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# Support for Farmers' Cooperatives

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## *EU synthesis and comparative analysis report* Policy Measures

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# Support for Farmers' Cooperatives; *EU synthesis and comparative analysis* *report* **Policy Measures**

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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 (SFC)”, that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project this EU synthesis and comparative analysis report - Policy Measures has been written.

Data collection for this report has been done in the summer of 2011.

In addition to this report, the SFC-project has delivered 27 country reports, a report on policies for cooperatives in non-EU OECD countries, 8 sector reports, 5 other EU synthesis and comparative analysis reports, 33 case studies, a report on cluster analysis, and a final report.

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# **1. Introduction**

## **1.1 Objective of the report**

This report has been written in the framework of the EU-funded research project “Support for Farmers’ Cooperatives”. This project was commissioned by the European Commission DG Agriculture and Rural Development, and carried out in 2011 and 2012 by a large consortium of researchers from various European universities and research institutes. The main objective of the EU wide research project is to 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 Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

In the context of this research project, data has been collected in all of the 27 Member States of the European Union, on the evolution and development of agricultural cooperatives and producer organisations, but also on the policy measure and legal aspects that affect the performance of these organisations. This data has been one of the main sources of information for this report. In addition, other literature on the topic has been used to assess the situation in one or more EU member states or in particular sectors of the European agrifood industry.

This report provides an EU level synthesis of the policy measures in the EU (including its member states and regions) that affect the performance of cooperatives. We focus on economic and fiscal incentives or disincentives and other public support measures and try to assess their effectiveness and efficiency.

## **1.2 Analytical framework**

For this EU wide research project we have developed an analytical framework about the determinants of the success of cooperatives and producer organisations in current food chains. These determinants 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).

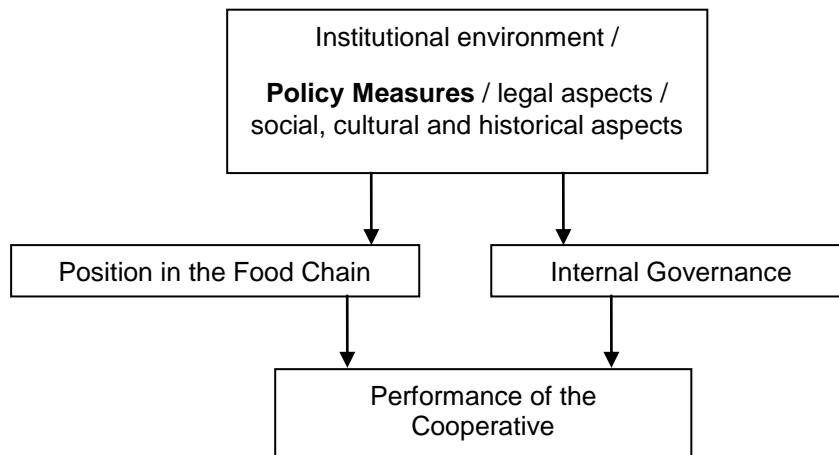


Figure 1. The core concepts of the study and their interrelatedness

### 1.3 Policy measures

Policy measures are a part of the institutional environment (together with social, cultural and historical aspects that effect the way of doing business in a region). They are taken by governments to improve the general welfare of a region or country or to create a better distribution of welfare (the equity issue).

In this study we are especially interested in experiences with policy measures that influence the performance of the cooperatives, positively or negatively. That statement demands quite some explanation of terms. First of all the definition of a cooperative – on which we elaborate in the next section. Second regarding the term performance. There are many aspects on cooperative performance: member satisfaction, prices paid for members' products, market share (development) compared to IOFs in the same industry etc. Many of those are hard to measure, also as the behaviour (performance) of cooperatives influences that of IOFs in the same industry and region – they have to pay comparable prices to farmers. Even more difficult to measure is the performance in the food chain of the cooperative versus the upstream industry (secondary transformation, e.g. sugar into sweets) and the retail.

For this reason we take in this report mainly the market share of cooperatives as an indicator and try to explain differences between countries and sectors in the market share of cooperatives (versus IOFs) in terms of policy measures: if policy measures are successful they should be correlated with a higher market share.

That however is also a very crude statement, for a number of reasons. First we link current measures to current market share. However it could well be that the current performance in terms of market share has been positively influenced by policy measures 20, 50 or even 100 years ago, and that current policy measures are ineffective. Second their might of course be quite other reasons for the success of the cooperative movement in a country, others than policy (for instant sociological aspects as trust, or availability of leadership, aspects that are very hard to influence by policy).

To overcome some of these issues we do not only look to a direct link between the policy measures and the performance, but include analysis on the relationship between policy measures and the building blocks given in figure 1. These building blocks are also the policy theory: if a measure is successful it should be possible to explain how it influences the position in the food chain (e.g. in competition law or by being able to attract capital at a lower cost than an IOF) or improves the internal governance of the cooperative.

Perhaps it is for these reasons that there is hardly any (academic) literature on the effectiveness and efficiency of government policies that support cooperatives, even now that evidence-based policies and impact assessments are *de rigueur*. That makes this analysis a very challenging but also very interesting research effort.

## **1.4 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).

## **1.5 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. For EU Member States that joined in 2004 and 2007 the focus is on the post-accession period.

## **1.6 Structure of the report**

The report starts in the next chapter with the methodology used to describe policy measures. Chapter 3 discusses the data available. Chapter 4 documents the results of our analysis. Chapter 5 is a discussion of our findings, and we end with conclusions.



## 2. Methodology to describe policy measures

### 2.1. Introduction

The Commission has committed itself “to promote and facilitate the restructuring and consolidation of the agricultural sector both in the context of Rural Development policy, and notably by encouraging the creation of voluntary agricultural producer organizations, and in the broader context of post 2013 Common Agricultural Policy”. The Commission’s commitment points to an intent to create a favourable policy environment for supporting the establishment and development of cooperatives and other producer organisations.

This chapter reports on the methodology that has been used for collecting and analysing current regulations and policy measures that effect cooperatives and producer organisations in the EU. The insights from this exercise can be used to see what is already done, and especially what policy measures seem to be successful.

### 2.2. Measuring policy impact

Experience has shown that government policies can impede or enhance independent cooperative development (Hoyt, 1989). For encouraging development of cooperatives, public policy has multiple points of entry where policy measures can have effect. In support of cooperative development, policy could opt for indirect measures, for instance through relaxing considerations for the cooperative in business and organization law. Also, more direct measures can be taken, for instance in the form of subsidies or grants to producers’ organizations.

By understanding what policy measures affect cooperatives, and how this effect works out on the development of the cooperative, we expect to be able to provide more insights into policy measures which contribute to creating a conducive policy environment for development of cooperatives and producer organisations.

It will not be possible to execute assessment of policy measures using counterfactual methods. There are currently not enough, if any, (ex-post) policy assessments available of policy measures over the 27 MS’s to provide for such an approach. Nor are there enough project resources available to execute such a method in all MS’s.

Given the aforementioned considerations regarding the limitations in conducting a full impact assessment, a simplified assessment method has been used. Rather than asserting the impact of a policy measure, our method 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. 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 2.1. presents the assessment method. Our national experts have assessed 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.

Table 2.1. Assessment of Policy Measure Influence

Instruction: Please score the influence of each policy measure on the development of cooperatives, on a scale from -4 to +4, where -4 is extra negative, 0 is neutral, and 4 is extra positive; circle the proper figure	
<b>Policy measure</b>	<b>Assessment score</b>
[ insert name of policy measure ]	-4 -3 -2 -1 0 1 2 3 4
[ insert name of policy measure ]	-4 -3 -2 -1 0 1 2 3 4
Etc.	

## 2.3 Classification of policy measures

There are many types of policy measures, e.g. from tax law and competition policy to direct subsidies to train cooperative directors. This makes it useful to classify the policy measures into groups. McDonnell and Elmore (1987) have defined the policy measure typology in the following way:

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

These four policy types can be further specified into individual policy measures. To direct the enquiry towards policy measures that influence the cooperatives, we also used a more specific categorization of cooperative related policies and regulations, based on the Sexton and Iskow classification (1992):

- i. cooperative legislation/incorporation law,
- ii. market regulation and competition policies,
- iii. financial and other incentives (e.g., tax exemption, access to favorable credit, etc.),
- iv. technical assistance, and
- v. other.

This categorization facilitates a better understanding of the policies by local cooperative experts who will be asked to assess the impact of each policy measure on cooperatives' competitive position.

## 2.4 Description of policy measures

Each measure that influences the development of the cooperative can be described by a standard classification and description that provides information on the objective of the policy measure and the target group.

*Explanation Regulatory Objective*

Policies may have one or more regulatory goals such as correction of market or regulatory failures, and attainment of equity and social goods (OECD, 2008). Market failures refer to an inefficient allocation of resources under market conditions; equity and social goals refer to the improvement of the position of particular groups; and regulatory (or State) failures imply a regulatory capture or failure of the existing regulatory system.

#### *Explanation Policy Target*

A policy may target agricultural cooperatives in general or a particular type of agricultural cooperatives (e.g., agricultural supply cooperatives). A policy measure could also be directed at an agricultural sector (ie. one or more of the 8 sectors which are part of the current study), affecting the cooperatives operating in that sector. Lastly, policies may target other types of businesses but, as a side effect, has a significant impact on agricultural cooperatives. Furthermore, a policy measure may be initiated and implemented at the national/federal, regional, or local levels of government.

Combining the methodology to classify and describe policy measures we have developed table 2.2. as a basis for fact finding in the European Union's member states and at the EU level itself. The last column was added to gather narrative comments, discussing the interaction of the policy measure with the development of the cooperative. The narrative will explain the relation to each of the three building blocks if applicable.

Table 2.2 Policy Measure Description

Policy Measure Name	Policy Measure Type	Regulatory Objective	Policy target	Expert comment on effects on development of the cooperative
(Official) name of the policy measures	Mandate - Cooperative legislation/incorporation law - Market regulation and competition policies Inducement - Financial and other incentives Capacity Building Technical assistance System Changing Other	- Correction of market or regulatory failures  - Attainment of equity or social goals	- Specific to cooperatives  - Specific to an agricultural sub-sector  - Applicable to business in general	Description on how the policy measure affects development of cooperatives, by reasoning through the building blocks: - Position in the food chain - Internal Governance - Institutional environment of the cooperative

## **3. Data**

### **3.1 Data collection**

This EU level synthesis report is based on data collected in the Spring of 2011 in 27 EU Member States (by an expert on cooperatives in each of the Member States). In addition an inventory of policy measures at EU level was used. In collecting the data, 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.

To support data collection a detailed Excel file was created in which the national experts have been asked to provide the information on the support measures. This file essentially has the format of table 2.2. in the previous chapter.

The support measures also include the sector specific regulations. We interpreted these as sector specific regulation that impact cooperatives (not general sector specific regulations like the CAP on wheat). Sector specific regulations are support measures for a specific sector.

In addition to an inventory of the measures, we also asked the experts an assessment of the influence of the policy measure 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.

The national experts have provided this data at the end of June 2011 for their country and its regions. No problems have been reported on the data gathering in that process.

In addition we gathered the data at the EU level. Policy documents were consulted and interviews were conducted with representatives from the European Commission (Mr. Apostolos Ioakimidis and Mr. Leondra Mas Pons) and Copa-Cogeca (Mr. Prodromos Kalaitzis). Through document analysis a list of EU policy measures that might have an influence on cooperatives and producer organisations was constructed – including CAP measures. This list was presented to the interviewees who were asked to give their opinion on the actual influence of these measures on cooperatives and producer organizations. The result is a list of EU Policy Measures in a separate file. The interviewees were also asked to give their opinion on the role of cooperatives and producer organizations in agriculture, the way cooperatives and producer organizations are stimulated by national policies, and on the convergences and divergences between EU countries in this respect.

### **3.2 Data quality**

In general the quality of the data gathered seems to be quite satisfactory. However some remarks have to be made in advance.

First of all we worked with 27 national experts and one on the EU level. This has the advantage to have national expertise, but of course the problem is that people are not standardized: each has its views and experiences on policy and cooperatives and it is not fully guaranteed that if somebody scores a policy measure as very effective (+4), somebody else would do the same in

the same case. There can easily be a bias due to e.g. somebody with a law background looking differently at a measure than somebody with a sociological background.

Some of these differences show up in assessing the policy measures that are probably only indirectly influencing the performance of cooperatives. Some experts see an influence of pure agricultural policies like the milk quota as having an effect on the performance of dairy cooperatives (as it could make cooperation less necessary compared to a free market, or it could make it easier as the market volume is stable) others don't see this relation (as they assume that the position of the cooperatives versus the IOFs is not influenced, nor that versus the retail). Something similar relates to rural development measures (such as the LEADER program). There might be big differences between countries in its usefulness to support cooperatives (e.g. in Denmark or the Netherlands farmers could probably easily start a new cooperative without such support, where as it seems useful in e.g. Bulgaria or Portugal). But there seems also to be differences among our experts in –at first sight- quite similar situations to which extent these policy measures are linked to cooperative performance.

A last remark concerning data quality deals with the data on the performance of cooperatives. Market share (in terms of the volume of agricultural products processed) could not always be measured, for instance the UK and Luxembourg do not have good data for this. And market share in terms of volume is only a rough indicator. Turnover of the products and net value generated would give additional insights, but such information is not available.

### **3.3 Data analysis**

The policy inventory, and the assigning of classification and scores were conducted by the national experts. This resulted in the delivery of a raw data set. Because of variation in which the data were delivered, the dataset was first standardized by the research team of this report. This process of standardization consisted of the following activities:

- 1) Codifying the answers into numerals: Some respondents already provided answers in numerals. Others copied the description, or provided a description tot their own interpretation. All were standardized into numerals for computable analysis.
- 2) Interpreting the attribution of policy effects to the building blocks. Respondents were instructed to indicate to which building block a measure would have effect. Researchers provided this attribution for the responses not mentioning the building blocks explicitly. This interpretation was done, based on the other characteristics and description of policies.
- 3) Reviewing policy measures on whether they pertain to cooperatives in the food sector and whether they pertain to the cooperative at all. Some policy measures were ambiguous in terms of their relation to cooperatives in the first place, or cooperatives in the food sector in the second place. These cases were marked in the raw data, and excluded from the standardized data set.
- 4) Indicating whether policy measures have intra-country regional application. Not all policy measures were applicable at country level. Some policies apply only to certain provinces within Member States (particularly in Spain). This was also explicitly marked in the standardized data set.

## 4. Results

In this chapter, the policies that aim to influence the opportunities and performance of cooperatives will be analysed from different perspectives. First, a general comparison on the basis of performance of cooperatives will be provided. Second this research will look for general trends in the policy typologies (number of policies, type, purpose, and target). Third, the degree of policy influence on the cooperative performance will be analysed. Fourth, this research will analyse at country-level the policy choices made regarding the types of policies. Fifth, regional policies will briefly be investigated. Last, the effects of the policies on the building blocks are investigated. In every part of the research, contrasting cases will be selected and further discussed. These contrasting cases can vary in nature. Sometimes countries are compared to each other. Sometimes, sectors are assessed.

### 4.1 Performance of cooperatives

Market shares of the cooperatives are used as a benchmark for their performance. In Table 3, the market shares of the cooperatives are provided per country and sector. Note that there is a considerable number of missing values ('00' in the table). The reason is twofold. First, not all country reports provided data on the market shares or the data was not included in the table since the authors stated that the information was unreliable (i.e.: the UK). Second, not every country has agricultural activities, of cooperatives, in all 8 sectors. The countries where all information on market shares was lacking at the time of the analysis<sup>1</sup>, are be considered in this part of research.

Some results are remarkable. Countries with very low market shares are Belgium, Lithuania, and Slovakia. This is surprising since no European country has more policies that concern cooperatives than Belgium. Moreover, Belgium has a long history in cooperatives and the Belgian government tried to revitalise agricultural cooperatives in 2003. For Lithuania, the low performance can be explained by their culture of low engagement in cooperatives and the weak role of these cooperatives in the food chain. For Slovakia, the bad performance of their cooperatives must not be too troubling since the market share of their main cooperatives (in the dairy sector) is still increasing.

Countries with – in general - better performances are The Netherlands and France. The overall strong performance of French cooperatives is explained by their strategy to invest in processing: cooperatives control most of the upstream of the food chain (75% of French farmers are members of at least one coop) and have to sell off all the products of their farmer members at the upstream of the chain. Hence, they are in first line when some agricultural sectors are in crisis and in the past they bought some companies that were in a difficult position (in dairy, poultry, foie gras...) or because private investors decided to invest in more profitable sectors and sold their shares. A similar situation can be found in the Netherlands.

Ireland and Malta are specific cases since they have good performing cooperatives in some key sectors. For Ireland this is the dairy sector. For Malta these are the dairy, wine, and pig meat sector. The Irish success in the dairy sector can be explained by the Irish Dairy Board, which is owned by the Dairy cooperatives. In Malta, the success is explained by its long history in cooperatives, its specific constitution and the central cooperative fund.

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<sup>1</sup> After completing the analysis, in a few cases country experts revised their report and were able to come up with new estimations. And for presentation purposes old data for the UK (2001) and Slovenia (2003) were used in some maps presented in the project. It was not possible to include that information in this analysis.

Table 3: Market share (in %) of the cooperatives per sector and country

Country	Market Share							
	Cereals	Dairy	Vegetable	Pig Meat	Wine	Sugar	Sheep	Olives
Austria	70	95	50		15			
Belgium	5	12	83	21			1	
Bulgaria								
Cyprus					10			
Czech		66	35	25	8		20	
Denmark		94	50	86				
Estonia	10	35	4	1				
Finland	49	97	40	81				
France	74	55	35	94	38	62		
Germany	50	65	40	20	33			
Greece			35	0	15			
Hungary	12	31	18	25	9	30	20	
Ireland		99		0				
Italy	27	42	50		52	20		5
Latvia	38	33	12	0			6	
Lithuania		25						
Luxembourg								
Malta		91	20	100	70			
Netherlands	55	90	95	0		100		
Poland	7	72	11					
Portugal		70	25		42			30
Romania								
Slovakia	16	25	10	11				
Slovenia	42	80	70					
Spain	35	40	50	25	70	28	25	70
Sweden		100	70	51			55	
UK	2	6	35					

Other countries have very diverse performance. Spanish cooperatives are relatively successful in the olives and wine sector for example while they are less successful in sheep and pig meat. Note that the dairy sector seems to be suitable for cooperatives. If countries have strong cooperatives, it is likely that these cooperatives are found in the dairy sector.

## 4.2 Descriptive statistics

### 4.2.1. Number of policy measures

Table 4 demonstrates the number of policies affecting the cooperatives across the European member states, according to our experts. With 64 policies, Belgium has generated the most cooperative-affecting policies. This is an extreme example however. Other countries with considerable numbers of policies are Bulgaria, Greece, Hungary, Latvia, Poland, Romania, and Spain. But these countries ‘just’ have around 20 policies. To explain the large number of policies in Belgium, a reference to their long cooperative history can be made. Additional to this, the different regions (especially Flanders and Wallonia) in Belgium also generated a considerable number of policies independent from each other. All these regional policies are taken into account as well. Also Spain is characterised by regional policies trying to affect cooperative’s performances. For other countries, a higher number of policies indicates an attitude of the government to change the opportunities for cooperatives. In almost all cases (Bulgaria, Greece, Hungary, Latvia, Poland, and Romania), this attitude is explained by the eager to deal with market imperfections (see 4.2.2. Purpose of policy measure).

Countries with few policies aiming at cooperatives are Luxembourg (1 policy), Estonia (2), and Austria (3). For Estonia this might seem surprising, as it could be expected that they as well should transform their economy and deal with market and regulatory imperfections. The reason for Estonia to have this few policies that aim for cooperatives is probably linked to its free market orientation and a consequence of the country’s lack of cooperatives however. In total just 29 cooperatives operate in Estonia. In the agricultural sector there are only 10 cooperatives: 6 in dairy, 1 in vegetable, 1 in pig meat, 1 in cereal, and 1 in animal breeding. With only a few cooperatives, one does not expect an institutional lobby for support measures. For Luxembourg, the low number of policies is explained by deliberate choices of the government. Until 1980, a number of policies specifically targeted the cooperatives existed. Then it was decided however to replace these cooperative-specific policies by measures for all agricultural structures.

The case of Austria is especially interesting since the country has just 3 policies targeting their cooperatives while at the same time they have very strong cooperatives in some sectors (dairy and cereals). The Austrian policies are very effective on the other hand; they have a mean score of 3 on 4. Thus it might be the quality, more than quantity of the policies that is important. This is discussed below in more detail (see: 4.3.1 Policies in best performing cooperative sectors). In general however, it can be observed that the ‘successful’ countries (Table 3) only have 4 to 5 policies. This is in contrast to Belgium and Spain, both with a considerable number of policies but with less success in terms of market share.

Table 4: Number of policy measures per type, per country:

	Total number of policies	Type of policy									
		Mandate		Inducement		Capacity building		System changing		Other	
		%	Count	%	Count	%	Count	%	Count	%	Count
Austria	3	66,7%	2	33,3%	1	,0%	0	,0%	0	,0%	0
Belgium	64	4,7%	3	68,8%	44	10,9%	7	9,4%	6	6,3%	4
Bulgaria	19	84,2%	16	5,3%	1	5,3%	1	5,3%	1	,0%	0
Czech Republic	4	50 %	2	50,0%	2	,0%	0	,0%	0	,0%	0



Denmark	4	75 %	3	25,0%	1	,0%	0	,0%	0	,0%	0
Estonia	2	100 %	2	,0%	0	,0%	0	,0%	0	,0%	0
Finland	4	75 %	3	25,0%	1	,0%	0	,0%	0	,0%	0
France	8	62,5%	5	37,5%	3	,0%	0	,0%	0	,0%	0
Germany	5	60 %	3	20,0%	1	,0%	0	,0%	0	20,0%	1
Greece	20	65 %	13	30,0%	6	5,0%	1	,0%	0	,0%	0
Hungary	22	63,6%	14	36,4%	8	,0%	0	,0%	0	,0%	0
Ireland	4	100 %	4	,0%	0	,0%	0	,0%	0	,0%	0
Italy	13	84,6%	11	15,4%	2	,0%	0	,0%	0	,0%	0
Latvia	18	77,8%	14	11,1%	2	,0%	0	11,1%	2	,0%	0
Lithuania	6	16,7%	1	66,7%	4	16,7%	1	,0%	0	,0%	0
Luxembourg	1	,0%	0	100,0 %	1	,0%	0	,0%	0	,0%	0
Malta	4	50,0%	2	50,0%	2	,0%	0	,0%	0	,0%	0
Netherlands	5	60,0%	3	40,0%	2	,0%	0	,0%	0	,0%	0
Poland	19	47,4%	9	26,3%	5	10,5%	2	15,8%	3	,0%	0
Portugal	7	28,6%	2	14,3%	1	42,9%	3	14,3%	1	,0%	0
Romania	18	72,2%	13	27,8%	5	,0%	0	,0%	0	,0%	0
Slovakia	5	60,0%	3	20,0%	1	,0%	0	20,0%	1	,0%	0
Slovenia	5	60,0%	3	40,0%	2	,0%	0	,0%	0	,0%	0
Spain	20	,0%	0	80,0%	16	20,0%	4	,0%	0	,0%	0
Sweden	4	75,0%	3	25,0%	1	,0%	0	,0%	0	,0%	0
UK	11	54,5%	6	,0%	0	45,5%	5	,0%	0	,0%	0
EU Total	295	47,5%	140	38,0%	112	8,1%	24	4,7%	14	1,7%	5

#### 4.2.2. Type of policy measures

Table 4 also provides an overview of the type of policies the European member states tend to use. The most frequently used policy type is a 'Mandate'. The only exceptions here are again Belgium, Lithuania, Portugal, and Spain. Belgium, Lithuania, and Spain focus on 'Inducement type of policies', since their cooperatives are not that strong (except wine cooperatives in Spain) this looks like a logical strategy. Portugal is targeted at the use of 'Capacity building type of policies'. This is still a result of their past policy strategy. The Portuguese country report stated that in order to survive, the Portuguese agricultural co-operatives require an external shock that leads to structural changes. The achievement of this goal requires policy measures and public financial support not provided in the past.

Overall, the 'Capacity building' policies are also less popular. Together with 'System change' they are the less used policy types. Only Belgium has a number of policies of these types, but seen in Belgium's overall portfolio they are still unimportant.

### 4.2.3. Purpose of policy measures

Policies can try to correct market/regulatory failures or can aim for the obtainment of equity and social goals. In some particular cases, policies can even try to achieve both goals. In general, most of the policies try to correct market and regulatory failures. In total, 192 of the 290 policies try to correct failures. Of these 192 policies, 16 also try to obtain equity and social goals. Only 98 policies are solely trying to obtain equity and social goals.

Table 5: Objective of the policies per country

	Correction of market/ regulatory regulatory failure		Obtaining equity and social goals		Obtaining equity and social goals AND correction of market/regulatory failure	
	Count	%	Count	%	Count	%
Austria	2	66,7%	1	33,3%	0	,0
Belgium	37	57,8%	26	40,6%	1	1,6%
Bulgaria	12	63,2%	7	36,8%	0	,0
Czech Republic	3	75,0%	1	25,0%	0	,0
Denmark	2	50,0%	2	50,0%	0	,0
Estonia	0	,0	2	100,0%	0	,0
Finland	2	50,0%	2	50,0%	0	0
France	0	,0	3	50,0%	3	50,0%
Germany	3	60,0%	2	40,0%	0	,0
Greece	16	88,9%	2	11,1%	0	,0
Hungary	18	81,8%	0	,0	4	18,1%
Ireland	3	75,0%	1	25,0%	0	,0
Italy	7	53,8%	6	46,2%	0	,0
Latvia	7	38,9%	11	61,1%	0	,0
Lithuania	5	83,3%	0	,0	1	16,7%
Luxembourg	1	100 %	0	,0	0	,0
Malta	1	25,0%	0	,0	3	75,0%
Netherlands	4	80,0%	1	20,0%	,0	,0
Poland	16	84,2%	3	15,8%	,0	,0
Portugal	4	57,2%	3	42,9%	,0	,0
Romania	15	83,3%	0	,0	3	16,7%
Slovakia	2	50,0%	2	50,0%	0	,0
Slovenia	5	100,0%	0	,0	0	,0
Spain	0	,0	20	100,0%	0	,0
Sweden	1	25,0%	3	75,0%	0	,0
UK	10	91,0%	0	,0	1	9,0%
EU Total	176	60,7%	98	33,8%	16	5,5%

Only a few countries focus more on obtaining equity and social goals. These countries are Estonia, Latvia, Spain, and Sweden. Besides in Spain, these focusses are not very distinct however. The number of Spanish policies trying to support the obtainment of equity and social goals is 20, while none of their policies tries to correct failures. Only Belgium has more policies that aim for the obtainment of equity and social goals, but Belgium has even more policies (37) that aim for market and regulatory corrections. Both in Spain and in Belgium, the regional and national governments designed policies to obtain equity and social goals. Consequently, it is difficult to identify one single strategy or explanation why they focus a bit more on this objective. The county reports of Estonia and Latvia do not provide a clear explanation for the focus neither.

#### 4.2.4 Targets of the policies

Policies can have different targets. The most general policies aim at businesses in general. More specific policies can also focus on cooperatives in particular however. Last policies can also target subsectors instead of the entire economy. These three possible targets are not targeted exclusively by a policy. One policy can also combine the different targets. The following table provides an overview of the policies' targets per country.

Table 6: Target of the policies per country

	Specific to cooperative	Relating to a subsector	Applies to business in general	'Relating to a subsector' & 'Applies to business in general'	'Specific to cooperative' & 'Relating to a subsector'	'Specific to cooperative' & 'Applies to business in General'
Austria	1	0	2	0	0	0
Belgium	10	13	40	1	0	0
Bulgaria	9	0	4	0	4	2
Czech Republic	0	2	1	1	0	0
Denmark	0	1	3	0	0	0
Estonia	2	0	0	0	0	0
Finland	2	1	1	0	0	0
France	5	0	3	0	0	0
Germany	2	1	1	1	0	0
Greece	0	0	0	0	0	0
Hungary	1	3	3	0	15	0
Ireland	1	1	2	0	0	0
Italy	3	1	8	0	0	1
Latvia	2	5	11	0	0	0
Lithuania	2	2	2	0	0	0
Luxembourg	0	1	0	0	0	0
Malta	3	0	0	1	0	0
Netherlands	1	1	3	0	0	0
Poland	11	6	2	0	0	0
Portugal	3	3	1	0	0	0
Romania	6	6	5	1	1	0
Slovakia	2	1	0	0	1	1
Slovenia	1	2	2	0	0	0
Spain	10	2	9	0	0	0
Sweden	2	0	1	0	0	1
UK	10	0	1	0	0	0
EU Total	89	52	105	5	21	5

Most of the policies are designed for business in general, thus not solely for agribusinesses. These general policies do however influence the functioning of the cooperatives. Second, policies that target especially the cooperatives are used. Last, policies that relate to subsectors influence cooperatives. Note as well that only a few of the policies have several targets. When this is the case however, they are likely to target both a sub-sector and cooperatives in specific.

This situation is not very dominant however. In a considerable number of countries the policies specific for cooperatives outnumber the policies that apply to business in general as well. The UK, Poland, and Malta are countries that deliberately choose for policies that are specific for cooperatives. For the UK it is hard to identify one single reason to explain this focus as a significant number of the policies are designed by their 'regions'. For Malta and Poland, the focus can partially be explained by their accession to the European Union. For Malta the choice to target cooperatives indirectly results from their accession to the European Union. Prior to Malta's accession, the government designed incentives schemes that helped farmers to organise in co-operatives. The Polish focus started before their accession to the European Union in 2004. During the nineties the number of Polish cooperatives declined rapidly. Then in 2000, the Law on Producer Groups marked a new approach. The measures were initiated in order to strengthen the cooperation among agricultural producers. After 2007, support to producer groups was included in the Rural Development Program

Belgium, Denmark, Italy, and Latvia on the other hand choose for policies that apply to businesses in general. For Latvia, this can be explained by the lack of a strategy that focusses on cooperatives. There is a lack of policy supporting the development of cooperatives. Remember that the Latvian cooperatives are not strong either. The same can be said about the policy in Denmark. There is no such thing as a Danish Cooperative law or special form targeting the cooperatives. Nevertheless, the Danish cooperatives in the dairy and pig meat sector are performing very well. These strong cooperatives are thus formed on initiative of the sector itself and do not require government interference. The situation in Italy is somehow different. Most of their policies are targeted at business in general. In the period 2000 – 2010 however the Italian government started to design regulation actions that put the cooperatives as key players in future strategies for the agricultural sector and make the institutional environment in which co-operatives work clearer. Also in Italy, the European Union positively impacted this new focus of the government on cooperatives. The EU's Common Market Organisation that deals with producer organisations especially triggered the attention for cooperatives. The Belgian case is the most complicated one. The structure of the Belgian state is responsible for the overall set of policies. Mainstream agricultural policy is predominantly stipulated at the European level. Agriculture as a policy field is the sovereign responsibility of the subnational regions. This only leaves the policies targeting the cooperatives as a responsibility of the federal government. Therefore it is difficult for the latter to specifically design policies that target agricultural cooperatives.

### **4.3 Contrasting sectors and countries**

Table 7 combines information on the market shares with the scores attributed to the policies by country experts. The scores are an indicator for the effect the policies have on the functioning of cooperatives. The effect can either be positive (+4) or negative (-4). No real correlation can be observed between the current performance of the cooperatives and the scores attributed to policies by experts. Countries with high average scores are Austria, France, Latvia, and Lithuania. Austria and France have strong cooperatives in some sectors. In Latvia and Lithuania, the cooperatives are less strong however. The high average score of the Latvian policies is surprising since their policies focus on businesses in general and do not aim for cooperatives in particular. The Lithuanian government did follow a strategy that wants to support cooperatives. Cooperatives faced a difficult period during and after the socialistic era. From 2004 however the

number of cooperatives started to rise again. This increase is partially due to some government policies designed in the same period – this substantiates the high score for the policies. These policies provided (efficient) substantial methodological, legal and financial support from the state to newly founded Lithuanian agricultural cooperatives. Small-size cooperatives remain dominant however, explaining their low market share.

Table 7: Policy scores and market shares (%) per country

	Mean Score	Market Share Cereals	Market Share Dairy	Market Share Vegetable and Fruit	Market Share Pig Meat	Market Share Wine	Market Share Sugar	Market Share Sheep Meat	Market Share Olives
Austria	3	70	95	50		15			
Belgium	1	5	12	83	21			1	
Bulgaria	2								
Cyprus						10			
Czech Rep.	0		66	35	25	8		20	
Denmark	1		94	50	86				
Estonia	-	10	35	4	1				
Finland	1	49	97	40	81				
France	3	74	55	35	94	38	62		
Germany	1	50	65	40	20	33			
Greece	2			35	0	15			
Hungary	2	12	31	18	25	9	30	20	
Ireland	0		99		0				
Italy	1	27	42	50		52	20		5
Latvia	3	38	33	12	0			6	
Lithuania	3		25						
Luxembourg	1								
Malta	2		91	20	100	70			
Netherlands	1	55	90	95	0		100		
Poland	1	7	72	11					
Portugal	0		70	25		42			30
Romania	2								
Slovakia	2	16	25	10	11				
Slovenia	0	42	80	70					
Spain	2	35	40	50	25	70	28	25	70
Sweden	1		100	70	51			55	
UK	1	2	6	35					

The situation in countries with low average scores are just as diverse. The lowest average score is 0. This score is obtained by the Czech Republic, Ireland, and Portugal. For the Czech Republic, the evaluation of the policy scores is clear: “There is no policy measure which improves or negatively affects the competitive position of producers’ marketing organisation/cooperatives” (Country report, this project). The Czech cooperatives on the other hand need to improve their bargaining position and long-term marketing mechanisms. Thus there are some opportunities

for good policies. The Irish situation is completely different from the Czech situation. The cooperatives in the dairy sector are strong. They have a market share of 99%. This performance is explained by their evolutionary performance. The Irish policies do not help their cooperatives however. Especially competition law and the reduction of export refunds limited the possibilities of cooperatives.

A similar situation can be observed in Portugal. The dairy cooperatives in Portugal are quite strong (market share of 70% and rising) but the cooperatives complain that they hardly attract attention from public authorities. All cooperatives in other sectors are losing market share. The general raised concern in Portugal is that the performance is not improving fast enough in comparison with the performances of other exporting countries.

#### 4.3.1 Policies in countries with high market share of cooperatives

A selection of countries with well performing cooperative sectors (chains) will be analysed first. We have chosen the top-6 countries in terms of the average ranking in market shares of the cooperative sector. The market shares are presented per sector in table 8 together with the average score attributed to policies by the experts. Different situations in which policies are being missed, are useless, or are effective occur. Thus it is a good illustration of the diversity of cooperative policy measures in the European Union.

Table 8: Market shares (%) of cooperatives and scores of policies per country, in countries with strong cooperatives

Country	Mean Score	Cereals	Dairy	Vegetable and Fruit	Pig Meat	Wine	Sugar	Sheep Meat	Olives
Austria	3	70 %	95 %	45 %	0 %	15 %	0 %	0 %	0 %
Denmark	1	15 %	94 %	0 %	86 %	0 %	0 %	0 %	0 %
Ireland	0	0 %	99 %	0 %	66 %	0 %	0 %	0 %	0 %
Malta	2	0 %	91 %	21 %	100 %	70 %	0 %	0 %	0 %
Netherlands	1	58 %	83 %	95 %	85 %	0 %	100 %	0 %	0 %
Sweden	1	0 %	99 %	0 %	51 %	0 %	0 %	55 %	0 %

As indicated in the previous section, this table confirms that the average scores differ considerably among the top-6 countries. The Irish policies are supposed to have a neutral effect on the functioning of the cooperatives (average score = 0). Despite this neutral valuation, Ireland has very strong cooperatives in the Dairy sector. We explained already that this strong position can be partially explained by the long history of the Irish cooperatives. Thus the cooperatives maybe also need less support.

The situation in Denmark is comparable to the Irish situation but Denmark is characterised by strong cooperatives in multiple sectors. In the dairy and pig meat sector the dominance of cooperatives is clear. Moreover, the Danish cooperatives' role is also very large in cereal trade and input supplying. The main reason for the success of the Danish cooperatives is the long tradition of very market oriented agricultural production and natural conditions gave a strong position for domestic production that is important for cooperatives. Second, the role of cooperatives has been very strong since the beginning of the cooperative movement. Danish policies do not specifically target the cooperatives – they are strong – already. The only

supportive policy that is designed in favour of the cooperatives can be found in taxation. Thus in Denmark, policies are not needed at present due to the strong history of the cooperatives.

The Irish situation is contrasted by the Austrian situation. Just as in Ireland, Austrian dairy cooperatives are very strong. In Austria however, government policies did influence the cooperatives positively, although these policies were not targeted at the cooperatives but rather at businesses in general. Much of the positive policy influence is also attributed to European legislation and the international trade opportunities. This is a (modest) example of positive policy influence.

Also in the Netherlands the cooperatives are generally well performing in multiple sectors. And also in the Netherlands, most of the cooperatives have a long history. In the Netherlands however, different parts of legislation are supportive for the cooperatives: "Flexible cooperative laws support experimentation and development of internal governance systems and financial arrangements between farmers and their cooperatives that do not block (and perhaps even unleash) the entrepreneurial attitude of the farming community" (Country report, this project).

In Malta, most of the cooperatives are struggling to maintain overall financial and competitive performance. Here, good policies were needed to support existing cooperatives. The evidence demonstrates 'that most of the policy measures that have been put in place have had effects on all agricultural co-operatives' (Country report, this project). Thus efficient policies supported the cooperatives in Malta.

Also in Sweden the cooperatives struggled to face changing circumstances. As a consequence they lost part of their market share – and some of the cooperatives are now transnational ones with important Danish or Finnish management. However, the role of Swedish cooperatives is still strong. The cooperatives especially suffer due to the government's decision to leave domestic agriculture without almost any national support in 1995 when Sweden joined EU meant that position of Swedish domestic production in the food chain was weakened. Besides some tax and competition regulation, there are still no policies positively influencing the cooperatives. Thus in this situation, there are opportunities for the Swedish government to design these kind of policies.

#### *Policy targets*

Table 9: Number of policies per target in combination with average policy scores

	Mean Score Specific to cooperative	Number of policies Specific to cooperative	Mean Score Relating to a subsector	Number of policies Relating to a subsector	Applies to businesses in general	Number of policies Applies to business in general	'Relating to a subsector' & 'Applies to business in general'	Number of policies 'Relating to a subsector' & 'Applies to business in general'
Austria	4	1	-	0	2	2	-	0
Denmark	.	0	1	1	1	3	-	0
Ireland	-1	1	2	1	-1	2	-	0
Malta	2.66	3	-1	1	-	0	-1	1
Netherlands	0	1	2	1	1	3	-1	1
Sweden	1	3	-	0	1	1	0	1

Since cooperatives perform well in some sectors but worse in other sectors, it could be expected that countries target their policies at specific subsectors. Table 9 demonstrates however that this is not necessarily true. Most of the 6 countries focus on policies that aim for businesses in general. The only exceptions are Malta and Sweden that focus on cooperatives. Note that if countries numerically focus on policies that target cooperatives, the scores for these policies will also be higher (4 for Austria and 2.66 for Malta). Countries that have good policies that aim at specific subsectors are Ireland and the Netherlands. For Ireland it can still be argued that this is shown in the performance of their cooperatives as Irish cooperatives are just strong in two sectors. This is not the case for the Netherlands however. Dutch cooperatives are dominant in 5 sectors. Sweden and Denmark are the two countries where there was not really a government strategy for cooperatives; this is shown in table 9. Most of their policies target businesses in general. The performance of their cooperatives is predominantly determined by history of the cooperatives

### *Policy objectives*

The trend in the objectives of the policies of countries with strong cooperatives does not differ from the trend of the EU in general to focus on the correction of market or regulatory failures (See 4.2.3. Purpose of policy measures). Neither is it possible to distinguish a trend for the scores of policies trying to correct market/regulatory failures. Malta is a notable exception again because Malta's policies effectively manage to combine the corrective objective with the obtainment of equity and social goals.

Table 10: Number of policies per objective in combination with average policy scores

	Mean Score Correction of market/regula tory failure	Number of policies Correction of market/regula tory failure	Mean Score Obtaining equity and social goals	Number of policies Obtaining equity and social goals	Mean Score 'Correction of market/regulat ory failure' and 'Obtaining equity and social goals'	Number of policies 'Correction of market/regulator y failure' and 'Obtaining equity and social goals'
Austria	3	2	2	1	.	0
Denmark	1	2	1	2	.	0
Ireland	0	3	0	1	.	0
Malta	2	1	.	0	3	3
Netherlands	1	4	2	1	.	0
Sweden	1	1	1	3	.	0

### **4.3.2 Policies in countries with low market share for cooperatives**

There are just a few countries with strong cooperatives in all sectors. Instead it is easier to identify countries with a low cooperative market share in every sector. This part of the research will consider Belgium, Estonia, Hungary, Latvia, Lithuania, and Slovakia. The market shares of the cooperatives are presented together with the average scores of their policies in table 11.

Once again it is difficult to observe trends in the relation between performance of the cooperative sector, and the average scores of policies that influence cooperatives. Even though cooperatives are not performing well, the attributed scores are not necessarily low or negative. Latvia and Lithuania appeared to have developed policies with a positive influence, given the high scores. But still the performance of their cooperatives is low. Latvian cooperatives are getting more important however. The policies in Latvia are also more of the general type, focussing less specifically on cooperatives. Thus the impact of the good Latvian policies might be modest as well. Also in Lithuania, the number of cooperatives is increasing. These new



cooperatives are receiving substantial methodological, legal and financial support from State and other European countries. The situation in Slovakia is somehow comparable. Also in Slovakia, the number of cooperatives is increasing. And also in Slovakia, the accession to the European Union in 2004 was important to stimulate the formation of cooperatives. The type of policies that stimulate cooperatives relate to business organisational law (e.g. the laws and regulation on cooperatives as a business organisation), tax law, and competition law. Also in Slovakia, these policies are appreciated by the cooperatives. So in this cases the high appreciation of effectiveness of the policies by our experts is substantiated by the fact that they have turned around the situation from cooperatives on their way to extinction towards a growth in market share, all be it on a very low level compared to e.g. Denmark or the Netherlands.

Table 11: Market shares (%) of cooperatives and scores of policies per country, for countries with low market shares for cooperatives

	Cereals	Dairy	Vegetable and Fruit	Pig Meat	Wine	Sugar	Sheep Meat	Olives	Mean Score of policy
Belgium	4,70	12,50	22,10	20,80	0	1,60	0	0	1
Estonia	10,00	35,10	4,20	,80	0	0	0	0	.
Hungary	32,20	2,90	0	5,40	12,10	1,40	5,00	0	2
Latvia	37,30	33,30	11,80	0	0	0	0	0	3
Lithuania	1,00	25,00	1,00	1,00	1,00	1,00	1,00	1,00	3
Slovakia	15,90	24,50	10,20	11,10	,00	0	0	0	2

In Hungary the story is different. Hungarian cooperatives face a number of difficulties to increase or maintain their competitiveness. The main reasons for this negative environment for cooperatives are the insufficient level of trust and willingness to cooperate (especially in agriculture) and the lack of social capital. This plays a significant role in the decreasing number of cooperatives. Nevertheless, the Hungarian government designed some policies that positively impact their cooperatives (average score of 2). Most of these policies are related to the New Hungary Rural Development Programme (2007-2013).

For Estonia, no average policy score was provided. But between 2000 and 2010 the number of Estonian cooperatives declined sharply. Because the cooperative model is not important in Estonia, the government does not attend special attention on the development issues of cooperation and cooperatives, as Estonian political system is also built up on principles of economic liberalism.

### *Policy targets*

Table 12 provides an overview of the number of policies per target and their accompanying average scores for the selected countries with weak cooperatives.

Table 12: Number of policies per objective in combination with average policy scores

	Mean Score Specific to cooperative	Number of Policies Specific to cooperative	Mean Score Relating to a subsector or	Number of Policies Relating to a subsector	Mean Score Applies to business in general	Number of Policies Applies to business in general	Mean Score 'Number of Policies 'Specific to cooperative' & 'Relating to subsector'	'Number of Policies 'Specific to cooperative' & 'Relating to subsector'	Mean Score 'Number of Policies 'Relating to subsector' & 'Applies to business	'Number of Policies 'Relating to subsector' & 'Applies to business
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									in general'	in general'
Belgium	2	10	1	13	1	40	.	0	-2	1
Estonia	.	2	.	0	.	0	.	0	.	0
Hungary	3	1	4	3	0	3	3	15	.	0
Latvia	3	2	2	5	3	11	.	0	.	0
Lithuania	4	2	2	2	3	2	.	0	.	0
Slovakia	2	2	2	1	.	0	2	1	-2	1

Belgium and Latvia use more policies that apply to business in general than other types of policies. The Belgian policies however have an average score of 1 while the Latvian general policies are more appreciated with an average score of 3.

In Lithuania, the policies equally target the three different objectives. Also in Lithuania the average scores of the policies are good by the way. The Lithuanian average score of policies targeting the cooperatives is very high (4). This partially explains the increasing number of cooperatives in Lithuania and Latvia (See 4.3.2 Policies in poorly performing cooperative sectors).

From the remaining countries, only Estonia exclusively influences the cooperatives through policies targeted directly at them. But the importance of cooperatives and these policies in Estonia is negligible. Also Slovakia uses more policies targeting the cooperatives than other types of policies. The average score of these policies (2) is good, but not as excellent as the score of Lithuania, Latvia, or Hungary.

Last, Hungary has a very diverse portfolio of policies. Its policies that target the cooperatives and subsectors are efficient in influencing cooperatives (with average scores of respectively 3 and 4). Their policies that target business in general are less influential however. What is notable is the high number of policies that want to target both cooperatives and subsectors. This is unique for the countries with weaker cooperatives. Moreover, the Hungarian policies combining these targets are of good quality as well (average score of 3). The weak performance of Hungarian cooperatives is explained by their the lack of trust and social capital however. Despite theoretical advantages of co-operation, there were only just a small number of new types of co-operatives established in agriculture recently and generally speaking the level of co-operation and willingness to co-operate is very low in Hungary (Tarki, 2005).

Policies that combine elements that relate to subsectors and apply to businesses in general seem to have a negative impact on cooperatives. Both in Belgium and Slovakia, these policies have negative scores.

### *Policy Objective*

Table 13 provides an overview of policies of the selected countries per policy objective. Both the number of policies and the average scores are presented.

Just as for the countries with stronger cooperatives, most of the countries focus on policies that try to correct market or regulatory failures. Latvia is the only exception, they focus more on obtaining equity and social goals. Based on this distinction it is hard to identify policy types that are more efficient in influencing cooperatives. It must be noted however that a lack of social capital and trust (e.g. Hungary) will not be solved by solely focussing on corrective measures.

Table 13: Mean score of policies per objective

Country	Mean Score Correction of market/regulat ory failure	Number of policies Correction of market/regulat ory failure	Mean Score Obtaining equity and social goals means	Number of policies Obtaining equity and social goals means	Mean Score 'Correction of market/regulatory failure' & 'Obtaining equity and social goals means'	Number of Policies 'Correction of market/regulatory failure' & 'Obtaining equity and social goals means'
Belgium	1	37	0	26	1	1
Estonia	.	0	.	2	.	0
Hungary	2	18	.	0	3	4
Latvia	2	7	3	11	.	0
Lithuania	3	6	.	0	1	1
Slovakia	2	2	1	2	.	0

#### 4.3.3 Contrasting countries with different number of policies

In table 14, countries with few policies are compared with countries with a large number of policies. The seven countries with a low number of policies are presented in *Italics*. The seven countries with a large number of policies are presented in **Bold**.

Table 14: Contrast between market shares and policy scores of countries with a few policy measures (*in italics*) and a large number of policy measures (**in bold**).

	Number of policies	Score	Market Share Cereals	Market Share Dairy	Market Share Vegetable and Fruit	Market Share Pig Meat	Market Share Wine	Market Share Sugar	Market Share Sheep Meat	Market Share Olives
		Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean
<i>Austria</i>	3	3	70,00	95,00	45,00	,00	15,00	,00	,00	,00
<b>Belgium</b>	64	1	4,70	12,50	22,10	20,80	,00	1,60	,01	,00
<b>Bulgaria</b>	20	2	,00	,00	,00	,00	,00	,00	,00	,00
<i>Czech Republic</i>	4	0	1,00	66,00	35,00	25,00	8,00	,00	20,00	,00
<i>Denmark</i>	4	1	15,00	94,00	,00	86,00	,00	,00	,00	,00
<i>Estonia</i>	2	.	10,00	35,10	4,20	,80	,00	,00	,00	,00
<b>Hungary</b>	22	2	32,20	2,90	,00	5,40	12,10	1,40	5,00	,00
<i>Ireland</i>	4	0	,00	99,00	,00	66,00	,00	,00	,00	,00
<b>Latvia</b>	18	3	37,30	33,30	11,80	,00	,00	,00	,00	,00
<i>Malta</i>	4	2	,00	91,00	21,00	100,00	70,00	,00	,00	,00
<b>Poland</b>	19	1	70,00	70,00	12,00	7,00	,00	,00	,00	,00
<b>Romania</b>	18	2	,00	,00	,00	,00	,00	,00	,00	,00
<b>Spain</b>	21	2	35,00	40,00	32,00	25,00	70,00	28,00	25,00	70,00
<i>Sweden</i>	4	1	,00	99,00	,00	51,00	,00	,00	55,00	,00

Note the parallels between table 14 and tables 8 and 11. The countries represented in table 14 can often also be found in the tables representing both the countries with strong and weak cooperatives. From the countries with strong cooperatives, only the Netherlands is missing in this table. All the other countries with strong cooperatives (Austria, Denmark, Ireland, Malta, and Sweden) can be found among the countries with just a few policies influencing the

cooperatives however. This suggest that when strong cooperatives are formed, less governmental support is offered or needed.

Other countries with just a few policies trying to influence cooperatives are the Czech Republic and Estonia. For Estonia it was already explained that they lack interest in the model of cooperatives. In the Czech Republic there is also a lack of policies that influence cooperatives, but here the cooperatives are much more free. They are also offered the possibility to have legal statutes for example. That is why some stronger Czech cooperatives can be found as well (e.g. in dairy).

Countries with a lot of policies influencing the cooperatives tend to have weaker cooperatives however. From the list in table 11, the following appear among the countries with a large number of influencing policies: Belgium, Hungary, and Latvia. Lithuania and Slovakia are not represented in table 14. They have more average numbers of policies but remember as well that the quality of their policies was quite good already and that the number of cooperatives in these countries is rising (See 4.3.2 Policies in poorly performing cooperatives).

The other countries in the table representing the group of countries with a significant number of policies also have weaker cooperatives in general. Only in some exceptional cases, cooperatives can be found that are very present in their sectors. This is the case for the Wine and Olives cooperatives in Spain, and the Polish Cereals and Dairy cooperatives. In comparison with the performance of cooperatives in countries with just of few of cooperative-related policies, that are not that dominant however. In Austria, Denmark, Ireland, Malta, and Sweden specific sectors are completely dominated by cooperatives (market shares over 95%). Only in Estonia (maximum market share of 35,10%) and the Czech Republic (maximum market share of 66%), it was possible to observe less dominant cooperatives. Once again it is necessary to stress that this is just a snapshot observation. It is possible that the strong cooperatives were formed by multiple policies in the past. But these policies are not required anymore and disappeared.

## 4.4 Type of policy

Different countries might prefer different types of policies to reach their goals. Table 15 provides an overview of the used policies per country, and the share of the policy type in the overall portfolio of the countries. Eight different policies are distinguished, a ninth type – ‘Other’ – is added to bundle the policies that cannot be classified in one of the 8 other categories. When one type of policy is the most used policy for a country, the share of this policy is presented in *Italics and Bold*.

There is no dominant policy type for the EU. Different countries tend to use other policy types as well. The policy types that are slightly more used are ‘competition laws’ (which sometimes has positive and sometimes negative influence on cooperatives) and ‘financial and other incentives’. These policy types are followed by ‘cooperative legislation’ and ‘mandates’.

There also exists large variance in the extent to which countries rely upon these policies. Competition law is first investigated. For Latvia, 72% of their policies are competition laws. For Germany and Slovakia however, this is just 33%, although competition laws are still the most used policies for these countries. The same variance can be observed for other countries and types of policies.

Table 15: Type of policy per country (in % of total per country)

	Mandate	Induce- ment	Capacity building	System change	Other	Cooperative legislation	Competition law	Financial and other incentives	Technical assistance
Austria	0	0	0	0	0	33	33	33	0
Belgium	15	<b>65</b>	10	12	6	15	15	15	15
Bulgaria	<b>84</b>	5	5	5	0	0	0	0	0
Czech Rep.	0	0	0	0	0	25	25	<b>5</b>	0
Denmark	0	0	0	0	0	25	<b>50</b>	25	0
Estonia	<b>67</b>	0	33	0	0	0	0	0	0
Finland	0	0	0	0	0	<b>50</b>	25	25	0
France	22	0	0	0	0	22	22	<b>33</b>	0
Germany	0	17	0	0	17	33	33	0	0
Greece	0	0	5	0	0	<b>65</b>	0	3	0
Hungary	0	0	0	0	0	<b>41</b>	23	36	0
Ireland	25	0	0	0	0	25	<b>50</b>	0	0
Italy	31	0	0	0	0	0	<b>54</b>	15	0
Latvia	0	11	0	11	0	6	<b>7</b>	0	0
Lithuania	0	0	0	0	0	13	0	<b>50</b>	38
Luxembourg	0	0	0	0	0	0	0	<b>100</b>	0
Malta	33	0	33	0	0	0	0	33	0
Netherlands	<b>60</b>	40	0	0	0	0	0	0	0
Poland	16	<b>26</b>	0	16	0	16	16	0	11
Portugal	0	14	0	14	0	14	14	0	<b>43</b>
Romania	0	5	0	0	0	<b>40</b>	25	25	5
Slovakia	0	0	0	17	0	17	33	33	0
Slovenia	0	0	0	0	0	20	40	40	0
Spain	0	0	20	0	0	0	0	<b>80</b>	0
Sweden	0	0	0	0	0	25	<b>50</b>	25	0
UK	<b>55</b>	0	45	0	0	0	0	0	0

At country level, Luxembourg is an extreme example as it solely relies upon financial and other incentives. But agriculture, and agricultural cooperatives, are not of strategic importance in Luxembourg, thus this example will not be further investigated.

A second interesting country is Bulgaria. Bulgaria has quite a large number of influencing policies. This offers Bulgaria to create an extensive portfolio. Nevertheless, 84% of Bulgarian policies are mandates. No explanation for this preference can be found however.

Other countries that rely heavily on one type of policy are Belgium (Inducement), Estonia (Mandate), Greece (Corporate legislation), Latvia (competition law), the Netherlands (Mandate), and Spain (Financial and other incentives). These countries rely for over 60 % upon one policy type. Belgium is an atypical example in this row of countries however, since Belgium also uses all the other policy types. Most countries use 3 to 4 different policy types. Thus Belgium is an exception. Other countries with more than 4 different policy types are Poland (5), Portugal (4), and Romania (4).

Table 16: Scores per policy type and country

	Mandate	Inducement	Capacity building	System change	Other	Cooperative legislation	Competition law	Financial and other incentives	Technical assistance
Austria	.				.	4	2	2	.
Belgium	3	1	2	2	1	3	3	.	1
Bulgaria	2	3	1	4	.	.	.	.	.
Czech Republic	.				.	4	-2	-1	.
Denmark	.				.	0	1	1	.
Estonia	.				.	.	.	.	.
Finland	.				.	2	.	-1	.
France	3	3			.	4	3	3	.
Germany	.	2			0	2	1	.	.
Greece	.		-2		.	1	.	3	.
Hungary	.				.	3	1	3	.
Ireland	0				.	-1	0	.	.
Italy	3				.	.	1	1	.
Latvia	.	4		-1	.	3	3	.	.
Lithuania	.				.	3	.	2	4
Luxembourg	.				.	.	.	1	.
Malta	3	3	3		.	.	.	1	.
Netherlands	1	2			.	.	.	.	.
Poland	2	1		0	.	2	1	.	3
Portugal	.	-2		2	.	-3	-1	.	0
Romania	.	2			.	2	3	3	.
Slovakia	.			0	.	2	0	3	.
Slovenia	.				.	4	-2	-2	.
Spain	.		2		.	.	.	2	.
Sweden	.				.	0	1	1	.
UK	1		1		.	.	.	.	.
EU	1	1	0	0	0	1	0	1	0

#### 4.4.1. Scores per policy type and country

The scores per policy type are presented per country in table 16. Overall, the policies designed by European member states score quite average. Not one particular policy type excels and seems to work for every country. Nor are there very bad policy types.

At country level, some notable cases are selected. The Czech Republic for example has a very effective Corporate legislation for example. With an average score of 4, the Czech Republic scores considerably better than the European average of 1. Other policies do not seem to work that well in the Czech Republic however. Both the competition law and the financial and other incentives have a negative impact on cooperatives and score worse than the European average. A similar situation can be observed in Portugal. The Portuguese policies that aim for system change are more effective than European policies. Portuguese inducements, corporate legislation, and competition law however score

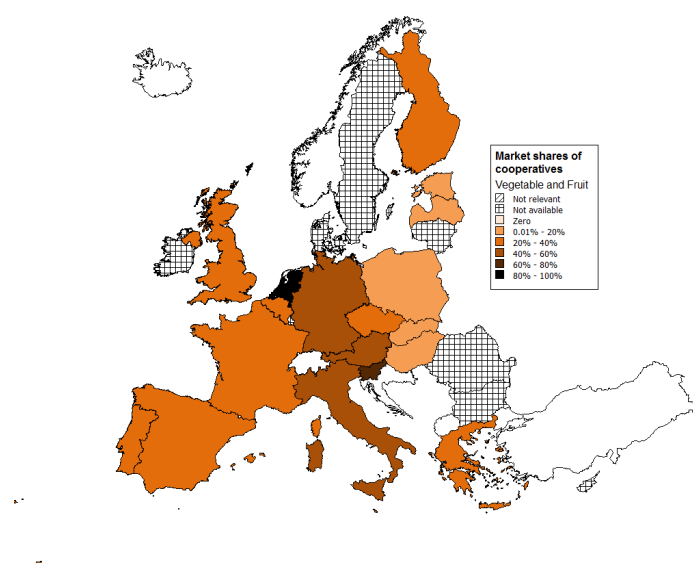
worse than the European average. The Portuguese technical assistance has the same average as the entire European Union, but has a rather neutral impact (average score of 0).

France is a country that is notable because of its positive scores. For every policy type, it has average scores of minimum 3. It is remarkable also that France has changed its cooperative laws repeatedly over the last 20 years, to keep up with developments in the industry. Useless to state that all French averages are higher than the European averages.

#### 4.4.2 Policies targeting the fruit & vegetable sector

The fruit and vegetable sector deserves specific attention, seen the European policy in this sector to promote producer organisations. Hence, this sector will be analysed in more detail. The map below provides an overview of the market shares of fruit and vegetable cooperatives in their sector. Strong cooperatives are mainly found in the central axis of Europe. The Netherlands has the strongest cooperatives with combined market shares of 95%. Next is Slovenia (based on 2003 data), Austria, Italy, and Germany.

In some countries, the government's policies pay specific attention to the fruit and vegetable sector. Table 17 provides an overview of the mean scores of policies aiming at the fruit and vegetable sector per country.



It is not really possible to distinguish one single trend in the policy scores for countries with strong performing fruit and vegetable cooperatives. Austria does not seem to have policies that target the fruit and vegetable sector in specific (producer organisations don't necessarily have to be cooperatives). In Germany, the policies that target the sector are not seen as extremely successful with an average policy score of 1,5. The Dutch and Italian policies (average score of respectively 2 and 2,5) are more useful.

On the other hand, it is also possible to distinguish countries with high average scores on their policies aiming at the fruit and vegetable sector, but with weak cooperatives in this sector. Greece (3), Romania (2.83), and Hungary (2.625) are good examples here. Although these countries designed efficient policies for cooperatives in the fruit and vegetable sector, these cooperatives are not that strong.

Table 17 Mean scores of policies aiming for the fruit and vegetable sector and market shares of fruit and vegetable cooperatives

	Mean scores of policies aiming at the fruit and vegetable sector	Mean market share of the fruit and vegetable sector
Austria	-	45,00
Belgium	1	22,10
Bulgaria	-	,00
Czech Republic	-1	35,00
Denmark	1	,00
Estonia	-	4,20
Finland	-	,00
France	-	37,00
Germany	1.5	40,00
Greece	3	,00
Hungary	2.6	,00
Ireland	-	,00
Italy	2.5	44,00
Latvia	-	11,80
Lithuania	-	1,00
Luxembourg	-	,00
Malta	-	21,00
Netherlands	2	95,00
Poland	3	12,00
Portugal	0	25,00
Romania	2.8	,00
Slovakia	-	10,20
Slovenia	-	,00
Spain	2.5	32,00
Sweden	1	,00
UK	0,5	,00

#### 4.4.3 Rural development policies

A number countries designed policies that target rural development. A number of these policies also impacts the functioning of agricultural cooperatives. Moreover, also European legislation on rural development impacts the cooperatives. Table 18 provides an overview of the scores of the policies targeting rural development.

Some countries have negative mean scores for policies targeting rural development. It is sometimes difficult to combine rural development and agricultural cooperatives. Especially the European legislation on rural development troubles the functioning of cooperatives in some aspects, according to the assessment by the country experts. In a number of countries, policies that are applying European regulation are negatively valued by the country experts.



Table 18 Mean policy score of policies targeting rural development

Country	Mean score
Austria	-
Belgium	2.3
Bulgaria	3.3
Czech Republic	-
Denmark	-
Estonia	-
Finland	-
France	3
Germany	-
Greece	-
Hungary	2.9
Ireland	-
Italy	-2
Latvia	4
Lithuania	1
Luxembourg	-
Malta	-
Netherlands	-
Poland	2
Portugal	-0.3
Romania	-
Slovakia	1
Slovenia	-
Spain	1.8
Sweden	-2
UK	1

In Italy, 'Council Regulation (EC) No 1698' of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development(EAFRD) negatively impacts the functioning of cooperatives. The regulation (EC) 1698/2005 excludes large-sized cooperatives from the European Agricultural Fund for Rural Development grants (previously all firms, cooperative or not, were entitled to that type of support). According to the new laws, now only the intermediate-sized companies (up to 750 employees and with turnover lower than 200 million euros) can take advantage of financial support (with the intensity of support decreased by 50%). Leading cooperatives can no longer rely on the aid. In Italy, this fact goes against the aim of promoting the concentration of supply of farm production and the income level of farmers. To avoid this measure limiting the development of the Italian agri-food cooperation, the Italian cooperatives have requested exclusion of cooperatives from limitations related to the size, within the CAP reform debate.

A different critique is formulated in Poland. Polish experts gave a score of -1 to the European fund for purchasing machineries by farmers and legal entities (for instance, companies) within Rural Development Programme 2007-2013, First Pillar. The policy possibility to obtain EU sponsored subsidies for purchasing machineries entailed self-reliance of farmers instead of buying services offered by Farmer Circles' Cooperatives (SKR). Farmer Circles' Cooperatives

cannot use these resources because the resources are dedicated to producing units while few SKR carry production activities. At the same time, the machineries of Farmer Circles' Cooperatives are often outdated which additionally undermines their position. Thus, this legislation makes their position worse. The positive Polish score for policies aiming at rural development is a consequence of the positive scores of other Polish policies that aim for rural development.

In Portugal, application of EU regulation negatively impacted functioning of cooperatives (Reform of CAP 2003 scored -2). Portugal witnessed the transition to extensive farming (plant crops and livestock) systems, with negative consequences in the rural employment and value of the agricultural production.

In Sweden, cooperatives also complained that they had restricted access to the structural funds (policy score of -2).

#### 4.4.4 Competition policy

This research tried to distinguish different types of policies. Often, policies cannot be categorised in one type however. One policy can be considered as competition policy while it partially also can be considered as cooperation policy. For the countries presented in table 19 it was possible to distinguish policies that clearly are competition policies.

The scores per country differ considerably. Slovakia scores the worst (average score of 0). This is a consequence of the revision of the Slovakian tax schemes for cooperatives in 2003. This revision abolished the advantageous tax rates cooperatives enjoyed in the past. In Spain and Germany the competition policies are seen as having a slightly positive impact. Their competition laws are not that distinct. The Spanish policy recognises organisations of producers. The German policy allows extensive agricultural "cartels" regardless of their market power as long as they do not completely eliminate competition.

Table 19 Mean score of competition policies per country

Country	Mean score	
Austria	2	The Law permits extensive agricultural cartels regardless of their market power as long as they do not completely eliminate competition.
Germany	1	Cooperatives are no cartels per se
Latvia	3.5	No unfair practises, a lot of market regulation in general
Romania	2.8	institutional environment
Slovakia	0	Abolition of advantageous tax schemes for cooperatives
Spain	1	institutional environment, recognition of producer groups etc.

Competition policies in Austria, Latvia, and Romania are reported as having a bigger (positive) impact. In Austria (2) the idea of the competition law is exactly the same as in Germany: agricultural cartels are allowed – regardless of their market power – as long as they do not completely eliminate competition. In Romania (2.8), the institutional environment of cooperatives is shaped by the competition policies. Especially the competition policies in Latvia are seen as effective however, they have an average score of 3.5. These competition policies are the less pure however. Most of the Latvian policies also focus considerably on market regulation in general. The main idea behind the Latvian policies is that cooperatives are allowed, as long as they do not get involved in unfair practises.

## 4.5 Regionalisation – the case of Spain

Most policies have country-wide application, with the exception of Spain and Belgium and to a minor extent the UK (one policy). In Spain, the policies related to cooperatives are very much a matter of the autonomous communities (the regions). These policies are presented in the following table. Although the policies apply to specific regions, they are very comparable. All but one focus on obtaining equity and social goals. As for the target they aim at, there are a bit more differences, but still one dominant target can be observed: policies tend to be specific for cooperatives.

Table 20: Objective and target of regional policies in Spain

Policy number	Objective		Target		
	Correction of market/regulatory failure	Obtaining equity and social goals	Specific to cooperative	Relating to a subsector	Applies to business in general
176	0	1	0	0	1
177	0	1	0	0	1
178	0	1	0	0	1
179	0	1	1	0	0
180	0	1	1	0	0
181	0	1	0	1	0
182	0	1	0	0	1
184	0	1	0	0	1
185	0	0	0	1	0
186	0	1	1	0	0
187	0	1	1	0	0
188	0	1	1	0	0
189	0	1	1	0	0
190	0	1	1	0	0
191	0	1	1	0	0
192	0	1	1	0	0
193	0	1	0	0	1
194	0	1	0	0	1
195	0	1	1	0	0

When the quality of the regional policies is assessed, it can be noticed that most of the policies are well, but not perfectly, designed. None of the policies has a negative score. But as it was described above, this does not result in a large market share of the cooperatives in their sectors in the present situation.

All Spanish cooperative fall within the jurisdiction of the autonomous community they are registered in. For any national level support available to cooperatives, the autonomous community channels funds to cooperatives in the region. Because there is no coordination

among autonomous communities regarding their policies and how those policies fit to national policies, there is a diminishing influence of national level policies and their strategy to provide impetus to the sector.

In Spain most cooperatives are small to medium sized, operating on a regional level mostly within their region (autonomous community). There is hardly any merger or acquisition activity amongst cooperatives, both within and outside of communities. Regulation also mainly supports small to medium size cooperatives, lowering financial support to larger sized cooperatives if they exceed the size limit of small to medium sized. It is clear that Spain's legal structure does not support cooperatives which (want to) operate at a larger scale, across autonomous community borders.

Table 21: Scores per objective and target of regional policies

		Mean Score			
		Objective	Target		
		Obtaining equity and social goals	Specific to cooperative	Relating to a subsector	Applies to business in general
Policy nr.	176	1	.	.	1
	177	3	.	.	3
	178	2	.	.	2
	179	1	1	.	.
	180	2	2	.	.
	181	2	.	2	.
	182	1	.	.	1
	184	1	.	.	1
	185	.	.	2	.
	186	2	2	.	.
	187	1	1	.	.
	188	2	2	.	.
	189	3	3	.	.
	190	2	2	.	.
	191	2	2	.	.
	192	2	2	.	.
	193	3	.	.	3
	194	2	.	.	2
	195	2	2	.	.

## 4.5 Policies and intervention mechanism: the building blocks

### 4.6.1. Policy types per building block

This section analyses the effects on the different building blocks – as these building blocks are supposed to be the mechanisms through which policy measures strengthen the performance of a cooperative. Three building blocks are distinguished: position in the food chain, internal

governance, institutional environment. First part of the analysis will focus on the division of the policies types per building block. These results are presented in Table 22.

Table 22: Policy measure types per building block (number and share)

	Policy Measure Type									
	Manda te	Induce ment	Capa- city build- ing	System change	Other	Coopera tive legis- lation	Compe tition law	Financ ial and other incenti ves	Techni cal assista nce	Total num- ber
	Share	Share	Share	Share	Share	Share	Share	Share	Share	
General	18	<b>32</b>	2	5	0	5	<b>36</b>	2	0	44
Position in food chain	8	20	5	1	2	15	14	<b>33</b>	3	133
Internal gover- nance	<b>22</b>	13	7	6	0	<b>44</b>	2	6	0	54
Institu- tional environ- ment	11	18	10	11	2	13	<b>21</b>	10	2	87
Total number	40	63	20	16	5	57	54	57	6	318

In Table 22, the shares of the most dominant policy types for a building block are presented in bold. When governments want to influence the position of cooperatives in the food chain, they are likely to use financial or other incentives. This policy type is followed by inducements and corporate legislation. Note as well that most of the policies (133) influence the cooperative's position in the food chain.

The internal governance is targeted by much less policies; only 54. To influence the internal governance, cooperative legislation is the most used policy type. Because cooperative legislation is clearly aimed at influencing internal governance, none of the building blocks is influenced more by one particular policy type: almost 45% of the policies that influence the internal governance are related to cooperative legislation.

The third building block – the institutional environment – is most affected by competition law. The dominance of competition law is of less extent than the dominance of cooperative legislation on internal governance or of the financial and other incentives on the position in the food chain however. This implies that also other policies are important for influencing the institutional environment.

#### 4.6.2. Country analysis

It is also interesting to look for differences between the aim of the different countries. Table 23 presents the division of the policies over the building blocks per country. Shares of the main building blocks are again presented in bold.

Table 23: Country analysis of policy effects on building blocks

Building block that is effected by policy effects								
Country	General		Position in food chain		Internal governance		Institutional environment	
	number	share (%)	number	share (%)	number	share (%)	number	share (%)
Austria	0	0	1	33	1	33	1	33
Belgium	16	23	22	<b>32</b>	11	16	20	28
Bulgaria	5	24	4	19	3	14	9	<b>43</b>
Czech Republic	0	0	2	<b>67</b>	0	0	1	33
Denmark	2	29	2	29	1	14	2	29
Estonia	1	50	1	50	0	0	0	0
Finland	0	0	2	40	1	20	2	40
France	1	7	3	21	4	29	6	<b>43</b>
Germany	0	0	2	40	1	20	2	40
Greece	0	0	9	<b>56</b>	3	19	4	25
Hungary	0	0	14	<b>54</b>	7	27	5	19
Ireland	1	25	1	25	1	25	1	25
Italy	2	15	9	<b>69</b>	0	0	2	15
Latvia	13	<b>72</b>	1	6	1	6	3	17
Lithuania	0	0	4	<b>80</b>	1	20	0	0
Luxembourg	0	0	1	<b>100</b>	0	0	0	0
Malta	0	0	3	<b>75</b>	0	0	1	25
Netherlands	1	25	2	<b>50</b>	1	25	0	0
Poland	0	0	12	<b>52</b>	4	17	7	30
Portugal	0	0	3	43	1	14	3	43
Romania	1	4	11	41	4	15	11	41
Slovakia	0	0	3	<b>60</b>	2	40	0	0
Slovenia	0	0	1	17	2	33	3	<b>50</b>
Spain	1	6	13	<b>76</b>	0	0	3	18
Sweden	0	0	4	<b>100</b>	0	0	0	0
UK	0	0	4	36	5	<b>45</b>	2	18
EU	44	14	134	<b>42</b>	54	17	88	28

Most countries try to support the cooperative's position in the food chain. In the EU, 41 % of the policies target the position in the food chain. Second, 27 % of the European policies try to influence institutional environment of the cooperatives. Last, 16 % of the policies try to impact the internal governance of the cooperatives. Note as well that a considerable part of the policies (13 %) cannot be attributed to a specific building block.

It is not possible to observe trends for the groups of countries with strong cooperative market shares. They try to influence very diverse building blocks. This is not true for the countries with weaker cooperatives. Besides Latvia, all countries in Table 11 mainly try to influence the position in the food chain. When the general policies are not considered, also Latvia focusses primarily on the position in the food chain however. It is important to realise that this is a general trend that can be noted in the overall European averages as well. Nevertheless, the trend is more obvious for the countries with weaker cooperatives.

The extent to which countries focus on the position in the food chain differs considerably. In Spain 76% of the policies influence the position in the food chain. In the Czech Republic however, only 31% of the policies aim at the position in the food chain (although this is still the most important building block for Czech policies). The Czech Republic's policies thus focus on a wider range of building blocks.

For countries that focus mainly on the institutional environment, it can be observed that this building block is less dominant. The country that focusses the most on the institutional environment is Slovenia, half of their policies target this building block. Bulgaria, France, and Portugal target 42% of their policies at this building block. For Portugal, this share equals the share of policies that target the position in the food chain by the way.

A particular case is the UK. It is the only country where most of the policies (45%) focus on the internal governance of the cooperatives. Mandates and capacity building are used for this (see also Table 12).

## 5 Discussion

It is clear from the analysis in Chapter 4 that there is no very clear and easy link between the support measures for farmers' cooperatives and the performance of cooperatives in terms of market share, although our analysis provided many interesting insights in an area that has to our knowledge not been researched before.

Some of this (perhaps disappointing) result might be due to the data-quality, as stated already Chapter 3. Some of the differences between countries might be only a difference between experts – and that has a negative influence on our data set. In addition market share (on a volume basis) is not the perfect indicator for performance. Not only do some cooperatives have a different strategy, but also there are cases where policies are correctly labelled as successful because a declining trend in the market share was reversed, be it at a low level (and therefore in our analysis seen as rather unsuccessful in terms of performance). On the other hand we have been able to produce and use a very interesting data set, that also provided valuable insights.

Part of this result might also be due to the fact that our “conceptual model” is incomplete. We correlate current performance with current policies, where market share might be much more influenced by policies in the past. The conceptual model is also incomplete as we address only the effect of policies on performance, and do not (yet) control for other factors like social factors (trust, social capital), the structure of agriculture, the operation of the food chain or internal governance issues.

Another explanation of (the lack of) results might be explained by the inverse relationship between performance and policies. If performance is good, there is less need for policies. If performance is weak, policy makers could see an important role for policies, even if they are at the moment not very effective in terms of market share – the case of Belgium was identified above as an example.

Linked to this is the issue of political economy: if cooperatives hardly exist, there is probably less chance of a lobby for favourable support, especially in a case where economic liberalism dominates policy making – as has been argued above in the case of Estonia.

Overall the results over our analysis seem to have a striking similarity with the conclusions of the investigation in policy measures in other OECD countries. That analysis was carried out in this project by a totally different team of researchers and the research-teams have not been in contact with each other after agreeing on the same methods of classifying and scoring policy measures. In that research it was –among others- concluded that the absence of policies that support cooperatives can have positive as well as negative effects. It was also found that a flexible cooperative law is helpful to develop the internal governance. In addition tax systems seem to be important as well as anti-trust (competition) rules. Not that they have to favour cooperatives, but they can easily be problematic if they do not take into account the nature of cooperatives. And also in other OECD countries experts had mixed opinions on technical support for cooperatives by the government.



## 6 Further research

Having carried out for the first time a descriptive analysis of the role of policy measures on the performance of cooperatives, there is ample room for more work. A first option is to merge this work with that on the other building blocks to come to a more complete conceptual model. Next to that it could be tried to improve the indicators for performance, by also taking developments in market shares into account, or even a parameter for the (relative) development of prices paid by cooperatives<sup>2</sup>.

It would also be very interesting to discuss our findings with national experts to learn their explanations and to have them improve their data and scores, effectively turning the analysis into a kind of Delphi method. In the same way it would also be interesting to discuss the results with national policy makers, to understand their motives for policies.

To really improve our understanding of those policies it would probably be beneficial to disaggregate the cooperatives and to see if some policies are especially targeted to some types of cooperatives<sup>3</sup>. Figure 5.1 explains this idea: cooperatives can probably be grouped into different stages, as a kind of a life cycle. They start small, very often to solve the issue of farm efficiency (processing like milk or sugar beet harvesting has to be done at a larger scale than a farm can afford), to export to distant markets (where farmers run the agency risk of depending on one or a few traders even for their market information), to improve price formation (auctions) or to create markets (like processing sugar beet into sugar or alcohol and solve asset specificity issues). In such cases leadership and trust are needed, the building up of social capital is fostered by clear, simple cooperative law and ICA principles like One man – One vote. Capacity building (like in Rural Development programs) probably helps in such situations, where such technical support is probably less useful for large transnationals.

Some of these cooperatives develop into successful market oriented niche cooperatives, and most of them merge into bigger, in the end often national, cooperatives, driven by cost efficiency strategies. Everytime a local cooperative has one of the worst product prices for its farmers (they compare these prices), the board of directors get a strong signal from its members to improve or to merge.

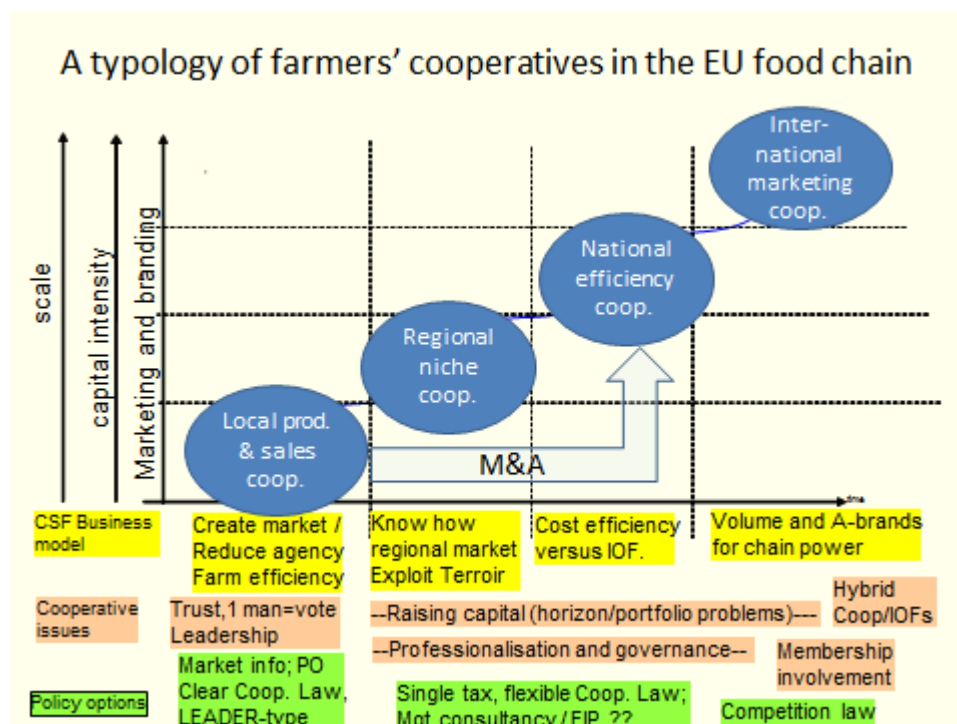
The issues in these cooperatives are linked to raising the necessary capital, internal governance and professionalization of the management. Here the flexibility of the cooperative law and a good tax policy help. It is striking that the country experts reported for several countries in Northwestern Europe (especially Denmark, the Netherlands) that cooperative law is very flexible so that cooperatives can adapt. The opposite seems to be the case in some Mediterranean countries. Interestingly the country geographically in between, France, seems to have a cooperative law that is in between these extremes: not too flexible, but changing quite often in the last twenty years to adapt to new needs of the industry. That seems to be just another method of flexibility, based on a close cooperation between sector and government. One might assume that in this stage technical support in the form of training of (potential) farmer-directors in the cooperative and management consultancy might be useful. However this is not reported as being often the case – one wonders if this is a policy option, also with the new emphasis on innovation.

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<sup>2</sup> See also the report on the Food Chain issues in this project.

<sup>3</sup> See the report on Clustering in this project, that would provide a basis for such an analysis.

Figure 5.1 A typology of cooperatives that are downstream in the food chain, and the relevant policies



When cooperatives get bigger, and even international they score better in our measurement of performance. However as our analysis suggested, there is less need for support measures. On the contrary: with some cooperatives demutualizing, and others extensively using IOF constructions for processing and dealing with farmers abroad and with the cooperative as a holding company, new issues arise. Membership involvement is one, and some question the cooperative character of such enterprises (see for instance a recent position paper by the European Milk Board). Competition authorities start to form an opinion on the fact if the interaction between farmer and cooperative should be seen as a market in which the cooperative has a dominant position – a position fully opposite from view on the cooperative that creates a market or solves an agency problem by breaking the market power of a dominant IOF in a remote area. On the other hand it are probably mainly those big cooperatives that have any chance to improve the terms of trade substantially for a large number of farmers in negotiations with food industry and the retail. Such cases can show up in our data as countries where cooperatives have a large market share, and policies are absent or have a negative impact on cooperatives.

To cut a long story short: for the research into the effectiveness of support policies for farmers' cooperatives, it could make sense to disaggregate cooperatives and policy measures towards clusters as those suggested in Figure 5.1.

## 7 Conclusions

This research project investigated for the first time the effectiveness of support measures for farmers' cooperatives throughout the European Union. It is based on a dataset gathered by national experts who made an inventory of policy measures, classified them into categories and policy targets as well as scored them on their effectiveness. This resulted in an interesting dataset with nearly 300 policies identified.

The overall conclusion of the investigation must be that there is no very clear and easy link between the support measures for farmers' cooperatives and the performance of cooperatives in terms of market share. This can partly be due to problems in our data set or, more likely, our rather simple conceptual model that correlates current policies with current market shares (ignoring the historic development) and without controlling for other aspects like the farming structure, aspects of social capital or the characteristics of the national food chain. Some policy measures are probably mainly targeted at certain problems like starting up local producer groups and overcome issues of inefficiency and lack of social capital. Where others are directed at the governance of large international cooperatives. Such measures might be effective although our analysis is not able to show that at this general level. Case studies could help here.

Although our central conclusion might be disappointing, our analysis provided many interesting insights in an area that has to our knowledge not been researched before. We list the most important of them:

- There is a large difference between countries in the number of policies relevant for cooperatives, from 3 or less in Estonia, Luxembourg and Austria to more than 60 in Belgium. Some federal organised countries like Spain and Belgium have more policies. The number of policies do not correlate with high market shares of cooperatives, probably they are more an indicator of the wish to have successful cooperatives. On the other hand a marginal cooperative sector might reduce lobbying for support measures, as seems to be the case in the Estonian pro- economic liberalism case.
- The most frequently used policy type is a 'Mandate'. The only exceptions here are Belgium, Lithuania, Portugal, and Spain. Belgium, Lithuania, and Spain focus on 'Inducement type of policies'. Probably as their cooperatives are in many sectors not that strong. Portugal is mainly using 'Capacity building type of policies'. Overall, the 'Capacity building' policies are less popular, as is the case for with 'System change'.
- Two third of the policies try to correct market and regulatory failures. One third tries to obtain equity and social goals. A handful of measures have both objectives.
- Countries where our experts see the policy measures as rather effective (high average scores) are Austria, France, Latvia, and Lithuania. The opposite is the case in the Czech Republic, Portugal and Ireland (average score of 0, neutral)
- The six countries with highest market shares for cooperatives are Denmark, Sweden, The Netherlands, Ireland, Austria and Malta. The countries have different scores on effectiveness of the policies but they seem to have in common that history plays an important role and that the cooperative laws are very flexible or even nearly non-existent. Policies are more general than specific to sectors. The purpose of the policies does not differ from the other 21 countries: most address market failures.
- Belgium, Estonia, Hungary, Latvia, Lithuania and Slovakia are the contrasting group of countries with IOFs dominating over cooperatives. Especially in these five member states from Central and Eastern Europe, policies are often seen as effective, as they seems to have contributed to the decline of the cooperative market share in the transition period to market capitalism, and turned it into an increase, although at a very low level.

- Comparing countries that have few policies with countries with a large number of policies learns that countries with a lot of policies influencing the cooperatives tend to have weaker cooperatives. This inverse relationship can perhaps be interpreted as a perceived need for cooperatives but seems not a guarantee for effective policies.
- Most countries have a mix of policy types that effect cooperatives, but some heavily rely on one type.
- When governments want to influence the position in the food chain, they are likely to use the category 'financial or other incentives'. This policy type is followed by inducements and corporate legislation. More than 40% of the policies influence the cooperative's position in the food chain.
- The internal governance is targeted by much less policies; only 54 in the EU member states. To influence the internal governance, cooperative legislation is the most used policy type. Because cooperative legislation is thus efficient in influencing internal governance, none of the building blocks is influenced more by one particular policy type.
- In several countries European policies, especially those in Fruit & Veg and in Rural Development, have had an impact. In addition the accession of countries to the EU and installing the *acquis communautaire* has been an incentive to rethink policies towards cooperatives. This implies that the European policies have in several cases supported cooperatives.

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