# Support for Farmers' Cooperatives

## *Sector Report*
## Cereals

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European Commission

The 2011-2012 project „Support for Farmers' Cooperatives" is commissioned and funded by the European Commission, DG Agriculture and Rural Development.

Contract Number: 30-CE-0395921/00-42.

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How to cite this report:

Kühl, R. (2012). Support for Farmers' Cooperatives; Sector Report Cereals. Wageningen: Wageningen UR.

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November 2012

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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 sector report on cooperatives in the cereals sector in the EU 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 7 other sector reports, 27 country reports, 6 EU synthesis and comparative analysis reports, 33 case studies, a report on cluster analysis, a report on the development of agricultural cooperatives and relevant policy measures in other OECD countries, and a final report.

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# 1 Introduction

## 1.1 Objective of the study

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

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

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

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

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

## 1.2 Analytical framework

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

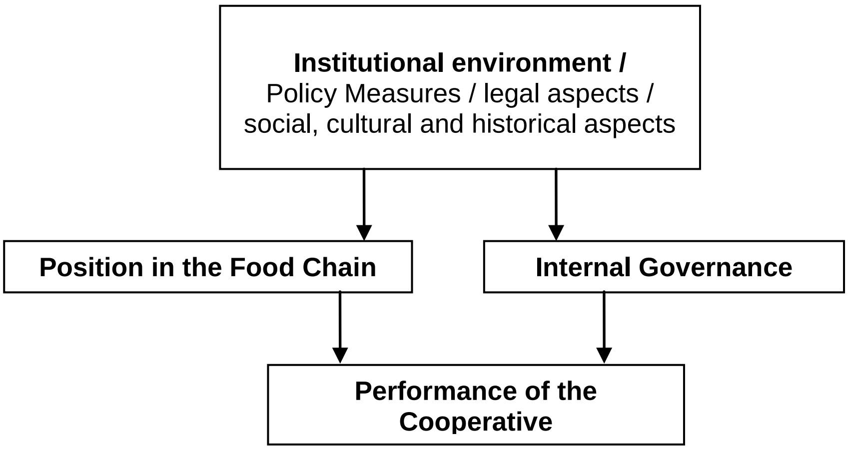


Figure 1. The core concepts of the study and their interrelatedness

## 1.3 Definition of the cooperative

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

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

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

## 1.4 Method of data collection

This sector report is mainly based on the fact finding in 27 country reports, that were made earlier in this project, one per member state. In addition an inventory of policy measures at EU level was used. For these country reports multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

## 1.5 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed. For member states that joined in 2004 and 2007 the focus is on the post-accession period.

# 2 Statistics on the evolution and position of agriculture

## 2.1 Special characteristics of the sector due to character of the product and the influence of the Common Agricultural Policy

In terms of the area that is used for cereals and their importance in human and animal food supply, cereals (including rice) are very important in the countries under study. Cereals are the most widely produced crop. European statistics on cereals encompass wheat, barley, maize, rye, oats, rice and other cereals, such as triticale, buckwheat, millet and canary seed. These crops — for which statistics are compiled in all Member States except Malta — accounted for some 30% of the EU's utilised agricultural area in 2007. Grain is grown in many regions, some are more preferable than others. Cereals account for over 50% of some regions' in eastern and northern Europe (Hungary, Slovakia, Poland, Denmark, Finland and Sweden) and southern Europe (Italian region). In Western Europe, the highest proportion of area under cereals is France. Consequently, cereals are a main product for individual farm income (http://epp.eurostat.ec.europa.eu/statistics). Some other crops provide higher margins, but seen its large area, it are cereal prices that set the profitable of arable farming.

Cereals, in general, require a supply of moisture from an evenly distributed rainfall with moderate annual temperatures. Most important for sufficient yields and quality is an optimal combination of all these factors. Due to climatic differences and annual fluctuations in the optimal growing conditions in Europe cause a highly volatility in cereals production. Year to year yield fluctuations are evidently and characterize the cereal business throughout Europe.

Due to its different usages cereals are important raw products and are subject to different product markets and their developments. Apart from the demand for cereals from the food sector, many other factors play a role in the market for cereals. The political aspects of international trade, such as GATT and EC policy need to be taken into consideration when making evaluations of forecasts for cereals. Biotechnology and emerging markets outside the agricultural markets like bio-energy are also of increasing significance.

One of the major current trends is massive changes (in 2007 and 2010) and volatility (which has not been present in the previous 20/30 years), in input prices of fertiliser, and output prices for grains. This has major implications for cash flow, and strategies for managing potential cash shortages; as well as more sophisticated strategies in the futures market to hedge the risks.

For the farm input and marketing firms the cereal business is one of the most important business activities measured by proportion of turnover. Cereals handling is very much linked to sales of farm inputs by the same company, like seeds, fertilizers, and pesticides. Often these businesses are back to back-transactions. Farm input selling cooperatives pre-finance the farm inputs and expect the farmers to deliver their cereals to the financing cooperative. This common behaviour is a particular source and a major factor for the creation and strength of preferences and customer loyalty. The importance of the grain business is even greater than the figures of grain sales are expressing.

The markets for cereals have shown exceptional developments over the last few years, with prices at record levels as a result of a combination of structural drivers (e.g. a steady rise in global food demand, the emergence of the biofuel market, the significant slow down in cereal yield growth in the EU, low stocks, contra productive government interventions (like export bans) and speculation have all been mentioned as potential causes) and more short-term factors such as adverse climatic conditions and the restrictive export policy of some key world market suppliers.

Over the medium term, world and EU cereal prices are predicted to stay on a higher level than seen in the last decade as the structural factors, such as the growth in global food demand and the development of new market outlets (bio-energy industry), can be reasonably expected to maintain prices at sustained levels, though at much lower levels than those recently observed (OECD & FAO, Agricultural Outlook, 2011). However, cereal prices are expected to exhibit greater fluctuations than observed over the recent past. These developments on the internal and external markets should result in a by far stronger focus of cereals marketing companies and farmers on the fact that local cereal markets are getting more and more exposed to international developments.

When compared to weaker-on-average economic actors, the 'commodity' characteristic of cereals themselves (associated with sudden changes in international supply and demand) exposes business activity to an even higher degree of strong fluctuations in income level. This results in considerable uncertainty in both the areas of investments and the levels of production, depending on the expected profitability.

The change of the CAP's support from coupled to decoupled is further emphasizing these aspects, provoking a shift in the production of durum wheat (a product that traditionally enjoyed greater coupled support in the south) towards the north of Italy (Bono, CR- Italy, p. 52, 53).

EU regulation played an important role in the development of the European Cereal sector. One major policy change was the adaptation of new subsidies policy in early nineties (MacSharry reform) which aimed at deleting the link between volume of production and income support, and to introduce compulsory set aside (in years of excess supply in the EU).

The EU accession in May 2004 of Estonia, Lithuania, Latvia, Poland, Slovakia, the Czech Republic, Malta, and Cyprus and in July 2007 of Bulgaria and Romania changed the conditions on the agricultural market. These countries have observed the EU policies (in terms of market interventions) but also experienced more competition. These new member states differ from traditional EU export markets. Transport costs are high and exchange rates after the EU accession made the states` markets difficult. At the same time, growing exports of cereal processed products was noticed (malt, bread and pasta). The export and import of cereals and cereal products varied in the period 2000- 2010.

Poland might by an appropriate example for these structural changes. In 1999, the Agricultural Market Agency opened the procurement program for the cereal producers (it was modified in 2002). With the access of Poland to EU, the EU intervention system on the cereal market was introduced. Intervention prices were set for certain cereal crops, except for rye. Since 2005, the grain quality standards for intervention procurement were introduced, and since 2006, controlling of the toxin-content of the grain has been mandatory. In 2007, the intervention process was realised on the internal market of the EU. This policy was kept through 2008 and – with some modification - in 2009 (Matczak, CR-Poland, pp. 44-47; Udovč, CR-Slovenia, pp. 27-28; Bandlerová et al., CR-Slovakia, pp. 34-35; Boevsky, CR-Bulgaria, pp. 45-46; Zobena/Zacă, CR-Latvia, pp. 32; Vidickiene, CR-Lithuania, pp. 32-33; Ratinger et a.l, CR-Czech, pp. 32,-33; Roos, CR-Estonia, p. 26; Calinescu, CR-Romania, pp. 31-37).

The reform of the Market Regulation for Grain is not yet finished. Additional amendments in connection with the introduction of one single Common Market Regulation for all agricultural products, the DOHA Round negotiations of the WTO and the Health Check have been introduced (see Stöhr/Schumacher, 2008, pp. 64-68). The health check paved the way for significant alterations to the CAP and impacts the operation of cooperatives in various ways. At this general level one could say it made for a change to the institutional environment in which cooperatives function. Much of the CAP support has in the past been channelled through agricultural cooperatives. Cooperatives have grown in their operations and benefited from these measures. However in recent times as support has declined or been modified cooperatives have had to adjust and become increasingly market orientated. But, the degree of dependence on these measures were very different between the EU member states.

## 2.2 Share of the sector in agriculture and in National Product

For the decade under study it can be stated that the cereal sector in the EU has performed quite well (Figure 2). Up to 2006 total output was relatively stable. With the year 2007 output of the cereal sector increased by about 55 %. Main reason for this increase was the dramatic rise in world cereal prices that have had the effects on the European cereal markets. In 2009, with decreasing prices overall output of the sector decreases as well to the former level. The figures also demonstrate that in recent years the sector has become subject to volatile market movements.

The changes in output per year, per country (Figure 3) make it also obvious that the new Member States are to a large extend responsible for this growth of output. “Old” member states (except for The Netherlands and Belgium) has had experienced negative growth in output value of the cereal sector.

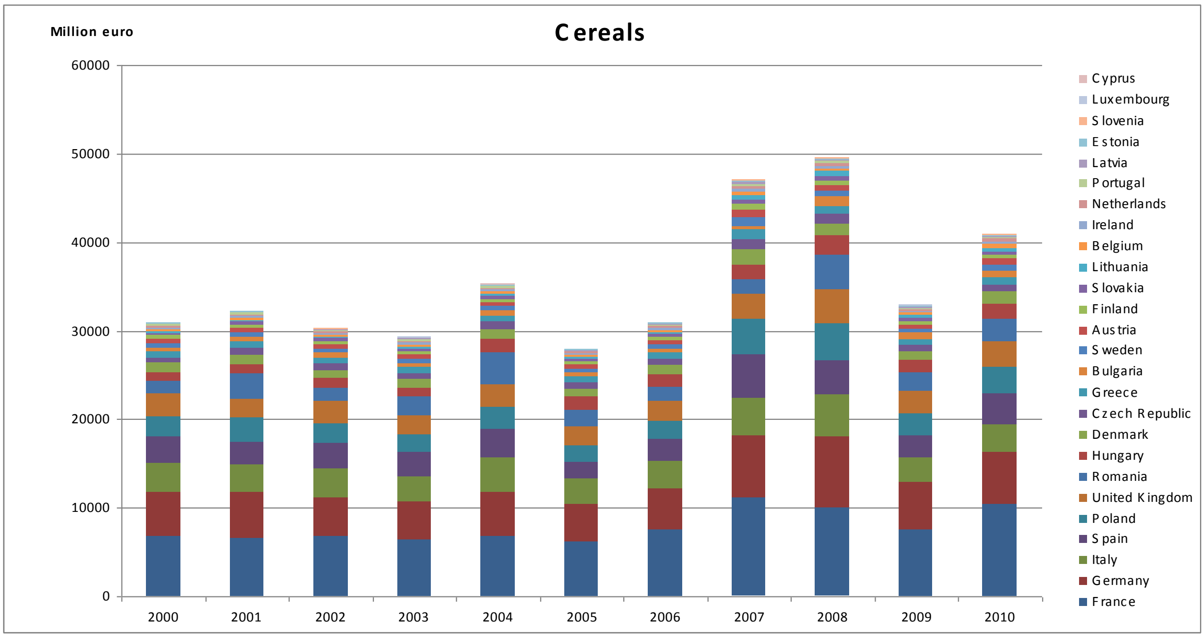


Figure 2 Trend in output per sector "2001" - "2009". Source: Economic Accounts of Agriculture, Eurostat.

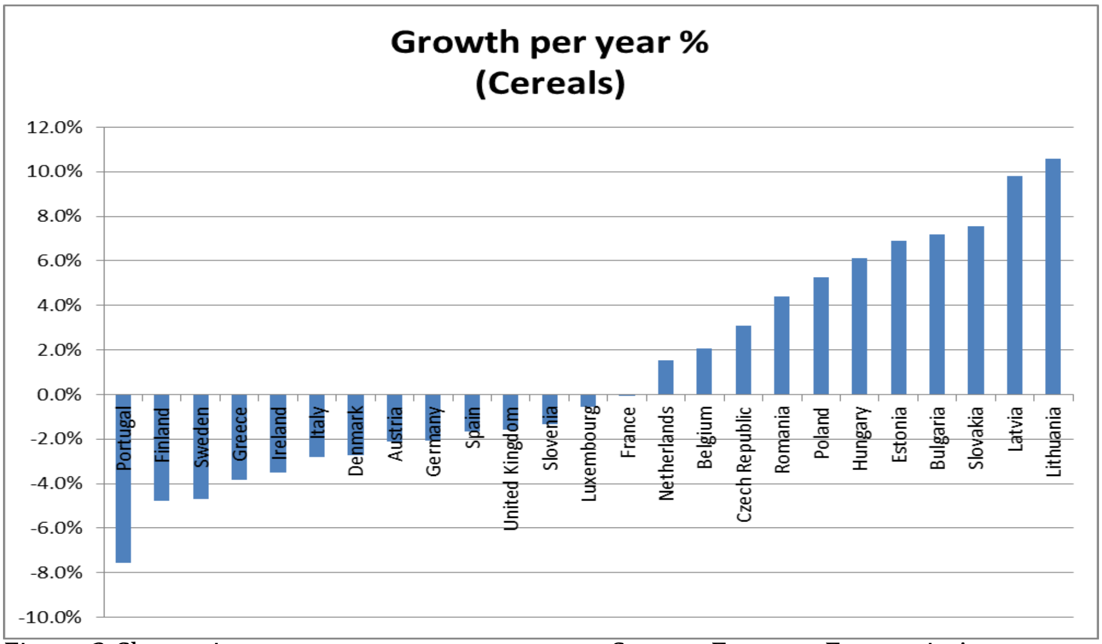

Figure 3 Change in output per year, per country. Source: Eurostat Economic Accounts.

## 2.3 Development in the number of farms

The number of farms in cereals is given in Table 1 and Graph 3. In nearly every country of the EU the total number of cereal farms decreased between 0.7 (France) up to 14.8% (Portugal). Interesting to notice that in Greece (+9.1%), The Netherlands (+36.4%), and Finland (+3.3%) the number of cereal farm has increased. For the period from 2003, the numbers in Graph 3 show that for Europe in general the total number of farms specialized in cereal production steadily decreased. The farms that most heavily rely on cereal production are to found in Romania, Italy, and Poland.

Table 1 Number of cereal farms, 2000 and 2007

| Country | 2000 | 2007 | Average change per year |
|---|---|---|---|
| Belgium | 260 | 210 | -3.0% |
| Bulgaria | 0 | 8,590 | |
| Cyprus | 0 | 490 | |
| Czech Republic | 0 | 4,540 | |
| Denmark | 14,590 | 12,610 | -2.1% |
| Germany | 22,170 | 14,750 | -5.7% |
| Greece | 28,480 | 52,470 | 9.1% |
| Spain | 100,450 | 88,210 | -1.8% |
| Estonia | 0 | 1,370 | |
| France | 73,140 | 69,740 | -0.7% |
| Hungary | 0 | 25,930 | |
| Ireland | 2,710 | 2,880 | 0.9% |
| Italy | 165,320 | 74,560 | -10.8% |
| Lithuania | 0 | 7,380 | |
| Luxembourg | 70 | 50 | -4.7% |
| Latvia | 0 | 2,800 | |
| Netherlands | 50 | 440 | 36.4% |
| Austria | 5,720 | 4,400 | -3.7% |
| Poland | 0 | 43,590 | |
| Portugal | 6,100 | 1,980 | -14.8% |
| Romania | 0 | 72,340 | |
| Finland | 9,610 | 12,060 | 3.3% |
| Sweden | 8,580 | 6,000 | -5.0% |
| Slovakia | 0 | 1,320 | |
| Slovenia | 0 | 1,300 | |
| United Kingdom | 22,500 | 19,450 | -2.1% |

Source: Eurostat, Farm Structure Survey.

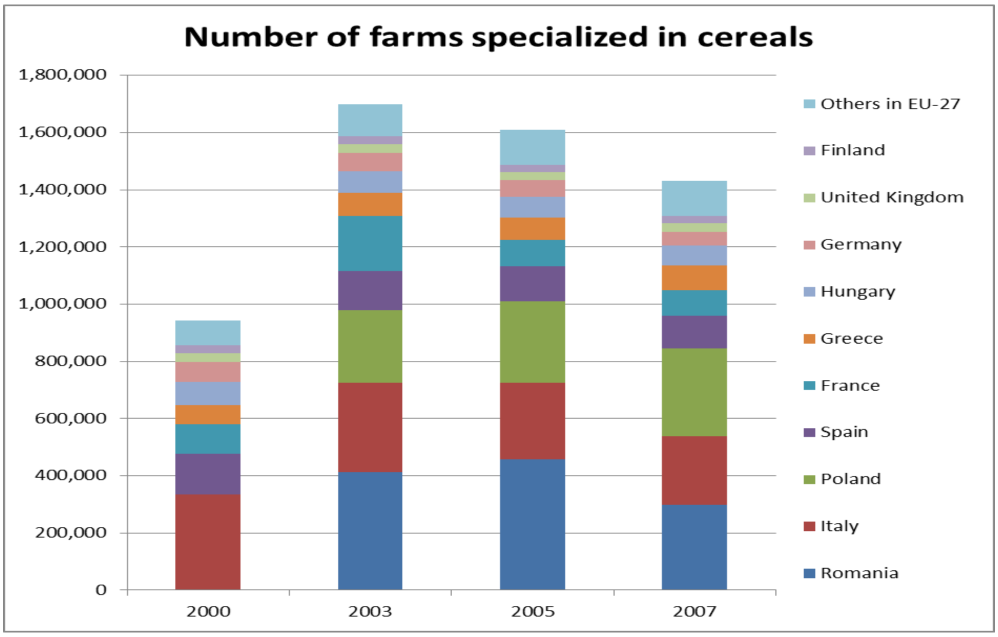


Figure 4 Number of specialised farms per country. Source: Eurostat Farm Structure Survey

## Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Graph 4 shows the distribution of farms per size class, measured in European Size Units (ESU) per country and for the EU in total. Figure 5 demonstrates that there is a high variation in the farm size, measured in European Size Units (ESU), from small part-time farms to large size classes. In the cereals sector Mediterranean countries are characterized by many small farms. Larger farm size categories are to be found in the former socialist countries.

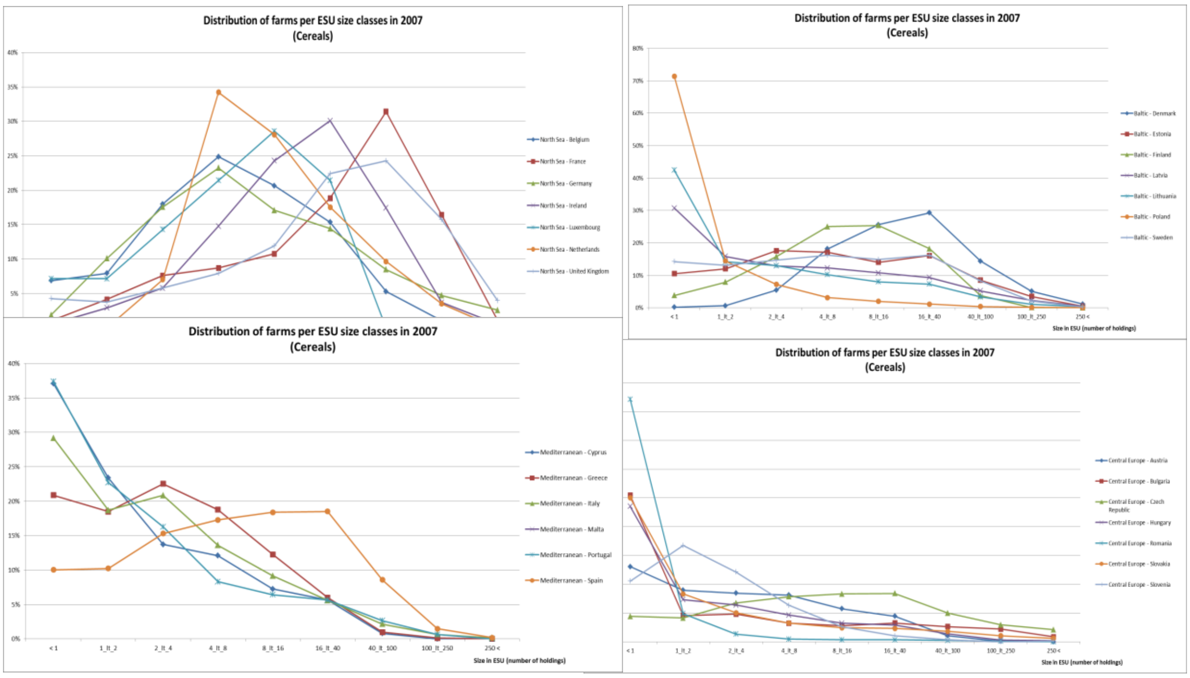


Figure 5 Number of farms per size class, measured in ESU, per specialist type of farming. Source: Eurostat, Farm Structure Survey.

## Specialisation of farm production

Farms also have a different composition of their production. In the cereal sector a large number of mixed (non-specialized) farms exist. The heterogeneity of farming in terms of specialisation can be estimated by calculating the share that specialized farms have in the total production. This is what Graph 5 shows for cereal production. Farms in Bulgaria and Slovakia earn more than 50% of their income from cereal production. For the most of the other farms cereal production counts for at least 25%. In most countries the cereal sector consists of non specialised farms.

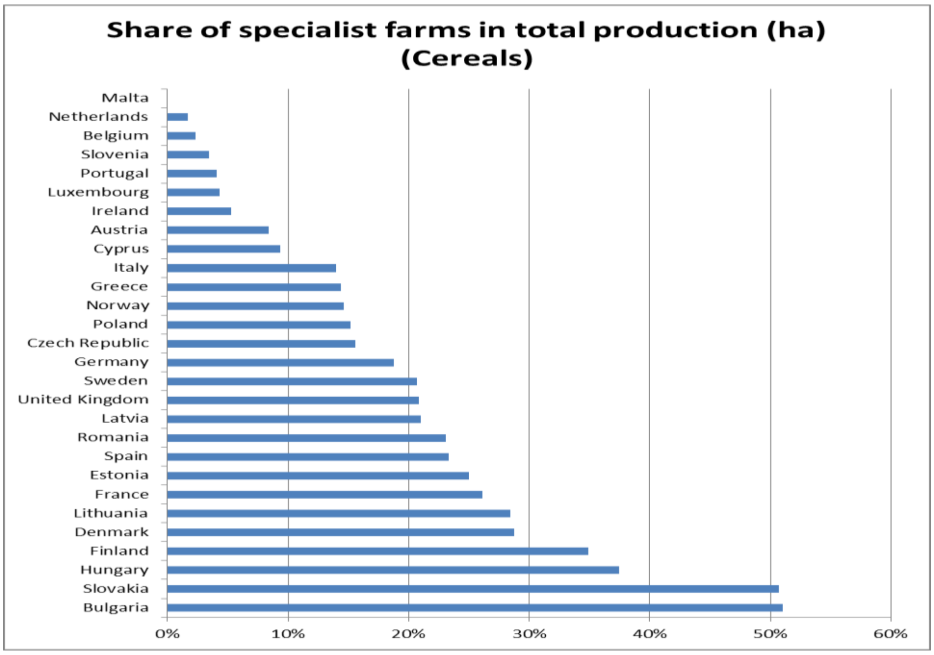


Figure 7 Heterogeneity in farm production: the share of specialist farm types in total production. Source: Eurostat, Farm Structure Survey

## 2.4 Economic indicators of farms

The description of agriculture is concluded with some economic indicators (Table 2). These indicators focus on the net value added and income from farming for farmers, as well as the level of their investment. Some of this investment might be in equity of the cooperatives, but far the most will be in farm assets.

Table 2 Economic indicators for farms

| Sugar | Belgium | Bulgaria | Cyprus | Czech Republic | Denmark | Germany | Greece | Spain | Estonia | France | Hungary | Ireland | Italy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic size - ESU | 82.87 | 3.85 | 25.10 | 116.03 | 83.03 | 116.63 | 14.83 | 40.43 | 7.27 | 113.83 | 23.30 | - | 37.20 |
| Total labour input - AWU | 1.28 | 1.98 | 1.46 | 6.46 | 1.14 | 2.39 | 1.05 | 1.29 | 1.59 | 2.19 | 1.85 | - | 1.40 |
| Total Utilised Agricultural Area (ha) | 62.66 | 7.89 | 12.94 | 204.59 | 89.79 | 115.83 | 11.00 | 45.63 | 54.06 | 101.85 | 55.51 | - | 21.68 |
| Total output € | 135,931 | 9,772 | 31,672 | 280,096 | 185,712 | 234,755 | 17,053 | 54,917 | 19,915 | 204,485 | 57,707 | - | 46,405 |
| Farm Net Value Added € | 76,515 | 6,577 | 14,783 | 99,643 | 73,585 | 104,328 | 14,794 | 37,235 | 9,445 | 92,365 | 26,705 | - | 28,901 |
| Farm Net Income € | 54,417 | 4,166 | 8,913 | 35,968 | 636 | 51,447 | 11,608 | 29,953 | 8,803 | 54,337 | 14,276 | - | 21,281 |
| Total assets € | 461,042 | 17,388 | 219,283 | 649,903 | 1,954,128 | 1,038,066 | 82,628 | 377,304 | 82,030 | 388,607 | 136,195 | - | 356,182 |
| Net worth € | 355,584 | 15,211 | 218,030 | 528,483 | 1,121,867 | 880,267 | 82,031 | 370,193 | 69,431 | 218,800 | 100,511 | - | 352,486 |
| Gross Investment € | 23,657 | 1,186 | 1,440 | 28,052 | 43,583 | 45,615 | 563 | -1,277 | 5,164 | 29,318 | 7,380 | - | 2,695 |
| Net Investment € | 6,722 | 494 | -3,587 | -1,854 | 18,083 | 16,548 | -3,152 | -4,699 | 1,832 | -2,535 | -180 | - | -3,154 |
| Total subsidies - excl.on investm. € | 29,895 | 1,729 | 4,262 | 53,461 | 35,212 | 44,111 | 11,379 | 14,609 | 6,901 | 38,837 | 13,462 | - | 8,312 |
| Farms represented | 3,893 | 15,365 | 2,367 | 1,667 | 5,380 | 19,647 | 86,850 | 25,890 | 1,083 | 23,237 | 7,417 | 317 | 89,847 |

| Sugar | Lithuania | Luxembourg | Latvia | Malta | Netherlands | Austria | Poland | Portugal | Romania | Finland | Sweden | Slovakia | Slovenia | United Kingdom |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic size - ESU | 15.83 | - | 11.07 | - | 97.93 | 44.57 | 10.17 | 16.50 | 3.50 | 28.53 | 49.37 | 64.10 | 9.95 | 196.23 |
| Total labour input - AWU | 1.94 | - | 2.34 | - | 1.77 | 1.37 | 2.06 | 1.82 | 1.94 | 0.85 | 1.15 | 7.54 | 1.26 | 2.88 |
| Total Utilised Agricultural Area (ha) | 62.10 | - | 49.53 | - | 57.84 | 50.38 | 21.97 | 15.82 | 9.67 | 53.17 | 91.30 | 197.45 | 13.03 | 199.30 |
| Total output € | 41,932 | - | 33,850 | - | 255,304 | 88,843 | 30,257 | 29,255 | 15,681 | 45,297 | 120,631 | 194,361 | 22,745 | 375,222 |
| Farm Net Value Added € | 22,793 | - | 13,466 | - | 108,843 | 58,589 | 14,499 | 15,693 | 8,393 | 22,867 | 46,117 | 45,005 | 9,267 | 174,596 |
| Farm Net Income € | 20,729 | - | 9,981 | - | 53,154 | 45,346 | 11,161 | 11,873 | 5,858 | 14,426 | 19,001 | -1,584 | 7,814 | 95,882 |
| Total assets € | 118,702 | - | 77,506 | - | 1,697,459 | 391,418 | 93,489 | 72,041 | 39,772 | 276,641 | 693,579 | 329,686 | 125,708 | 1,845,020 |
| Net worth € | 100,102 | - | 57,397 | - | 1,193,200 | 352,262 | 82,752 | 69,537 | 39,137 | 208,007 | 533,722 | 282,993 | 123,363 | 1,611,141 |
| Gross Investment € | 13,853 | - | 13,743 | - | 54,450 | 16,671 | 4,817 | 2,515 | 254 | 15,223 | 22,626 | 35,783 | 7,054 | 73,060 |
| Net Investment € | 8,557 | - | 8,960 | - | 22,124 | 1,250 | 48 | -1,118 | -1,004 | -1,464 | 4,730 | -4,446 | 2,305 | 29,719 |
| Total subsidies - excl.on investm. € | 9,934 | - | 8,093 | - | 20,542 | 29,968 | 5,182 | 7,044 | 1,895 | 37,242 | 27,121 | 44,081 | 5,347 | 60,167 |
| Farms represented | 2,560 | 7 | 2,350 | 17 | 7,310 | 5,430 | 79,037 | 8,310 | 71,465 | 5,743 | 4,997 | 750 | 930 | 7,890 |

Source: DG Agri, FADN.

# 3 The evolution and position of cooperatives and their performance

## 3.1 Description of the food chain issues in the sector

Cereals are what is called bulk products or commodities. There are no much attributes for differentiation, except for some quality features (protein content, production conditions [organic/conventional]). To some extend varieties are important and that makes brand names an issue. In general, seed companies invest in brand names for their products with the goal of creating a distinctive product identity, summarizing product attributes, or giving a product a "personality" with the image of the seed company. This goal can be achieved by advertising the quality and most important agronomic characteristics. There are some attempts, especially of German and French cooperatives to erode this brand power of the seed industry. They have invested in the acquisition of seed companies and the creation of their own private labelling.

Traditionally, all over Europe cereals are a main raw product for the flour and milling industry, the bread and bakery industry, and the animal feedstuff sectors. Opposite to the seed sector cereals are not subject to branding activities of the grain marketing companies. These characteristics make cereals to close substitutes with dealer or logistic service being an important part of the product/delivery service. On the other hand, cereals are an important ingredient for the animal feedstuff industry and, like for example in The Netherlands and in Germany grain marketing cooperatives are a major supplier of feedstuffs. These double functions can cause some interesting effects on the internal governance of the business which could be subject to further research.

The cereals sector is increasingly becoming a source of raw materials for industries or sectors beyond the traditional food and fibre industry. Direct effects: Cereals are becoming raw materials for the energy sector in the form of ethanol (maize, wheat) or bio-based synthetic chemicals industries. Indirect effects are: increased acreage competition of oilseed rape.

For the cooperatives this transformation will not just be seen in the within-firm-production, processing, and marketing activities, but also in the creation of new value and supply chain relations leading to a redefinition of the industry boundaries. And the question comes up if cooperatives could become part of these new forming bio-based energy-supply chains.

Price determination takes place on different levels: (1) the international influence on domestic price levels: this price formation is prevailing in every EU member state; (2) Local prices than are subject to transportation costs of imported or exported grain; (3) on the national level nearly equal prices exist; minor differences due to quality, quantity (bulk) and transportation differences. Price determination is subject of marketing pools (like in the Netherlands) or an annual repeating game of alternating price leadership and price followership between the local competitors (coop and/or IOF).

Larger cereal marketing cooperatives entered a number of foreign countries (in particular in accordance to the liberalization of East European market; e.g. German, Dutch and Scandinavian cooperatives invested in the Baltic States and in south East European countries). They have made numerous investments in foreign countries in the CEEs by acquisition of local based companies, by franchising, or by merger. It would be interesting to know what the driving forces are that are behind these internationalisation activities. It is not clear if the impulse for these engagements is the result of the competition between and growth strategies of trading companies or the consequence of the "follow-the-customer" concept, when west European farmers invest in farm acquisitions in the CEEs and cooperatives have to follow their members.

The paths for the evolution of farm structures in CEE were diverse and so are the resulting farm structures. One can find relatively large and efficient agricultural enterprises in these states or regions (East Germany, Czech Republic), subsistence-oriented farm households in north-east Bulgaria, highly specialised large family farms in the New German Bundesländer, and diversified small-scale family farms in Slovenia.

Large specialised farms of cereals applying new technologies in cultivating and harvesting cereals are continuously increasing the efficiency of grain production. They also trade as independent players in the food chain without considering cooperatives as the main partner. On-farm investments by large (very large) farms in former East and also West European countries support their efforts to build up their own marketing activities. They even gained strong position in negotiating terms of trade with cooperatives.

Additional problems arise for the cereal sectors in different countries by the sometimes very loose contract discipline between the local traders and producers, as well as between processors and their suppliers. In case of bigger traders there are almost relational contracts with the producers, so the above problem is not significant. Volatile price developments in the past have increased speculations which lead to a lack of stability and trust in the contractual relationships between co-operatives, farmers, and parts of the processing industry.

There are not many aspects to differentiate the cereals. They are storable products and usable in many different ways. For the performance of the cooperatives a decisive factor for being relatively more competitive is the service quality during the grain harvest. The provision of storage capacities and powerful logistics is one of the decisive competitive aspects. But, nevertheless this factor is not unique to cooperatives. In general, there are no significant differences between cooperatives and investor-owned firms; both provide these services for the farmer at quite the same conditions. All these factors contribute to the fact that there is a less apparent need to engage only in cooperatives. On a local level farmers have several opportunities to sell their cereals to different dealers. IOFs are therefore predominant in this sector.

## 3.2 Performance of coops (market shares, growth, other indicators)

Table 3 Market Share of Cooperatives in the cereals sector

| Country | 2000 Market Share (%) | 2010 Market Share (%) | Comments |
|---|---|---|---|
| France | 74 (2003) | 74 | |
| Austria | 50 (1997) | 70 | |
| Germany | 45 (approx. ) | 50 (approx.) | |
| Netherlands | n.a. | > 55 | |
| Finland | 40 | 49 | Cereal trade share cannot be calculated exactly, Hankkija-Maatalous (input supplier) is a big player |
| Slovenia | n. a. | 42 (2008) | |
| Latvia | 30 | 37.3 (2008) | |
| Spain | 35 | 35 | |
| Italy | 25% (approx.) | 25-28% (2008) | The market shares were really similar to the 2010 shares |
| Slovakia | 3 (2004) | 15,9 | |

| | | | |
|---|---|---|---|
| Hungary | 11.0 (2006) | 12.2 (2008) | |
| Estonia | 7.7 | 10 | In 2000 there existed several small cooperatives, in 2010 there is only one – Kevili. |
| Poland | n. a. | 6-7% | Cereals production is mainly a specialty of RSP. |
| Belgium | n. a. | 4.7 | |
| Greece | 49 (1996) | n. a. | |
| Czech | n. a. | marginal | Most of the production is contracted by two large merchants (Agrofert and ZZN) |
| Ireland | n. a. | n. a. | There is no co-operative with a sole cereal activity, however many of the dairy co-operatives also purchase and process cereals for (animal feed). |
| Lithuania | n. a. | n. a. | |
| Luxembourg | n. a. | n. a. | |
| Malta | n. a. | n. a. | Sector not existent |
| Portugal | n. a. | n. a. | |
| Romania | n. a. | n. a. | Statistics don´t identify cooperatives |
| Denmark | n. a. | n. a. | DLA Group 15% |
| Bulgaria | n. a. | n. a. | |
| Sweden | n. a. | n. a. | |
| UK | n. a. | 2.4 | Reliable data on the market share is not yet |
| TOTAL EU | | | |

Sources: country reports

## 3.3 Description of largest farmer's cooperatives in the sector

Table 4 Most important cooperatives in cereals, per country

| Country | Names of Cooperative | Primary (P) or Secondary (S) cooperative | Turnover 2010* (million Euro) |
|---|---|---|---|
| Austria | 1. Raiffeisen Ware Austria AG | S | 828 |
| Austria | 2. Raiffeisen Lagerhaus Zwettl reg.Gen.m.b.H. | P | 134 |
| Austria | 3. Raiffeisen Lagerhaus Hollabrunn - Horn reg.Gen.m.b.H. | P | 125.1 |
| Austria | 4. Raiffeisen Lagerhaus GmbH | P | 117.7 |
| Austria | 5. Innviertler Lagerhausgenossenschaft eGen | P | 107 |
| Belgium | 1. Société Coopérative Agricole de la Meuse | | n. a. |
| Belgium | 2. Sociétés Coopératives Agricoles Réunies des Regions Herbagères | | 27 |
| Belgium | 3. Centragro | | n. a. |
| Belgium | 4. L'Alliance Blé | | n. a. |
| Belgium | 5. Delputte Frères | | n. a. |
| Bulgaria | 1. Edinstvo(Единство) | | n. a. |
| Bulgaria | 2. Jiten krai( Житен край) | | 2.1 |
| Bulgaria | 3. Bavlovo( Бавлово) | | 1.1 |
| Bulgaria | 4. Gurkovo(Гурково) | | 0.5 |
| Bulgaria | 5. Iztok(Изток) | | n. a. |
| Czech | 1. Agroodbyt, družstvo | | 88.8 |
| Czech | 2. Odbytové a hospodářské družstvo Pardubice | | 14.7 |
| Denmark | 1. Dansk Landbrugs Grovvareselskab Amba | P | 5,279.1 |
| Denmark | 2. Danish Agro | P | 1,789.9 |
| Denmark | 3. Vestjyllands Andel Amba | P | 141.9 |
| Denmark | 4. Salling grovvare Amba | P | 20.2 |
| Denmark | 5. Næsbjerg Foderstofforening | P | 12.3 |
| Estonia | 1. Kevili Põllumajandusühistu (Agricultural Cooperative | | 13.3 |

| | | | |
|---|---|---|---|
| | Kevili) | | |
| Finland | 1. Agri-Market | | 1,056 |
| Finland | 2. A-spannmål | | 1.8 |
| Finland | 3. Makure | | 0.3 |
| Finland | 4. Perhon Kahu | | 0.3 |
| Finland | 5. Tarvike-Kappa | | 0.1 |
| France | 1. AXEREAL | P | 2,800 |
| France | 2. CHAMPAGNE CEREALES | P | 2,512 |
| France | 3. UNEAL | P | 820 |
| France | 4. SCAEL | P | 686 |
| France | 5. ARTERRIS | P | 587 |
| Germany | 1. Agravis Raiffeisen AG | S | 4,956.1 |
| Germany | 2. BayWa AG | S | 4,428.7 |
| Germany | 3. Raiffeisen Waren-Zentrale Rhein-Main eG | S | 1,391 |
| Germany | 4. Handelsgenossenschaft Nord AG | S | 1,289.3 |
| Germany | 5. ZG Raiffeisen eG | S | 914.2 |
| Greece | 1. U.A.C.* of Orestiada | | 19.3 |
| Greece | 2. U.A.C. of Larisa-Tyrnavos-Agias | | n. a. |
| Greece | 3. U.A.C. of Kavala | | 30.7 |
| Greece | 4. U.A.C. of Lamia | | n. a. |
| Greece | 5. U.A.C. of Drama | | 12 |
| Hungary | 1. MÁTRAGABONA Mátravidéki Gabonatermelők Szövetkezete | | 5.1 |
| Hungary | 2. Komáromi Híd Gabonatermelők Szövetkezete | | 4.4 |
| Hungary | 3. “Szabolcs-Grain” Gabonatermelő és Kersekedelmi Kft. | | 3.5 |
| Hungary | 4. Tevel és Környéke Gabona Termelői Csoport Termeltető és Értékesítő Szövetkezet | | 3.4 |
| Hungary | 5. Csabai Raktárszövetkezet | | 2.8 |
| Italy | 1. Consorzio Agrario Lombardo-Veneto | | 316.1 |
| Italy | 2. Progeo | | 259.3 |
| Italy | 3. Consorzio Agrario di Bologna e Modena | | 177.1 |
| Italy | 4. Consorzio Agrario di Padova e Venezia | | 146.1 |
| Italy | 5. Consorzio Agrario di Cremona | | 137.3 |
| Latvia | 1. LPKS "Latraps" | | 101.6 |
| Latvia | 2. LPKS "Vidzemes agroekonomiskā kooperatīvā sabiedrība" | | 20.7 |
| Latvia | 3. LPKS "Durbes grauds" | | n. a. |
| Latvia | 4. LPKS "Akots" | | n. a. |
| Latvia | 5. LPKS "Sēlijas āres" | | n. a. |
| Lithuania | 1. Žemės Ūkio Kooperatinė Bendrovė "Pieno Gėlė" | | n. a. |
| Lithuania | 2. Žemės ūkio kooperatyvas „Joniškio aruodas“ | | n. a. |
| Lithuania | 3. Žemės ūkio kooperatyvas “Mūsų ūkis“ | | 0.8 |
| Lithuania | 4. Žemės Ūkio Kooperatyvas "Ėriškių Pienas" | | n. a. |
| Lithuania | 5. Žemės Ūkio Kooperatyvas "Žiuriai" | | n. a. |
| Luxembourg | 1. R-W-G, Raiffeisen-Wuere-Genossenschaft | | n. a. |
| Luxembourg | 2. Luxemburger Saatbaugenossenschaft (LSG) | | 5.0 |
| Luxembourg | 3. BAUERE KOPERATIV, SOCIETE | | n. a. |
| Netherlands | 1. Agrifirm | P | 1,983 |
| Netherlands | 2. CZAV | P | 304 |
| Netherlands | 3. Triligran (specialized barley cooperative) | P | n. a. |
| Poland | 1. Agrofirma Witkowo (Cooperative) | | n. a. |
| Poland | 2. Karolew z o.o. (Producer Group) | P | n. a. |
| Poland | 3. Adorol (Coopeartive) | | n. a. |
| Poland | 4. RSP Wydrowice (Cooperative) | | 3.6 |
| Poland | 5. RSP Jedność (Cooperative) | | n. a. |

| | | | |
|---|---|---|---|
| Romania | 1. COMBINATUL AGROINDUSTRIAL CURTICI | | 7.5 |
| Romania | 2. SOCIETATEA AGRICOLA PETRESTI | | 1.9 |
| Romania | 3. DOBROGEA SUD COOPERATIVA AGRICOLA | | 1.7 |
| Romania | 4. SOC.AGR. "ASTRA" | | 1.6 |
| Romania | 5. SOCIETATEA AGRICOLA INFRATIREA CAREI | | 1.1 |
| Slovakia | 1. ODO - Odbytové družstvo obilnín Trnava | | 7.9 |
| Slovakia | 2. Odbytové družstvo obilniny Hordeum Agro | | 0.1 |
| Slovakia | 3. Odbytová organizácia výrobcov - družstvo Šamorín | | n. a. |
| Slovakia | 4. Odbytové družstvo obilniny KOSTRIN | | 3.2 |
| Slovakia | 5. Odbytové družstvo obilniny BEBRAVA | | 3.1 |
| Slovenia | 1. KZ Ptuj | | n. a. |
| Slovenia | 2. KZ Radgona | | n. a. |
| Slovenia | 3. KZ Lenart | | n. a. |
| Slovenia | 4. SKZ Kmetovalec Ljutomer | | n. a. |
| Slovenia | 5. KGZ Sloga Kranj | | n. a. |
| Spain | 1. An, S. Coop | | 343 |
| Spain | 2. Acorex, S.C.L | | n. a. |
| Spain | 3. Arento S. Coop | | 143 |
| Spain | 4. Agropal S. Coop | | 55 |
| Spain | 5. Actel | | n. a. |
| Sweden | 1. Lantmännen ek. För. | S | 4,029 |
| Sweden | 2. Kalmar Lantmän ek. för. | P | 123.7 |
| Sweden | 3. Kristianstadsortens Lagerhustörening ek. för. | P | 53.8 |
| Sweden | 4. Varaslättens Lagerhus ek. för. | P | 32.7 |
| Sweden | 5. Vallberga Lantmän ek. för. | P | 32.4 |
| UK | 1. Openfield Group Ltd | S | 546.6 |
| UK | 2. Fane Valley Co-operative Society | P | 266.4 |
| UK | 3. Atlasfram Group Limited | P | 158 |
| UK | 4. United Oilseeds Marketing Limited | P | 75.5 |
| UK | 5. Humber Grain Limited | P | 18.9 |
| Malta | Sector dosen´t exist | Sector doesn´t exist | |
| Portugal | n. a. | | n. a. |
| Ireland | None | None | None |

*: 2010 or latest year available

Source: ranking of the 5 largest cooperative per country from each country report; turnover from each country report, if not available in country report the data is taken from the questionnaire.

Not for all cereals marketing cooperatives data on turnover are available. For those that have been reported in the country reports the following ranking could be processed.

Table 5 The largest farmers' cooperatives in the food chain of cereals

| | **Name of the Cooperative** | **Country** | **Turnover 2010* (million Euro)** |
|---|---|---|---|
| 1. | Dansk Landbrugs Grovvareselskab Amba | Denmark | 5,279.1 |
| 2. | Agravis Raiffeisen AG | Germany | 4,956.1 |
| 3. | BayWa AG | Germany | 4,428.7 |
| 4. | Lantmännen ek. För. | Sweden | 4,029 |
| 5. | AXEREAL | France | 2,800 |
| 6. | CHAMPAGNE CEREALES | France | 2,512 |
| 7. | Agrifirm | Netherlands | 1,983 |
| 8. | Danish Agro | Denmark | 1,789.9 |
| 9. | Raiffeisen Waren-Zentrale Rhein-Main eG | Germany | 1,391 |
| 10. | Handelsgenossenschaft Nord AG | Germany | 1,289.3 |
| 11. | Agri-Market | Finland | 1,056 |

| | | | |
|---|---|---|---|
| 12. | ZG Raiffeisen eG | Germany | 914.2 |
| 13. | Raiffeisen Ware Austria AG | Austria | 828 |
| 14. | UNEAL | France | 820 |
| 15. | SCAEL | France | 686 |
| 16. | ARTERRIS | France | 587 |
| 17. | Openfield Group Ltd | UK | 546.6 |
| 18. | An, S. Coop | Spain | 343 |
| 19. | Consorzio Agrario Lombardo-Veneto | Italy | 316.1 |
| 20. | CZAV | Netherlands | 304 |
| 21. | Fane Valley Co-operative Society | UK | 266.4 |
| 22. | Progeo | Italy | 259.3 |
| 23. | Consorzio Agrario di Bologna e Modena | Italy | 177.1 |
| 24. | Atlasfram Group Limited | UK | 158 |
| 25. | Consorzio Agrario di Padova e Venezia | Italy | 146.1 |
| 26. | Arento S. Coop | Spain | 143 |
| 27. | Vestjyllands Andel Amba | Denmark | 141.9 |
| 28. | Consorzio Agrario di Cremona | Italy | 137.3 |
| 29. | Raiffeisen Lagerhaus Zwettl reg.Gen.m.b.H. | Austria | 134 |
| 30. | Raiffeisen Lagerhaus Hollabrunn - Horn reg.Gen.m.b.H. | Austria | 125.1 |
| 31. | Kalmar Lantmän ek. för. | Sweden | 123.7 |
| 32. | Raiffeisen Lagerhaus GmbH | Austria | 117.7 |
| 33. | Innviertler Lagerhausgenossenschaft eGen | Austria | 107 |
| 34. | LPKS "Latraps" | Latvia | 101.6 |
| 35. | Agroodbyt, družstvo | Czech | 88.8 |
| 36. | United Oilseeds Marketing Limited | UK | 75.5 |
| 37. | Agropal S. Coop | Spain | 55 |
| 38. | Kristianstadsortens Lagerhustörening ek. för. | Sweden | 53.8 |
| 39. | Varaslättens Lagerhus ek. för. | Sweden | 32.7 |
| 40. | Vallberga Lantmän ek. för. | Sweden | 32.4 |
| 41. | U.A.C. of Kavala | Greece | 30.7 |
| 42. | Sociétés Coopératives Agricoles Réunies des Regions Herbagères | Belgium | 27 |
| 43. | LPKS "Vidzemes agroekonomiskā kooperatīvā sabiedrība" | Latvia | 20.7 |
| 44. | Salling grovvare Amba | Denmark | 20.2 |
| 45. | U.A.C.* of Orestiada | Greece | 19.3 |
| 46. | Humber Grain Limited | UK | 18.9 |
| 47. | Odbytové a hospodářské družstvo Pardubice | Czech | 14.7 |
| 48. | Kevili Põllumajandusühistu (Agricultural Cooperative Kevili) | Estonia | 13.3 |
| 49. | Næsbjerg Foderstofforening | Denmark | 12.3 |
| 50. | U.A.C. of Drama | Greece | 12 |
| 51. | ODO - Odbytové družstvo obilnín Trnava | Slovakia | 7.9 |
| 52. | COMBINATUL AGROINDUSTRIAL CURTICI | Romania | 7.5 |
| 53. | MÁTRAGABONA Mátravidéki Gabonatermelők Szövetkezete | Hungary | 5.1 |
| 54. | Luxemburger Saatbaugenossenschaft (LSG) | Luxembourg | 5.0 |
| 55. | Komáromi Híd Gabonatermelők Szövetkezete | Hungary | 4.4 |
| 56. | RSP Wydrowice (Cooperative) | Poland | 3.6 |
| 57. | "Szabolcs-Grain" Gabonatermelő és Kersekedelmi Kft. | Hungary | 3.5 |
| 58. | Tevel és Környéke Gabona Termelői Csoport Termeltető és Értékesítő Szövetkezet | Hungary | 3.4 |
| 59. | Odbytové družstvo obilniny KOSTRIN | Slovakia | 3.2 |
| 60. | Odbytové družstvo obilniny BEBRAVA | Slovakia | 3.1 |
| 61. | Csabai Raktárszövetkezet | Hungary | 2.8 |
| 62. | Jiten krai( Житен край) | Bulgaria | 2.1 |
| 63. | SOCIETATEA AGRICOLA PETRESTI | Romania | 1.9 |
| 64. | A-spannmål | Finland | 1.8 |
| 65. | DOBROGEA SUD COOPERATIVA AGRICOLA | Romania | 1.7 |

| | | | |
|---|---|---|---|
| 66. | SOC.AGR. "ASTRA" | Romania | 1.6 |
| 67. | Bavlovo( Бавлово) | Bulgaria | 1.1 |
| 68. | SOCIETATEA AGRICOLA INFRATIREA CAREI | Romania | 1.1 |
| 69. | Žemės ūkio kooperatyvas "Mūsų ūkis" | Lithuania | 0.8 |
| 70. | Gurkovo(Гурково) | Bulgaria | 0.5 |
| 71. | Makure | Finland | 0.3 |
| 72. | Perhon Kahu | Finland | 0.3 |
| 73. | Tarvike-Kappa | Finland | 0.1 |
| 74. | Odbytové družstvo obilniny Hordeum Agro | Slovakia | 0.1 |

Source: Table 4 Most important cooperatives in cereals, per country

**Transnational cooperatives**

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

Table 6 below presents the foreign transnational cooperatives and the international cooperatives active in cereals sector.

| Name of the Cooperative | Mother country | Countries involved in: |
|---|---|---|
| **Transnationals** | | |
| RWA Raiffeisen Ware Austria | Austria | Slovenia, Czech Republic, Hungary, Croatia, Slovakia, Romania, Poland, Serbia |
| Sociétés Coopératives Agricoles Réunies des régions herbagères (SCAR scrl) | Belgium | Luxemburg, Germany |
| DLA Agro | Denmark | SE, NO, FI, EE, LI, LT… |
| DLG | Denmark | SE, DE |
| Baywa AG | Germany | Austria |
| ZG Karlsruhe | Germany | France |
| Progeo | Italy | France |
| Luxemburger Saatbaugenossenschaft (LSG) | Luxembourg | Germany, Belgium, France |
| Agrifirm | Netherlands | Germany, Poland, Hungary, Belgium, China |
| **Internationals** | | |
| Agrimarket | Finland | LT |
| Axereal | France | United Kingdom, Belgium, Ireland, Hungary, Romania |
| Champagne Céréales | France | United Kingdom, Belgium, Netherlands, Austria, Sweden, Germany, Poland, Hungary, Romania, Greece, Italy, Spain, Portugal |
| Agravis Raiffeisen AG | Germany | Poland |

# 4 Assessment of developments among cooperatives

## 4.1 The institutional environment

The institutional environment for cooperative producer organisation in the cereal sector is quite different between the countries that were studied. The economic development of the cereals cooperatives can be explained partly by the historical, political, and socio-economic circumstances. Explanations for the current development and position of the cooperatives could be found in a number of different aspects. Cooperatives were founded primarily for economic purposes. Cooperatives in the cereal sector are an integral part of the total cooperative system in each of the assigned countries. Their development cannot be isolated from the general development of the institutional environment. This is especially true for the national activities and the local presence of the cooperatives. As far as international activities – like international cereal trade - is concerned cooperatives` role is not that important. The main players in the international trade of cereals are multi-national operating companies like ADM, Cargill, ConAgra, and Bunge.

In some countries (e.g. Denmark, Sweden, The Netherlands, France, Germany, Austria) cooperatives´ prosperity in the cereal sector is supported by the long history of the cooperative movement in line with favourable developments in the agricultural sector. Additionally, liberal policies were in favour of the cooperatives.

In other countries (e.g. Slovenia, Latvia, Hungary) the recent socio-economic development gave the cooperative movements new perspectives when the political system changes dramatically. Parallel with the liberalization the term “cooperative” has had a bad image and makes it difficult to explain the advantages of cooperative actions. This can partly explain the minor importance of the cooperatives in these countries. In these countries the development of the cooperatives in the cereal sector was still handicapped by political and government interventions and investment of state bodies in the former socialist cooperative system. Still state institutions are a big player in the farming and marketing sector. There is still an institutional environment based on state intervention.

Cereal trading business is a commodity trading business on a large scale basis. Except for pure quality grain production and marketing most of the business is bulk trading of large quantities with the intention to serve international markets or large processors (grain mill sector or the feedstuff sector). In some countries the traditional organization structure of a two-tier cooperative system has helped to improve the cooperative position. Local operating cooperatives with terminals collect grain during the harvest and the secondary (central) cooperatives are collecting larger bundles for exporting or marketing to larger customers in the processing industry. Structural changes in the farming sector with the increase in average farms sizes enables secondary cooperatives who are or were mainly in the whole sale business also to enter the retail business and directly source from the farms. This process was accompanied by heavy merger activities between local cooperatives and also between local and central cooperatives.

Grain trading itself in general is a business that does not need special investments and market entry of new traders is not that complicated. A company need more investments if it wants to trade commodities physically. Than large investments in logistics and grain terminals are a precondition for the business entry. If we define the boundaries of the cereal business wider than just handling the grain harvest it encompasses also the supply of farm inputs like seeds and fertilizers and pesticides. It encompasses a wide range of service, advisory, and financing businesses. With this perspective the input supply business is strongly connected to the cereal business.

Socio-economic aspects play also an important role in collective actions. Obstacles to organize a cooperative can be seen in the lack of mutual trust and confidence so that self-interest is one of the main drivers in cereal marketing. This tendency is supported by the ability of (very) large farms to exploit marketing power by single marketing activities. One of the main and traditional tasks of cooperatives is to provide these services. This circumstance can probably partly explain the low market shares of cooperative compared to IOFs.

The market success measured by market shares of cooperatives have also benefited from a flexible cooperative law. This flexibility gives the cooperatives more freedom in finding appropriate internal governance structures and financial structures that enables them to find organisation structures that makes them more flexible for their trading tasks.

Interesting to note that in France the cooperatives in the cereal sector have not only extended their horizontal boundaries (scale economies) but also their vertical boundaries (economies of scope) by investing in added value of cereals (processing).

Effects of the common agricultural policy (CAP) for the cereal sector are that the sector is getting more and more exposed to the development of the international markets. The consequence is the increasing price volatility. Cooperatives have to implement special risk management instruments like forward and future contracting. Close cooperation between primary cooperatives and secondary cooperatives can be an advantage in the interplay of price and quantity securing activities.

It is not very clear to what extent the CAP has influenced the performance of cooperatives in comparison to IOFs. Taken the country reports we do not find any evidence that the regulations and changes are in favour of one or the other type of organisation. There is also no evidence that there is a special law or regulation that favours the cereal business of the cooperatives. There are no public support measures for cooperatives in the country reports with respect to the cereal sector.

The following part is an attempt to combine the institutional environment with the role cooperatives play in the cereal sector. We find the following categorisation:

**(I) Countries with cooperative legislation but, with no special additional regulations that support cooperatives;**

**... Cooperatives with great sector importance**

In the Scandinavian countries (Denmark, Sweden, Finland), in Germany, The Netherlands, and Spain we find an institutional environment that has been described by the country reports as favourable to the development of the cereals cooperatives. Despite the fact that we do not have any detailed figures for the exact size of the market shares of Danish and Swedish cooperatives we know that single cooperatives have a strong market position and are the dominant players in the cereal sector (80% by the two largest cereals cooperatives in Denmark; see Pyykkönen et. al, CR-Denmark, p. 30); 40% of the largest Swedish cooperative; see Nilsson et. al., CR-Sweden, pp. 34). One main explanation for this success is given in the report as well. Pyykkönen et. al. (CR-Denmark, p. 31) conclude that the mainly lack of interest for social issues in the cooperative system, allowed cooperatives to adopt the idea that efficiency of trade management is the best way to achieve benefits for their members. Even though the role of cooperatives is strong there is no specific legislation that regulates cooperation, which allows each cooperative to adopt the statutes that best fit the activity concerned. This probably gives some flexibility when the cooperatives act in different sectors and different market structures.

Quite the same explanations are given by the country reports of Finland, The Netherlands, and Germany. In these countries the cereals cooperatives perform quite well. Compared to IOFs their market share is about 50% and has been slightly increasing. The institutional environment in Finland, The Netherlands, and Germany is quite favourable for cooperatives. The role of cooperatives has been very economy oriented and that can partly be explained from historical and sociological backgrounds. This strong economy and business orientation of cooperatives has remained for a long time. This is emphasized by the fact that today there is very little politics in cooperatives (see Pyykkönen et. al., CR-Finland, pp. 32/33; Kühl, CR-Germany, pp. 37-40; Bijman et. al., CR-The Netherlands, pp. 37-39).

The evaluation of the situation in Slovenia is a bit contradictory. It has been reported that the history of the cooperative movement is an important driver of the system and the Cooperatives Act from 1992 reintroduced the classical cooperative model with membership governance and liability. This was expected to be an important push to reaffirmation of the cooperative movement among farmers, but the later development didn't show the expected results. Farmers stopped cooperating with cooperatives which is believed to root in the fact that with the reformation of the cooperatives the agricultural advisory service was outsourced from the agricultural cooperatives and transferred to a central authority. On the other hand cereals cooperatives show substantial overall market share of about 42% (see Udovč, CR-Slovenia, pp. 27/28).

**... Cooperatives with moderate position in the sector**

This situation refers to the two countries Italy and Latvia.

Throughout its long history, the strategic importance of Italian co-operatives in the agri-food sector, just as in other economic sectors, has been shown through its constitutional relevance as well as by the specific civil and fiscal framework that governs the co-operative entity. While its importance has varied in different historical periods, the institutional environment has always favoured the development of the co-operative model (see Bono, CR-Italy, p. 48). This development has led to a market share of cooperatives in the cereal sector of about 25%. For Latvia (see, Zobena, CR-Latvia, pp. 31-33) cooperatives have also a long history. For the last 20 years, the latest historic period of the re-established Republic of Latvia has brought many changes; in the 1990s, cooperatives experienced a decline as a result of great market pressure. But over the last years, cooperatives became a more popular way of cooperation with the effect that their market share raises up to 37%. Farmers more and more realize that cooperatives can be the best way of distributing their products.

**(II) Countries with specific legislation that regulates cooperation as a social and economic institution:**

**... Cooperative with great importance**

A special institutional environment supports the cereals cooperatives in France, Greece, and Spain. Long tradition in cooperative movement and law and the organization in different associations support the cooperative movement very strongly in France. Several changes in specific laws directly devoted to agricultural cooperatives have had a positive influence on the cooperative system (see Filippi, CR-France, pp. 31-33). In 1991 and 1992, two new laws were passed and induced a greater subsidiarization and the development of cooperative groups. New regulations in 2006 introduced measures concerning the control of companies and the consolidation to agricultural cooperatives and their unions. Beside laws, there was also a financial support from the State, with the help of grants, low interest rates, non-taxation. These environments help the cooperative system to find a dominant position in the cereal food chain with market shares of about 74%.

In Greece, the role of the State has been essential for their establishment and development. The frequent amendments to the cooperative legislation during the 20th century have resulted in an unstable institutional environment that largely prevented agricultural cooperatives from serving their members efficiently. Consequently, the organisation and representation of farmers' interests did not follow a bottom-up approach but, instead, was planned by the ruling political powers aiming at the alignment of farmer interests with State politics. The tight embracement of agricultural cooperatives by consecutive governments reduced them exclusively to tools of the official agricultural policy. Interestingly, despite these phenomena, agricultural cooperatives played an important role in the Greek cereal sector with a market share about 45% (see Iliopoulos, CR-Greece, pp. 33/34).

Within Spain there is a reasonably high institutional support for cooperatives. Provisions related to cooperatives are included in the Spanish constitution and more recently in the new Social Economy Law. The problem, as set out in other chapters referred to above, is that the actual legal and cooperative organisational structures limit the effectiveness of such support. As well, by virtue of the sheer volume of cooperative laws and policies at the autonomous community level, there is no united policy orchestration which would be ideal in confronting an increasingly competitive and globalised marketplace. Under these circumstances cooperatives cereals cooperatives currently are generating a market share of 35% which could be even more without the mentioned fictions (see Giagnocavo, CR-Spain, pp. 46/47).

**… Cooperative with minor position in the cereal sector**

With the beginning of 2000 in Belgium a cooperative platform has been established with the aims to promote and support cooperative entrepreneurship in agriculture. In 2005 the Flemish Minister of Agriculture launched an Action Plan to promote cooperation in agricultural cooperatives. Also other measures to promote cooperative entrepreneurship were introduced. These activities could be seen as a reaction to the minor role cooperatives play in different agricultural sectors (see Gijselinckx et. al., CR-Belgium, pp. 44-50). For the cereal sector cooperatives´ market share is reported to be 4.7%.

Producer organizations started to be established with the accession of Slovakia to the EU in 2004 in order to increase economic power of its members in the market. As a contrary against the concentration of agricultural processors government decided to support association of primary producers into collective producer organizations to improve their bargaining position on the markets. For the cereal sector cooperatives share 16% of the cereal market (see Bandlerová et. al, CR-Slovakia, pp. 34/35). Hungary, very recently set up a new General Cooperative Act which has the aim to influences the internal governance of the cooperatives. It is reported that this act is a rather flexible and general law so suitable for any kind of cooperation. For the cereal sector it is expected that with the new opportunities the current market share of cooperatives of about 12% can be improved (see Szabo, CR-Hungary, pp. 58-63).

Interesting institutional environments have been reported form the Czech Republic (see Ratinger et. al., CR-Czech Republic, pp. 33-35), For the past years it could be observed that business trust among market agents has been significantly undermined for a number of reasons: Breaking trading conditions, partnership negotiations resulting in tunnelling investment funds and large business as well as managerial inexperience resulting in a number of bankruptcies during transition. This is further projected to be a barrier to deeper cooperation among farmers, preventing even existing marketing organisations/cooperatives from being effective and efficient. That could partly explain the marginal position of cooperatives also in cereal sector.

For Poland Matczak reports (see CR-Poland, pp. 51-58) the position of cooperatives has been weak (market share in the cereal sector of 7%) not only because of the institutional collapse after 1990 but also because of the negative connotations. Despite rich traditions of cooperatives in the rural areas, after the fifty years of communism, it is popularly treated as a means of subordination used for the farmers.

**(III) Countries with no specific information on legislation that regulates cooperation as a social and economic institution:**

For the remaining countries Bulgaria, Estonia, Lithuania, Portugal, Romania, and the UK no valuable information with respect to the institutional environment or the market shares of the cooperatives were found in the country reports (see CR-Bulgaria, Boevsky; CR-Estonia, Roos;

CR-Lithuania, Vidickiene; CR-Portugal, Rebelo et. al.; CR-Romania, Calinescu; and CR-UK, Spear et. al.)

## 4.2 The role of cooperatives in the food chain

Traditionally, cereals have been one of Europe's most important agricultural sectors, with cereals being grown for domestic and international feed and food needs. Consequently, this sector has always focused on the storage and commercialization of cereals along with the supply of farm inputs to farmer-members.

Traditionally, most cereals cooperatives, which are involved in purchasing agricultural products from farmers, are marketing cooperatives and are only an intermediary between the producers and food processing industry. That is why the supply chain structure of cereals sectors in the EU-27 is relatively straightforward. The cereals sectors are an important part of agriculture and so is marketing of the grain harvest.

Most of the farms in the countries are not specialised farms and they are also characterized by a heterogeneous size distribution. The members are medium specialized farmers and have multiple crops production. Cereals cooperatives have to serve small as well as large farms in every country.

In cereals cooperatives, transformation activities have always had only a minor role compared to their role in other sectors. Furthermore, industrial transformation is not always functional in obtaining products for consumption; often, in fact, it is used for the production of feedstuff. However, some authors have reported that in the past decade there have been efforts in this sector to increase the supply of final consumer products (e.g., investments in pasta processing, but with only small success; see Bono, CR-Italy, p. 47). Zobena (CR-Latvia, p. 30) reports of the most important cooperative Piimandusühistu E-Piim that has extended its traditional functions like, collective bargaining of farm products, to primary and secondary processing, and marketing of branded products.

An outstanding development compared to other countries is reported by the French cooperatives. The most important companies in the cereals sector in France in 2009 (by tons of cereals collected) are cooperatives. As shown in the table, the cereals sector is dominated by cooperatives. Only one investor-owned firm is part of the top ten.

Table 7: The most important companies in the cereals sector in France in 2009

| Company | Legal Form | Cereals collected in 2009 (millions of tons) | Turnover 2009 (million euros) |
|---|---|---|---|
| Axéréal | Cooperative | 4.6 | 2,800 |
| Groupe Soufflet | Investor-owned firm | 4 | 3,018 |
| Champagne Céréales | Cooperative | 2.5 | 2,512 |
| Terrena | Cooperative | 1.8 | 3,484 |
| Capseine | Cooperative | 1.5 | 570 |
| Noriap | Cooperative | 1.4 | 476 |
| Unéal | Cooperative | 1.3 | 819 |
| Nouricia | Cooperative | 1 | 460 |
| Dijon Céréales | Cooperative | 0.9 | 438 |

Sources: Filippi, CR-France, p. 36/37

These cereals cooperatives have invested in processing in order to give more value added to their members. In 2009, the 195 cooperatives specialized in cereals represented 40% of the malting industry, 50% of the corn industry, 40% of the milling industry and 70% of the animal feed industry (see Filippi, CR-France, p. 36-38). Another example of a cooperative that has extended its downstream activities are the largest Swedish cereal cooperative Lantmännen. It has invested in food processing of flour products (see Nilsson et. al., CR-Sweden, p. 30). The country report of Danish cooperatives indicates that the two large cooperatives (DLG and DLA) have considerable positions e.g. in egg, vegetable, plant breeding sectors as well as some interest in other than agricultural sectors such as energy, insurance etc. (see Pyykkönen et al., CR-Denmark, p. 30).

The role of cooperatives in the cereal food chain is mainly on collecting farm products, transport and storage, marketing commodities (bulk products for serving international grain traders), and distributing cereals to the food processing industries (predominantly the milling sector). Other activities like, providing a market (e.g. auction), primary processing (producing intermediary products for the food industry), secondary processing (producing final consumer products), marketing branded products (private label products), or retailing (i.e. directly selling to consumers) has not been performed by the cooperatives to strengthen their position in the supply food chain yet. This has been stated by various country reports from different countries with varying institutional environments and different traditions in cooperative development (see e.g. Giagnocavo et al., CR-Spain, p. 125; Gijselinckx, CR-Belgium, p. 55; Kühl, CR-Germany, p. 44; Szabó, CR-Hungary, p.58).

These results are in line with results of the questionnaire of the country reports. Most cereal marketing cooperatives do not sell branded products. 57% of the cooperatives are reported to have a brand product share below 40% of its turnover.

Table 8: Does the cooperative sell branded consumer products?

| | Cereals cooperatives (in total) | Cereals cooperatives (in percent) |
|---|---|---|
| > 40% of ist turnover (1) | 13 | 14% |
| < 40% of ist turnover (2) | 55 | 57% |
| n.a. | 28 | 29% |
| Number of cooperatives = 96 | | |

Source: Questionnaire Country Reports

In these functions cooperatives do not make a difference compared to IOFs. On a local level farmers have several opportunities to sell their cereals to different dealers. For the performance of the cooperatives a decisive factor for being relatively more competitive is the service quality during the grain harvest. The provision of storage capacities is one of the most common, but nevertheless important service provided to farmers. Storage capacities can be to a certain extend substituted by providing logistic capacities. In general, there are no significant differences in trading behaviour and service provision between cooperatives and investor-owned firms; both provide quite the same trading services (logistics, storage capacities, market information) for the farmer at quite the same conditions. (Kühl, CR-Germany, p. 44, 45). In cereal marketing it would be difficult for the marketing firms (cooperatives and IOFs) to exercise great customer loyalty. In a competitive environment, both IOFs and cooperatives are forced to trade at competitive levels and to price cereals purchases at the highest level. The cooperative`s price must be competitive with those of its competitors (IOF) to capture also the business of non-members. There is only a marginal possibility in cereal marketing to provide services that would not otherwise be available in the local market. The following table supports this view. Asked for marketing alternatives of farmers in cereal trading national experts stated that in most cases farmers do not exclusively rely on cooperatives.

Table 9: Do farmers have alternative cooperatives to sell to?

| Number of respondes (n = 96) | Cereals cooperatives |
|---|---|
| Structural alternatives, not incidental. | 62 (65%) |

Source: Questionnaire Country Reports

The economic role of co-operatives and its position in the food chain needs to be understood as Rebelo/Caldas (CR-Portugal, p. 24) have expressed: in a context where today's agro-food markets are characterised by: thinner margins, greater price and income volatility due to reduced government involvement and international competition; a trend to fewer, larger and more specialised farms, fewer agribusiness firms; innovative products with a shorter life cycle; food consumption increasingly shaped by demands for variety, convenience, food safety and environment friendly; enormous concentration in the final market of consumers; the increasing importance of the role played by information and commercialization technologies (e.g. e-commerce).

In terms of strategies adopted, agricultural co-operatives are fairly defensive organisations. That is, their major focus is on providing a market for their members' products, or inexpensive agricultural inputs (supply cooperatives). This observation serves as an explanation of the limited scope for investments in advertising or product development. Most cooperatives follow a pure cost leadership strategy. One third of the cooperatives reported in the questionnaire have implemented a differentiation strategy. According to Porter`s classification of generic strategies the country reports came up with the following classification for cooperatives in the cereal sector:

Table 10: Current Marketing Strategy of Cereals cooperatives

| | Type of Generic Strategy | Numbers | in percent |
|---|---|---|---|
| 3.3.1 | Cost Leadership | 58 | 54% |
| 3.3.2 | Differentiation | 30 | 27% |
| 3.3.3 | Focus | 20 | 19% |
| Number of answers: 108 | | | |

Source: Questionnaire Country Reports

Most of cooperative trade with cereals and farm input material, so they do not use any marketing (not talking about product marketing) tools. Within the cereal business the majority of the cooperatives is reported to sell a broad spectrum of varied products.

Table 11: Scope of Products Assortment

| | Numbers | in percent |
|---|---|---|
| Broad (1) | 53 | 55% |
| Narrow (2) | 39 | 41% |
| n.a. | 4 | 4% |
| Number of answers | 96 | |

Source: Questionnaire Country Reports

The main forms of growth in the cooperative sector are demonstrated by the following table. Autonomous growth seems to be the main strategy of cooperatives. These results are in line with the data on the market share development presented in Table 3 of this report. For those cooperatives reported market shares were increasing for the last decade. The dominance of autonomous growth indicates that cooperatives seem to better perform than their competitors.

Table 12: Growth Strategy of Cereals cooperatives (multiple answers possible)

| Growth Strategy | Number of answers = 147 | Cereals cooperatives (in total) | Cereals cooperatives (in percent) |
|---|---|---|---|
| 3.7.1 | Autonomous = increasing turnover without M&As | 75 | 51% |
| 3.7.2 | M&As - horizontalM&A = merger and acquisition | 37 | 25% |
| 3.7.3 | M&As - verticalM&A horizontal = in same stage of food chain | 17 | 12% |
| 3.7.4 | M&A - internationalM&A vertical = in next stage of food chain | 15 | 10% |
| 3.7.5 | M&A international: merging with or taking over foreign cooperatives/companies | 3 | 2% |

Source: Questionnaire Country Reports

Profitability (expressed by the ability to grow autonomously) and mergers and acquisitions were consistently reported the two most important variables that affected growth of cooperatives in the various countries. These results are a summary of data collected for various countries, sectors, and different types of cooperative organizations. Given the diversity of cooperative sizes, different commodities handled by the cooperatives reported in the samples, and country background, cooperative organization does not appear to be an obstacle to growth. Increases in market shares and the autonomous growth of cooperatives in the cereal sector give evidence to this evaluation.

## 4.3 Internal Governance

Every country report contains a section with an analysis of the different organizational variants and institutional changes of the internal governance cooperatives have experienced over the last decade in each country. The country reports identify different governance models for cooperatives in general. These different governance principles we find in the cooperatives of the cereal sector as well. They range from the traditional cooperative model to models that have been modified due to the challenges of competitive environment. There is on the one hand the traditional model of cooperative governance that is prevalent in primary cooperatives. It consists of a board of administrators or directors, composed of elected farmer members with a chairman and one or two managing director(s). This board is the main governing institution, responsible for the management of the cooperative association and the company. The second governing body is the Board of Supervisors that consists of members of the cooperative. A general assembly of all members has the right to elect the board of directors, to approve (or disapprove) the financial accounts of the cooperative, and to decide on mergers and dissolution of the cooperative and on major investments. The individual statutes of the cooperatives – we find in many cooperatives in different countries - allows them to determine deviations from the general cooperative model. But, basically in most cooperatives the principles e.g. one man, one vote are in use.

The European cereals cooperatives that are subject to the country reports vary in firm size (turnover), in their international activities, and in their role in the food chain. And additionally, they also differ in the number of members each cooperative is serving. All these factors have affected the internal governance principles. Consequently, measured in numbers of members, in the large (more than 5.000 members; examples are found in Italy, Germany, The Netherlands) and in the very large cereals cooperatives (more than 20.000 members; examples can be found in Austria, Denmark, France, Sweden) modifications of the traditional cooperative models are in place. This happens predominantly in the secondary cooperative. We find new patterns of internal governance structures like the separation between the cooperative association and the cooperative firm or the installment separate member councils that elect the Board of Directors.

The members of the council are elected in regional member meetings. Another very typical phenomenon in large cereals cooperatives is a very complicated structure of daughter companies and holding structures where a limited liability company takes care of the actual business and often the cooperative that has a same name is only a holding. (The Netherlands, Germany, Denmark).

We can conclude that the larger the size (in turnover or number of members) of the cooperative becomes the more the institutional governance of cooperatives deviates from the traditional cooperative model. More and more the board of directors or the management takes the final decision and there is a growing separation between the member relationship functions, which are assumed by the regional councils and the operational functions, which are assumed by the management. The procedures of internal governance in these cooperatives become more and more similar to those of investor-owned firms. This observation could be made for nearly all cooperatives in all sectors that were analysed. It is not a specific phenomena of the cereals sector, but it applies to this sector as well.

But, nevertheless there might be some specific characteristics that affect the internal arrangements within cooperatives in the cereals sector. Almost all cooperatives in the cereals sector are multi-purpose cooperatives that are marketing both cereals and farm inputs. Total operating expenses and investment costs (e.g. storage capacity) in both businesses are greatly affected by the ratio of cereals sales to sales of farm supplies. The productive capacity of the cooperatives is therefore tightly connected to the products delivered by its members. In order to get control over the supply of the product and thus be able to calculate for the future, in many cooperatives and sectors farmer-members are obliged to deliver all their products to the cooperative (see e.g. for the dairy sector and also comment on that point of Bono, CR-Italy, p. 50, for the wine and fruits and vegetables sectors). The marketing conditions in the cereals sector are different. There are no common obligations to mutual exchanges between the cooperative and its members and the product characteristics (storability, bulk product or commodity character, and nearly absence of differentiation attributes) are a challenge for the internal governance of cereals cooperatives with respect to its economic performance.

Another concern of the relationship between the cooperative and its membership base is the degree of openness to non-member businesses. The availability of storage capacities and the provision of effective and efficient logistic services are decisive competitive factors. A certain level of capacities must be offered and most of these up-front investments are financed by members. Utilization of these capacities cuts operating costs and to be cost efficient cooperatives` management is forced - particularly in volatile markets with varying quantity deliveries - to look for alternative supplies. Non-member businesses could be an opportunity in this respect and as well as an argument for autonomous growth opportunities.

## 4.4 Expert assessment of developments

The assessment of the developments are integrated in the sections that are following.

# 5 Overview of policy measures and assessment of the influence of policy measures on the evolution and current position of cooperatives

## 5.1 Introduction

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

The objective of this chapter is to identify support measures that have proved to be useful to support farmers' cooperatives. In section 5.2 the relevant policy measures and their potential impact in cereals are identified. In section 5.3 an assessment of the policy measures is given.

## 5.2 Overview of regulatory framework including fiscal and competition issues

Each country report listed in section 5.2 the main policy measures that are thought to be influencing the competitive position of cooperatives versus the investor-owned firm (IOF) in the various sectors in every country. The lists in the reports contain a large amount of different regulations and policy measures from which it is very difficult to identify the specific regulatory framework that affects the cooperative position explicitly in the cereals sector. There is only few information on the cereals sector. Consequently, in the following part will sum up the most important effects of the policy measures on the competitive position of cooperatives versus IOFs and we look at the impact of the measures on the position of cooperatives in the food chain specific to the cereals sector.

1) There is no policy measure which improves or negatively affects the competitive position of producers' marketing organisation/cooperatives. Cereals cooperatives are not subject to special attention by public authorities. They are confronted with the same rules as IOFs. Except for some tax benefits (the exemption to pay tax on net surplus by cooperatives, for operations with members, in particular for retained surpluses) over the period we looked at, cooperatives do not have any advantages or disadvantages in comparison to IOFs.
2) The legal framework of most cooperative laws is that flexible that it enables cereals cooperatives – whenever the strategic planning requires – to modify the traditional cooperative principles towards more flexible governance models. Increasing heterogeneity of farmers members (e.g. growing farm sizes, diverse business interests) are not seen as an obstacle to the competitiveness of the cooperatives. The adoption of a new cooperative models (proportional investment cooperatives, member investor cooperatives, cooperatives with capital-seeking entities), as alternative to the traditional one, has enabled cereals cooperatives to grow and to exploit their international interests. The past development of the large European cooperatives from Scandinavia, France, Germany, and The Netherlands are examples in this respect. This is a general description of the position of cooperatives and is not restricted to the cereals sector.
3) In the cereals sector public policies to encourage cooperative development have not fostered organizations generally capable of monopolistic behaviour, nor have they encouraged inefficient organization or management slack in the sector analysed. It is not clear whether results are the consequences of "good" intentions or the discipline of

competition. The data and the sections on the cereals sector in the set of country reports did not fully test the effect of the presence of cooperatives upon the performance of other firms (IOFs) in the same sector.

4) In almost all country reports long lists of current European legislation (CAP) were mentioned as policy measures. The measure that has the most important implications for cooperatives is the European Agricultural Fund for Rural Development (EAFRD). Its effects on cooperatives can be described as follows:. Target of the policy were the large companies, cooperatives and non-cooperatives, operating in the agri-food industry that have been excluded from access to European funding for rural development. The 2007-2013 Rural Development Policy has introduced laws that have negative impact on cooperatives. The regulation (EC) 1698/2005 provides the exclusion of 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%). Consequently, even the EU guidelines on state aid acted in the same direction (C 319/01/2006). This orientation has hindered the development of cooperation, especially in countries where, like in Italy, the average size of cooperatives is still limited and the agricultural production processed and marketed by farmer's cooperatives is lower than in other countries (especially Northern Europe). The leader cooperatives can no longer rely on the aid from EU member countries and this fact goes against the aim of promoting the concentration of supply of farm production and the income level of farmers. Larger cooperatives are usually those that can improve members' products (by setting the prices of members' agricultural products above the average), through increased efficiency (scale economies), a greater degree of market power (integration of supply) and a better management of assets that are more profitable for members (marketing, manufacturing their own brand, etc.).

5) There is a general trend in the reports that these regulations and policies have important impacts on the agricultural sector and the development of the farm structure. If farmers are affected then consequently their cooperatives are as well. In most cases this is the line of the argumentation. But, on the other hand the reports are not very clear in the direct effects of these policy measures on the competitive position of cooperatives versus IOFs in general, and in specific in the cereals sector. In most reports authors mention that these regulations do not favour the economic position of one of the two groups (cooperatives or IOFs) or discriminate between the two groups. While we find in various reports extended comments on the effects of the Producer Organisations regulation in the fruits and vegetables sector within the CMO Regulation nothing equal has been reported of the European cereals sector. It has to be emphasized that the problems of farmers coming from market imperfections and coordination in the chains cannot be solved simply by the EU and/or government support. There is no clear influence of CAP on competitive position coops versus IOFs and the position in the food chain. Many experts see not much support for cooperatives in LEADER and other EU policies. If they do it is for development of small nice cooperatives and these are not very important in the big cereals commodity trade where it is hard to differentiate the product or segment the market. In the discussion above, it should be kept in mind that the success of any particular policy is often dependent on complementary policies.

6) There are numerous national support programs that aim to improve the competitive position of the agricultural sector through financial inducement with respect to the environment and local development. Examples are Slovakia, Portugal, Lithuania, Latvia, and Estonia. Additionally, in some countries the general national institutional framework seems to help to improve the competitive position of the cooperatives (e.g. in the

Scandinavian countries or in the Germany, The Netherlands, UK), while in others, like e.g. Spain, the given "atomisation" (see CR Span, p. ) of cooperative law (national cooperative laws and policies and those of the autonomous communities) tend to prevent the cooperative movement from a better performance.

In conclusion, the influence of the regulatory framework and policy measures applied for the cereals sector in the reporting period 2000 to 2010 has been very diverse and there is no clear result to come up with. There are several regulations and policies in every country that help cooperatives to become more competitive but, the direct effect of every single policy is not measurable with the data available. The appendix 2 to this sector report contains a long list of policy measures the sector reports identified to have an impact on the cereals sector. The analysis of this selection also makes clear that there are only very few policies that explicitly identify their likely effects on cooperatives` competitive position versus IOFs or its position in the food chain.

## 5.3 Expert assessment of impact of policy measures

The impact of policy support measures on cooperatives' competitive position is ambiguous. In some cases they may have helped cooperatives to overcome major economic problems. At the same time they were not very effective. In some instances, the institutional environment is a stimulating factor to enable cooperatives to perform successfully (examples are Northwest European countries). On the other hand, we have seen that the institutional environment can also restrict the development, as it has been reported from Spain and Slovenia.

Besides the influence of policy measures, historical and cultural effects also matters. Cooperatives perform well in those countries that have a long tradition of market oriented agricultural production. The combination of natural conditions and the attitude of farmers to accept cooperatives as one of the key opportunities to have better access to (international) markets have given them a strong position in general as well as specifically in the cereals sector. Since the role of cooperatives has remained strong it also confirms the fact that the cooperatives have been able to successfully adapt to the changing markets and policies, and though they were able to maintain and to extend their competitive position. In opposite to this development, in other parts of Europe the cooperative movement has not been that prosperous due to unfavourable institutional settings or the bad image of cooperatives that roots back to communism (e.g. CEE countries).

It is not only tradition or the policy measures that have enabled cereals cooperatives the strong position in the food chain in various countries. It is also the market conditions and the flexibility in internal governance that gave cooperatives strong position. The changing structure of agriculture also may have forced a convergence of IOFs and cooperatives firm goals, governance structures, and business practices. In order to survive in the cereals sector, both types of firms had to serve the needs of a shrinking number of larger farmers who purchase most of their inputs and sell most of their outputs. Neither type of firm provided much special assistance to small or disadvantaged farmers in the cereals sector. If the policy objectives are to maintain a high number of small producers in the food chain, especially in peripheral regions, it is important to secure the existence of economically strong agricultural cooperatives, able to face a global demand and the increasing market power of larger players in the food chain.

Current and future considerations will be the financing of the future growth of the large international cooperatives and cooperatives will need to give serious attention to their role in the food sector and to the goals of their organization. The cereals sector is mainly a commodity driven business with not much possibilities to differentiate the products. Scale efficiency in storage and transportation and cost price strategies will be decisive competitive success factors. Under these circumstances, what should be unique or different about cooperatives? In the cereals business they currently provide the same services, they reduce the same farmers` risks, and provide in most cases the same price conditions as IOFs. Should there be other differences or should they simply try to widen these features between themselves and IOFs? From the analysis one can get the impression that the differences in farmers´ perceptions of performance by cooperatives and private firms were small. If cooperatives` governance structure and business behavior still converge towards that of IOFs and if there are no obligation to exclusive delivering many farmers in the cereals sector easily are able to defect to an IOF. The question remains if the binding of members through provisions of farm inputs will be a sufficient tool to create cooperative loyalty.

The role of cooperatives in other activities like, providing a market (e.g. auction), primary processing (producing intermediary products for the food industry), secondary processing (producing final consumer products), marketing branded products (private label products), or retailing (i.e. directly selling to consumers) has not been performed by the cooperatives to strengthen their position in the cereals supply food chain yet. Up to now most of the cooperatives increased growth through acquisitions or other activities to diversify their business. This has reduced risk and to some extend stabilized financial returns. For the future development it could be argued that cooperatives should only engage in businesses which relate to their members` production. Even so, there are opportunities for diversification into other functions in order to extend the horizontal and vertical boundaries of the cooperative. The milling industry could be an opportunity. Some cooperatives have experienced these investments.

# 6 Discussion

The main discussion has been made in the previous section. Here, some thoughts for the next steps of the ongoing research are presented.

The analysis has demonstrated that for the cereals sector some cooperatives in certain countries are obtained larger market shares. It also came clear that some cooperatives are becoming more diversified, and some are placing more emphasis on investments downstream the food supply chain on consumer products. How these changes are affecting traditional and non-traditional measures of performance is not clear. There are wide differences in the market shares held by cooperatives and IOFs. Very little is known about reasons for these differences. This aspect should be subject of the ongoing research in the current project when preparing the case studies.

Up to now relatively little is known about the performance in an area where there are no cooperatives. What is the impact of entry by cooperatives into an area previously dominated by an IOF? Is performance different with competition among IOFs or among cooperatives than with a mix of IOFs and cooperatives?

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## Appendix 1

*Names and states of cereals cooperatives (no available data on turnover)*

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| 1. | Société Coopérative Agricole de la Meuse | Belgium | n. a. |
| 2. | Centragro | Belgium | n. a. |
| 3. | L'Alliance Blé | Belgium | n. a. |
| 4. | Delputte Frères | Belgium | n. a. |
| 5. | Edinstvo(Единство) | Bulgaria | n. a. |
| 6. | Iztok(Изток) | Bulgaria | n. a. |
| 7. | U.A.C. of Larisa-Tyrnavos-Agias | Greece | n. a. |
| 8. | U.A.C. of Lamia | Greece | n. a. |
| 9. | LPKS "Durbes grauds" | Latvia | n. a. |
| 10. | LPKS "Akots" | Latvia | n. a. |
| 11. | LPKS "Sēlijas āres" | Latvia | n. a. |
| 12. | Žemės Ūkio Kooperatinė Bendrovė "Pieno Gėlė" | Lithuania | n. a. |
| 13. | Žemės ūkio kooperatyvas „Joniškio aruodas“ | Lithuania | n. a. |
| 14. | Žemės Ūkio Kooperatyvas "Ėriškių Pienas" | Lithuania | n. a. |
| 15. | Žemės Ūkio Kooperatyvas "Žiuriai" | Lithuania | n. a. |
| 16. | R-W-G, Raiffeisen-Wuere-Genossenschaft | Luxembourg | n. a. |
| 17. | BAUERE KOPERATIV, SOCIETE | Luxembourg | n. a. |
| 18. | Triligran (specialized barley cooperative) | Netherlands | n. a. |
| 19. | Agrofirma Witkowo (Cooperative) | Poland | n. a. |
| 20. | Karolew z o.o. (Producer Group) | Poland | n. a. |
| 21. | Adorol (Coopeartive) | Poland | n. a. |
| 22. | RSP Jedność (Cooperative) | Poland | n. a. |
| 23. | Odbytová organizácia výrobcov - družstvo Šamorín | Slovakia | n. a. |
| 24. | KZ Ptuj | Slovenia | n. a. |
| 25. | KZ Radgona | Slovenia | n. a. |
| 26. | KZ Lenart | Slovenia | n. a. |
| 27. | SKZ Kmetovalec Ljutomer | Slovenia | n. a. |
| 28. | KGZ Sloga Kranj | Slovenia | n. a. |
| 29. | Acorex, S.C.L | Spain | n. a. |
| 30. | Actel | Spain | n. a. |

## Appendix 2

Table 13 Most relevant policy measures and especially analysis of regulations, fiscal and other types of support specific to the sector

| Country | Name of Policy Measure | Type of Policy Measure | Objective of the Policy Measure | Target of the Policy Measure | Expert comment on effects on development of the cooperative |
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| Country code (ISO 3166) | Official name of the policy measures (In English) | 1. Mandate<br>e.g. 1.1. Cooperative legislation/ incorporation law<br>e.g. 1.2 Market regulation and competition policies<br>2. Inducement<br>e.g. 2.1 Financial and other incentives<br>3. Capacity Building<br>e.g. 3.1 Technical assistance<br>4. System Changing<br>5. Other | 1. Correction of market or regulatory failures<br><br>2. Attainment of equity or social goals | 1. Specific to cooperatives<br><br>2. Specific to an agricultural sub-sector<br><br>3. Applicable to business in general | Description on how the policy measure affects development of cooperatives, by reasoning through the building blocks:<br>- Position in the food chain<br>- Internal Governance<br>- Institutional environment of the cooperative |
| BE | CAP: European Agricultural Fund for Rural Development | Inducement | Correction of market or regulatory failures | Applicable to business in general | By definition this Fund aims at improving the competitive position of the agricultural sector through financial inducement with respect to the environment and local development. This is done through 4 axes, to which a multiplicity of measures can be coupled (as will be made evident when discussing the measures at the regional levels). At this general level, the EAFRD impacts on all three building blocks. |

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| BE | CAP Health Check | Inducement | Attainment of equity or social goals<br>Applicable to business in general | | The healt check paved the way for significant alterations to the CAP and impacts the operation of cooperatives in various ways. At this general level one could say it made for a change to the institutional environment in which cooperatives function. |
| BE | NCC-code for cooperative entrepreneurship | Capacity building: technical and managerial assistance | Attainment of equity or social goals<br>Specific to cooperatives | | The code merely stipulates guidelines for cooperative management and entrepreneurship, thereby potentially influencing the internal governance of cooperatives. |
| BE | Plant and seed certifications | System changing | Correction of market or regulatory failures | Specific to an agricultural sub-sector | Agreements such as these alter the playing field (institutional environment) by setting up new standards. |
| BE | Product quality differentiation through labeling | Other : creating niche markets | Correction of market or regulatory failures | Specific to an agricultural sub-sector | Measures such as these generally aim at creating supply markets, therefore improving the position in the food chain. |
| BG | Law for the Support of Agricultural Producers | Law<br><br>The law aims to:<br>1. Develop efficient agricultural and forestry operations and competitive food industry;<br>2. Develop production of agricultural products in areas with worse socio-economic characteristics;<br>3. Protect and improve soil fertility and gene pool;<br>4. Develop ecological agriculture;<br>5. Development of a stable domestic market and expand export markets for Bulgarian agricultural goods;<br>6. Improve the productive structure of rural areas;<br>7. Create conditions for raising farmers' incomes from the sale of agricultural products;<br>8. Establish conditions and stimulate the activities of young professionals in agriculture; | | | The role of the law to support cooperatives and all farm organizations for their farming. This law has strong impact of farm organization at national level. |

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| | | 9. Develop rural and mountainous areas;<br>10. Stimulate local production of high quality processed and unprocessed agricultural products and compliance with veterinary, phytosanitary and sanitary requirements;<br>11. Encourage the use of farmland and development of production of agricultural products in disadvantaged areas and Natura 2000 site, and reduce the level of depopulation in these areas.<br><br>Agricultural cooperatives and other farm organizations | |
| DE | Law for Adjusting Agricultural Production to Market Requirements ("Marktstrukturgesetz" ) from 1969 | 1. Mandate<br>1.1. Cooperative legislation/<br>incorporation law<br>1.2 Market regulation and competition policies<br>1. Correction of market or regulatory failures<br>2. Specific to an agricultural sub-sector<br><br>In its original formulation, §7 of the law drew a clear line between producer associations based on the German Law and producer organisations based on European Community Law. Producer organisations (EU law) are primarily found in the fruit and vegetable sector; producer associations (German law) are important in the hop, potato, hog and piglet, and quality grain sector. The attainment of state recognition is a precondition for producer associations to apply for financial support and to receive legal competitive privileges.<br>The development of these producer associations has not been that successful as the initiators expected them to be. There are numerous obstacles in the internal organisation, behavioural attitude of its members towards the association, the precondition for the development of promising marketing activities, and management problems prevent these producer organisations from being a favourable alternative for cooperative solutions. | |
| FR | Common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) | Regulation (EC) No 1234/2007 provides a single legal framework governing the domestic market, trade with third countries and rules regarding competition.<br><br>For example in the case of Sugar : The abandonment of 683 655.2 tones of sugar quota in France resulting in the abandonment of symmetrical 4.5 million tons of beet rights. Before restructuring, three groups (TEREOS, SAINT LOUIS SUCRE, CRISTAL UNION) shared over 83% of the quota. The preparation of the restructuring has resulted in an acceleration of melting movements in 2007 with the absorption and ERSTEIN Aiserey by CRISTAL UNION and that of MARQUENTERRE by TEREOS.<br><br>Consequences : factory closures, the development of new markets (ethanol), diversification into new industries to replace the plant surfaces beets, farm modernization, project support to business investment, plant location in Mozambique and Brazil.<br><br>Even restructuring movement for Fruits and Vegetables with the tools needed to make industrial performance. | |

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| FR | Council Regulation (EC) No 72/2009 of 19 January 2009 on modifications to the Common Agricultural Policy by amending Regulations (EC) No 247/2006, (EC) No 320/2006, (EC) No 1405/2006, (EC) No 1234/2007, (EC) No 3/2008 and (EC) No 479/2008 and repealing Regulations (EEC) No 1883/78, (EEC) No 1254/89, (EEC) No 2247/89, (EEC) No 2055/93, (EC) No 1868/94, (EC) No 2596/97, (EC) No 1182/2005 and (EC) No 315/2007 | This reform has important impacts on farmers and consequently of their cooperatives. For the former, it acts on the system using the authorizations of quotas and therefore production levels. For cooperatives and producer organizations, it has strengthened their role in the organization of production and distribution by forcing them to join together to carry more weight (lean production). It covers all sectors and the entire French territory. Cooperatives have also developed a special attention to good practices (farm advisory), participated in the development of innovative agricultural systems. The cooperatives have set up a Charter of agricultural Advisory from the perspective of sustainable development (2002 and certification of farm advisory system) and traceability standards (Agriconfiance). Over the past 10 years, they have developed management systems to improve their methods of governance. | |
| FR | Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003 | The effects of Council Regulation (EC) No 73/2009 are visible for all industries. They lead to the need to strengthen partnerships and merger of cooperatives that are impacted indirectly.<br>. | |
| GR | EC 1234/2007 (as it has been amended by EC 361/2008), Article 103<br>- Operational programmes with several targets like, higher products' quality, increase of the value of products, quality increase, environmental issues and environmental friendly methods of production<br>- Subsidies for the establishment and administrating expenses as well as for part of the initial necessary expenses for the official recognition of the PO<br>2.1 | 2 | |
| GR | EC 867/2008, Article 5, Financial Support for:<br>- Monitoring and administrative management<br>- Improvement of environmental impacts<br>- Improvement of production quality<br>- Traceability, certification and protection of quality of | 2 | |

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| | products<br>- Dissemination of information on the work carried out in the areas of the above points<br>2.1 | | | | |
| GR | EC 104/2000, Article 27<br>- Compensation of producers' organisations under conditions of extreme supply-induced very low prices | 2.1 | | 2 | |
| HU | Law XVI/2003 on Agricultural market organisation | 1.2<br>1<br>2<br>General Law on organisation of agricultural markets and regulation of certain product market channels (institutions and measures/measure) in connections with CMO of CAP. It sets up the institutional environment of the co-ops. | | | |
| HU | Decree of Ministry of Agriculture and Rural Development 85/2002. (IX. 18.) on producer groups | 1.1.<br>1<br>1 and 2<br>The measure established the basic rules of recognition of PGs in a number of sectors excluding fruit and vegetables in preparation for the EU accession. It influenced mostly Internal governance issues, but in an indirect way it also helped to improve position in the food chain. It contains the term of "Temporary recognition" regarding PGs. and also the term of "Association of PGs" which organisational possibilities could improve the position of the co-ops in the food chain. | | | |
| HU | Decree of Minister of Rural Development 39/2011. (V. 18.) on de minimis supports in the framework of Agrarian Széchenyi Card Constructions. | 2.1<br>1 and 2<br>2<br>This brand new Hungarian measure aims to improve the position of small and medium agricultural producers in general. However, according to the interviews and expert assessment as well, it will help to secure revolving fund for co-ops/POs/PGs to be able to handle the delay in payments from their costumers (e.g. retailing chains, processing industry etc.). Therefore they could (for example) use current assets credits to solve their liquidity problems and hence fore improve their position in the food chain. | | | |
| IE | Common Agricultural Policy | Supply and market regulation | Correction of market failures | Specific to Agri-food sector<br>Much of the CAP support has in the past been channelled through agricultural co-operatives. Co-operatives have grown and benefited from these measures. However in recent times as support has declined or been modified co-operatives have had to adjust and become increasingly market orientated. This is particularly acute for some dairy co-operatives in Ireland as CAP market support measures were especially suited | |

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| | | | | to Ireland. Therefore the degree of dependence on this measures was much greater than in other EU member states. |
| IT | Legislative Decree No 228 of 18 May 2001. *Guidance law and modernization of the agricultural sector* | Definition of legislative and regulatory framework of the agricultural sector | Updating of the regulatory framework according to the evolution of the agricultural system and defining strategic development lines for the agri-food industry | Specific to the agricultural sector with focus on farmers' cooperatives<br>In 2001, Italy has passed a law concerned with orientation and modernization of the agricultural sector that has introduced important innovations, including the full recognition of the agricultural cooperative as a farmer on condition that the relationship with the members prevailed over the relationships with third parties.<br>This regulatory action extends the definition of agricultural activities also to the related activities (such as processing, preservation and marketing of the agricultural product). After 10 years of application, we can say that this rule has had very positive effects on the Italian agriculture and food industry. This is particularly true if we focus on the cooperative model that obtains a central position in the sector's legislation framework. Indeed, thanks to. D. LGS 228/2001, agricultural cooperatives become key players in the outlining processes of future policies for Italian agriculture, in terms of recognition of its role in the valorization of agricultural products, and as a fiscal/legal entity with benefits. The latter refer to the cooperatives' specific legal form and their belonging to agricultural sector. |
| IT | Law No 99 of 23 July 2009. Measures for the development, energy and internationalization of firms.<br>*(Part focused on the regulation of "Agricultural Consortia")* | Defining the regulatory framework in which a specific type of cooperatives (Agricultural Consortia) operates. The Law 99/2003 does not | The stated objective is to achieve social objectives under the public function assigned to this particular type of firm. | Agricultural Consortia,(a specific type of cooperative) that work in an agricultural sub-sector (cereals and providing farm input)<br>The law 99/2003 recognizes a public function of "Agricultural Consortia" and consequently a deviation from the compliance to mainly mutual requirements (and so from the resulting tax benefits) defined by art. 2513 of |

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| | | actually introduce changes compared with the past but rather it intervenes to legitimize a situation de facto already existing. | | the civil Code for cooperatives<br>As it was stated, the exemption is based on the recognition of a public function for this type of firm, a recognition that is directly related to the history of these entities. In fact, in the early part of the last century a public function was already assigned, in a monopolistic and exclusive administration of clusters of grain for the management of food crisis.<br>However, nowadays the *ratio* of the public function mentioned above seems questionable.<br>In fact, a lot of other cooperatives work in the same sector and in many cases they compliance mainly mutual requirements. As result, in the sector of storage / marketing cereals and providing farm input, there are cooperatives that work in different regulatory frameworks.<br>This disparity spread has evidently negative effects on the members' participation in the cooperative movement and on the arena of competition.<br>Concerning this issue an appeal is under discussion by the Court of Justice. |
| IT | Council Regulation (EC) No 1698<br>of 20 September 2005<br>on support for rural development by the European Agricultural Fund for Rural Development<br>(EAFRD) | Community legislation supporting agricultural and food products.<br>Definition of entities admitted to "funding and incentives" | Defining of entities admitted to "funding and incentives" | Target of the policy were the large companies, cooperatives and non-cooperatives, operating in the agri-food industry that have been excluded from access to European funding for rural development<br>The 2007-2013 Rural Development Policy has introduced laws that have negative impact on cooperatives. The regulation (EC) 1698/2005 provides the exclusion of 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).<br>According to the new laws, now only the intermediate-sized companies (up to 750 employees and with turnover |

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| | | | | lower than 200 million euros) can take advantage of financial support (with the intensity of support decreased by 50%). Consequently, even the EU guidelines on state aid acted in the same direction (C 319/01/2006). This orientation has hindered the development of cooperation, especially in countries where, like in Italy, the average size of cooperatives is still limited and the agricultural production processed and marketed by farmer's cooperatives is lower than in other countries (especially Northern Europe). The leader cooperatives can no longer rely on the aid from EU member countries and this fact goes against the aim of promoting the concentration of supply of farm production and the income level of farmers. Larger cooperatives are usually those that can improve members' products (by setting the prices of members' agricultural products above the average), through increased efficiency (scale economies), a greater degree of market power (integration of supply) and a better management of assets that are more profitable for members (marketing, manufacturing their own brand, etc.). 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. |
| LT | Credit guarantees and credit fund for farmer cooperatives provided by Rural Credit Guarantee Fund | 2. Inducement<br>2.1 Financial and other incentives<br>3. Capacity Building<br>3.1 Technical assistance | 1. Correction of market or regulatory failures | 2. Specific to an agricultural sub-sector<br>Farmers, small and medium rural entrepreneurs starting or developing their business usually do not have adequate own funds, and credit is not available for the frequent lack of security. Solution to this problem is provided by the Rural Credit Guarantee Fund. |

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| | | | | Rural Credit Guarantee Fund issues guarantees to credit institutions for credits granted to farmers and agricultural entities, small and medium businesses, located in rural areas (economic entities engaged into activities alternative to agriculture). |
| LT | Rural Development Programme for Lithuania 2007-2013 | 2. Inducement<br>2.1 Financial and other incentives<br>3. Capacity Building<br>3.1 Technical assistance | 1. Correction of market or regulatory failures<br><br>2. Attainment of equity or social goals | 2. Specific to an agricultural sub-sector<br>Priority criteria can be applied for investment projects of farmer cooperatives under 4 measures of Axis I of Lithuanian Rural Development Programme 2007-2013.<br>The following measures under Axis I: Improving the competitiveness of the agricultural and forestry sector:<br>5 measure. Semi-subsistence farming.<br>6 measure. Modernization of agricultural holdings.<br>7 measure. Improvement of the economic value of forests.<br>9 measure. Processing of agricultural products and increasing of added value. |
| LV | Law of turnover of seeds and breeds | Mandate (Market regulation and competition policies) | Correction of market or regulatory failures | Specific to an agricultural sub-sector<br>There are defined three main institutions at the beginning that are in charge of seeds and breeds turnover regulation.<br>Then there is described the process of producing, packing and selling of seeds so it complies with consumers' needs. |
| MT | Income Tax ACT Chapter 123 Article 12 (1) (q) | The Income Tax Act Chapter 123 exempts Cooperatives Societies, Both Agricultural and not from paying Income Tax, on the other hand, the Cooperatives Societies ACT 30 of 2001 obliges all Cooperatives to pay 5% of their surplus to the Central Cooperative Fund. | | |
| MT | Subsidiary Legislation 442.03 | Legal Notice 288 establishes the Central Cooperatives Fund Committee to; | | |

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| | Central Cooperative Fund Regulations Legal Notice 288 of 2001, as amended by Legal Notice 116 of 2003 and 370 0f 2004 | This Legal Notice is a Fund of Solidarity that aims to;<br>(*a*) to administer the Central Cooperative Fund;<br>(*b*) to promote Cooperative education and training for the general development of the Cooperative movement in Malta, and to carry out all activities relating thereto;<br><br>(*c*) to finance educational and training programmes relating to the promotion and development of the co- operative movement for members of and personnel engaged by Cooperatives and other persons who may actively contribute to the promotion of the co- operative movement;<br>(*d*) to commission studies and research on particular areas of Cooperative activity or any individual Cooperative society in Malta, with a view to assessing past performance and discovering possible potential for future operation;<br>(*e*) to produce or publish Cooperative educational material for use by members of Cooperative societies, students and the general public with a view to promoting Cooperative ideals and practice;<br>(*f*) to sponsor participation by Cooperatives in trade fairs or specialised fairs for the promotion of Cooperative societies or the Cooperative movement in general;<br>(*g*) to support and intensify the participation of the Maltese Cooperative movement in relevant organisations, activities and projects on an international level;<br>(*h*) to support the existence and development of co-operative societies in all sectors of the economy and society;<br>(*i*) to consider and, where deemed appropriate, to support the educational programmes proposed by the Board from time to time;<br><br>(*j*) to collect, recover and institute proceedings for the payment of sums to the Central Cooperative Fund, in terms of article 91(6) of the Act. |
| MT | Subsidiary Legislation 442.03<br>Central Cooperative Fund Regulations Legal Notice 288 of 2001, as amended by Legal Notice 116 of 2003 and 370 0f 2004 | (a) All New Cooperatives, (including Agriculture Cooperatives) can benefit from a Loan Subsidy Scheme in which 50% of Bank interest rate is paid by the CCF up to a maximum of loan of € 69,881. This loan has to be of a Capital nature.<br>(b) All New Cooperatives (including Agriculture Cooperatives) can benefit from a start-up grant of €1,000<br>(c)All Cooperatives (Including Agriculture Cooperatives) can benefit from an 80% of design expenses (not exceeding €1,000) to develop a website.<br>All Cooperatives (including Agriculture Cooperatives) can benefit from a training grant of up to €1,000 in one calendar year for training. |
| MT | Producers Organisations Act 447<br>To provide for the creation of Producer Organisations in the Agricultural and Fisheries sectors. | The PO's Act 447 can be adopted by Cooperatives but it transpires that only a limited number of Maltese Agriculture Co-operatives have adopted to function under PO guidelines. The General Function of a PO are;<br>(*a*) to take such measures as will ensure that its members' production will be as market-orientated as possible;<br>(*b*) to promote the placing on the market of the products produced by its members; and<br>(*c*) to promote production techniques which are environmentally sound and along rational lines. |

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| PL | Modifying conditions of financial support for PG. Act of 3rd February 2005 | Modification of minimum number of the group to get subsidy (50 for tobacco, 7 for hops, and 5 for all other types of production), lowered the necessary proportion of production in sales, and excluded associations from this type of funding. The subsidies are managed by the Agency for Restructuring and Modernisation of Agriculture.<br>This policy changes the firm's position in the food change, and also can have an impact on the internal governance, and institutional background of the cooperative via enhancing (and making it easier) creating the PG's. | | |
| PT | Reform of the CAP 2003 – Single payment scheme to farmer –SPF | Inducement Application of EU regulations | More market sustainable competitive agriculture and rural development | Agricultural sector<br>For the farmers under the SPF has a positive effect in the level and stability of the agricultural income. Since the SPF was calculated on the basis of the average production of 2000-2002, for Portugal, it is relatively low. Additionally, the transference to extensive farming (plant crops and livestock) systems was witnessed, with negative consequences in the rural employment and value of the agricultural production. At the end, the result can be the giving up by a large number of producers, essentially in poor regions threatened by desertification. The new CAP policy should include measures that are able to invert the situation. |
| PT | Operational program for the agriculture and rural development (AGRO) 2000-2006 | Capacity Building and technical assistance<br>Portuguese program of public support to investment in Portuguese agriculture during the period 2000-2006 | Financial public support to: improve the agro-forest competitiveness and rural sustainability (six measures); improve the human skills and services provided to agriculture and rural areas (six measures) | Agricultural sector<br>Restructuring and modernization of a larger number of agricultural and forestry exploitations (22,126 projects) Restructuring of a large number of processing and marketing agro-firms (673 projects). Investment in agricultural infra-structures and training. Investment in technical development and demonstration. Predominance in material investment. Not sufficient to induce structural changes. Insufficient to invert the negative trend of the agricultural sector. High number and corseted number of measures. Inexistence of measures specifically directed to the co-operatives´ strengthening. |
| PT | Program of Rural Development 2007-2013 (ProDer) | Capacity building and technical | Financial public support to: improve the competitive level | Agricultural sector<br>Follows the same guidelines of AGRO, with a less level of public |

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| | | assistance Portuguese program of public support to investment in Portuguese agriculture during the period 2007 - 2013 | of agricultural and forestry sectors; promote the sustainability of the rural areas and natural resources; economic and social revitalisation of the rural areas. Includes three programs: competitiveness (3 measures); sustainability of rural and less favoured areas (2 measures); development of rural areas; promoting of knowledge and skills (3 measures) | support. It has been criticized by the stakeholders due to its complexity, high number of measures, bureaucracy involved in their application and justification of the applied funds, and excessively concentrated in material and fixed investments. It is expected that the contribution will be positive to the Portuguese agriculture, but not sufficient to induce structural changes. Like AGRO, ProDer did not contemplate any specific measure directed to the co-operatives. | |
| RO | COUNCIL REGULATION (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) | Mandate Market regulation and competition policies | Correction of market failures | Specific to an agricultural sub-sector | The Council Regulation modifies the institutional environment of the cooperatives. |
| RO | Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables | Mandate Market regulation and competition policies | Correction of market failures | Specific to an agricultural sub-sector | The Council Regulation modifies the institutional environment of the cooperatives. |
| RO | Council Regulation (EC) No 2201/96 of 28 October 1996 on the common organisation of the markets in processed fruit and vegetable products | Mandate Market regulation and competition policies | Correction of market failures | Specific to an agricultural sub-sector | The Council Regulation modifies the institutional environment of the cooperatives. |
| SK | Measure of Rural Development Program 1.5 Sales producer organization of | Inducement - Financial and other incentives | Support activities to improve efficiency of | - Specific to cooperatives / POs<br>- Specific to | The policy measure affects establishment and |

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| | producers | | sales of producer organizations | an agricultural sub-sectors | development of cooperative/ POs through:<br>- facilitate establishment<br>- improve the quality of activities<br>- improve the quality and quantity of production for better the position in the food market. |
| UK | Food Chain Centre (2001 to 2008) | 3. Capacity Building on supply chains | 1. Correction of market failure | 3. Applicable to businesses in general within agricultural supply chains | There was a bias towards retail based supply chain issues but there was also work linking smaller suppliers and retailers. There was no bias or promotion of formal cooperative structures but they would have benefited indirectly but it is unclear to what extent this happened. |
| EU | Commission Implementing Regulation 543/2011 | 2 | 2 | 2 | 7 June 2011, very recent. This document describes an implementation of Integrated CMO Regulation ((EC) 1234/2007 |

## List of Abbreviations/Glossary

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|---|---|
| ADM | Archer Daniels Midland |
| CAP | Common Agricultural Policy |
| CEE | Central and Eastern European |
| CR | Country Report |
| DLG | Danske Landbrug (Danish cooperative) |
| DLA | Den Lokale Andel (Danish cooperative) |
| ESU | European Size Units |
| EU | European Union |
| FADN | Farm Accountancy Data Network |
| FAO | Food and Agricultural Organization |
| GATT | General Agreement on Tariffs and Trade |
| IOF | investor-owned firm |
| n. a. | not available |
| OECD | Organization for Economic Co-operation and Development |
| PO | Producer Organisation |