Support for Farmers' Cooperatives

Country Report Sweden

Jerker Nilsson
Perttu Pyykkönen
Petri Ollila
Stefan Bäckman
Heli Kauriinoja

European Commission

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The project is managed by Wageningen UR's Agricultural Economics Research Institute LEI and Wageningen University. Project managers: Krijn J. Poppe and Jos Bijman.

Other members of the consortium are:

- Pellervo Economic Research PTT, Finland: Perttu Pyykkönen
- University of Helsinki, Finland: Petri Ollila
- Agricultural Economics Research Institute, Greece: Constantine Iliopoulos
- Justus Liebig University Giessen, Germany: Rainer Kühl
- Humboldt University Berlin, Germany: Konrad Hagedorn, Markus Hanisch and Renate Judis
- HIVA Katholieke Universiteit Leuven, Belgium: Caroline Gijselinckx
- Rotterdam School of Management, Erasmus University, The Netherlands: George Hendrikse and Tony Hak

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Jerker Nilsson
Swedish University of Agricultural Sciences, Sweden

Perttu Pyykkönen
Pellervo Economic Research PTT, Finland

Petri Ollila
University of Helsinki, Finland

Stefan Bäckman
Pellervo Economic Research PTT, Finland

Heli Kauriinoja
Pellervo Economic Research PTT, Finland

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Corresponding author:

Perttu Pyykkönen
Pellervo Economic Research PTT
Eerikinkatu 28
00180 Helsinki
Finland
Email: perttu.pyykkonen@ptt.fi

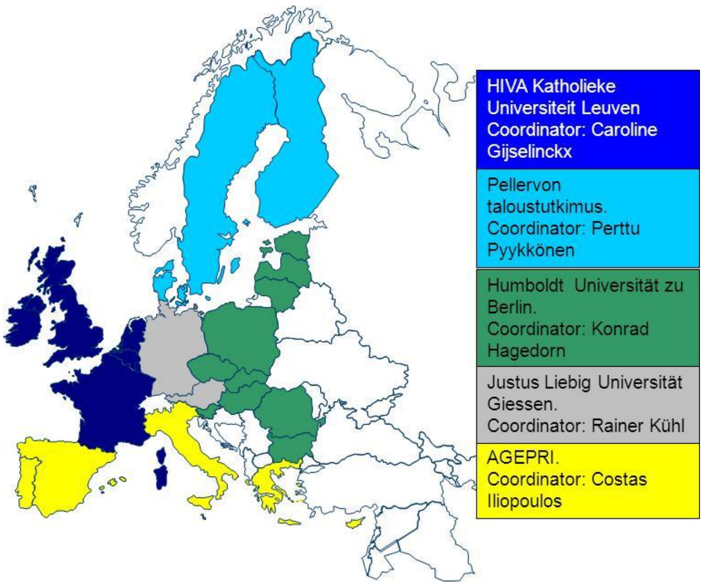
Preface and acknowledgements

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, "Support for Farmers' Cooperatives (SFC)", that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project this country report on the evolution of agricultural cooperatives in Sweden has been written. Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 26 other country reports, 8 sector reports, 33 case studies, 6 EU synthesis reports, a report on cluster analysis, a study on the development of agricultural cooperatives in other OECD countries, and a final report.

The Country Report Sweden is one of the country reports that have been coordinated by Perttu Pyykkönen, Pellervo Economic Research PTT. The following figure shows the five regional coordinators of the "Support for Farmers' Cooperatives" project.



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1 Introduction

1.1 Objective of the study

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

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

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

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

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

1.2 Analytical framework

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

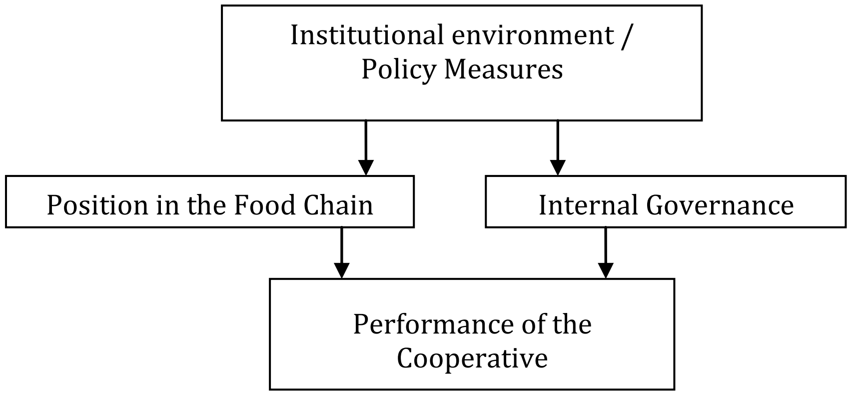

Figure 1. The core concepts of the study and their interrelatedness

1.3 Definition of the cooperative

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

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;

- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;

- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

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

1.4 Method of data collection

Multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

1.5 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed.

2 Facts and figures on agriculture

2.1 Share of agriculture in the economy

A study of farmers' cooperatives can best start at the farmer's side, in agriculture. In 2007 agriculture is 0.62% of GDP (Figure 2). The share has been steadily decreasing except for an increase in 2007 due to higher cereal prices. The share in Figure 2 is including also the forestry that is about one percent of GDP. In 2005 the forestry was only ½ a percent and in 2006 about 0.8 % of GDP. The downward peek is then strengthened by the decrease in forestry during that period. The large storm Gudrun (also called Erwin) was in January 2005 and created an oversupply of timber. However, also the agriculture without forestry decreased in 2005 but was in fact even a bit smaller in 2006. The decrease has also been in total numbers and not only in relative terms.

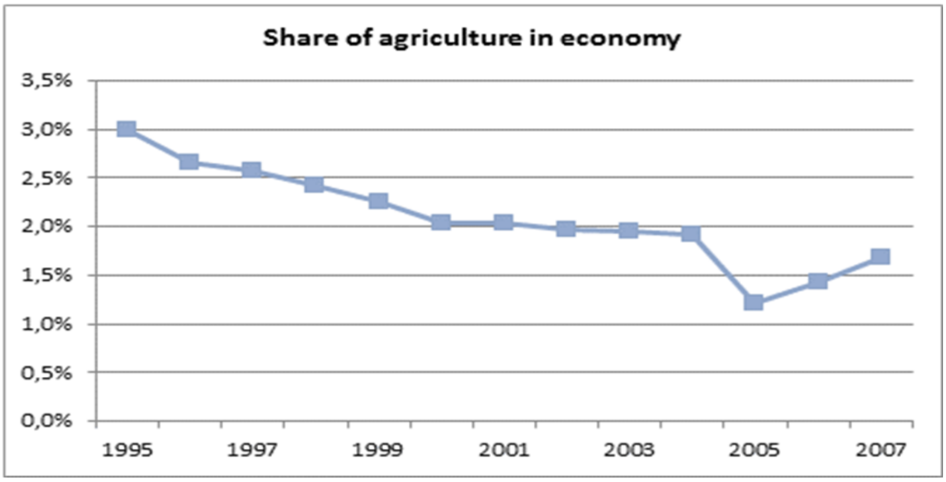

Figure 2 Share of agriculture in GDP. Source: Eurostat Nat. Accounts

2.2 Agricultural output per sector

Within agriculture several sectors exist. Figure 3 provides information on the main sectors in Sweden. The main sectors are dairy with 157 million €, cereals with 615 million € and forage production with 746 million €; also the pig meat production with 388 million € is of considerable scale. In 2010 the potato production had an output of 226 million euros and the cattle sector 358 million €. The vegetables are about 300 million €. The sheep and goat sector is a bit smaller and there is hardly any wine production and no olives produced. The 2009 low figure is explained by both low crop output and low animal output.

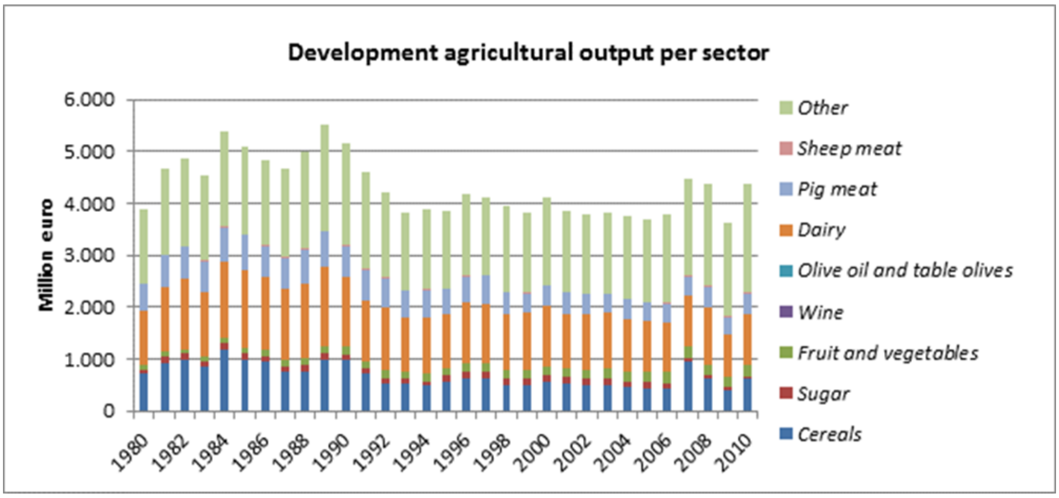

Figure 3 Development of the different sectors in agriculture, value of production at producer prices, in millions of Euro. Source: Economic Accounts of Agriculture, Eurostat

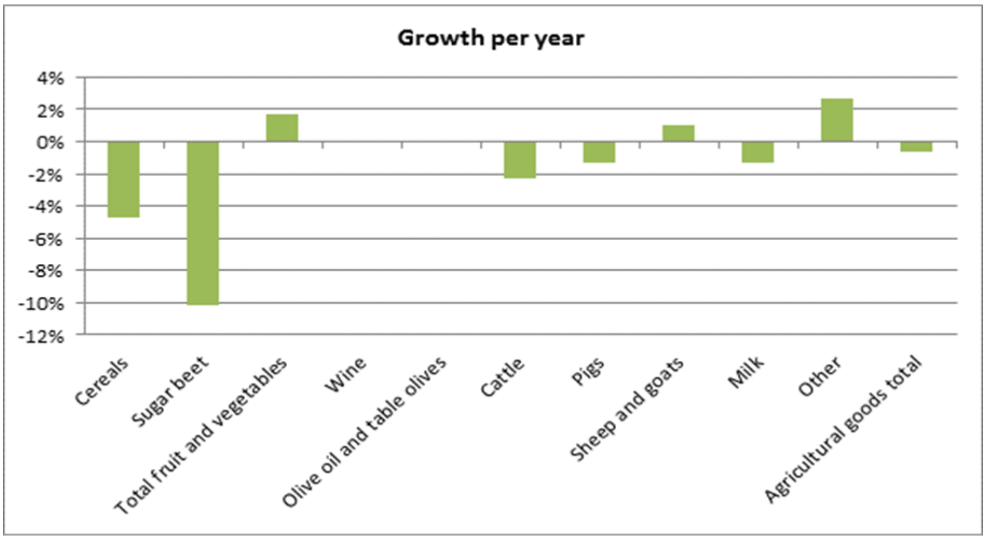

Figure 4 Trend in output per sector "2001" - 2009", Source: Economic Accounts of Agriculture, Eurostat.

The cereal production and the sugar beet production show a decreasing trend. The cereal trend is not so clear and it also depends on price and yield variations. There is no clear decrease in production. The sugar beet production has, however, experienced a clear decrease due to the policy reformation in the sector. Also the pig, cattle and milk production show a small negative trend. The vegetable sector and the sheep and goat sector have a small positive trend.

2.3 Development in the number of farms

The number of farms in Sweden is given in Table 1 and Figure 5. The total number of farms has decreased steadily. The only sectors in agriculture to experience an increase in numbers of farms are the beef and the sheep sectors.

Table 1 Number of farms

	2000	2007	% Change per year
Cereals	15 970	14 330	-1.54
Mixed cropping	26 050	18 870	-4.50
Pig meat	990	830	-2.49
Sheep meat	1 490	11 070	33.18
Total fruits and	1 700	1 300	-3.76
horticulture	1 370	1 000	
fruit and citrus fruit	330	300	
Olive oil and table olives	0	0	
Wine	0	0	
Dairy	12 840	6 490	-9.29
Beef	5 220	9 900	9.57

Source: Eurostat, Farm Structure Survey.

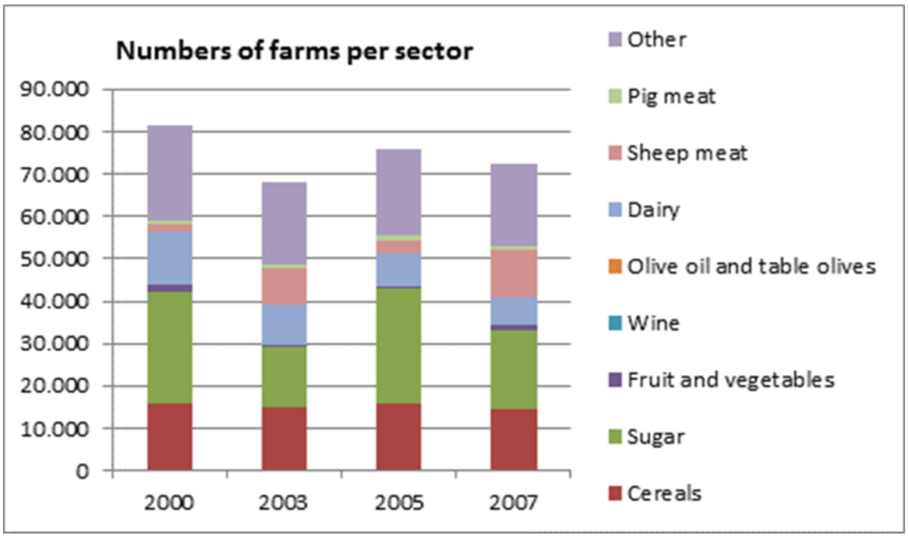

Figure 5 Number of farms 2000 - 2007 with data per specialist type of farming. Source: Eurostat, Farm Structure Survey.

The number of farms in Sweden has more than halved since 2000. The sheep producers have grown from 1500 to 11000 during the same period. The number of sugar producers has, however, decreased with about 7000 but there has been some annual variation in sugar production. The total number of farmers has decreased with about 10,000 farms.

2.4 Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Figure 6 shows the distribution of farms per size class, measured in European Size Units (ESU). In economic size the largest farms are pig and milk farms while the smallest are the sheep farms. The horticulture and fruit farms are also amongst the larger farms if measured in size units.

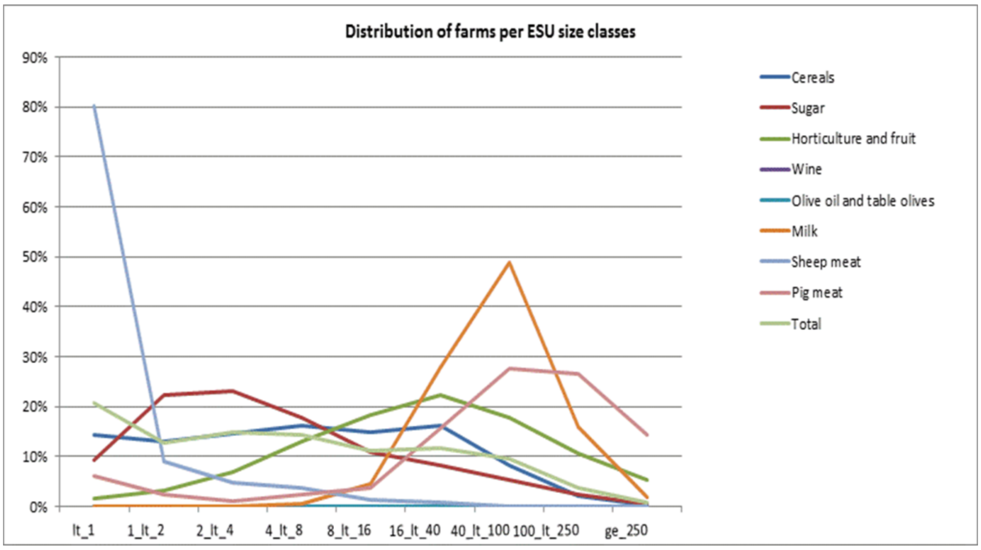

Figure 6 Number of farms per size class, measured in ESU, per specialist type of farming. Source: Eurostat, Farm Structure Survey.

2.5 Age of farmers: distribution of farms to age classes

There is a relatively even age distribution among Swedish farmers. However, more than 20 % of the farmers are in the age group of more than 65 years. 6% of the farmers are in the group of less than 35 years. About half of the farmers are 54 years or less.

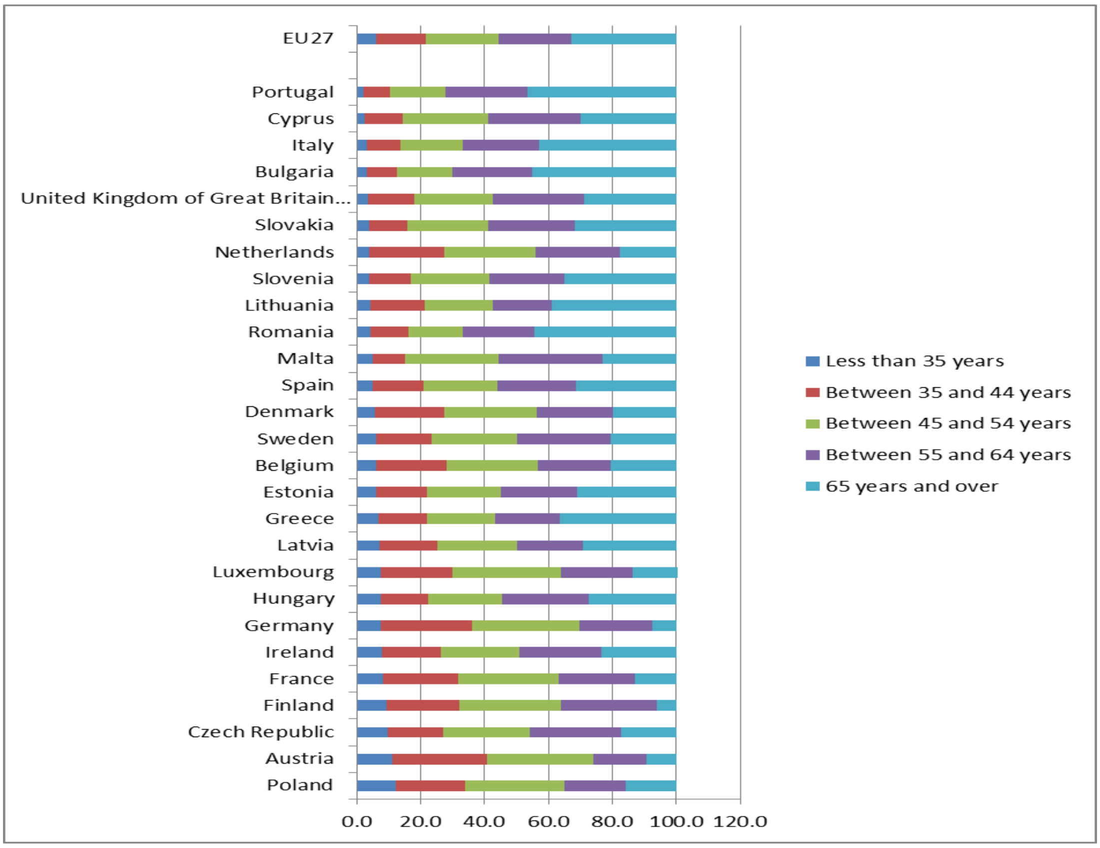

Figure 7 Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top). Source: Eurostat, Farm Structure Survey.

2.6 Specialisation of farm production

Cooperatives might not only have member-farmers with different farm sizes or different age. Farms also have a different composition of their production and therefor their input. This is even true for specialist farms, where e.g. some so called specialist dairy farmers also have beef or sheep or sell hay. In addition to that a lot of mixed (non-specialized) farms exist. The heterogeneity of farming in terms of specialization can be estimated by calculating the share that specialized farms have in the total production. This is what Figure 8 (split in 8A for plant production and 8B for animal production) shows. Amongst the plant production, sugar producers are the most specialized ones. The fruit and vegetable producers are the least specialized. Amongst animal producers the milk sector is the most specialized and more than 90 % of the milk produced is produced on specialized milk farms. The pig farms are the least specialized ones but the degree of specialization is increasing.

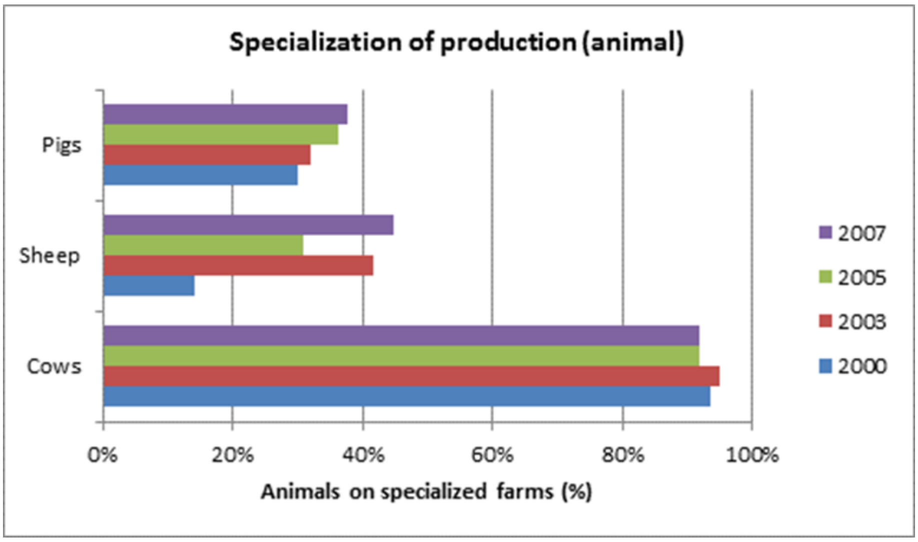

Figure 8 A & B Heterogeneity in farm production: the share of specialist farm types in total production. Source: Economic Accounts of Agriculture, Eurostat.

2.7 Economic indicators of farms

The description of agriculture is concluded with some economic indicators (Table 2). These indicators focus on the net value added and income from farming for farmers, as well as the level of their investment. Some of this investment might be in equity of the cooperatives, but far the most will be in farm assets. The pig meat producers are clearly the largest ones if measured by total assets. The fruit and vegetables is largest in output. The sheep meat sector has not enough representative FADN data. The cereal and the dairy farms have the largest area of utilized agricultural area with more than 100 ha. The dairy and the pig meat sectors have the largest investments. The family farm income is largest at the fruit and vegetable farms and they have also the highest labour input.

Table 2 Economic indicators for farms

Economic indicators average per farm (2006-2008)

	Cereals	Sugar	Fruit and vegetables	Dairy	Pig meat	Sheep meat
Economic size - ESU	37.17	49.37	102.93	74.23	143.53	-
Total labour input - AWU	0.91	1.15	3.70	2.12	2.06	-
Total Utilised Agricultural Area (ha)	108.5	91.3	9.8	101.6	66.8	-
Total output €	97 230	120 631	363 100	218 528	358 562	-
Farm Net Value Added €	38 866	46 117	150 440	72 051	65 775	-
Farm Net Income €	20 580	19 001	65 421	37 752	8 091	-
Total assets €	611 974	693 579	534 280	716 959	923 350	-
Net worth €	463 983	533 722	383 439	460 307	483 258	-
Gross Investment €	29 254	22 626	59 848	62 056	61 647	-
Net Investment €	12 088	4 730	38 593	31 214	17 084	-
Total subsidies - excl. on investm. €	27 326	27 121	6 954	51 311	20 346	-
Farms represented	6 000	4 997	673	6 450	527	23

note: less than 3 years available

Source: DG Agri, FADN.

3 Evolution, position and performance of cooperatives

3.1 Types of cooperatives[1]

The cooperative movement was one of the factors contributing to Sweden's evolution from an agrarian nation into a highly industrialized and prosperous country. Industry, agriculture, retailing, residential construction and housing administration are among the sectors in which cooperatives have played a major part and continue to do so.

In Sweden, the co-operative movement was mainly the outcome of adjustments to traditional mutual aid arrangements already existing among farmers and villagers. The first agricultural co-operative was a wholesale purchasing society established by farmers. In 1852, "food associations" were formed, preceding the consumer retail societies. The Freedom of Commerce Law (1864) and specific co-operative legislation in 1895 reinforced the position of co-operatives. By the end of the 19th century a central co-operative union of farmers in the south of Sweden had been set up. Kooperativa Förbundet (KF), a consumer co-operative union and wholesale society, had been established and the first co-operative dairies, housing societies, and savings and credit co-operatives emerged.

Co-operatives expanded rapidly in the first half of the 20th century. This development was also accompanied by the creation of national federations. New areas of activity arose, such as banking, crafts, fisheries, horticulture, recreation and transport. Co-operative structures for travel and services and the provision of petroleum products also emerged. In the insurance sector, Folksam was established and has since become a world-renowned co-operative. The role of co-operatives in the provision of welfare and in other services developed over the past two decades supported by the FKU Coompanion (co-operative development agencies) organization. Childcare co-operatives represented a significant part of that development but the new co-operatives can be found in all sectors.

Both the agricultural co-operatives and the consumer co-operatives went through a consolidation process which was reflected in the reduction of their number and new larger and more complex units. Both sectors have also internationalized their activities. The Swedish agricultural co-operatives have been investing in production facilities abroad. KF, the consumer cooperative federation, created together with their Danish and Norwegian counterparts Coop Norden, a common sales organization. Coop Norden dissolved in 2007. However, co-operation in purchasing between the three countries remains.

There are some sectorial co-operative organizations representing three sectors: KF for consumers' co-operatives, LRF for agriculture co-operatives and Riksbyggen, HSB and SBC (Sveriges bostadsrättsföreningars centralorganisation) representing the housing co-operatives. The intersectorial co-operative organizations have different missions: KFO has the particular mission to act as the representative for co-operative enterprises in the social dialogue, Koopi (which from 2008 merges with KFO) has a mission of lobbying political institutions and organizing common projects, FKU Coompanion organizes and develops new co-operative enterprises in all sectors, and finally SCC, the Swedish Co-operative Centre, has the mission to support co-operative entrepreneurship in developing countries.

Forestry cooperatives play an important role in the Swedish forestry industry. This is because about half of the Swedish forest area is privately owned, most often by farmers, which on average own about 60 hectares of forest land. Hence, it is understandable that the forest owners need cooperative organizations to protect their interests. The largest forestry cooperative is

[1] Main source: Ryden, R. (1998, 2004). LRF Historia (directly quoted at www.lrf.se).

Södra Skogsägare (Södra). Södra has international operations, owns a few paper pulp mills and several saw mills. It is the world's largest exporter of paper pulp. In Sweden, forestry cooperatives are regarded as a type of agricultural cooperatives, as by far most members are farmers.

Sweden used to have a large cooperative bank with roots in the agricultural sector (Föreningsbanken). Due to mismanagement this bank had, however, to abandon its cooperative form in the early 1990s. Today the largest cooperative bank is Landshypotek, which is dominating the market for bottom loans (real estate as collateral) to agricultural and silvicultural firms. Another cooperative bank, though very small, is JAK (Jord, Arbete, Kapital), which calls itself "the non-interest bank", i.e. people save in it without receiving interests and borrow from it without paying any interests.

There are two cooperatives in the insurance industry, both very large and strong. Länsförsäkringar originates from the farmers' social movement, and Folksam originates from the workers' social movement. Sweden has had a few mutual insurance firms, but these were demutualized several years ago.

Cooperative firms exist also in several other business branches. Up till the early 1990s all taxi cab owners were organized in cooperatives, dealing with joint ordering, support as to accounting, etc., and so were the private owners of lorries and other transportation vehicles. After a liberalized government policy the cooperatives' share in these two industries has fallen drastically.

There are numerous cooperative organizations in the retail industry, the largest one being ICA in food retailing. A few years ago the supermarket owners sold almost half of their wholesale firm to Dutch Ahold (Albert Heijn brand), whereby ICA lost its cooperative status. There are, however, still many retailer cooperatives in other retail industries, such as children's' toys, iron monger, furniture, and opticians.

From a legal perspective, co-operatives have a specific legal statute and can adopt several forms. Usually an enterprise that is governed by co-operative principles registers itself as a co-operative enterprise in the legal form of "ekonomisk förening", which is the most appropriate legal form for such an enterprise. However, enterprises that are co-operatives in form and principles can also register in other legal forms, e.g. as a joint-stock company (aktiebolag). The larger co-operatives normally have subsidiaries organised as joint stock companies.

In grocery sector the market share of KF, is 21.5 % (2010). It is difficult to assess the market shares of the cooperatives in several other industries, as the markets can be defined in a multitude of ways. High market shares, i.e. up till 50%, are found in the forestry and the insurance industry.

3.2 Market share of farmers' cooperatives in the food chain

In Sweden the role agricultural cooperatives is still important even though the role of domestic cooperatives has decreased due to international consolidation processes. The Danish and Finnish cooperatives have in this sense been very active in Sweden. Table 3 presents the market shares of the cooperatives that have members in Sweden for both years 2000 and 2010 as well as the market shares of the cooperatives which do not have members in Sweden in 2010.

Table 3 Market Share of Cooperatives

	"2000"		"2010"			Comments
Sector	**Number of members**	**Market Share (%)(coops with members in Sweden)**	**Number of members**	**Market Share (%)(coops with members in Sweden)**	**Market Share (%)(coops with no members in Sweden)**	
Cereals						
Pig meat				51		HK Scan 51%,
Sheep meat				ca. 55		HK Scan's share 52%
Fruit and vegetables						-
Dairy		Almost 100%		Almost 100%		Arla alone ca. 64%
Input supply						

Sources: Own calculations.

3.3 List of top 50 largest farmers' cooperatives

The top 50 list of Swedish agricultural cooperatives includes seven dairies even though the largest dairy, Arla Foods, is included in the Danish Top 50 list. Then there are several input suppliers of which several are members of the Danish DLA Agro. In the meat sector the only pig meat cooperative included on the list is Sveriges Djurbönder which is a holding cooperative that owns about 12% of the shares and voting right in the Finnish HK Scan. In addition, there are a couple of very small sheep meat cooperatives. In the fruit and vegetable sector there are several cooperatives of which nine are organized as producer organisations (PO). There are some breeding cooperatives as well as one egg cooperative. Table 4 presents the Top 50 cooperatives in Sweden.

Table 4 The 50 largest farmers' cooperatives in the food chain of Sweden.

	Cooperative	sector	turnover latest
1.	Lantmännen ek. för.	cereals, feed	4 028 928 396
2.	Sveriges djurbönder ek. för.	pig meat	615 453 965
3.	Skånemejerier ek. för.	dairy	370 024 070
4.	Milko ek. för.	dairy	252 899 557
5.	Norrmejerier ek. för.	dairy	201 798 621
6.	Kalmar Lantmän ek. för.	cereals, feed	123 706 954
7.	Falköpings Mejeri ek. för.	dairy	64 596 301
8.	Sydgrönt ek. för.	fruits and vegetables	58 595 042
9.	Kristianstadsortens Lagerhusförening ek. för.	cereals, feed	53 848 910
10.	Varaslättens Lagerhus ek.För	cereals, feed	32 650 352
11.	Vallberga Lantmän ek. för.	cereals, feed	32 408 759
12.	Gefleortens Mejeriförening ek. för.	dairy	31 906 878
13.	Svenska Odlarlaget ek. för.	fruits and vegetables	20 595 798
14.	Freja Husdjur ek. för.	breeding	14 433 859
15.	Gäsene Mejeri ek. för.	dairy	11 754 959
16.	Svenska Grönsaks-mästare i Förening ek. för.	fruits and vegetables	11 390 911
17.	Svenska Husdjur ek. för.	breeding	11 325 101
18.	Knislingeortens Lagerhusförening ek. för.	cereals, feed	7 276 880
19.	Äppelriket Österlen ek. för.	fruits and vegetables	7 247 623
20.	Hansa Husdjur ek. för.	breeding	6 412 985
21.	Mellansvenska Odlare ek. för.	fruits and vegetables	5 483 835
22.	Skånesemin ek. för.	breeding	5 276 691
23.	Tyringe Lokalförening ek. för.	cereals, feed	5 037 840
24.	Kalmar Ölands Trädgårdsprodukter ek. för.	fruits and vegetables	4 199 431
25.	Blekinge Grönt ek. för.	fruits and vegetables	3 975 200
26.	Norrgrönt ek. för.	fruits and vegetables	3 079 292
27.	Sju Gårdar ek. för.	dairy	2 552 505
28.	Samodlarna Sverige ek. för.	fruits and vegetables	1 868 177
29.	Södra Åby Lokalförening ek. för.	cereals, feed	1 741 951
30.	Bobergs Valltork ek. för.	fruits and vegetables	1 119 520
31.	Ljungbyhed Lantmän ek. för.	cereals, feed	839 640
32.	Norrlandsägg ek. för.	egg	5 600 000 - 11 195 000
33.	Vinbergsortens lantmannaförening ek. för.	cereals, feed	2 240 000 - 5 600 000
34.	Fjärås Lantmanna ek. för.	cereals, feed	2 240 000 - 5 600 000
35.	Upplandsbondens ek.För.	cattle organic	1 120 000 - 2 240 000
36.	Stamnareds Lantmäns ek. för.	cereals, feed	1 120 000 - 2 240 000
37.	Hammargårdens Sambruksförening	fruits and vegetables	1 120 000 - 2 240 000
38.	Köingeortens Lantmän ek. för.	cereals, feed	1 120 000 - 2 240 000
39.	Kaprifolkött ek. för.	beef	560 000 - 1 120 000
40.	Wästgötarna ek. för.	cereals, feed	560 000 - 1 120 000
41.	Bro spannmål ek. för.	cereals, feed	112 000 - 560 000
42.	Frilanshuset Frukt ek. för.	fruit and vegetabels	112 000 - 560 000
43.	Värends Bär- och Trädgårdsprodukter ek. för.	fruit and vegetabels	112 000 - 560 000
44.	Gröna Lammet ek.För	sheep meat	112 000 - 560 000
45.	Gröna Hagars kött ek. för.	sheep meat	56 000 - 112 000
46.	Stora Skedvi landsbygdssamverkan ek. för.	cereals, feed	56 000 - 112 000
47.	Essunga Agrokraft ek. för.	cereals, feed	56 000 - 112 000
48.	Östgöta gårdsbutik ek. för.	fruits and vegetables	56 000 - 112 000
49.	Lammgårdarna i Bjurbäck ek. för.	sheep meat	100 -56 000
50.	Vällnora Fårkollektiv ek. för.	sheep meat	100 -56 000

3.4 List of top 5 largest farmers' cooperatives per sector

The Table 5 presents the five largest cooperatives in the sectors that are in focus of this study. The wine and olive sectors are excluded. There is no wine or olive production in Sweden. Sugar production exists but the only society in the sector is a bargaining cooperative with the only task of bargaining with the investor-owned processor, Nord-Zucker.

Table 5 Most important cooperatives in the sectors studied in this project

Sector	Name of cooperative	Turnover, €
Cereals		
1.	Lantmännen ek. för.	4028928396
2.	Kalmar Lantmän ek. för.	123706954
3.	Kristianstadsortens Lagerhusförening ek. för.	53848910
4.	Varaslättens Lagerhus ek.För.	32650352
5.	Vallberga Lantmän ek. för.	32408759
Pig meat		
1	(HK Scan in FI-database)	
2	Sveriges djurbönder ek. för.	615453965
Fruits and vegetables		
1.	Sydgrönt ek. för.	58595042
2.	Svenska odlarlaget ek. för.	20595798
3.	Äppelriket Österlen ek. för.	7247623
4.	Mellansvenska Odlare ek. för.	5483835
5.	Kalmar Ölands Trädgårdsprodukter	4199431
Dairy		
1.	(Arla Foods in DK-database)	
2.	Skånemejerier ek. för.	370024070
3.	Milko ek. för.	252899557
4.	Norrmejerier ek. för.	201798621
5.	Falköpings mejeri ek. för.	64596301
6.	Gefleortens Mejeriförening ek. för.	31906878
Sheep meat		
1	(HK Scan in FI-database)	
2	Gröna Lammet ek.För.	112 000 - 560 000
3	Gröna Hagars kött ek. för.	56 000 - 112 000
4	Vällnora Fårkollektiv ek. för.	100 -56 000
5	Lammgårdarna i Bjurbäck ek. för.	

3.5 Transnational cooperatives

Many cooperatives are active internationally. In most cases the foreign activities of cooperatives are limited to marketing, trade and sales. Only the largest ones buy agricultural products from farmers, or supply inputs to them. However, there is a growing group of cooperatives that do business with farmers in other EU Member States. These cooperatives are called international cooperatives. They can be marketing cooperatives that buy from farmers in different countries, or they could be supply cooperatives that sell inputs to farmers in different countries. One particular group of international cooperatives is the so-called transnational cooperatives. These cooperatives do not just contract with farmers to buy their products or to sell them inputs. They

actually have a membership relationship with those supplying or purchasing farmers. In sum, a transnational cooperative has members in more than one country.
Table 6 presents the foreign transnational cooperatives and the international cooperatives active in Sweden. These are cooperatives from other EU Member States that have come to Sweden to directly trade with farmers, either as members or as contractual customers.

Table 6. Foreign transnational cooperatives and international cooperatives that are trading with farmers in Sweden.

Name of the Cooperative	**Mother country**	**Sector(s) involved in:**
Transnationals		
Arla Foods	DK	Dairy
HK Scan	FI	Meat
DLA Agro	DK	Input supply
Danæg	DK	Egg
VikingGenetics	DK	Breeding
Internationals		
DanishCrown	DK	Meat
Atria	FI	Meat

Especially the Swedish meat sector is highly connected to foreign international cooperatives. The Finnish cooperatives HKScan and Atria have been very active during the last ten years in the Swedish meat market. HKScan is actually not “foreign” since it was established as Finnish HK aquisited Swedish Meats (Scan) in 2007. As part of the process the Swedish meat producers’ cooperative (Sveriges djurbönder ek. för.) became a big owner of the HKScan together with Finnish LSO. The other “foreign” transnational cooperative active in Sweden is Arla Foods that was established in 2001 when Danish MDFoods and Swedish Arla merged.

HKScan is the biggest player in the Swedish meat market having a market share of more than 50%. The second largest player is Danish Crown that has a subsidiary KLS Ugglarps in Sweden. Atria that has aquisited several processing plants from Sweden is the third largest operator in the Swedish meat market.

The only international cooperative that has its seat in Sweden is the input supplier Lantmännen. It is one of the biggest cooperatives in the EU. In Sweden it has in addition to input supplying a remarkable meat processing industry (Kronfågel) and cereal trade. It has operations in 18 countries (e.g. Germany, The Netherlands, Poland, Ukraine, Denmark, the Baltic States, Russia and Finland)

4 Description of the evolution and position of individual cooperatives

4.1 Data gathering per cooperative

The main data source is the annual reports and the websites of the cooperatives. Majority of the data was available for year 2010. Some data on for instance turnover of the cooperative, or its balance sheet were available in the Amadeus dataset. However, majority of the data has to be collected from annual reports (for years 2010 and 2000). The data and the annual reports for the largest cooperatives are usually quite easily available at cooperatives' own websites. The smaller cooperatives' information instead was gathered partly from other public, mainly Internet, sources. Different kinds of business databases are also available.

In addition we also contacted directly the cooperatives by e-mail or by telephone in order to get the missing information. This concerned especially issues like the market position, the membership and the governance issues. We also used our own and some other national expertise (at LRF) assessment in some question in order to draw a whole picture of the situation in Sweden.

4.2 Position in the food chain

Cooperatives have a significant role in the Swedish food chain. However, the role of international Nordic cooperatives which have their seat either in Denmark or in Finland is important. In the dairy sector the Arla Foods is a clear market leader with a 64% share of milk purchases in Sweden. Arla Foods as well as other cooperative dairies are active in the entire chain from purchasing to processing and marketing the products to retailers and to export.

In the meat sector the role of cooperatives is insignificant. The Sweden imports 50% of the beef, 25% of the pork and 40% of the poultry consumed in Sweden. Thus, the imported meat determines the situation of the Swedish meat sector. The processing is also decentralised compared to Sweden's neighbors where the market shares of the two biggest processors are high (more than 80% both in Denmark and in Finland).

In Sweden the meat market leader is HKScan. The next competitors in the market are the Finnish Atria and DanishCrown. All of these cooperatives have made acquisitions in Sweden during the last five years. In addition to these large cooperatives there are many processors in Sweden since it is approximated that more than half of the meat processing industry is in the hands of small (turnover less than 50 million €) private companies. These small companies use more often than cooperatives imported meat carcasses. In the sheep meat sector there are in addition to these big slaughterhouses several small newly created cooperatives that have been specialized in e.g. organic or local meat. They usually have their clients very close to their farms.

Both dairy and meat sectors have also consolidated greatly during the last decade and this trend seems to be continuing. The third largest dairy, Milko has announced in 2011 that it is going to merge with Arla Foods. In the meat sector the three large cooperatives also seem to have some cooperation. KLS Ugglarp owned by Danish Crown cooperates with both Atria and Scan (owned by HKScan).

The market shares in the cereal sector are very difficult to calculate. The cereal trade is usually a part of business of input suppliers. There are several operators in the Swedish market. The largest one is Lantmännen which besides individual memberships also has a few local cooperatives as organisational members. The other cooperative group consists of similar kind of regional cooperatives mainly in Southern Sweden (Scania and Hallandia) that are members in the Danish DLA Agro. DLA Agro is dominated by Danish regional and local farm supply cooperatives but there are also members in Norway and other North European countres – several of the member firms are not cooperatives but investor-owned firms. However, on contrary to the Lantmännen structure these DLA connected regional input suppliers are more independent and that's why we have taken them to the Top50 list but not Lantmännen's local member cooperatives. In addition to these input suppliers involved in cereal trade there are several other cereal cooperatives (Lagerhusföreningar) that buy and sell cereals and some of them also have feedstuff manufacturing. Thus, the role of cooperatives is very important in Swedish cereal sector as well as in input supply sector.

In the fruit and vegetable sector there are several cooperatives. On the Top50 list there are 15 F&V cooperatives. Some of them are also quite large. The joint turnover of the four largest F&V cooperatives is about 130million € which is more than 80% of the Top50 list's F&V turnover. The exact market share cannot be calculated but one can approximate that the market share of F&V cooperatives of domestic production is between 60 and 80% depending on the product.

In the egg sector the role of cooperatives has traditionally been quite strong. However, the situation is pretty much similar than in the dairy and meat sectors. There is only one totally Swedish cooperative left, namely Norrlandsägg. The other cooperative Kronägg has merged with the Danish Danæg into a transnational cooperative. Kronäggs market share is less than 20% and Norrlandsägg is much smaller. Thus, their joint market share is less than 25%.

4.3 Institutional environment

The role of cooperatives has been very business oriented in Sweden. As already mentioned in the chapter 2.2.1 the cooperative movement was one of the factors contributing to Sweden's evolution from an agrarian nation into a highly industrialized and prosperous country. Industry, agriculture, retailing, residential construction and housing administration are among the sectors in which cooperatives have played a major part and continue to do so.

The business orientation also explains the fact that there are not many exceptions specific to cooperatives that would either give advantage or disadvantage to the cooperatives compared to other business forms. However, cooperation still has an important role in Swedish society as well as in the food chain.

Another important feature explaining the food production and therefore also the role of Swedish cooperatives in the food chain is the agricultural policy. Already before EU accession (parliament decision in 1990) the Swedish agricultural policy has been changed towards a more market oriented direction. After the Swedish accession to the European Community in January 1995 Sweden adopted a liberal policy. This created disadvantages to the Swedish agricultural sector at all levels of the value chain. Prior to the accession to the European Community Swedish agriculture had for half a century worked under governmental protection – domestic competition was regulated, border protection, i.e. imports were limited, there was governmental price support, the consumers paid high prices due to the lack of competition.

Hence, the major changes in January 1995 came as a shock to the Swedish farmers and the processing firms. A consequence of the inefficient structures in the Swedish agricultural sector was that the production volume fell drastically in the subsequent years. Even though there have been immense restructuration measures in the Swedish agricultural sector (mergers, closed plants in the processing industry, geographical redistribution of primary agriculture, etc. – the Swedish agricultural has not succeeded to become internationally competitive. This explains the fact that a large part of the food processing industry has been taken over by foreign processing firms. The Swedish cooperatives continued during many years after the accession to the European Community to be ruled by cooperative ideology, which implied extra costs, rather than by an economic rationale (Nilsson 1997). Not even the mergers were always instrumental as the regional conflicts continued (Westerlund-Lind 2011).

This development together with technological change has also accelerated the consolidation processes in Swedish food industry. That has happened both at domestic as well as at international level especially during last decade. Thus, due to the hard competition of the raw material base (i.e. agricultural production) the food industry has been "vulnerable" to neighboring countries' takeovers (mergers and acquisitions). This is especially true with cooperatives which are tied to domestic production through their ownership structure. In Denmark the natural conditions and the location has given a strong position for the food industry whereas in Finland the agricultural policy has supported the domestic production and therefore indirectly also food industry that has been able to develop its own processes and also to be active in globalization processes.

4.4 Internal Governance

The internal governance varies among cooperatives. The size of the cooperative and the role of the cooperative in the food chain affect the internal governance choices. In the larger dairy cooperatives (Skånemejerier, Norrmejerier, and the Milko) governance structure consist of a Member Council that has been given basically all the tasks of the General Assembly. Usually the members are elected in regional meetings. In the smaller cooperatives (e.g. Falköping, Gefleortens and Gäsene) they have a very basic structure with General Assembly that elects the BoD.

In the meat sector the governance structure of Sveriges Djurbönder is pretty much similar to Skånemejerier's structure with 19 districts which each elect the regional representatives into the Member Council. The Member Council then works as a General Assembly and elects the BoD. Also the Lantmännen's structure with 29 districts is very similar to this. The smaller cereal as well as fruit and vegetable cooperatives again have the basic governance with member's General Assembly that elects the BoD. The vegetable cooperatives have very often the structure of a limited liability company (AB with the same name as the cooperative/ekonomiska förening) that takes care of the business.

Usually, especially in the larger cooperatives, the Managing Director is a member of the BoD as well as it is mandatory rule that the salaried personnel are allowed to have members in the BoD if the number of employed persons exceeds 25.

4.5 Performance of the cooperatives

The Swedish food market is rather small and as already mentioned the agricultural policy has not given any specific support to domestic production even though it would have probably been possible. Thus, the Swedish food market has been affected by international market perhaps more than its neighbours' markets.

However, in the dairy sector the role of cooperatives is dominant when the market share of Arla Foods is counted. In the meat sector the role of Swedish cooperatives has decreased during the last decade. The cooperatives in the sector were in bad economic condition and in fact they were obliged to be sold out. The Danish and Finnish meat cooperatives which acquired the slaughterhouse, thus, have a large market shares in Sweden.

In the cereal, input supply and vegetable market the Swedish cooperatives have managed quite well compared to especially meat sector. The market shares have been stable.

5 Sector analysis

5.1 Introduction

In this chapter we discuss the developments in the five of the eight sectors that are central in this study (sugar, wine and olive excluded). We report on trends in the markets, important changes in (agricultural) policy and we try to link this to the strategies and performance of the investor-owned firms and cooperatives in the sector. The period of observation is 2000 – 2010.

5.2 Cereals

The last decade has been very peculiar in the cereal sector. During the years 2000-2006 the producer prices in Sweden as well as in whole EU remained relatively stable. The Swedish grain prices have been about at the same level as the EU average. Then we have experienced two price spikes. The first pike was in 2007-2008, which was followed by a record low price level in 2009, and again a pike in 2010. The farmers have had difficulties in adapting to the changing market, which has caused problems and suspicions towards the efficiency of the market as a whole.

The EU common agricultural policy was reformed in 2003 and then the Midterm review took place in the end of the study period. The important change was decoupling the support. However, the support has already earlier been tied to hectares and even though the crop requirements were abolished the change in production was not so dramatic.

The market share of Swedish cooperatives has remained at quite high level and they have been successful in keeping them high. The Lantmännen trades ca. 40% of the total cereal production. Thus, taken into account the on farm consumption one can estimate that Lantmännen's market share of their core activities are about 50-90% depending on products. Lantmännen was established in 2001 when a large group of small input supply/cereal cooperatives joint their business under the name of Lantmännen. Today these local cooperatives still exist (in 2005/2006 their number was decreased, see Kihlen 2007) but their role is not independent.

A little bit similar process took place in 2000 when several, mostly southern Swedish, cereal cooperatives as well as limited liability firms joined DLA Agro together with Danish input suppliers who had established the DLA Agro in 1975 and started the commercial business in 1984. The members in the DLA Group have however an independent position.

The strong position of cooperatives is largely based on historical structures (local cooperatives, lagerhus). The consolidation process has had an important effect on the sector. Thus, there are two major actors of which the Lantmännen group has very tied relations whereas the DLA Group not. As Kihlen (2007) points out the growth of the cooperative has meant problems in internal governance: the ties between members and management loosens and there might occur loyalty problems. Lantmännen has tried to improve the link to members by new regional structures but thus far they have not been very successful. However, taking into account the location of cereal production in Sweden and the structures there are in cereal sector it is very probable that the role of cooperatives will remain strong also in the future.

5.3 Dairy

The milk sector has experienced large price variations during recent years. The global spike in milk product prices led to the increase in producer prices in 2007-2008. This spike was followed by a "milk crisis" in Europe and the producer price was at record low level in 2009. In 2010 the global milk market recovered and the situation is just now quite stable.

The big change in the Swedish milk market took place in 2001 when Danish MD Foods and Swedish Arla merged to Arla Foods. The consolidation process has continued and several smaller dairies in Denmark and have merged with Arla Foods. Arla Foods is a clear market leader in Sweden with a market share of 64% in 2010. The immediate change that happened after the merger in 2001 was the change in pricing policy. Previously there had been a clear seasonal pricing in Sweden whereas in Denmark the seasonal differences had been much smaller. The first thing that happened was that the Danish seasonal pricing was introduced in Sweden. Secondly, the prices were also unified which meant that the price level in Sweden decreased (Figure 9).

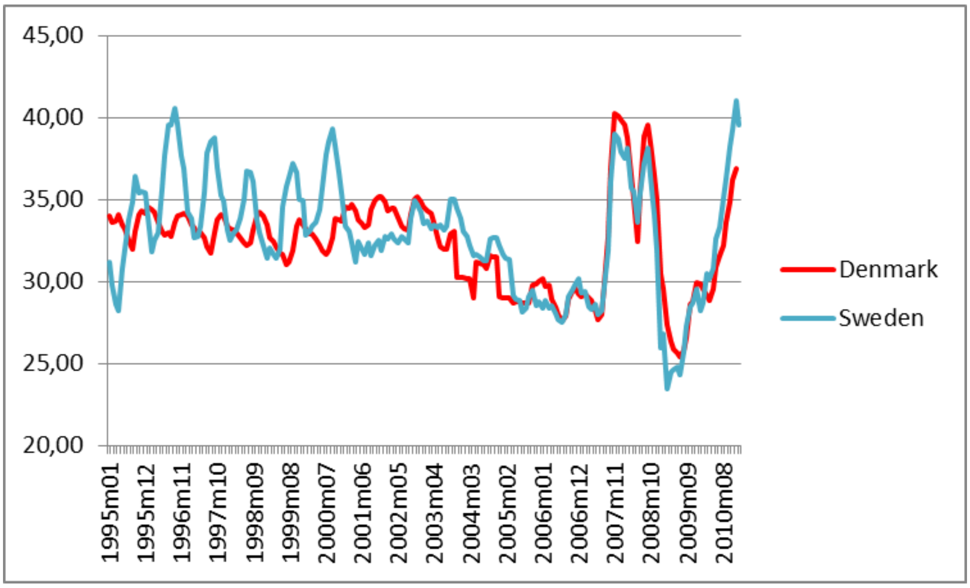

Figure 9 Producer price of milk in Sweden and in Denmark 1995-2010. Source: European Commission.

The second largest cooperative Skånemejerier has a market share of 13%, the third largest Milko 10%, the fourth Norrmejerier 7% and the next three (Falköping, Gefleortens and Gäsene) 5% alltogether. Milko has had economic problems for many years. It was planning a merger with Norrmejerier a couple of years ago. That did not materialize and Milko merged with Arla Foods (final merger took place 1st November 2011). Especially Skånemejerier is trying to strengthen its market position by looking for strategic alliances with other dairies (e.g with French Danone and Norwegian Tine).[2] It has also plans to invest into a modern dairy plant.

The dairy sector is fully in the hands of cooperatives in Sweden. This is largely based on the historical reasons. The local dairy cooperatives were established more than 100 years ago and through consolidation process there are today seven cooperative dairies whose joint market share is 99%. Taking into account the nature of milk as perishable product the strong role of cooperatives is probably not to be changed. The consolidation process, however, seems to be continuing. Especially the largest ones look for economies of scale and international growth whereas the smaller ones concentrate on regional markets.

[2] Skånemeriets processing is now sold to French Lactalis. The acquisition was finalized in June 2012. The cooperative however still continues as a collecting cooperative.

5.4 Fruit and vegetables

In the vegetable sector wintertime production is almost unknown. The production cost would be so high that the Swedish producers are not competitive. Thus, the domestic production's market shares are quite low (e.g. tomato 15%, lettuce 25%, and cucumber 70%).

The consumption has increased (more than doubled in 30 years, 17% during the last decade) which has given some room for production increases in Sweden. However, due to competition from abroad the production of e.g. tomatoes has steadily decreased during the last decade.

The role of cooperatives and their marketing companies is however quite strong. The production is concentrated mainly in Southern Sweden where the most important auctions for wholesalers are organised. The three largest marketing vegetable cooperatives (Sydgrönt, Svenska Odlarlaget and Grönsaksmästare) all have their seat in the same address at the location of the auction.

5.5 Sheep meat

The sheep meat sector is a small sector in Sweden. The total production is 5 mill. kg. The total consumption of sheep meat in Sweden is 1.2 kg per capita and year. Thus, the domestic production covers less than a half of the consumption. Due to the consumers' willingness to eat domestic lamb there has been a project encouraging the production. During the last decade the production has increased by 28%.

The biggest player in the sector is HK Scan which slaughters more than 50% of the domestic production. The lamb producers whose lambs are slaughtered by HKScan (or Scan AB in fact) are usually members of Sveriges Djurbönder.

In addition to HKScan we listed four quite newly (during the last decade) established small lamb cooperatives. They are usually established by 10—20 producers and their turnover is from small to medium size. The cooperatives take care of the slaughtering, processing and marketing. They have found their markets mainly directly from consumers and often the production is organic. However, the economic situation of these new cooperatives is very tight, e.g. one of the new cooperatives is already banktrupt.

5.6 Pig meat

The pig meat sector is a large sector in Sweden. During the last decade the production of pork has, however, decreased. The production is today 20% lower than it was in the end of 1990s. The most important reason is the weak profitability of the production as well as the weak competititveness of Swedish processors. A reason is the animal welfare legislation that raises the cost level of Swedish pig farmers, while many consumers are not willing to pay a correspondingly higher prices for Swedish pork. This gives room room for strong import competition.

However, there is no Swedish cooperative which slaughters, processes or markets pig meat. The consolidation process has been very intensive during the last decade.

The largest slaughterhouse and processor in Sweden used to be the cooperative Swedish Meats. This cooperative was, however, sold to Finnish HK Ruokatalo (owned mainly by LSO cooperative) in 2007. The acquisition included the deal in which Sveriges Djurbönder cooperative was established and it became a minority owner of the new company named HK Scan (plc.). However, most votes are held by the Finnish cooperative LSO which owns 69% and

Sveriges Djurbönder owns 12% of the votes. The remaining share is floating on the Helsinki Stock Exchange.

The other large cooperative acquisition in the sector took place in 2008 when DanishCrown acquired the local cooperative KLS Livsmedel. Shortly afterwards Danish Crown acquired an investor-owned slaughterhouse, Ugglarps, and the two new subsidiaries of Danish Crowns were merged. The third player in the sector is Finnish Atria (plc.), owned by three cooperatives and is also on the Helsinki Stock Exchange. Atria bought the investor-owned meat processor Lithells in 2007 as well as several other privately owned meat and food processing companies during the last decade.

Today HK Scan is a market leader with about 50% of the domestic pig slaughters. However, 25% of the pig meat consumption is imported and even though the market share in slaughtering is quite high the share of processed meat is remarkably lower. It has been estimated that more than 50% of the processing is in the hands of quite small (turnover less than 50 million €) private companies. Many of these base their production on imported meat.

The demutualization of Swedish Meats (the end of cooperative dominance in the Swedish meat industry) has been thoroughly analysed by Westerlund-Lind (2011). She claims that Swedish Meats demutualized because members no longer perceived the benefits from dealing with the cooperative to exceed the costs. The market intelligence collected from the consumer and retailer has to be considered when the cooperative members make strategic decisions regarding product development and marketing. This internal perspective of market orientation indicates that the problems of Vaguely Defined Property Rights (VDPR) aggravated the cooperative's ability to respond to the market conditions. Thus, the problems in internal governance were part of the problem.

6 Overview of policy measures

6.1 Regulatory framework

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

These competitive positions are influence the regulatory framework by more than the law that establishes the rules for running a cooperative (business organisation law). Well known examples include agricultural policy (e.g. EU's common market organisation that deals with producer organisations in the fruit and vegetables sector), fiscal policies (at the level of the cooperative and the way profits are taxed at farm level) and competition policies. There are different types of policy measures in the regulatory framework (McDonnell and Elmore (1987):

POLICY MEASURE TYPE	DEFINITION
Mandates	Rules governing the actions of individuals and agencies
Inducements	Transfer money to individuals in return for certain actions
Capacity Building	Spending of time and money for the purpose of investment in material, intellectual, or human resources (this includes research, speeches, extension, etc.)
System Changing	Transfer official authority (rather than money) among individuals and agencies in order to alter the system by which public goods and services are delivered

The objective of this report is to identify support measures that have proved to be usefull to support farmers' cooperatives. In section 5.2 the relevant policy measures and their potential impact in Sweden are identified. In section 5.3 a number of other legal issues are addressed.

6.2 Policy measures

Table 7 identifies the policy measures that influence the competitive position of cooperatives versus investor-owned firms (IOF) or the competitive position of cooperative versus other players in the food chain (e.g. the retail sector).

Table 7. Policy Measure Description.

Name of Policy Measure	**Type of Policy Measure**	**Objective of the Policy Measure**	**Target of the Policy Measure**	**Expert comment on effects on development of the cooperative**
Official name of the policy measures (In English)	**1. Mandate** e.g. 1.1. Cooperative legislation/ incorporation law e.g. 1.2 Market regulation and competition policies **2. Inducement** e.g. 2.1 Financial and other incentives **3. Capacity Building** e.g. 3.1 Technical assistance **4. System Changing** **5. Other**	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives 2. Specific to an agricultural sub-sector 3. Applicable to business in general	Description on how the policy measure affects development of cooperatives, by reasoning through the building blocks: - Position in the food chain - Internal Governance - Institutional environment of the cooperative
Law on Economic Associations	1.1	2	3(1)	The Law defines the purpose of the association: "An economic association has the goal of advancing the members economic interests through economic activity in which the members participate 1. as consumers or other (category of) users 2. as suppliers 3. with own work contribution or in other manner.
COUNCIL REGULATION (EC) No 2200/96 on the common organization of the marketing fruit and vegetables	1.2	1	2	Allows fruit and vegetable producers to organize themselves in order to strengthen their market power.
Council Regulation 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development	2	1	2	By definition this Fund aims at improving the competitive position of the agricultural sector through financial inducement with respect to the environment and local development. This is done through 4 axes, to which a multiplicity of measures can be coupled (as will be made evident when discussing the measures at the regional levels). At this general level, the EAFRD impacts on all three building blocks.
The Competition law	1.2	1	3	Competition legislation allows cooperatives to exist; otherwise they could be considered cartels. Cooperatives seem to be allowed to do things that would not be permitted in investor-owned firms, for example mergers resulting in nation-wide firms.

The list of policy measures is quite short in Sweden. This has roots in the EU accession in January 1995 after which date the inefficient Swedish agricultural cooperatives had to compete with other business forms on same conditions. The cooperatives are meant to operate in the competitive business. According to Stryjan (2010) strictly speaking, Sweden has no specific "cooperative law", i.e. a law that applies only to cooperatives. Nonetheless, it is possible to say that virtually all cooperatives are regulated by one law - the law on economic associations. However, there are some tax and competition regulations that at least to some degree are advantageous to producer cooperatives. The effects of agricultural policy on production are important and they also affect farmer owned cooperatives. The policy effects are described later in chapter 6.

The performance of cooperatives is highly dependent on the strength of domestic production. Thus, the EU level measures (PO at F&V sector as well as RDP) have an important effect on cooperatives by maintaining domestic production.

6.3 Other legal issues

In general all cooperatives in Sweden are economic associations (ekonomiska förening) even though other legal forms would be possible. However, when using other legal form the cooperative would not be able to take profit from single taxataion. This single taxation already mentioned in the table 7 above is an important incentive for cooperatives.

There are not any specific restrictions that would hinder the establishment of cooperatives. The rules are also quite flexible allowing e.g. non-member equity raising possibilities. The non-member share must, however, be smaller than members' share. However, this possibility is actually not used.

The law also allows departing from "one man, one vote" principle by the cooperatives own statute. However, this possibility is seldomly used. In general the law allows quite a bit flexibility in internal governance. Only the General Assembly (can be replaced by Members' Council) and Board of Directors are mandatory. Even though the BoD usually consists of members (and employees in larger cooperatives as the law requires) the law as such allows also professional non-member directors. Thus, the law does not restrict efficient governance.

Neither does it restrict use of different forms of equity raising nor distribution of profits. Member's exit is restricted such that before exiting you have to have been at least two year a member maybe even five years. Even though this rule can be seen restrictive according to the Competition authority, in practice it has not been very important.

The taxation law permits deductibility for money that is paid to members (though not all money), which is to say that cooperatives enjoy single taxation. Investor-owned firms have double taxation. This is perhaps the most important exception that gives some advantage for cooperatives when compared to IOF's. Competition regulation is basically the same for all business forms even though the authorities seem to beallowed to do things that would not be permitted in investor-owned firms, for example mergers resulting in nation-wide firms.

To conclude: cooperatives are in legal aspects very much in the same position as other legal business forms.

7 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Sweden. In chapter 2 the basic statistics on agriculture and farmers' cooperatives were provided. In chapter 3 data on individual cooperatives were reported, especially concerning their internal governance, their position in the food chain and the institutional environment in which they operate.

This leads to some first impressions in section 3.5 on the performance of cooperatives in Sweden in relation to their internal goverance, institutional environment and position in the food chain.

In chapter 4 the data gathering and analysis was broadened by looking at the differences between the sectors and the influence of sectoral issues on the performance of the cooperatives. Chapter 5 looked into much more detail on the how the regulatory framework influences the competitive position of the cooperatives in the food chain and vis-à-vis the investor-owned firms.

This final chapter assesses the (performance) developments of cooperatives and how they can be explained in terms of the building blocks (institutional environment, position in the food chain including sector specifics, and internal governance). Section 6.1 focuses on the explanation of the performance of cooperatives in terms of their internal governance, their position in the food chain (including sector specifities) and the institutional environment (including the regulatory framework). In section 6.2 an assessment is given on which policy measures in Sweden seem to benefit cooperatives and which ones have a constraining influence.

7.1 Explaining the performance of cooperatives

The Swedish agricultural cooperatives have not been able to maintain their strong position in the Swedish food chain. However, the role of cooperatives is still strong in Swedish food chain. The dairy and meat sectors are almost totally in the hands of Danish and Finnish cooperatives. In the cereal sector the Swedish cooperatives have maintained their market shares better even though the Danish cooperatives' role has increased.

The relatively weak performance of Swedish cooperatives is a result of two major factors. Firstly, government decision to leave domestic agriculture without almost any national support in 1995 when Sweden joined EU meant that position of Swedish domestic production in the food chain was weakened (see chapter 6.2). This decision attacked harder the cooperatives which are much more tied to the domestic production than e.g. IOF's. The IOF's were more flexible after the policy change.

Secondly, the internal governance had been relatively weak during the pre-EU period. The cooperatives had been quite wealthy because of the low competition in the market and overall the agricultural producers performed quite well. Thus, there had not been much need to adapt to the changes in the economy. Due to the farmers' different opinions e.g. based on their location they were not able to start the needed structural renewal even after the EU –membership. There had been procedures that were not economically on solid ground. The Swedish cooperatives continued during many years after the accession to the European Community to be ruled by cooperative ideology, which implied extra costs, rather than by an economic rationale (Nilsson 1997). One example can be found in the meat sector where the largest and most efficient producers left the cooperative since the pricing did not take into account the economies of scale. They felt that they were paid too little compared to small producers that were paid the same price.

Thus, the increased competition increased economic problems and as a consequence the Swedish cooperatives were taken over by their neighbouring countries' cooperatives which were in stronger positions or at least had been better prepared to the changed environment. Thus, with almost entirely open and competitive market the Swedish cooperatives with their traditional structures were not able to compete. Thus, the cooperatives no more had advantage of their nature as had been the case before. In the changed environment the cooperatives were no more of a superior business type (see Ollila 2009).

Thus, one can conclude that during the last 10-15 years there was a big change in institutional environment that changed the cooperatives' position in the food chain. When we add the weak structures and the disability of internal governance to adapt to the changes in the environment as well as at the market the result is the "disappearance" of Swedish agricultural cooperatives. However, some local and organic producers have created new cooperatives with small market shares of branded products.

7.2 Effects of policy measures on the competitive position of cooperatives

As earlier described in Chapter 5 the list of policy measures is quite short in Sweden. There are no specific rules that would give almost any advantage to the cooperatives. There are some tax and competition regulations that at least to some degree are advantageous to producer cooperatives. However, the cooperatives in the food chain have to rely on the domestic production. When the policy changes affect the competitive position of the production there must be consequences to the processing industry as well.

An important feature explaining the food production and therefore also the role of Swedish cooperatives in the food chain is the agricultural policy. The Swedish accession to the European Community in January 1995 caused severe problems to the Swedish agricultural sector at all levels of the value chain. Prior to the accession to the European Community Swedish agriculture had for half a century worked under governmental protection – domestic competition was regulated, border protection, i.e. imports were limited, there was governmental price support, the consumers paid high prices due to the lack of competition. Even though the market orientation has been increased already before EU accession, the major changes in January 1995 came as a shock to the Swedish farmers and the processing firms. A consequence of the inefficient structures in the Swedish agricultural sector was that the production volume fell drastically in the subsequent years. Therefore no measures could maintain the cooperatives' market position either.

In addition to the policy change that affected market competition there are other agricultural policy measures that weaken the competitiveness of agricultural production. Animal welfare requirements that are are much tighter than for e.g. in Denmark as well as some other regulations have put pressure on Swedish agricultural production. These factors are seldomly rewarded with price premiums. These are public goods but Swedish government is not supporting this e.g. similarily as the Finnish government. Thus, the profitability and the competitiveness of Swedish producers are weaker.

Even though there have been immense restructurational measures in the Swedish agricultural sector (mergers, closed plants in the processing industry, geographical redistribution of primary agriculture, etc. – the Swedish agricultural has not succeeded to become internationally competitive. This explains the fact that a large part of the food processing industry has been taken over by foreign processing firms. In this policy environment the cooperatives have no competitive advantage.

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