9

Institutional Characteristics of the German Agro-Food-Chain

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9.1 INTRODUCTION

There are several branches of economic theory which concern themselves with the economic analysis of institutions. This chapter will deal with business structures (institutions), in which transaction costs play an important role. Transaction costs consist of three major components: the costs of information, negotiation, and supervision. Transaction cost theory investigates the conditions leading to and surrounding the creation of institutions, their contribution to the reduction of transaction costs, and the level of transaction costs within different institutions. Farms have banded together to form their own institutions, both with and without state assistance, in order to lower their transaction costs and benefit from economies of scale, and to strengthen their market power. These institutions can be classified into four types (see also Table 9.1):

- Institutions aimed at reducing transaction costs in the political field, i.e. institutions that exert influence on agricultural policy. Institutions carrying political influence include those that represent the interests of the agricultural sector. The most important of these are the Deutscher Bauernverband e.V. (German Farmers' Association or DBV), the Deutscher Raiffeisenverband e.V. (German Raiffeisen Association or DRV), the Deutsche Landwirtschaftsgesellschaft e.V. (the German Agricultural Society or DLG), and the Verband der Landwirtschaftskammern e.V. (the Association of the Chambers of Agriculture).

- Institutions that conduct information, counselling, and training functions. This group consists of the chambers of agriculture, amongst others, which are autonomous, professional, self-governing institutions. As corporations under public law they function as self-governing institutions and are self-administrating (Henrichsmeyer and Witzke, 1994, p. 431). Furthermore, they perform an organisational role for the providers of counselling and information services.
- Institutions focusing on the cooperation of farms in the joint use of the means of production in farming. These ring organisations have developed into diverse forms over the years.
- The final group consists of institutions whose function is to foster cooperation in procurement, sales, and marketing for farms. The rural cooperatives represent important self-help institutions for the agricultural sector on the agricultural commodities markets.

Table 9.1 Categories of institution groups in Germany

	Institutions exerting influence	**Decision-making institutions**	**Cooperation in production**	**Cooperation in marketing**
Government aid	–	+	+	–
Reduction of transaction costs	+	–	–	+
Use of economies of scale	–	–	+	+
Strengthening of market power	+	–	–	+

+ present *– not present, or only to a minimal extent*

9.2 REPRESENTATIVES OF GERMAN AGRICULTURAL INTERESTS

9.2.1 Agricultural Interest Groups

Different trade organisations present German agricultural interests to the public and, above all, to the decision-makers of agricultural policy. Together the four ‘umbrella’ agricultural interest groups form the Zentralausschuss der deutschen Landwirtschaft (Central Committee of German Agriculture or ZDL), founded in 1949. These are the four ‘umbrella organisations’ of German agriculture: the DBV, the DRV, the DLG, and the Association of the Chambers of Agriculture (Henrichsmeyer and Witzke, 1994, p. 434). The political control of the ZDL clearly lies in the hands of the DBV (Maisack, 1995, p. 10). By effectively stapling together its member organisations, the DBV operates ‘a type of representative monopoly’ for German agriculture.

9.2.2 The German Farmers’ Association as Representative of German Agriculture

The origins of the representation of agricultural interests to the ruling powers in Germany lie in the 18th century when agricultural associations were developed by leading farmers, although a broad-based movement did not begin until 1862. When the National Socialists rose to power, the agricultural associations were either dissolved or assimilated into the Reichsnährstand, the universal agricultural organisation of the Reich. Membership in this organisation was compulsory for all farmers and processors of agricultural products, as well as for trade, marketing and professional associations. After the Reichsnährstand was broken up by the Allies in 1948, the organisational vacuum was filled by the state farmers’ associations, which were founded in 1945 (Mändle, 1983, p. 73). In 1948, the farmers’ associations in the three West German zones were amalgamated to form the DBV. The driving force for this was the desire for a general, united association that was both politically and denominationally independent. This association was to represent the interests of all sectors of production, plant sizes, and property types on a voluntary and democratic basis. Up to the time of reunification, the agricultural sector in the Soviet-occupied zone went its own way (Schnieders, 1998, p. 4-10).

The DBV sees itself as 'the professional representative of people working in the sectors of agriculture and forestry, as well as related industries, in the Federal Republic of Germany'. According to its charter, its task is to represent 'the agricultural, legal, tax, welfare, educational and social interests' of the agricultural and forestry sectors and 'to co-ordinate the activities of the member organisations in all essential affairs' (Deutscher Bauernverband, 1998, p.7).

The eighteen state farmers' associations are full members of the DBV, together with the Bund der Deutschen Landjugend (Association of German Young Farmers), the German Raiffeisen Association, and the Bundesverband der Landwirtschaftlichen Fachschulabsolventen e.V. (Federal Association of German Technical College Graduates). Individual farmers are not direct members of the DBV, instead they are banded together in the relevant state farmers' associations. The state farmers' associations are themselves subdivided into county and local farmers' associations. Membership of the state farmers' associations is voluntary; however, 90% of the owners of farms over 2 ha are members. In general, membership levels are higher in regions containing medium and large-sized farms than in regions where the numbers of part-time farmers are above average (Heinze, 1992, p. 63). Currently, the state farmers' associations have a total of 400,000 members (Deutscher Bauernverband, 2005).

The DBV's main activity lies in the area of economic policy. The association works in close cooperation with the federal and state Agricultural Ministries, state authorities, and political parties. On the European Union level, the association works through the Comité des Organisations Professionnelles Agricoles de la CE (COPA), of which it has been a member since 1958 (Henrichsmeyer and Witzke, 1994, p. 449). Its main external, private enterprise function consists of undertaking measures to improve the image of the agricultural sector. Amongst the association's important internal activities is the provision of services through county branch offices, e.g. counselling, bookkeeping, training. A further activity is the explanation of state agricultural policy to association members.

The DBV has competition as the representative of farming interests in the old federal states (formerly West Germany) in the form of smaller associations, such as the Arbeitsgemeinschaft Bäuerliche Landwirtschaft - Bauernblatt e.V. (Working Group Rural Agriculture - Farmers' Paper). Some of these associations, often only regional, joined together in 1988 to form the Dachverband der Deutschen Agraropposition (Congress of German Agrarian Opposition). These interest groups, however, have been of very little importance to date in comparison to the DBV. In contrast to developments in the old federal states, the professional associations in the new states (formerly East Germany) were themselves organised to counterbalance the DBV. The strength and influence of these vary from state to state. The DBV is, however, also attempting to establish a general, united association to represent the farming industry's interests (Henrichsmeyer and Witzke, 1994, p. 13).

9.3 INSTITUTIONS FOR INFORMATION, COUNSELLING, AND ADMINISTRATION

9.3.1 Education and Vocational Training

The origins of the acquisition and provision of information by institutions in the field of agriculture go back to the founding of agricultural academies and universities at the beginning of the 19th century. Later these were supplemented by the agricultural schools, which provided vocational training for farmers. Today, the educational facilities in the field of agriculture consist of (Henrichsmeyer and Witzke, 1994, p. 84):

- colleges of applied science and universities training executive personnel for administrative and commercial positions in farming and expanding scientific knowledge in agriculture through research activities,
- agricultural technical colleges providing vocational training for plant and farm managers, preparing them for voluntary master craftsman examinations,
- agricultural vocational schools providing instruction parallel to practical apprenticeship training, a compulsory component of an agricultural apprenticeship.

Existing numbers of state institutions of education and vocational training are as follows (AID, 1997):

- universities with agricultural faculties: 11
- colleges of applied science with agricultural departments: 8
- agricultural technical colleges: 209
- agricultural vocational schools: 580

9.3.2 Administration

Agricultural administration comes under the responsibility of the individual states, which have each created the required administrative structures to facilitate implementation of state, federal, and common European agricultural policies. In general, the lowest level is the agricultural authorities, which perform sovereign administrative tasks. Here, farmers submit their applications and from here transfer payments are organised. Some states have created other administrative structures by outsourcing tasks to separate, independent organs within the agricultural sector. In this way the professional, self-governing institutions known as the chambers of agriculture were created. The agricultural authorities have been allocated a host of administrative and, increasingly, supervisory tasks. In many cases, these authorities are equipped with agricultural schools and agricultural counselling centres.

As a result of the decreasing number of farms, caused by structural change and budget restrictions, the current policy is to considerably reduce administrative workloads and in conjunction with this, initiate functional change within the individual authorities. Income maintenance policy in agriculture has shifted in recent years from price pegging to direct payment for individual farms, in some cases for individual fields, leading to a greatly increased administrative workload. The execution of the different aid programmes requires considerable administrative efforts. Additionally, there is increasing conflict between individual counselling and the need for supervision, both from the point of view of agricultural policy, and because it is stipulated under common European policy.

The tasks of the chambers of agriculture, amongst others, are to provide counselling for farmers, to support them in the transfer of technical improvements, to help them in rationalisation endeavours, to take responsibility for the education and vocational training of current and future farmers and managers, and to supply economic advice, as well as to give expert opinions on matters relating to legislation, administration, and court decisions (Pacyna, 1998, p. 97). In order to fulfil these tasks, the chambers of agriculture were granted the right to levy fees. Additionally, state support means the chambers also receive public funding. The chambers of agriculture have a long tradition, having been founded as self-governing bodies about two hundred years ago (Verband der Landwirtschaftskammern, 1979, p. 3). The chambers of agriculture have a quasi-autonomous nature. On the one hand, their democratic structure and membership of farming enterprises means they function largely as a self-governing body. On the other hand, they and their activities are controlled by the state, as a result of receiving public funding.

9.3.3 Counselling

Originally, education, information, and counselling were regarded collectively as the central instrument of agricultural policy; the state organised, financed, and provided schools and counselling services. In recent years this strict allocation of responsibility to state organs has been relaxed, so that currently four different, but somewhat parallel, counselling opportunities are available to farming enterprises. In order of lessening state influence, these are the counselling provided by the state, by the rings and working groups, by the private sector, and by other institutions.

Official counselling covers all forms of agricultural counselling organised and largely financed by the state. In many cases, farmers and their families are offered scholastic training in conjunction with the counselling. In recent years, official counselling has been increasingly restricted. Budget considerations, conflicts between counselling and the need for supervision, and especially insufficient counselling competence have been pinpointed as reasons for reducing official counselling.

Next is the increasingly important ring counselling. Farmers band together voluntarily to form associations to jointly employ consultants. Although they vary from one state to another, generally rings exist everywhere and are subsidised by the state. Compared with official counselling, this organisational structure has the significant advantage of eliminating conflicts of interest between consultant and supervisor. The dues-paying members are only interested in receiving efficient counselling, and see the consultant not as a representative of the state, but as one of their own. The average membership of a ring varies from 80 to 150 farming enterprises. There is a growing trend in counselling groups and farm manager working groups towards specialisation in certain branches of production.

Counselling in the Federal Republic of Germany (FRG) is organised differently from state to state. The fundamental principle, however, is that a type of state-funded counselling is available everywhere, but that it contains an increasing number of private sector elements and retains its official status only through joint financing and an institutional connection to the chambers or authorities.

The third option is that of private sector counselling. When considering the total number of farming enterprises, the full-time consultant still plays a relatively unimportant role. As a result of their comparatively high cost, private consultants are only called in under exceptional circumstances, e.g. during preparations leading up to mergers and alliances or counselling very large businesses. It is notable, however, that the demand for private counselling is gradually on the increase; especially in the new states, local structures have led to a dominance by private consultants, although they, too, are often subsidised by the state.

Finally, many other institutions offer farmers and their families counselling services. Along with firms producing and trading in agricultural products and firms processing and marketing them, associations, banks, and churches also offer counselling services.

In summary, Table 9.2 provides an overview of the structures underlying the counselling services in the FRG. The most important providers of counselling are listed together with their areas of counselling. Since official counselling is provided by the states, regional differences can occur, whilst the services provided by the associations and the private sector remain constant and comparable.

Currently, it can be observed that increased commercialisation and, in part, increased privatisation in the field of agricultural counselling have improved the chance for increased efficiency. To date official counselling by the state and the chambers of agriculture has been provided free of charge, but this field is also experiencing a growing trend towards fees and efficiency.

Table 9.2 Activities and sponsorship of agricultural counselling in Germany

	State	Chamber	Ring	Private Management Consultant	Farmers' Association	Accounting Agency	Producer Rings	Up- and Downstream Enterprises	Private Specialist Consultant
Business Administration	++	++	++	++		+	+		
Financing	++	++	+	++	+	+			
Applications	++	++	+	++	+				
Marketing	++	++	+	++			++	++	
Law					++	+			+
Taxes						++			+
Economics	++	++	+	+	++				+
Insurance	+	+		+	+				+
Production Engineering							+		
Plants / Animals	++	++	++	++			++	+	+
Agricultural Engineering	+	+	+	++			+	+	
Construction Queries	++	++	+	+					+
Environmental Protection	++	++	+	+	+		+		+
Domestic Economics	++	++			+				

++ = very important *+ = somewhat important*
Source: Köhne, 1995, p. 179

9.4 INSTITUTIONS PROMOTING COOPERATION IN PRODUCTION

With partial state support, a multitude of cooperatives, known as ‘rings’, have been formed in German agriculture with the aim of allowing individual farming enterprises to benefit from economies of scale and take advantage of comparative advantages brought by shared experience. These cooperatives consist of machinery and farming rings, producer cooperatives and producer rings, and supervisory rings.

9.4.1 Machinery and farming rings

Machinery and farming rings consist of agricultural enterprises which have banded together voluntarily. By sharing their machines, farmers aim to improve capacity utilisation of the machinery and reduce fixed costs.

The rings are structured so that machinery is either purchased jointly, remains property of the ring, and is offered to farmers for use, or the machinery ring acts as an intermediary between farmers, thus bringing together the free capacities of one farmer with the needs of another. The cost rates for the farmer using the machinery are fixed uniformly across the machinery ring.

The machinery ring is organised along the lines of an association, with memberships and a board of directors. Generally, the daily business of the machinery ring is run by a full-time chief executive. The number of members in one machinery ring varies between 100 and 2,400, membership of the Bundesverband der deutschen Maschinenringe e.V. (Federal Association for German Machinery Rings) with approximately 300 considered as an efficient size (Golter et al., 1992, p. 431).

In 1998 there were 292 machinery rings with 200,400 members in the FRG; these rings cultivate 52% of the total arable land in Germany. The machinery rings are mainly located in the south (43% of all machinery rings with 63% of all members are in Bavaria and Baden-Württemberg), to a certain extent as a result of structural characteristics. The advantages of machinery rings are undeniable and are reflected in their growing importance. Whilst the state subsidises some of the organisational costs, state sponsorship of machinery rings is being reduced. Today the rings are becoming increasingly successful even without state support according to the Bundesverband der deutschen Maschinenringe e.V. (Federal Association for German Machinery Rings).

9.4.2 Producer Cooperatives and Producer Rings

Producer cooperatives and producer rings have developed out of the necessity to improve the market position of agricultural producers. According to the Market Structure Law of 1969, producer cooperatives receive state subsidies in the form of start-up help and investment aid (Mühlbauer, 1992, p. 180) and exceptions are made to competition laws to further support them (Mark, 1997, p. 31).

Table 9.3 Number of producer cooperatives by type of good, 2003

Type of Good	Producer Cooperative
Cattle for Slaughter, Pigs, and Breeding	174
Milk	136
Eggs and Poultry	36
Wine	199
Quality Cereals and rape (oil)	264
Potatoes	73
Flowers and Decorative Plants and Nursery trees	19
Breeding Cattle	9
Quality Rape	59
Others	53
Total	1,022

Source: Statistisches Jahrbuch óber Ernährung, Landwirtschaft und Forsten 2004, p. 170.

Crop production takes place according to certain production norms and is carried out in consultation with the other members. The producer cooperatives are often under contract with processing and marketing firms from the next stage of production. The target is to produce and bring to market large, uniform batches of a product. As a rule, producer cooperatives themselves do not possess their own facilities for processing and marketing raw agricultural products. The aim is to jointly provide the goods to processors and/or marketers. In the main, producer cooperatives specialise in one specific branch of production. Currently 1,022 producer cooperatives are listed in the Agricultural Report (Table 9.3).

9.4.3 Supervisory Rings

The third group of institutions consists of the supervisory rings. These rings organise and carry out specific aspects of production, in general quality and performance control. Farming enterprises join together through the exchange of experiences in order to use uniform approaches to control and improve production.

The formation of supervisory rings in animal husbandry, especially dairy farming and pig farming, is widespread. In the field of dairy farming there are sixteen state supervisory associations. North Rhine-Westphalia and Lower Saxony each have two state supervisory associations (in some federal states the associations are subdivided at the county level) and two milk testing rings can be found in Bavaria and Baden-Württemberg (Arbeitsgemeinschaft Deutscher Rinderzüchter e.V., the working group for German cattle breeders). There are currently approximately 120 supervisory rings active in the field of pig farming. A large portion of the administrative costs is financed by the federal states.

9.5 INSTITUTIONS PROMOTING COOPERATION IN PURCHASING AND MARKETING – THE AGRICULTURAL COOPERATIVES

9.5.1 Principles and History

For nearly 150 years, a tradition of agricultural cooperatives has existed in Germany. In 1862 Friedrich Wilhelm Raiffeisen founded credit cooperatives as loan bank associations which soon began trading in commodities. (A vivid account of Raiffeisen and his cooperatives can be found in Faust, 1977, p. 323 ff.). They were founded with the aim of utilising economies of scale, enabling the development of market power along the lines of a counterweight and, by working together, to accelerate innovation and implementation of technical advances in processing and marketing. Today these continue to be the purposes of Raiffeisen cooperatives.

Cooperatives are based on the principles of self-help, self-government, and responsibility for one's own actions. Their aim is to foster the economic well-being of their members (Art. 1 Sec. 1 Cooperative Association Law). Owners, i.e. investors, and customers should be identical groups of people (known as the principle of identity). As democratically organised enterprises, they remain clearly separate in goals, decision-making processes, and supervision from their competitors on the market. These fundamental principles have remained largely untouched by functional and structural changes in the farming sector and retain their validity today. Nevertheless, the image and character of the cooperatives have changed radically from a self-help organisation for the poor, rural population to modern, powerful institutions.

9.5.2 Structure of Agricultural Cooperatives

After undergoing extensive structural change, 4,221 agricultural cooperatives are grouped together under the umbrella of the Raiffeisen Cooperatives (the following figures are from Agricultural Report of the Federal Government, 1999, p. 27; DRV Online, 2005 unless otherwise noted). Their total turnover was approximately 40 billion € in 2004. Around half of the total purchasing and sales turnover generated by farmers is through their cooperatives. Thus, the rural cooperatives enjoy a global market share of 50%.

The structure of the agricultural cooperatives can be divided into three distinct levels. At the local level, there are 3,259 cooperatives with more than two million members. The next level is the regional level, with corresponding regional central enterprises which in turn support national enterprises at the federal level. Associations can be found at both the regional and the federal levels (Table 9.4).

Table 9.4 Structure of rural cooperative organisations, 2003

Federal Level
Nationwide central enterprises
German Raiffeisen Goods Centre Ltd
German Milk Counting House Ltd
German Wine Cooperative e.G.
German Raiffeisen Association e.V., Bonn
Regional Level
24 Regional central enterprises
7 Main Cooperatives

5 Dairy Cooperatives
4 Cattle and Meat Centres
3 Central Wineries
5 Others
Regional Testing Associations
Local Level
3,259 Rural Cooperatives with 2,386,000 members, of which:
274 Credit Cooperatives with commodity trade, 1,573,000 members
430 Agricultural Purchasing and Marketing Cooperatives, 141,000 members
347 Dairy Cooperatives, 147,000 members
117 Fruit, Vegetable and Horticultural Cooperatives, 41,000 members
236 Wine Cooperatives, 59,000 members
106 Cattle and Meat Cooperatives, 113,000 members
751 Agricultural Cooperatives, 35,000 members
998 Other Cooperatives, 277,000 members

Source: Statistisches Jahrbuch über Ernährung, Landwirtschaft und Forsten 2004, p. 168.

9.5.3 Selected Cooperative Types in German Agriculture

Credit cooperatives with commodity trade are an exceptional form of cooperative. They can be found principally in southern Germany and still fit the ideal of the complete cooperative as Raiffeisen saw it: the cooperative finances the farmer's procurements and the purchase of livestock and then helps process and market the harvest and animal produce. It has been observed that the economic strength of credit cooperatives that are also involved in commodity trade is waning, and they will likely cease to exist within the next few years. The decline of these cooperatives is a result of several factors. Today farmers can receive loans from various sources. Additionally the small size of these cooperatives leads to high unit costs, meaning they are no longer competitive in both banking and commodity trade.

Of more importance are the agricultural purchasing and marketing cooperatives, which offer a specific product range and achieve a market share of between 40% and 55% in the markets for cereals, fertilisers, pesticides and herbicides, and farm machinery (DG-Bank AG, 1998, p. 32). Significant movement towards concentration has been observed in this sector. At the same time, the cooperatives are undertaking diversification strategies which have led to most of these enterprises becoming increasingly active in the retail industry for gardening, domestic and construction products, and fuels, as well as the wholesale trade in construction materials (GenoLex, 1992, p. 74). The major problem associated with this group is that traditional agricultural business is on the decline and farmers are being forced to agree to an increasing number of investments which are important for rural regions, but are not important for agricultural production.

Cooperatives are commonly involved in the production and processing of milk. Dairy cooperatives have also been affected by the structural changes that have taken place in up- and downstream enterprises. From 1978 to 1998, the number of dairy cooperatives fell by 80%. At the same time, based on the quantity of milk produced, their market share doubled. Although the concentration process has slowed in the 1990s, the number of co-operations and strategic alliances, which in some cases are preliminaries to merging into a cooperative, has grown (DG-Bank, 1998, p. 34). Each of the four largest businesses process between 1 and 4 million tonnes per year.

Cooperative dairies were very heavily involved in the production of goods eligible for subsidies (butter, dried skimmed milk), but now focus their product lines more directly on market conditions. Rising demand for fresh milk products induced the cooperatives to expand fresh milk production and to extend their product range (Bundesministerium für Ernährung, Landwirtschaft und Forsten, 1999, p. 22). Developments on world markets are having a stronger influence on the future prospects for the dairy cooperatives due to the fact that companies' exports are increasingly important (DG-Bank, 1998, p. 34; DRV, 1998, p. 34).

Cooperatives in specialised cultivation, i.e. fruit, vegetable, horticultural, and wine cooperatives, have spent the last few years orienting themselves more to market developments and have consequently come to perform the central marketing function for many producers, and enjoy correspondingly high market shares. Nevertheless, they are still the segment of primary cooperatives with the weakest turnover. The level of commitment to these cooperatives is relatively high, with members closely identifying themselves with their respective cooperatives, accepting stipulated production regulations.

The fruit, vegetable, and horticultural producers must accept a stronger marketing concentration as a result of the similar trend amongst competitors and in the grocery trade (DG-Bank, 1998, p. 38). Structural change in the wine cooperatives is being countered with improvements in the organisation of marketing structures at the regional level. The number of German wine producer cooperatives has fallen continuously; only 30% of wine producers belonged to a cooperative in 1997 (DG-Bank, 1998, p. 35).

The cattle and meat cooperatives have been plagued by considerable economic difficulties for many years. The number of cooperatives has fallen over the past decade. The reduction of excess capacity in the slaughterhouses, radically increased intervention holdings of beef, and strong European competition on the cattle and meat markets, together with failures to deliver on time, have led to permanent economic difficulties within this sector. Currently, attempts are being made to counteract these difficulties with capacity adjustments, concentration processes, the increased implementation of supply contracts, and a definite trend towards exporting. Additionally, the introduction of brand name meat programmes has served to solidify the cooperatives' position as an important partner for the grocery and butcher trades (DG-Bank, 1998, p. 35). The cattle and meat cooperatives are also at the forefront in implementing network systems between the production of cattle for slaughter and the grocery retailing sector. Such networks consist of uniform standards for hygiene, disease prevention, and quality (DRV, 1998, p. 38).

Finally, there is a broad range of other service cooperatives for the agricultural sector, which offer member enterprises many and varied services, from chilling facilities to technical assistance. For many years these cooperatives have been involved in the cultivation and marketing of biomass. Furthermore, the cooperatives also perform pilot functions in marketing biodiesel. Particularly in rural regions, the cooperatives have completely taken over the task of providing consumer goods for rural populations.

The farm production cooperatives play a special role. Their orientation is not on the up- or downstream stages, but on agricultural production itself. They can be found in the new federal states and are, as a rule, the successors of the former socialist production cooperatives. These cooperatives are also undergoing change. Whilst after the fall of communism, cooperatives concentrated on commercial production, in recent years they have expanded their activities and are now active in processing and marketing their products and are increasingly diversifying (Grosskopf, 1996, p. 76).

9.5.4 The Future of Agricultural Cooperatives

Future development of agricultural cooperatives will be influenced by numerous factors. One major influence will be the reorientation of European agricultural policy as a result of the Agenda 2000 and the resultant accelerated structural change for farming enterprises, which will impact the membership structures of the cooperatives. Globalisation and market liberalisation, which have up- and downstream effects, will also strongly influence the cooperatives. To remain competitive it will be necessary to focus on European and global markets. The integration of Eastern Europe into the European Union will also bring new challenges and markets for the cooperative organisations. Competitiveness and the ability to establish themselves in and conquer new markets will become decisive factors for their survival. At the same time, technical progress in agriculture, linked with the increased use of biotechnology, will not leave cooperatives untouched. The highly capital-intensive nature of biotechnology will increase contractual cultivation and strengthen interaction with multinationals and global corporations. The result will be a fall in the number of independent family businesses and thus a reduction in membership numbers in the traditional cooperatives (Frankfurter Allgemeine Zeitung, 1999).

Structural change in agriculture itself has restricted the scope of activity of rural cooperatives. Constraints are brought by investors' demands, the concentration strategy pursued by the cooperative partners, both on the supply side (suppliers of farming machinery, fertilisers, pesticides and herbicides) and on the marketing side (food industry and grocery trade). The necessity for adjustment arising from these underlying conditions is characterised by two problem areas. First, farmers are limited in their willingness to invest the capital necessary for adjustment, if they wish to invest at all; they want 'good' prices without increasing their capital investment. Second, the decision-making processes in the cooperatives are relatively ponderous; democratic processes mean implementation takes a long time. Both problems are currently under discussion and solutions are being sought.

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