Farmers join and trade with co-operatives for a variety of reasons. But, while their motives reflect a mixture of behavioural influences, it is the expectation of a rise in net income which is of primary significance. Numerous surveys have indicated that whether farmers approach co-operation in order to purchase farm requirements or to market their livestock or arable produce their overriding motivation is economic.1,2,3 Indeed, an attempt at defining agricultural co-operation in a single sentence characterises it as 'an association of individuals adopting an economic relationship to each other'4 and, while this may not be sufficiently specific to denote co-operation, its emphasis is correct.

It is not surprising, therefore, that when farmers reject their co-operatives as marketing outlets their decisions are based on the expectation of higher prices or greater convenience and better service on the part of one of the alternative distribution channels - auction marts or agricultural merchants, for instance. Thus the extent to which farmers do trade with their co-operative societies or companies provides an index of how far co-operative members' expectations of a better financial deal through co-operation have actually been fulfilled. The share of agricultural markets attributable to co-operatives is inevitably a limited criterion of efficiency and success but, in the context of the argument pursued in this paper, it expresses accurately farmers' reactions to the facilities, policies and marketing opportunities offered by their co-operatives.

The paper focuses on and attempts to explain the transnational variations in co-operative shares of comparable product markets within Europe. The extent of these differences can be judged from Table 1. While the co-operative market shares for some products, notably milk, are consistently high (the U.K. marketing boards are not considered co-operatives in this context), there are important differences between some countries in the extent to which co-operatives control the marketing of many agricultural products. The U.K. and Italy, in particular, have smaller co-operative market shares generally than the other members of the European Community.
Table 1. Co-operative Market Shares in Europe (%)

<table>
<thead>
<tr>
<th></th>
<th>Milk</th>
<th>Beef</th>
<th>Pigmeat</th>
<th>Fruit</th>
<th>Vegetables</th>
<th>Cereals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>74</td>
<td>19</td>
<td>20</td>
<td>26</td>
<td>36</td>
<td>52</td>
</tr>
<tr>
<td>France</td>
<td>46</td>
<td>15</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td>Italy</td>
<td>35</td>
<td>5</td>
<td>5</td>
<td>46</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Netherlands</td>
<td>90</td>
<td>20</td>
<td>30</td>
<td>82</td>
<td>85</td>
<td>60</td>
</tr>
<tr>
<td>Belgium</td>
<td>65</td>
<td>small</td>
<td>15</td>
<td>35</td>
<td>50</td>
<td>15</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>90</td>
<td>22</td>
<td>30-35</td>
<td>-</td>
<td>65-70</td>
<td></td>
</tr>
<tr>
<td>U.K.</td>
<td>-</td>
<td>9</td>
<td>5</td>
<td>15</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Ireland</td>
<td>88</td>
<td>28</td>
<td>32</td>
<td>16</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Denmark</td>
<td>87</td>
<td>60</td>
<td>90</td>
<td>55-60</td>
<td>50</td>
<td>40</td>
</tr>
</tbody>
</table>


Explanations of the differences between the U.K. and Continental Europe are not difficult to find. The smaller average farm size on the Continent, and the decline in the proportion of the population engaged in agriculture and in farming's contribution to gross domestic product are some of the factors which have been cited as stimuli to co-operation among Continental farmers. But, although these factors contribute to the need for Continental farmers to act in some way to gain collectively the market power they require, they do not, of themselves, explain why a co-operative framework has evolved. The first step in a more convincing explanation requires the identification of the antecedents of successful co-operation which are basically similar for all varieties of co-operative. In the context of industrial co-operation, Oakeshott speaks of (i) adequate access to finance, (ii) a degree of capital ownership among members that ensures their commitment or loyalty, (iii) democratic control, and (iv) adequate management, both within the co-operative and at a supra-co-operative level. These necessary provisions are not always sufficient conditions for successful co-operative development but any inadequacies in them could provide an explanation of the failure of British co-operatives to gain a larger part of their markets. Several of the explanations considered below derive from this list of the pre-requisites of co-operative development.
EXPLANATIONS

E.E.C. Membership and the C.A.P.

An obvious explanation of the differences in market share with which this paper is concerned derives from the belief that membership of the European Community and consequent subjection to the conditions of the Common Agricultural Policy (C.A.P.) confer such benefits that the development of co-operative marketing has been considerably facilitated among Continental farmers. Nations which became members of the E.E.C. in 1973 would thus have missed for many years the impetus available to founder members. There is evidence, however, that whatever effects the C.A.P. has had generally on European agriculture, its consequences for co-operative marketing development have been neutral. Tierney has compared the fortunes of founder members of the E.E.C. with nations that have recently joined. No clear-cut conclusion emerges from his analysis which suggests that neither E.E.C. membership in general nor the C.A.P. in particular have made a great deal of difference and that explanations which cite these factors present a rather superficial view.

The Provision of Finance

Because co-operatives are denied access to the usual means of business finance through the issue of shares to the general public, their financing is a crucial issue which is beset with problems. Several authors have drawn attention to the role of financial provision in the development of co-operative marketing. Indeed, it has become common to account for the difference between the market shares of U.K. and Continental co-operatives by reference to the availability of specialist institutions to finance co-operation in the latter context. Credit co-operatives such as those which exist within the German Raiffeisen movement have indeed transferred funds from the non-agricultural sector into farming while English farmers have, historically, been net lenders. European co-operatives have tended to have a greater proportion of their capital in the form of long term loans than have those in the U.K. The latter have been more dependent on investments and loans from their members. This situation has important consequences for the development of marketing through co-operatives.

As Sir Roger Falk puts it: "If the gearing of owned capital to borrowed capital were the same in a British as in a Continental co-operative, the British co-operative would be able to support ... possibly twice the amount of borrowing, and a considerably greater turnover." Enlarged turnover would mean a larger market share and this has to be borne in mind when comparing the co-operative achievements of different countries. It is also indisputable that Continental governments have subsidised the rate of interest paid on loans to
co-operatives while British organisations have received grant-aid which has been limited in scope and application.9

Examples could be multiplied of the provisions that have been made in Continental countries for the financing of farmers' co-operatives but it is generally accepted that this explanation of transnational variations in co-operative market share has much to commend it. It is an explanation which requires some qualification, however. European provision of long term loans to co-operating farmers arose in the mid-nineteenth century precisely because there was no reliable source of funds for Continental co-operative development at that time.8 Yet, contemporary British farmers had access to a highly developed commercial banking system, but in the long term, this availability of finance to British farmers which was so abundant that it rendered unnecessary the establishment of specialist credit facilities, appears not to have contributed greatly to the growth of co-operative marketing in the U.K. Explanation of Continental success solely in terms of financial provision appears, therefore, to be suspect.

Further, there is emerging evidence that the high capital gearing of the European co-operatives has had deleterious effects on Continental co-operatives during the last several years. The previously close relationship between certain co-operatives and the specialist agricultural credit institutions has become strained as the latter have demanded guarantees before granting loans. In France, members of the voluntary boards of directors of co-operatives have, on occasion, been required to guarantee borrowings as a result of which some have incurred crippling debts. Recruitment of farmers to these boards has consequently become extremely difficult and co-operatives have adopted ultra-cautious policies.10 The French are currently reported as attempting to establish a national support fund for co-operation to rectify this situation by bypassing traditional sources of finance; and, on the Continent generally, there is a strong desire to reduce the capital gearing ratios of co-operatives through an increase in farmers' investments in their societies. Since this is to seek precisely the situation of British co-operatives, a situation which has been blamed for the U.K.'s less auspicious record in co-operative marketing, the financial explanation must be further qualified.

Legislation

Another type of explanation involves the legislative restrictions which encourage or even compel Continental farmers to join and market their produce through co-operatives. In the Netherlands, for instance, horticultural produce
could for many years be sold only through auctions; the auctions were co-operatively managed. It is noteworthy, however, that Dutch co-operative market shares for non-horticultural produce are still larger than the corresponding U.K. measures. The diversity of legislation within the Community further suggests that patterns of government intervention in agriculture generally and co-operation specifically do not provide a consistent explanation of the differential development of co-operative marketing from country to country. Denmark lacks co-operative law entirely. Apart from the example quoted above, there is a completely liberal attitude on the part of the Dutch government to co-operation. Both of these approaches may be contrasted with that of the French governments which have supervised and regulated co-operative activity closely. Indeed, so complex are the differences between Continental nations in this respect that harmonisation of co-operative law appears impossible. The only conclusion that can be drawn is that legislative variations are incapable of providing a valid explanation of the pattern of co-operative market shares with which we are concerned. Tierney's observation that no piece of E.E.C. legislation has proved as favourable to co-operatives as the U.S.A.'s Agricultural Marketing Act, leads to the inference that Continental governments have certainly not gone out of their way to encourage co-operation in this way.

MANAGEMENT AND ORGANISATION

The Quality of Management

There are numerous examples of agricultural co-operatives' turnover and profitability expanding rapidly after the inauguration of a new general manager. Sargent opines that the most crucial decision to be made by a co-operative with respect to its survival and growth as a business is the recruitment of a chief executive: 'In front of every highly successful co-operative there is usually an outstanding manager.' Indeed, the effectiveness of an individual co-operative, measured in terms of its market share or by any other criterion, reflects to a considerable degree the competence of its management. Nevertheless, it is unlikely that the quality of management can be linked with international differences in market development, unless it is through the conservative attitudes which some general managers have towards sustained expansion. But there is no more reason to believe that British managers have a monopoly of such attitudes than it is to conclude that Continental managements are generally more talented than their U.K. counterparts.

Nevertheless, management holds a key to the explanation of market share
differentials though its significance lies in its organisation and structure. Sargent and Doherty\textsuperscript{13} draw attention to the tendency in expanding business organisations for market environment to determine the optimal strategy for the firm and for strategy, in turn, to determine the structure of the organisation. This idea, which originates with Chandler\textsuperscript{14} is particularly applicable to the larger, multi-purpose co-operatives which have been forced to pursue decentralisation, divisionalisation and, in some cases, federalisation in order to attain managerial efficiency consistently with a measure of democratic control. Organisations of this type dominate co-operation in Britain. These authors point out that over half of the U.K.'s total turnover in co-operative marketing and about three-quarters of the co-operative supply of farm inputs is attributable to co-operatives whose turnover is in excess of £10 m. While specialist staff have taken over the day to day running of most of these organisations, decentralised functional areas based on lines of production have been set up. Effective management of the entire organisation requires this type of restructuring if the routine elements of management are to be delegated while top management attends to the work of policy-making and control. The possibility that structural factors might account for U.K. - Continental differences leads to an examination of the types of management organisation that run co-operation in the European Community.

Supra Co-operative Organisation

The U.K. has several national organisations whose objective is the furtherance of agricultural co-operation. The Central Council for Agricultural and Horticultural Co-operation (C.C.A.H.C.), a body formally charged with the organisation, co-ordination, promotion and development of co-operation grants new co-operative ventures which conform to specific criteria with regard to members' representation and loyalty and financial viability. England, Wales, Scotland and Ulster each has an organisation which represents agricultural co-operatives and promotes their interests. The Federation of Agricultural Co-operatives (U.K.) Limited exists as a liaison body for these four organisations and represents British co-operation to the E.E.C. Generally none of these bodies determines national policy or acts as a federal co-operative organisation. By and large, the individual co-operatives are fully autonomous, make their own decisions and formulate their own policy. Central intervention is minimal. This situation may be compared with that which exists in most other European countries; the following examples illustrate well the differences between these countries and the U.K.
In Germany, although there is a flow of capital upwards from the societies to supra-co-operative organisations, decision-making and policy formulation are imposed on the primary societies by national and regional levels of management organisation, the Raiffeisen Association. The situation is unlikely to change. Although the regional unions of co-operatives were originally established purely as auditing bodies, they now have extensive advisory powers, and have become the major instruments for implementing policy decided at national level. They have considerable power over individual co-operatives in that they may produce an unfavourable audit of a society's accounts. And since no member can influence the way in which his capital is employed, he is not in a position to challenge decisions made by the Raiffeisen Association.

In France, while the national body responsible for overall representation of co-operatives plays primarily a liaison and educational role, there exist two powerful, albeit unco-ordinated, national federations. The 'MacMahon Group' is composed of two organisations - a union of more than 500 cereal marketing co-operatives handling between 60 and 70% of the entire French market; and a requisite co-operative union of 620 societies which handles a similar proportion of the French market for farm inputs. The 'La Fayette Group' consists of a number of co-operative unions. Both of these major groupings have extensive interests in the form of silos, experimental farms, cereal buying operations and the extension of credit to farmers. In 1968, France established a National Co-operative Federation which deals with all forms of co-operative activity. This organisation has formed a strong Co-operative Parliamentary Group and has revived the Higher Council of Co-operation which has members of parliament, civil servants and co-operative organisations as its members. Its aim is 'to study and follow up, especially in the office of the Prime Minister, all questions of interest to co-operation, and to suggest measures which would be useful in developing all forms of co-operation.'

Italy also has a federal level of co-operative organisations. The Federation of Agricultural Associations is a highly centralised organisation which has the authority to supply credit in order to aid member associations and to engage in co-operative buying and selling, hiring and storage on their behalf. Other institutions in Italy present a complicated picture of inter-relatedness especially since it is impossible to distinguish farmer co-operation in Italy from either other forms of co-operation (such as in building or production) or political movements. Thus there is a Christian-Democratic Confederation of Italian Co-operatives, a Communist National League of Co-operatives and Mutuals, and a General Association of Italian Co-operatives which is Republican. Finally, there is the National Federation of Agricultural Co-operatives, a
compulsory co-operative comprising over 600 service co-operatives, 152
specialised co-operatives, 28 second and third tier bodies and 200 livestock
co-operatives. Although Italy has high levels of co-operative market share
in several product-markets (notably farm inputs), it is tempting to wonder
whether the very complexity of its co-operative arrangements and lack of
general policy have not contributed to the low co-operative turnover evident
in some other areas (especially beef, pigmeat and vegetables).

Belgium, the Netherlands and Luxembourg also have national and/or
regional co-operative organisations, often allied to sources of finance or
credit such as specialised co-operative and agricultural banks. They also
have effective channels of communication linking co-operative organisations
with governments. Without going into further detail (see C.C.A.H.C.16), it
is clear that their general approach is far more centralised than that of
the U.K.

The existence of these organisations may also reflect an aspect of
political attitudes and behaviour at national level. There appear to exist
in many Continental countries the political will to see the emergence of
cooparatives and an interest in their performance. No doubt this reflects
the political power of farmers in those countries which, as has been mentioned,
may be consolidated rather than reduced as the agricultural population declines
in numerical strength. Further, even though the explanation of Continental
Co-operative development in terms of legislation has been found wanting, the
issue of encouraging E.E.C. directives has done nothing to stem the trend
towards co-operative marketing.

Any brief account of the supra-co-operative organisations of these nations
is bound to be superficial in some respects but the above description neverthe-
less emphasises the profound difference that exists between the U.K. and its
partners in the European Community.

CONSEQUENCES

The second and third-tier bodies, from which these transnational variations
derive, constitute an essential part of the explanation of the pattern of
cooparative marketing which characterises European agriculture. Three conse-
quences of supra-co-operative organisation of the type considered above are
apparent. First, the existence of an organisational hierarchy has implications
for planning and for the co-ordinated implementation of plans. These functions
can take place at a level which is less influenced by short-term considerations
than is the level of the individual co-operative. More importantly, the second
and third-tier bodies on the Continent have considerable authority to make and
implement decisions which affect the conduct of primary co-operatives. This authority sometimes derives from their being in a position to employ financial or other sanctions against co-operatives which do not comply. While the C.C.A.H.C. and other U.K. organisations mentioned above are able to plan, the Continental supra-co-operative bodies which we have briefly considered can frequently implement their plans and, if necessary, override local co-operatives.

Secondly, planning and co-ordination of co-operative activity which include an element of 'dirigisme' renders superfluous any competition between co-operatives for members or their patronage. A greater degree of unity is possible in financial matters, too. In Britain where this type of planning and management does not exist, the result is that hundreds of individual co-operatives share the market power which a unitary co-operative system would be able to use on behalf of its members. The managing director of one of Britain's largest, multi-purpose co-operative societies has pointed out that the influence of U.K. co-operatives does not reflect their combined annual turnover which far exceeds £1 billion; in practice, it is no greater than the market power of the largest individual society, which has an annual turnover of less than £100 million. He goes on to characterise British co-operatives as 'fragmented, fighting one another' to the extent that some people have claimed 'there are parts of this country where the battle between the co-operatives is more intense than it is between the co-operatives and the rest of the world.' Compare this situation with, say, France or Germany where a central or regional union of co-operatives can extract substantial requisite or marketing economies on behalf of its members.

The third consequence of strong, central control relates to economies of scale, particularly those which derive from more efficient use of managerial talent. On the most basic level, it takes no more time or effort to place orders for large amounts of farm inputs than to purchase small amounts. More importantly, however, the presence of a managerial or organisational hierarchy can lead to development in personal and career terms and this is of direct benefit to co-operation.

CONCLUSIONS

This paper has sought to draw attention to the effect of second- and third-tier levels of management on the development of co-operative marketing in European agriculture. While it is not possible to demonstrate a precise correlation between the degree of 'dirigisme' to be found in supra-co-operative
planning and co-ordination and market development, there are strong and clear indications that co-operative market shares reflect the intervention of central organisations in the affairs of local co-operative societies. Thus to stress the place of national and regional organisations in co-operative marketing's development does not reflect ignorance or denial of the supportive role of financial and legislative provisions. Indeed, it is recognised that even though these factors do not appear to provide the explanatory power some authors have accorded them, they may, where they exist, serve to strengthen the authority of the supra-co-operative levels of management.

Two conclusions may be drawn. First, it appears that the co-operative shares of U.K. agricultural markets may be extended through the creation and/or imposition of powerful co-operatives unions which act together in their use of market power rather than as rivals. The formal establishment of federal organisations representing co-operatives, especially in marketing, is indicative of the value of this type of structure. Some bold experiments are underway in British agriculture and, while for a variety of reasons, they will not result in a Continental style of co-operative management, their results will be relevant to the argument pursued in this paper.

The second conclusion concerns autonomy. If co-operative marketing were to be developed in the U.K. through the type of organisation that exists in some Continental countries, local co-operative managements would lose considerable discretion in decision-making. Not only would the autonomy of managers and boards be eroded; there would also be a deterioration in members' ability to influence the decisions made by their societies. Commenting on the German style of co-operative organisation and management, Carpenter states: 'It seems clear that major policy issues are decided at a national level and implemented through the regional unions, while individual farmers have little influence on decisions taken at local level, and none at regional or national level.' Her conclusion is that the large market share achieved by co-operatives stems in large measure from the monopoly position co-operation enjoys. Co-operation, instead of being a means to an end, has become an end in itself. It has thus lost touch with the farmers under whose democratic control it should operate. There are some who would argue, privately perhaps, that this is the way ahead for co-operative marketing development in the U.K. and it certainly seems that growth in turnover, an expansion of market share, could be achieved through the imposition of supra-co-operative levels of organisation. But there are many other people who would argue that, while this might represent logical marketing management, it would not be co-operation.
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