

**D4.5 National Synthesis Report on
Case Studies in Denmark:
Thise Dairy
Fejø-Fruit**



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Encouraging Collective Farmers Marketing Initiatives (COFAMI)

Background and objectives

- 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.
- 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.
- 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.
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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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Table of contents

Background and objectives	6
Status quo analysis:.....	6
1.1 Historical context in which collective farmers' marketing has developed....	7
1.2 Present situation and trends: General configuration of collective farmers' marketing	9
1.3 Conclusions to the general importance of collective farmers' marketing ...	12
1.4 Characterisation of the main forms of collective farmers' marketing in the country	13
In the following we give a characterisation of each 'main form'	13
1.4.1 Conclusions to the identified different main forms	18
1.5 Contextual factors that affect the emergence and performance of COFAMIs	19
1.6 Summary of the main points of the country report	24
1.7 References	26
Thise dairy	28
1.8 Material	28
1.9 Short description of the Farmers cooperative	29
1.10 Organisation and stakeholders network	31
1.11 Contextual factors and driving forces	35
1.12 Capital assets and capital building	37
Social Capital	37
1.12.1 Human capital	38
1.12.2 Financial capital	39
1.12.3 Physical capital	40
1.12.4 Natural capital	41
1.13 Dynamics of the COFAMI and Critical/crucial events.....	41
1.14 Impact	43
1.15 Conclusions.....	44
1.16 References.....	45
Fejø-Fruit – a case study of regional branding.	47
1.17 Materials	47
1.18 General description of Fejø and Fejø Fruit	47
1.19 Contextual factors and driving forces	49
1.20 Organisation and stakeholders network	53
1.21 Capital assessment	55
1.22 Dynamics of the COFAMI and Critical/crucial events.....	56
1.23 Impact	57
1.24 Conclusions.....	58
Satellite cases	61
1.25 COFAMI Danish satellite case 1 for Thise: BioBourgogne Viande France.	61
1.26 COFAMI Danish satellite case 2 for Fejø-fruit: The Waddengroep Foundation, The Netherlands.....	65
Conclusive summary.....	70

Background and objectives

This report is the Danish contribution to a larger EU project on Encouraging Collective Farmers Marketing Initiatives. 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.

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.

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.

For each study country a status-quo analysis of collective marketing initiatives and relevant contextual factors have been 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 have been conducted of which the two Danish case studies are reported here. This to provide more detailed insights into the influence of different factors that limit and enable the development, performance and continuity of COFAMIs. To support the analysis and conclusion of the case studies informative satellite cases have been included in the analysis.

Status quo analysis: General description of the importance of collective farmers' marketing in the country

Since the invention of the cream separator in the middle of the 19th century and the establishment of the first cooperative dairy in 1882, the cooperation among farmers and other stakeholders along the food chain has played a very important role in the development of modern Danish agriculture. However, at the moment, agriculture is in a transition period that challenges traditional cooperative processing and marketing strategies, and probably also calls for innovative initiatives in order to cope with changing surrounding conditions.

Being part of a larger EU-project, the main objective of this status quo report is to give a general overview of the present situation of collective farmers' marketing strategies (COFAMIs) in Denmark, comprehending their historical development and identifying factors that are encouraging or hampering the development and

continuation of COFAMIs. The main focus of the report will therefore be upon factors of specific importance in a Danish context, and leave out the analysis of general and common factors such as globalisation, modernisation, etc.

1.1 Historical context in which collective farmers' marketing has developed

The Danish agricultural marketing strategy is an exclusive story of collective marketing strategies. In all agricultural sectors the vast majority of industries are farmers' cooperatives (more than 90 %).

The origin to this development path way is to be found in the late 19th century. First of all, it has to be seen as a reaction to a severe cereal crisis. Until about 1880 Danish export was mainly based on production and exportation of cereals. But in the 1870'ies market prices of cereals decreased dramatically (cf. table 2.1). In the 1880'ies the Danish farmers responded to this crisis by shifting to animal production.

Table 2.1: Danish agricultural export in million DKr (Ingemann 2006)

<i>Year</i>	<i>Living animals</i>	<i>Animal produce</i>	<i>Cereals</i>
1866-70	15	12	38
1871-75	34	26	39
1876-80	44	22	28
1881-85	50	30	3
1886-90	35	66	-10

Note: The figures are average net export of five-year periods

A key element of this transition was the creation of cooperative processing and marketing, and the development of a Danish cooperative movement. The first cooperative dairy was established in 1882 and a wealth of cooperative dairies was established in the following years. In 1890 about 1/3 of Danish farmers were delivering their milk to cooperative dairies. In 1888 alone 244 new cooperative dairies were established. The other sectors of agricultural production soon followed and by the end of the 19th century 2.650 cooperative enterprises had been established (Ingemann 2006).

In first half of the 20th century this development continued and in the 1950'ies a peak in numbers of cooperative enterprises and associations in the agricultural sector was reached. In the early 1960'ies a new fusion trend in the structure of cooperatives started both in the organisation and processing of enterprises. Similar changes occurred within all the different sectors, which can be seen as the cooperative movements' collective response to the various changes within the period of time, among others the new demands of packaging and delivering by the supermarket chains, changes to the export market, necessary investment in new processing technology and other technologies in order to increase efficiency and saving labour (Ingemann 2006).

By the mid-1990'ies the fusion process among the cooperatives was almost completed and today, within most sectors, there is only one big cooperative processing enterprise and association left (The federation of Danish cooperatives 2006).

For a period of time the increase in farm size has been the heaviest in Europe. Thus the average size of a Danish farm is 45 ha, i.e. the second biggest in Europe and more than twice the average of Dutch farms with which we normally compare.

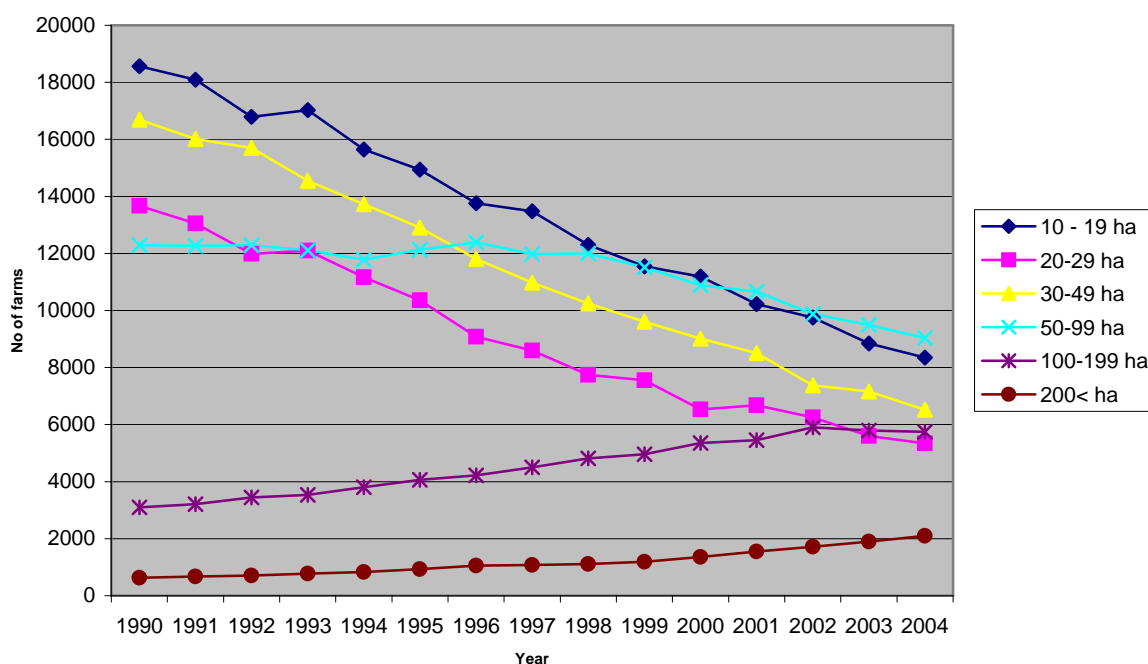


Figure 2.1: Overview of the development in farm size in Denmark, 1990-2004 (source: Statistic Denmark: <http://www.statistikbanken.dk>).

Even though there have been conflicts within the cooperative movement between different groups of interests, no serious successful attempts to follow alternative development pathways have been made (Michelsen 1984). Historically, this can be explained by the fact that a very strong independency culture evolved among the Danish farmers. Farmers were released from villainies by law in 1790'ties and law released the smallholders in 1850. The emerging cooperative strategy of processing and marketing was seen as a strategy to maintain independency from the landlords and improve income and livelihood, and at the same time the cooperatives did not interfere with the internal affairs of the farms. Right from the beginning it has been a core characteristic of the cooperative movement that farmers were to be treated equally and to have equal influence on the decision-making, the principle being one head one vote independent of farm size.

With respect to the performance of a mixture of cooperation and independency, two strategies have been of particular importance. The first strategy was to develop a kind of pragmatic consensus culture, in which all are equal and share interests and the second was to focus on an ever improving standard quality through product processing and farmers general education, etc. Probably, the success of these two strategies constitute a major explanation to the fact that Danish cooperatives made very little qualitative inventions to farming production methods and product quality during the period of time. Simultaneously consensus culture has led to very strong and firmly united agricultural associations and lobbies in Denmark.

In order to understand the present situation for developing new cooperative marketing strategies it is important also to consider the economic importance of agricultural produce. Agricultural export still plays an important role, which means that there until now has been very little focus on the development of the domestic market and on diversifying into domestic specialities. For instance Danish Bacon is hardly eaten in Denmark; instead we eat bacon made out of cheaper parts of the pig, and in the 1960'ies and 1970'ies most people ate margarine instead of Danish "Lurpak" butter.

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

To summarise, historically farmers' cooperative processing and marketing strategies have played and still plays an overwhelming role in Danish agriculture. Generally, these COFAMIs have been very efficient in modernising themselves and in coping with changes in the surrounding society. On the other hand their successful development has led to harsh conditions for alternative COFAMIs to emerge, i.e. a limited demand for niche products on the home market and strong farmers' cooperatives controlling the market.

Due to the above context, the description of the present situation and trends of COFAMIs in Denmark will be divided in two parts. The first part considers what happens within the traditional farmers' cooperatives and their marketing strategies and the second part treats of the development of alternative COFAMIs in Denmark.

Traditional farmers' cooperatives

Until the 1990'ies farmers' cooperatives had been organised around processing and marketing of standard, undifferentiated raw material. Although there could be a price differentiation in quality the producers were all in the same boat, they shared interests and the pricing system was transparent.

In the early 1990'ies globalisation, market liberalisation and structural development made traditional cooperatives respond in three different ways, namely by transforming themselves into

- Multiple string organisations
- Transnational organisations
- Different related enterprises by way of diversification

At the beginning of the nineties multiple string organisation appears in the form of merged cooperatives dealing with different raw materials like slaughterhouses with pig and cattle. Multiple strings also meant differentiation into different production methods like UK-pigs and multi pigs or like organic and conventionally produced milk. In the mid-1990'ies this strategy gave rise to some conflicts between organic and non-organic farmers within the cooperation of MD-foods (now Arla-food), especially due to the fact that only ½ of the delivered organic milk was processed and soled organic, albeit the organic farmers was paid full premium (Noe 2006). On the one hand this multiple string strategy gave cooperatives the possibilities to rationalise processing, management and logistic procedures and to deal with (and control) new differentiated market opportunities and niche products, like organic farming (Lynggard 2001; Michelsen 2001). On the other hand this also touched upon some of

the fundamental principles of farmers' cooperatives; see table 2.2.

Table 2: Comparison of traditional cooperatives and an imaginary example of sophisticated multiple string cooperatives (source: Federation of Danish cooperatives 1999. p9)

	Traditional co-operative	Multiple string co-operative
Raw material	- Standard	- Differentiated
Market for selling the final product	- Perfect competition in the market	- Imperfect competition in the market
Members	- Homogeneous – one group	- Heterogeneous – several producer groups
Members' interests	- Similar	- Different (special interests)
Member governance	- Geographical representation	- Producer group representation
Rights and obligations	- Everyone has the same rights and obligations	- Varies, depends on the producer group
Decision makers among members	- All members (indirectly)	- Selected producer groups (in some matters)
Price system	- Uniform – a common system	- Several systems - Guaranteed prices
Organisation of the enterprise	- One string	- Divided into divisions according to product areas - Activities hived off into subsidiaries
Control by the co-operative of members' raw materials	- None, or limited, indirect control	- Close direct control - Quantity control - Restrictions in form of production - Tradable delivery rights - Conversion schemes

Due to internationalisation and the effort to match the expanding limited companies on the world market, by now farmers' cooperatives have started to merge across borders. In the Agricultural Council of Denmark discussions of different possibilities for farmers' cooperatives to internationalize are continuously taking place, e.g. cooperation, joint venture and involvement of external investors. Thus, in the year 2000, the Danish dairy cooperative, MD- Foods merged with the Swedish Arla into Arla-foods and become one of the worlds leading dairy companies.

Simultaneously farmers' cooperatives have started to diversify into business groups, in order to obtain synergy effects by processing or producing other kinds of products. This is e.g. nicely illustrated in description by the case of DLG, a farmers supply cooperative that develops Agrova food, a marketing company of vegetables: They explain:

“Agrova Food is synonymous with DLG within the consumption area. The department was founded at the beginning of 1998 and the objective is to determine the business strategy as well as to coordinate activities and measures that are taken within the foodstuffs area.

One of DLG's visions from Vision 2008 is thus to get the company involved in a number of new trades that are closely related to the traditional core area – feeding stuffs. The consumption area is one example of this. It was once a

small activity but has today developed into being one of the areas with the highest growth within the DLG Group, and the overall mission is clear; The companies in Agrova Food shall work on achieving a better economy for their owners by, among other things, obtaining a market position that can generate a high, financial return in Agrova Food's area" (DLG 2006)

The traditional farmers' cooperatives have undergone a tremendous transformation process from small cooperative processing and marketing companies to big multinational business groups, a transformation process that has also changed the internal strategic logic of the companies to a mixture of cooperative and limited logic.

The success of the cooperatives and the underlying consensus strategy of the farmers also mean that they have a very strong influence on the Danish policy, regulation and food regime, facilitating the logic of mass production, and the way that food security and quality standards are handled. In order to protect export interests the big Danish cooperatives opt for a very strict control on quality (standardisation) and food safety.

Development trends of alternative COFAMIs

No comprehensive review on the recent development of Danish COFAMIs, has yet been made. Nevertheless, an extensive review of literature and Internet sources reveals three alternative development pathways evolving at the moment, influencing the emerging new COFAMIs:

Development of organic agriculture

- A new trend on gourmet food initiated by chefs
- A revitalisation of local regional food in relation to regional development.

Since the early 1980'ies there have been a series of individual and collective marketing initiatives from organic farmers, e.g. organic dairies and fresh food terminals (Oldrup 2000), farmers' markets, farm shops, etc. Even though organic food has a very high market share in Denmark the dominating food regime has been able to assimilate organic produce into their own marketing strategy as a niche produce. Only 12% of the organic food consumed in Denmark is sold through alternative sales channels (Kledal 2006). Still these alternative processing and marketing initiatives are facing very hard times to survive. Very recently two apparently successful initiatives have gone bankrupt. These initiatives were and are driven mainly by two desires, i.e. to expand the organic market in order to get the necessary additional price for organic products and to establish a close value based relationship between consumers and producers (Oldrup 2000; Kjeldsen 2005).

In the mid-1990'ies a new generation of Gourmet chefs gained a strong popularity in Danish television and become a part of a new 'gourmet wave' in Denmark. Even though it has mainly resulted in a fashion of very expensive kitchens, it has also helped to increase demand of high quality and aesthetic food products. Seemingly a growing niche market is emerging in the wake this development.

A network called The European network on Culinary Heritage has its' origin in a cooperation between people from the south of Sweden (South East Scania) and the Danish island of Bornholm in the mid-1990'ies. It was initiated as a Leader II

initiative. More regional culinary projects have followed with the Leader II+ programme, among them “Smagen af Nordjylland” [The taste of Northern Jutland], Kulinarisk Netværk Falster [Culinary Network, Falster], Sønderjyske madglæder [The relish of Southern Jutland]. One could say that Leader II+ has facilitated a kind of national wave of reinventing local food specialities that had almost disappeared through the industrialisation of agriculture and orientation towards export markets. However, this wave has not as much been initiated and driven by farmers as by other kinds of actors involved in and concerned by rural development. Especially the smaller islands of Denmark have been in the vanguard of this development.

From a Danish perspective, a reasonable question springing from globalisation discourse could be: Why focus so much on alternative COFAMIs and their home market, whilst 90% of our produce is exported to the world market *and* cooperatively produced? In volume, the innovative COFAMIs linked to the above mentioned development pathways are not that important the moment, but more circumstances point to fact that they may have a strong indirect importance on what is presently going on, both in terms of introducing new brands and quality standards into the shelters of mainstream retailers, and by paving the circuit for alternative relations between producers and consumers. Kledal (2006) foresees a development towards a further polarisation among retailers, where the majority of food will be sold through discount and hypermarkets, which will leave more space to niche market of high quality food associated with aesthetical experiences as well. According to this scenario Mid-size retailers will gradually disappear.

1.3 Conclusions to the general importance of collective farmers’ marketing

The cooperative movement has been very successful in Denmark both with respect to developing a strong and unified processing and marketing strategy and also with respect to coping with changing conditions and developments. This also applies to recent development trends where the answer to globalisation is the merge of local processing factories into national and further to multinational enterprises, and to new trends in quality where the answer is internal differentiation. Both within milk and meat traditional farmers’ cooperatives are processing and marketing more the 90 % of the Danish produce. Historically, this has left very little space to other development pathways and led to a strong unified food chain policy regime in Denmark.

However, the sublimation of the development strategy of these traditional cooperatives, combined with an emerging focus on rural development issues and changing expectations from the social surroundings are opening new space for innovative alternative COFAMIs. Within the recent years a myriad of new initiatives have emerged, reflecting the human and social capital present. Unfortunately, only few of the latter have yet proved long term successfulness.

Collective farmers’ marketing initiatives have played a paramount role in the history of Danish agriculture (and culture) and they are a strong part of the present social capital. However, we are at a kind of crossroads in terms of collective actions. On the one hand, more and more the traditional farmers’ cooperatives are taking the shape of limited companies. Structural development is happening fast and the producing units reach a size, where cooperation is no longer necessary. On the other hand there seems

to be lot of resources in terms of human and social capital to initiate new innovative collective marketing strategies. However, these strategies seem to face harsh conditions gaining ground. . It seems to be a very interesting period of time to study, to learn and hopefully to be able to facilitate these innovative collective actions on marketing.

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

Different forms of collective farmers' marketing that can be found. Although farmers' marketing in Denmark is dominated by modernised cooperative societies these years, a wide range of new initiatives is taking form. Many of these initiatives are not yet maturely developed and pathways therefore not well exploited. In the effort to make a typology based on these cases we have chosen to start from the rationale around which the collective marketing initiatives are organised. By rationale we mean the values, skills and knowledge that create and sustain a connection between the actions of the marketing strategy. We have reached the following major forms of COFAMIs:

1. Traditional (modern) cooperative companies:

Pooling products in processing, logistic and sales.

2. Neo-cooperative companies:

Production, processing and sales of distinct quality produce, including the quality of primary production

3. Homogeneous Network-associations protecting and branding a certain product

Collective branding of a distinct production concept often regionally bounded.

4. Network associations of alternative food chains:

Collective actions to establish and reproduce a platform or framework of alternative relations between producers and consumers.

5. Heterogeneous plural-activity-networks promoting regional development

An umbrella organisation to exploit and support possible synergies between locally or regionally based activities and enterprises

In the following we give a characterisation of each 'main form'.

Traditional cooperative companies

As described in chapter 2, almost exclusively all agricultural produce in Denmark is processed and marketed through traditional (modern) cooperative companies.

Nevertheless, traditional farmers' cooperatives that have gone through a tremendous transformation process from the beginning in the late 19th century:

- They have merged into one or two cooperatives within each branch
- Cooperative societies still have the ownership but in most cases with limited liability. The board is held by farmers' representatives. However, the executive board held by professional business managers.
- Cooperatives nowadays consist of a mixture of a farmer's cooperative society and a modern business group, involving an array of subsidiaries and activities. There is a growing internal differentiation into sub- divisions of production (The Federation of Danish cooperatives, 1999). This means differentiated production and payment to different producer groups, e.g. to organic and conventional cooperative shareholders. This is leading to a situation with

declining common interests and less transparency in market prices and internal costs.

- Due to their big volume these cooperatives have a strong position on the domestic market and a strong bargaining power on the international market. Common to these companies is the fact, that they are responsive to globalisation, and that they primarily compete on price and standardization of quality and health safety. The main market is the big retailers' chains offering a full product range within a certain branch of products, e.g. milk or meat.
- They operate on national and international scale, with no particular local or regional affiliation. Processing plants are centralised and situated at strategic points in relation to the infrastructure.

These cooperative companies have been very successful in creating responses to the changes in the surrounding society, in terms of changes in technology, globalisation, etc.

Illustrative case: Arla-food (Source: www.arlafoods.com)



Arla Foods was formed in the spring of 2000 following the merger between the Danish MD Foods and the Swedish Arla. The objective of the merger was to enable the company to match the size of its customers, the large, international multiples.

Arla Foods is a co-operative owned by approx. 10,600 milk producers in Denmark and Sweden.

The Arla Foods Group is Europe's second largest dairy company. In the 2004/05 financial year, the Group received 8.4 billion kg milk and a turnover of approx. DKK 46 billion. The figures include milk volume and turnover from the UK dairy company, Express Dairies, which merged with Arla Foods' UK subsidiary,

Arla Foods plc, in October 2003. Following the merger, the UK has become the Group's largest market, accounting for 33% of the total turnover. Sweden and Denmark account for 22% and 19% respectively while other European markets account for 13%. The remainder of the turnover derives from overseas markets.

Besides Denmark, Sweden and the UK, Arla Foods operates subsidiaries in the 19 most important export markets:

The Group exclusively produces milk-based products. Besides Denmark, Sweden and the UK, Arla Foods has production plants in Saudi Arabia, Argentina, Brazil and Poland and licensed production in USA and Canada.

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Neo-cooperative companies

Neo-cooperative companies are farmers' collective marketing strategies that build their cooperation around one processing and/or marketing company.

It is not necessarily only the producers that are shareholders; other persons involved in the food chain such as processors can be shareholders, as well. Strong commitment to the cooperative marketing strategy and the values and ideas behind are some of the keywords, and the strategy of collective marketing to some extent goes ahead of the strategy of the individual farmer. This strategy of commitment is possible because the initiatives are initiated and steered by farmers.

The first COFAMI of this form was established in the late 1980's and emerged from the organic movement as a countermovement to the trajectory of the traditional farmers' cooperatives. Especially within the organic sector we find mature cases of this form of COFAMI, but also emerging ones.

- Contrary to the traditional farmers' cooperatives neo-cooperativeness is not only a question of a cooperative strategy of processing and marketing, it is also largely dealing with the way farming proceeds based on an understanding of quality, that re-link production, processing and marketing.
- Neo-cooperative COFAMIs orientate their marketing strategy towards niche markets, both through conventional retailing and alternative market channels like box schemes and special shops and they try to avoid competition on price on the bulk market.
- In order to decrease vulnerability of mimicry and to establish a strong connection with both retailers and consumers, neo-cooperatives strive to have a large assortment.
- Neo-cooperative COFAMIs do not necessarily have a particular local affiliation. But they are woundable to enlargement beyond the farmers' commitment and the logic of niche markets.

Illustrative case: Thise Dairy

An organic co-operative dairy established in 1988 in cooperation between a group of newly converted organic farmers and a privately owned dairy. The dairy is situated at Salling in the middle of Jutland south of the Limfiord, with farmers spread in a radius of about 100 km.

Presently, there are 64 members of the cooperative, and 25 farmers on the waiting list. Even though the dairy in the beginning of the 1990's for a longer period of time was unable to pay the same price to the producers as MD-foods farmers stayed with the dairy and even more farmers joined (Noe 2006). The total turnover is 27 billion litres of milk, app. 0.6 % of the total Danish milk produce and 6,6% of the total organic milk production in Denmark.

Thise's strategy builds exclusively on a niche market. This is how Thise's strategy is formulated [authors translation]:

“According to the trend units have to be larger and larger in order to survive and to have a right to exist. When other actors go for the advantages of scale Thise Dairy strives to optimise the advantages of small-scale production, i.e. to obtain maximum utility of the advantages of being a small producer: manoeuvrability, adaptability and the desire and skills to develop niche products” (Thise, 2006).

Thise Dairy has established a strong brand with a full portfolio of dairy products and in 2006 the dairy won an image prize being the best branded Danish company.

To strengthen the relationship of product quality and the quality of the raw milk, the cooperative is continuously developing new products e.g. by introducing new ways of feeding (like hay feeding) and by separating milk from different cattle breeds. Furthermore the farmers have established farmer field

schools in order to increase animal health and milk quality and to reduce the use of antibiotics (Vaarst 2006).

Homogeneous Network-associations protecting and branding a certain product

Here we are dealing with a form of COFAMI that is promoting and protecting a regionally based and typically protecting one particular product and brand. Such products could be branded on a mixture of certain geological/natural conditions; a certain set of production methods and shared history and storytelling.

- The network organisation is typically organised as a guild, with formal board and executive committee. Members are mostly farmers, however other actors involved in processing can be members as well.
- Due to the logic of a marketing strategy of protection the number of members is limited, and typically demarcated by natural borders. However the number of members can be up to 40, such as in the case of Lammefjord Carrots.
- The initiatives are typically initiated and steered by the guild, not in order to obtain power in terms of volume and market share, but more build a quality relations with the other actors of the food supply chain.
- Members are typically from a particular locality, but marketing can be national or even international.

This type of COFAMI or network is a relatively new phenomenon in Denmark, but has been known in other areas of Europe for centuries. Only a few of these initiatives have reached a matured stage of development, most are only just in an evolving phase.

Illustrative cases: “Lammefjord Carrots”

The Lammefjord, was reclaimed land in 1873, from an inlet. Due to the very fertile soil Lammefjord has become a popular place for growing vegetables, especially carrots. To extend the knowledge of Lammefjord and to promote the sale of produce a guild was formed in 1996 which today has 40 members. It is one of very few Danish demarcations that has obtained the EU logo of PDO/PGI.

The members of the guild do not have a shared packaging and food chain strategy, but all members are

allowed to market their products under the brand of “Lammefjord. As reclaimed land the area has a clear boarder of membership (Lammefjordens Groentsagslaug 2006).

Store Vildmose kartofler[Big Wild Bug potatoes]

This COFAMI is organised as a guild to promote a shared marketing of potatoes grown in the raised bog. The guild is initiated and managed by 6 farms, together growing potatoes in about 250 hectares of about 900 hectares of cultivated land. The guild was supported by art. 33 means. The shared vision of the guild is formulated as follows [authors translation]:

“...to explain to the surrounding world the extraordinary quality of potatoes grown in” Store Vildmose” [Big Wild Bug] due to special and favourable conditions for growing quality potatoes in the soil of the bog, and due to growing methods applied by the farmers, the combination of both giving sublime taste experiences, a quality that cannot be produced elsewhere (Kartoffellaug 2006).

Network associations of alternative food chains

Network associations to establish shared market platforms for alternative relations between producers and consumers. These platforms can be based on a physical market place, a marketing cooperation, or a virtual market place on the Internet.

- Characteristic to these COFAMIs is that they deal with a wide range of fresh food products, and the fact that in some cases, they involve provision of quality products to the food service sector, such as restaurants, schools etc.
- In contrary to the above mentioned three types of COFAMIs this kind does not interfere with production and processing, but provide a platform for marketing of niche products. The rationale of this kind of COFAMI can best be expressed by a quotation from one of the initiatives “Free birds are flying in flock” [author’s translation] (Smagen på nordjylland 2006).
- Typically, networks of associations of alternative food chains are not the exclusive marketing strategy for farmers but a supplement to traditional sales channels.

It is not possible to say anything definite about locality and scale of these initiatives, some are linked to a physical place, like a weekly farmers market; others are linked to a virtual place like an internet portal, but common for these marketing strategies is the short distance in the food chain between producer and consumer, and thereby the possibility for direct communication.

- The initiatives and workload seem often to come from a few farmer or consumer idealists that want to promote niche markets. However the number of members that use the platform can vary from a few to more than 100.
- Network associations of alternative food chains can both be formed as independent associations with their own board, etc., or they can be formed in relationship with a larger association e.g. run and supported by a subdivision of the farmers union.

The number of this kind of COFAMIs have been decreasing for decades to the level of almost disappearing in the mid 1980’ies, however two circumstances seems to facilitate the emergence of new initiatives, one is the new focus on food quality, authenticity and not least the aesthetics of food quality, the other is the internet and the reinvention of the virtual locality. A lot of initiatives are emerging right now,

but only a few have reached some degree of maturity. Among maturing cases are the ones below:

Illustrative case: Landkoeb. [Farm shops]

Landkoeb is an Internet portal to promote shared marketing of farmers' shops. Landkoeb is owned and run by the farmers union as an offer to all members of the union that want to marketing directly to the consumers. It was originally initiated in 2001 by the small holders association. After the fusion in 2003, between the two farmers associations to Danish Agriculture, it was decided to transfer the activities of the portal to "Danish Agriculture". About 230 farmers and small food producers are marketing through Landkoeb (Landkoeb 2006).

Heterogeneous plural-activity-networks promoting regional development

Heterogeneous plural-activity-networks promoting regional development are cooperative networks and umbrella organisations that explore and support possible synergies between locally or regionally based activities and enterprises in marketing.

- These kinds of collective strategies involve a heterogeneous group of actors, e.g. farmers, NGOs, local authorities, local industry, tourist agencies etc., with a shared interest in promoting the development of a certain rural area.
- These networks typically consist of a wide range of more or less interlinked activities. They can be more or less formalised, and they often work as umbrellas for different smaller projects.

Seemingly, these kinds of pluri-activity-networks are quite new phenomena in Denmark, and they have an almost exclusive connection to Leader and goal 5b means.

There is a big variety in the degree of the involvement of farmers to these networks; in some cases local authorities in other cases have taken initiative by farmers' associations. Many of these networks organisations are probably on the borderline of what can be characterised as COFAMIs. However there is at the moment an increase in numbers and they play an important role in the Danish discourse in relation to rural development.

Illustrative case: Bornholms Madkultur [Food Culture of Bornholm]

Bornholm is a larger Danish island situated south of Sweden some hours by boat from Copenhagen. Bornholm has been very affected by the decreasing employment and income from agriculture and fishery. Today tourism is the major income at the island. Food Culture of Bornholm started in 1996, supported by Leader II means, as a part of the invention of the idea of culinary heritage. A regional development centre was established in an old mill. The main purpose of this centre was to support small food processing initiatives and shared marketing strategies. Among the activities, a known radio speaker was hired to support marketing of regional products, and he managed to get a contract with a small but lucrative supermarket chain in Copenhagen.

1.4.1 Conclusions to the identified different main forms

The traditional modernised farmers' cooperatives have played an overwhelming role in development of Danish agriculture and processing and marketing strategy.

Analytically, the emerging forms of COFAMIs can be seen as different strategies to exploit an empty room left over by mainstream production. The identified forms can be seen as four different strategies to reinvent "locality" in marketing:

1. By strengthening the relationship between the quality of production and quality of processing

2. By strengthening the relationship between locality (soil, nature and culture) and products
3. By strengthening the personal relationship between producer and consumer, and finally
4. By utilising the possibilities of synergy of local cooperation between different actors

Many of the identified initiatives are very young, and it will be interesting to follow the development of these initiatives in the coming years, and to see how these initiatives will cope with the contextual factors enabling and hampering their development.

1.5 Contextual factors that affect the emergence and performance of COFAMIs

In the following analysis we will focus on development trends that are particularly important in order to understand and interpret the development of new COFAMIs in Denmark. The structure of this section follows the questions asked in the guidelines.

Political and institutional factors

Institutions and Policies that somehow affect COFAMIs

The mid term evaluation of LeaderII+ 2003 recommend in its' conclusion that: "the composition of the programme should be changed in order to focus more on rural development." (Kvistgaard Consult 2002 p. 17). The former programme was formulated under the dogma of 'what is good for agriculture is good for rural development'. And the majority of measures were targeting and supporting development of the individual farm in terms of scale and enlargement and in terms of environmental supportive measures. As such measures reflected the two main policy powers involved: a strong well organised and widely unified farmers union, and a strong NGO: Danish Society for Nature Conservation (DSNC).

Role of stakeholders?

At least rhetorically, much more attention has been attached to rural development issues in the development of the coming rural development program, and to follow the EU-political desire on moving support from pillow 1 to pillow 2 and 3. However, it seems as if the majority of the money, at least in the short run, are channelled to nature 2000 measures, and only a limited amount will be targeting pillow 3. A solution that satisfies both the farmers' desire of 'returning' the money directly to the farmers, in line with the mainstream development pattern of Danish Agriculture, and DSNC objective of protection to valuable nature areas.

Attention on collective marketing in policy discourses and the impact of Danish legislation on COFAMIs

The Danish policy institutions have played an important role in the development of organic farming, both in developing the Ø-label and certification and control, together with the pioneer farmers. Policy institutions have also supported research, education and conversion within organic farming. However, in accordance with the Danish development pathway, described in the introduction and the strong policy influence of the farmers' cooperatives, Danish legislation is naturally fitted to the interest and logic

of the big processing companies. Danish legislation has not been supportive to niche production so far. Present regulation on food safety and control is adjusted to large-scale production and make small-scale production difficult and expensive. For instance, at the moment it is almost impossible to have smaller amounts of chicken or lamb slaughtered in Denmark.

Economic and market factors

Recent trends: To what extent are farmers inclined to take up activities of diversification and value adding?

The reaction of Danish farmers to globalisation and market trends has almost exclusively been enlargements in scale, and Danish farmers are in the vanguard of the European farmers in that respect. Danish farmers, so far, have been rather successful in following that strategy in parallel with the development of the processing coops. Simultaneously, the small holders' association has become weaker and weaker, and has recently merged with the national farmers' association. Other farmers' movements are almost non-existing in Denmark. .

The push to diversify and to apply value added strategies does not come from the part-time farmers. Part time farmers in Denmark consist of a mixture of retired farmers and people with full time occupation outside the farm. The farm income plays of minor role of household economy.

There is a rather strong farmer driven organic movement in Denmark, that has been supportive to alternative marketing pathways and forms of cooperation, however within the organic movement cooperative strategies between organic and conventional processing and marketing are dominating. (Lynggaard 2001) labelled as a creative conflict strategy. Also we find the same major trend of specialisation and enlargement within organic farming as within conventional farming (Noe 2006).

The overall conclusion is that the development so far has not led to any major trend in the direction of diversification and obtaining of value adding production forms. There has been a strong consensus around the scale and enlargement strategy among the major actors involved in agricultural development. This strategy penetrates all the major market actors in the food chains in Denmark.

Only very recently, as discussed under the political institutional factors, attention has been paid to alternative pathways, partly due to the growing attention to the negative environmental effect of ever increasing specialisation that oppose a pressure on the scale and enlargement strategy. Another important aspect is the pressure on rural development especially on the smaller islands and less dense populated areas of Denmark. Here the pressure/initiatives are primary coming from other people than farmers. And in these areas there is a growing attention to the need for diversification and value added production to maintain rural livelihood, and inhabitants of the islands at all.

Trends in food supply chains and COFAMIs

According to Kledal's (2006) analysis of the organic vegetable food chain there are four major factors of the recent development in retailing, which are relevant to stress in relation to the possibilities and strategies of the COFAMIs:

- 1) Shop size is increasing radically.
- 2) The numbers of medium size discount stores are increasing radically.
- 3) The number of independent retailers is decreasing dramatically and simultaneously a vertical integration among the stores is taking place. Two big supermarket chains control the Danish retailer market: Danish Supermarket and Coop Denmark, both with their own buyer organization. This means that independent wholesalers disappear and medium size processing industries have hard times to match the big actors.
- 4) Finally, there is a change in the power relation between producers and retailers, where producers more and more buy shelter space of the supermarkets. Producers here have to take all the risk burden of selling their products themselves, (Kledal 2006). This makes it much more difficult for small scale production and marketing.

In summary this development makes the condition for small-scale value-added production and marketing very harsh under Danish retailing structure, which really opt for collective marketing strategies on the one hand and the growing of big producer business and cooperative marketing on the other.

What happens in the field of quality standards / labelling?

In terms of quality standards and labelling, aside for specific brands only the Organic Ø label is strong in Denmark. The Ø-label was developed and driven in a unique cooperation between the organic movement and the state, and at the same time there Coop Denmark took great interest in promoting and using this label in their marketing (Michaelsen 1996).

In the 1990'ies a research driven initiative to establish IP label failed to become a marketing label, that support differentiation of prices. However, it has become a general quality standard for a wide range of conventional produced vegetables. According to Oldrup (2000) one of the explanations was that the retailers were not interested in promoting and marketing more labels.

Consumers' demands?

There is no direct analysis available on the consumers' demands on high quality food products, but there are some figures that can be used as indicators on the recent trends.

If we take the organic share of food consumption it is estimated to around 5 % in 2002, estimated with an increase of 0-5% per year. However it is also worth noting that the discount and supermarkets are having more than 50% of this turnover, cf. table 2.3. On the one hand this could be interpreted as a growing demand for quality products among mainstreams consumers. An alternative interpretation could be that there still are strong concerns linked to the price.

**Table 2.3: Sales channels and their total turnover and sale of organic food (%)
(from Kledal 2006, p40)**

	Share of organic products in total turnover	Share of the total organic sale (per cent)
Big hypermarkets	4,3	7,0
Discount	4,5	22,5
Medium hypermarkets	4,8	15,8
Supermarkets	4,5	30,5
Mini markets	3,2	4,2
Alternative sales channels	29,7	12,6
Others	6,3	7,3
Total	5,0	100

Source: National Organic Association, www.alt-om-okologi.dk/forbrug/forbrugeranalyse.

A recent study on willingness to pay for quality and food safety on chilled chicken shows that consumers in average was willing to pay 43 D.Kr. (app. 5.7 Euro) extra for a chicken with documented animal welfare and food safety (Christensen et al. 2006). So even though the general trend is going towards discount market there is a contra movement in the direction of a growing demand for high quality food.

Attention on non-food products and services?

Except from some attention to bio-energy and a little attention on rural tourism, no real market has emerged on non-food and services yet. Opposite to e.g. Norway and The Netherlands we have no green care organisation. However in the rural development program being developed at the moment a strong emphasis will presumably be put on non-food and bio-energy.

Technical and knowledge factors

Development and access to technology relevant for COFAMIs

Access to Internet is well developed, cf. table 2.4. At the moment the Danish electricity supply companies are running a campaign to connect all Danish household with fibre-optics cables. Cf. table 2.5 Internet retailing is growing and at the moment more than 1 third of the population with Internet access are buying regularly over the Internet. Another indicator is that, at the 1st of August a new Internet supermarket has been open.

Table 2.4: Access to the Internet in the population.

Year	2001	2002	2003	2004	2006
Access to internet in %	73	76	79	83	89

Source: Statistic Denmark: <http://www.statistikbanken.dk>

Table 2.5: Ordering of goods or services over the Internet within the last month, % of Internet users.

	2004	2005	2006
Total	29	33	38
Men	33	37	43
Women	25	29	33

Source: Statistic Denmark: <http://www.statistikbanken.dk>

In general terms of technology and knowledge Danish agriculture and rural areas have widely access to high quality technology and knowledge. Education and infrastructure

have been high priorities in the Danish policy. However one can claim that the technology, knowledge and infrastructure is embedded in the scale and enlargement regime, and that the skills knowledge and technicalities linked to alternative pathways may be scarce. However, the case of development of organic farming in Denmark shows that these barriers are only of short time importance, in the long run, there is a huge capacity to develop and obtain new knowledge and technology, given the desire of the farmers and other stakeholders.

Role of institutions and organisations in technology and knowledge extension and relevant changes

As mentioned under the policy part the support in terms of funding to research in the development of innovative (alternative) COFAMIs are rather limited. However, there are two public supported research institutions that somehow reflect a growing concern of development and dissemination of supportive knowledge and technology for innovative processing and marketing strategies.

One is the establishment of the Centre (now institute) of Rural Research and Innovation, with the formulated objective to support rural development through research and consultancy work, evaluation and observation, knowledge gathering and documentation, development of concepts, teaching and dissemination of knowledge. This must inter alia, take place in a close exchange of ideas and experience with interested parties and through collaboration on research and development tasks with external research and development environments (IFUL, 2006).

The other initiative is the establishment of the Knowledge Centre for Development of Food. It is a knowledge centre with a strong regional affiliation, with the main purpose to build a bridge between research and the actors of innovative food production, processing and marketing. VIFU, 2006)

At the National Centre of the Danish Agricultural Advisory Service (owned and run by the farmers unions) a cross-disciplinary group of 16 consultants is established. It has as an objective development and support to initiatives within rural development and marketing. This indicates a growing attention to the issues of rural development and innovation. To support this interpretation the advisory service centre were quite fast to take up extension service to organic farming

Social and cultural factors

Territorial identity and Cultural heritage

As a natural effect of the development pathway of the Danish food regime is, compared to other European countries, a very weak territorial cultural/gastronomic identity in Denmark. However there is a kind of reinvention of locality going on in many places, .e.g. resulting in new COFAMI initiatives.

Changing composition and social capital of rural areas

While the numbers of farmers in rural areas and people involved in food production and processing are decreasing dramatically these years, new kinds of people are migrating to rural areas, and especially in beautiful places and places close to larger cities, people with different kinds of competences and resources are moving in (Ærø,

2006). Many of these people are searching for a (new) rural cultural identity (Frandsen, 1997), and are therefore often very active and committed to organise and support local activities, building on historically embedded social capital that must be considered of great importance to the development of innovative production and marketing strategies (Svendsen & Svendsen, 2004).

Geographical / location factors

Denmark is an agricultural country. About 60 % are cultivated, and can be cultivated with modern technology. Nature quality is predominately linked to cultivated land as a product of former agricultural production and praxis. Two trends are threatening these values. One is that modern agriculture is not maintaining the semi natural areas like meadows and commons. It is not profitable to pasture these areas due to expenses to fencing and looking after the animals. The other is the strong reshaping of the agricultural landscape due to specialisation and enlargement of machinery, which codes for monocultures and large-scale fields (Højring et al. 2004).

Denmark can roughly be divided into three different types of rural areas. 1) Areas closer to bigger cities, where population increases. When urban people settle in rural areas it is because of space and nature qualities. In these areas there is a conflict on the use of rural areas between industrialised use of rural land and landscape and nature values. On the other hand there is good access to a market of nice products and high quality products. 2) Areas far away from cities with a decrease in population and a general decrease in economical activities, but favourable condition of industrialised agricultural production, with the necessary infrastructure. 3) Smaller islands where there also are decreasing population, but where industrial agricultural production is becoming less favourable due to more difficult infrastructure.

As mentioned in chapter 3 above it is especially from Danish islands that new innovations of marketing strategies from farmers emerge in Denmark. In the second kind of areas other stakeholders holding a concern for rural development, like "The Taste of Northern Jutland", drive the initiatives.

1.6 Summary of the main points of the country report

Ever since the invention of the cream separator in the middle of the 19th century and the establishment of the first cooperative dairy in 1882, the cooperation among farmers and other stakeholders along the food chain has played a very important role in development of modern Danish agriculture.

The cooperative movement has been very strong and successful in Denmark both with respect to development of a strong and unified processing and marketing strategy and also with respect to coping with changing conditions and developments. Also to the recent development trends, where the answer to globalisation has been the merge of small local processing factories to multinational enterprises, and new trends in quality by internal differentiation. Both within milk and meat farmers' cooperatives are processing and marketing more the 90 % of the Danish produce. Historically, this has left very little space to other development pathways, and to a strong unified food chain policy regime in Denmark.

However the sublimation of the development strategy of the traditional cooperatives, combined with an emerging focus on rural development issues and changing expectations from the surrounding society, are opening new space for innovative alternative COFAMIs. Within the recent years a myriad of new initiatives have emerged, reflecting the human and social capital present.

The following main forms was identified: 1) Traditional (modern) cooperative companies; 2) Neo-cooperative companies 3) Homogeneous Network-associations protecting and branding a certain product; 4) Network associations of alternative food chains; 5) Heterogeneous plural-activity-network promoting regional development.

Analytically, the typology of emerging forms of COFAMIs can be seen as different strategies to exploit the empty space and possibilities that the sublimation of mainstreams modernisation and globalisation strategies have left over. The identified forms can be seen as four different strategies to reinvent “locality” in marketing:

- By strengthening the relationship between the quality of production and quality of processing
- By strengthening the relationship between locality (soil, nature and culture) and products
- By strengthening the personal relationship between producer and consumer, and finally
- By utilising the possibilities of synergy of local cooperation between different actors

Many of the identified initiatives are very young, and it will be interesting to follow the development of these initiatives in the coming years, and to see how these initiatives will cope with the contextual factors enabling and hampering their development.

Among contextual factors that are hampering the development of innovative COFAMIs, are:

- The strong hegemony of the mainstream food regime penetrating policy, legislation and retailing, extension etc.
- A weak territorial cultural heritage and a weak gastronomic tradition
- A difficult retailing structure, dominated by a few supermarkets chains.

Among the contextual factors that are supportive to the development of innovative COFAMIs

- A strong human and social capital
- A growing attention towards culinary and locality
- A growing attention towards food quality and environmental concerns
- A good infrastructure both physically and virtually

Collective farmers’ marketing initiatives have played a paramount role in the history of the development of Danish agriculture (and culture) and are a strong part of the present social capital. However we may be in at a crossroads in terms of collective actions. On the one hand traditional farmers’ cooperatives are taking more and more shape of limited companies. Structural development is happening fast and the

producing units reach a size, where cooperation is no longer necessary. On the other hand there seems to be lot of resources in terms of human and social capital to initiate new innovative collective marketing strategies. However these strategies seem to face harsh conditions to become a success. Therefore it seems to be a very interesting period of time to study, to learn and hopefully to be able to facilitate these innovative collective actions on marketing.

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Thise dairy

“Taking it all in all it is difficult to imagine that Thise will survive October 1992. A possibility could be that Thise seek cooperation with one of the two big dairy companies to take over processing and distribution. A condition would likely be that the farmers have to join the cooperative. This would likely improve the economy of the farmers but violate the goal of local and small-scale production. The decisive question will be how big risk the farmers are willing to take to pursue their goal of local production” [authors translation].

This was the conclusion by Jensen and Michelsen (1991 p 29) in a report on the organic dairy sector in Denmark.

Thise, the small organic dairy cooperative, had been formed three years previously by eight dedicated farmers in the North-western part of Jutland who had either recently converted or were converting to organic dairy farming. The background for this conclusion on the destiny of Thise was that a marketing cooperation, Dansk Naturmælk (Danish Nature Milk), between the four Danish organic dairy cooperatives established the previous year before were going to cease in October 1992. On the one hand Dansk Naturmælk had provided a monetary boost; on the other hand Thise’s own marketing network and channels had more or less disappeared, due to this cooperation. This meant that the financial situation of Thise was not very promising. In addition, Kløver Mælk, the second-largest cooperative dairy company, had become interested in the organic market and had offered a good incentive to the organic farmers of Thise to become members.

Today Thise is a very successful organic dairy, a brand known by almost everyone in Denmark for its quality and creditability. In 2006 they received the prize for the best Danish brand. The number of farmers has grown from five farmers supplying milk in 1988 to about 75 farmers in 2007. The aim of this case study is to explore and understand the resources and driving forces that led Thise Dairy to this successful position and understand how they have handled the very critical situations on their road.

Today the history of success of Thise is also the successful story of Grindsted Dairy, as they joined in 1997 after years of cooperation. Many of the aspects and qualities describing Thise could equally fit the Grindsted case. However, in this study the case is explored from the trajectory of Thise organic dairy cooperative, not pretending to catch what is unique for Grindsted.

1.8 Material

The case study of the Thise cooperative organic dairy is based on three sources of information, semi-structured guided interviews, literature/internet and finally internal meeting documents and agreements.

For the selection of the interviewed persons, the snowball approach was applied, Starting with the chairman of Thise, and based on the interview with him, different stakeholders were selected to cover the different perspectives on the dairy and history. The following persons have been interviewed. Six farmers representing different lifecycle stages of the dairy cooperative including the former chairmen, the managing

director and the sales director, A purchasing director from Irma. The interviews were conducted in March and April, except those with the purchasing director of Irma.

Earlier interviews with two farmers conducted in 1998 have also been included in the analysis (Noe 2000). The strength of these interviews is that they are conducted under the then current situation and help to recall, how the contextual factors influenced the situation and strategy of the cooperative to give a different perspective on the present success.

The interview guide has been adjusted to reflect the specific role of the actors. For the internal actors the narrative approach have been applied to support a critical reflection on the history of the cooperative and how society was perceived by the actors each stage in the development. The development of the timeline has been a central tool in the interviews to recall these factors.

I have furthermore been given access to an overwhelming number of documents, as minutes, agreements, contracts, etc., that have been important inputs in the generation of the timeline and important relations, but also to recall the contextuality and concerns of the various events.

1.9 Short description of the Farmers cooperative

This is today March 2007 a cooperative dairy with presently 75 members of the cooperative. The cooperative is collecting, processing and marketing all milk products from the 75 members, in March 2007 the turnover were 1000 ton milk/week.

The average size of the farms are about 80 cows which is a little below the Danish average of 86 (Dansk Landbrug 2006). The farmers are dispersed over a huge part of Jutland, figure 3.1.

Processing and organisation is placed in the little village Thise that is situated in on north Salling just below Limfjorden see figure 1. In the beginning the milk of the cooperative were processed on the private dairy Dybækdal own by Peder E Pedersen and his wife, who processed the milk for the cooperative on contract basis. In the mid 90'ties the processing equipment were bought of a shared processing company P 62 amba., that both processed the milk from the cooperative and from Dybækdal. In January 2007 the farmer's cooperative of Thise have bought

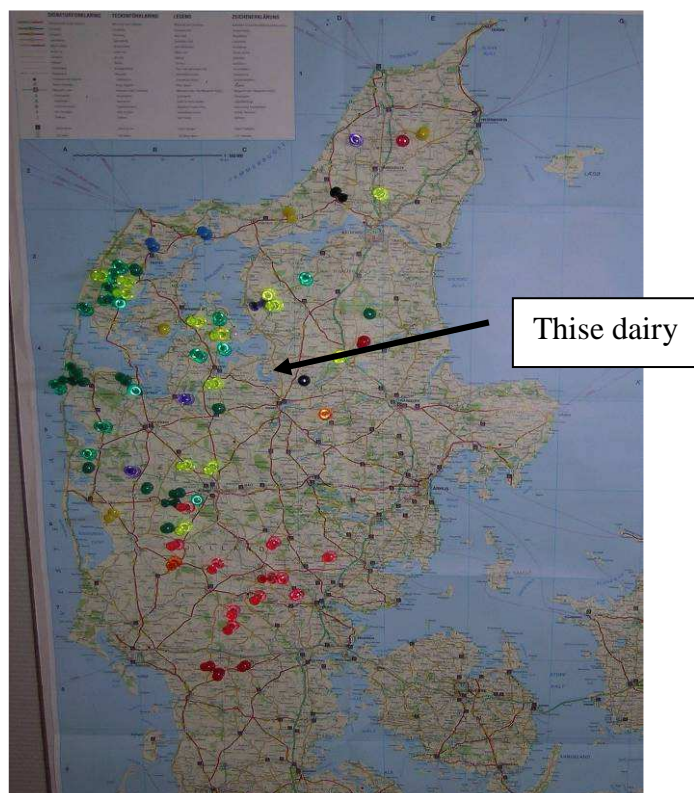


Figure 3.1: Map from Thise showing the distribution of the members of the cooperative a farm for each pin, the different colours refers to the different road tanker collecting milk

the Properties of P 62 amba, and Thise is now processing the milk from Dybækdal on contract basis.

Both the farmers and the dairy is situated in the west and northern part of Denmark, the remote areas far away from Copenhagen and Aarhus. Further more Limfjorden is making transportation more difficult, smaller roads and longer distances.

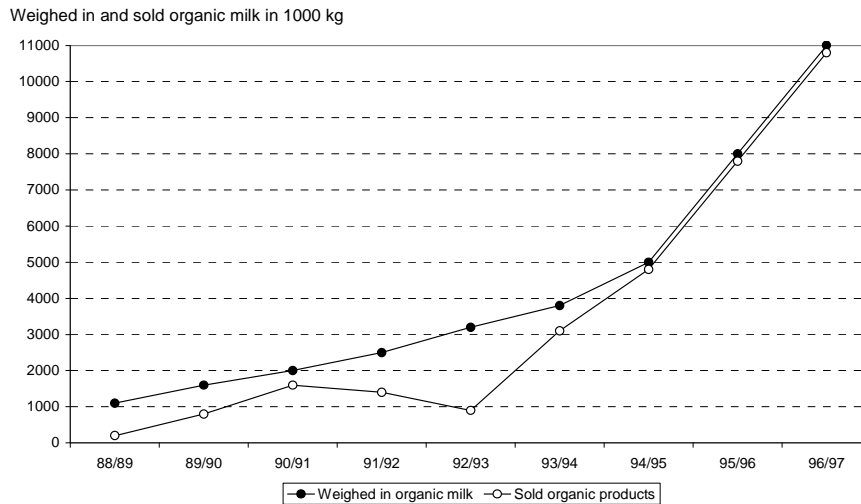


Figure 2: Weighed and sold organic milk from Thise (source Thise 1997)

The cooperative started in 1988 by 8 farmers of whom 5 farmers had converted to organic farming. In the beginning the dairy was facing a very hard time to market their milk as organic milk, Figure 3.2. The situation improves when the shared marketing cooperative of all Danish organic farmers “Dansk Naturmælk” are established in 1990. After the collapse of Dansk Naturmælk in 1992 the situation seems very critical. However the cooperative manage to improve the situation and from 1994 the situation just improves.

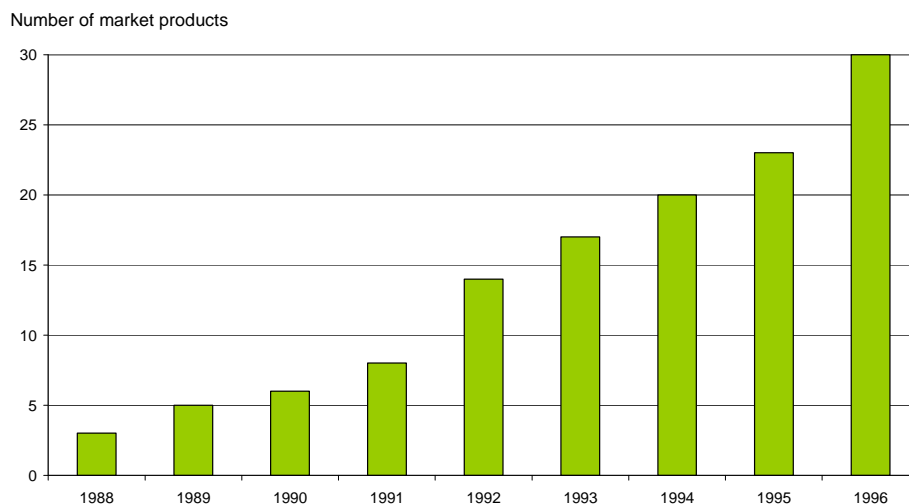


Figure 3.3: Number of market products from Thise (source Thise 1997)

A central element in the marketing strategy of Thise have been go for a large range of products, and even in the very difficult period of 1992 the increased the items of

marketing. Today Thise is marketing more the 70 different products and there are continuously tested new ones on the marked.

1.10 Organisation and stakeholders network

The Thise COFAMI has grown from five members in 1988 to 75 members in 2007. This growth must be seen as a challenge to the internal organisation of the cooperative. Furthermore the organisation has been complex due to the cooperation with the private dairy Dybbækdal. As already illustrated in the timeline the internal organisation changed gradually through this period, reflecting the internal and external dynamics of the dairy. A look at the organisation diagram though time can give a good impression on the dynamics of the organization and how they have managed to adjust to the current situation. As a basis for this we look at three organisational phases.

Contract phase

In the beginning Thise Dairy was formed as a dairy cooperative, based on a processing contract with the private dairy Dybbækdal, owned by Peder E Pedersen and his wife. Thise Dairy was responsible for collecting and marketing and Dybbækdal was responsible for processing. The investment in the necessary equipment was more or less shared. Even though the contract was formalised, Dybbækdal was in reality very personally and economically involved in the survival of Thise Dairy. Peder Pedersen did what he could to support the marketing of organic milk and the milk that could not be sold as organic he could sell as conventional milk through his market channels.

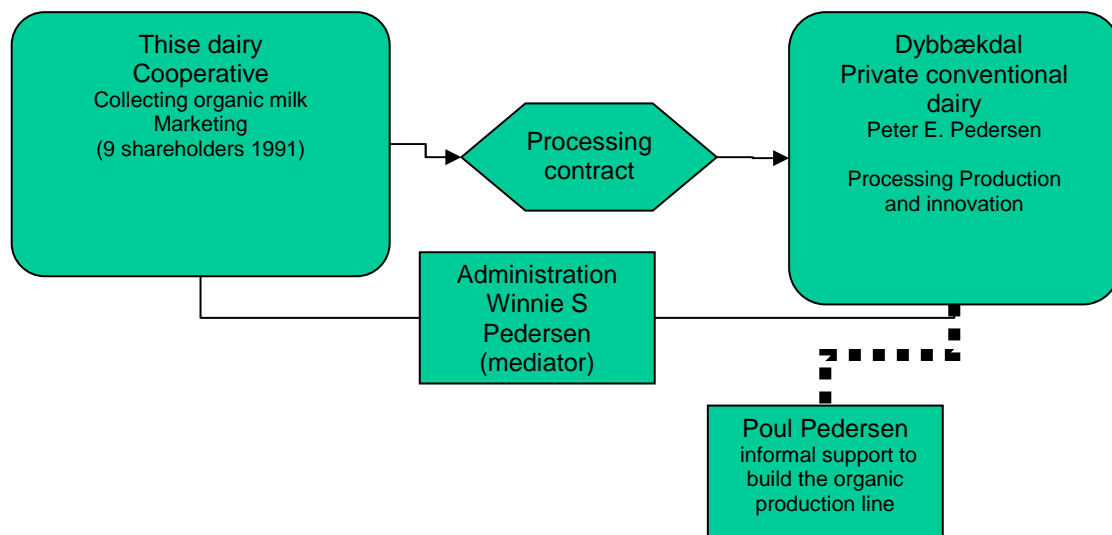


Figure 3.4: Organisation diagram Thise 1988 – 1992

Furthermore, he gave long credit to the farmers. Peder's son Poul Pedersen was involved in the practical organisation of the organic production line right from the beginning. He lived next door and could help in the evenings and weekends. After a while Poul's wife Winnie Pedersen were hired officially as bookkeeper and secretary. Formally, the relation between Thise Dairy cooperative and Dybbækdal was only

based on a contract, but in reality there was a strong commitment and value-based cooperation between Dybbækdal and Thise right from the beginning.

Cooperation and formalisation phase

In 1992 Poul Pedersen is together with his companion Erik Ellebæk, taking over Dybbækdal from his farther. The numbers of farmers and turnover of Thise is increasing and there is a growing need to increase processing capacity of Dybbækdal. At the same time the cooperation with Grindsted is increasing. All this means that there is a need for strengthen and formalise the cooperation between Thise and Dybbækdal, not least in relation to obtain the necessary loans for the investments. A production cooperative “P 62 amba.” is formed with shared ownership of Thise and Dybbækdal to run the technical side of the dairy plant.

In the beginning there was a simple contract between Thise and Dybbækdal. However, this cooperation became more and more formalized, and in 1999 this P. 62 took over the ownership and operation of the processing facilities. Deliberately the cooperation and management of the P. 62 was constructed with equal votes to Thise amba and Dybbækdal, confirming that this construction was only interesting to both parts as long as they could agree on the goals, values and strategy of the dairy. Furthermore, the growth of the Thise and the formalisation leads to a differentiation into units of subtasks in terms of units of marketing, processing, accounting and product innovation. However, it is still important to look at the informal practice to understand how things really are operated.

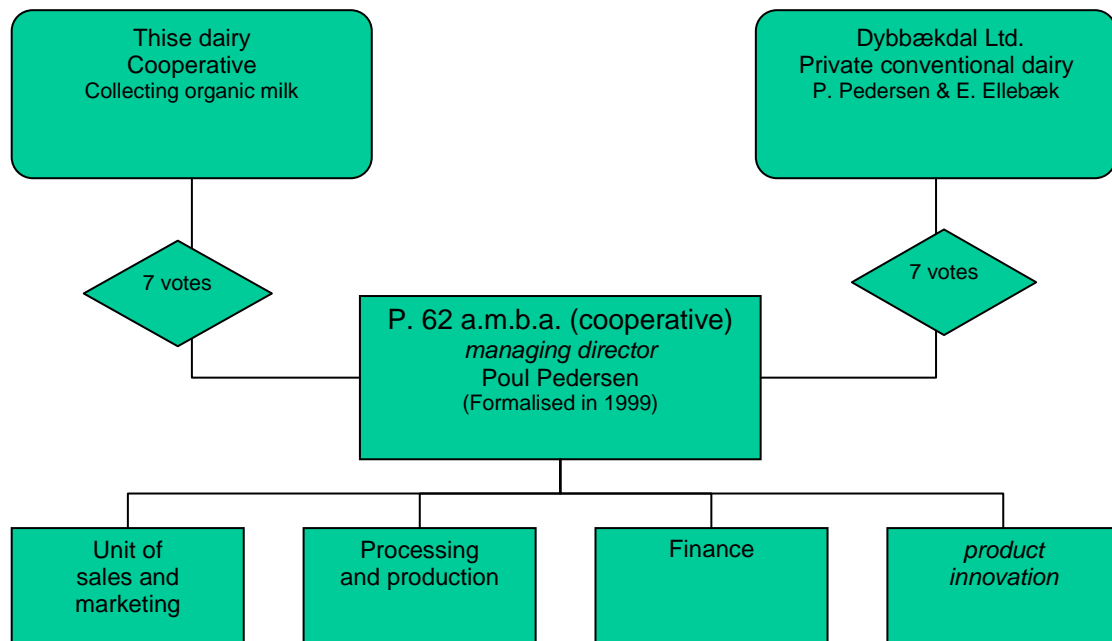


Figure 3.5: Organisation diagram Thise 1997

The reorganisation phase

This organisation works until 1 of January 2007, when Thise buys Dybbækdal’s share of P62 amba. and Poul Pedersen and Erik Ellebæk are employed as directors of the

dairy. Dybbækdal now has a processing contract with Thise Dairy. The turnover of Thise has now grown so large in comparison with Dybbækdal and the investments of the dairy with the latest investment of about 150.000 Euro, that it is not reasonable to expect Pedersen and Ellebæk to share the personal risk of these investments.

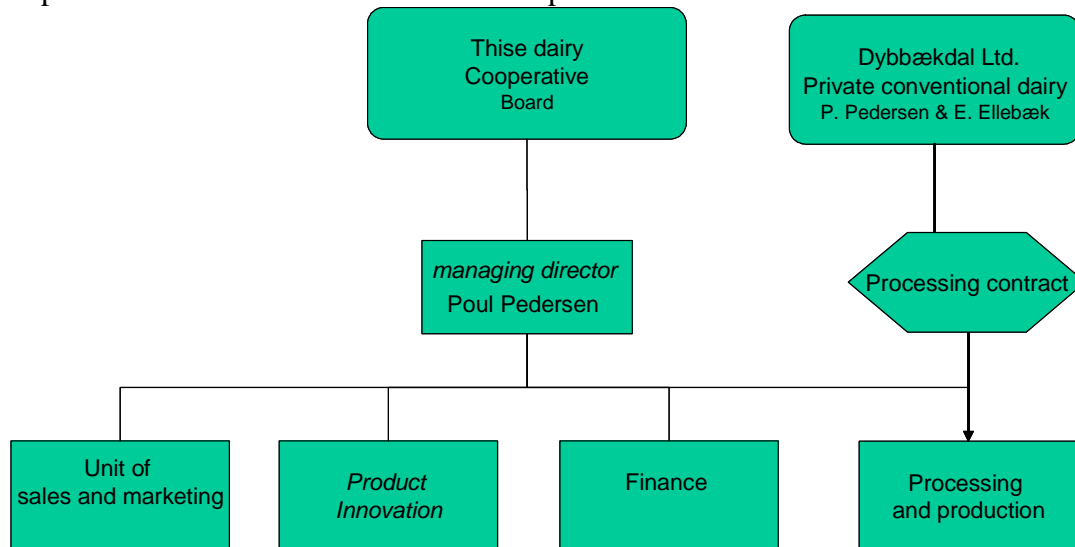


Figure 3.6: Organisation diagram 2007.

This brief analysis of the organisational structure and development of Thise reveals a very dynamic structure of the organisation, which is continually adjusted to the growth of the dairy and the contextual conditions and settings. The key to understanding the success of this COFAMI is not the particular organisation but more the flexibility and dynamics of the organisation, a construction that is very vulnerable to internal conflicts. A precondition for this structure is therefore trust, the sharing of values and visions both between the farmers involved and between Thise and Dybbækdal. Even the fact that Dybbækdal is a conventional and Thise is an organic dairy had not been a problem in this cooperation, because they shared the interest in food quality and local influence on own situation. As already discussed this also accounts for the cooperation and later fusion between Thise and Grindsted dairy cooperatives.

Network of Thise

The present external network relations of Thise are illustrated in figure 3.7. In contrast to the dynamics of the internal organisation of Thise, the external network relations have been rather stable and build up over time, as also characteristic of the strategy of the dairy. The networking builds on mutual trust and interests on the one hand and on the other hand maintains the autonomy of the dairy cooperative to develop on its own strategy and to maintain influence on its own opportunities. This may best be illustrated by a quotation of the relationship of the manager of Thise with Irma and their cancellation with their contract with “Enigheden”:

P: yes, it is a golden opportunity, [The contract with Irma] but it is not worth a lot if we are not able to work within those frames or expand them. It is a licence for us to sell provided that we are competitive on price and that we deliver the goods both in terms of quality and new products on time. Otherwise they can of course tear up the contract

at any time. But it is our decision. We are able to influence our own situation with such a contract and that is wonderful.

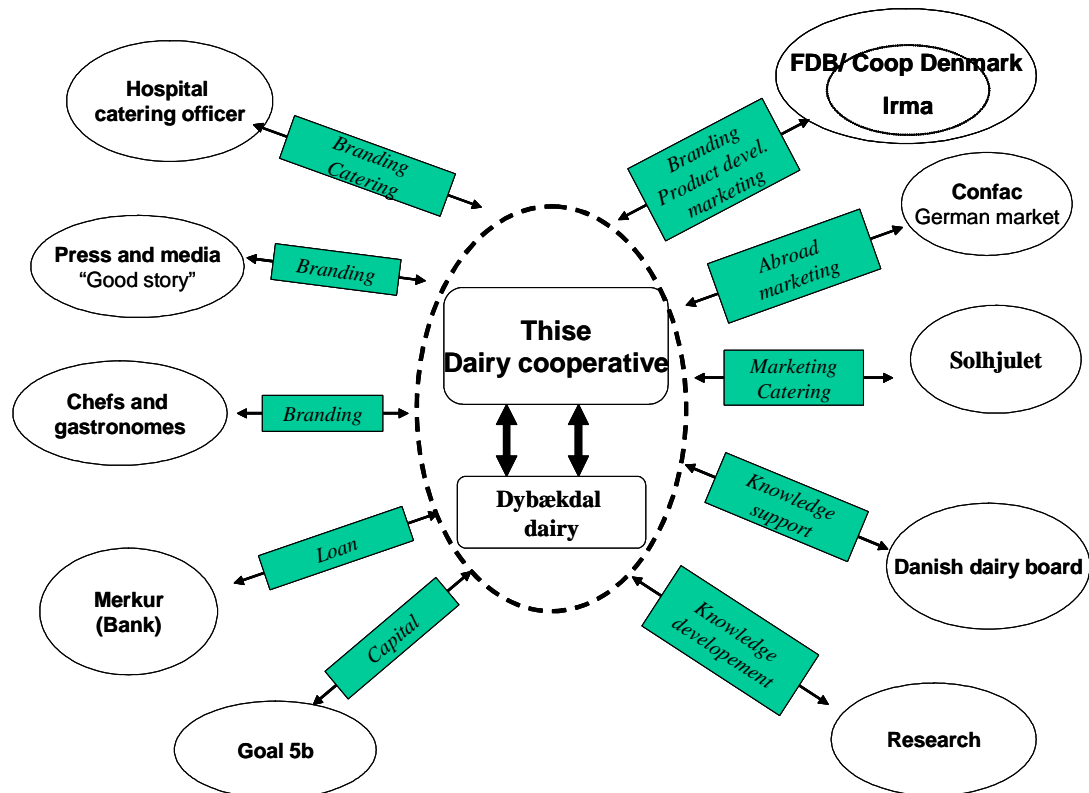


Figure 3.7: Illustration of the most important network relations of Thise organic Dairy cooperative.

Another interesting aspect of the external network of Thise is the knowledge network to a range researchers and research institutions, compared with the size of the dairy. This correspond well with Thise strategy of being a products development dairy and to the managing directors skills and education at makes this network building possible and fruitful.

This network relation with Irma illustrates both the strength and challenge of Thise’s strategy. The relation between Irma and Thise is important for the development of and markets test of new products. But Irma is also an important actor in mediation of the qualities and values of the products between Thise and the consumers. On the other hand the products from Thise have become important elements of Irma’s identity as a high quality supermarket. The cooperation between Thise and Irma had led to a mutual dependency that can only be obtained through a long-term relationship.

The purchasing manager from Irma used the metaphor of a marriage to explain this kind of markets relation. Like in a marriage trust and transparency is fundamental condition to build such relationships, at the same time it is important the both partners develop together. The growth of Thise is a big challenge to the marriage because the

marriage is only interesting for Irma as long as Thise provides them with products that cannot be bought on every corner. So far Thise have dealt with that issue by keeping a range of products exclusive for Irma. However with the recent growth of Thise they have obtained a steady greater market share of the organic milk in the other supermarket chains of the family of Coop Denmark. Even though it is staying in the family it is undermining some of the exclusiveness of the Thise products in Irma. One way forward for Thise could be to strengthen their focus on export.

1.11 Contextual factors and driving forces

In the timeline description the most important contextual factors are described, based on the narrative of the stakeholders. In the following analysis these factors are reanalysed from the grid of the Quick scan, Table 3.1.

Table 3.1: Contextual factors

Factors as described in grid of limiting / enabling factors	Points of attention for case study analysis	Relevance	In what specific way(s) do they limit / enable COFAMI performance and dynamics?
Main descriptive data			
Proximity / remoteness to urban centres	Relevance of urban influences / demands for rural dynamics, specific market opportunities, transport / infrastructural costs	--	No near market, heavy transportation cost.
Density of farms with similar production structures	Relevance of diversification tendencies within farming, opportunities / critical mass for joint activities	-/+	Many pioneer organic dairy farmers however dispersed.
Socio-political / institutional context			
Urban-rural interrelations	Relevance of urban-rural commuting, migration, rural newcomers, demographic developments etc.	+	Some farmers have stronger urban background / relations
Attitude of farmers' associations / unions towards collective marketing	Relevance of historical experiences with / tradition of collective action and co-operation	++/--	Strong tradition of cooperative marketing however also strong affiliation for centralization and enlargement
Territory-based policies (presence / absence, network characteristics)	Relevance of territory-based policies within major policy concerns, in/exclusion of stakeholders, bottom up versus top down approaches, etc.	0 → ++	Increasing importance and therefore attention by local authorities
Institutional support to COFAMIs			
Existence of formal regulatory framework for collective action / marketing	Legal possibilities / restrictions for collective action	+	
Socio-cultural context			
Culture and positive experience of cooperation	Farmers' trust in collective action / marketing, cooperative tradition	++	
Economic and market contexts			
Competition on relevant markets: number of actors; price evolution, market share, competition with other market parties	General context of relevant markets in terms of concentration, price levels and price-squeeze tendencies, existence of attractive niche markets and medium-scale retailing opportunities	--	Limited market for organic products. The Danish dairy market was monopolized and controlled

Importance of international markets for buying and selling products and services	Dependence on / need to adjust to developments (price / standards) on supra regional markets	+	Due to the monopolized Danish market, export to Germany and UK has played a central role in the t strategy of Thise
Learning context			
Existence/ absence of relations with local or regional actors to develop learning initiatives	Relationships with knowledge institutions (extension services, research) as co-producers of innovation	(+)	Generally good learning contexts orientated towards the mainstream strategy, see status quo report.

Neither the emergence nor the achieved success of Thise can be explained by special favourable contextual factors. Geographically Thise has no special initial enabling condition compared to other areas of Denmark. The organic farmers were rather desperately situated covering a large area that does not distinct in natural and cultural aspects from other areas.

The institutional support to establish new alternative marketing strategies was in the beginning weak, contrary there were a strong support towards the mainstream development on centralisation and standardisation. And these alternative marketing strategies like Thise were not given particular attention either locally or nationally.

Apart from the generally social cultural tradition for cooperative farmers' strategies in Denmark There was no particular local farm-based cuisine that could readily be exploited.

Thise Dairy literally started without any market access. The market for organic products was very small and furthermore the dairy market was very strongly controlled by the larger actors on the market. Furthermore there were no local markets to start with, it was mostly people from the bigger cities Copenhagen and Århus there were buying organic milk in the beginning.

The financial situation were also very difficult in the first period, neither the farmers nor the dairy had big funds to draw on, and it was difficult to lend money from the banks because they did not believe in small dairies in the future development of the sector.

There is a strong and well-organised farmer owned extension service that serves as a fundament for the farmers learning environment. However the extension service was especially at the beginning of this period very strongly orientated towards the mainstream modernisation development, and did not play a particular part in the early formation and development of Thise.

A few factors have been very hampering in the early stages: The total lack of marketing experience and lack of marketing access, and the lack of potential near markets. The lack of marketing knowledge did also mean lack of networking with other market actors. This literally meant that the Thise Dairy cooperation had to start up from scratch.

The only really contextual driving factor explaining the formation, survival and later success of Thise COFAMI, is their belief in organic farming and the strong values and determination of the farmers to process and market their organic milk, and that they met a dairyman with similar ideas and values on dairy productions and quality. This leads us to the evaluation of the different kinds of capital assets and capital building of Thise.

1.12 Capital assets and capital building

Today Thise COFAMI can be regarded as a successful case, with different large assets of forms of capitals. The cooperative has even been able to turn some of the initial hampering factors like the location of the dairy and remoteness into a brand. However, this has not always been the case; therefore the following analyse of capital assets and capital building will take departure in the dynamics of capital development, and thereby in the dynamics and strategy of the dairy cooperative.

Social Capital

Bounding (shared value system)

Of course many elements and factors have played an important role in the development of Thise Dairy, but one of the indisputable factors of Thise is the strong bonds of shared beliefs and values among the group of organic dairy farmers in the north-western part of Jutland. This capital may best be described by a quotation from the interview by sales directors (M) and Managing Director (P).

M: The magic of Thise, I think that we need to look into the supernatural elements too, the magic of Thise, which have existed in many years, and which is not about that we are making a hell of a good Acido or butter. P: The combination of elements that gives a strong and sure drive. Firm farmers with a strong determination, convinced about what they are doing the right on their farm ... and therefore that the produces they made should be treated in the best way. That is the reason why they are willing to invest in it, and still are. The they meet a dairy in 88, where the owner was fascinated by these people, and who could see organic could be a possible way to make a future for the dairy....(M and P 2007)

Bridging (exchange of ideas)

The initiating farmers did not know each other before 1988; they only got to know each other through their shared experiences with organic dairy farming. But through the cooperation on dairy production, other bridging activities emerge, like initiatives on organic potato production and marketing, and local new activities on e.g. joint mechanisation (see Noe 1999). As one of the farmers from this joint mechanisation project describes in 1998 after he had converted to organic in 1995 and had paid 150.000 D.kr. to annul his contract with MD and to become a member of the Thise Dairy cooperative.

I did like to join Thise because there was an idealism I could not resist – an idealism I still meet there. Because there you are burning with the ideas. I am still pleased to belong to a small dairy. It is something thing with the ideas of the co-operative movement to do (quote form an interview with a member of the cooperative 1998).

Another example to the increase of the Bridging capital is the emergence and popularity of the farmer field schools, focusing on health management (Vaarst et al. 2007)

Linking (relation between group and the institutional sector)

In the initial phase, the relevant organic dairy marketing network relations were very scarce and poor both among the involved farmers and the dairyman on Dybbækdal. The farmers literally had no experience and networks in processing and marketing at all. And the network of Dybbækdal was completely different from organic food networks and only little was sold through Dybbækdal's traditional sales channels. However, as is also revealed by the network diagram and the description of the dynamic development of Thise, the building of a network has been one of the most important investments of the Thise Dairy cooperative. The COFAMI has slowly but steadily built a very strong network of links to actors in the organic food network, giving up their own strategy and influence on their own situation. The relation with Irma, described above, illustrates very well the networking of the Thise Dairy cooperative.

1.12.1 Human capital

Thise (and Grindsted) is foremost characterised by very strong shared values and visions, not being the personal project and fruit of one man's work and visions. On the other hand, a lot of important persons play an important role in the strategy and development of the cooperatives.

As already mentioned the initiating farmers had no particular skill in processing and marketing their produce. Due to the Danish strategy of cooperative processing and marketing, these skills tend to be transferred to the cooperatives and thereby to the professionals at these cooperatives, so these skills and knowledge have not been reproduced by the farmers. However, they were dedicated organic pioneers, with a more or less regular farming background, who would go very far to follow their desires on processing and selling their organic products organically. This description applies equally well to the farmers from Grindsted; however, they have a more diverse background and more different skills. Fundamentally the two groups of farmers shared the same values and desires which is partly why the cooperation between these farmers went so well right from the beginning. There was also a very strong will to build up human capital through the learning processes of the first years.

Through first cooperation and later fusion with Grindsted, Mogens Poulsen has been enrolled in the marketing strategy of Thise. He has an urban background before he became farmer and strong interest in communication and marketing, and was from the beginning involved in the marketing of the products of Grindsted Dairy. Mogens's skills, learning capacities and network play an important role in the development of Thise.

Obviously Poul Pedersen plays a central roll in the success of Thise and has been the single most important person to symbolize the values and qualities of Thise. And no doubt that the skills, knowledge and personal network he brought into the dairy have played a central role in building the image and capacity of Thise. Through his father

PP was involved especially in the practical arrangement of Dybbækdal right from the beginning. On the one hand he had a strong wish that Thise would survive as a dairy, and on the other hand he had never planned to go back to be owner and dairyman of Thise. In 1992 he had a good position in a big development dairy. However, the commitment of the farmers behind Thise cooperative convinced him that it could be a good opportunity for him to take over and develop his parents' dairy Dybbækdal and the farmers' cooperative of Thise.

Other personal skills need to be included to fulfil the picture. Winnie, Poul's wife, played, especially in the beginning, an important role as secretary including mediating between the old Pedersen and the farmers and customers. Poul's companion, Erik Ellebæk, now technical director of the dairy, played a more hidden, but not less important role for the strategy of Thise. The huge product assortment and the continuous product development and thereby the many technical facilities necessary was a big challenge and pressure on a small and old dairy.

1.12.2 Financial capital

Right from the start of Thise Dairy the economical situation was difficult. The farmers did not have capital to invest in processing and marketing capacity, and it was almost impossible to borrow the capital. The local banks and mortgage lenders would not offer any loans. Only Merkur bank, "an ethical bank committed to social justice within a sustainable economy" was willing to take the risk.

At one stage the farmers were owed five cash payments from the cooperation. Also the owner of Dybbækdal took a big risk in the beginning, even though they only produced by contract.

Even in the mid 90s where the economic situation had improved, it was still difficult to obtain the necessary capital to the investments and payment of the farmers. At that time it was very difficult to convince the mortgage lenders that Thise was a good investment object. This situation has changed radically in 2006. In connection with the new expansion of the production capacity and facilities, Thise was offered a loan of approximately 15 millions D.kr (approx. 2 millions €) more than they applied for. This of course reflects the general trend in the market and ecology, but also reflects the value and credibility of the brand of Thise Dairy cooperative.

From an overall perspective the long run payments to the farmers have been almost equal to what MD/Arla have paid to their organic farmers, but for longer periods Thise has paid less. So in that sense there has never been strong economic incitement to change from other dairies to Thise.

Table 3.2: The capital assets and their outcomes

Capital		Relevance	Status			Description of effects
			1988	1995	2007	
Economical		++	Low	Medium	High	Very difficult economic situation until mid 90s, hard to get loans
Physical		+	Low	Low	Medium	Far from market Long distance between farmers Now location a part of image
Natural		+	Low	Medium	Medium	No particular natural advantages, now turned into a part of the image
Human		++	Medium	High	High	Very skilful and committed dairymen, Good farmers but no skills in sales and marketing
Social	Bounding	++	High	High	High	Very strong shared values and ideas, necessary for a long term strategy and investment
	Bridging	++	Medium	High	High	Exchange of ideas and study groups: spin-off and a strategy to improve milk quality
	Linking	++	Low	Medium	High	Strong ability to mobilise network relations and collaborators

1.12.3 Physical capital

There are no physical factors that make Thisse Dairy cooperative an obvious success. The farmers are very dispersed; the infrastructure is generally poor compared to the Danish situation: small roads, Limfjorden, and far from larger cities with markets opportunities. The localisation of Thisse was not obvious, from a geographical point of view, but that was where Dybbækdal was situated. So in a period when the other food processing plants merged, rationalized and moved towards the growth centres, the Thisse cooperative did the opposite and stayed in the remote areas of Denmark. Despite the higher cost of this, Thisse managed to make this a part of the image of the good history of Thisse and thereby a part of their brand.

The production capacity and technical equipment of Dybbækdal were well maintained and suited to the production capacity of the contracted farmers, but there were no specific features or technical capacities that advantaged the processing of organic milk. Only that Peder E Pedersen, the old dairyman and owner of Dybbækdal was

respected for his skills, the dairy worked well, and that he was willing to share the risk of establishing a separate organic processing line.

1.12.4 Natural capital

Like physical capital there were initially no particular natural, geological or demarcation conditions to take departure in. The farmland area was spread over a very diverse natural environment with no distinct natural asserts for marketing and branding purposes. However, the natural capital of the dairy is increased due to the closeness of many farms to the sea or to Limfjorden.

1.13 Dynamics of the COFAMI and Critical/crucial events

The analysis above reveals a Thise Dairy cooperative that emerges from some shared values, strong goals and strong commitments forming a coherent strategy etc. In retrospect it could sound very simple, a last approach to explore the case is to dive into the analysis of some of the critical events in the dynamic history that have both mobilised all the elements of the organizational core and been crucial in confirming these core commitments.

1988 The decision

In 1988 organic farming was still in its early pioneering phase in Denmark. It was a whole new world opening for the involved farmers. There were no prior experiences, no market, no structure and a mainstream agriculture moving very fast in another direction. MD and Kløver milk and the other mainstream dairy cooperatives, as were headed by conventional farmers, were in the beginning very reluctant to start organic production in their cooperatives. The farmers got to know each other through study groups and open farm visits. From early 88 the farmers started to meet at national level to explore the possibilities of shared processing and marketing organic milk. However, the farmers from Northwest Jutland very soon realised that they did not share the same values and ideas with the farmers from the southern part of Jutland and they decided to try to start their own dairy cooperative. They also looked very much up north to the Grindsted Dairy cooperative that had started two years earlier producing organic cheese and marketing to FDB (Coop Denmark). Even though this decision from the farmers in retrospect looks very naive, due to the lack of marketing skills, network and knowledge, it was the genesis of the fundament of values, visions and strategy of Thise.

Rejection of the offer 1991

The single and by far most important decision and probably the best key to understanding the comprehensive power of Thise Dairy cooperative was the rejection of Kløver milks offer in 1991. Kløver was offering a 5-year contract with a guaranteed premium price compared to conventional milk. Due to the cooperation within Danish Naturmælk, Thise had improved its financial situation as a “pit stop”, but also given up its own branding and marketing network. And in the view of the decision to discontinue Dansk Naturmælk, they literally had to start from scratch again building their own brand and market channels. Except for the farmers from Grindsted, the other organic dairy farmers in Denmark had contracts with either MD or Kløver, and, as also described in the report of Jensen and Michelsen (1991), the situation of an independent organic dairy cooperative of Thise looked very impossible

at that moment. The farmers from Thise and Grindsted contemplated the offer but decided for various reasons to reject. Some of the arguments behind this decision were that they did not believe that MD and Kløver seriously would fight for develop a market for organic farming but only that they want to be sure to be in control with the organic market. They could not give up the ideas they had been fighting for and they would not let Dybbækdal down, after the support they have offered the farmers. This decision also became crucial to Poul Pedersen's decision to turn back to and take over the dairy of Dybbækdal as he explains it:

Saying no to Kløver at that time, that is the driving force behind the dairy – the belief in your own strength. That was also one of the reasons why I became convinced that it would be OK to work with the guys at Thise. I know that I thought that it was not because of the financial incentive – but then to these people money is not everything. This has become a very hip thing to say in many companies, but it has always been the case with Thise.

“Organic Discount” and product development contract with IRMA

From the termination of Dansk Naturmælk till the epoch-making event of FDB's (Coop-Denmark) organic campaign, Thise was struggling to rebuild a market. The emerging cooperation with Grindsted Dairy helped a lot. Even though the economic situation again was getting worse and they had to struggle to sell their products organically, Thise continued to sign new farmers into the cooperative and continue to develop new products. So when the monopoly of MD and Kløver was broken under the campaign “Organic discount”, Thise in cooperation with Grindsted had the milk and products to supply the exploding organic market. This became the fundament for the important product development contract with IRMA. And from table XX and XY it easy to se what it meant to the success of Thise Dairy. One of the explanations for how they could manage to continue their strategy in 92 to 93 was as one of the farmers joining the cooperative in 91 explained: “We never stop believing that we would succeed, because Poul had always new ideas to what they could do, that they always have a possible influence on their own situation.”

New organic sales wave 2004/5

One more illustrative example on how the strategy of Thise works in reality is through what happens in the dynamic around year 2000. In 2000 the organic sales stagnated, some of farmer who converted to organic in the peak period from 1995 to 1997 started to reconvert after the contract period of five years. Again from the figures, Thise continuous to increase the number of products and the amount of milk, to invest in their strategy, even though it means that the price paid to the farmers goes down in this period; a strategy that is fully supported by all the farmers. When Arla Foods is to some extent boycotted by the organic consumers in 2003 due to their behaviour towards another small dairy, Thise again was ready to utilise the situation to increase their sales of organic products, without digressing from their strategy.

Table 3.3: Summary of the timeline focusing on critical events and decisions.

Society	Ø label introduced	Subsidy to organic marketing, under the condition of no internal competition.		Strong national support to the development of organic farming	New government Counter reaction to green policy. Environmental economy	Focus on rural development and heritage.
Market	Niche market only		"Organic discount"	Boom in organic sales. Monopoly and exclusive agreements are broken	Stagnation Globalisation	New growth in organic sales
Dairy sector	The market are controlled by exclusive agreements	Kløver and MD, enter the competition on the organic marked Dansk Naturmælk national organic milk sales organisation. Is formed	DN is dissolved Naturmælk merged with Kløver. Cooperation agreement Kløver/MD	MD comes up with lucrative offers to make farmers convert. Boom in organic dairy farmers War and fusion of MD and Kløver	Scale and enlargement	Arla was reported to the Monopolies and Mergers Commission by a small dairy and sentenced to pay huge amount of money. <u>Largely boycotted by organic consumers</u>
Thise	<u>8 dedicated farmers decided to start their own Dairy. P.E. Pedersen (Dybbækdal) convinced to cooperate.</u>	<u>Thise (and Grinsted) rejected offer from Kløver milk</u>	<u>Poul Pedersen/Erik Ellebæk Buys Dybbækdal.</u> Strategy is formed: Thise a product development dairy	Five year contract with Irma. Organic development dairy. Merge with Grinsted P62 amba. formed. Thise grow into a brand Gericke and Boserup	Status quo	Growth and success and reorganisation
Phases	1988 - 1989 Foundation	1990- 1991 Pit stop Dansk naturmælk	1992 - 1993 Survival "we will"	1994 – 1999 Expansion and success	2000 -2002 Stagnation and consolidation	2003 - 2007 Expansion and transformation

1.14 Impact

It is difficult to give a precise assessment of the impact of Thise Dairy cooperative, mainly because it is difficult to predict what would have happened if e.g. the farmers had accepted Kløver's offer in 1991. In the following I will try to give a more qualitative assessment followed by some arguments.

Economic performances (++)

Today the farmers are paid a good price for the milk, which is competitive with the other organic dairies, but the opposite has also been the case for longer periods. No precise calculations have been made, but the general opinion among the farmers is that seen in the long-term perspective they have obtained more or less the same average price.

To the local area of Thise it is indisputable that Thise Dairy cooperative has a huge impact, both directly through their now more than 100 employees, in an area where other branches are going down, such as furniture manufacturers and loudspeaker manufacturers, and indirectly because it has contributed to the good reputation of North Salling.

It is difficult to say what would have happened to the organic dairy sector in Denmark if Thise Grindsted had merged with Kløver in 1991. However, there are good reasons to suppose that the development of Thise/Grindsted dairy cooperatives played an

important role in forcing MD and Kløver to continuously take organic farming and marketing seriously. This argument is supported by the comparison with the Dutch development of organic dairy farming, where the organic dairies were merged with the big conventional cooperatives in the early nineties. In the Netherlands less than 1 % of the milk is organic. There is therefore good evidence to claim that Thise/Grindsted have been important to the organic development both directly and indirectly.

Social performances (+ +)

Thise has a tremendous social importance for the members both old and new. They are proud of the dairy and its success, and even new members feel a strong ownership of the success and spirits of Thise. The interviews reveal that Thise has also been a strong motivating factor for many of the farmers to continue dairy production because they are part of the project.

Educational performance (+)

Generally, educational possibilities for farmers in Denmark are very good, and Thise has been the driving force behind the development/implementation of the concept of farmers' field schools together with researchers from the Faculty of Agricultural Sciences, which schools are now widely copied by the extension service.

Cultural performance (+)

Thise does not necessarily in itself contribute to the retainment of rural cultures, but can be seen as one of the puzzles in building new cultural awareness in the remote areas of Denmark

Environmental performances (++)

The importance of the environmental performance depends on the underlying assumptions. The processing plant is known for its efforts in reducing the emission from the plant. In relation to the new investment they have invested in some demonstration equipment from Grundfos on slurry treatment. However, the strongest impact is indirect due to direct and indirect impact on conversion to organic farming and the development of the organic market. In 1995 this effort was recognised together with coop Denmark by the Minister of the Environment, by awarding them an environmental prize.

Political performance (+)

Thise cooperative has not been directly politically involved, and neither has it been much dependent on political support. However, it has played a role in demonstrating alternative pathways to quality and food production. Due to internal conflicts between the organic farmers in Denmark, there has not been a common political lobby through LØJ. Retrospectively this may not necessarily be seen as a failure; maybe these conflicts have been productive in relation to the Danish success in the organic dairy sector.

1.15 Conclusions

The experiences of the Thise dairy farmers cooperative reveals several crucial points in development of Innovative collective farmers marketing strategies

The asset of social capital is important and can widely substitute the assets of the other forms of capital.

Apart from the social capital in terms of shared values and commitment, there were not much assets of other form of capital to draw on in the Thise case. The shared values and farmers commitment had made it possible to form a **coherent and long-term food network strategy**, especially when it came to economical crises of the cooperation social capital seem equally important to monetary capital.

A coherent and long-term strategy is important

In the Thise case the innovation had been based on strong long-term relation with other actors in the food chain. One of the factors of the success of the farmers' cooperative of Thise case sees to be that they have stuck to the same concepts of quality and values of production as a mean to build strong relationship with the other actors. This may be extra important in the periods of economical crises

Important to have a dynamic organisation that can tackle contextual events and changing condition and thereby protect the long-term strategy and keep social coherence.

Thise has gradually grown from five farmers to seventy-five farmers, and from the analytically perspective of this case study, it looks like that one of the important success factors is that the management and organisation of Thise have been able to reorganize contemporary with the changing condition and contextual events.

Important the some of the surrounding institutions trust and support innovative strategies

Money alone do not secure innovation of innovate collective marketing strategies. However one of the strongest hampering factors to the development of Thise was the difficulty to borrow money. Banks and credit institutions were very reluctant to lent money to the project in the beginning. If not for Mercur the Thise have not had any change to develop and survived in the first years of its existence. Traditional lenders seem to be very conservative in the evaluation of the projects.

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www.thise.dk

Internal minutes and documents

Fejø-Fruit – a case study of regional branding.

Fejø is a small island of 16 km², situated in the southeastern part of Denmark, 15 minutes from Lolland by ferry. The soil is good and the climate is mild and gentle and perfect for pome growing. Fejø has a long history of fruit production and has a good reputation for its apples and pears. In the 1930s every year boats - called pear craft - loaded with fresh fruit from Fejø would head for Copenhagen harbour to sell their fruit from the harbour. Fejø was a rich and lively society with a population in the 1950s of 1300. It had eight grocer's shops, two butchers, two bakers, two tailors, two drapers, in addition to a watchmaker, a shoemaker, a saddler and a bicycle repairer (Skaarup 2006). Today there are only just over 600 inhabitants on the island and one grocer's shop left. With the main income from agriculture and horticulture, the modernization within agriculture and horticulture has had a strongly negative effect on the livelihood of the small islands like Fejø. Rationalisation and mechanisation means that only few people are occupied in the food sector. Furthermore, there is increasing competition from Eastern Europe due to the opening of the market especially within fruit production where labour input is high. Regional branding and high quality products seem to offer a new opportunity to increase the livelihood and sustainability of these marginal areas. Fejø Fruit is one of the few recent Danish examples of regional branding applied in marketing.

1.17 Materials

The case study of Fejø Fruit is based on two sources of information: semi-structured qualitative interviews and a survey of literature and the Internet.

Eleven actors have been interviewed; seven of the interviews were conducted during a two-day stay on the island. The network approach was followed starting with interviewing one of the key entrepreneurs behind the branding initiatives of Fejø and Fejø produce. The following actors had been interviewed: two organic fruit growers; two traditional fruit growers from the island; two chefs running a small gourmet restaurant based mainly on local products, one entrepreneur of a rehabilitation facility, two persons from Danish Pome Fruit, one with a background in the experimental orchard of Fejø; the coordinator of the Leader + initiative of the small islands; one person from the retailing system.

1.18 General description of Fejø and Fejø Fruit

Fejø is a small island of only 16 km² and about 600 inhabitants. The island is situated in the southeastern part of Denmark just above Lolland. It takes 15 minutes to get there by ferry. The ferry sails every hour from 5.30 to 23.30.

As stated in the introduction, modernisation of society has had a very strong negative effect on the livelihood of Fejø

Fejø belongs to the top ten postcodes with the lowest income per household and 42% of the population is above 60 years old (Statistics Denmark: http://www.dst.dk/Vejviser/Presse/Pressemeddelelser/Arkiv/2001/25-06-2001_indkomstforskelle.aspx).

These figures give a clear picture of an island with declining economic activities and depopulation. Two processes of development can explain the large number of people above 60. Firstly, that the younger people are leaving the island for education and jobs and only few return, and, secondly, that the island because of its beautiful countryside, mild climate and cheap houses is attractive to retired people.

To break with this development the idea of reinventing the pear craft from the 1930s was hatched in 1989 and realised for the first time in 1993. The pear craft, loaded with fruit, posters, music and people in traditional costumes, sailed to Nyhavn in the very centre of the old Copenhagen - a place with many restaurants and cafes that attract the tourists. The pear craft re-launch attracted a lot of publicity right from the beginning. There was a dual purpose with the event: firstly, the marketing of the products of Fejø and secondly, the market of Fejø as a good place to live. The pear craft were at the same time a driving force in the creation of a trade council on the island to promote entrepreneurship.

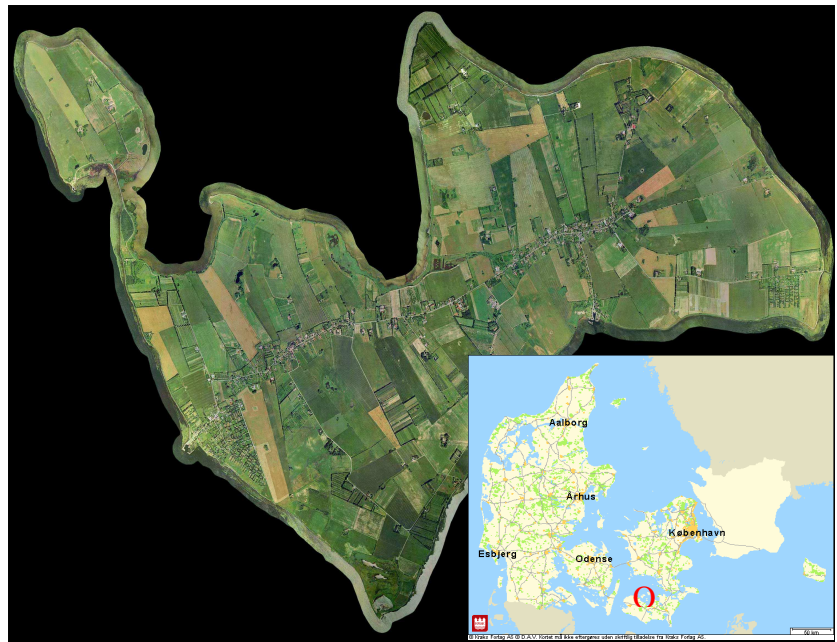


Figure 4.1: Fejø is a small island in the southeastern part of Denmark. Source: http://www.fejoe.dk/images/luftfoto_indeksside.jpg

The pear craft trade was very successful and Fejø Fruit became a brand, with particularly Irma starting to use this label in the marketing of fruit. Irma also starts to support the pear craft event financially. However, it is not until 2004 that Fejø Fruit in earnest becomes a concept. The concept in Irma was initiated in a cooperation between Danish Pome Fruit, “6 a day”¹. Danish Pome Fruit and “6 a day” try to persuade Irma to participate in “the apple of the week” campaign where they would deliver the posters and the different fruit if Irma would support the campaign. Irma agreed under the condition that the concept also became linked to the label of Fejø Fruit and packaged in Irma logo and sold exclusively in Irma.

At the same time Irma launched a branding strategy of Fejø Fruit where they would sell only Danish fruit and fruit from Fejø when possible. Irma also became more

¹ **6 a day** is the equivalent of the 5 a day-campaigns in other countries. 6 a day is a public-private partnership with representatives from government agencies, non-governmental health organizations and the fruit and vegetable industry. The partners are: Danish Veterinary and Food Administration; National Board of Health; The Danish Fitness and Nutrition Council; The Danish Cancer Society; The Danish Heart Foundation; Danish Fruit, Vegetable and Potato Board.

strongly involved in the pear craft and there were some struggles about to what degree the fruit should be sold under Irma's logo.

Another activity that could be closely connected with the pear craft is the establishment of an experimental orchard on Fejø on a 26-ha farm in 1996 in cooperation between local producers and local fruit farmers and associates with the purpose of supporting local rural development. The establishment of the orchard was supported by goal 5 b means.

The orchard was established as a cooperative and worked as such until 2007 when it was reorganised into a limited partnership due to financial problems, with fewer actors from the island and the involvement of the foundation Solhjulet. Now the focus is on the commercial production of organic fruit to cider and juice rather than on experiments. For years the manager of the orchard has used the orchard as a meeting place for the farmers on the island for the exchange of knowledge, but these activities have now ceased.

Since 2002 market prices for fruit have decreased and the economy of fruit production deteriorated. This had led to a decrease in the number of large-scale producers on the island. Some of the newer successors, of the farms, have given up fruit production in favour of pig production. Others sold off their farms to existing farmers, which means that there are only four to five large-scale pome fruit growers left on Fejø.

While the fruit producers are facing a hard time, a lot of other activities and entrepreneurship have started on the island. These include the development of the organic Fejø cider from "Kernegården", which has won a quality medal; the start-up of a small restaurant, Clara Frijs, by two chefs from Copenhagen who use ingredients produced on Fejø whenever possible; and many tourist activities and other kinds of entrepreneurship such as a rehabilitation centre.

One of the initiators of these activities is the settlement working group established in 2000. One of their major activities was to develop PR material for the island and to distribute these folders with the fruit sold from the pear crafts.

After years with decreasing prices for fruit despite the Fejø-fruit branding efforts, the pome growers face some serious management and development challenges, especially in the effort to contribute to the livelihood of the island. The success of the branding of the island has apparently not been turned into a clear advantage for the farmers of the island. In the following the reasons behind this will be further analysed.

1.19 Contextual factors and driving forces

Above the main socio-economical situation of the island is described. In this chapter will go deeper into the analysis of the limiting and enabling factors, relevant for collective marketing and branding of fruit from Fejø, Table 4.11.

Table 4.1: Contextual factors

Factors as described in the grid	Relevance for the case	COFAMI performance and dynamics limiting/enabling relevant factors
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Main descriptive data		
Proximity / remoteness to urban centres	High	+ Historically Copenhagen has been the main market for the fruit and vegetable growers on Fejø , especially when transport by sea was common. The pear craft is an effort to capitalize on that history. - Now it is a marginal to a marginal area and sailing by ferry makes things little more complicated, although the ferry connection is good.
Relative importance of agriculture for regional income and employment	High	+ Apart from tourism, agriculture is almost the only income generated on the island, and still plays a very important role. - The island is very strongly affected by the structural development, both on the number employed in agriculture and people in related service and processing.
Density of farms with similar production structures	High - medium	+ There is a strong tradition for growing pome fruit, - The number of farmers is decreasing due to poor economical situation of pome culture.
Job opportunities in other sectors	Low	- Besides of tourism commuting is the only alternative job opportunity.
Socio-political/institutional context		
Urban-rural interrelations	High	+ Many people with good social skills have moved to the island. Attractive place to live.
Territory based policies (presence / absence, network-characteristics)	High	+There is a special focus on supporting development on the small islands as fringe areas. The experimental orchard was strongly supported by the local municipality in Saksøbing.
Institutional support to COFAMIs		
Existence of formal regulatory framework for collective action / marketing	High	+ already cooperation on pome fruit marketing - The legislative framework and connected policy network is supporting the main stream cooperatives, and line of thinking.
Institutional facilitation capacity	High	- Lack of appropriate support for the further stages of COFAMI development
Socio-cultural context		
Culture and positive experience of cooperation	High	- There seems to be a reluctance to get into to strong mutual dependency on the island + There is a general tradition of cooperation among farms
Rural social cohesion	High	Difficult to give a simple answer, there are two contradicting forces. ++It is a small community where people are used to care for each other. - They are competitors on farmland and they do want to get to involved and dependent on each others.
Presence/ absence of agriculture in local identity	High	+ Pome growing plays a considerable role in the identity of the island
Economic and market contexts		
Importance of local, regional and national markets	High	- Limited local market, only in relation to tourism in the summer period. Important for the small hobby orchards. + Copenhagen is an important market for labelled Fejø Fruit.
Economic weakness, lack of capital	Medium	- The economical situation has been bad for some years, but lack of capital is not a major constraint.
Competition n relevant markets: number of actors; price evolution, market share, competition with other market parties	High	+/- The market share of Danish Pome Fruit in Denmark is only 25%. There is a very strong competition on the bulk market from the southern and eastern European countries, and on organic fruit market from Germany as they allow more biological components in pest control.

Relations between actors on the markets (strategic alliances, hybrid forms)	High	+ Good relation with Irma - Weak relations with more of the other markets actor, they prefer foreign fruit because it is cheaper and more standardized
Learning context		
Existence/ absence of relations with local or regional actors to develop learning initiatives	Medium	+ The experimental orchard was an active platform for learning activities. - The orchard has now changed role from a learning environment to full organic production. .
Existence / absence of training to facilitate farmers participation in COFAMIs management	Medium	The management of the Danish Pome Fruit has been professionalized, and the farmers are only represented in the board. This means: + Danish Pome Fruit is managed professionally, - It can be difficult do create cohesion between board and management, and to obtain the necessary support to innovation and development of the cooperative.

As already described above, when agriculture and fishery were the main income of the Danish society and transportation by sea was easier than by land, Fejø was a rich and lively island, despite its small size. Now the general characteristics are that, due to the modernisation processes of society, Fejø has been forced to find new avenues of income and livelihood for the island. Commuting distance to working places is long, especially because Lolland is also a marginal area with declining activities and commuting.

Fejø is due to its mild climate, beautiful landscape and quietness an attractive place for many people to live, but also attractive to tourists, although the island may be too small for most people to stay for more than a couple of days.

Fejø is an island and thus has a distinct identity and boundaries, and it has a long tradition of fruit production and marketing in Copenhagen. There has already been branding of island activities for many years. From an immediate outside perspective there seems to be a big potential for strengthening this branding as a means of marketing the various products of the island to improve rural livelihood and attract human capital.

Socio-political/institutional context

Fejø has due to its qualities become an attractive place to live for many people from bigger cities searching for another lifestyle. This is reflected in many entrepreneurs on Fejø being newcomers from the area of Copenhagen, or people who have moved back after years abroad. This means that Fejø has better opportunities to draw attention to their problems. On the other hand, many of the factors affecting the livelihood of Fejø are the same on Lolland and the municipality of Sakskøbing. So even though there is an attention and understanding of the situation of Fejø it means that the municipality is in an economical situation where they cannot heavily support Fejø.

Institutional support to COFAMIs

The regulatory framework supports collective marketing activities, and there is a well developed institutional setting to support these activities. On the other hand, regional branding is in contrast with the mainstream Danish agricultural food regime. As there

are no strong Danish measures to support regional branding it also means that the knowledge, research and infrastructure/networks to support regional branding and marketing are weakly developed. This contrast is also present in the interviewed farmers' arguments; on the one hand they acknowledge the idea of regional branding, but on the other hand they fear to stand out of the traditional marketing cooperatives and the associated security.

Socio-cultural context

The impact of the social and cultural context on regional branding is a complex matter. First of all, there is a strong rural identity; it means quite a lot to be a Fejbatting, as indigenous people are called. These people have a long inherent tradition of pome production. As an elderly farmer expressed it: "I was born in an orchard and I hopefully also will die in one when the time comes."

As a small community the island is recognised as a place where people care for each other and also have a high degree of tolerance. On the other hand, even though it was not said so directly, there was a reluctance to interfere too strongly with each others' farms and way of farming.

One example of this reluctance was the farmers' reaction at a meeting organised on the possibilities for applying for PDO/PGI status for the island. A farmer from 'Lammefjorden' was invited to tell about his experiences. Some of the farmers left during the meeting. They did not even want to listen to and discuss the possibilities. Another explanation is the fact that the farmers are becoming increasingly stronger competitors on the farmland.

So even though there is a strong social and cultural tradition for cooperating on marketing in Denmark, there are also strong obstacles to cooperation, especially when farmers are geographically close and when the cooperation interferes strongly with the organisation and management of the farm.

Economic and Market context

Danish Pome Fruit covers only 25 % of the Danish market, so there are good possibilities for improving the Danish market share. However, the Danish growers are under very strong pressure from the southern and eastern European countries that can deliver large quantities of standardized (size and quality) fruit at a low price, which is very attractive to the retailers and supermarkets.

The market for regional branding and quality differentiation has been underdeveloped both by the producers and by the retailers and supermarkets chains. The number of marketing channels has been reduced, and ever since the fruit and vegetable wholesale market in Copenhagen closed some years ago, there have been only few marketing channels in Denmark.

To sell produce locally on a large scale is not possible, but small-scale producers may sell their product to tourists from small roadside stalls during the summer, and also to local restaurants. On the other hand there is growing focus on food quality and the

origin of food by some consumer segments, and many Danish consumers seem to prefer to buy Danish products if possible.

Irma is the first supermarkets chain to pick up this new trend and the branding of Fejøl Fruit may be seen as much as an effort of Irma than that of the traditional fruit growers of Fejøl.

Learning context

The establishment of the experimental orchard on Fejøl is an expression of the farmers' willingness to learn and innovate. The orchard also functioned as a meeting platform for the farmers until recently. Now the orchard has been reorganised due to the termination of public support, with strong focus on the economical outcome of the orchard and less focus on research. Furthermore, the orchard has been turned into an organic orchard, with the aim of producing cider. Only a few farmers are now economically involved in the orchard and it has lost its function as a platform for farmers' meetings.

When it comes to marketing and management the development in Denmark has been towards professionalization of management of the cooperative marketing strategies, which means that the farmers and the farmers' organisation have no or relatively little knowledge and skills to support new farmer-driven marketing initiatives. This also means that it in many cases can be difficult to get cohesion between the strategies of the manager/director and the board of the cooperatives, because they hold different understandings and values in relation to the direction of the cooperatives.

1.20 Organisation and stakeholders network

As described above, Fejøl Fruit is a brand label of the pome fruit grown on Fejøl stored and managed by the cooperative of Danish Pome Fruit, and branded and marketed by Irma. Closer examination reveals a more complex organisation and stakeholder network related to Fejøl Fruit. Studying the case, the most surprising is the relatively little role the conventional pome farmers have played in the initiation and development of the brand of Fejøl Fruit compared to the economical interest they may have in marketing.

Very simplified, the creation of the idea and initiation of the regional marketing was made by a group of actors that wanted to improve the livelihood of Fejøl, taking up the old tradition of the pear craft, and by Irma who could see the potential of regional branding in their own branding of their concept of high quality.

However, one of the major problems in the organization of Fejøl Fruit is that it does not directly mobilize the pome farmers from Fejøl into the process of regional branding and thereby in the necessary process of creating added value to the product. The present organization of the network does not open for the possibility to increase income through special marketing/branding efforts. In the way it is now organised, added values of the regional branding are equally distributed between all the members of the cooperative. Logically the initiative to a reorganisation of this must come from the pome farmers of Fejøl. In the network diagram in Figure 4.2 I have tried to illustrate this complexity:

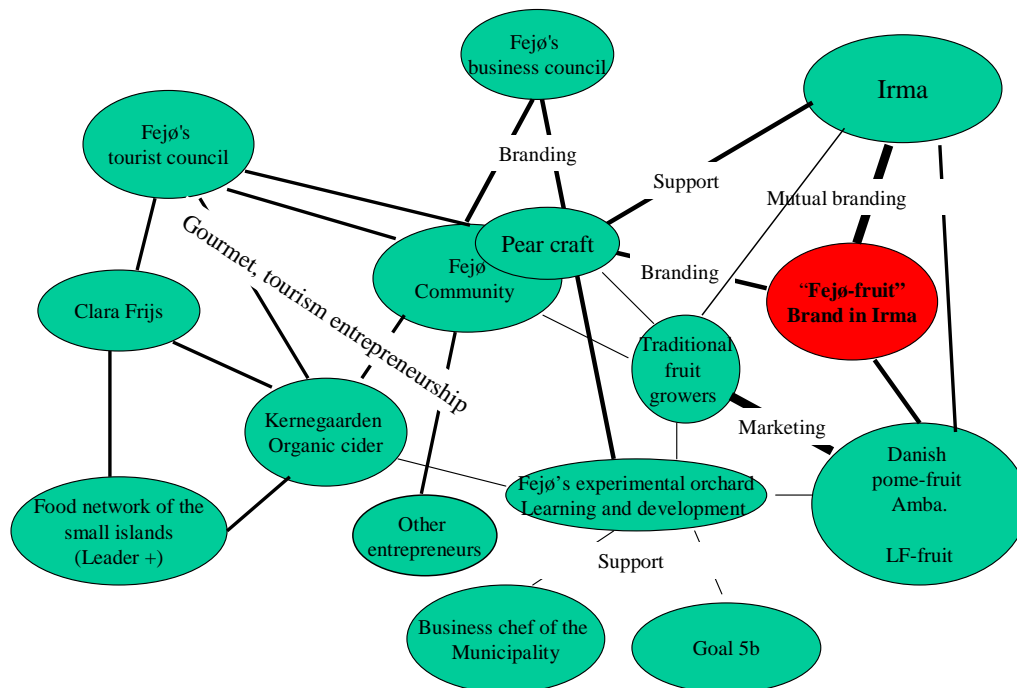


Figure 4.2: Network and organisation of the regional branding of Fejø Fruit. Due to the complex nature of the case it is difficult to clearly distinguish between internal and external actors.

This case may therefore be a good illustrative example of the dilemma the Danish cooperatives face on regional branding and quality differentiation.

On the one hand it has been a strong core principle within the Danish cooperatives that they are paid equally for equal produce. The main objective of the cooperatives was to secure added value through processing and marketing to the benefit of all members, a principle shared and strongly supported by most farmers. A logical consequence of this principle is that the cooperatives have focused on processing and standardisation. In a branch like milk where quality is tied to a high degree of processing the cooperatives are very successful, but in branches where the quality is also strongly dependent on the producer like fruit, the Danish cooperatives have been less successful at keeping the price and market share. There are of course other factors involved in these differences such as protection of market, climate, etc.

However, how to cope with internal differentiation and how to mobilize the growers in development of differentiated quality and products must be one of the major future challenges to these farmers' cooperatives.

1.21 Capital assessment

In Table 2 the assessment of capital is solely made from the perspective of forming and strengthening a collective marketing strategy of Fejø Fruit. Fejø Fruit has most forms of capital at their disposal. Even though prices on fruit have been low for the last couple of years, it is not impossible to borrow money for new investments. The capacity of storing and packaging is managed by Danish Pome Fruit. Logistically and institutionally the setup is working.

As mentioned, the conditions for fruit production on the island are very good - the soil is good and the climate is mild. The island has a long history and a good location for local branding. The farmers are skilful pome growers who know how to make good apples of high quality. The island has also attracted many skilful new entrepreneurs.

When it comes to social capital the case is much more complex. The interviews could not reveal strong, shared ideas and beliefs in a regional branding of Fejø. And the impression I got was that strong links between mainstream agriculture and the other activities on regional branding are missing. In that sense Fejø Fruit and These Dairy are contrasting cases in terms of capitals. Where members of These have very strong shared values and beliefs as their driving force, and lacked almost all other capitals, Fejø Fruit have all the other capitals but lack this particular social capital as a driving force.

Table 4.2 Overview on the capitals and their outcomes

Capital	Relevance	Status	Description of effect
Financial	++	Medium	The price of pome has been very low for the last five years, which means that the farmers' economical capacities and willingness to invest are rather low.
Physical	+	Medium	Concerning primary production the physical capital is rather high, concerning storage, processing and logistics the farmers rely on their cooperative distribution, which again means that the added value is shared among all pome producers.
Natural	++	High	Fejø has very good natural conditions for growing various kinds of fruit. It is a very distinct area. It has a long history of producing and selling fruit to Copenhagen. This means that Irma is keen on marketing Fejø Fruit
Human	++	Medium/high	The farmers' knowledge and skills are very good in terms of producing apples and other fruits of high quality and quantity. Due to the structural development and the poor economy for fruit growers, the number of farms is decreasing rapidly. When it comes to marketing most growers have little knowledge as this has for a long period been the responsibility of the cooperative.
Social	++	Low	The traditional pome farmers have a weak internal network and cooperation on the island, which is a strong hampering factor for the development of the concept of Fejø Fruit. Very simplified, the concept of Fejø Fruit has been created and sustained by anyone but the conventional fruit growers themselves.

1.22 Dynamics of the COFAMI and Critical/crucial events

As described above, the concept of regional branding of Fejø Fruit in Irma is relatively new, having been established in its existing form in 2004. As described, Irma has been one of the main actors in establishing the branding of Fejø in the supermarket. However, to understand the fundament and background for this we need to go back to 1993 where the first pear craft from Fejø headed for Nyhavn in Copenhagen. This event was initiated and carried out by local people concerned with the development of the island. The pear craft event got huge media coverage and PR, and Irma could see the scope for using this in their strategy.

In the mid 90s pome fruit prices were reasonable and there is a general optimism among the pome farmers. The experimental orchard is established in 1996, new production methods are implemented and productivity is increased.

About 2002 a new crisis in pome fruit appears. Prises are going down and more farmers give up pome growing either by selling their orchards to other farmers or they clear the orchard and start on arable farming and pig production. A single farmer goes in the opposite direction and is now investing in the establishment of new orchards and in own storage and grading equipment to keep more of the added value on his farm and the island.

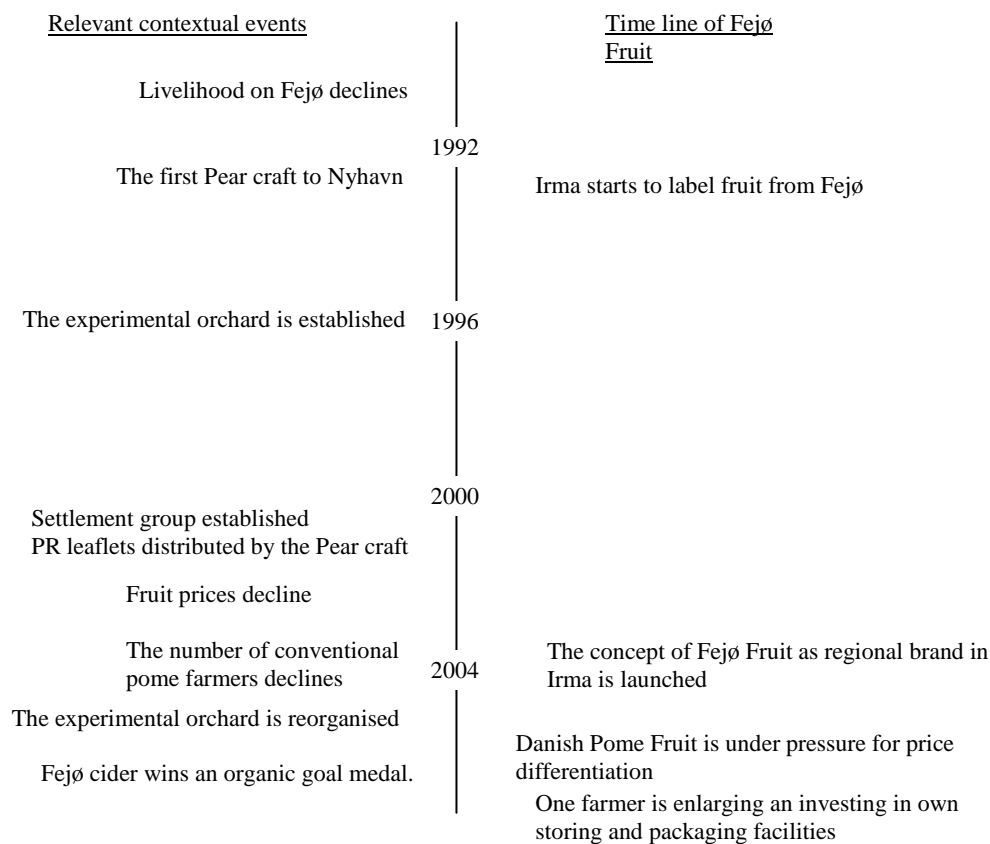


Figure 4.3: Time line and relevant contextual factors for the development of the regional brand of Fejø Fruit.

The COFAMI is therefore at a very decisive point as to what should be the destiny of the marketing cooperation and local branding on the island. From an analytical position I can see, among others, three logical different development pathways:

- 1) Danish Pome Fruit develops a strategy where it become more possible to develop internal differentiations of brands, which mobilizes farmers and awards personal and collective commitment in differentiation of products and branding.
- 2) Entrepreneurs expand the large pome orchard on Fejø and start their own branding and marketing, with some degree of networking with the other actors of the island.
- 3) Various actors on Fejø join their efforts on regional marketing of products from Fejø and start their own cooperation on marketing and sale.

1.23 Impact

Economic performances (0/+)

In terms of direct returns to the pome growers on Fejø the effect of Fejø Fruit seems small, while they are paid the same for their fruit as the other members of Danish Pome Fruit. However the activities around Fejø Fruit have contributed to the Branding of Fejø in general as a nice place to live. Also the branding of Fejø has increased the future marketing opportunities for the pome growers of Fejø to capitalise on.

Market performance (+)

Fejø Fruit can be seen as an input to improve the general marketing of Danish fruit and to navigate in a market where there is a desire for increased differentiation and search for products with origin and history. However, there is resistance and reluctance among the traditional growers to recognise these changes and support differentiated strategies within the storing and sales cooperative.

Social performances (+)

Indirectly Fejø Fruit has been very important in the identity and branding of Fejø. The pear craft are actively used to market Fejø as a nice place to live. And the fruit is an important part of identity of Fejø.

Educational performance (-/0)

The experimental orchard established in the mid nineties has been a good platform for learning and for the development of pome on the island. Weekly after work meetings have, for example been organized. However, a lack of internal cooperation and the general development have lead to a reorganisation of this, so today there is more focus on business than on learning.

Cultural performance (+)

Fejø Fruit is a great part of the cultural identity of the island, but the number of growers has declined dramatically. In the long run the activities of pome fruit growing will have an important influence on the cultural identity of the island.

Environmental performances (0)

The local branding of Fejø Fruit has not had any clear environmental impact so far, although the experimental orchard is now organic. Irma will probably put pressure on the pome growers to change to organic production methods, because most of their other product items are organic. However there are, according to the pome growers, serious difficulties for organic pome growing in Denmark, because the means to reduce pests are few compared to other countries. On the other hand the experimental orchard and the small organic orchards on the island can help to develop new methods and strategies.

1.24 Conclusions

Fejø has been a very interesting case for studying regional branding, a beautiful island where I felt welcome during my study and an island with many entrepreneurs and promising perspectives for future rural development. Initially, when Fejø Fruit was selected for this case study, I believed that the pome farmers were more involved in this COFAMI of regional branding and marketing of Fejø Fruit through the supermarket chain Irma. What surprised me was how relatively little the farmers that produce and deliver the fruit sold in Irma had been involved in the branding and marketing of Fejø Fruit. Only a few growers seem to have played an active role in the pear craft and the branding activities. This case study raises three important issues on the COFAMI of regional branding.

Two different paradigms

Regional branding belongs to another line of thinking than that of the traditional cooperative marketing strategies. The traditional COFAMIs stand for specialisation, efficiency and market control, and the avoidance of internal competition and differentiation between the farmers. As a consequence, value adding is necessarily to be obtained in the storing and processing and marketing links of the chain. Quality becomes global and disconnected from the primary producers and place of production.

Regional branding is going in the opposite direction to differentiation, where qualities become linked to place of production and carried by the other links of the chain to the consumers. The pear craft, Fejø cider and restaurant Clare Frijs are all embedded in this regional branding line of thinking. The traditional farmers seem to be caught between these two strategies. They are embedded in the first paradigm and a disconnection between production and marketing where they concentrate on the production and do not have time to build up the skills to be involved in the marketing strategy. On the other hand they feel more and more frustrated about the prices going down and their lack of influence on them. This may be one of the major explanations why the inherent “Fejbatnings” are reluctant to commit to the new ideas of regional branding.

The issue of shared ownership and mutual development

In the Fejø case marketing and branding is mostly a matter between primarily Irma and Danish Pome Fruit. In the way it is organized there are no strong incitements to farmers to get involved in the branding and story telling as well as the product and differentiated quality development.

Danish Pome Fruit as a cooperative organization does not have a specific interest in supporting the regional branding, because they want to treat all their members equally, but sees it as a general way to improve the image of Danish fruit and to increase the income and financial return of the farmers. To Irma Fejø Fruit is interesting only as long as Fejø is a good brand and as long as Fejø Fruit is exclusive to Irma, at least on Zeeland. It also means that the activities on Fejø like the pear craft are important to maintain the regional brand, Irma has no means to do that on their own.

In conclusion regional branding is created by the local activities of the region but at the same time very dependent on network building with the other links in the chains of marketing; that the brand is build up in a mutual interest and dependency of the actors involved.

Importance of social capital

A third issue raised by this case is the importance of social capital in terms of shared values and ideas. Compared with the Thise case, it seems that social capital is the most critical form of capital in forming COFAMIs. The problem of shared values among the indigenous farmers becomes especially important in a case of regional branding. In the Thise case, the initial form of capital of the COFAMI consisted almost only of social capital. Initially the network of farmers was established around the shared values and ideas of farmers from a distant area. In the case of regional branding, the potentially involved farmers of the area are already there due to their location and they do not necessarily have the same ideas and understanding concerning farming and marketing.

So although it, at least from a theoretical perspective, seems obvious to use the strategy of regional branding in the effort to ensure rural development and increase of livelihood on islands like Fejø (an understanding that is supported by many trends at the moment), the big hurdle may be to mobilise the different actors and producers around a cooperative marketing strategy of the region.

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Satellite cases

In order to support the case analysis and the discussion and key conclusion two satellite cases have been included. The first one primary focusing on the question on the importance of a coherent marketing strategy and the other on the difficulties on obtaining the necessary shared strategic values and goals necessary for regional branding.

1.25 COFAMI Danish satellite case 1 for Thise: BioBourgogne Viande France.

Research question to be compared:

- What are the important elements in creating a coherent network and marketing strategy for marketing of high quality products
- How to construct links with new markets partner in relation with a coherent marketing strategy
- How do farmers control pace in a turbulent market? Ever fluctuating market condition seems to be one of the harsh conditions for collective marketing initiatives.

Why BioBourgogne Viande (BBV)?

For the comparative analyses of the three questions there were chosen the BBV. The choice was based on several considerations: Thise and BBV are both initiated by idealistic farmers that faces difficulties to marketing their organic products. Although it is milk and meat it is both in the cattle sector and there are many similarities to the marketing situation. Both initiatives build on the ideas of a diversified marketing outlet and a close relation to the consumers. BBV are facing some challenges and problems with coherence in their strategy that could support the discussion of the conclusions drawn on the Thise case.

General description of BBV

The OMI description of BioBourgogne Viande (Auersalmi et al. 2003):

BioBourgogne Viande is a limited company (but producers are shareholders and the chief executive is a producer) formed in 1994 and based in Burgundy (north-eastern France). Around 100 producers are members of the structure. This is a 100% organic venture and is engaged in the organic meat market and especially that of beef cattle. The cattle sold are mainly Charolais cull cows. BioBourgogne Viande is a regional economic structure, working with the region's organic producers in order to collect and market their animals.

In the 1980s, one organic breeder, followed by 30 others, felt that something was lacking in their business and they decided to set up a structure. BioBourgogne Viande has received support from the Regional Council and has benefited from the creation of SEDARB (Service d'Eco Développement Agricole et Rural de Bourgogne) in 1988. SEDARB was set up to exert an influence on the beef industry both downstream and upstream (especially the organic cereals and meat sectors).

The original motive was to set up an organisation which would collect the supply, which was scattered at that time, by collecting animals from all the breeder-members' farms; BioBourgogne Viande' mission was also to make sure that breeders would retain control over the marketing of their livestock. The structure has a growth objective: to reach viable volumes and secure supplies (fresh meat and delicatessen) for the three butchers' shops it owns.

The main product is beef. Nevertheless, BioBourgogne Viande also deals in lamb, pork and veal. This company has a diversified marketing policy; supermarkets (especially AUCHAN, one of the main French supermarket chains: BioBourgogne Viande development is partly based on this market, which represents 70% of its beef cattle sales), six organic butcher's, one consumers' co-operative, mail-order sales, and one wholesaler specialised in frozen meat (CONVIVIAL).

BioBourgogne Viande has primarily an economic objective: to build up and organise a regional "filière" (supply chain), bringing together an adequate supply (in terms of volume), which would be attractive for downstream partners while protecting the farmers' interests.

The BSE crisis in 1996 increased consumer demand for organic beef but this crisis has disrupted the structure, which was still young at that time and could not meet this increasing demand.

BioBourgogne Viande is a member of the BioBourgogne association (strong regional background and implantation). One of the aims of this association, created in the early 1980s, is to contribute to regional "eco-development". When an operator signs this charter, one of his commitments is to take into consideration regional development by maintaining or creating rural employment and participating in an active rural human resource network. BioBourgogne Viande is also part of a recently established national structure (ANVIBIO), which is seeking to build a national organisation for organic meat. Furthermore, BioBourgogne Viande uses the collective label "BioBourgogne".

BioBourgogne Viande is a very active structure: they are now about to finish building a "cutting-boning" room (to short-circuit middlemen and be able to sell directly to supermarkets) and a shipping platform. This will enable them to retain a larger share of the added value and divide it among their producer-members. Farmers have every confidence in the policy implemented by the structure. Nevertheless, despite all its efforts, BioBourgogne Viande still has to deal with a scattered supply, the collection of which involves considerable time (and money).

Important elements in creating a coherent network and marketing strategy for marketing of high quality products

Although it is different commodities in terms of organic milk and organic meat, there are many similarities between These and BBV in its beginning and way of organizing. Both COFAMs were established by idealistic organic farmers that wanted to get in contact with the consumer and marketing organic products. While These dairy at the moment are very successful in its marketing strategy BBV is, according to the analyses conducted, facing very hard challenges to develop a coherent marketing strategy and a dynamic development of their cooperative marketing. In the following we will focus

on some of the core issues that can help to explain the differences in success and performance between the two initiatives.

BBV was initially established on a core idea to control the marketing/chain of their product and to create a close relation between consumers and producers. However, the more lucrative situation for organic meat in the shadow of the BSE crisis, undermined this strategy because of the large demand, and there was no need to invest a lot of energy and money in their own marketing network.

BBV was, as the case of many organic farming initiatives, established around strong ethical considerations concerning environment, animal welfare and lifestyle and to a growing extent health issues, while the aesthetic quality dimension as taste and appearance were limited. Which among others can be seen of the lacking interest in quality differentiation of the payment of the farmers. Also the lack of professionalism and skilful butchers in the markets chain is undermining the quality dimensions of the marketing, and the organic meat has difficulties to compete with the quality labels of the conventional beef producers.

In line with the growing supply of organic meat the competition on price became harder and harder. On the one hand BBV is processing too much meat to sell it by direct marketing on the other hand they are not big and steady enough to supply the larger retailers and they do not have the bargaining power of the big cooperatives/enterprises. This means that the BBV is squeezed on the price in the competition with conventional beef. Furthermore the transaction costs are very high because they are operating in small scale and have a rather diverse market outlet.

According to the analysis conducted, BBV seems to have positioned itself strategically between different marketing strategies, with the result of high transaction cost compared to the added values of the marketing strategy. The case study also reveals a very heterogeneous view on the appropriate strategy, some of the involved actors opt for rationalisation and cost reduction strategy while others claim for a more ethical based strategy, and others opt for a regional/local marketing strategy, in that sense the social capital in terms of shared values and goals seems weak. The surrounding organic farmers seem to be in a waiting position to see what way the development will take before they enter the cooperative. In contrast there have all the time been farmers on the waiting list of Thise, despite periods with low economical incentives, due to the attraction to the values and 'spirit' of Thise.

Construction of links with new markets partner

If we look at the network relation from the markets actors downstream, there is a difference in the way these market relations are constructed. In the Thise case they have from the very beginning been focused on building vertical network relations that, without violating the strategic coherence and sovereignty of Thise (and the other actors), build a kind of mutual interest and interdependency. This dimension seems to fail in the BBV case, as one of the earlier chain partners expresses it: "BBV wanted to realise a dream only for themselves".

As it was mentioned again and again during the interviews conducted in the Thise case: to build links with other markets partners is to build mutual visions and interest. One of the core problems or challenges for BBV is to develop an internal vision coherent and strong enough that includes and mobilises other markets actors and farmers into the marketing network.

How do framers control pace in a turbulent marked?

The two cases do not necessarily gives fundament enough to answers this question, however some insight may be gain from the difference of the cases. While Thise very consciously stay with their core strategy of high quality product, diversification and development, even in a periods with strong consumers demand on fresh milk, tempting to focus on this lucrative market, and in periods with difficult market situation tempting to reduce cost by cutting the number of products. BBV seems to be more opportunistic towards the short turn markets opportunities. The price thy have to pay for this is the long turn stability and the control on their own strategy. To build long turn stable relationship with other markets actors (counts both ways) take a long-term strategy and, as pointed out above, a shared vision in terms of quality and branding. COFAMIs cannot control the turbulence on the marked but due to the strategic decisions thy can decide on how they will cope with the turbulence and thereby how the will cope with internal turbulence in the organisation.

Conclusions:

BBV to support the analysis of the Thise case, the main lessons drawn form this comparison are:

- Social capital in terms of a shared vision and strategy seem to be one of the core conditions to build long-term strategy
- A coherent marketing strategy needs also to focus on quality, organic is not enough, to keep a distinction in the market.
- A coherent long-term strategy is important for attracting/mobilising other actors to the marketing strategy
- Farmers and other actors' trust and support to the strategy are important to maintain a long-term strategy and thereby to cope with the short-term pressure of the turbulent surrounding world.

Source:

Auersalmi, M; Floch, A,L,.; Fontguyon, G.d. Sans, P. ; Schmid, O Sylvander, B. (2003) BioBourgogne Viande. OMIaRD case study France. OMIaRD – QLK5-2000-01124

1.26 **COFAMI Danish satellite case 2 for Fejø-fruit:** The Waddengroep Foundation, The Netherlands.

Research question to be compared

Regional branding of food production, how to manage the balancing between conflicting values and ideas and creation of shared values?

The small island Fejø seem to contain great potential for development through regional branding and hallmarking. Although there have been several initiatives on the island to do so there seems to be major obstacles to peruse the potentials of local food development and regional branding. And added values of the regional branding are not coming back to the island. One of the main reasons for that is a lack of shared values and ideas among the potential food producers and processors on the island. It could therefore be interesting to compare the efforts on Fejø with another case where they have faced and dealt with similar problems successfully.

Why Waddengroep foundation?

The Waddengroup Foundation has been object for a case study in the IMPACT project 98-02. The Waddengroep foundation has been chosen for cooperation for several reasons. 1) The WF is also initiated on a small island far from urban areas 2) there are many similarities in the contextual situation between Fejø and Texel, both places where the rural livelihood is strongly negative influenced by the modernisation paradigm. 3) Like in Denmark, there are no late historical traditions of regional high quality products regional branding has to start from scratch. 4) It appears that the stakeholders by the WF have found a way to cope with creating shared a concept and organisation around shared ideas and values after some initial failures and learning processes.

Short description of the initiative (mostly copy and paste from Roep 2001)

This WF initiative is about collective marketing of organic and regional typical food qualities on the Wadden Islands, a popular tourist destination in the Netherlands. The initiative traces back to the early nineties when an organic farmer on the Texel Island starts to deepen its farm activities with processing and direct marketing. In time this develops into a strong territory based collective marketing initiative in which (predominantly) organic producers and other food related SME's are cooperating closely in the production, processing and marketing of regional typical high quality food.

The initiative for founding the Waddengroup as an umbrella organisation came from people working for:

- a) '*Sint Donatus*', a pioneering organic (on anthroposofical principles) dairy farm on the Waddenisland *Texel* founded in 1976;
- b) the '*Stichting Wrâldfrucht*' (literally the '*World fruit Foundation*'), which was founded in 1992 to stimulate pioneering in organic growing, processing and marketing of unusual and typical fruit crops in a distinctive northern Frisian area (*Lauwersland* and *Frisian Woods*);
- c) '*Wholesaler Kroon*', a wholesaler delivering organic food shops throughout the Netherlands and Belgium and since years buyer of the *Sint Donatus* dairy products.

The Waddengroup Foundation was formally constituted on the 29th of April 1996 at *Texel*, one of the Waddenislands. According to its charter, the new organisation should contribute to a sustainable economical development of the Waddenregion by stimulating an environmental friendly agriculture, the processing of raw materials produced by the primary agricultural sector and the promotion and sales of so-called ‘*Waddenproducten*’ as far as these products:

- a) originate from a demarcated *Waddenregion*;
- b) are produced under an officially acknowledged and independent hallmark guaranteeing a environmentally friendly or sustainable way of primary production and processing; and
- c) fulfil high quality-standards and above that distinctive features.

With a growing interest in regional typical food qualities, the foundation had to develop own criteria for regional origin without clear-cut geographical and administrative boundaries. It was decided to demarcate the Wadden region as defined by the ‘*Waddenvereniging*’. This production area of *WaddenGroup* includes the 4 islands *Texel*, *Schiermonnikoog*, *Ameland* and *Terschelling* and a 25 km coastal zone of the provinces *Noord-Holland*, *Friesland* and *Groningen*.

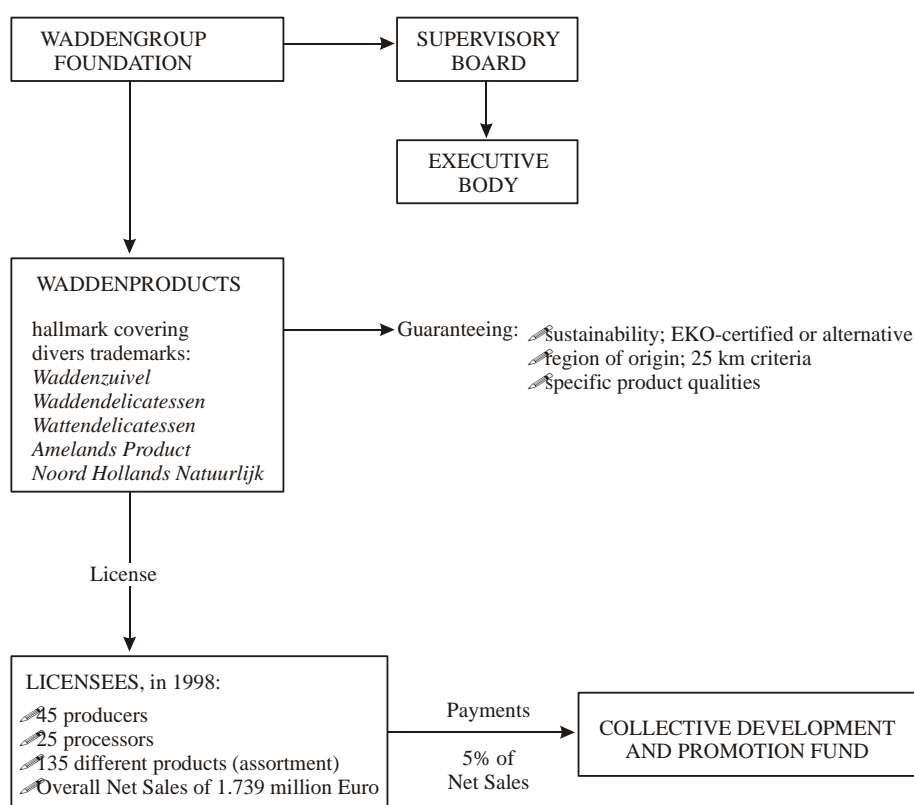


Figure 5.1: An organigram of the Waddengroup (source Roep 2001)

A distinctive logo and a set of specifications and regulations describing the common and distinctive features of producers and products had to be developed. In contrast with countries like France (AOC), Spain (DOC) or Italy (DOCG), the Netherlands

(and Denmark) lack a legal protection system by law and/or an active implementation of EU PDO/PGI regulations. The national SKAL organization is responsible for the licensing and control of organic hallmarks to effectuate the control of the licensees of its brand.

An independent *Supervisory Board* was installed as licensor that can issue or withdraw a license². In return, licensees are contractually obliged to pay royalties, set at 5% of net sales for the creation of a promotion and development fund that supports different activity fields as: 1) product and market development; 2) licensing; 3) advisory services towards (potential) licensees; 4) mediation between suppliers, distributors and purchasers and 5) acquisition of external funding for further development and the strengthening of ongoing collective action.

Regional branding of food production, how to manage the balancing between conflicting values and ideas and creation of shared values?

Important to get the right start

Already in 1979 *Sint Donatus* and other local producers on the island *Texel* founded the '*Vereniging van Echte Texelse Produkten*' (Association of Real *Texel* Products) as to stimulate and to promote products originating from *Texel*. That is to say divers food and non-food products that was really produced and/or processed on the island. In 1996 this Association counted 16 producers, which is about 5% of the total number of producers (i.e. 284). One of the main problems, which give rise to everlasting disputes among the members of the Association, however is that the distinctive criteria *real* wasn't defined properly from the beginning. According to Van Rijsselberghe this initial vagueness couldn't be repaired afterwards due to the growing commercial interests of the members and the resulting disagreements between the members, being producers, processors and buyers. So some of the products that are in fact acknowledged as Real *Texel* by the membership of its producers or processors of the Association of Real *Texel* Products are only by name linked to the island *Texel*. The lesson, as Van Rijsselberghe puts it, is that "*you have only one opportunity to make a good start*".

The situation of *Texel* were more or less the same as the situation they are facing at the moment on *Fejø*, on the one hand Both *Texel* and *Fejø* are both potential good demarcated areas for branding, on the other hand the hallmark and brand cannot be protected unless there is a strong agreement and shared understanding on which qualities and criterion that put into this hallmark. That it is produced on *Texel* is not distinctive enough to marketing.

"Waddenproducten" a good platform for regional branding

The way out of this trap was to form a new brand and hallmark around the concept of "Wadden sea products". First of all it turns out to be much easier to marketing. The sales on organic dairy products increased by 75% due to the fact that Wadden seem more appealing to the consumers than *Texel*. The Hallmark gives the opportunity to

² Supervisory Board members are being recruited from worlds of policy, science and environmental organizations, preferably with long time experiences and extended networks

define and defeat some clear distinctive criteria's, that were associated with more that the origin and demarcation of the products.

One on the success factors behind the Waddenproducten may be that **three quality dimensions** are involved in the criteria's: **Origin, high quality and environmental friendly** (contribute to the nature quality of the area). In the case of Fejø fruit, the origin is the only real distinctive quality of the fruit; there are no standards to secure the special features of Fejø or securing a distinct high quality of the Fruit. Compared with the Waddenproducten it might be difficult to develop the branding of Fejø fruit without involving the other quality dimension. And with all tree quality dimension it become much easier to protect and develop the hallmark and branding.

At the same time, the creation of a hallmark that is closed linked to a region, but not a particular place, gives a better opportunity to in- and excludes free-riders and producers that do not agree on the standards. And thereby reach the necessary shared values and goals to support a long-term strategic development of the concept.

Involvement of different actors

Like in the Fejø case The Waddengroup involves different kind of actors in the food chain. The major difference is that the direct involvement of the producers is scarce in the case of Fejø compared with the Wadden group. Which could explain the difference in the dynamic of the two initiatives. The Wholesaler Kroon seem to have a much stronger interest in promoting the imitative and the dynamic of the hallmark than the Danish pome fruit (marketing cooperative) has to promote Fejø Fruit in relation to the other Danish pome producers and members of the cooperative. One of the explanations could be that Fejø fruit mostly distinct on the origin which makes it difficult for Danish Pome fruit to treat these growers different.

However the case of Waddengroup supports the understanding that it is important to include actors from the whole chain and to build a marketing network op around the initiative. Resent articles in the Danish magazines and newspapers reflect a growing interest from the retailers to distinct products qualities and origins that could be a part of the retailers' identity in the marked. And the retailers' interests in network cooperation are increasing.

Right organisation: Creating synergy in the *Wadden region*

One of the aspects where the Fejø case really could draw on the Waddengroup is the institutional arrangement of how the Waddengroup have organised the regional branding. Three aspect seem to be important:

The concept of region is constructed in a way that the members are not born into the group simply by living in a certain place. The hallmark is protected and to use the hallmark you shall be a member of the group, which means the organisation is in a position to define and control which products that could be marked under the labels.

It is voluntary to be a member of the organisation, and the organisation builds on clear and well articulated values and goals, which mean that it is easier to maintain the

necessary internal coherence in values and visions, and thereby the social capital necessary for a coherent strategy.

The licence of 5% means that the organisation can support new initiatives and other kind of branding activities, that benefits more broadly the branding of the area and products.

This helps to exploit the synergy effect between different kind of activities like high quality food, non-food (energy, Green care, wellness etc) and tourism, and thereby to mobilise and appreciate the pioneers in working in the area.

Size and centre of rotation

Comparison of the cases of Waddengroup and Fejø fruit, brings up some reflection of the and appropriate size for organisation of such a regional branding and of what could be a good demarcation in terms of region, quality and nature (sustainability).

Fejø is a small and distinct are that in one sense is easy to brand. But like in the case of Texel, the departure of the Waddengroup, the potential number of growers are small and it may be difficult to obtain the degree of shared values and goal necessary for a coherent marketing strategy.

The number of growers need to be large to finance organisation and marketing and innovative activities. Fejø is too small and Danish Pome fruit have no regional affiliation.

In summary size of the initiative must be a trade off between:

- Economic activities enough to carry the cost of organisation and marketing,
- A distinct regional demarcation to be protected against copying,
- Small enough to distinguish in quality and sustainability from the ordinary products.

Conclusion

A comparisons between Fejø Fruit and Waddengroup stresses following points important for crating a coherent marketing strategy around shared values and ideas about quality and marketing of regional products.

- Three quality dimension necessary
- A demarcation that on the one hand is locally and on the other hand is open for a definition of the substantial mater
- An institutional arrangement that protects hallmarks and marketing strategy, involves relevant actors for the value chains, and support synergy effects between different marketing activities.
- An economic turnover big enough to carry this institutional arrangement.

Source:

Roep D. 2001 The Waddengroup foundation: the added value of quality and region. NL-casestudy of the Impact project (FAIR CT 98-4388)

Conclusive summary

The status quo analyses shows that the cooperative movement has been very strong and successful in Denmark both with respect to development of a strong and unified processing and marketing strategy and also with respect to coping with changing conditions and developments. Also to the recent development trends, where the answer to globalisation has been the merge of small local processing factories to multinational enterprises, and new trends in quality by internal differentiation. Both within milk and meat farmers' cooperatives are processing and marketing more the 90 % of the Danish produce. Historically, this has left very little space to other development pathways, and to a strong unified food chain policy regime in Denmark.

However the sublimation of the development strategy of the traditional cooperatives, combined with an emerging focus on rural development issues and changing expectations from the surrounding society, are opening new space for innovative alternative COFAMIs. Within the recent years a myriad of new initiatives have emerged, reflecting the human and social capital present.

The following main forms was identified: 1) Traditional (modern) cooperative companies; 2) Neo-cooperative companies 3) Homogeneous Network-associations protecting and branding a certain product; 4) Network associations of alternative food chains; 5) Heterogeneous plural-activity-network promoting regional development.

Analytically, the typology of emerging forms of COFAMIs can be seen as different strategies to exploit the empty space and possibilities that the sublimation of mainstreams modernisation and globalisation strategies have left over. The identified forms can be seen as four different strategies to reinvent "locality" in marketing:

- By strengthening the relationship between the quality of production and quality of processing
- By strengthening the relationship between locality (soil, nature and culture) and products
- By strengthening the personal relationship between producer and consumer, and finally
- By utilising the possibilities of synergy of local cooperation between different actors

Many of the identified initiatives are very young, and it will be interesting to follow the development of these initiatives in the coming years, and to see how these initiatives will cope with the contextual factors enabling and hampering their development.

Among contextual factors that are hampering the development of innovative COFAMIs, are:

- The strong hegemony of the mainstream food regime penetrating policy, legislation and retailing, extension etc.
- A weak territorial cultural heritage and a weak gastronomic tradition
- A difficult retailing structure, dominated by a few supermarkets chains.

Among the contextual factors that are supportive to the development of innovative COFAMIs

- A strong human and social capital
- A growing attention towards culinary and locality
- A growing attention towards food quality and environmental concerns
- A good infrastructure both physically and virtually

To explore how to deal with these contextual factors two Danish collective farmers marketing initiatives have been studied. Respectively the Organic dairy cooperative Thise and the regional marketing initiative Fejø fruit. Further more two satellite cases Waddengroep Foundation (WF) from the northern part of the Netherlands and BioBourgogne Viande, (BBV) France. Four main lessons were learnt from these case studies:

1) Social capital in terms of shared values and goals are fundamental for successful collective marketing strategy

Across all 4 cases there turns out to be fundamental for creating a coherent and successful collective marketing strategy. In the case of Thise social capital seems to be not only the most important but almost the only capital present. The shared visions and goals have been the major driving force throughout the whole development process. A new member of the cooperative still refers to the main attractors of the cooperative is the shared spirit linked to the cooperative. In WF a major turn happens when the cooperation was reorganised around the Wadden sea from Texel, while within the association of Real Texel there was a continuous conflict about what values and ideas could be associated, The Wadden sea products were organised around clear and shared values and goals. In the French case there is to some extent shared values and goals, but a strong internal disagreement on the strategy to go there, which means that they have positioned themselves between two marketing strategies. Fejø fruit is the case with the most severe lack of shared values and goals in relation to marketing among the fruit producers on the island. The result is that the added value of the brand is returning to the producers. The situation on Fejø seems very like the situation on Texel before WF was initiated. The social capital is especially important in relation to keep to a long term marketing strategy, during the difficult periods, where there could be some short-term profits breaking the strategy as in the case of BBV.

2) A coherent long-term development strategy of a marketing initiative is important in relation to establish stable cooperation relationships with the other actors of the marketing channels

Thise and WF are again good examples on how important long-term strategy is for establishing good and strong cooperative relations along the whole market chain. And especially stability and network relations seem important in branding and marketing of high value products. The relations between Thise-Irma and WF-Kroon are reflecting how a long-term relation built upon a relation where both parties can profit on the cooperation.

Opposite, in the case of Fejø the farmers are not really included in the win-win situation and therefore not fully mobilised into the production and development of the

brand. In the case of BBV the weak relation between producer and retailer actors, due to changing marketing strategy, means that they have to compete on raw market condition, and again that there is an asymmetry between premium price and processing and distribution costs.

3) Important to have a dynamic development of the organisation, which can match the changing condition of the surrounding world

All cases point to the importance of how a COFAMI is organised and managed. Especially there seems to be three conditions that it is important that the organisation and management of the COFAMI is able to handle:

- a) The organisation of the COFAMI shall be able to develop dynamically in connection with the initiative is growing in number of members and in turn over, and in connection with the changing surrounding condition. The organisation shall be dynamic and flexible to protect the strategy and not the other way around
- b) The organisation shall be able to support the synergy effect between different local activities. And between different actors within the food chain vertically.
- c) The organisation and management shall be able to produce and reproduce the central values and ideas that the initiative are mobilised around, and thereby also to protect, demarcate and reproduce the quality of the brand and hallmarks

4) More quality dimension needs to be included in quality differentiation in order to obtain and sustain a solid high quality brand.

Finally the analysis point very strongly to the fact that a successfully collective marketing strategy on branding a high quality product needs to draw on at least three different quality dimension to be able to differentiate a brand in the long run and to establish sustainable relation within the network/between producer, processors, retailers and consumers like in the case of WF and Thise. Otherwise a brand is too easy to copy and compete with like in the case of BBV and Fejø.

A future for collective marketing initiatives?

Collective farmers' marketing initiatives have played a strong role in the history of the development of Danish agriculture (and culture) and are a strong part of the present social capital. However we may be in at a crossroads in terms of collective actions. On the one hand traditional farmers' cooperatives are taking more and more shape of limited companies. Structural development is happening fast and the producing units reach a size, where cooperation is no longer necessary. On the other hand there seems to be a lot of resources in terms of human and social capital to initiate new innovative collective marketing strategies. The Danish case studies have supported that farmers' collective marketing strategy also in the present situation give answers to some of the major challenges and changes going on. Combined with other European studies conducted in this COFAMI project (see WWW.COFAMI.ORG) a good fundement of knowledge and experiences is created for existing and new initiatives to improve.