

“Cooperation experiences and challenges in Germany!”

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Euroopa Maaelu Arengu
Põllumajandusfond:
Euroopa investeringud
maapiirkondadesse

Conference: „International experiences and success stories of cooperatives“

Tartu, 17th November 2017

Agenda

1. Challenges for the agricultural business in the future
2. Cooperatives and the German Raiffeisen Federation
3. Benefits for the farmers



Challenges for the farm-supply-market

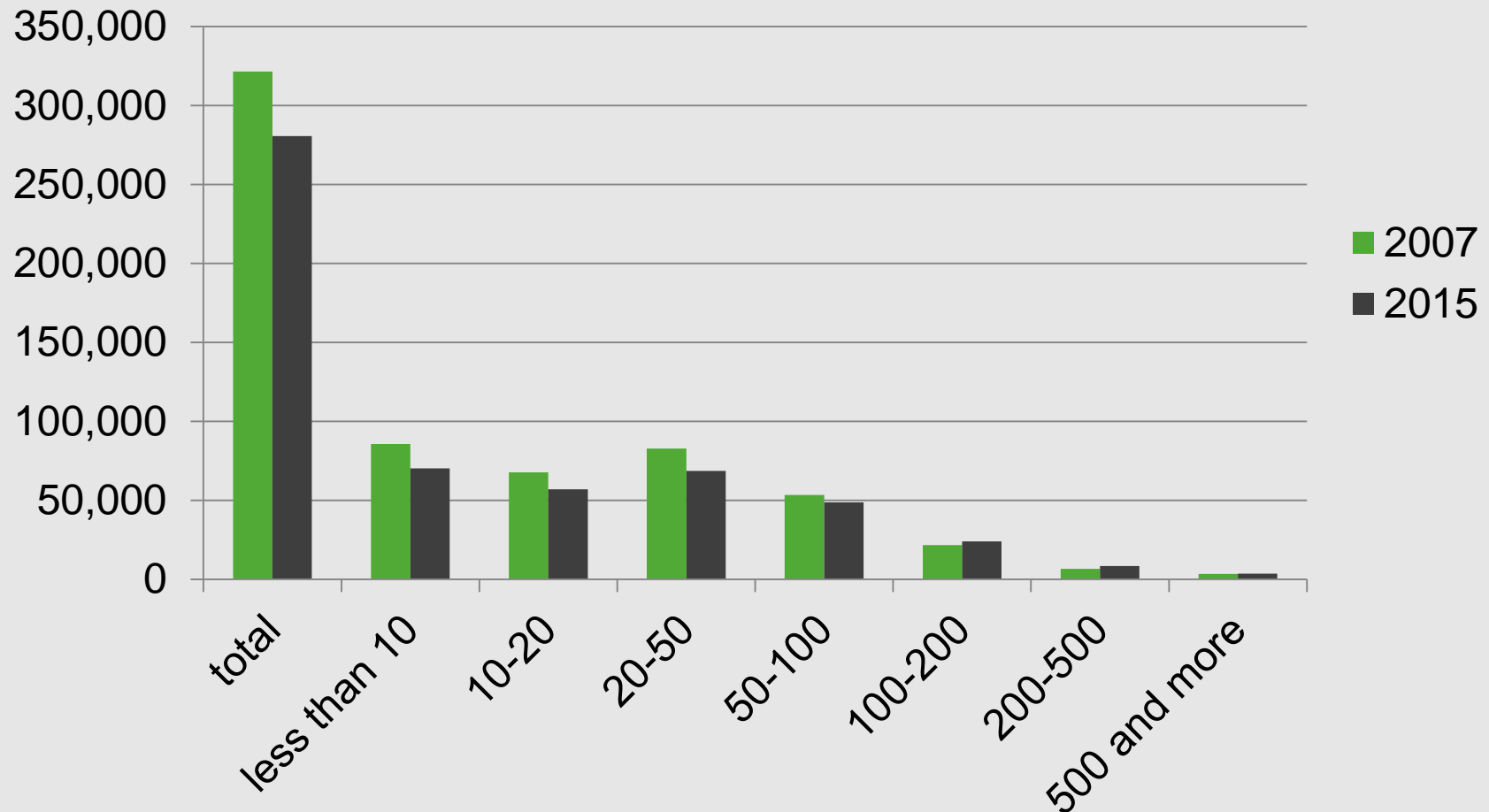
Agriculture / Agricultural trading:

- Farmers / traders are part of an international value-added chain.
 - have to operate in a free market environment, price volatilities will increase
 - further decline in number of companies as well as in number of market partners
 - Company size and diversity will increase to compensate volatilities



Challenges for the farm-supply-market

Farm size in Germany from ... to less than ... ha



DRV 2017 – Source: Situationsbericht 2016-2017 (DBV), p. 74

Challenges for the farm-supply-market

Politics:

- Minor influence on global markets, agricultural policy can only follow and monitor
- Political influence is not based on market power but on significance on the internet
- Images and emotions are in main focus



Challenges for the farm-supply-market

Society:

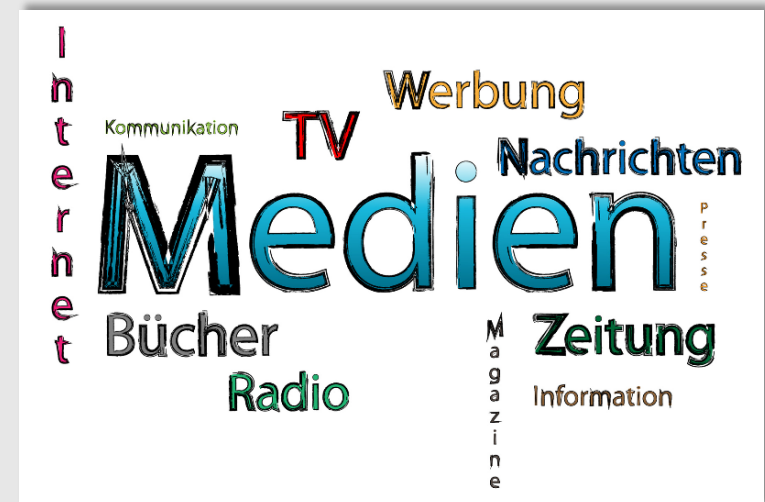
- Lives mainly in urban areas with little contact to modern agriculture
- Growing social demands:
 - leisure orientation
 - safety orientation
- Increase in poor nutrition
- Open-minded towards media and digital life



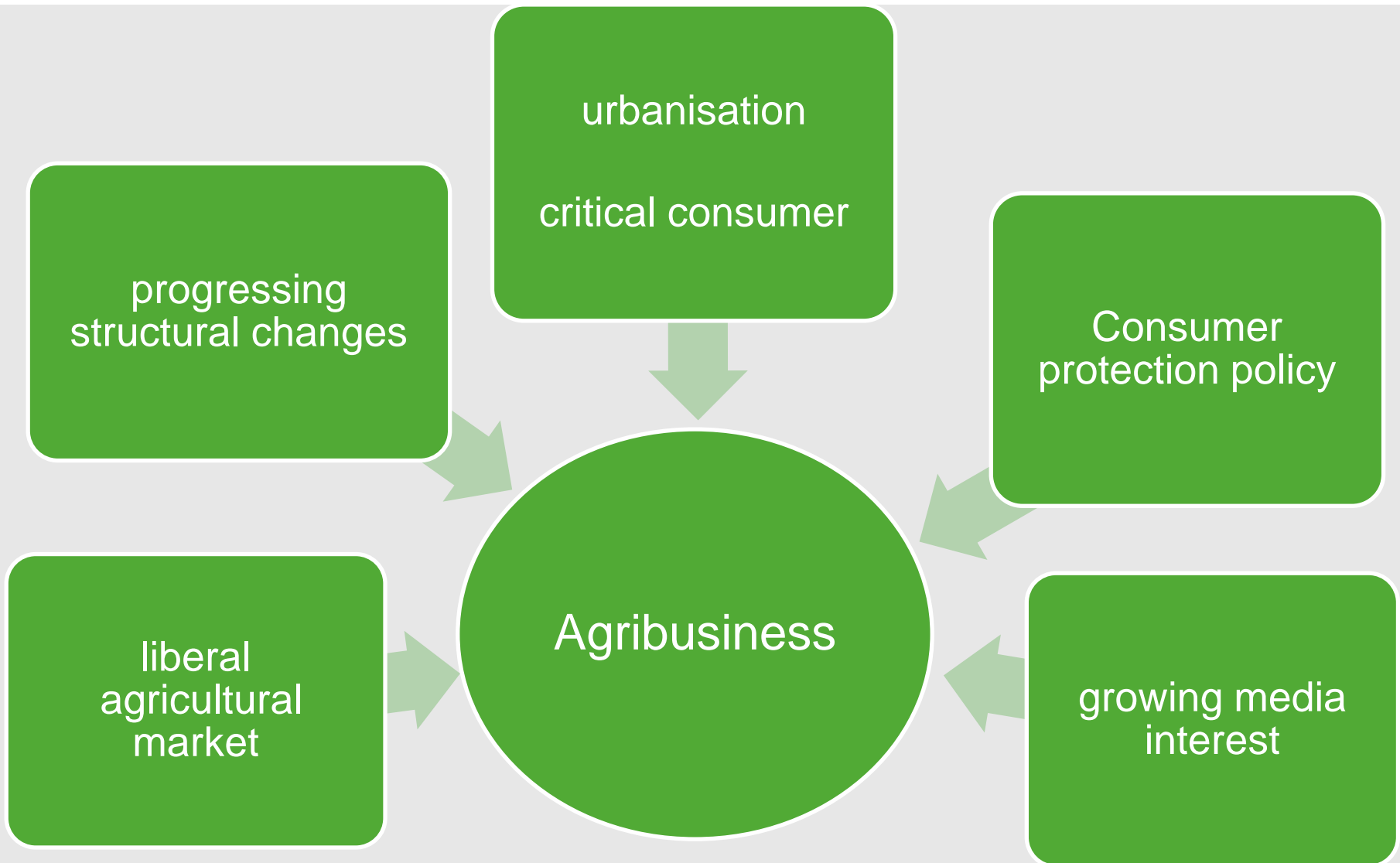
Challenges for the farm-supply-market

Media:

- are in a state of radical changes
- great economical pressure leads to bad quality in reporting
- sensational news and scandals are easier to sell than facts and figures



Challenges for the agricultural business



Challenges for the farm-supply-market

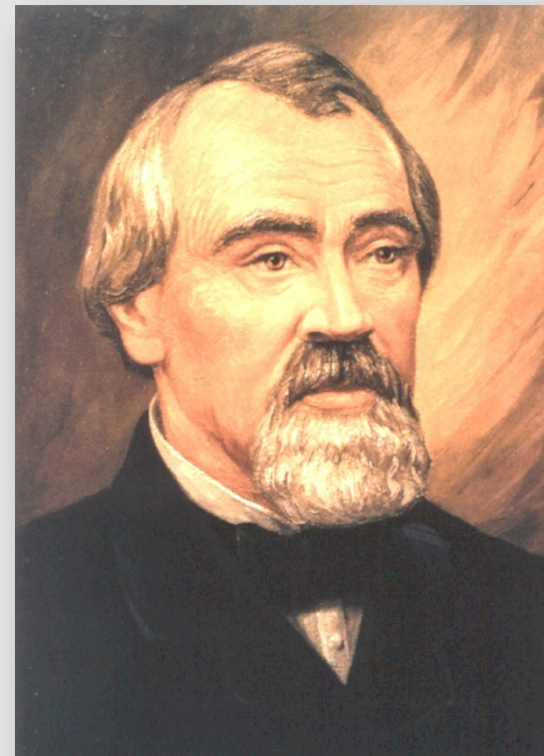
To be prepared for future challenges in a globalised and competitive agricultural market it is essential for cooperatives to secure their market position!

In Germany agricultural cooperatives look back on a long and successful history.



The Founding Fathers

Friedrich Wilhelm Raiffeisen & Hermann Schulze-Delitzsch



Success through cooperation



Cooperatives as business model / legal structure

- **Cooperatives as self-help organisations**
 - Members act as investors and service recipients
 - Members assume responsibility and get involved
 - Members determine the strategy of the company

- **Business company and partnership**
 - No capital company
 - **Priority: advancement of members**
 - Members retain economical independence
 - Target: improvement of competitiveness and market access



The Raiffeisen Federation (DRV)

- **National federation** and head of 2,200 rural commodity and service cooperatives, annual turnover approx. 61 billion EUR
- **Cross-divisional association**
 - Production, collection, processing and marketing of the entire range of vegetable and animal products
 - Trading with agricultural products
- **Mission**
 - **Advancement** of the cooperative system
 - Representation of members' **economical and political interests**
 - **Consulting and assistance** (e.g. model statutes, implementation of legal regulations)
 - **Platform** for the exchange of experiences
 - **Lobbywork:** e.g. European agricultural policy, free trade agreements, commodity market / export focus / quality assurance

German Raiffeisen Federation
(Deutscher Raiffeisenverband e.V. – DRV)

6 regional associations

5 central supply and marketing cooperatives

2.186 Raiffeisen-Cooperatives

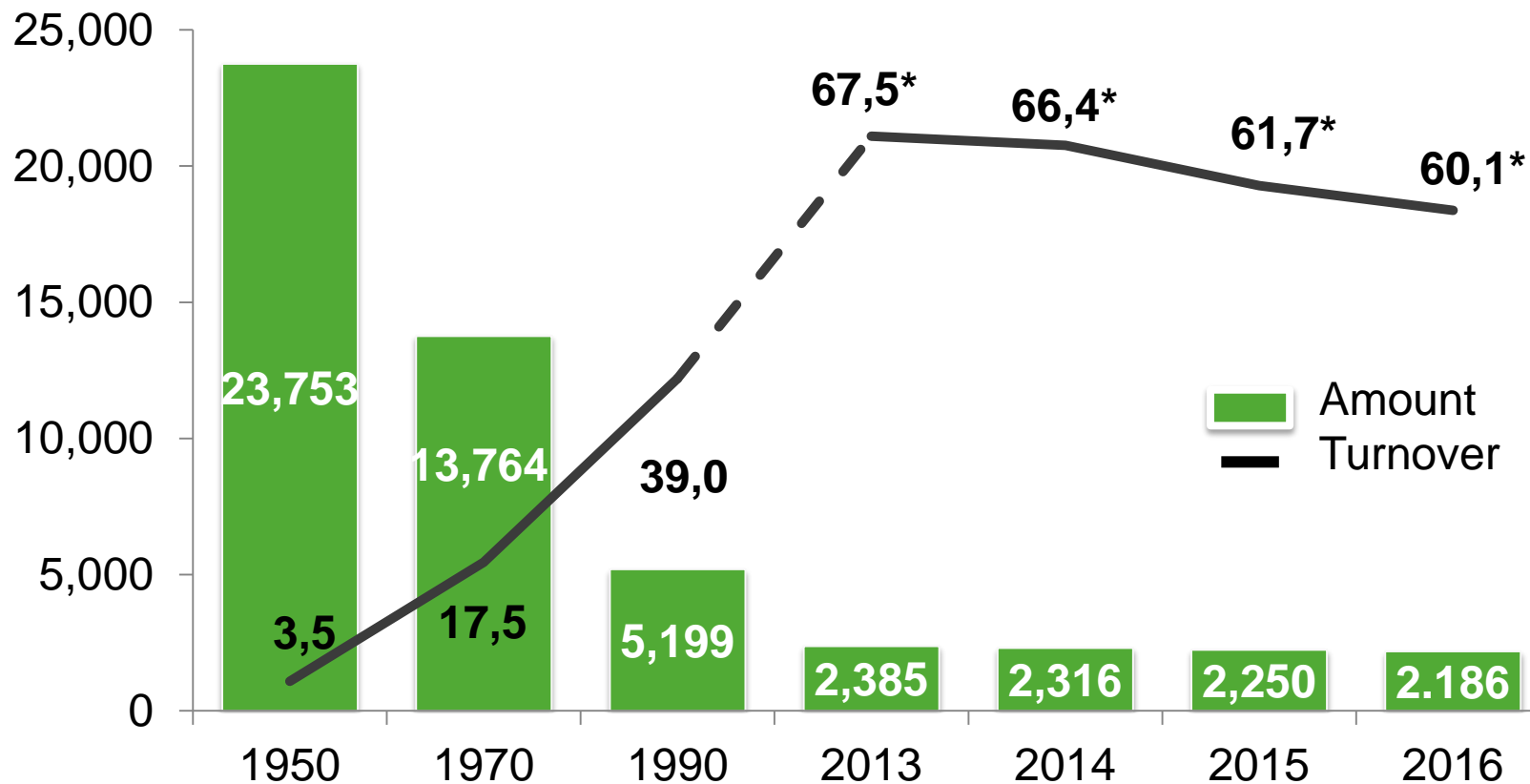
109
Credit
cooperatives
with supply and
marketing

1.342 Commodity and service cooperatives

- 282 Supply and marketing
- 216 Dairies
- 85 Livestock and meat
- 85 Fruit, vegetable, gardening
- 165 Wine-growers
- 509 Other Raiffeisen-Cooperatives

730
farm
cooperatives
(primary
production)

Development of Raiffeisen-Cooperatives: Total Number and Turnover (in billion EUR)



* including sales proceeds of subsidiaries and holdings of the cooperatives

Source: DRV; as per 31.12.2016

Market significance of Raiffeisen-Cooperatives



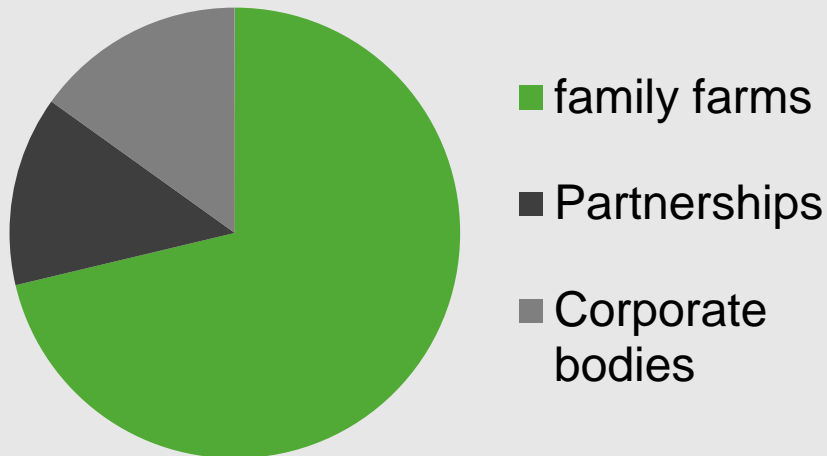
- **66 % of German milk processing**
- **50 % of German grain trade**
- **45 % of German fruit and vegetable marketing**
- **33 % of German livestock trade**
- **30 % of German wine harvest**

Farm cooperatives: A story of success

- At the time of the German reunification there were about 4.500 agricultural cooperatives (Landwirtschaftliche Produktionsgenossenschaften - LPG) located on the territory of the former GDR.
- These cooperatives were founded between 1952 and 1961 by compulsory merger of agricultural businesses.
- After the reunification they were legally bound to either change the legal structure into a Western German one or to close the company.
- 3.000 were converted into corporate entities, 1.500 of them into agricultural cooperatives with primary production (Agrargenossenschaften).
- Due to mergers and further conversions there are about 900 cooperatives today.

Legal forms in former East and West Germany

Farms in former East Germany



- 6 Million ha farmland
- 24 000 farms
 - 17 100 family farms
 - 3 300 partnerships
 - 3 600 corporate bodies
 - 2 400 Limited society
 - 900 cooperatives
 - 100 corporations
- average farm size: 250 ha

Benefits for members of farm cooperatives

Three legal relationships between farmer and cooperative:

- Ownership:
 - The farmer is joint owner of the cooperative and can exert influence in business decisions.

- Employment relationship:
 - The farmer is employee of the cooperative with salary entitlement, holiday entitlement and paid sick leave.

- Lessor and tenant relationship:
 - The farmer is free to lease the farmland to the cooperative or to a third party and will receive the rental payment.

- **The farmer can join or leave the cooperative by free decision at any time!**

Benefits for members of Raiffeisen cooperatives



- Membership in cooperatives...
 - **strengthens one's own market position.**
 - larger quantities ensure better prices in purchase and sale
 - sales opportunities in new markets (export)
 - new marketing systems (e.g. grain: rewarding storage, pre-contract)
 - **protects effectively against risks.**
 - professional storage and quality management
 - risk management to reduce price volatility (commodity futures exchanges)
 - **allows a greater say in the company, because there is not only a customer relationship but an owner relationship, too.**
 - cash back
 - **means political representation by cooperative organisations.**
 - regional, national, throughout Europe



**„To be a member of a cooperative
strengthens your position in the market!“**



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Warenwirtschaft

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