

*Social Economy and the Cooperative Movement
in Europe: Input to a New Vision of Agriculture
and Rural Development in the Europe of the 25*

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*Social Economy and the Cooperative Movement in Europe: Input to a New
Vision of Agriculture and Rural Development in the Europe of the 25*

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Abstract

This is a study of the most important features of European agricultural cooperatives. It emphasises the business aspect as a key factor in their economic development. A cluster analysis is performed on them to classify them in relation to variables linked to their business aspect, especially its essential contribution to competitiveness. There is also an assessment of their main strengths and weaknesses as they affect the prospects for internationalising their activities, internationalisation being one of the great challenges they have to face in the current economic context.

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1. Introduction and Aims

This study undertakes an analysis of the current state of agricultural cooperatives (agricoops) in the European Union (EU). It takes into account the main trigger variables of their present context and way of doing things. These variables are indisputable determinants of European farmers' economic activities, and consequently of the activities of their cooperatives. They include especially those related to the demand for agrifood products, to globalisation, free markets and the Common Agricultural Policy (CAP) of the EU.

Describing the context obliges us to talk about the current challenges faced by agricoops. The study attempts to determine what means they have at their disposal to meet these challenges successfully. It also looks at the constraints and weaknesses with which they must operate, many of them clearly due to their very structure as cooperatives. Only a good knowledge of these limitations will make it possible to devise action strategies for adaptation to the changed situation. Our basis for identifying strengths and weaknesses has been a survey conducted by the General Confederation of Agricultural Co-operatives in the European Union (COGECA) and addressed to organisations representing agricultural cooperatives in the principal Member States.

Finally, having regard to the fact that the analysis points to big differences in the levels of business development achieved by cooperatives in the various countries, we undertake a cluster-based classification of the businesses. This enables us to identify groups of countries that are leaders in agricoop development, and hence to discover what relationship there is between their level of development and their application of consolidation and internationalisation measures as a means to strengthen their presence in the sector.

2. The Agricultural Cooperative Movement in the European Union (EU): from the Europe of the 15 (EU-15) to the Europe of the 25 (EU-25)

Agricultural cooperatives (agricoops) are well rooted in the EU. They have a much greater influence in their sector than cooperatives in other sectors. Indeed since the latest EU enlargement, the nearly 25,000 agricoops that already existed in the EU have been joined by almost 8,000 in the Central and Eastern European countries. Consequently there are now more than 32,000 of them with over 11 million members and a turnover surpassing 25,000 million euro (Table 1).

The activities of these organisations is very varied, but the leading ones are marketing their farming members' products, sometimes after processing (as in the case of oil, wine, milk derivatives, meat products, etc.); providing them with supplies; and rendering them certain services in connection with their production operations. Thus they make clear and direct contributions to farming incomes.

Total agricoop production represents 60% of EU-15 agricultural output. In some countries their percentage of certain commodities may be higher than 90%, for example milk production in Denmark, Austria, Finland and the Netherlands, pork in Denmark and cut flowers in the Netherlands (Table 2). It is also noteworthy that their market share is increasing in many sectors and countries. It is happening in Belgium, Denmark, Germany, Finland, the Netherlands and Portugal with many of the products we have analysed: fruit and vegetables, meat, milk products, cereals. In the remaining countries, with few exceptions, they have maintained their quotas. It is a sign of how much confidence farmers have in this form of association.

Table 1. Statistics of Agricultural Cooperatives in the European Union, 1998-2003

	Year	Number of cooperatives	Members (000s)	Workers (000s)	Members per co-op	Workers per co-op	Turnover ¹	Turnover per co-op ²	Year	Number of cooperatives	Members (000s)	Workers (000s)	Members per co-op	Workers per co-op	Turnover ¹	Turnover per co-op ²	Co-op Turnover / Final Agricultural Output (FAO) (%)
Austria	1998	1047	560.7	19	535.5	18.1	ND	ND	2003	1046	441.3	19.9	ND	421.9	19.0	ND	ND
Belgium	1999	345	36.3	ND	105.2		ND	10	2003	355	35.8	20	2750	100.8	56.3	7.7	40.4
Denmark	1998	21	99.3	41.5	4728.6	1976.2	12570	598.6	2003	14	81.5	35	18850	5821.4	2500.0	1346.4	231.7
Finland	1998	69	234	33.6	3391.3	487.0	8400	121.7	2003	45	215	45.2	13300	4777.8	1004.4	295.6	320.3
France	1998	3750	612	ND	163.2		63000	16.8	2003	3500	580	150	67000	165.7	42.9	19.1	104.6
Germany	1998	4221	2964	140.9	702.2	33.4	37700	8.9	2003	3286	2385	120	37000	725.8	36.5	11.3	91.8
Greece	2000	6470	745	ND	115.1		925	0.1	2002	6370	714	ND	1043	112.1	ND	0.2	8.6
Ireland	1998	122	185.6	37.1	1521.3	304.1	11300	92.6	2002	99	197.9	35.3	12400	1999.0	356.6	125.3	215.8
Italy	1998	4278	571	44	133.5	10.3	12723	3	2003	3863	536.2	64	20834	138.8	16.6	5.4	47.5
Luxembourg*	1995	ND	ND	ND			ND	4.8	1999	9	ND	ND	230	ND	ND	25.6	91.6
Netherlands	1997	ND	ND	ND	2204.2		ND	176.05	1998	115	256.8	59.6	22740	2233.0	518.3	197.7	139.7
Portugal	1998	908	ND	ND			867	95	2002	924	ND	ND	ND	ND	ND	95 (a)	22.0 (a)
Spain	1998	3968	1072	47	270.2	11.8	8754	2.2	2003	4175	932.1	78.4	14194	223.3	18.8	3.4	34.5
Sweden	1995	ND	ND	ND	6.000		ND	165	1999	53	300	13.6	10000	5660.4	256.6	188.7	228.1
UK	1995	ND	ND	ND	535.57		ND	15.14	1999	565	241	13.6	12380	426.5	24.1	21.9	51.3
EU-15 Total		25199	7079.9	363.1	281.0	14.4	156239	6.2		24419	6916.6	654.6	283.2	26.8	26.8	9.5	
Cyprus**	1996	ND	ND	ND			ND	ND	1996	36	15.7	ND	48	436.1	ND	1.3	
Czech Rep.	1998	798	235	ND			ND	ND	2003	686	54.8	ND	ND	79.9	ND	ND	
Estonia		ND	ND	ND			ND	ND		ND	ND	ND	ND	ND	ND	ND	
Hungary**	1996	ND	ND	ND			ND	ND	1996	1345	300	ND	1183	223.0	ND	0.9	
Latvia	2000	68	7.5	0.4			5690	83.7	2003	72	8.4	0.5	23210	116.7	6.9	322.4	
Lithuania		ND	ND	ND			ND	ND		ND	ND	ND	ND	ND	ND	ND	
Malta	2003	ND	ND	ND			ND	ND	2003	17	3.271	102	38	192.4	6000.0	2.2	
Poland**		ND	ND	ND			ND	ND	1996	4938	630	ND	213	127.6	ND	0	
Slovakia		ND	ND	ND			ND	ND	2002	745	ND	47	ND	ND	63.1	ND	
Slovenia	2000-	107	22.7	3.9			463	4.3	2003	86	19.5	3.4	509	226.7	39.5	5.9	
EU-25 Total										32344	7948.2		257922	245.7	0.0		

¹ millions of €² millions of € per cooperative

ND: no data available

(a): The Portugal ratio is for the 1998 year.

Sources: Compiled by the authors from COGECA, CCC(04)86s4e, 2005. *Data for Luxembourg from "La cooperación agraria en la Unión Europea: Tendencias y temas de actualidad", COGECA, December 2000. **Data for Cyprus, Hungary and Poland from "Statistics and Information on European Co-operatives", ICA, 1998.

Nonetheless, it should be emphasised that the development has been uneven in the different countries, and this applies especially to the development of business management (Table 1). In fact there are countries where the agricoop movement is very fragmented, and whose individual co-ops only have a small turnover, with few members and workers.³ At the same time there are countries whose cooperatives have undergone great business development and are now consolidated into large groups. Two extreme cases illustrate the disparity very clearly: Greece, whose 6,700 cooperatives have an average of 112 members and a turnover of about €200,000; and Denmark, whose 14 cooperatives have an average membership of 5,821, with 2,500 workers and a turnover of €1,346 million.

In the newly admitted EU countries, their approximately 8,000 agricoops occupy a large share of the market in many sectors, for instance 30% in Cyprus and 65% in the Czech Republic.

There are several reasons for the backwardness of the cooperative movement in the newly admitted countries. One is the mistaken ideas about cooperatives that were prevalent during the transition from a socialist to a free market economy. Many governments looked on the cooperatives as being closely linked to the socialist regime. They therefore insisted on dividing up the cooperatives' land and distributing it to the members. At the same time the latter were encouraged to abandon the agricoops (Bartus, 1998). The support the cooperatives received was reduced to nil. In many instances legislation acted as a disincentive. Indeed the outcome in several countries was to turn cooperatives into differently constituted forms of business, and this applied especially to the agricultural sector. Yet despite all that, the agricoops continue to carry considerable weight.

³ The figure for the number of workers per cooperative is for the total and includes not only subordinate workers.

Table 2. Market Share Percentages of Agricultural Cooperatives in the EU-25, 1998-2003

	1998	2003	1998	2003	1998	2003	1998	2003	1998	2003
	Milk		Fruits and Vegetables		Meat		Agricultural Inputs and Supplies		Cereals	
Austria	94	94			20	20			60	60
Belgium	50	50	72	80	20	25	40			40
Denmark	95	97	20	30	89	90	57***	ND	57	80
Finland	96	97			69	74	41***			
France	49	37	35-50*		34		45-60***		74	74
Germany	69	68	45	45	30	35	50***			
Greece	35-50***		50***		5-30***		-		49***	
Ireland	97	97	-		70	70	65	65	69*	
Italy	38*		41*		10-15*		15*		15*	
Luxembourg	80**		-		25-30*		75-95**		75**	
Netherlands	82	85		60	35		54		-	
Portugal	62	65	45		-		-		-	
Spain	40	40	15-45	15-45	25-35	25-35	70	70	35	35
Sweden	95	90			40***	30	40		75*	70
UK	55**		25-40**		10-25**		30**		25**	
Slovenia	89	80	19	76	87	76			90	28
Latvia		25		1						30
Cyprus*	Overall market share 30%									
Czech Republic*	Overall market share 65%									

* 1996 data ** 1999 data *** 1998 data

Sources: 1996, 1998 and 1999 data from "La cooperación agraria en la Unión Europea. Tendencias y temas de actualidad", COGECA, December 2000; 2003 data from COGECA, CCC(04)86s4e, 2005; Cyprus and Czech Republic data from "Statistics and Information on European Co-operatives", ICA, 1998.

It is obvious that the people responsible for the economy failed to see the real potential of cooperatives for protecting small producers, creating jobs, stimulating new business activities (especially in less favoured areas), providing services to their members and helping to keep residents from abandoning the countryside.

Nor should one forget that in most of the countries in question agriculture still plays a role in the economy well above the European average. In 2000 it varied from 2% on Malta to 6% in Lithuania (Table 3).

The new member states have an arable area approximately 30% of that in the EU-15, and an agricultural working population of about 56%. In the EU-15 only 14% of the active population is employed in agriculture, but in the newly admitted countries the percentage is much higher: as much as 18.8% in Poland and 19.6% in Lithuania.

However, there are big differences in the income earned by agricultural workers. For example, in 1998 the GVA/AWU (gross value added/agricultural work unit⁴) was about €6,000 but in Hungary it was €12,700⁵. These figures are equivalent to 20% and 40% respectively of the GVA/AWU in the EU-15 countries in the same year (Marí and Meliá, 2004).

Furthermore, account must be taken of the fact that agricultural productivity is much lower in the newly admitted countries than in the EU-15 ones. Thus the overall GVA of the 10 new countries was €1,934 million in the year 2000, which barely amounted to 7% of that of the EU-15 ones (Table 3).

Table 3. Data on Agriculture in the Newly Admitted EU Countries

	Percentage of GDP	Gross Value Added (GVA) of Agriculture (€000,000)	Area under Cultivation (000 ha)	Final Output (€000,000)	Persons Employed	Percentage of Active Population	GVA at Market Rates per Agricultural Worker (€)
Year	2000	2000	2000	Various years	2000	2000	Various years
Cyprus	3.5	329	134	548 (1,999)	14,000	9.2	ND
Czech Republic	3.4	1,846	4,282	2,933 (1998)	208,000	4.5	*5,675 (1995) 5,043 (1998)
Estonia	4.7	254	891.3	416 (2.,000)	46,100	7.6	5,114 (1998) 6,807 (2001)
Hungary	3.9	1,913	5,854	4,395 (1999)	227,000	6.0	6,375
Latvia	4.0	306	2,488	471	118,000	13.5	ND
Lithuania	6.9	836	3,489	1,073 (1999)	262,000	19.6	1,324
Malta	2.0	78	12	137 (1999)	3,000	1.9	ND
Poland	2.9	4,965	18,220	10,882	2,698,000	18.8	ND
Slovakia	4.5	560	2,440	1,288 (1999)	119,000	6.7	3,022 (1997) 2,921 (1998)
Slovenia	2.9	847	491	959 (2000)	81,000	9.9	*8,402 (1995) 9,081 (1998)
Total for Newly Admitted Countries		11,934	38,301	22,870	3,776,100		
EU-15 (2000)	2.0	167,197	131,619		6,767,000	4.3	

* At basic prices

Source: Marí, S., Meliá, E., 2004, "Agricultural Situation in the Candidate Countries", European Commission, Directorate-General VI-Agriculture.

⁴ The annual work unit corresponds to the work performed by one person who is occupied on an agricultural holding on a full-time basis.

⁵ Reports of the European Commission about the situation in the candidate countries estimated that the number of AWU was around 50% of the number of agricultural workers.

It is therefore hardly surprising that the document “Co-operatives in Enterprise Europe” (European Commission, 2001) fixed two objectives as priorities for the cooperatives in the candidate countries in view of their long traditions and the contribution they could make to social and economic development:

- To adapt to the competitive environment of the single market by modernising management, boosting efficiency and strengthening their financial bases
- To assist the public bodies in those countries in drawing up a viable set of regulations for cooperatives and adopting the Community heritage embodied in the Statute for a European Cooperative Society⁶ (ECS). This would enable the agricoops to develop normally both at the national and international levels.

The recommendations were not made in vain. Seven of the 10 responses from the candidate countries showed a marked interest for the Statute. They were interested in its direct intent of facilitating the establishment of transnational cooperatives, and also because it indirectly established guidelines for national legislation and paved the way for a rapprochement between the various laws in the field (Roelants, 2002).

Nonetheless, even if integration of the 10 new member states can be considered a success, the cooperatives in those countries still face important problems. The biggest stem from the great difficulty that they encounter in obtaining finance, something which is vital for their much-needed structural modernisation and is often essential for meeting the technical and environmental requirements of the EU itself. Added to their small size as businesses, these factors reduce their ability to compete.

On the other hand, despite the weaknesses in their infrastructures, they enjoy a great advantage in respect of production costs, which are far below those of the other EU countries. It is consequently foreseeable that they will continue to benefit from inflows of investment as production is relocated to them from the countries of the ‘old Europe’. It is a two-edged phenomenon: it has to be recognised that it means a loss of competitiveness for EU-15 agricoops, but at the same time it brings great business opportunities to those in the newly admitted countries (Mulfinger, 2004).

⁶ The Council Regulation (EC) No. 1435/2003, of 22 July 2003, on the Statute for a European Co-operative Society.

3. Agriculture and Cooperatives in the EU: an Essential Pairing

Agricoops have made a contribution to economic development that has reached out especially to the most disadvantaged rural areas of Europe and has everywhere been a major source of direct and indirect rural employment. The result is the current agricultural prosperity (Bogström, 2003).

It is necessary to redefine the role that agricoops can and should play in the EU social economy and to identify the challenges they must take up in order to better defend the interests of farmers and rural life as they have done traditionally. For this, the time has come to ponder the basic factors shaping future scenarios for agricultural markets and the rural milieu.

Along the way we must inevitably deal with three major questions: globalisation, changes in the demand for agrifoods, and the so-called multifunctionality that was already mentioned in Agenda 2000 and whose philosophy underlies the CAP reform approved 26 June, 2003.

Globalisation leads to ever-greater internationalisation of the whole economy. It is accompanied and promoted by a strong tendency towards free markets. Agricultural production is not exempted from it, due to the multilateral agreements reached at successive summits of the World Trade Organization (WTO). Suffice it to mention the progressive reduction of customs tariffs in the sector. It goes hand in hand with continued pressure from countries like the members of the Cairns Group, the United States and the developing countries to reduce and eventually eliminate agricultural subsidies. Especially targeted are subsidies linked directly to production ('amber box'), although those indirectly connected ('blue box') are also under attack.

At the same time, another thing to bear in mind is that the EU is going through a period of budgetary constraints. The situation has been aggravated by the crisis in Germany, the EU's largest contributor, and by the enlargement of the Union. The number of farmers has increased from 6.7 million in the EU-15 to 10.6 million in the EU-25. This has shown clearly how impossible it is for the CAP to meet all its financial obligations to the Common Organisation of Markets (COM) without increasing the EU budget.

All this has to be seen in the context of a whole generation of oversupply of many leading commodities such as milk, cereals and beef. Along with the greater presence of products from outside countries, it has tended to depress the prices paid to EU farmers in terms of purchasing power.

Another factor not to be lost sight of is the growing competition to European products from those of other countries that have substantially lower costs. Costs may be lower because of inherent advantages such as country size and climate, or artificial due to labour legislation, taxation, and less demanding environmental or plant health legislation (García Azcárate, 2002).

Yet another influential sector characteristic is the large shifts observable in the demand for agrifood products. Some of them are due to new consumer habits and attitudes, and others to the developments in, and concentration of, food distribution (Juliá and Meliá, 2003). An example of this evolution is the way that socioeconomic changes in the developed countries (working women, smaller families, ageing populations, increased concern with health, access to a wider range of leisure activities, etc.) have led to an ever growing preference for convenience products that are easy to prepare and consume.

The president of Ahold, the world's third largest food distribution chain, has been saying that consumers are continually putting more value on quality, and on foods that are safe and healthy but easy to prepare and eat. He also said that one of the biggest changes impacting on food demand is market concentration in the distribution mega-chains, and the enormous power they have acquired.

Indeed the power and process of concentration and internationalisation are all too obvious. According to M&M Eurodata 2000, it is predicted that of the ten chains that currently control 40% of distribution only five will remain. Just consider the mergers that have taken place only recently, especially the one carried out by Carrefour. Carrefour is now the leader in Europe and the second largest in the world. A good example of internationalisation is Wal-Mart's entry into Europe at the end of the 1990s. Wal-Mart is the undisputed world leader in the sector, with a firm foothold in Germany and the United Kingdom thanks to its takeovers of large domestic firms.

These giant companies are more and more given to buying from suppliers who can provide large quantities and a large range of products. It seems inevitable in the long term that smaller cooperatives which cannot supply commodities in the volume required, will be squeezed out.

Another element that should be taken into account in the sector analysis is agricultural multifunctionality. This was taken up in Agenda 2000, and it means that agriculture has other functions besides that of producing. For example it contributes to environmental and landscape conservation and population maintenance. In that way it becomes a strategic sector in land use policy and rural development. In turn, this contribution serves to justify

aid and incentives insofar as these are not diverted to production but to purposes connected with the environment, the land or rural development.

The principle remains in force in the latest reform of the CAP (23 June 2003). It can be seen in the reform's main recommendations for action, which demand the separation of aid from production and making it dependent on environmental aspects, food security, quality, rural development and so on. Hence, besides market policy reforms, the main points in CAP 2003 were as follows (European Commission, 2003):

- *Decoupling of financial aid:* A single payment scheme for all EU farmers independent of production, although it might still retain a limited element of production support in order to avoid complete abandonment.
- *Conditionality:* Tying aid to the enforcement of environmental, food hygiene and animal welfare standards; also to the maintenance of arable land in good farming and environmental condition.
- *Rural development:* A strengthened policy with increased EU funding and new measures to promote environmental protection, quality and wellbeing.
- *Financial discipline:* Ensuring that the budget fixed for the period to 2013 is not exceeded.
- *Modulation and regressivity:* *Reduction of direct subsidies to large operations so as to free up funds for financing new rural development measures.*

These rules of the game, the product of successive reforms of the CAP, give the cooperatives an essential role as the backbone of professional business organisation in the EU agricultural sector. It is therefore hardly surprising that European Commission gives them its full support, and considers them businesses that should act as leaders in the new processes linked to the CAP, not only in the old EU countries but also in the newly admitted ones (Commission of the European Communities, 2004).

We would emphasise the influence that the cooperatives have on their farmer members, which facilitates advising them and training them in new, more environment-friendly methods of agriculture. Likewise in organising their production in such a way as to promote traceability. Agricoops can take the leadership in starting new activities to supplement, and on occasion replace, their members' current activities, thus enabling them to make up for the loss of income caused by progressive reduction of subsidies. And of course they can facilitate their members' participation in agroindustrial enterprises. Doubtless these are actions that not only bring in new added value for members but also — in consonance with the dictates of the CAP — help prevent the drift of population from the rural areas.

4. Main Strengths and Weaknesses of EU Agricultural Cooperatives

Having described the state of EU agriculture and the Union's economic policy, we shall now proceed to analyse the future role that agricoops are going to play in that context. To do so we must keep in mind their competitive advantages; but also, to be sure, the constraints they must accept because of their status as cooperatives. Nor should it be lost sight of that the main purpose for which they have been formed, over and above what they achieve for the good of the whole community, is the betterment of their members' incomes.

For this task, who can better assess the strengths and weaknesses of the agricoops than the organisations that represent them in the various EU member states? We propose to take as source the replies that they gave to both sides of the question for a survey conducted by COGECA in 2004, the purpose of which was to draw up a Memorandum on European Agricoops (Table 4).

Strengths of the Agricultural Cooperatives

Among the strengths noted by the organisations surveyed, one that stands out is how well suited the cooperative formula is for the economic development of areas that depend traditionally on agriculture, and for preventing a good deal of depopulation. It is relevant that the new direction taken by the CAP, basically since Agenda 2000, stresses greater care for rural development, the so-called 'second pillar'. This requires a reappraisal of rural regional resources (environment, heritage, social fabric, etc.).

In line with this trend, the cooperative movement is providing solutions for problems like the generation succession in many rural areas, because the changeover often results in abandoning farming and the economic activities that go with it. This not only has environmental consequences; it also has a very negative impact on rural employment and population maintenance. Agricoops are already providing complete management services to farm operations, which in many cases ensures continuance and prevents the adverse effects that would follow a closure.

Especially in the less favoured areas, agricoops can and should lead and support activities of an auxiliary nature that may constitute additional sources of income and employment. These activities are more effective if they are produced and marketed collectively and in an organised manner. Good examples are rural tourism and the traditional manufacture of fine foods, the viability of which is hard to sustain by isolated initiatives.

Another important aspect touched on in the above-mentioned study is the unexcelled position that agricoops occupy in the food supply chain for ensuring traceability. Advantage must be taken of their relationship with producers; it is not the result of an occasional purchase contract but a close social and collaborative relationship, which usually goes back a long way in time. It leads to the cooperatives having a thorough knowledge of how members manage their farming operations, and to the latter submitting to the food safety conditions promoted by the cooperative.

These features, which are inherent in the cooperative structure itself, could be an incentive to consumers to buy agricoop products if they were more aware of the advantages. That is why there is so much need for an organisation of the kind that the Belgians are pressing for: a cooperative movement European centre for research and marketing support. On behalf of the movement, it would let people know about cooperative values and the movement's commitment to society. We believe that this would result in greater consumer confidence and a preference for cooperative products rather than those of other types of businesses that are less committed to rural life and its sustainment, to traceability, in short to values that are gathering more and more social esteem.

There would be valuable mutual benefit in direct communication of feedback from consumers to farmer-producers. The producers, on their side, would obtain very useful information about the special features of the demand and about its changes, and let them redirect production accordingly. Consumers, in return, would receive clear, first-hand information from the producers themselves about the production methods being used.

It is also clear from the survey that cooperatives are much appreciated as a means of allowing producers increased participation in the agrifood chain, not only at the production stage but also in processing and marketing their own products. This would enable them to obtain the value added that they need so much in order to offset the decline in prices to farmers. It should be borne in mind that the closer cooperatives can come to the final consumers in the food supply chain, the greater the value added that will accrue to their members.

In addition to increased value added and hence the possibility of increased farming incomes, the development of agri-based industry, which is often due to the consolidation measures already taken by many cooperatives, means that neighbourhood businesses which have deep roots in their areas bring wealth to the local population and help keep it in place by the job opportunities they provide. In many rural areas they are the main or even the only source of industrial employment.

Another contribution that stands out as basic is the cooperatives' concentration of offer, and along with it securing fair prices for their members. The organisations of cooperatives in one or two countries lay stress on the transparency that agricoops bring to this last matter, because many producers feel discouraged by the large gaps they see between the prices they receive and those paid by the end consumer.

However, it is not enough to point out the business benefits that the cooperatives bring to their members; there are also comparable social benefits. Cooperatives not only pursue production efficiency, they also seek to improve their members' quality of life, and that may at times be just as important or even more so. They do it by making available a range of services that render it easier and more convenient for members to carry out the work on their farm operations and which allow them to have leisure time like other workers. For certainly one aspect of farming that make it less attractive is that many of the tasks involved in crop cultivation and livestock rearing are hard and disagreeable, and that is often why people give up on small-scale farming and turn to better-paid jobs.

Cooperatives also deserve recognition for the values they uphold; they have an ethic and social objectives that set them apart from capitalist enterprises. Many multinationals, as a means of promoting customer loyalty, engage in a range of actions that make them look socially responsible; but cooperatives are socially responsible by nature, although – unlike some of the multinationals – they do not show off about it.

Weaknesses of the Cooperatives

The agricoops' strong roots in their localities nevertheless have two sides to them. They may be seen as both a strength and a weakness. It is true that, in an age when a growing segment of production is being transferred to countries with wage levels far below those in the EU and many EU jobs are being lost as a result, agricoops are a very useful instrument for population maintenance due to the close connection between farming and the land. Yet it has to be conceded that the strong link with a locality can also be seen as a weakness considering that the reason other businesses are opting for job export strategies is to reduce costs. The hard fact is that cooperatives do not enjoy freedom to displace their member's production to more competitive countries, nor to relocate processing operations when a large part of local employment depends on them.

Faced with this dilemma, clearly the cooperatives have no choice but to “balance the interests of producer-members with their ability to compete in a dynamic market” (Dunn, 2002). One new possibility for confronting this

situation is to form cooperatives that are international in scope and can draw members from abroad.

This balancing of interests will continue to be a key element in the competitiveness of cooperative enterprises, because without it they can scarcely keep true to their ultimate purpose, which is to improve members' incomes, in a world that is ever more dominated by the big distribution chains. Hence the efforts that – as we shall describe below – are being made throughout the European cooperative movement through various forms of consolidation.

Be all that as it may, the most widespread request in the survey is for much-needed new financing formulas for cooperatives. On the one hand members generally have an aversion to investing in their cooperatives because they prefer to put their money into their own operations. On the other hand, the capital that they do put into the cooperatives has strong limitations on its use, because it is refundable if a member leaves and therefore its availability depends on membership turnover.

Some cooperatives have had recourse to external private or government financing within the limits imposed by the legislation. But while this method may serve a purpose on certain occasions, it cannot be considered the solution.

Consequently one of the challenges for both cooperatives and governments is to formulate new ways of financing that are capable of attracting investment but at the same time include guarantees of a certain stability over time without which the new investments will be compromised.

More investment in innovation is another item on the agricoops' wish list, for they well know that the market rewards businesses which are capable of adapting to, and even anticipating, new consumer demands.

Table 4. Main Strengths and Weaknesses of Agricoops

	Strengths	Weaknesses
Spain	<ul style="list-style-type: none"> • Make economic development possible in areas where it is difficult to establish activities from outside the primary sector. 	<ul style="list-style-type: none"> • Strong roots in the locality reduce freedom to opt for the relocation strategies, whether for production or supply, used by other forms of enterprise.
Finland	<ul style="list-style-type: none"> • Ensure maximum transparency in the food supply chain (“from the field or the stable right to the table”). 	
Italy	<ul style="list-style-type: none"> • Close relations with producer-members. • Close links with the area. 	<ul style="list-style-type: none"> • Scarce financing. • Small size.
Sweden	<ul style="list-style-type: none"> • Provide opportunities for farmers to market their products and obtain fair prices. 	<ul style="list-style-type: none"> • Run risk of being hamstrung by restrictions that do not apply to their competitors when it comes to restructuring the business, closing plants, etc.
Germany	<ul style="list-style-type: none"> • Consolidate offer and obtain value added by processing. • Give members a say in their cooperative’s business policies. • Ensure traceability of agricultural produce. 	<ul style="list-style-type: none"> • Their usual source of financing (members’ contributions) has serious limitations. • Have to deal with a highly concentrated food distribution industry in the EU.
Ireland	<ul style="list-style-type: none"> • Cooperative movement values create a different ethic and culture from those of capitalist enterprises. • Both commercial and social benefits accrue to ordinary people when they are members of a cooperative. 	
Slovenia	<ul style="list-style-type: none"> • Have strong ties to their social foundations and to the communities where they are located. 	<ul style="list-style-type: none"> • Need more capital. • Are short on training. • Need the legal basis on which cooperatives operate to be better adapted to their special characteristics.
Belgium	<ul style="list-style-type: none"> • Cooperation makes it possible to reduce operating costs. • Can expand their activities to sectors like processing and distribution. • Offer the possibility of greater transparency in the differences between prices at the farm gate and those paid by the end consumer. 	<ul style="list-style-type: none"> • Need specifically designed sources of financing. • Need more investment in innovation (European Innovation Fund) and should adapt their products to the demands of modern marketing. • Weak marketing plans: There is a proposal for a marketing research and support institute to assist cooperatives in this matter.

Source: Compiled from replies to the questionnaire for the COGECA Memorandum on European Agricultural Co-operatives, Brussels, 16 July 2004.

To conclude this section, it is generally recognised that the cooperatives absolutely must put in place a commercial planning policy that is market and not producer oriented. There is a widespread belief among some members that the mere fact of belonging to a cooperative exempts them from any efforts to be more competitive. In reality, the successful cooperatives are those that follow two principles: the first is rigorousness (as it applies to supply, quality, price differentials, etc.); and the second is based on the fact that better quality earns higher prices, even between members of the same cooperative (Van Dijk, 2001).

It is certainly true that adequate commercial planning is very difficult if members do not follow these two principles. However, it is also certain that they are not enough. Hence the demand from organisations representing cooperatives in many EU countries that the EU administration make an effort to set up a European Marketing Research and Support Centre which would assist cooperatives when they come to design and implement their marketing strategy. This effort might well be backed up with new generic campaigns for promoting the products of cooperatives in competition with those of other forms of enterprise. The campaigns should be based on publicising the cooperatives' commitment to social responsibility, traceability, food safety, rural development, etc., because – as we have already remarked – these are great unknowns to most Europeans.

5. Agricoop Consolidation and Internationalisation as a Response

The viability of European agricoops is determined by the important socioeconomic changes that have been taking place in the last few years and which we cannot ignore in our analysis. They shape the social and economic framework within which all the cooperatives' activities must take place and which is to a large extent conditioned by the well-known phenomenon of globalisation. Whether we like it or not, globalisation is a predominant force at all levels. It is especially felt in the regions most open traditionally to exchanges, regions that have been turned into the biggest markets for goods and services.

The importance of this process for the European zone can hardly be overemphasised. Europe is today unquestionably the leading market in terms of the size of its transnational exchanges and has one of the world's most open economies. This is shown by the high level of exports and imports in proportion to the GDP in many of its member states (Germany 69%, Spain 60%, United Kingdom 57%, France 51%, etc.) (Barea, 2002).

The agrifood market is no exception to globalisation, because it is more and more dominated by large international firms that already hold a position verging on monopsony and are continuing their unstoppable movement of expansion and concentration. This being the reality of the situation, one should ask what role our agricoops can play in it or whether they will be reduced to functioning merely as suppliers to the large distributors.

One reaction from the cooperative sector is to seek greater competitiveness by consolidation into larger businesses. Often this is done by mergers, the result of which is bigger cooperatives with an ability to make their presence more felt at the international level.

In fact an analysis of how agricoops have evolved in the UE-15 countries⁷ in recent years (1998-2003) reveals that their number has decreased by 3%, and the number of their members by 2%, and yet there has been no corresponding reduction in their business turnover nor in the number of workers. Indeed turnover has increased by 49% and the number of workers by 80% (Table 1).

It has to be borne in mind that these apparent increases are partly due to gaps in the data, more precisely the availability of data for 2000 and 2003 that were not available in 1998. Nevertheless, if we allow for this distortion by excluding countries for which the data was not available for both periods, the result is still a 9.6% increase in the number of workers, which represents in absolute terms 34,700 workers, and a 27.5% increase (corresponding to €25,131 million) in turnover. On the same basis meanwhile, the number of cooperatives has gone down by 9.4% (1,197 units).

The conclusion is clear: the reduction in the number of cooperatives in UE-15 during the period examined, far from resulting in a decreased level of activity, has on the contrary been accompanied by an increase in the number of workers and in total turnover. This can be explained by two factors: the elimination of less efficient cooperatives and the process of industry consolidation.

Indeed, an analysis of average turnover per cooperative in the EU member countries for the period 1998-2003 (Table 1) shows that there has been a considerable increase everywhere without exception. During the period covered, German agricoops increased average turnover by 25%, the Danish ones by 125%, the Spanish by 54%, the Finnish by 142%, the French by 13%, the Greek by 50%, the Irish by 35% and the Italian by 80%.

Nonetheless, although there is this marked trend towards larger businesses as a way to stay solvent in the face of numerous current challenges in the agricultural sector, it must be noted that development in the various EU countries has been unequal, and this has undoubtedly impacted on the importance their cooperatives have acquired in their respective national sectors.

Another way to point up the cooperative movement's level of development in the different countries is by looking at the ratio *Co-op Turnover / Final Agricultural Output* of each country in Table 1. This does not accurately represent the cooperatives' market share, because in the FAO it does not take account of (among other factors) the value of agricultural inputs nor of the products marketed by cooperatives but sourced from abroad.

⁷ Lack of data prevents expanding the analysis to UE-25.

Nevertheless, the ratio can serve as a good indicator of the cooperatives' importance as a crucial element in the agricultural sector of their respective national economies.

The differences between countries are obvious enough. To take the most extreme cases, there are countries like Greece where cooperative turnover represents barely 9% of FAO; while on the other hand, there are countries like Denmark, Finland, the Netherlands, Ireland and Sweden where the high percentages seem to indicate not only the processing and marketing that the cooperatives do of their domestic products but also a large volume of activities connected with products acquired abroad — in other words, an important international component.

Given that there are these differences, we have set out to determine the level of development in each EU member state and compare it with that of equivalent organisations in the other EU countries. For that purpose we propose to classify the agricoops by the statistical technique of clustering Using Average linkage (between clusters) method and Squared Euclidean Distance. The two variables used in the analysis are average annual turnover for the years 1998 and 2003, and the ratio of agricoop turnover to Final Agricultural Output for 2003, the data for which is shown in Table 1. The results are displayed in Appendix 1.

The dendrogram of the first hierarchical clustering (Analysis 1), which covers the agricoops in all the EU member states, results in two clusters: one consists only of the Danish agricoops, and the other consists of all the rest. The reason for such a simple classification lies in the big gap between Denmark and the other countries in terms of average turnover per organisation. The fact is (as we show below in Table 5) that 77% of total Danish turnover is in the hands of only 5 cooperatives.

We have therefore proceeded to a second cluster analysis (Analysis 2), excluding the Danes because the difference between them and the other EU countries would act as a distorting factor and make it more difficult to analyse the cooperatives in the rest.

The second analysis results in formation of the following four groups:

- The first composed only of the Finnish agricoops, which are the most highly developed
- The second, which groups the Dutch and the Swedes, both of them with advanced development
- The third composed of a single nationality, the Irish
- A fourth undifferentiated cluster of all the rest.

The most obvious difference between the groups is the level of the Danish, Finnish, Dutch, Swedish and Irish cooperatives, as reflected in their high average turnover, compared with all the rest, which form a single cluster. The question is, whether the strength of the cooperatives in the first three groups correlates with the strategies of industry consolidation to which we have alluded. No doubt it is the case.

One way to analyse the degree to which cooperatives have consolidated in the different EU countries is to calculate the share of the five largest cooperatives in the total turnover of the cooperatives in each country (Table 5). The analysis reveals that as a result of the numerous trends towards consolidation in recent decades, it has gone so far in Denmark, Finland, Ireland and the Netherlands that the five largest cooperative enterprises are responsible for more than 60% of total cooperative billing. In Finland and Ireland the proportion is over 80%. However, this trend cannot be extrapolated to all the EU states; and despite the general trend towards larger businesses, small size continues to be a problem in many countries, for instance Italy, Greece and Spain (Table 5).

This finding is far from trivial, since it seems to demonstrate a relationship between degree of consolidation, level of business development and the importance of the various agricoop sectors in their respective markets. The agricoops in the countries where the average cooperative is a bigger business than in the others (i.e. Denmark, Finland, Ireland, the Netherlands and Sweden) have a larger market share in the sectors whose activities are most extensive in the EU (Tables 2 and 5). To take an example, the market share of Danish, Finnish, Irish and Swedish dairy cooperatives exceeds 95% and the Dutch ones hold about 85%; the Danish meat production agricoops have 80% and the Irish 70%.

It is worthwhile adding that the effects of consolidation are not confined to European cooperatives. In the United States there were 10,035 supply and marketing agricoops billing \$8.7 billion in 1950; these have become 3,346 with a turnover of approximately \$100 billion in 2000. The decrease in number and the increase in turnover are equally striking, and it is clear that mergers have contributed to both (Dunn, 2002).

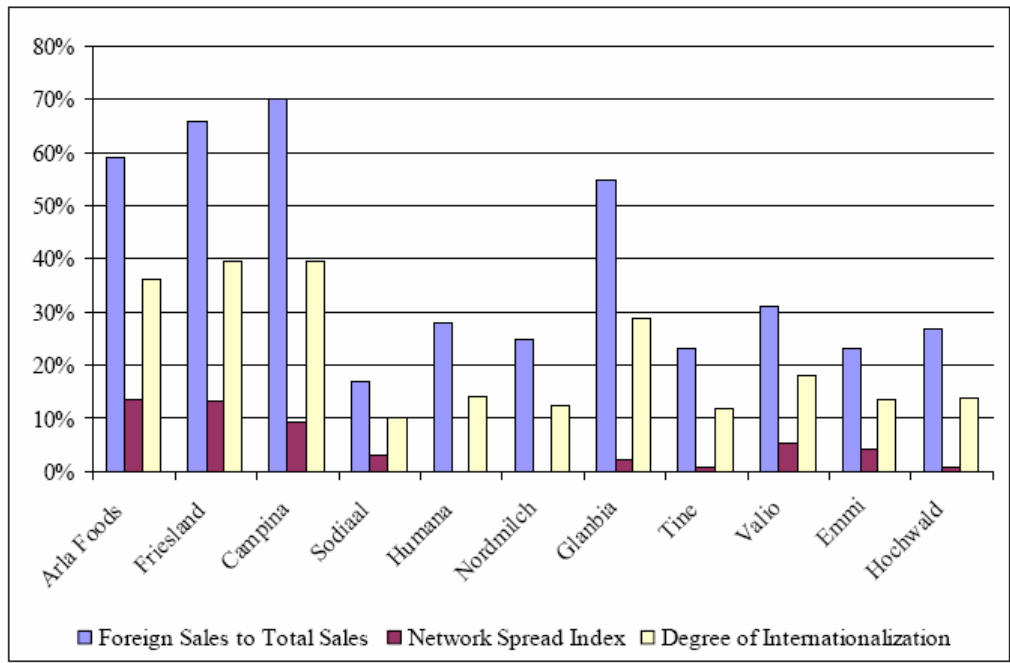
The other question to be examined is whether internationalisation is among the strategies that have raised agricoops in those countries to their current leadership position. The quick reply again is yes; however we must also analyse the advantages and disadvantages that go with the strategies.

Let us turn again to the dairy sector, since it is the one in which most of the leading agricoops in the five top countries operate (Table 5). It will be seen in Graph 1 that the largest businesses are also the most internationalised: Arla Foods (the biggest Danish-Swedish agricoop and itself the result of a

cross-frontier merger), Friesland Coberco Dairy Foods and Campina (first and second Dutch cooperatives in order of size), Glambia (second largest Irish agricoop) and Valio Group (second largest Finnish agricoop).

It should also be pointed out that the internationalisation is not only due to more export activities. The largest firms also own many more foreign subsidiaries: Arla (26), Friesland (25) and Campina (18), contrast with Nordmilch (0), Humana (0) and Tine (1), and this is clearly shown by the Network Spread index.⁸

Graph 1. Degree of Internationalisation of the Largest European Dairy Cooperatives



Source: O. Ebneht and L. Theuvsen, 2005.

Foreign sales to total sales: $FSTS = \text{foreign sales (exports + subsidiaries)} / \text{total sales}$

Network Spread Index of Garcia Ietto-Gillies [1998]: the number of countries in which an enterprise maintains subsidiaries (n) / total number of countries that received direct investments in 2004 (191); $NSI = n / 191$

Degree of internationalisation: $FSTS + NSI / 2$.

The leading cooperatives in other sectors have adopted similar strategies. The Danish slaughtering segment is an example. In 1980, there were 18 cooperative slaughterhouses, whereas production in 2000 was concentrated in three cooperatives, namely Danish Crown, Steff-Houlberg and Tican.

⁸ Findings taken from O. Ebneht and L. Theuvsen, "Internationalization and Financial Performance of Cooperatives: Empirical Evidence from the European Dairy Sector", 2005.

These three cooperative slaughterhouses accounted for 95% of the slaughtering. In 2001, Danish Crown merged with Steff-Houlberg. The Danish competition regulator approved the merger on the condition that Danish Crown sold one of its existing plants. At present about 90 per cent of the company's sales are outside Denmark, and it plans to go on concentrating its processing operations and expanding internationally. In line with this policy, Danish Crown has recently acquired Flagship Foods in the UK and became a majority shareholder in a Polish processing plant. It has also bought a processing plant in Germany.

As a result, an increasing number of people are pointing to the need for greater internationalisation; and not only of the marketing side, where in many cases it is already common in certain sectors, but also at the production level. A sufficient example is the pronouncement of the Economic and Social Council of Europe in response to the demands from cooperatives operating in more than one Member State; its purpose is to let them reorganise and restructure their operations on a Community-wide scale by establishing companies with participation by firms in different countries.

The ways in which the agricoops are moving towards internationalisation are not confined to exporting their products nor to buying supplies from abroad. Both these strategies are to be reinforced by building alliances with foreign enterprises, cooperative or otherwise. Sometimes it is an approach, a first step, towards higher entrance fees, opening subsidiaries or branches in other countries, and so on.

Table 5. Statistics of the Top Five Cooperatives in Each EU Country, 2003.

	Sales of the Top Five (000,000 Euro)	Total Sales of all Coops (000,000 Euro)	Top Five Market Share	No. of Members in Top Five (000s)	Total of Members in all Coops (000s)	Top Five's proportion of members	Top Five Industry Cooperatives Sector: Market Share of Each Sector (%)				
							1 st	2 nd	3 rd	4 th	5 th
Austria							FS: 75	SU: ND	D: 36	D: 13	D: 7.8
Belgium	1,096	2,750	40%	13.7	36	38%	D: 31	V: 38	V:25	F+V: 18	F:11
Czech Republic	695	ND	ND	0.6	55	1%	D: ND	MP: ND	PO: ND	F+V: ND	P: ND
Denmark	14,460	18,850	77%	74.1	82	91%	D: 93	MP: 84	FS: 41	FS: 35	Fur: 99
Finland	12,430	13,300	93%	162.8**	215	76%	Fo: 34	D: 80	MP: 33	ND	MP: 38
France	11,176	67,000	17%	50***	580	9%	MP: ND	MS: ND	D: ND	MP: ND	SU: ND
Germany	13,683	37,000	37%	ND	2,385	ND	BM: ND	D: ND	D: ND	BM: ND	BM: ND
Greece	234	1,043	22%	57**	714	8%	CO: ND	T: ND	W+ OO: ND	W+ OO: ND	AL+L+C ND
Ireland	10,160	12,400	82%	39.4	198	20%	D: ND	D: ND	D: ND	MK: ND	D: ND
Italy	2,208	20,834	11%	47.84**	536	9%	F+V: ND	D: ND	D: ND	W: ND	F+V: ND
Latvia	17.04*	23.21	ND	0,291*	8	3%	CE: 25	CE: 20	ND	ND	ND
Lithuania	11.13	ND	ND	1087.0	ND	ND	MS: 1.7	MS: 1.4	MS: 0.9	MS: 0.8	MS: 0.6
Luxembourg	ND	230	ND	ND	ND	ND	ND	ND	ND	ND	ND
Netherlands	14,189	22,740	62%	36.4	257	14%	D: ND	D: ND	ND	V: ND	V: ND
Portugal	433.06	ND	ND	8.2	ND	ND	D: 28	D: 4	D: 4	D: 4	D: 3
Spain	1,777	14,194	13%	103.7	932	11%	PO: ND	F+V: ND	F+V: ND	SU: ND	C+D: ND
Sweden	ND	10,000	ND	120.1**	300	40%	D: 90	CE: 70	MP: 30	F: 50	ND
UK	ND	12,380	ND	ND	241	ND	ND	ND	ND	ND	ND

ND: no data available. No data at all available for Cyprus, Slovakia, Slovenia, Estonia, Malta, Hungary and Poland.

* Only 2 cooperatives

** Only from 4 cooperatives

*** Only from 3 cooperatives

Key to the industrial sectors:

CO: cotton OO: olive oil PO: poultry SU: sugar MP: meat products
 BM: buying and marketing CE: Cereals MK: marketing D: dairy products
 F: fruits Fo: forestry V: vegetables MS: multisector W: Wine
 P: potatoes FS: farm supplies T: tobacco

Source: COGECA, CCC(04)86s4e, 2005.

It has to be acknowledged, however, that agricoops face numerous constraints on their march towards internalisation. The following deserve special mention (Donoso, 2003): their marketing often tends to be producer oriented instead of market oriented; they are tied to their members and to a particular area for the supply of raw materials, whereas non-cooperative businesses can choose to draw supplies from other countries on the basis of price and availability; unlike non-cooperative firms, they are restricted from producing in one area and processing in another. In addition they

have trouble finding sources of financing, because the liquidity of investments in international companies, many of which are listed on the stock exchange, is an incentive to investors that cooperatives cannot match, even though the legislation in several EU countries permits them to issue common stock. Against these difficulties must be offset the considerable opportunities that internationalisation brings in the production sphere, because of the chances to obtain supplies in the form of products from beyond national frontiers. In this connection, being able to supplement their production with that of other countries would enable agricoops to cover slack periods in their markets caused by the fact that their own commodities are seasonal. This is important because customer fidelity to a brand largely depends on it being continuously available at the points of sale. And of the strategies open to the cooperatives which are not based on costs, one is certainly customer fidelity to their brands.

In many instances internationalisation allows the cooperatives to broaden the range of products they can market, and that would put them in a better position vis-à-vis the distributors. Whether a cooperative can persuade distributors to buy from it depends partly on its ability to supply not just one product but a good range of products.

Furthermore it is a basic principle of investing that diversification reduces the overall risk, and it would apply to the cooperatives. They should observe it by not letting their business success hang on a single campaign, a single product or a single region, so that one product's failure in the market can be attenuated by the success of others that may be substitutes for the unsuccessful one.

Nonetheless, when the time comes to integrate foreign members into a cooperative, one needs to watch out for tensions with the original members. Let it not be forgotten that the latter set up the cooperative to ensure the marketing of *their* produce. Hence the new possibilities often create opposing points of view: on the one side there is opposition from members to the cooperative's marketing the produce of the outsiders because they feel they are letting in the competition with themselves; on the other side, there is management's interest in improving the profitability of the cooperative as a whole, which would reflect well on their administration (Dunn 2002). It cannot be ignored either that without the new members the cooperative would lose the opportunity to process and market competitive commodities when – unlike what is happening in the countries of origin – it already has access to suitable channels of distribution.

However, the two positions are not irreconcilable, and the key to a rapprochement lies in persuading members to go along with the move by giving them a share of the profits that it will bring to the cooperative and

ultimately to them too. This applies whether products are to be imported to rationalise the use of production facilities when they are not being exploited to maximum capacity, or to extend the sales period for existing products throughout the year, or to market new products, and so on.

In the final analysis, it should be borne in mind that the real competitors in the present economic context are not the cooperatives in neighbouring European countries but the big international corporations (Hakelius, 1999), which are the ones who largely fix the prices and terms of business.

6. Conclusions

Agricoops have made a very significant contribution to the development of European rural areas, and they will be called on to continue it in an EU already enlarged to 25 countries, with more than 35,000 such cooperatives. In the new member states there is an obvious problem with the small size of individual farming operations, a consequence of the faulty redistribution of property following the transition to a free market economy. In this situation, cooperatives have immense value as a means of concentrating production, encouraging land reallocation programmes and introducing communal farming.

However, the parameters within which the current scenario for European agriculture is unfolding (globalisation, freer markets, concentration of the distribution system, agricultural multifunctionality, aid with conditions attached, changes in consumer demand, etc.) are obliging the agricoops to rethink their role and how to continue operating successfully as businesses. As institutions that include a majority of European farmers, they must also reconsider the benefits that they provide to their members in order to make work easier and increase incomes through the farm produce processing and marketing that they do.

There are indeed many difficulties inherent in the present environment in which agricoops are operating. The following are typical examples: unfair competition from other kinds of businesses that use partial or total offshore outsourcing as a cost-reduction strategy; the need for new methods of financing that can attract investment – essential for undertaking big capital expenditures – and also meet the requirement for stability over time; the scarcity of organisations to support innovation and marketing by product promotion campaigns based on letting the public know about the cooperative movement's values – something the general public is very ignorant about at present.

On the other hand, it must also be appreciated that the cooperatives' intrinsic characteristics can be a competitive advantage if they are exploited

properly. Among other things, they are often the economic mainstay of a rural area. They help maintain the social fabric and protect the environment. Their special relationship with their producer-members puts them in a privileged position for ensuring food safety and traceability while upholding their own cooperative values. These last turn them inherently into good corporate citizens.

Let it not be lost sight of that the EU agricoops have the structure that best fits in with the current requirements of the CAP. This justifies the ever-growing recognition that the EU administration is giving them because it perceives them as ideal enterprises to spearhead the processes that the CAP is pushing for.

However, it has to be admitted that because the level of business development differs greatly from one EU agricoop to another, they are not all equally prepared to cope with the challenges. As our analysis indicates, the internationalisation and industry consolidation strategies that have been the keys to progress for the more advanced cooperatives (the Danish, Finnish, Dutch, Swedish and Irish ones) should serve as a reference for the other agricoops.

Another fact of life for all businesses in the agrifood sector is that their survival depends heavily on aggressive investment in RDI, as well as on agricultural product processing methods that return value added profits to producers. None of this is feasible unless the businesses are large enough to start off with. Although it may be possible to grow to the necessary size within a single country, the cooperatives that transcend national frontiers are growing ever bigger. And in so doing, the supranational cooperatives find openings to become more competitive producers as well as marketers, thanks to their broader range of offerings drawn from an international catchment area, to lengthening the supply season for some products and, last but not least, to diversifying the risks.

Hence a combination of both strategies — internationalisation and consolidation — presents itself as a way to compete successfully with non-cooperative multinational giants like Nestlé and Danone (O. Ebneith and L. Theuvsen, 2005).

This is not to overlook that on the business management side, EU agricoops have already made marked improvements in recent years both at national and supranational level. This has been achieved by processes of integration and consolidation of various kinds, although what has been done in some countries clearly remains inadequate.

The slow progress is not only due to inertia in the cooperatives themselves, leading to the practice of keeping the same group in power, nor to

members' and executives' reluctance to embark on the process of business integration. One has to understand that national governments and the EU bear a share of the responsibility and ought to promote initiatives that can give their cooperatives a stability that is often lacking at present.

However, expressions of support are not enough. The regulations of the EU itself act as clear disincentives to large-scale cooperatives; because when financial aid is being allocated, enterprises with more than a certain maximum turnover are ineligible. It is senseless to put a brake on cooperative mergers by making mere size a reason for exclusion from rural development support measures (García Azcárate, 2005).

To conclude, we believe that action should be taken to make the most of the special contribution that agriculturists can make in the spheres of agriculture policies, EU enlargement, rural development, job creation and meeting society's new demands. But at the same time it has to be recognised that for them to do all that, there has to be a clear commitment, both by the cooperatives themselves and by the national and European governments, to developing business strategies that will enable the cooperatives to compete successfully in today's marketplace. Among these strategies, the importance of consolidation and internationalisation in the agriculturist industry is indisputable.

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Appendix 1

1. Cluster Analysis I (includes the cooperatives of all EU-15 countries)

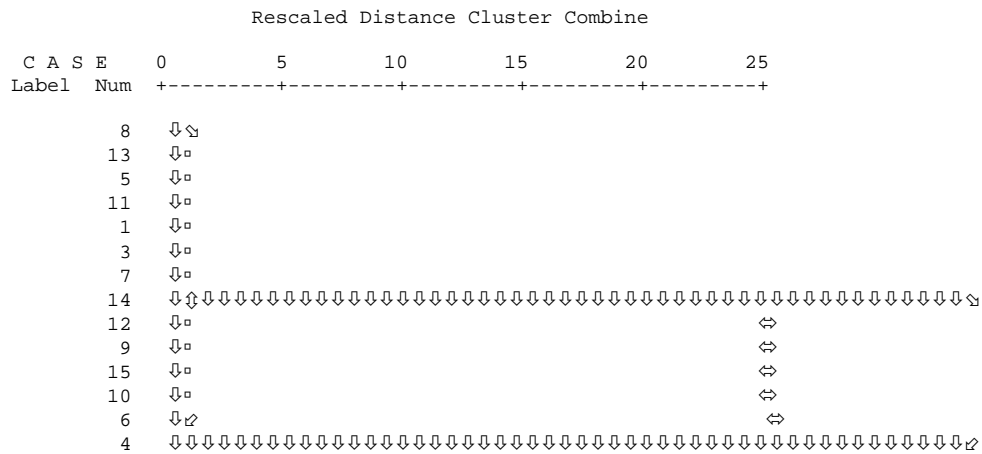
HIERARCHICAL CLUSTER ANALYSIS

Case Processing Summary

Cases					
Valid		Missing		Total	
N	Percentage	N	Percentage	N	Percentage
14	93.3	1	6.7	15	100.0

1. Using Squared Euclidean Distance
2. Average linkage (between clusters)

Dendrogram Using Average Linkage (between clusters)



1	Germany	6	Finland	11	Italy
2	Austria	7	France	12	Luxembourg
3	Belgium	8	Greece	13	Portugal
4	Denmark	9	Netherlands	14	UK
5	Spain	10	Ireland	15	Sweden

2. Cluster Analysis II (excludes Danish cooperatives)

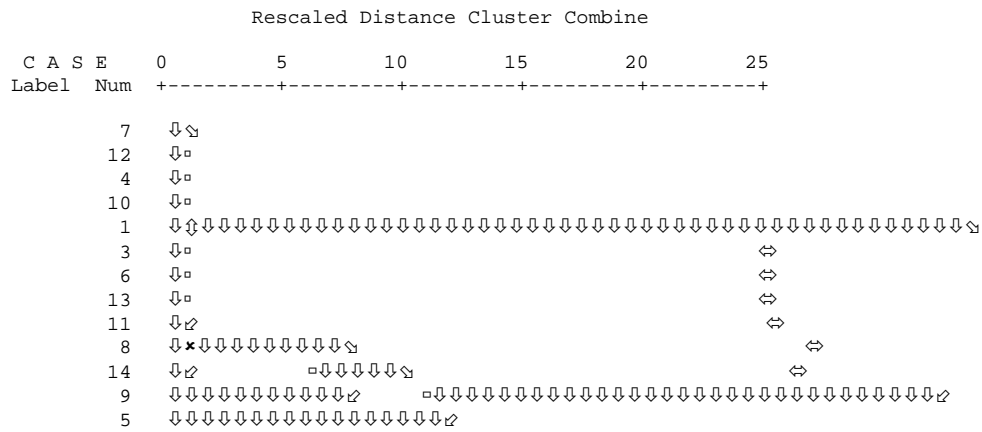
HIERARCHICAL CLUSTER ANALYSIS

Case Processing Summary

Cases					
Valid		Missing		Total	
N	Percentage	N	Percentage	N	Percentage
13	92.9	1	7.1	14	100.0

1. Using Squared Euclidean Distance
2. Average linkage (between clusters)

Dendrogram using Average Linkage (between clusters)



1	Germany	6	France	11	Luxembourg
2	Austria	7	Greece	12	Portugal
3	Belgium	8	Netherlands	13	UK
4	Spain	9	Ireland	14	Sweden
5	Finland	10	Italy		

K-MEANS CLUSTER ANALYSIS II (4 clusters)

Initial Cluster Centres

	Cluster			
	1	2	3	4
Av. Turnover 98	92,60	176,05	,10	121,70
Av. Turnover 03	125,30	197,70	,20	295,60
Coop Turnover/ FAO 03	2,16	1,40	,09	3,20

Cluster Assignments

Country	Cluster	Distance
Germany	3	14,190
Austria	-	-
Belgium	3	12,424
Spain	3	3,836
Finland	4	,000
France	3	25,239
Greece	3	,000
Netherlands	2	,000
Ireland	1	,000
Italy	3	5,967
Luxembourg	3	25,845
Portugal	3	1,141
United Kingdom	3	26,406
Sweden	2	14,279

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Área de Apoyo Lingüístico a la I+D+i

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