereat soft wheat has the biggest part. The centre of high-quality cereal production is the Marchfeld region, the granary of Austria located in the east of the country. The lion's share of the acreage, which is cultivated with cereals, is in the federal states Niederösterreich (348,217 hectares) and in Oberösterreich (123,629 hectares). Austria exports almost as much cereals (1,105,642 t) as it imports (1.215.804 t). Nearly the most of trade is with other European countries. In comparison with the year 2001 the acreage has reduced from 608,464 hectares to 591,615 hectares in 2010. This is a reduction of ca. 2.8 %.

Table 9: Production and acreage of grain in Austria

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production of total grain (in 1,000 mt), from 2000 - 2010										
4.490	4.827	4.745	4.246	5.295	4.880	4.440	4.732	5.714	5.105	4.776
Average yields of total grain (in dt/ha)										
54.2	58.7	58.5	52.7	65.3	61.7	57.5	58.8	68.6	61.9	59.5

The relationships in the cereals food chain are characterized by strong price competition amongst the participants which tends to result in high pressure on prices and margins for both cereals handling firms and cereals processing unities (e.g. mills). Grain products traded are seen as commodities for the sector, without clear distinction and added value. Market shares for first handling of cereals are estimated as follows: approx. 70% of the marketed cereals is traded by cooperatives, the remaining quantities are traded by private dealers or are delivered directly to the grain mills. On a local level farmers have – in some regions – limited opportunities to sell their cereals to different dealers. For the performance of the cooperatives a decisive factor for being relatively more competitive is the service quality during the grain harvest. The provision

of storage capacities is one of the most common, but nevertheless important service provided to farmers. Storage capacities can be to a certain extent substituted by providing logistic capacities.

5.3 Sugar

AGRANA is the main sugar processor in Austria. The legal structure of the company is that of a shareholder company with a relatively simple shareholder structure: 75.5% of the shares of AGRANA Beteiligungs_AG are held by Z&S Zucker- und Stärke HoldingAG, Vienna. Z&S is a wholly owned subsidiary of AGRANA Zucker, Stärke und Frucht Holding AG (Vienna), which, in turn is 50% owned by Südzucker AG (Mannheim/Germany). 24. 5% of the shares are free float, with single sugar farmers as shareholders.

To the understanding of the author this is not a producer organisation which is in the scope of this research project. With AGRANA's relations to the Südzucker AG it could be to some small extent a producer organisation. But, this is something to argue about in the process of the project. That is why the company still remains in the list in section 2.2.3.

5.4 Fruit and vegetables

The main region (measured in acreage and production) for vegetable production is by far the federal state Niederösterreich (8,285 hectares and 307,741 tonnes) followed by Steiermark (1,883 hectares and 45,343 tonnes) and by Oberösterreich (1,663 hectares and 76,373 tonnes). These three states are as well the main fruit producing regions (Steiermark 186,499 tonnes, Niederösterreich 22,559 tonnes, Oberösterreich 12,947 tonnes).

Production volume of vegetable crops has been increased since the beginning of 2000. For 2010, preliminary data show outdoor acreage with 15,000 ha remains nearly the same size compared to the period in the middle of the decade. Compared to the year 2000 there has been an increase of about 2,000 ha. Austrian fruit production is characterized by annual fluctuations.

Tabel 10: Selected data of the fruit and vegetables markets in Austria

	2000	2006	2007	2008	2009	2010
Acreage and production of vegetables						
Total acreage (ha)	13,111	13,797	15,097	15,906	15,335	15,113
Outdoor-acreage (ha)						
Greenhouse-acreage (ha)						
Total production (1,000 t)			548.552	574.269	594.639	589.575
- outdoor vegetables						
- greenhouse vegetables						
Imports (1,000 t) of vegetables						
Fresh vegetables (total)						
Production of fruits (1,000 t)						
Total fruits			258.741	239.519	284.183	237.732
- thereof apples	195.948	184.667	221.458	197.960	223.948	197.413
- thereof apricots	3.060	5.539	2.443	4.516	5.965	3.437

Source: Statistik Austria 2010

The overall vegetable production volume increased slightly up to 589,600 tonnes in 2010. Compared with five-year average that is an increase of 7%, but compared with the previous year it is a reduction of 1%. The fruit production was about 237,700 tonnes in Austria in year 2010. Even though that is a reduction of 10% compared to the previous year, it could be called an average yield in comparison with the long-time average. The main part of fruit harvest is dispensed with pomaceous fruits (205,600 tons = 88%) whereof the lion's share is contributed by apples (197,400 tons = 96%). The primary cultivated fruit in Austria is the winter apple, so they are 80% of the entire fruit production. Further 9% of the fruit harvest is allotted to soft fruits and 5% is allotted to stone fruits.

Fruit and vegetable growers located in the vicinity of the large consumer regions in Austria (Vienna, Klagenfurt, Linz) organize the supply in a direct way on weekly markets, specialty shops, home delivery, restaurants or canteens. Fruit and vegetables distributed by retail chains is supplied through cooperatives. The largest companies (in terms of total annual sales) are based in the production regions. They organize food marketing for the producers and they provide services to them as well. Most fruits and vegetable growing operations are family-owned businesses, requiring allround skills from the owner-entrepreneur. Growers need to continue to find ways to optimise their production process by means of improved inputs and advanced cultivation methods. The fragmentation of the industry and the small size of most individual growers does not give them a strong position vis-à-vis their larger buyers, especially as retail chains require large, uniform volumes preferably all year-round. Cooperatives, joint ventures, grower groups and other forms of cooperation are possible solutions in meeting these increasingly tighter customer requirements and give a better position in being in direct contacts with retailers or foodservice companies.

The EU-regime for the fruit and vegetable market is in place in Austria as well as in other European countries. Its aim is to support fruit and vegetable growers facing changing market conditions. The rules of the new regime are to offer a support of about 50 % of the investment costs. Producer organisations can participate if they rely on certain conditions and if they stick to so-called 'operational programmes'. These programmes have the objectives to improve product quality, reduce production costs and improve environmental practices. The aid is only available to groups of growers that collectively market their produce in 'producer organisations'.

New rules have been in place for fruit and vegetables since 1 January 2008 (see Council regulation (EC) No 1234/2007 and (EC) No 1182/2007). They are designed to make the sector more competitive and market-oriented, reduce income fluctuations from crises, promote consumption (better public health) and enhance environmental safeguards. Measured by European standards the vegetable production in Austria is a small scale business. Given the current farm structure the programme could be an helpful instrument to improve the market conditions. Some producer groups have been successful in the past to create a producer organisation „Steirisches Gemüse“ (Styrian vegetables). Collective action and bargaining have helped to gain more integration and to be accepted as a reliable supplier for Austrian retailers.

5.5 Olive oil and table olives

Producer organisations do not have any relevance in this sector in Austria.

5.6 Wine

Austria is also a wine producing country with a long tradition of wine consumption and export activities into the European markets. Otherwise, Austrian wines are since a couple of years threatened by the improving performance of the new wine world producers which are competing with Austrian wines on its domestic market.

Due to the wet and cold climate and a lot of fungal infections the Austrian wine production amounts to about 1.7 million hectolitres in year 2010. That is a decrease of 26 % with year 2009 and even 30% less than a five-year-average. Therefore the average yields of wine has reduced from 52.1 hl/ ha in 2009 (55.6 hl/ ha five-year-average) to 39.8 hl/ha in 2010.

In 2009 a number of 20,181 farms have grown wine. The overall cultivated acreage has not changed much in comparison with year 1999 but the number of farms has reduced from 32,044. That is a reduction of 37% within ten years. While there still is nearly twice the number of white wine than red wine, within the last decade acreage of white wine has decreased by 18% and acreage of red wine has increased by 30 %. The Austrian wine scandal in the 1985 hit the wine export of Austria very heavily. It took nearly 15 years to regain international confidence into the Austrian wine quality. The positive effect of the scandal was that wine producers realized that they have to work on securing wine quality. The consequence was a successful recovery of the Austria wine image and export numbers were increasing. All our information and personal interviews do not give any idea to what extend cooperatives are contributing to or benefitting by this improvement.

Most of wines are cultivated in the East of Austria at the border to Czech Republic, Slovakia and Hungary. Almost 60% of Austrian vineyards are located in the federal state Niederösterreich, another 30% are located in Burgenland.

The role of cooperatives is not very significant throughout Austria. Wine growing farmers do not have great attitudes to become members of cooperatives or to sell their wines to them. The low attractiveness goes back to historical reasons described below. Cooperatives did not succeed in increasing its market share and in improving their relationships to the wine growers. One of the reasons might be that the wine growing regions are located very close to the consumption centers and that there is direct marketing to the consumers by growers. Only two to three cooperatives can be seen as major players in the market.

5.7 Dairy

The dairy sector contributes 15.1% to the agricultural production value in Austria. Therefore milk is the most important sector in Austria followed by beef and cereal production. 40,000 farmers live on milk production. In Austria, as in other European countries as well we find the same discussion of agricultural dairy policy. The dairy industry and the farming sector have taken precautions to find the appropriate answers to the challenges of the market developments for the time the quota system will disappear.

In the year 2009 there were 29 dairy and 48 cheese producing companies registered. They processed a turnover of about 1.98 Billion €. These companies are running 97 processing plants and 15 milk collecting sites. One recent result of this discussion is another step in the structural consolidation of the dairy industry, which can be seen in the merger between the largest and fourth largest Austrian dairy cooperatives Tirol Milch and Berglandmilch at the beginning of 2010. Therefore the accruing dairy treats 40 % of Austrian milk.

Structural changes in the dairy farming sector are also prevailing. The following table gives an idea of the changes that had happened between the years 2000 and 2010.

Table 11: Structural changes of dairy Farming in Austria (2000 – 2010)

	Total number of dairy cows	Total number of dairy farms	Cows per farm	Delivery of milk (in tonnes)
2000	620,580	67,057	9	2,660,828
2005	538,431	51,431	10	2,621,064
2009	532,295	42,079	13	2,708,839
2010	534,059	40,356	13	2,780,071

Source: Statistik Austria, AMA, 2011

Besides the developments on the farming side, the ongoing concentration process in the dairy sector will have consequences to the marketing options of the dairy farmers. Taken the recent merger of the two big dairy cooperatives will limit the market options for dairy farmers. In most of the milk producing regions of these companies the share of the new cooperative in procurement is nearly 100%. This leaves still only minor options for the farmers to negotiate with alternative dairy companies.

Since a couple of years farm gate milk prices are subject of intensive discussions between farmers and dairies. Main argument for low price levels is the strong competition between dairy companies and the structure of the food retail sector. Compared to international standards the concentration of the Austrian retail sector is relatively high. Of about 75% of the turnover is generated by the largest three companies which are the cooperative REWE followed by SPAR and HOFER-ALDI. These big three are dominating the retail subsector. Because of a relatively stable consumption of dairy products competition is very strong.

Table 12: Production of Milk Products (2001 – 2009)

	2001	2006	2007	2008	2009
Fresh milk (1000 t)	693.5	909.6	971.0	1,018.6	1,021.2
Butter (100 t)	35.9	32.4	34.0	32.9	32.3
Cheese	105.9	120.5	119.0	117.1	116.5

Source: AMA (2010)

Important innovations of the near past are the introduction of the so-called “Fairness Milk“, „GMO-free Milk“. The “Fairness“-concept implies a negotiated price premium between farmers’ dairy companies and retailers that are procuring their dairy products from within regional vicinity. The idea is to offer regional milk products and to convince consumers to pay a price premium. The concepts have been introduced in nearly all retail chains throughout Austria.

5.8 Sheep meat

Producer organisations do not have any relevance in this sector in Austria.

5.9 Pig meat

Pork and beef are the favoured product groups of meat consumption in Austria. Per capita meat consumption has been stable within the period from 2004 to 2009 at a level of about 100 kg per year. 55-60% of this consumption is pork consumption that has been stable over this period (56-58 kg per capita). In comparison to the average consumption per capita in the EU-27 (44 kg per capita) the pork consumption is very high in Austria. It is followed by beef consumption with 18 kg.

Meat consumption in general is affected by several trends like health consciousness, wellness concepts, fair-trade debates, and animal health discussions. But, for the last 5 years, this discussion did not lead to a pronounced change in consumption habits or of the consumption

amount. The meat and the pig meat sector constitute one of the largest sectors within the Austrian food industry. In contrast to many vegetable products, meat must be processed by the industry to make it suitable for human consumption.

Comparing with other countries of the world or the EU Austria is one of the smaller livestock producers. In 2010 there were 127,700 livestock farms (pig, cattle, sheep, goats) in Austria, including 71,563 cattle farmers and 30,805 pig farmers. The number of cattle decreased slightly from 2.15 million animals in 1999 to 2.01 million in 2010 due to the existence of milk quota in the EU that limit production and ongoing changes in EU Common Agricultural Policy. Austria produces just 2.6% of the overall pig meat which is produced in EU 27.

Austria produces 533,000 tonnes pork in 2009. The major pig producing area is located in North-Western Austria in the federal states Ober- and Niederösterreich and in South-Western in the states Steiermark and western parts of Kärnten. In these four States are nearly 97% of the Austria pigs produced. The farm size is much larger there.

Table 13: Structural changes of pig production in Austria (2000 – 2010)

	Total number of pigs (in 1000)	Total number of slaughtering (in 1000)	Pigs per farm
2000	3,347.9	5,145.8	42.4
2005	3,169.5	5,239.4	58.3
2008	3,064.2	5,491.9	76.9
2009	3,137.0	5,537.4	82.6
2010	3,134.2		101.7

Source: AMA, Statistik Austria, Bundesanstalt für Agrarwirtschaft, 2010

Austrian livestock production is characterized by deep structural changes. Between 1999 and 2010 the number of all cattle farmers decreased by nearly 30% (1999: 101,528; 2010: 71,563). Actually almost two-third of all pig farmers exited production (1999: 86,241; 2010: 30,805). Within the same period of time the number of pigs in Austria has not changed much in the previous years but the quantity of pigs per farm has almost doubled

Unfortunately, there were no specific and detailed data available on the slaughter sector in Austria. Therefore, we do not have any information on the organizational and competitive structure of the abbatoires as well as the modes of distribution.

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 Austria 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).

Part 1. Description and Assessment of Policy Measures

Our study needs to provide a detailed description of the various policy measure that affect the development of agricultural cooperatives. This effect can be positive, thus stimulating the development and performance of cooperatives, or the effect can be negative, hindering the development of cooperatives. All 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) should be identified. 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.

In addition to a description we also need to provide an assessment of the impact of the policy measures on the development and performance of cooperatives.

Table 13. Description of Policy Measures

Name of Policy Measure	Type of Policy Measure	Objective of the Policy Measure	Target of the Policy Measure	Expert comment on effects on development of the cooperative
<p>Austrian Cooperative Law from 1873 (last amended 2006) (Österreichisches Genossenschaftsgesetz, GenG)</p> <p>Cooperative Auditing Law from 1903 (last amended 2009)</p>	<p>1. Mandate e.g. 1.1. Cooperative legislation/</p>	<p>1. Correction of market or regulatory failures</p>	<p>1. Specific to cooperatives</p>	<p>It is a law relating to the organization, i.e. to the inner structure of the cooperative. Right from the beginning the law enabled the cooperatives to individually determine how far they will depart from the “one-man-one-vote”-principle.</p> <p>Since that year every cooperative must be member of an auditing union. The compulsory audit of cooperatives has been installed in order to supervise the economic conditions of the cooperative and verifying that its business is properly conducted. Therefore, its facilities, assets and business management have to be examined at regular intervals every two years). The law does not set any limits to dividend or interest on share capital. The typically cooperative way of allocation of surplus to members in form of patronage refund in proportion to use made of the services and facilities of the cooperative enterprise is regulated in each cooperative’s bylaw.</p>

				There are other collateral general laws (therefore, applicable to all cooperatives) which regulate particular aspects (cooperative auditing and the merger of cooperatives). Special laws on particular types of cooperatives do not exist.
<p>Law against Restraints of Competition (Kartellgesetz)</p> <p>Law on the merger of cooperatives of 7.5.1980 (last amended 1996)</p>	<p>1. Mandate 1.2 Market regulation and competition policies</p>	<p>1. Correction of market or regulatory failures</p>	<p>3. Applicable to business in general and 2. Specific to an agricultural sub-sector</p>	<p>Cooperatives are subject to the general legal standards which apply to competition especially to the law against restraints on competition (Kartellgesetz). Cooperatives are no cartels. The Law contains an extensive sectoral example for rural cooperatives but does not completely remove this sector from the reaches of the anti-trust legislation. The Law permits extensive agricultural cartels regardless of their market power as long as they do not completely eliminate competition. The exemption from the prohibition of cartels is grounded on the structural difficulties and the industry-specific competitive disadvantages faced by agricultural producers.</p>
<p>Tax Law</p>	<p>2. Inducement 2.1 Financial and other incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>3. Applicable to business in general</p>	<p>In principle, cooperatives are liable to pay corporate income taxes on their income as legal person; trade tax on their trade profits and trade capital by virtue of their legal status; property tax on their property. All taxes are payable by cooperatives on the basis of the same principles on which they are payable by all other taxpayers. There are some tax exemptions for special types of cooperatives and specific trade or processing</p>

				<p>functions. Agricultural marketing and processing cooperatives (dairy, wine, fruit and vegetable) which are selling their members' products after having refined or processed them are excluded from corporate income tax if certain economic and financial conditions are prevailing. But, this tax exemption works only for a limited share of the regular business of the above mentioned types of cooperatives. Cooperatives are entitled to deduct the membership business assets from their gross operating assets but only if their gross operating assets do not exceed certain upper limits. Cooperatives are tax exempt if less than 10% of their taxable turnover is comprised by specific businesses that are subject to these rules. Today, most of the cooperatives are far beyond that limit.</p>
<p>COUNCIL REGULATION (EC) No 1698/2005 of 20 September 2005</p> <p>European Agricultural Fund for Rural Development</p> <p>(EAFRD)</p>	5. Other : on support for rural development	2. Attainment of equity or social goals	<p>2. Specific to agricultural sub-sectors</p> <p>3. Applicable to business in general</p>	<p>After checking again the relevant literature we did not find any serious comment on the likely effects of LEADER on cooperatives in specific. We are inline with many other experts when saying that we do not see much support for cooperatives. The regulation may be of some relevance for small and locally operating producer organisations, but not for the cooperatives we look at in our report. The programme is seen to be just a new regulatory framework that applies in the same way to coops as well as to IOFs.</p>
<p>COUNCIL REGULATION (EC) No 1234/2007 of 22</p>	1. Mandate 1.1.	2. Attainment of equity	2. Specific to an agricultural	The programmes enable the organization to make investments and to induce a

October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) COUNCIL REGULATION (EC) No 1182/2007 of 26 September 2007 laying down specific rules as regards the fruit and vegetable sector	Cooperat ive legislatio n/ incorpor ation law 1.2 Market regulatio n and competiti on policies 2. Inducem ent 1 Financial and other incentive s	or social goals	al sub- sector	better quality policy.
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Assessment of Policy Measure Influence

We developed a qualitative method for impact assessment that limits itself to providing a basis for making a claim that a policy measure has *influence* on the development of the cooperative in a general sense, i.e. at the level of cooperatives in general in a particular Member State. The claim is made through utilizing expert judgment to determine whether a given policy measure influences the development of cooperatives. Judgment is applied to weighing and comparing the effect of a policy measure to the development of the cooperative *vis-à-vis* the effect the same policy measure has on other chain actors and non-cooperative companies. Additionally, the expert judges the degree of influence of the policy measure, by indicating whether the policy measure's degree of influence is high or low.

Table 2. presents the assessment method. You, as national expert, are asked to each newly initiated, existing, or abolished policy measure, which has (had) an effect on the development of the cooperative over the period 2000-2010, by providing a score on a 9-point scale from -4 to +4. You can copy the policy measures from table 1.

Table 14. Assessment of Policy Measure Influence

Policy measure	Assessment score
Austrian Cooperative Law from 1873	4
Law against Restraints of Competition	2
Tax Law	2

Part 2. Questionnaire on legal aspects

	BUSSINESS ORGANISATIONAL LAW ASPECTS	
1	General	
1.1	Which legal business forms are available for farmers to organize themselves into producer organisations (POs)?	N
	There do not exist any restrictions or limitations as far as the available legal status of POs is concerned. All legal organisational forms are available.	
1.2	Which legal business form is most frequently used?	N
	The most frequently used one is the legal form of the "registered cooperative" (e.G.; eingetragene Genossenschaft); nearly 90% of the farmers decided to be members cooperatives.	
1.3	Does the national law force incorporators to use one or more specific legal business forms for cooperatives/POs? If so, how and in what way?	N
	No	
1.4	Does the national law actively stimulate the use of a specific legal business form for cooperatives/POs, and if so, in what way?	N
	No	
1.5	Are there relevant developments in and changes of the regulation of cooperatives/POs since 1 January 2000 with regard to business organizational law?	N
	Except for SCE and its national adaptation, like: the change in the minimum number of members necessary to establish a cooperative, admissibility of investor-members, possibility of a fixed minimum capital, systems of voting. Other concrete developments since the year 2000 were not realized or are underway.	
2	Formation / establishment	
2.1	Are there specific provisions with regard to the legal objective of the business form that are considered to be restrictive, e.g. restrictions in the objective of the firm, in the possibility of equity raising from non-members and requirements on the amount of incorporators / members upon establishment?	A
	There are no restrictive provisions to establish a cooperative. Except that there exists the obligation for a new cooperative to become a member of the Austrian supervision system (compulsory membership in a cooperative auditing federation). Austrian cooperative law does not know any legal obstacles to the establishment of cooperatives. In contrary to the German situation there are some minor critical comments with respect to the fees of the compulsory membership of registered cooperatives in a co-operative auditing federation.	
2.2	What are the initial costs of setting up the legal business form?	N
	Set up costs approx. 2,800 €: <ul style="list-style-type: none"> o 1,000 € membership cost of the auditing association o 1,650 € flat rate for approving (bylaws, business plan) and strategic concept o 150 € official registration and publication 	
2.3	What are the costs of maintaining the legal business form?	N
	Annual costs approx. 1,700 €: <ul style="list-style-type: none"> o 125 € average annual membership fee (at minimum 86 € or 0.8 ‰ of the total balance) o 1,575 € for 3 days of auditing per year (daily allowance 525 €) 	
3	Membership structures	
3.1	Does national law allow to depart from the principle of 'one man, one vote'? E.g. through a differentiation in voting rights according to the volume of use of the cooperative/PO or according to the amount of capital provided?	A
	The national law on cooperatives allows this deviation but, there are some restrictions: voting rights are limited up to three votes per member at a maximum; this is subject to each cooperative's bylaws (statutes). Each individual cooperative's bylaw determines the possibility of having so-called "investor members".	
3.2	Does national law allow non-members to have voting rights?	A
	No voting rights for non-members or "investor members. Since the revision of the Co-	

	operative Societies Act in 2006, –investor members can be admitted, who participate in the share capital but do not or cannot use the services of the co-operative enterprise. Compared with using members, investing members are given a weaker role in the organisation. It is safeguarded by several provisions of the law that using members cannot be outvoted by investing members, for instance in the supervisory organ or in decisions to amend the by-laws of the co-operative society.	
3.3	Does national law allow specific requirements to be met on the admission of members? E.g. the obligation to pay an entrance fee? Are there any legal restrictions in this respect?	N
	In general, cooperatives are organizations with open membership. Individual cooperative's bylaws determine who will become a member. Cooperative's bylaws determine if entrance fees are obligatory. This might going to be happen if a cooperative has made specific investments and potential new members want to participate from these. In these cases bylaws are fixing the entry (fee) conditions for new members. In general, there are no legal restrictions in this respect.	
3.4	Are there legal restrictions with regard to the possibility to introduce or accept members from other member states?	N
	No legal restrictions exist. This is subject to each individual cooperative bylaw.	
4	Internal Governance	
4.1	Which corporate bodies are mandatory?	A
	The Austrian law on cooperatives stipulates two bodies that are obligatory: the General Assembly and the Management Board. If the cooperative has at least 40 employees, a Supervisory Board is obligatory as well. The Management Board consists of at least one person. Their nomination can be revoked by the body of nomination (General Assembly or Supervisory Board) at any time. It is very common that the Management Board works honorary.	
4.2	Do you consider the overall corporate governance structure to be flexible or cumbersome?	N
	Measured by cooperatives' performance in the agribusiness, its relatively large market shares in certain food industries, its investments and merger activities the overall cooperative governance structure has been approved. A large number of successful operating cooperatives give evidence on that. In Austria the farmers cooperatives have been very successful in establishing the Raiffeisen-cooperatives as a well-known brand.	
4.3	Which are the legal tools for members to effectively influence the decision-making process?	N
	These are: <ul style="list-style-type: none"> - voice: in the general assembly - election: selection of "suitable" members to the supervisory and managing board - exit: the threat of withdrawing the business and/or membership 	
4.4	Are the legal requirements on the composition of the board of directors flexible or cumbersome?	N
	Yes	
4.5	Does the national law allow a composition of the board of directors partially or wholly by non-member professional managers?	A
	Yes. In principle, the cooperative law determines that the members of the board of managing directors must be members of the cooperative, but individual bylaws can deviate from this obligation.	
4.6	If not, is this considered to be an impediment for an effective composition of the board of directors?	N
4.7	Are the legal requirements on the composition of the supervisory board flexible or cumbersome?	A
	Yes	
4.8	Do you consider the legal structure and rules on the supervision of the board of directors to be effective with respect to the accountability of the board towards members?	N
	Yes	
4.9	Does the national law allow a composition of the supervisory board partially or wholly by non-member experts?	A
	Yes. In principle, the cooperative law determines that the members of the board of managing directors must be members of the cooperative, but individual bylaws can deviate	

	from this obligation.	
4.1 0	If not, is this considered to be an impediment for an effective composition of the supervisory board?	N
4.1 1	Does the national law allow the use of subsidiaries, dividing the membership organization from the actual company?	A
	Yes, and there is an increasing tendency to organize the cooperative in this respect, especially in larger (measured by membership) market oriented businesses.	
4.1 2	Does the law stipulate rules on the appointment and dismissal of the board of directors and the supervisory board?	A
	Yes	
5	Financing	
5.1	What legal methods and instruments for raising equity are allowed?	N
	<p>There is a large variety of possibilities for raising equity of cooperatives:</p> <ul style="list-style-type: none"> - Shares in the cooperative (members' equity in the cooperative): shares paid in by members and from profits or surplus credited to members - Members' liability amount - Reserves: capital reserves required by law and reserve accumulated voluntarily - Short-term possibilities: reserves for contingencies; hidden reserves, adjustments of valuation; temporarily accumulating self finance funds - Recent reform of the cooperative law enables cooperatives to attract those members that do not have any business relation and that only are interested in providing equity capital to the cooperative. These so-called "investing members" receive fixed interest rates on their capital. <p>The cooperative law recognizes as liable shareholders' equity not only the paid-up capital and the reserves, but also part of the members' liability to make additional contributions when called, as this liability is part and parcel of the subscription of shares in a cooperative. The business assets represent the amount that has actually been paid on the business shares. The business assets are part of the equity capital, another part of the equity capital consists of reserves in a statutory reserve fund which is compulsory (see Cooperative Law). These statutory reserves are appropriated reserves and serve exclusively for covering losses in the balance sheets. In addition, the bylaws may provide for the formation of other reserves (voluntary reserves).</p>	
5.2	Which of the following legal methods and instruments are commonly used? (tick one or more options)	N
	<input checked="" type="checkbox"/> the use of unrestricted or restricted members liability (that can be invoked for instance in the case of liquidation of the organisation)	
	<input checked="" type="checkbox"/> reservation of net proceeds in a general reserve	
	<input checked="" type="checkbox"/> member participation in equity raising connected to and proportional to the volume of economic transaction between the member and the cooperative/PO	
	<input type="checkbox"/> member obligation to finance the cooperative/PO through loans to the cooperative/PO connected to and proportional to the volume of economic transaction between the member and the cooperative/PO	
5.3	What are the rules on the distribution of profits?	A
	<p>Profit participation and distribution rights represent property rights which place claims on a cooperative but are not tied to rights of decision-making and participation on decisions on the part of the owner. As there is no fixed legal definition or obligation of profit participation rights the distribution of profits is subject to different solutions and specific decision of individual cooperatives. These different possibilities are as follows.</p> <ul style="list-style-type: none"> - In most cases surplus distribution is entirely based on the level of turnover the member himself run up with the cooperative. The reimbursement can be entered as a liability item according to legal tax provisions when the appropriate bylaws have been adopted and when the members have been granted legal claim accordingly in the articles of the bylaw. - Dividends on capital are not suitable in the typical cooperative. There is an ongoing debate on the pros and cons of cooperative dividend payments as an incentive to 	

	<p>provide the cooperative with additional equity capital. Criteria for dividend payments could be based on members' turnover with the cooperative or the duration of membership.</p> <ul style="list-style-type: none"> - Bylaws can lay down to distribute profits by paying interest rates based on the number of business shares subscribed by a member or according to the amount of his paid-up shares. <p>The typically co-operative way of allocation of surplus to members in form of patronage refund in proportion to use made of the services and facilities of the co-operative enterprise is not expressly regulated in the Co-operative Societies Act, but can be provided for in the by-laws and is decided by the management organ. On certain conditions co-operative patronage refund is recognised by the fiscal authorities as part of tax deductible operating cost and as a correction of the price in retrospect.</p>	
5.4	Do you consider the rules flexible or restrictive with regard to the distribution of profits to members/users	N
	There exist a large variety of individual financial incentives to attract new members and to increase current members' loyalty to the cooperative. Cooperative law and bylaws create flexible solutions.	
5.5	Does national law allow non-member participation in the equity capital of the cooperative/PO?	A
	Yes, earlier than since the reform in 2006 "investor members" are allowed to provide equity capital to the cooperative.	
5.6	Do you know cooperatives/POs that are financed with equity capital from non-members? If yes, please write the names of these cooperatives/POs.	N
5.7	Do you consider the rules on distribution of profits facilitating or restricting cooperatives/PO in their efforts to attract equity from non-members?	N
	The traditional rules are facilitating to attract equity from non-members. Austrian cooperative law was since its beginning a bit more flexible than for example the German cooperative law.	
6	Exit provisions	
6.1	Does the national law allow specific restrictions on exit of members?	A
	Members terminating their membership by giving notice. Observing a period of three months, every member has the right to withdraw from the cooperative at the end of the financial year. Where the period of notice is two years or more, a member has an extraordinary right to terminate membership, if personal or economic reasons require. Furthermore membership is terminated if the personal requirements for membership are no longer met by the member, by death of the member, by expulsion as laid down in the by-laws and in a fair and just procedure and finally by refusal to accept the conditions for continuation of membership in case of merger.	
6.2	If so, are these restrictions in your opinion reasonable and fair? Please explain your answer.	N
	These individual rules and obligations are fair because they are part of the contract between the member and its cooperative. In the interest of the cooperative is that the restrictions enable the cooperative to better adapt their plan and investments.	
6.3	If so, are these restrictions governed by competition law?	N
	They are basically subject of the cooperative law and the by-laws.	
6.4	Does the current practice of restrictions on exit of members in your opinion deter potential members to join the cooperative/PO?	N
	No. These practices are broadly accepted and there are no discussions on that subject as far as we know.	
7	Reorganisation	
7.1	Does the national law provide effective tools for cooperatives/POs to reorganise, e.g. through legal mergers?	A
	The cooperative law does not put any restrictions on the acquisition of other cooperatives (through merger) or companies (through acquisition) provided this interest serves the purpose promotion or non-profit objectives of the cooperative. As every other enterprise, a cooperative may establish branches. Co-operatives are free to merge with other	

	organisations or to convert into a company or limited partnership and vice versa.	
7.2	Are reorganisations of cooperatives/POs effected by rules on business organisational law? If so, in what way?	A
	As far as the national anti-trust law is concerned cooperatives are affected by the elements of the law in the same way as any company regardless of its legal form.	
7.3	Are reorganisations of cooperatives/POs effected by rules on employee involvement? If so, in what way?	N
	Cooperative Law stipulates that a cooperative If the cooperative has at least 40 employees, a Supervisory Board is obligatory as well as the General Assembly and the Management Board.	
7.4	Are reorganisations of cooperatives/POs effected by rules of tax law? If so, in what way?	N
	A reorganisation will have no effects on the rules of tax payments.	
	TAX LAW ASPECTS	
8.1	Which tax law regime applies to the legal business form of the cooperative /PO (corporate tax law, taxation on dividends paid-out)	N
	<p>The cooperative profits are subject to the corporation tax which is 25%. Contrary to limited-liability companies (<i>GmbH</i>), there is no minimum corporation tax for cooperatives if they take no profit. The taxation of the cooperatives members acts on the income tax (<i>EStG</i>) for natural persons²⁹ or on the corporate income tax (<i>KStG</i>) for corporations.</p> <p>In principle, cooperatives are liable to pay</p> <ul style="list-style-type: none"> - corporate income tax on their income as legal person, - trade tax on their trade profits and trade capital by virtue of their legal status, - property tax on their property. <p>All other taxes are payable by cooperatives on the same principles on which they are payable by all other taxpayers. In as far as it applies, they have to pay turnover tax, real estate tax, land transfer tax, stock transfer tax, stamp tax on bills of exchange etc.</p> <p>In Austria surplus distribution by way of refund, though not compulsory under substantial cooperative law, is relevant under tax law, as a condition for eligibility to the specific tax treatment for cooperatives (because it can be deducted from the taxable income of a cooperative, provided certain conditions are met).</p>	
8.2	Are there any provisions in tax law fostering or promoting cooperatives/POs? If so, in what way?	N
	<p>Rural cooperatives are tax exempt as long as they limit their business to purpose-oriented transactions with their members and to the following activities:</p> <ul style="list-style-type: none"> - the joint utilization of facilities, tools, and equipment; - services or work orders for the production executed in member' enterprises; - working with or processing products grown by members as long as such processing still can be categorized under farming. <p>The tax exempt is not affected when ancillary, non-favoured activities are executed which do not exceed a maximum level of 10% of total income. This means that if the 10% income margin is respected, the cooperative remains tax exempt for the profits resulting from its favoured activities; only the profits from other activities are taxable (partial tax liability). If, however, the 10% income margin is not adhered to, the cooperative and its entire income will be taxable. The 10% limit allows rural cooperatives a certain amount of lee-way in determining their corporate policies.</p> <p>Austrian cooperatives being perceived as incorporated business organisations are taxed like any other enterprise, with one important exception. Surplus distributed among the members at the end of a financial year as patronage refund (<i>Rückvergütung</i>) is recognised as tax-deductible operating cost of the co-operative enterprise, provided that certain conditions are met: The surplus has to be earned in transactions with the members (hence separate books have to be kept for business with members and with non-member customers). Surplus distribution has to be calculated for all members or groups of members in the same way. Amounts due for distribution have to be actually paid out to the members.</p>	
8.3	Are there any restrictions in tax law effecting cooperatives/Pos? If so, in what way?	N
	None, that I know off.	
8.4	Does the existence of members from other member states, in case of a transnational	N

	cooperative/PO, result in problems with regard to taxation?	
	None, that I know off.	
8.5	Is the overall burden of the taxation of the cooperative/PO and its members (natural persons or legal persons) in your opinion reasonable and fair in comparison to the taxation of investor-owned firms?	N
	There are no specific differences between cooperatives, its members and firms in different legal forms and their patrons. There is equal treatment which can be described as a fair procedure.	
8.6	Are there relevant developments in and changes of the regulation of cooperatives/POs since 1 January 2000 with regard to taxation law?	N
	No	
	COMPETITION LAW ASPECTS	
9.1	Are cooperatives/POs subject to competition law regulation on the same footing as investor-owned firms?	N
	Yes, they are. There are no exemptions for cooperatives.	
9.2	If yes, are there any general exemptions especially formulated for cooperatives/POs?	N
	It is of course obligatory to act in harmony with competition law, which has an especially important impact on big cooperatives with strong cross border activities – but competition law does not seem to prohibit the establishing of cooperatives.	
9.3	Are there cooperatives/POs that have a dominant market share which has legal relevance for the application of EU or national competition law?	N
	No. Farmer cooperatives in Austria do not have corporate sizes that have a relevance for the EU or national competition law.	
9.4	Under what conditions are restrictions imposed on members upon withdrawal of their membership from the cooperative/PO an infringement of competition law rules?	N
	Currently, there are no just circumstances known.	
9.5	Are there relevant developments in and changes of the regulation of cooperatives/POs since 1 January 2000 with regard to competition law?	N
	None, that I know off.	

6.3 Other legal issues

None that we know of.

7 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Austria. 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 Austria 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 Austria seem to benefit cooperatives and which ones have a constraining influence.

7.1 Explaining the performance of cooperatives

Implication of market shares: The existing product/market combinations Austrian cooperatives are using have been largely defined by history. Many cooperatives originated in processing or marketing agricultural commodities in the local or regional area where the commodities were produced, such as the pig meat and fruit and vegetable cooperatives. In the dairy and the cereal/farm input sector, past individual growth and past merger activities have enabled the cooperatives to take a favourite position as far as market shares are concerned. But, a market share of 40% of the new cooperative that merged recently this does create market power automatically. The milk market is an international market, in particular for a relatively small country. So, the pressure from imported products and prices is the benchmark for Austrian dairy cooperatives. Compared to German or Dutch-based dairy cooperatives the new merger is measured by international standards still a small company. The new leading German dairy company „Deutsches Milchkontor GmbH“ (the merger of dairy cooperatives Nordmilch and Humana) is now processing a volume of 6.7 billion kg milk (16.5% of the total milk deliveries in Germany). Measured by Austrian standards this volume is 2.4 times the total milk quantity produced in Austria. The annual turnover of DMK will be 4.8 billion €, while Austria dairy industry has a total annual turnover of about 2.01 billion € (2010). Market share is one important factor, but it is not the most decisive one. Processing costs are also relevant and they have to be seen as a function of the processing capacities. In Austria, the average size of a dairy processing plant is an annual capacity of 23 million kg milk. In Germany it is 120 million kg. Compared to these facts Austrian dairy cooperatives' focus must be preferential on product differentiation than on scale.

Resources available: Market shares and options for growth are central to the cooperatives and different growth strategies are available. It seems that every cooperative has already defined the key influences and conditions affecting present and future position, and based on that, strategic options for growth strategies to realize in the near future are not necessarily on the agenda. We did not find any evidence that cooperatives are lacking of financial resources to invest in growth

strategies or innovations. If there are any financial/equity limits for cooperatives in the analyzed sectors they could not be identified. Consequently, it was not possible to evaluate if these limits (if they exist?) forced cooperatives to search for new organizational or legal structures in order to open up new sources to finance their growth strategies.

Cooperative culture and management: Under current market conditions in Austria, cooperatives seem not to have sufficient flexibility and elasticity to successfully meet challenges such as the culture blend between cooperatives of different regional origin. For Austria, it is evident that regional differences have a strong influence on the possibilities to find an adequate cooperative partner to merge with. On the other hand, there is a strong indication that specific corporate or cooperative culture can be built up and used for a nationwide identification process. In the cereal and farm input sector, the Raiffeisen cooperatives have been very successful in investing in a brand building policy. Throughout Austria the “Raiffeisen”-logo is the most important brand that has been established since several years and that signals the cooperative values and the large assortment and services of this cooperative group.

Present position and strategic direction within the food chain

The markets subject to this report are saturated in volume, and increased market power of the retail chains is resulting in competitive purchasing prices. Competition within the food industry has increased. If pressure on the margins continues, market share expansion, through cost reduction - in particular creating economies of scale - or adding value, for instance through the increase of consumer quality, will be the only way for cooperatives in saturated markets to maintain their profits. In Austria, it seems to be that cooperatives have specialized on product differentiation and value creation by serving market niches.

A. Intensive growth

This strategic option involves an examination of growth potential for the existing business. Three possibilities exist: market penetration, market development and product development. Most cooperatives have implemented the strategies of market penetration and of product development more or less successfully.

Market penetration

Market penetration means expanding market share held by existing products (brands) or by extending the service to the former customers/members in the existing markets. In the dairy market high brand concentration and the pressure from product (brand) differentiation of the most important international competitors make market share expansion a difficult task. Austrian cooperatives have a relatively strong position in their traditional local and diversified markets. While in the cereal and the dairy sector cooperatives have a quite good position market penetration activities are underdeveloped in the fruit and vegetable and in the wine sector.

Market development

Market development means expanding market share by developing new markets for existing products. Saturation of traditional markets makes this option attractive. Introducing products on an international scale also has its limitations for Austrian cooperatives. Some product groups have a universal attraction for consumer markets that overcomes taste barriers in the European market (e.g. milk and meat products, wine). For other product groups that cooperatives are marketing, like cereals there are no real national preferences in each country. The markets of Eastern Europe are attractive growth regions. Austrian cooperatives traditionally have close economic relations to the markets in Hungary, Czech and Slovakia Republic. They have exploited these markets more by exporting than by forming strategic alliances or by direct investment.

Product development

Product development has accelerated rapidly during the last ten years. Companies are increasingly introducing new products as a competitive tool, with investments in R&D, including process technology and management, preceding the introduction. Product development can have different forms; the most frequent form is modification, which gives an existing product a new property and introduces it as 'new'. Improving quality is one example of this. In Austria, cooperatives have focused on value creation by adding regional identity or organic grown characteristics to their products. This form of product development requires far less research and funding for product improvements than developing new products on a large scale. In this process of product development, especially in the development of strong brands, cooperatives have been quite successful. This happens to be true for the dairy, fruit and vegetables, and the wine sector.

B. Integrative growth

Integrative growth means growth in turnover and operating profits through integration in and with other companies. Integration may be forward, backward or horizontal. The decision to apply one of these options is generally clearly apparent since it is accompanied by investments in other companies.

Backward integration

The objective of backward integration is to take over one or more suppliers. Specialized sectors engaged in backward integration, however, remain where the supply of reliable raw materials is of strategic interest and cannot be achieved otherwise, or only with great difficulty. In our study we could not find any indication or a real example for this type of growth in the Austrian cooperative sector.

Forward integration

Forward integration means expansion toward the consumer. This option is often considered more attractive than backward integration since it allows more value to be added to products and/or control of sales to be increased. However, forward integration also has its limits and similar objectives can be reached through strategic alliances. Like in other European countries, farm input and cereal (local and central) cooperatives, have developed this strategic option. Some cooperatives have invested in processing commodities traded and have set up processing capacities like, oilseed crushing and oil processing or in the supply chain of bioenergy. This forward integration is mainly restricted to supplying commodities for the food industry: making consumer products would mean competing with the company's own customers. Cooperative processors also face the problem in supplying products to end-consumers since their industry generally emphasizes efficiency and economies of scale, whereas supplying consumer products requires a different company culture. Takeovers by the cooperatives studied in the eight sectors in Austria of retail chains are non-existent.

Horizontal integration

Horizontal integration has been a feature of cooperatives in all sectors over the past few years. Growing concentration in the different agribusiness sectors makes it attractive to select this form of expansion in view of the slow or stagnating growth within the sectors. In this process, most cooperatives have focused on neighbouring cooperatives they acquired or merged with. The typical path of growth for cooperatives is the horizontal integration by merger or acquisition of cooperatives in the same market area. Nearly all cooperatives in the various sectors grow by these form of integrative growth. The concentration process that has been described in the report is the result of this path of growth. For Austria, we can conclude that the opportunities for using this strategic instrument is relatively restrained.

C. Diversification growth

Diversification growth implies a company looking for expansion opportunities outside its business portfolio. Synergy opportunities between non-related product groups are limited, whilst market power is focused not on supplying a broad range of products but on increasing market share per product. Diversified companies also have fewer opportunities to realize economies of scale and minimize the costs of raw materials. Diversification strategies have now been further refined and these are discussed below in terms of concentric, horizontal and conglomerate diversification strategies.

Concentric diversification

Concentric diversification signifies the introduction of products related in some respects to technology and marketing for a new consumer or farmer groups. Within the reporting period from the years 2000 – 2010 there are no structural changes with respect to this strategy to report. Traditionally, farm supply cooperatives have diversified their commercial activities in a diverse variety of services and consulting. This includes the maintenance of agricultural machinery and consulting members on setting up production systems which take account of market and environment. They also sound the chances of new products on the market. Raiffeisen cooperatives carry out soil tests, provide advice on pest management and analyse feed samples or have invested into the bioenergy complex. For years they have been committed to promoting the cultivation and marketing of renewable resources. Other examples of diversification are to be seen in the role cooperatives play in supplying rural areas with basic commodities. They deliver energy to the agricultural and private and commercial customers and run specialist Do-it-yourself and garden stores.

Horizontal diversification

Horizontal diversification means production of a new, non-related product through a non-related production process, but often for an existing consumer group. This is in contrast to horizontal integration, which keeps the activities within the related sector. In our study we did not find evidence for this strategy.

Conglomerate diversification

Conglomerate diversification refers to cooperatives establishing a new business that is not linked to existing production technology and the company's market. This is a method of expansion we did not find when we studied the cooperatives in Austria.

D. Niche market focus

The focus strategy involves cooperatives orientation toward small market segments and can be considered a specification of one of the growth strategies mentioned. The aim of the strategy is to enjoy market leadership in a small selected market. This may be accomplished by including only a few products in the product portfolio or by focusing on niche markets. The latter option is especially popular in the agribusiness industry, and is used particularly by smaller cooperatives, which are unable to operate on a large-scale. Specialized and local expertise in the market segments, decisiveness, price leadership or differentiation contribute to producing clearly unique products or services with a substantial market share in the target market. This is the main strategic focus of most of the cooperatives described in this report, in particular those that are smaller and more regional/local oriented (cooperatives described in the meat, cereal, fruit and vegetable and wine sectors).

7.2 Effects of policy measures on the competitive position of cooperatives

The environment in which the cooperative and the producer organisations operate in Austria has not much changed in the last decade as far as the political or legal factors are concerned. Political factors are steadily increasing in importance for the producer organisations. These factors are related to aspects such as the production of and trade of raw materials, food safety, the environment and cartel legislation. European integration and international trade negotiations are lowering trade barriers and facilitating entry into world markets. All these changes affect the economic position of the players in the food sector and not the cooperative organizations in particular.

There are no political agreements known that are benefiting the competitive position of cooperatives. We cannot see any argument or action taken to subsidize cooperatives based on social-political reasons. In as much as cooperatives self-help and self-responsibility at the same time unintentionally serve to benefit the outcome of state policy (e.g. reinforcing the active competitive elements of mid-sized companies in a free market system), state intervention is superfluous. The uncommon success and most remarkable development of cooperatives in the past decades have, however, not been based on state help and promotion, but rather on the mobilization of the strengths of the cooperatives members and their active participation to do their utmost for their common goals. It has been proved that active cooperation, willingness to be responsible for another, as well as the utilization of professional knowledge, ideas and willing input from members have been decisive in bringing cooperatives forward. These forces would be lacking if outside help were permanently expected; they have ensured the dynamic development of independent cooperatives and the economic benefit of their members.

The rules and political standards introduced in Austria are affecting cooperatives and IOFs equally. There are no political provisions realized that are in favour of cooperatives and that foster or support the competitive position of cooperatives versus investor-owned firms.

8 Future research

Topics of research

Transparency of the cooperative system:

One overall research item for Austria is to get more transparency into the cooperative system. It did not come clear in the process of executing and writing this report, why there is so less information and data published and why the cooperative food chain is not subject of scientific research. Quite a lot of information is only available with great effort and it will be a time consuming task. Other data are existing but are not available, because they are kept secret. Reasons for that could not be found. If a research group is of the opinion that the Austrian cooperative system is an interesting group to look at than efforts towards more data collection and data sourcing must be initiated.

The increasing professionalization of operational decisions:

Modern technology used to inform farmer members on current market conditions and developments. Increase in service orientation in order to improve member loyalty. In the scope of the structural typologies this tendencies usually signifies a development in the direction of stronger integration. Because of more competitive relationships between members and their cooperatives and the general opportunity for farmers to find several alternative business relations within an acceptable spatial distance create a situation of an increased institutionalisation of the member relations. Competitive advantage for the cooperatives in a highly competitive market environment can only be achieved if a cooperative is able to accommodate in the future its member loyalty through a company policy oriented around their given members instead of around their potential customers, more than it has been practised in the past. This requires the reformulation of corporate principles and values within the cooperative organisation. Economic measures such as the more pronounced introduction or improvement of interest reimbursement payments could be quite effective in this connection but are nonetheless only a partial component in the scope of development of a specific organizational culture. It is interesting to note that business conducted with members is not clearly distinctive from business with non-members anymore.

Efforts can be identified in all types of investigated sector-specific cooperatives in the direction of both diverging tendencies to activate value rationality and competence among members for management through additional measures either in general or through specific projects or member relationship programs. More service orientation in producer organisations in the pork sector.

Position in the food chain:

Merger activities still prevail. All sectors are subject of this tendency. Heavy activities are obvious in the dairy sector. Dairy cooperatives are subject to international competition seek to form larger cooperative organizations in order to improve its competitive position versus international rivals, to exploit its export activities, to secure the raw material procurement, to improve its negotiation power against the retail sector, and exploit economies of scale in order to gain profits for their investments in product developments and brand differentiation. Are these drivers transferrable to others sectors in which cooperatives are active?

In the grain sector merger activities on the local level still prevail. Mergers on the regional or central cooperatives have been taken place in the last 10 years. But, central cooperatives traditionally wholesale organisations take over local cooperatives and extent their retail business. Consequences are for example, an enlargement of the traditional regional boundaries and, as a relatively new trend that has already increased the competition between cooperatives with

investments in business capacities in neighboring or more distant market areas (spatial competition). In the wine sector and in the fruit and vegetable sector (here with one exception: Landgard) merger activities are not that obvious and still regional local member orientation is prevailing. What are the main reasons for these tendencies?

Change in governance structures:

Traditional governance structure still dominates. But, cooperatives form holding companies or change their legal form. Country study indicates that there is still research missing on these questions. This will also include, that the exact relationship between formal contracts between farmers and cooperatives, farmers' ownership of and interest in the cooperatives, and non-contractual relationship management activities needs further research. Traditional functions, like price building (auction) activities are diminishing. There is more contracting with members. Contract conditions are on quality measures, better coordination with specific products requirements, time coordination on planting, harvesting, logistics terms of delivery.

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Additional comment:

Diverse annual reports and homepages of cooperatives were screened in order to collect the relevant information. Numerous interviews were made. All these sources and also the large number of journal articles are not listed in this references.

List of Abbreviations/Glossary

AG	Aktiengesellschaft (Share holder company)
AMA	AgrarMarkt Austria
AWU	Annual Working Unit
CEECs	Central and Eastern European Countries
CMO	Common Market Organisation
eG	eingetragene Genossenschaft (registered cooperative)
eGen(mbH)	registered limited-liability cooperative
EStG	EinkommensteuerGesetz (income tax)
ESU	European Size Units
GDP	Gross Domestic Product
GmbH	Gesellschaft mit beschränkter Haftung (limited-liability company)
GMO	Gemeinsame Marktorganisation (Common Market Organisation)
ha	hectares
hl	hectolitre
IOF	investor-owned firm
KStG	KörperschaftssteuerGesetz (corporate income tax)
Ltd	Limited
ÖGV	Österreichischer Genossenschaftsverband (Austrian Cooperative Confederation)
ÖRV	Österreichischer Raiffeisenverband (Austrian Raiffeisen Confederation)
ÖRWZ	Österreichische Waren-Zentrale (Austrian central commodity cooperative)
Plc.	Public limited company
POs	Producer Organisation
reg.Gen.m.b.H.	registered limited-liability cooperative
RWA	Raiffeisen Ware Austria reg.Gen.m.b.H. (registered cooperative with limited liability)
RZB	Raiffeisen Centralbank
SA	AG (Share holder company)
SARL.	Société à responsabilité limitée (private limited liability corporate entity)
SL	Sociedad Limitada (private limited company)