



Co-operative values beyond hybridity: The case of farmers' organisations in the Swiss dairy sector



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ABSTRACT

After the abolition of milk quotas in Switzerland, dairy farmers had to reorganise. New farmers' organisations emerged and traditional co-operatives had to search for strategies at multiple levels (markets, membership, services provision, and diversification) to strengthen their position. In this ethnographic study, we analyse three central co-operative values – democracy, solidarity, autonomy – and their translation and development within the adaptation strategies developed by five farmers' organisations. Despite the many challenges to co-operative values related to a context of market deregulation, the new strategies developed demonstrate the continued importance and rejuvenation of these co-operative values as narratives and practices. In addition, results show a blurring of boundaries between organisations of different kinds (specifically co-operatives and public limited companies) and overlaps in the strategies employed by both (including new forms of collaboration and marketing). Whilst these emerging forms, and the associated strategies and values embodied, could be read as the hybridization of a traditional co-operative approach, we argue that the concept of hybridity unduly polarises co-operatives and corporates in a way that does not acknowledge the implicit plurality of motivations and behaviours in all forms of business structure. Consequently, the paper argues that looking at the practices of co-operation, beyond rigid categories, helps to understand better how co-operative values are actually enacted within farmers' organisations.

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1. Introduction

In recent years, the Swiss dairy industry has been dramatically reconfigured, in terms of governance and organisation. The primary reason for this has been progressive deregulation since the 1986–94 GATT Uruguay rounds. These changes can be considered as part of a broader transformation of agri-food systems, often described neoliberalisation (e.g. Wolf and Bonnano, 2014). A few decades ago, the Federal state administrated prices, quantities and trade of milk. Now, there are few barriers left between dairy farmers and a free, globalised market. The last significant step in this deregulation process has been the removal of the national milk quotas system, which was regulating the quantities of milk that each individual dairy was allowed to sell on the markets every year. Created in 1977 by the Federal office for agriculture (FOAG), the quota system acted as a buffer between farmers and the markets and helped to maintain comparatively high milk prices by controlling the level of

supply. This system was criticized, however, for its rigidity and the constraints it placed on farmers. Initial amendments allowed the trade and exchange of quotas among farmers. Subsequently, the Federal state then decided that managing markets was no longer within its remit. In 2009, after a few years of transition, the national milk quotas were abandoned. This move was inspired by the idea that markets and economic actors alone should decide how much milk should be produced and marketed. The initial result was that quantities increased and prices fell. However, this deregulation of the milk market deeply changed the relations between the actors of the industry and particularly the power balance between dairy companies and farmers at a collective level.

In this paper we look at how this major change in the governance of the Swiss dairy industry impacted the ways in which dairy farmers co-operate.¹ Farmers' organisations had to undertake new roles and responsibilities and adapt their action and structures.

¹ The relation between agricultural policy models and the evolution of agricultural co-operatives in diverse national contexts has already been studied and described, above all from the point of view of co-operative management and economics (e.g. van Bakkum, 2001, which analyses comparatively EU and Australia/New Zealand case studies).

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Historically, co-operative structures were dominant amongst dairy farmers' organisations in Switzerland. Today, however, dairy farmers are looking for new solutions in a deregulated context, regrouping and combining efforts in different ways. This has resulted in multiple kinds of co-operatives coexisting with corporate forms of farmers' organisations.

The co-operative movement has often been described by referring to the values it mobilises (e.g. ICA, 2014), and its specific way of organising economic relationships (e.g. Dunn, 1988). These values were often presented as a specific strength of co-operatives. However, they are now criticized by many actors of the Swiss dairy industry as a burdensome inheritance that is allegedly not adapted anymore to the new economic and political context. In some of our interviews, voices call for other forms of organisation, private and liberal, that are supposed to be more dynamic and reactive and easier to manage in a context of market liberalisation, while others long for a co-operative rejuvenation.

In this paper, we look more closely at the relations between traditional co-operative values and the changes happening to the structures and strategies of farmers' organisations. We compare five dairy farmers' organisations, focusing on their different strategies and references to the values of democracy, solidarity, and autonomy. We explore how these traditional 'co-operative values' are used as narratives and, at the same time, how these values reflect in the actual strategies and their consequences for farmers. This will lead us to explore the usefulness and pertinence of oppositions between co-operative and corporate forms of organisation that are often implicitly framing the literature on co-operatives, for example by referring to 'two worlds' (Bijman et al., 2013). Moreover, we aim to show the complexity of the relations between so called 'co-operative values', co-operatives and non-co-operative structures and actual co-operation.

In terms of structure, the paper is set out as follows: Section 2 will provide further details on the Swiss context and introduce the case studies; Section 3 outlines the methodology; Section 4 positions the paper in the current literature on co-operation, stepping away from interpretations in terms of hybridity and suggesting to look at the three values of democracy, solidarity and autonomy, as a mean to describe the diversity of farmers' organisations; Section 5 presents the adaptive strategies developed by dairy farmers' organisation in Switzerland; and Section 6 discuss how these strategies enact co-operatives values in our case studies, beyond the classical categorisation between co-operatives and other forms of businesses.

2. Context: Swiss agriculture and farmers' co-operation

2.1. Swiss agriculture, the dairy sector and consequences of deregulation

Swiss agriculture is diverse and farm structures vary significantly according to production and between mountain and low land areas. The average farm size was around 20 ha in 2016 (FOAG, 2016). Swiss agriculture has been highly subsidised for many decades and continues to be so (e.g. OECD, 2016). However, currently, the focus of state support has moved away from market control to concentrate on other aspects, globally summarized as multi-functionality (Potter and Tilzey, 2007; Wilson, 2007). This means farmers receive direct payments from the government for providing diverse services for the common good (related to environmental and landscape care, and decentralised population settlement), but this is de-coupled from food production. At the same time, the price of agricultural products goes down on deregulated markets. Consequently, state support is central in the economic balance of all farm businesses, and even more in less favoured

areas, like mountain regions.

The dairy sector is an important part of Swiss agriculture, with about 23 300 dairy farms amongst a total of 53 232 farms in the year 2015 (FOAG, 2016). It is divided into two sub-sectors: the 'industrial milk' chain and the specialist 'cheese milk' chain. A single farm is integrated into one of these two chains and this will reflect in the farm organisation, notably on the use of silage to feed the cows, which is forbidden in the milk production for cheese (because of a risk of bacterial contamination). Farms participating in both chains are exceptions.² Cheese production has been historically – and remains – very important. Around 40% of the milk production is turned into a large diversity of cheese specialities, in many production facilities, some big but many small-scale (SMP, 2016). This paper focuses mainly on the industrial milk chain. Here, farmers supply big processing companies that produce mainly dairy products for direct consumption (yogurts, butter, milk and pasteurised industrial cheese) and for the food industry (milk powder, butter). This milk supply chain is shaped by a handful of dairy companies (the four biggest process 44% of the milk).

Dairy farmers producing for the industrial milk market have two sales channel options. First they can collaborate with a middleman, a milk-trader; these take the form of producers' co-operatives, producer-owned companies and private traders. This diversity results from diverging trajectories, regional backgrounds and historical contexts of creation. Around 70% of the milk circulates in this indirect channel.³ The second option is direct milk delivery to a dairy company. This kind of contract is favoured by the big dairy companies, but it is also very commonly applied by small-scale processors. Dairy farmers associated directly to the same dairy company regroup in an association in order to facilitate negotiation and communication with the dairy company. However, the terms of the contracts between the farmer and the company remain individual, and the association acts only as a negotiation platform. It does not engage concretely in the buying and selling of milk, as milk traders (co-operatives or private companies) do in the first option.

Both sub-sectors, industrial milk and specialist cheese, have been hit hard by the progressive deregulation of the markets. However, the industrial milk chain suffered a more dramatic decrease in the milk price, related to the increase in production after the abandonment of the quotas in 2009. Since then, the dairy industry has not been able to reach a consensus on an alternative for national quantity management. Thus, supply is controlled above all by prices and markets. As a result, the price paid to farmers has decreased significantly, and continues to do so, accelerating farm restructuring. This occurred despite the fact that the Swiss milk market is still partly protected from external pressures with customs and subsidies, and that public financial support is very high (as noted earlier).⁴

In general, the Swiss dairy sector has been affected by growing discordance, competition and lack of trust between the different levels of the supply chain, but also amongst the dairy farmers' organisations (Forney, 2012).

² In the case of quantity restrictions in the cheese industry, decided by inter-professional boards with the aim of maintaining high prices in a context of decreasing demand, cheese milk surpluses are however sold to industrial dairy companies.

³ Authors' own estimation based on the figures published by the Swiss Milk Producers (SMP, 2016).

⁴ According to the OECD, the Producer Support Estimate for Switzerland is 62.4% of the gross farm receipts and 18.9% for the EU. Cf. <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm>, consulted 07.09.2016.

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