

Status-quo analysis (WP3)

National report Austria (D3.2)



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August 2006

Encouraging Collective Farmers Marketing Initiatives (COFAMI)

Background and objectives

1. Collective action by farmers has played an important role in the history of European agriculture and rural development. During the 20th century the joint actions of farmers in many EU countries gave rise to the foundation of agricultural marketing co-operatives, resulting in better market access, increased farm incomes and regional employment. More recently farmer collectives have made an important contribution to the spread of sustainable production methods.
2. Now European agriculture is facing a range of new challenges. Farmers have gradually lost control over supply chains, due to the growing power of retailers, and are also confronted with a general decline and reorientation of policy support. At the same time, there is a need to respond to changing consumer demands for food safety, quality and an attractive countryside. Again, collective action may help in finding appropriate answers for these new challenges.
3. Against this background the COFAMI project studies the potential role of collective farmers' marketing initiatives (COFAMIs) in finding adequate responses to changing market and policy conditions. More specifically it aims to identify the social, economic, cultural and political factors that limit or enable the development of such initiatives. The project also seeks to identify viable strategies and support measures to enhance the performance of collective farmers' marketing initiatives.

Steps in the research

- At the start of the research a **conceptual framework** for the study of COFAMIs will be developed. A review of relevant scientific literature and a 'quick-scan' of 8 previous EU research projects which included COFAMI cases will provide the basis for this.
- For each study country a **status-quo analysis** of collective marketing initiatives and relevant contextual factors will be made. This involves an overview of existing COFAMIs, their aims, organisational forms and strategies, relations with other supply chain partners, and relevant market and policy environments.
- A series of 18 in-depth **case studies** of different types of COFAMIs will be conducted. These will provide more detailed insights into the influence of different factors that limit and enable the development, performance and continuity of COFAMIs. The performance of initiatives in terms of social, economic and environmental impacts will also be assessed.
- In the **synthesis** the results of these different research activities will be integrated into general conclusions about the relative importance of various limiting and enabling factors for different types of COFAMIs. Support strategies for COFAMIs and measures to improve their performance and dissemination will also be formulated.

Project results and consultation

Participatory methods and stakeholder consultation will play a key role in all stages of the project, to ensure that research outcomes are grounded in field experiences and policy debates. A National Stakeholder Forum will be established in each participating country. In addition a European-level expert group of scientific and field experts will be formed to broaden geographical coverage beyond the 10 countries represented in the project.

The research will provide farmer groups, support organisations and government agencies with insights into different collective marketing strategies, their success and failure factors, and suggestions of measures that support COFAMIs. Additionally, the project will contribute to scientific and policy debates on the role of farmers' initiatives and new supply chain arrangements in promoting sustainable rural development and the supply of safe and quality food.

All project results will be made available through the project website www.cofami.org

Project partners

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1 Introduction

In general the role of cooperation among farmers and other actors along the supply chain is getting more and more an important issue in public and policy discussions as well within the farmer's community. A rapidly changing framework for agricultural production on European (CAP-reform) and international level (WTO negotiations) on one hand and changing consumer expectations on the other seem to be the driving forces for farmers to search for new strategies in the fields of collective action and cooperation.

The main objective of this status-quo report is to give an overview over collective farmers' marketing initiatives in Austria, comprising their historical development, present situation and the factors influencing the development of Austrian COFAMIs. The overall aim is to identify factors encouraging and hampering the development of collective farmers' marketing initiatives and therefore in detail contribute to the research questions of the COFAMI project.

In chapter 2 a general description of the importance of collective farmers marketing initiatives is presented, focusing on the historical context in which collective farmers marketing initiatives have developed since 1850. A more detailed synthesis of COFAMIs development is made from the beginning 1970ies onwards, including traditional as well as new forms and types of farmers' cooperation. Specific focus is also laid on the present situation and trends of COFAMIs, presenting some general figures on the importance and configuration of COFAMIs in Austria.

Chapter 3 in detailed provides information on the main forms and types of COFAMIs in Austria, illustrated with some characteristic examples of COFAMIs for each category. COFAMIs are specified as traditional cooperatives with horizontal networks, traditional cooperatives with vertical networks, new forms of farmers' cooperation, focusing on high-quality products and new forms of farmers' cooperation, focusing on non food products and services. Each category is further specified according to its importance by numbers and figures out of diverse research studies carried out on this topic. As the available data on national level cannot claim to be complete, further information is exemplarily provided by some representative examples on regional level, where reliable data is available.

The description of characteristics of COFAMIs in Austria is followed by an extensive analysis of contextual factors that affect the emergence and performance of COFAMIs in general. In this regard detailed focus is laid on political and institutional factor, economic and market factors, technical and knowledge factors, social and cultural factors as well on the influence of geographical or location factors. The analysis is based on an extensive literature and internet research as well as on results and experiences from previous national and international projects on this topic (e.g. CEEOFP, OMIARD, and IMALP).

Finally some conclusions on the situation, performance and development trends of COFAMIS in Austria are presented, including also new or still open research questions as a basis for the further work, especially for WP4, within the COFAMI project.

2 General description of the importance of collective farmers' marketing in the country

2.1 Historical context in which collective farmers' marketing has developed

2.1.1 The historical background of the farmers' cooperative movement from about 1850-1970

After centuries of hereditary serfdom, the Reichstag (= parliament of the Austrian-Hungarian monarchy) accepted the claim of abolishment of peasant serfdom on the 7th September in the "Year of Revolutions" 1848.

As a consequence of this agrarian reform, all existing obligations of the peasants towards the landlords were abolished. The land had to be redeemed by the peasants by financial means. Precisely, the peasants had to pay one third of the identified claims of the landlords, which caused heavy indebtedness. By 1895 all the land was redeemed and the peasants got independent. However, most of them felt lost and helpless with these completely new conditions and did not know how to handle the unfamiliar free-market economy.

Together with the fierce foreign competition caused by the abolishment of the customs duties to Hungary and the other crown lands in 1850, the heavy load of debts on the one hand, and the extension of the traffic system on the other led the Austrian agriculture to a crisis that had its peak in the 1890s, when prices for rye and wheat dropped by up to 70 per cent.

The agricultural crisis led to the financial ruin of thousands of peasants. Between 1867 and 1892 only in the German-speaking part of the Austrian-Hungarian monarchy more than 185.000 farmsteads were auctioned off.

Trying to ease the misery of the socially disadvantaged, Hermann Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen ventilated the idea of cooperatives in the German-speaking world. These first cooperatives were primarily **credit cooperatives** that were founded to solve the problem of personal credits for farmers. Schulze-Delitzsch was the first founder of a cooperative and the originator of the German cooperative law which in 1873 was taken over by Austria almost congruently. Especially Schulze-Delitzsch's credit cooperatives developed well. Their main aim was to provide middle-class business actors with loans from the money of savings deposits. In 1860 there were already about 100 of such institutions in Austria.

In contrast to Schulze-Delitzsch, whose considerations were rather pragmatic, the spring of F. W. Raiffeisen's acting was based in Christianity. "His" cooperatives were based on the principle of self-help; however, at the very beginning the first support for his ideas came from the state, as the farmers at this time were not organized at all.

In the year 1873 a congress dealing with the current topics of agriculture in the Austrian part of the monarchy took place in Vienna. One issue to be discussed at this congress was the agricultural cooperative system and its possibilities to increase production as well as the question of agricultural credits.

At last the congress recommended, according to the advice of agrarian experts, the introduction of Raiffeisen-cooperatives in Austria, primarily for the allocation of personal loans.

The support from the state was not only financial; the founders of the first cooperatives (mostly priests, teachers and mayors) were supported by officials, mainly in terms of training.

The farmers themselves were quite sceptical towards the idea of cooperatives. Especially the more wealthy ones were afraid of liability. Only gradually farmers recognized the advantages of the Raiffeisen-cooperatives. By 1894 there were already 715 Raiffeisen-cooperatives with 41.748 members on the area of today's Austria.

In the second half of the 19th century the government started to push the formation of dairy and breeders' cooperatives with defined quality standards, so it is assumed that one reason for the foundation of these first **producers' cooperatives** was the "education" of their members. Through these producers' cooperatives farmers had their products bottle-necked, and therefore it was obvious also to market the products collectively.

A further reason to found **marketing cooperatives** was the strong dependency of the farmers on merchants who often used their knowledge of the markets and their position to short-change the farmers. Due to insufficient knowledge on markets, farmers often sold their products for low prices.

Another important aspect was, as already mentioned, the beginning opening of the world market respectively the abolishment of customs duties, by what farmers of the Austrian-Hungarian monarchy lost important sales markets and felt forced to look for new ones.

Arable products, e.g. cereals, potatoes, etc. were also marketed through warehouse cooperatives that were (and today still are) part of the Raiffeisen-system. The first warehouse cooperatives in Austria were founded in 1899. Furthermore these warehouses operated also as **purchasing cooperatives** as they acquired production facilities, especially fertilizers and feeding stuff, and provided services, e.g. workshops and drying/cleaning of agrarian products.

Concluding the development of the “traditional” forms of collective farmers’ action, one can say that it is based on cooperatives mainly characterized by

- a) providing cheap production facilities by bundling members ware requests
- b) increasing market power by bundling agricultural produce and offering common strategies to open new markets.

2.1.2 The historical background of new types of collective farmers’ marketing initiatives

At the end of the 1970s serious problems of the Austrian agriculture loomed because of

- growing over-production of grain, milk and meat
- decline of export sales
- growing disparities concerning the farmers’ income

One of the main problems of Austria’s agriculture has always been the small-scale farm structure in a competitive market environment. In a mountainous country like Austria the productivist strategies of farm and production enlargement to counterbalance declining product prices, characterized by the keywords of rationalisation, specialisation and mechanisation, reached their limits earlier than in other, more advantaged regions of Europe.

Against the background of these facts first agricultural projects with an emphasis on short-supply chains and direct sales started to develop during the 1970s. There were several reasons for this emphasis on direct sales. Firstly, the trading margin for the farmers would be bigger. Secondly, additional income through the processing of the products directly on the farm could be realised.

At the same time organic farming as alternative farming model started. Initially organic farming was often combined with direct sales, as the idea of closed and local food supply chains is perceived one of the core points in the organic philosophy. Additionally, direct marketing activities proved to gain higher profits for farmers engaged. Direct marketing activities on individual as well as on collective farmers level was also encouraged through starting government support by the FER (Campaign for the Encouragement of Endogenous Regional Development), initiated by the Federal Chancellery. Direct marketing and related activities are perceived as the starting point of the development of new forms of farmers’ collective action besides the traditional cooperatives in the style of Raiffeisen.

In this regard four different types of initiatives can be identified:

- Farmers’ markets with a local or regional focus
- Small-structured projects with special products in connection with direct-sales projects or on-farm sales, which was the majority of the initiatives
- Producer-consumer-initiatives with a bigger catchment area
- Specialised producer cooperatives with self-organized, national marketing

From a political perspective support for these kinds of initiatives initially came from the Federal Chancellor’s Office which at that time was dominated by the socialist party. It represents also a strategy of the socialist party to get a foothold in the conservative dominated rural areas. The more conservative agricultural institutions, in particular the Chambers of Agriculture, had in the beginning no real interest in pushing these new forms of

agricultural initiatives. Things changed when at the end of the 1980s the Federal Agricultural Minister Josef Riegler started what he called an “eco-social” agricultural policy, taking over the experiences made so far by “agricultural outsiders” and bringing it into the mainstream system of the Chamber of Agriculture. This resulted in support for organic farming and institutional support for collective projects. In the year 1988 there were already 180 farmers’ markets in Austria and 45 projects supported by the ministry.

The existing experiences in supporting collective actions of farmers as a way to provide “economies of scope” instead of “economies of scale” also found its continuation during Austria’s preparation to the European Union from 1990 onwards. In line with the implementation of an agro-environmental program in specific support programmes for collective actions of farmers (Objective 5b and Article 33 support) as well as LEADER initiatives in 1992 a shift in the orientation of the agricultural policy took place. Another important aspect linked to the preparation to the EU-accession with a major impact on the development of cooperatives was the abolishment of the rigid market regulations, especially in the dairy sector. These regulations still dated from the food shortages of the post-war period and since then were gradually adapted but never changed fundamentally. When the market regulations were abolished in 1992, the traditional cooperatives were forced to position themselves actively on a competitive market. Two strategies were followed: either merging into bigger organisational structures to take advantage of economies of scale, which was followed by the major part of them, or the application of innovative strategies to follow economies of scope.

As a relatively new development collective farmers’ actions emerged also in the non-food sector. First attempts were in the bundeling of off farm activities like holidays on farms, Later the new collective endeavours concentrated mainly on the field of renewable energy. They came up at the beginning of the 1990s when farmers formed cooperatives for the supply of wood chips for local heating plants. In recent years some cooperatives were also formed in the sector of municipal services, however, this development is quite new and the cooperatives working in this sector are not very numerous.

Government institutions and the Chamber of Agriculture carried out several activities to stimulate innovative activities and promote direct sales, for example:

- Agrarian-Project-Prize of the Agricultural Chamber for innovative projects in rural areas
- AgrarMarkt Austria initiated a marketing initiative called “Land & Wirt” (“Country & Host”) fostering the collaboration between agriculture and gastronomy
- Internet platforms promoting direct sales of farmers’ products
- Quality seals for direct sales
- Seal for GMO-free food

After the EU accession new support became available by the structural funds:

- Continuous initiation and guidance of projects through the national LEADER-programme, Objective 5b support and in line with rural development
- Initiation, support and guidance of projects through the regional management of the federal states

To summarize the development of cooperatives in Austria it can be said that the first cooperatives were developed in the credit sector. In the second half of the 19th century producer cooperatives developed, primarily to ensure quality standards. Outgoing from these producer cooperatives through which farmers had their products already bundled, it was only a small step to the development of purchasing and marketing cooperatives as through collective purchasing and selling farmers gained better trading conditions. In the 1980s when

organic farming came up and as a consequence thereof the concept of direct sales, a new type of collective action developed in the form of collective direct marketing activities. Furthermore collective farmers' action emerged in the service sector in the last years, e.g. preservation of the environment, regional development, communal services, etc. The main difference between the traditional and the "new" cooperatives can be found in the market access. Traditional cooperatives provide economies of scale, whereas "new" cooperatives try to access niches through high-quality products.

2.2 Present situation and trends: General configuration of collective farmers' marketing

The spectrum of collective farmer's initiatives appears to be very broad in Austria. Especially some contextual developments in the recent times opened the gate for the establishment of new ways and forms of farmers' collaborations.

Collective farmers' marketing initiatives in Austria show various objectives, starting from bundling of production and increasing market power or broadening product assortment through concentration processes. New objectives can mainly be found in the field of (communal) services or the energy sector. For Austria the share of initiatives based on the traditional cooperatives objectives, namely the bundling of one product group (e.g. milk, meat, corn) to increase market access opportunities is still disproportionately high. In this regard especially the traditional milk collecting and processing cooperatives take a high share of these kinds of initiatives. Due to the historical development raised in point 2.1, the initial objective was to make common milk processing possible through the engagement of farmers in one cooperative, sharing the costs of the necessary processing equipment and manpower. Nowadays, especially since Austria's accession to the European Union and the opening of the milk market, traditional dairy cooperatives show two clear tendencies: small- and medium-sized cooperatives especially from 1995 onwards show a strong decrease in numbers. According to a study published by COGECA 2005, the number of milk and dairy cooperatives in Austria decreased from 276 in 1998 to only 175 in 2003. There have been major mergers, resulting in less and bigger cooperatives with fewer and larger farms as members. As a consequence farmers' identification with these kinds of increased cooperatives is declining.

Besides this general trend of concentration processes the second tendency shows a strong engagement of collective farmers' initiatives in the production and marketing of high quality products. Products with special production methods (e.g. organic), a clear orientation to their origin (specific region or valley) or specific (traditional) ways of processing nowadays are dominating the assortment of small- and medium-sized cooperatives. Recently also big structured initiatives, especially in the milk and meat sector, try to push in this former niche market, which in line with the increase of organic and environmental sound food production seems to raise more and more consumers' interest. The increasing rivalry and market competition between small- and medium-sized traditional cooperatives and new (merged) cooperatives, especially at the milk market, leads to additional pressure on product prices.

In this context of declining milk prices, growing dissatisfaction among farmers with cooperatives and its leadership are permanent conflict sources. Farmers feel less represented by the dairies, having the impression that dairies are more and more governed by the interests of the retailers. As a consequence many farmers organized themselves in a protest movement, the "IG Milch", a pool of about 5,600 Austrian farmers with the goal to assert a fair producer price. To achieve these goals the members of the "IG Milch" have already organized some spectacular actions, e.g. protest rallies with tractors, cows and banners in front of supermarkets in order to attract the attention of the public. So far they have achieved that the use of milk as a teaser in supermarkets has been strongly reduced by retailers and discount markets. Recently "IG milk" also started an own milk marketing project,

where “a fair milk” (that is the brand of the milk) is sold to substantially higher prices than usual. Earnings out of the milk marketing project will be averaged at the end of the year among the IG milk members equally. As a total producer price (which is consisting of milk price paid by the dairy and the additional returns out of the milk marketing project) an average milk price of 40/Cent per litre is expected. IG milk is also networking on a European level in the European Milk Board in order to bundle the interests of farmers and to form a platform against the dumping prices of the retailers.

The developments shown above clearly indicate a soft change in the objectives of traditional cooperatives. Besides the pure bundling of products market power gained by cooperatives concentration processes is seen an important instrument to stabilize product prices. This seems to be quite common especially within collective marketing initiatives engaged in milk or meat processing.

Besides concentration processes of traditional cooperatives also new objectives, mainly in the non-food and service sector appeared. In line with increasing energy prices and specific financial support programs especially initiatives dealing with wood and/or wood energy have been established recently. Also the service sector e.g. communal machinery services provided by a group of farmers are getting more and more importance. In general marketing initiatives with clear objectives to increase members’ income are dominant. Although there are some initiatives focusing more on regional development and/or environment protection, they are still few in numbers.

The data provided in this chapter is mainly based on two studies, the so-called “Lebensmittelbericht 2002” (a survey on the development of the food-sector between 1995 and 2002, carried out by the Federal Ministry of Agriculture and Forestry, Environment and Water), and a survey on cooperative models between agriculture and commercial enterprises, carried out by ÖGUT (Austrian Society for Environment and Technology) in the year 2005.

Both surveys have shortcomings and limitations:

The “Lebensmittelbericht” investigates a broad range of farmers’ initiatives, but focuses on direct marketing and leaves aside non-food and traditional cooperatives. Sampling was done by written questionnaires to the provincial chambers of agriculture, which led to rather arbitrary results, sometime for instance including farmers markets, sometimes leaving them out. Further initiatives were identified by randomised sampling from agricultural and general newspapers as well as analysis of various competitions (like the Agrarprojektpreis¹). Therefore the survey cannot claim to be complete. Still this data is the only one available on a national scale.

The initiatives investigated in the ÖGUT-survey had to fulfil the following criteria:

- Several farmers deliver the original product to a commercial processor
- Several farmers produce a raw product and organise processing and marketing collectively
- Farmers produce an original product and make a part of the processing. The finishing of the product is done by somebody else.

Sampling was built on the data found in the “Lebensmittelbericht” complemented by expert investigation. It has to be pointed out that the definition of initiatives used in the COFAMI project is also not fully congruent with the criteria of the ÖGUT-survey, as the survey does not take into account cooperatives acting in the non-food sector (e.g. renewable energy).

¹ An annual nationwide competition on agricultural projects, organised by the Chambers of Agriculture

Furthermore the survey focused on cooperation between farmers and commercial enterprises. Therefore it leaves out pure farmers' initiatives and also the traditional cooperatives.

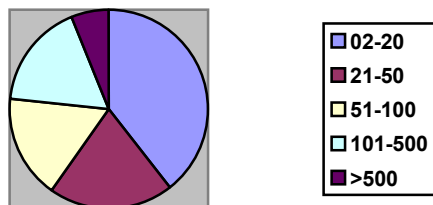
The "Lebensmittelbericht" a broad range of farmers' collective initiatives (mainly in the field of product marketing) without claiming to be complete. According to this investigation, 263 collective farmers' marketing initiatives were found in 2002 with an estimated participation of 32,000 farms. About one third of all initiatives marketed organic products and about the half of them a mixed product range (conventional and organic products). The share of those marketing only conventional products is further losing importance. Direct marketing initiatives still constitute an important element, as out of the 263 initiatives included in the survey about 200 were direct marketing initiatives, 126 of them owning their own brand. The most important form of direct sales is on-farm-sale, followed by farmers' markets and farm shops. On a typical farmers' market there are up to ten suppliers. Very often such farmers' markets are not initiated by the farmers themselves, but by tourism associations, the municipality or other local institutions. The total number of farmers' markets is estimated at about 400, the number of farmers' shops at about 150, whereby exact data are not available.

In the last years a phase of consolidation has been taking place in this sector and new openings of farmers' markets and shops can hardly be found. One reason for this is the growing degree of regulation, which demands a higher professionalisation.

The ÖGUT study found 134 cooperation projects between farmers, processors and/or retailers, whereby 19 of them were not willing to take part in the survey. So the data provided in this study is based on the survey of 115 cooperation projects.

According to membership, the surveyed initiatives are rather small structured, with less than 50 members on average.

Size of initiatives



According to their organisational form, 42% of the initiatives are organised as cooperatives, 32% as an association, 14% act on the basis of a contract, 8% just by handshake, and 4% are organised in another form, e.g. on the basis of a project. The most important partners are commercial processors, most notably bakers and butchers, and gastronomy, whereas the retail sector as partner has lost relevance.

With regard to marketed product groups, meat (44%) and dairy products (36%) are the most common product groups, followed by fruits and vegetables, oil, wine and sparkling wine, cereal, and eggs, but as you can see in the graph below on a quite low level. Other products are fish, herbs, spices, honey, chocolate and ice cream.

Marketed goods (multiple answers possible; n=115)	Per cent
Meat & meat products	44
Milk & dairy products	36
Fruits & vegetables (also processed)	26
Other products	12
Oil	5
Wine, sparkling wine	5
Cereal (also processed)	4
Eggs	3

2.3 Conclusions of the general importance of collective farmers' marketing

Concluding the development and importance of collective farmer's initiatives in Austria shows some clear trends. First of all, especially in the traditional cooperatives dealing with milk or dairy products, strong concentration processes can be observed, combined with a decline of such initiatives especially for small- and medium-sized. It is obvious that the reason therefore is the generally increasing pressure on the European milk market, accompanied by overproduction and price decline. Additionally, new legal (e.g. hygienic) regulations and administrative burdens force old established cooperatives either to take high investment risks, to search for cooperation partners or to shut down. Although Austria's accession to the European Union in 1995 and the introduction of specific support programs induced an increasing number of collective farmers marketing initiatives all over Austria, recently the establishment of new cooperatives, especially in the milk sector, is recurrent.

In terms of marketing channels there are clear indications that especially the number of direct marketing initiatives is stagnating

3 Characterisation of the main forms of collective farmers' marketing in the country

3.1 Different forms of collective farmers' marketing that can be found

When characterizing the different forms of collective farmers' marketing initiatives in Austria, it seems to be useful to categorize them on the one hand according to the sector which they are dealing with, and on the other hand to the network of the organisation, which can be either vertical or horizontal.

Three main sectors can be found, in which Austrian COFAMIs are predominantly acting, so to speak the food sector, the non-food sector, the service sector and the production of public goods.

In the food sector the following objectives of the cooperation can be found:

- bundling of products in order to market them collectively
- collective processing (e.g. to regional specialities or organic products)
- collective marketing
- collective advertising of regional products
- cooperation between producers, processors and marketers
- regional cooperation networks

Concerning the non-food sector, COFAMIs which collectively process and market wood (building or trimmed timber), provide energy (wood chips, biogas) or biogenic raw materials (flax, wool, hemp) can be made out.

With regard to the service sector, cooperation is carried out predominantly in bundling supply, e.g. in the fields of tourism, education and communal services.

When envisaging the production of public goods, in Austria primarily landscape preservation and protection against water flooding have to be taken under consideration.

Besides characterizing COFAMIs due to sectors, a distinction can be made between COFAMIs according to their network strategy.

When we talk about networks in general we can divide them into two types, namely horizontal and vertical networking. Vertical networks are orientated along the supply chain including actors like the producer, the processor, the retailer or the wholesalers whereas horizontal networks aim to connect actors not directly involved in the production or marketing (MURDOCH, 2000).

Vertical networks in general give the possibility to the COFAMI to outsource some of their activities to more professional actors in the food supply chain. Due to the fact that COFAMIs consist out of farmers, their main experience and expertise is focusing mainly on production and not implicitly on processing or marketing their produce. Therefore it seems quite important for the COFAMI to find proper cooperation partners, which one on hand do not cause a strong dependency relationship and on the other hand fit into the whole marketing and communication strategy of the COFAMI.

Successful and sustainable cooperation between COFAMIs and, for example, retailer chains from the COFAMIs point of view must be based on an adequate communication and branding strategy, e.g. the regional aspect is put in the forefront of the marketing policy.

The term “horizontal networks” covers all aspects of cooperation, which are pooling outside the supply chain. Therefore the main aim seems to somehow embed or integrate the COFAMI into its regional surrounding and therefore play an important role for the rooting of the COFAMI in the region.

Farmers’ associations can be active promoters of marketing possibilities, which in some cases opens new perspectives and distribution channels for the COFAMI. Besides advice farmers’ associations can be the key for creating “farmers community”, which seems on one hand to strengthen the cohesion among the members of the COFAMI, on the other hand it offers a possibility to build “bridges” and networks within the whole farming society.

3.2 Individual characterisation of each ‘main’ form

According to the categorization of COFAMIs worked out above, four main forms of Austrian collective farmers’ marketing initiatives can be found:

- traditional cooperatives, using a horizontal network strategy
- traditional cooperatives, using a vertical network strategy
- new forms of farmers’ cooperation, focusing on high-quality products
- new forms of farmers’ cooperation, focusing on non-food products and services

Traditional Austrian cooperatives with horizontal networks are predominantly located in the food sector, focusing on livestock, meat and cereals.

In the **livestock and meat sector** these are mainly breeders’ associations with a long tradition. Partly they focus on the sales of breeders stock and partly they have also ventured into the meat sector here there are also new developments creating quality lines for beef and veal as well as recently for meat out of suckler cow systems (see the example below).

Through the cooperative the market access for its members is facilitated. Firstly, the cooperative forces its members to obey defined quality standards, which results in higher

purchaser's confidence and therefore makes it easier for the producers to distribute their products.

Secondly, livestock is bottle-necked through the cooperative, which enables its members to raise their market power and, as a consequence, gain better conditions. A third advantage of these cooperatives can be seen in the fruitful exchange of information and knowledge, presumably resulting in new perspectives and distribution channels for the participating farmers.

According to COGECA (2005), these cooperatives had a market share of 20% and about 32,600 farmer members in the year 2003. No data on the number of cooperatives or associations is given.

Traditional cooperatives with horizontal networks and a focus on cereals are mainly organized as warehouse cooperatives. These cooperatives have a long tradition in Austria, rooted in the Raiffeisen-system. Furthermore the warehouse cooperatives also operate as purchasing cooperatives, providing production facilities, especially fertilizers and feeding stuff, and services, e.g. workshops, drying and cleaning of agrarian products.

Due to COGECA 2005, this type of cooperatives had a market share of 60% and an estimated turnover of 1.45 billion euros in 2003. Again the number of cooperatives is not available.

Example:

Styria beef

(meat sector, horizontal, international, "new type", organic)

Styria beef is a marketing initiative for quality beef from young animals kept in suckler cow husbandry. The organisational framework is built by the producer association "Steirisches Rind", marketing is done via the "Steirischer Fleischrinderverband" (Styrian association of beef producers).

The product range comprises beef in halves and parts as well as meat products such as special sausages.

"Styria beef" was founded in 1980 when 37 Styrian farmers started an initiative for mother cow husbandry. The initiative rapidly increased its membership due to professional management as well as the creation of a strong regionally-based brand. The most important milestone in the development of the initiative was the conversion of all member farms to organic in 1994. Today there are about 1,000 farms participating in the initiative.

With the increasing number of producers, the strategy of the initiative switched from regionally-based distribution channels first to nation-wide and then to international market channels, which finally led to neglect of the regional origin. Only later they teamed up with the already existing producer association.

Nowadays, therefore, due to the increasing supply of organic products all over Europe, the initiative has lost its most important feature that gave it uniqueness and non-interchangeability in negotiations with large players, namely its regional origin. Moreover, due to decreasing brand awareness, a comeback on the regional or national market is becoming more and more difficult. In this case the initiative failed to use its enormous previous brand potential to maintain a strong position on the home market in addition to its international activities.

Concerning its emergence "Styria beef" can therefore be seen as "typical Austrian", as it was founded at a point of time when "new types" of collective farmers' actions started to arise because of serious problems in the Austrian agriculture like over-production, decline of

export sales, etc. Also the initiative's shift to organic farming is typical, as it took place at a time when in line with Austria's preparation to the European Union the implementation of an agro-environmental program was carried out in order to stimulate innovative farmers' activities.

Traditional Austrian cooperatives with vertical networks are primarily dairies, pooling, processing and selling milk and dairy products. According to COGECA (2005), there were 175 such milk and dairy cooperatives in the year 2003 with a market share of 94% in Austria, having an estimated turnover of 1.45 billion euros. Most of them, e.g. TirolMilch, have followed the development path of economies of growth, merging and "inhaling" smaller cooperatives. Recently they have also started to incorporate quality strategies like GMO-free products of organic lines. It can be observed that this type of cooperatives waits until smaller initiatives open up a market for innovative products and then the bigger players take over the innovation.

In parallel another strategy of horizontal cooperations can be observed with small-scale cooperatives, forming a sort of an umbrella cooperative. There are several examples. One is the Bregenzerwälder Käsestrasse (example given in section 4), another example is the organic umbrella cooperative Bioalpin.

Example:

Bioalpin

(dairy, meat and vegetable sector, vertical, "mixed type", organic, territorially embedded)

The cooperative Bioalpin is a good example for what we call "new developments in traditional cooperatives". This means that especially because of the fiercer competition since Austria's access to the EU the so-called traditional cooperatives, in former times only providing economies of scale, nowadays fell more and more forced to be innovative, also trying to access niche markets through high quality and territorially embedded products. In the case of Bioalpin also new type cooperatives are included under the same "umbrella".

In the year 2000 the lack of opportunities for organised marketing of organic products in disadvantaged mountain areas led to large-scale re-conversion of organic farmers back to conventional farming. Out of that situation the need to establish a common platform for marketing regional organic produce became more and more evident. Additionally, there was increasing demand from a regional retail chain, which had not yet developed its own organic trade mark but wanted to raise its profile vis-à-vis their bigger competitors. This led to the founding of the organic umbrella cooperative BIO-ALPIN on the initiative of the regional organic farmers' association, with the help of a conventional marketing association (Agrar Marketing Tirol – AMT) and various interested organic farmers. Integrating a number of already converted small dairy cooperatives, an organic butcher, some innovative organic farmers, and subcontracting the biggest dairy in Tyrol ("TirolMilch") for organic fresh milk supply created a wide range of further options. Recently producer groups for eggs and vegetables have been formed. Still the traditional small dairy cooperatives supply the core of the product line.

The cooperative's establishment in 2002 was mainly driven by single characters out of the organic scene, respectively the manager of a dairy cooperative.

The cooperative established a producer-based regional organic brand, "Bio vom Berg". This new brand was promoted via a strong regional market partner and suitable regional media. The vision was to establish a strong producer-based regional brand that would not be exchangeable with other organic producers by retailers. Another vision was to add regional values as an advantage for domestic market and export.

Today Bioalpin has got about 500 members, most of them farmers. The cooperative's most important cooperation partners are the biggest dairy in Tyrol, TirolMilch (which is packaging organic milk), and a dominant regional retailer chain "M-Preis" (as the only market partner for regional sales). Bioalpin markets milk, meat, eggs and vegetables, mainly on a regional level. But also the export of organic produce, especially to Germany, is increasing.

New forms of farmers' cooperation, focusing on high-quality products mainly make use of a vertical network in order to increase the product value and therefore gain higher income. Their product range predominantly consists of organic products, products based on local/regional traditions or product innovations.

Concerning organic products, data is available from the EU-financed research project OMIaRD (Organic Marketing Initiatives and Rural Development). According to this project, 150 collective farmers' marketing initiatives could be located in Austria. A questionnaire was distributed to them, which was returned by 78 initiatives.

Regarding the product range, 26% out of the 78 initiatives were specialised in vegetables and fruits, 24% had no specialisation at all, 15% were specialised in cereals, another 15% in meat, 14% in milk and 6% in other products.

66% of the 78 initiatives had a regional, 21% a national and 13% an international trading partner.

Concerning the average turnover, only 46 of the participating 78 initiatives were willing to give information about it. 15 out of the 46 initiatives had an average annual turnover between 10,000 and 100,000 €, 5 were between 100,000 and 200,000 €, 10 between 200,000 and 300,000 €, 3 between 300,000 and 500,000 €, and 13 of them had an annual turnover higher than 500,000 €.

More than 50% of the organic initiatives were founded after 1995, the year of Austria's access to the European Union. This indicates that farmers felt forced to become innovative by the fierce European competition.

With regard to products based on local/regional traditions, about 185 initiatives acting in this area could be located, according to the Lebensmittelbericht 2000. They partly overlap with the sample included in the OMIaRD survey as also organic initiatives are included. The most important trading partner of such initiatives is the gastronomy, followed by retailers. However, by far the biggest part of the products is directly marketed. Concerning cooperation partners, processors are the most important partners for such initiatives. Further data on turnover, etc. is not available.

One example for an initiative with high quality products based on local/regional traditions is the organic dairy of Biobauern Sulzberg:

Sennerei Langen – Biobauern Sulzberg (BBS)

(meat, fruit and dairy sector, vertical, „new type“, organic, territorially embedded)

The BBS cooperative was founded by fifteen farmers in 1996, and it operates in two areas: the dairy and associate cheese marketing, and a consumer delivery service. The main business aim of the dairy, besides sustaining agriculture in the region by increasing farmers' income, is to produce and market mild products of high quality. As a cooperative, the decision-making process is directed by the chairman, the board and the plenary assembly. Members of the cooperative collect and deliver their milk themselves. Annual deliveries of about 1.3 million litres are mostly processed into mountain cheese, although small quantities are used to produce butter and cream. Mountain cheese is marketed in two maturity grades, mild and mature. The main marketing channel is export to Germany and Austria outside

Vorarlberg through organic and natural food shops, although some output is marketed through their own delivery service and to regional catering and tourism companies. Three people are employed full-time in the dairy, one as manager and two as producers. Additionally, some members do part-time jobs such as collecting milk or delivering products.

The delivery service operates as an independent activity, although legally covered by the same cooperative. It aims to ensure a regional supply of organic products by selling members' output and thereby increasing added value through securing adequate prices. The product range covers meat and meat products, yoghurt, eggs, cheese and vegetables, most of which are produced by the members themselves. The mountain cheese comes exclusively from their own production, and meat and meat products are procured through close cooperation with an organic butcher who is also a member of the cooperative. It is particularly difficult to maintain quality and quantity in relation to meat, meat products and vegetable: insufficient organic vegetables are grown in the region, and problems with quality of organic meat are sometimes encountered. From an organisational point of view the delivery service is integrated into the dairy cooperative, but a separate management is responsible for coordinating orders for the service, the supply of additional products and the delivery itself. Regarding members' products, this requires close cooperation with the dairy side of the cooperative. Strategic planning for the delivery service is carried out by the cooperative board.

BBS was founded when the members broke off from an existing conventional dairy and founded a new cooperative. So the foundation of BBS can be seen exemplary as because of Austria's access to the EU in 1995 competition for farmers became fierce and therefore they tried to access niche markets through products with special production methods (e.g. organic) and a clear dedication to its origin (specific region or valley), which can both be found in the BBS cooperative.

New forms of farmers' cooperation, focusing on non-food products and services emerged as a relatively new development also in the non-food sector, mainly in the field of renewable energy. They came up at the beginning of the 1990s when farmers formed cooperatives for the supply of wood chips for local heating plants. In the last years some cooperatives were also formed in the sector of municipal services, however, this development is quite new and the cooperatives working in this sector are not very numerous.

Based on a specific support program launched by the Ministry of Agriculture in 1998 the attractiveness of farmers as energy suppliers has increased enormously. Heat and electricity from biomass (woodchips or biogas) are the most common fields of activity.

Unfortunately, data on a national scale is not available. On a regional level data for the federal state Tyrol is available through Raiffeisenverband Tirol (2006). There 9 out of 15 cooperatives acting in the energy sector are presumably operated by farmers. This assumption is based on the name of the cooperatives, including terms like "farmers", etc

Example:

Naturwärme St. Lambrecht (energy sector)

This cooperative can be seen as a successful example of new-type collective action in the non-food sector. In 1992, 5 farmers had plans to form a wood chip heating cooperative. In

the same year the cooperative was officially established, as well as a cooperation with a company specialized on the technological development of heat transfer stations.

Since the beginning the cooperative went through a continuous process of scaling-up and has been constantly expanding its fields of activity. One major element for the progress of the cooperative was the “Energy Vision 2015” designed in the district of Murau in 2001. This vision, which aims at reaching energy autarky until the year 2015 for the whole district, was developed in cooperation with stakeholders from different sectors including representatives of the cooperative.

This marked the starting point for a close collaboration between the cooperative and a plumbing company. The owner of the company promised support by focusing the promotion of woodchip heating stations, but challenged the quality of wood chips and the logistics. The improvement of the quality of chips was a condition for the involvement of the plumbing company. The relationship between the cooperative and the plumbing company got reinforced, marking a successful enrolment.

In 2005 the cooperative signed a contract with a fish zoo and spa to build and operate a heating station. This was a major change in the business strategy. Instead of only selling the chips, the cooperative now sells the heat produced in their energy stations.

Today the cooperative consists of 14 farmers and the monastery St. Lambrecht (with a share of 50%) and has established several collaborations with and intense contacts to organisations, companies and projects from various sectors.

Currently the cooperative is in negotiations with a regional dynamite factory for providing and operating a biomass energy station. This enlarged operation would allow producing electric energy out of wood biomass, which would mark another milestone for the cooperative as a significant regional energy supplier.

In addition to that, also public services offered by farmers in the field of snow clearance, landscape cultivation or communal machinery services offer new opportunities to farmers.

The most important initiative in the service sector is the so-called “Maschinenring” (Communal machinery service) which provides a national network. There are 94 Maschinenring-units all over Austria, comprising 76,847 members. The Maschinenring has got three divisions:

- Agrarian division: machinery rental, execution of workings, machinery cooperatives, consultancy
- Temporary personnel: in case of bottlenecks, when the farmer is on holiday...
- Personnel leasing: placement of labour forces to enterprises and municipalities
- Creating possibilities of additional income for farmers

Furthermore the Maschinenring provides services like lawn mowing, cutting of hedges, tree chopping, snow clearing, etc. to enterprises, municipalities and private persons, accounting for more than 11,000 clients all over Austria.

Another small scale initiative is given in the following example:

ARGE Kommunale Dienstleistungen
(service sector)

In 1995, five farmers founded this cooperative for local services in order to build up a second income for their farms outside the agricultural sector. Crucial for this decision was an information session about pluri-activity in agriculture and the creation of jobs for farmers in the services sector, held by the ILE (agency for integrated rural development).

The cooperative was planned to function in an economical chain, which means that one part of the cooperative produces work for a second part and so on.

Each of the five farmers had to purchase one of the required machinery. By 1996, the needed machinery was acquired (1 branch cutting device, 1 compost treatment device, 1 compost dispensation device and a biological waste collection vehicle) and the cooperative implemented a series of PR and marketing activities, using the structures of the communal machinery service.

The business proved to be a financial success, so that one of the participating farmers scaled down his farm and herd stock, another even completely quitted his work as a farmer.

Since 1999 no new activities like the purchase of machinery or the affiliation of new members have been implemented.

The task group's clients are mainly municipalities in the district and enterprises. Until 2005 the clientele included 28 of 34 municipalities in Murau.

Another example for an initiative in the service sector is "**Urlaub am Bauernhof**" (UaB) which means "holiday on farm". UaB is a national association with about 3,400 farm holdings as members, which accounts for about 44,800 beds.

The organisational structure of UaB consists of regional "rings", one in each regional state, and one umbrella organisation.

UaB can be seen as an European model concerning collaboration between tourism and agriculture. The holdings joint forces voluntarily and independently in order to present their offers more clearly to their customers and to give them more safety regarding their choice of holiday farm. The farmers commit themselves by their membership to obey the nationwide consistent quality standards. (Urlaub am Bauernhof, 2006)

There are three categories that are regularly checked by a commission in order to assure quality:

- quality of the farm: location, design,...
- quality of facilities: rooms, sanitary,...
- quality of service: services, catering, activities...

3.3 Conclusions on the identified different main forms

Traditional cooperatives seem to follow a dual strategy based on economies of scale to overcome the special problems of small-scale production and processing structures prevailing in Austria. However, a second development is seen as most of these cooperatives also try to get hold of new market opportunities provided by special qualities. Especially organic is regarded as such an opportunity. Therefore many of the old type cooperatives started also organic lines for their products. This was also encouraged by the strong position of the supermarket sector on the organic market. In Austria most of the organic produce is marketed via big retailer chains which therefore created their own brands and labels. They need bigger scale suppliers to match their logistic requirements. Therefore quite naturally the old type cooperatives were rather successful in providing the necessary structures. It can be concluded that it seems the small new type cooperatives are the innovative ones developing new products and services which are taken over by old type cooperatives once the market is established.

A second strategy is to forge horizontal cooperation between small scale cooperatives in order to achieve the critical mass. Very often these "horizontal networks" involve aspects of cooperation, which are pooling outside the supply chain. Their main aim seems to embed or integrate the COFAMI into its regional surrounding and therefore play an important role for the rooting of the COFAMI in the region. The recent history of COFAMI development shows

that especially the initiatives dealing with non-food products (e.g. energy) and services are embedded in a local/regional network.

Also the food producing COFAMIs very often relate to traditional regional peculiarities of production and/or processing.

The regional development agencies (RDA) are often actively involved in the marketing of agricultural goods through cooperation with tourism or establishing relationships to potential export marketers. In general it appeared that RDAs act as important contact persons for coordinating different needs and expectations of various sectors within in the region, mainly focusing on agriculture, trade and tourism.

A COFAMI orientating its whole strategy on regionalism has to take care about its regional rootage. Especially in Austria in many rural areas the development of endogenous regional development strategies has a long tradition, which offers an enormous potential for COFAMIs to participate in various activities. First of all, due to various programs on national and European level, regional development agencies are considered as a main contact for achieving financial support for necessary investments. Especially in the starting phase of a COFAMI financial support is an important reason for farmers to participate in various programs. Additionally, regional development agencies offer organisational support in developing new market channels.

Concluding, networking, either horizontal or vertical, seems to be a crucial aspect for the success or failure of a COFAMI. Only through adequate, which in this case means adapted to the overall strategy of the COFAMI, networking relationships farmers get a possibility for a sustainable development of their COFAMI and keeping the market power in their hand.

3.4 How important are the following broad forms of collective farmers' marketing in the country? (numbers, estimated economic performance)

3.4.1 Traditional cooperatives

The three traditional sectors of agricultural cooperative activity in Austria can be summarized as credit, warehousing and dairy. They are still forming the three pillars of Raiffeisen Austria. (Brazda 2004: 14). In 2002 Austria's Raiffeisen organisation consisted of 1.665 cooperatives. 609 of them were credit cooperatives, 100 were warehousing-cooperatives and 170 dairy cooperatives.

According to COGECA 2005, the following data on agricultural cooperatives concerning their number, market share and farmer members can be provided:

	Agric. Coops (No.)		Market Share (%)		Farmer Members ('000)	
	1998	2003	1998	2003	1998	2003
Multipurpose	121	94			150	137
Cereals			60	60		
Sugar	1		100	100	11,4	10
Milk & Dairy	276	175	94	94	152	38
Beef & Cattle	202		20	20	33	32,6
Pork						
Eggs & Poultry						
Olive Oil	44	37				
Honey	121	94			150	137
Forestry			60	60		

Regarding the turnover of Austria's traditional cooperatives, data is only available from the year 2003 for the 5 biggest agricultural cooperatives, so to speak RWA (supplies; 1,530

billion €), Agrana (sugar, starch; 0,876 billion €), Berglandmilch (dairy; 0,547 billion €), NÖM (dairy; 0,253 billion €) and TirolMilch (dairy; 0,134 billion €).

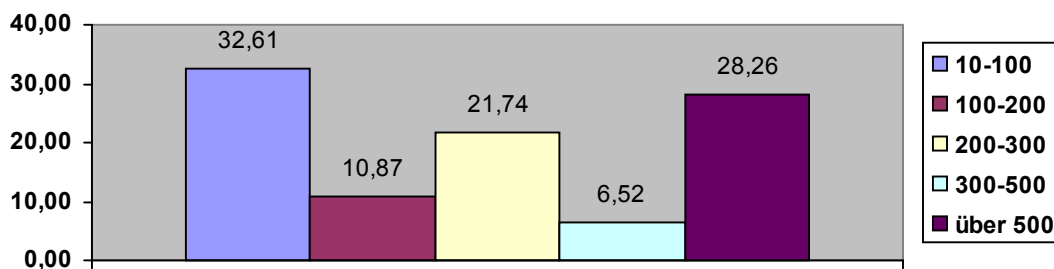
3.4.2 COFAMIs focusing on product quality differentiation

Regarding this group of COFAMIs, data is available for initiatives active in the organic sector, as within the research project OMIaRD, aiming to examine all aspects of the marketing of organic food in Europe and carried out from January 2001 to February 2004, an exhaustive survey on such initiatives was carried out.

According to the survey, 150 initiatives acting in the organic sector could be found.

Average annual turnover of the organic initiatives (%; n =46)

(Source: OMIaRD)



3.4.3 Territorially embedded COFAMIs

As already mentioned above, a study conducted by the Ministry of Agriculture in 2002 (“Lebensmittelbericht”) investigated a broad range of farmers’ collective initiatives (mainly in the field of product marketing) without claiming to be complete. The selection of initiatives in this study seems rather arbitrary. According to this survey, 263 collective farmers’ marketing initiatives were found in 2002 with an estimated participation of 32,000 farms. Out from these initiatives about 185 can, according to their appellation in which the name of the region is explicitly mentioned, be defined as territorially embedded. On the basis of these data no serious estimation about the number of farmers involved in these initiatives can be given as presumably there are several multi-participations. The number of farmers involved in the particular initiatives reaches from 2-3 up to 2.000.

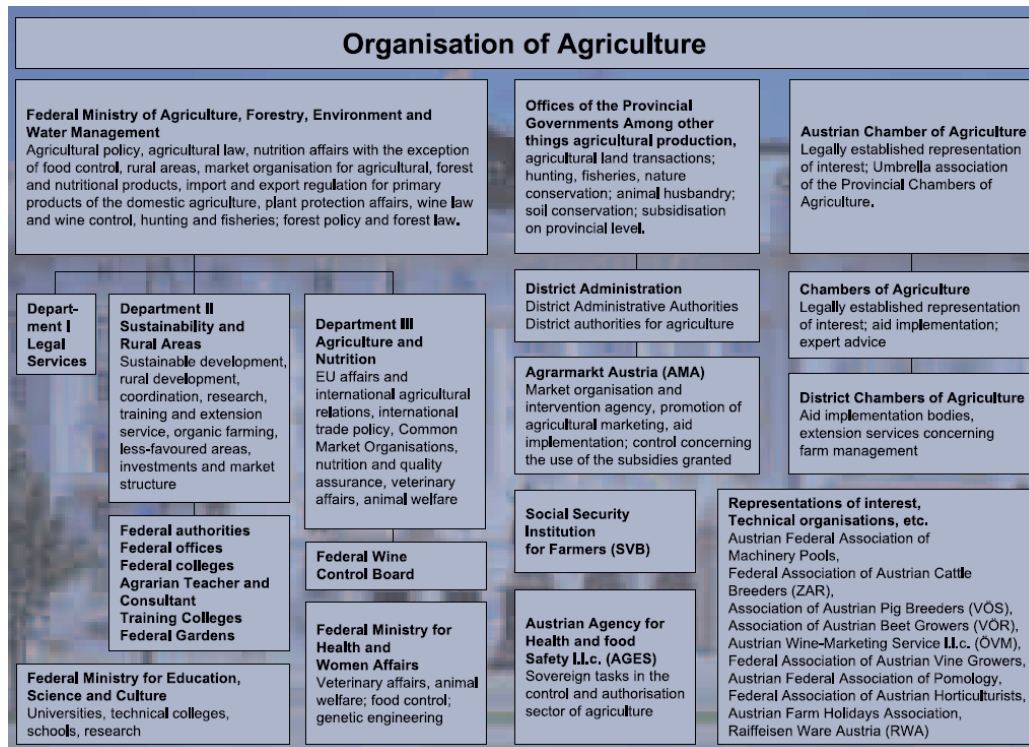
3.4.4 COFAMIs with a producer-consumer network as main focus

In the same study three initiatives can be found with an explicit focus on producer-consumer network, one of them with 30 participating farmers, one with 18 and one with 170. Unfortunately data about turnover is not available.

4 Contextual factors that affect the emergence and performance of COFAMIs

4.1 Description of the different contextual factors

4.1.1 Political and institutional factors



Source: BMLFUW (2005) [2]: p.63

The main institutions influencing policies on food are:

- BMLFUW (Federal Ministry of Agriculture, Environment and Water Affairs) is the most important institution. It has since long (end of 80s) adopted a rhetoric of advocating food quality ("Klasse statt Masse") and also of promoting new type cooperation and for instance organic farming. In practice, however, it proves to be difficult to differentiate because another rhetoric is that all "farmers are in one boat".
- There are close links between the conservative party and the second major institution, the presidential conference of chambers of agriculture (Präsidentenkonferenz der Landwirtschaftskammern). This institution in particular avoids separation of farmers in different interest groups as the institution is the legal representative of all farmers towards other economic sectors in what is called in Austria the "social partnership" (Sozialpartnerschaft). They are also executing the governmental advisory services and the administration of transfer payments and subsidies. Concerning COFAMI development the chambers of Agriculture are historically close to the old type cooperatives (esp. the Raiffeisen sector) but have been instrumental also in providing advisory services for new type COFAMIs
- Two other major players are the Agency for Food Safety (Agentur für Ernährungssicherheit) and the Austrian Agricultural Marketing board (AMA). Both are privatised from former government institutions and can be considered "parastatal"

providing services for the ministry. The AGES was founded after BSE and other food crises, the AMA is providing generic marketing for Austrian agricultural products.

- The major umbrella organisation for agricultural cooperatives (Raiffeisenverband) has been described in previous chapters at length.
- RDAs and other regional territorial networks (like Agenda 21, Biosphere parks, National parks etc.) are becoming more important for local/regional new type initiatives, very often supported in frame of LEADER.

A major impact on the discourse of food policy is connected to the accession to the EU.

The political and institutional discourse on building COFAMIs was dominated by the fact that Austria's agriculture is very small-structured and needs to strengthen pooling of products. Therefore the formation of horizontal producer cooperation (Erzeugergemeinschaften) was promoted. Also the cooperative law was amended to enable cooperatives better to act trans-national and on a larger scale.

Besides this policy to support "old type cooperatives" also new type cooperatives were supported. However, the discourse on food safety brought up a number of hygiene regulations (also in compliance with EU-law) which limited the creation of small innovative initiatives.

Although starting from the late 80s the positioning of Austria as a quality producer was promoted in reality price pressures, regulative and institutional frameworks to foster economies of scale prevailed. The use of PDO/PGI is very much underdeveloped in comparison to other countries (e.g. like Italy). The few PDO/PGI products registered are not promoted effectively.

Another general line of the discourse on food policy is to foster "consumption patriotism" (Scott and Sassatelli 2001). This emphasis was in particular strong after EU-accession when all stakeholders in the food industry were afraid of being swept by imported cheap food. The generalisation of Austrian products being per se better than any import prevents on the other hand differentiation for quality. This is of particular importance for the position of organic food. Austria considering itself the "prime organic country within the EU" uses this mainly towards the public, while internally stakeholders of the agricultural policy and institutional sector avoid a clear positioning, rather blurring the delineation with near organic agro-environmental measures. Finally this can lead to an instrumentalisation of organic for the general food sector (Schermer, 2006).

The BMLFUW and the AMA are promoting two major activities related to COFAMIs. One is the Agrarprojektpreis, a yearly competition for innovative marketing approaches, having also one group for collective initiatives. The other is the designation of certain regions as "Genussregionen", using regional typical products for the identification and promotion of a region. Another activity promoted by the BMLFUW is the "weeks of sustainability" which try to create partnerships between regional food producers and the retail sector.

Besides these institutional stakeholders, the retailer sector is in particular influential. There is a trend that government is reducing market regulations and focusing on regulation on the production level, like environmental sound and animal friendly production methods. The retailing sector, especially large supermarket chains, takes over the market regulations in a private way and force farmers and processors to certain prescribed standards. One example is the BILLA/REWE group which forced all farmers and processors who were supplying organic products to comply with the standards of Ernte (the major organic producer association). These standards are stricter than the government or EU-regulations. A similar development applies to GMO free production where certain dairies started a GMO free product line forcing farmers into certification.

EU-Programs and support from the structural fund within the first program period (1995-2000) have led to the formation of small-scale local initiatives by Objective 5b funding

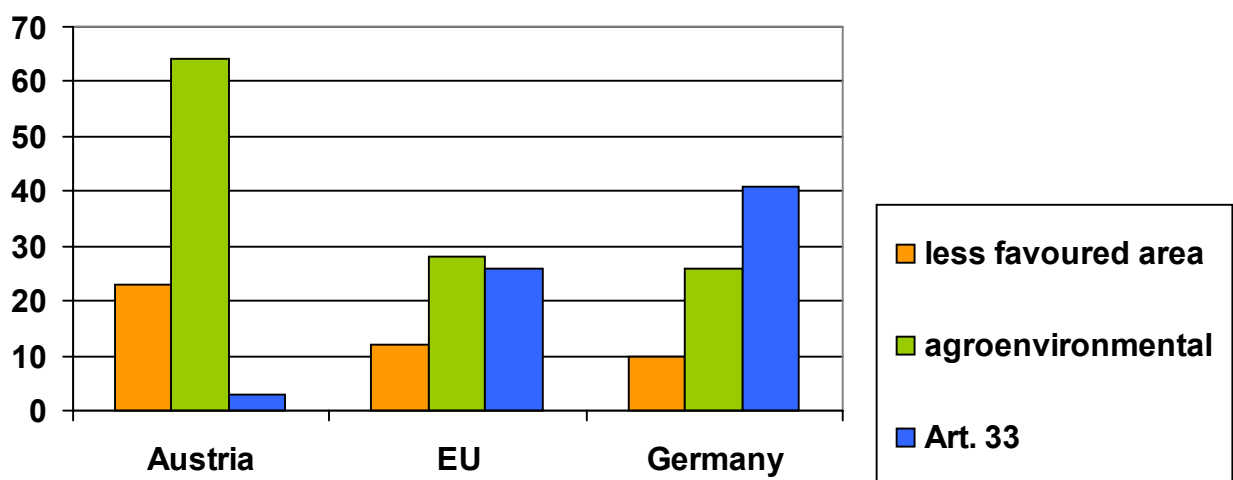
through LEADER projects. A more territorially focused development was initiated. However, even these territorial approaches are often very much sectorally dominated (Dax 2001) as the Austrian political system is strongly build on sectoral representation (Sozialpartnerschaft).

The strong position of the agricultural sector in rural development is also demonstrated by the fact that the funds for rural development in the later program periods focused more on the agro-environmental program than on cross-sectoral cooperation (like Article 33 measures)

Although Austria represents only 2.7% of the agricultural area of the EU-15, it received 16% of the EU budget for agro-environmental programs.

The following figure demonstrates this in comparison to the German approach:

Comparison of fund use within Rural Development (2000-2006)



(Source: Peter Kaltenecker, EU Commission, personal communication)

4.1.2 Economic and market factors

In general the income situation of farmers in Austria has been quite stable during the last years, although different farm types show different developments. On average the agricultural income per farm in 2004 was 19.381 Euro, which is an increase of 5% compared to 2003. In this regard the major factors for this development were the higher returns due to the firstly in 2004 introduced bonus for milk production as wells as increased prices for cattle and pigs. Expenditures mainly increased in the field of fuel and machinery servicing (+ 2%). Regarding different farm types on average the highest agricultural income could be observed in permanent crop farms, followed by farms involved in processing, farms with a high share of forest and farms with crop production. A strong decrease of agricultural income could only be observed in mixed agricultural businesses (-10%).

<i>Selected Results on agricultural income per farm types</i>			
	<i>Agricultural income</i>	<i>Changes in relation to 2003</i>	<i>Total income per farm</i>
<i>Farms with > 50% forest</i>	17.664	+5%	30.300
<i>Farms with 20-50% forest</i>	17.212	+6%	26.500
<i>Farms with mainly fodder</i>	17.447	+5%	27.100

<i>production</i>			
<i>Mixed Farms</i>	15.266	-10%	24.800
<i>Farms with crop production</i>	23.536	+4%	37.300
<i>Farms with permanent crops</i>	24.289	+11%	36.700
<i>Farms with processing</i>	24.793	+8%	32.800
<i>Farms on average</i>	19.381	+5%	

Source: BMLFUW (2005)

Characteristic for farms in Austria is the high proportion of extra agricultural income which in 2004 amounted for 10.608 Euro on average. All in all only about 54% of the total household income came from agricultural production activities, whereas 29% are extra-agricultural income and 17% are social transfers, e.g. public support for children, family grants etc.

The high share of extra-agricultural income can be traced back to the fact, that the proportion of part time farms in Austria with 54 % is quite high.

Apart from income statistics the general trend according to the engagement of farmers to take up activities that result in diversification and / or value added is twofold. On one hand intensification of farms, especially in the dairy sector, could be observed. Due to declining milk prices and growing market pressure on the European milk market, one strategy seems to be increasing production through investments in agricultural productivity as well as increasing cattle stocks or milk performance per cow. On the other hand, specifically part time farmers tend to search for farm management strategies which allow a combination of farming activities and extra-agricultural work. In this regard diversification strategies are more common, like the successful development of e.g. holidays on farm, communal machinery services, and engagement in energy production or traditional direct marketing activities.

Regarding the Austrian food market, retailers in 2004 in total obtained a total estimated turnover of 14.66 billion euros, which indicates an increase compared to 2003 of about 1.3 %. Main market actors in the retail sector are the REWE group (Billa, Merkur, Penny) with about 29% of the total market share, followed by SPAR (27%) and the discounter chain HOFER (ALDI) with 17%. Concentration processes and structural changes within the sectors are still going on, from 6,397 branches in 2004 about 2% disappeared, especially small shops with a sales area smaller than 400 m². In general the retail sector in Austria can be characterized by a strong suppressive competition by increasing sales area per branch, leading to a 20% higher sales area per inhabitant than the European average.

Also in the food processing sector cumulative concentration processes can be observed, mainly for meat and milk processing industry. With about 4.400 undertakings and 79.000 employees in 2004 the sector obtained a total estimated turnover of 12.3 billion euros (exclusive tobacco industry). Main losers in this development are small-scaled processors with mainly regional supply chains (e.g. bakeries, butchers, small dairy cooperatives), with a decreasing rate of 8% till the year 2000. Despite ongoing concentration processes along the food supply chain, small-structured food retailing enterprises and processors are still important. Especially in the field of collective farmers' marketing initiatives, either pooling produce for retailers, or operating own local/regional markets, a quite positive development within the last ten years can be observed. Increased consciousness and sensitivity of farmers for collective marketing actions, growing market pressure along the traditional supply chain and the introduction of specific public support programs contributed positively to the development and maintenance of small-structured actors along the supply chain.

The positive development of regional based production structures is mainly market driven, caused by the growing interest of retail chains in the regional and high qualitative produce within the last decade. Starting from the beginning marketing of supermarket chains of organic products in the mid of the nineties, in 2005 organic counts for about 5% of the total food supply in Austria, which is, besides Switzerland, the highest market share in Europe. Especially in the organic food sector a further increase of the market share is expected.

Besides organic certified products, massive marketing campaigns, supported by the ministry of agriculture as well as food processing industry, are aiming at increasing the awareness of consumers in Austria for regional and high qualitative products. As an example therefore the actual marketing campaign “Genussregionen Österreich” (regions of food enjoyment) of the Ministry of Agriculture is aiming to award specific, traditional agricultural products which are dedicated to a specific region of production all over Austria.

The increase of consumers’ awareness of high qualitative produces is generally recognized among all social and age levels, although the effective consumer behaviour is still far behind. This is indicated by the enormous growth rates (up to 30% a year!) of discounters in Austria and their strong increasing market share. Nevertheless, regional and high qualitative produce in the meantime is an important part of retailers and processors product range, within increasing consumers’ interest to be expected. In general consumer studies attest Austrian consumers a strong confidence in local /regional agricultural produce in combination with a high pretension for fresh and high quality food.

In addition to the dominant food supply through retail chains, two other market sectors are specifically interested in regional and authentic food products of high quality. Traditionally the direct marketing sector (including farmers markets, farm shops and recently increasingly box delivery schemes and catering services) is based on sales of high quality products with a high product transparency and authenticity. But after a long booming phase starting in the early eighties nowadays, especially because of aggravated legal regulations regarding hygienic standards and fiscal issues, consolidation is taking place. Secondly the out-of-home supply has developed rapidly over last decades, with high growth rates in the field of public canteens (e.g. hospitals, retirement homes, kindergartens...) and catering services. Although there are already some quite successful efforts to increase the supply of this sector with high qualitative produce, development is still at its early beginning. Recently the expansion of organic marketing is also influenced by the establishment of organic supermarkets.

In line with a growing awareness of regional and high qualitative produce also the issue of correct labelling of agricultural products is facing increasing importance. For the Austrian situation labelling issues are mainly driven by retail chain actors, using own brands and labels. Especially in the organic sector, retail chain brands account for an important share of the marketed produce. On counterpart, especially medium- and small-structured processors and marketing initiatives aim at creating their own brands and labels to reduce the dependency and exchangeability from retail chains. But due to low marketing budgets and less experience in this kind of development, producer-owned brands are of minor importance.

From the state perspective only clear regulation on labelling are required, with only some active involvement in product labelling (e.g. AMA Quality sign, organic quality sign)

Besides the traditionally high engagement of farmers in collective marketing of food produce, recent developments show clear tendencies in the field of non-food products, services and public goods. In this regard, specific attention is paid to production and supply of renewable energy resources. Based on a specific support program launched by the Ministry of Agriculture in 1998 the attractiveness of farmers as energy suppliers has increased enormously. Heat from biomass (woodchips or biogas) are the most common fields of activity. Nevertheless, also public services offered by farmers in the field of snow clearance, landscape cultivation or communal machinery services offer new opportunities to farmers.

4.1.3 Technical and knowledge factors

One of the major developments in the last decade, especially in the field of information transfer, is seen in the diffusion of the internet, beginning in urban areas, but at present also available in good quality in rural areas all over Austria. Actual information on markets, policy or several kinds of networks is seen as one of the key factors for the successful establishment of COFAMIS. Especially initiators of collective marketing initiatives have to

acquire the necessary skills and competencies, which due lack of information is often a difficult task. Therefore the principle of “trial and error” is most common among COFAMIs, competencies that are lacking are either performed by the group itself (learning by doing) or through recruitment (outsourcing). Besides personal skills and networks, the internet today provides a broad variety of information for farmers, e.g. in terms of processing and marketing, and in terms of potentially necessary investments, or general market requirements. The risk of taking the wrong decisions can be minimized.

Besides information in general, the internet is also gaining more and more importance in the field of the organisational and logistical handling of a COFAMI. Software-based calculation programs for fiscal and bookkeeping data processing, specific software facilitating software product purchase or ordering and e-mail as a communication tool are just a few examples. Although specifically small-structured COFAMIS, farmers-based and without an external professional management, at present are not always in favour of often to complicated or expensive IT solutions, the trend clearly shows a growing interest of farmers in this electronic tools and information sources.

Regarding technical developments and factors facilitating or hampering the development of COFAMIs are very difficult to identify, because as a general rule, these technical innovations have more impact on the individual farm level. So the impact of technical innovations in the farm sector or along the food supply chain can often hardly be associated with COFAMIs' development.

In Austria information transfer for farmers is still a major task of the farmer's organisations. The Chamber of Agriculture has almost monopolised technical and educational advice for farmers, including the administration of public subsidies in the frame of the Austrian ÖPUL program. The most important media are a weekly newspaper “Österreichische Bauernzeitung”, including new developments on markets, in policy as well as technical advice in production, processing and marketing. For some years information is also available via internet. In strong cooperation with farmers' organisations a section of the conservative political party in Austria (Österreichischer Bauernbund) is providing all sorts of information, organizing events or educational services.

For COFAMIs for the first time in 1998 a special information service was established by the Ministry of Agriculture called “Agrarprojektverein”, which is specifically responsible to support innovative processes and knowledge transfer between COFAMIs all over Austria. In this respect an internet platform was established, giving a detailed overview over various collective projects in the field of agriculture and agriculture related areas. Additionally, once a year the most innovative or successful COFAMIs are awarded with a special price.

Besides primary farmers organisations also some public funded research institutes as well as some private ones undertake research in the field of collective marketing. Results are mainly published via technical literature.

4.1.4 Social and cultural factors

The role of territorial identity

Austria has a long history in endogenous rural development approaches starting in the early 70s. These approaches were initially supported by the socialist government as a countermovement to the conservative dominated agricultural policy. They started with the concept of increase valorisation of local traditional products.

Later, towards the end of the 80s it was taken up by the agricultural mainstream also as a possible strategy in the EU-accession process (Dax 2001). However, as already reported, the sectoral dominance of agricultural institutions prevails proved a major obstacle for adopting more widely the LEADER approach.

At present we can distinguish at least four approaches with relevance for the territorial embeddedness of COFAMIs, building on local resources, esp. also on foods:

- Local Agenda 21: In 2003 there were 149 municipalities participating in this frame which originated in the Rio summit promoting integrated sustainable development on local level
- Regional Agenda 21: In 2003 seven regions participated in this frame which transforms the above concept to a regional level
- Bioregionen (eco-regions): a rather new bottom-up concept based on organic agriculture combined with regional development. Comprising of a high variation in their approach. At least 9 regions use the term in their self description (Schermer 2005)
- Genussregionen (regions of food enjoyment): a rather new initiative of the BMLFUW and AMA, which is geared towards regional positioning via promoting a typical product of a certain region. This predominantly public-relations focussed programme is growing rapidly, at present about 60 regions have been designated. (www.genuss-region.at)

This map shows the current (2005) status of “Genussregionen”



Source: Genuss Region Österreich (2006)

Most of the regions depicted build on some traditional food product relevant for the regional identity. Some of them, however, represent interesting cases for the emergence of new horizontal and vertical cooperation.

Example

Bregenzwälder Käsestrasse:

In the Province of Vorarlberg the region of Bregenzwald has a particularly high number of local dairies. In 24 municipalities 20 village dairies have survived. In addition to these there are several dairies on the alpine meadows which can only be used in summer (about 100). Compared to other regions, dairies operate on a very small scale, each on average processing about 1 million kg of raw milk annually. Consequently, collaboration between dairies assumes increased importance, although each village has a fierce loyalty to the reputation of quality of the cheese its own dairy produces. To encourage regional

cooperation in 1997 the *Bregenzerwälder Käsestrasse* was established as a flagship project exploiting the idea of thematic routes based on local dairies. About 200 supporting businesses, including the dairies themselves, farmers, trade and tourism companies are associated with it. The *Käsestrasse* has developed to form the core of tourist strategies in the Bregenzerwald, and now comprises “hay fork to dining fork” activities, offering guided tours and now including traditional crafts as well as menus filled with cheese specialities in restaurants, as well as an advertising platform for farm-based marketing activities. The *Käsestrasse* is involved in raising ecological consciousness and organises the annual *Käseforum* symposium.

Although currently supported by the Structural Funds, the *Käsestrasse* recognises the need to become economically independent; their activities also include the development of a generic cheese brand, marketed exclusively in Vorarlberg by a single licensee, and one other outside the region. This is at an early stage (only about 2 percent of Vorarlberg’s milk output is marketed in this way) and since, off the record, partners have reported some friction, it does not yet coordinate the interests of the individual dairies. It is anticipated that additional impetus will come from the new *Käsekeller*, although after construction was completed in autumn 2003 the primary aim is to operate only as a service company for storage, rather than offering a common marketing framework.

This case study shows how new forms of social capital can emerge building on historical roots:

Since the 16th century the Bregenzerwald has had a special form of autonomy with its own administration and jurisdiction, providing a distinctive identity to the region, particularly recognised by interviewees from outside; the foundation of the REGIO, a voluntary cooperation on the level of all 24 municipalities in 1971 can be seen as continuing this tradition. Its main aims are to maintain and increase the cultural, material and intellectual wealth of its inhabitants through a holistic, bottom-up sustainable development strategy. Initially, the focus was on infrastructure and improvement of public transport networks. With accession to the EU, the region was classified as a less-favoured agricultural area, and this provided opportunities to use the Objective 5b and LEADER programmes; the REGIO established the *Regionalentwicklungs GmbH* as a vehicle to implement projects including promotion of structural adaptation in agriculture and in other sectors. From the 1990s support for collaboration between tourism and agriculture led to the establishment of the *Bregenzerwälder Käsestrasse* in 1997. Another initiative, recognising the importance of natural space and cultural heritage, is a proposal to UNESCO for inclusion on the list of world cultural heritage sites. (Schermer et al. 2004)

Of course in general the global trends of a decrease of local processing structures, centralised structures for provision of food to gastronomy and tourism, urbanisation of food-styles are also affecting the Austrian situation. In addition, the small-scale production structure and high (and increasing) proportion of part time farmers are major constraints.

4.1.5 Geographical / location factors

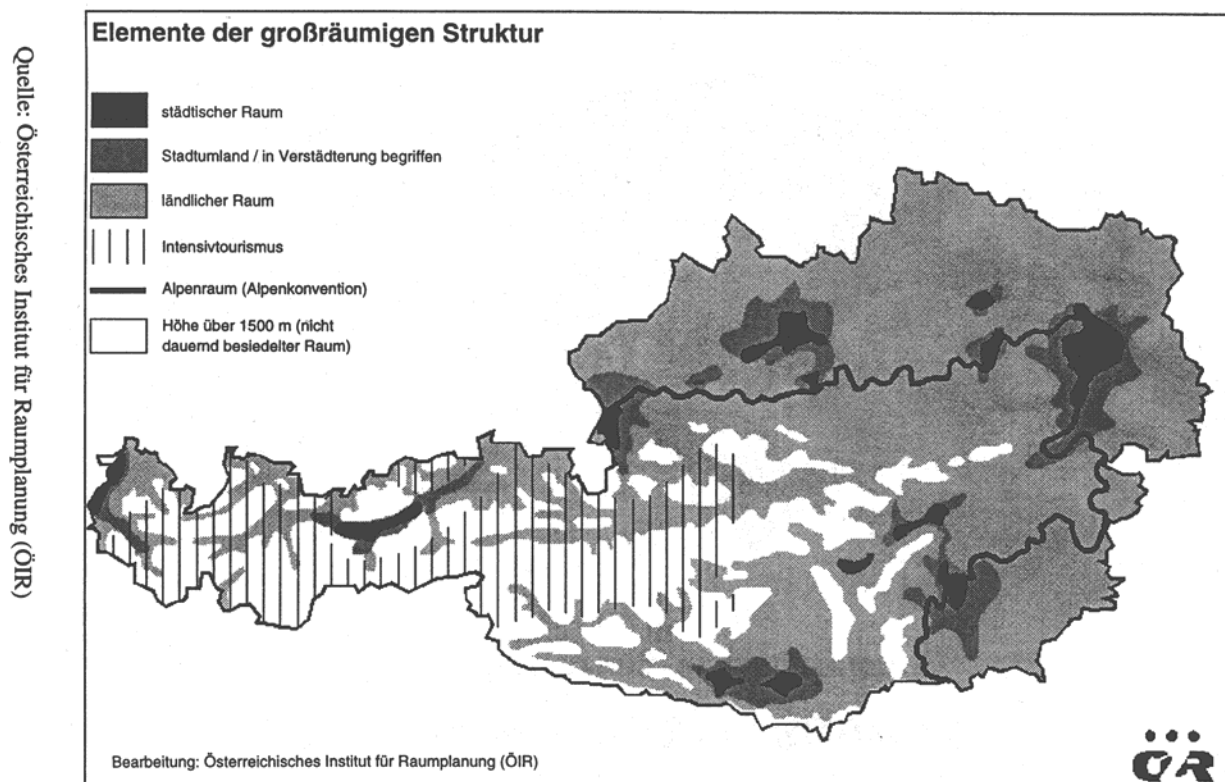
The development of COFAMI is influenced by a variety of different factors. The location factor is a very important one. In order to be successful and to ensure long-term survival of COFAMIs, they need a close market, especially for easily perishable food. Urban agglomerations enable especially small COFAMIs that cannot afford expensive logistics to market their products through direct sales. Another crucial factor is the geographical. Due to geographical conditions, the product range of COFAMI is determined. First of all some basic information on Austria’s structure will be provided.

Austria is very diverse due to the mountainous relief and the notion of a region is attributed to quite small entities. Especially in the mountainous part of Austria the population is concentrated in more or less narrow valleys and tourist centres at the valley top. This results

in a moderate to low overall population density but a rather high density, if compared to the available living space.

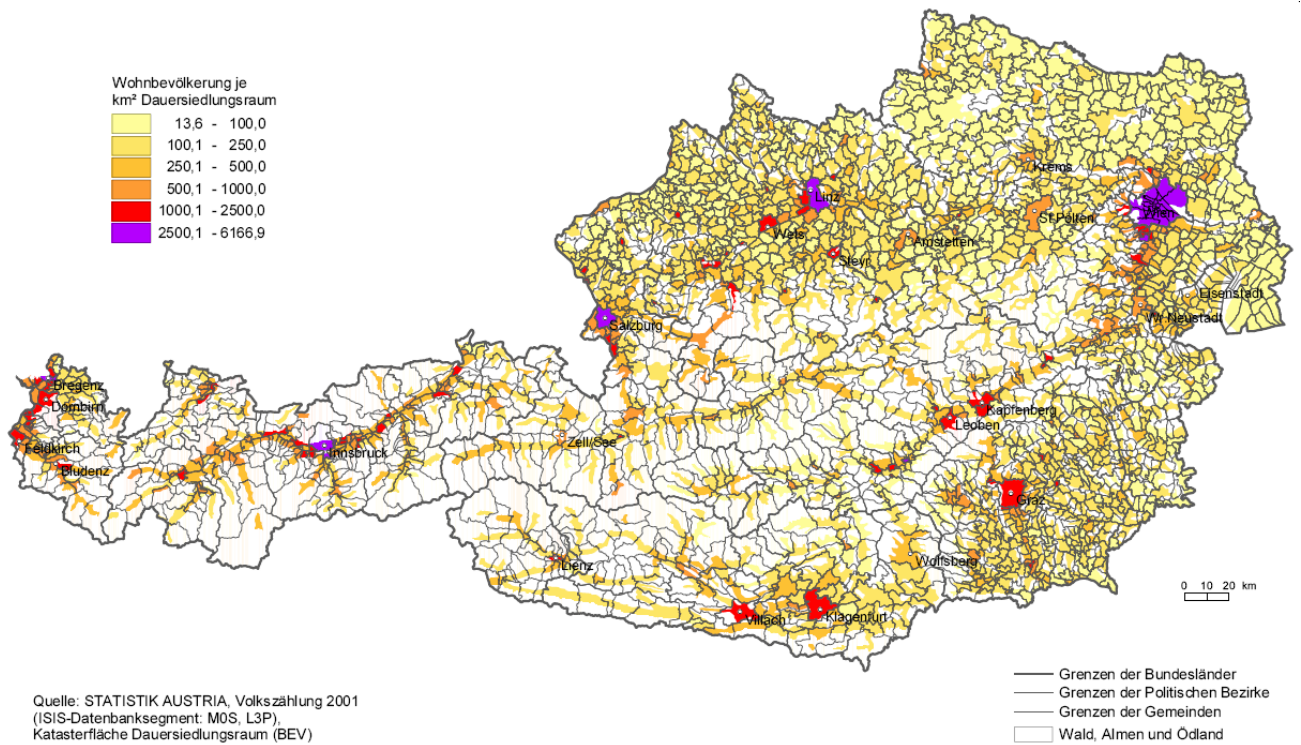
According to agronomic features, the country can be roughly divided into three main production areas: alpine areas along the main mountain range of the Alps, areas of middle altitude adjacent in the south east and the north (including areas belonging to the Bohemian massif) and rather level areas with good production characteristics along the Danube and in the north east of Austria. The biggest part of Austria's surface belongs to the alpine area.

According to EU criteria, about 78% of the country is classified as LFA, the biggest part under the heading of "mountainous areas".



Source: Bundesanstalt für Bergbauernfragen (1998)

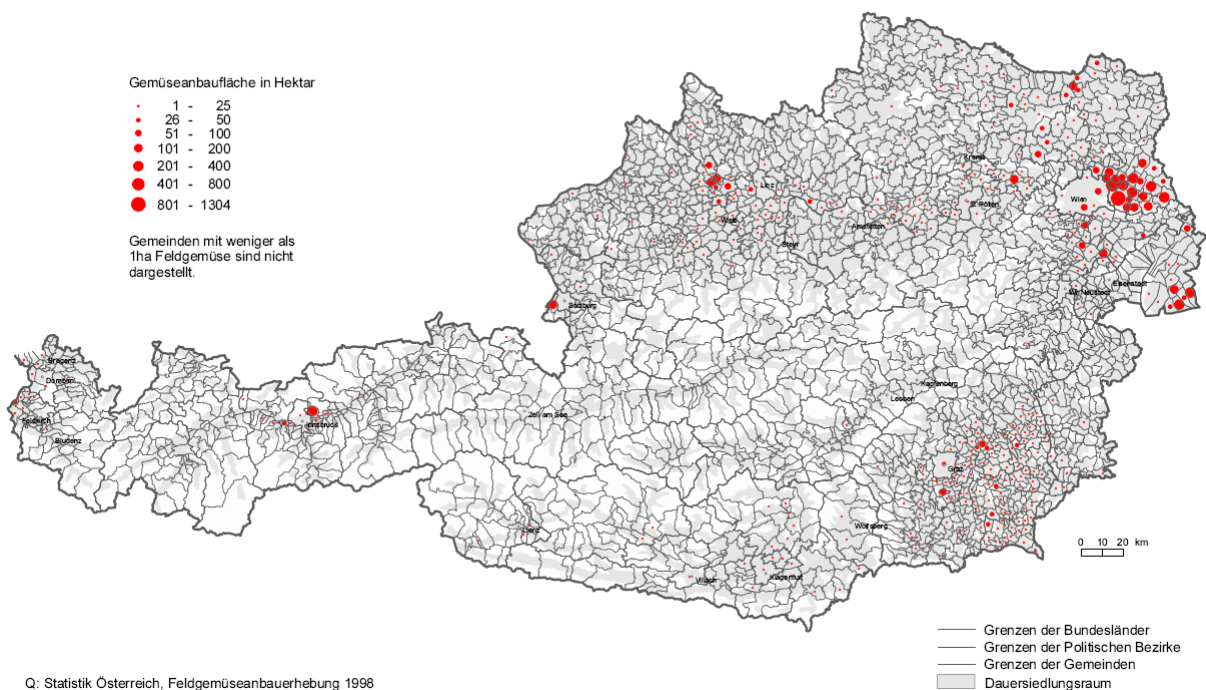
Urban agglomerations (very dark areas) are located around capitals of regional states. They are surrounded by periurban areas (lighter dark). The rural areas still cover the largest part of the country. The white-coloured area indicates an altitude of more than 1,500 m that is not permanently populated. In the alpine regions tourism (vertical lines in the graph) plays an important role. Tourism also plays an important role concerning the COFAMIs' orientation, as mainstream gastronomy is usually not willing to spend money for high-quality food, which hampers the development of COFAMIs. On the other hand, tourism provides the possibility to market regional specialities, e.g. liqueurs, schnaps...



Source: Statistik Austria (2006)

On the map above the purple spots indicate a population density between 2,500.1 and 6,166.9 persons/km². It can be clearly made out that the biggest part of Austria has a population density of 13.6 – 100.00 persons/km².

Urban agglomerations of course have an influence on the development of COFAMIs as they provide good possibilities for direct sale and consumer-close marketing forms, e.g. box-schemes.



Source: Statistik Austria (2006)

As it can be seen in the map above, the cultivation of vegetables strongly correlates with densely populated areas, as especially easily perishable food needs a close sales market.

But of course not only the population density is crucial for the development of COFAMIs. Their product range logically depends on the geographical circumstances. The area in the east of Vienna is predestinated for the cultivation of crops because of the favourable climate and soil.

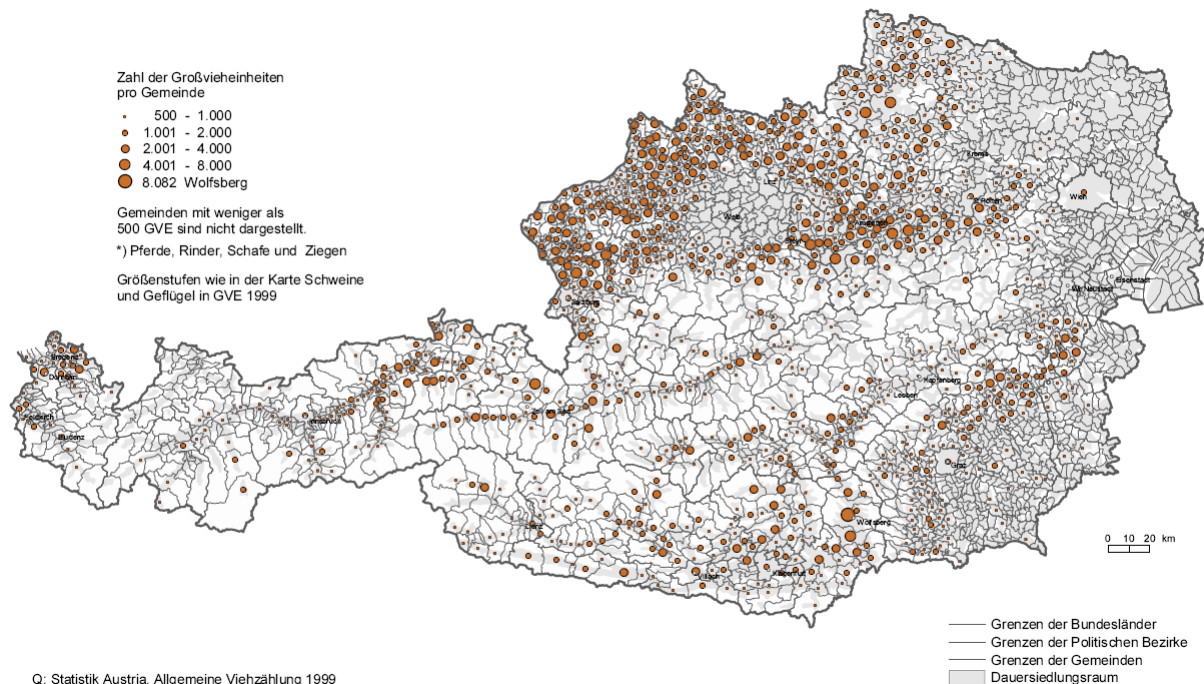
Example 1): Region Marchfeld/ Vienna

The region "Marchfeld" belongs to the federal state of Lower Austria in the east of Austria. The region stretches from the north-east to the south-east of Vienna. The landscape is shaped by the influence of the river Danube which formerly regular flooded the area. Therefore the soil conditions are of high quality and predestined for crop production. This region is one of most intensively managed agricultural areas in Austria. The average size of the farms with about 80 ha is quite large by Austrian standards. Because of the climatic conditions with low average rainfall (~600-700 mm/year) and high summer temperatures animal husbandry has little importance.

The proximity to Vienna has the most important influence on the development of the regional economy. Intensive agriculture dominates and therefore the area as such is not particularly attractive for industrial development. Therefore there are no major industries or other potential employers in the region, except in Vienna itself and most of the population finds jobs there. On the other hand obviously close to Vienna the pressure on arable land is very high for industrial purposes as well as for settlement. There high prices for undeveloped real estates cause a rapid decline of farms.

The Marchfeld is one of the few non LFA regions in Austria. The most important products are vegetables, grain and potatoes. Good soil and climatic conditions and favourable farm sizes caused a strong intensification of agricultural practices in the past decades. This has caused also environmental problems. Especially pesticide contamination of ground water and the degradation of soil quality are results of "industrialised" agriculture. The proximity to intensive conventional farms poses also problems for organic farms as natural predators of pests are reduced.

On the other hand Vienna offers an enormous market potential for agricultural products, especially for all sorts of fresh vegetables and fruits. Despite these opportunities a significant part of conventional vegetable production is processed in the food industry in the south of Vienna into tinned food and functional food. Also grain and potatoes are often processed outside the region, so that only a small part of the regional products finds its way directly to the customer.



Source: Statistik Austria (2006)

The map above shows the density of livestock units. The density of livestock units closely correlates with valleys in mountain areas, as these areas are not favourable for any other kind of cultivation. One example for such a region is the so-called “Muehlviertel”.

Example 2): Region Muehlviertel

The region “Muehlviertel” is situated in the north of the federal state of Upper Austria. The region lies between the Czech Republic in the north and the Danube in the south. The landscape of the northern Mühlviertel is hilly and shaped by very woody valleys. It differs from the southern part of the region near Linz, which is much more flat.

In the southern part of the region closer to Linz, the pressure on agricultural land is increasing. On one hand this is an effect of the permanent expansion of industry near Linz, on the other hand people working in Linz try to settle in the rural areas nearby.

The entire region is classified an LFA region. The agricultural cultivation in the region focuses on grassland and arable farming, as well as on logging industry. The average size of farms is about 30 ha, which corresponds to an average livestock density of 20-30 LSU per farm. In general the regional farming system is characterised by mixed farming with milk production and cattle breeding. The cultivation of grain, especially rye, oat and spelt, and potatoes has gained local importance only recently due to the availability of new crop varieties.

The closest market, especially for organic products, is Linz.

Especially in the mountainous regions of Austria the milk sector is an important agricultural pillar. Because of the high number of alpine pastures it is possible to achieve high-quality milk. Just in the milk sector collective farmers’ action has got a long tradition. In Vorarlberg the milk sector is of particular importance. One region there, the so-called “Bregenzerwald” has its main focus on cheese.

Example 3): Bregenzerwald

The federal state of Vorarlberg is the most western of all Austrian federal states.

The “Bregenzerwald” is a hilly area in the north of the state bordering Germany. Farms are small, as according to the traditional heritage, pattern farms were for a long time divided equally among all children.

The number of dairies has decreased enormously over the years, from about 100 in the 18th century to 20 at present, although relatively more remain in business than in many other areas of Austria. In addition, there are also about one hundred dairies on the alpine meadows, which can only be used in summer.

With accession to the EU, the region was classified as a less favoured agricultural area, and this provided opportunities under the Objective 5b and LEADER programmes.

In the beginning of the 90s a regional development organisation established a thematic route through the sub-region focusing on cheese, the “Bregenzerwälder Käsestrasse”. Geographical proximity to Germany and the good relations with this neighbouring country play an important role, whereas topography and climate limit production potential when combined with small-scale production and processing.

5 Summary of the main points of the country report

The development of COFAMIs in Austria

From a historical perspective the development of COFAMIs in Austria goes back to the second half of the 19th century, where out of the credit sector the first producer cooperatives developed, aiming mainly at the bundling farmers produce to regain more market power to the farmers themselves. These traditional forms of cooperatives were dominant until the 1970ies, where changes in production paradigms (e.g. organic production) facilitated the establishment of new types of cooperatives, integrating environmental and product quality issues as well as non-food products and services. The present development of collective farmer's initiatives shows some clear tendencies: In the field of traditional cooperatives strong concentration processes can be observed combined with a decline of such initiatives especially for small and medium-sized initiatives. On the other hand recent changes in agricultural policy and market environment induced the establishment of new forms of cooperatives, with new objectives, a higher integration in processes along the supply chain and an increasing involvement in the non food and service sector.

Characterisation of the main forms of COFAMIs in Austria

Incorporating the historical development of COFAMIs in Austria, which was mainly characterized by traditional cooperatives, recently some changes according to the objectives and integration of COFAMIs in their regional setting could be observed. Nowadays traditional cooperatives seem to follow a dual strategy based on economies of scale (as it was their initial intention) and also try to get hold of new market opportunities provided by special product qualities. Besides traditional cooperatives, various new types of COFAMIs following diverse strategies of cooperation and networking were established, focusing more on horizontal or vertical integration or on non-food products and services at all. The increasing importance of networks, the focus on high quality products and recently dynamics in the field of non- food products and services are identified as the main strategic changes of COFAMIs, although a high proportion is still on the level of increasing market access through the pooling of farmers products.

Reflections on the contextual factors influencing the development of COFAMIs

Regarding the relevance of factors influencing the development of COFAMIs in Austria specific influence has to be assigned to the political and institutional framework. An important turning point in agricultural policy can be identified with Austria's accession to the EU in 1995, where the reduction of the former instruments for market protection affected a new orientation of farmers towards the production of high quality products as well as a search of farmers for new and alternative ways to sustain their income. In line with changes in the policy frameworks (e.g. the introduction of the ÖPUL program) new instruments in the frame of the European program for rural development (e.g. LEADER) were established to support farmers in building up collective marketing initiatives. The effect was a strong increase of the number of COFAMIS from 1995 onwards, although some initiatives were shut down already some years later, mainly due to missing financial calculations or strong dependency on public support measures. Concluding the analysis shows, that the development COFAMIS is strongly influenced by the political and institutional framework, which, in the case of Austria, was facilitating the establishment of new COFAMIS as well as providing financial and technical support to already established ones.

Secondly market and economic factors can be identified as one of the driving forces for the development of collective farmer's initiatives. Declining farm incomes due to the reduction of market protection and new consumer trends (e.g. the growing demand for high quality and organic products) inspired farmers to change their production methods. It also affected new orientations of farmers regarding collective initiatives or cooperatives along the supply chains, either to reduce production costs or to get better opportunities for market access. Recent developments show also clear tendencies in the field of marketing non-food products (e.g. renewable energy), or the allocation of services or public goods, offering new diversification strategies to COFAMIs to sustain or even improve farmers income.

On the level of technical innovation and knowledge (transfers) the rapid development of electronic information tools such as e-mail or internet can be seen as factors facilitating the development of COFAMIs, although the real influence can only be estimated. However, social and cultural factors, especially the role of territorial identities, seem to substantially influence COFAMIs development. Based on Austria's long tradition in the field of endogenous rural development starting already in the 1970ies most of the regions show clear regional identities including traditional food products or production methods. The existence of regional identities could be identified as one factor promoting the development of COFAMIs. The influence of geographical and location factors integrate two main aspects namely the conditions for agricultural production and the proximity to potential markets.

Propositions for several key research questions / hypothesis for further research

Regarding the development of COFAMIs

- In which way do traditional cooperatives adopt their initial objectives, if new market developments (e.g. organic, high quality products, services, non-food products) appear?
- Is it inevitable that less innovation comes from the farmers themselves that the more professional COFAMIs become
- What is the influence of new media and ways of communication on the emergence of COFAMIs?

Regarding the establishment of COFAMIs

- To which degree must/should farmers be integrated into the decision making process of the COFAMI?
- Is it true in general that farmers are not themselves innovative and active in terms of collective action, but to a high degree reacting on changing contextual factors.
- How are vertical and horizontal networks constructed? Who is the driving force and what is the role of farmers in the creation of these networks?

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