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# Cooperative Strategic Behaviour in Organic Food Markets: A Note

Nikos Kalogeras<sup>1,2,3</sup>, Prodromos Kalaitzis<sup>2,3</sup>, and Gert van Dijk<sup>2,3</sup>

<sup>1</sup> Marketing & Decision Sciences Group, Dept. of Agricultural and Consumer Economics,  
University of Illinois at Urbana-Champaign, IL, USA

<sup>2</sup> Marketing & Consumer Behaviour Group, Dept. of Social Sciences, Wageningen University,  
The Netherlands, EU

<sup>3</sup> The Netherlands Institute for Cooperative Entrepreneurship (NICE), Nyenrode University,  
The Netherlands Business School, The Netherlands, EU

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**Abstract.** The aim of this article is to throw light on how marketing strategies are imbedded in the overall strategy of cooperative firms involved in organic agriculture. Through in-depth interviews with CEOs from 7 Dutch agri-food market-driven co-operatives, it was determined that: the theoretical taxonomy of strategies matched quite well with actual strategies. Dutch cooperatives involved in organic activity use a mix of marketing planning elements and they develop generic competitive advantages in the form of specialisation through very selective market segmentation.

**Keywords:** Organic Agriculture, Cooperatives, Marketing Strategies, Overall Strategy.

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## 1. Introduction

Strategic decision making is central to understanding the causes of a firm's performance and indicate the alternatives to change that performance. Cooperative firms are no exceptions to this principle. Cooperative performance cannot be adequately evaluated unless it is assessed in the context of strategy options available and the strategy that is actually pursued by a cooperative [1].

The research underlying this article-note is a first step toward studying cooperative strategic behaviour in organic food markets. This study is motivated by the fact that organic production and consumption have become strong concepts in The Netherlands during the last decade. In order to stimulate farmers to convert from intensive agricultural production to organic production and to increase consumer awareness of these products, over the past years the Dutch government has given financial support to agricultural enterprises to convert to organic production. The so called "*Plan of Action 1997-2000*" with a total support of almost 55 million euros, has been followed up by a public aid-plan, called "*An Organic Market to Win*". This new policy for the period 2001-2004 aimed to enhance the organic production and consumption, to reach 10% of total production and consumption in 2010. According to the recent study of FAO (2004), this policy aimed to gain professionalization of the market-oriented organic chain and to encourage stimulation of organic primary production to better respond to demand[2]. Although Dutch cooperatives hold leading positions in most conventional agricultural and food product markets, it doesn't seem to have the same success in organic food markets. Thus, the concern for a potential loss of either market share or competitive position, in the case where producers' collective actions fail to develop the appropriate strategies to respond to recent trends in the organic market, motivated us to study respective strategies to address this issue.

The aim of this paper is to provide insights regarding strategic marketing fit in the business and corporate cooperative strategy for agri-food cooperatives involved in organic production and marketing. Basically, the marketing philosophy of cooperative organic produce is viewed as the range between “*make the product and sell it*” on the one hand, and “*choose the value, provide the value and communicate the value*” on the other hand[3]. The impact of a company’s marketing philosophy on actual marketing depends to a large extent on how committed top-management is to that philosophy [4]. However, a strategy at the cooperative’s corporate, business and marketing level, based purely on competitive pricing is no longer considered a realistic option for various reasons. In priority, someone may consider that the McSharry reforms have practically nullified the price advantage from agricultural inputs (i.e. feed material in livestock organic sector), while the envisaged sustainable production methods will raise the cost of production. Continuation of efficiency/low cost price strategy seems, therefore, impossible[5]. The agri-food cooperative sector faces the challenge of switching to finance strategies which focus on optimisation of its produce added value[6]. This will require product differentiation and new methods of marketing in response to increasing food and safety concerns of consumers worldwide [7, 8, 9].

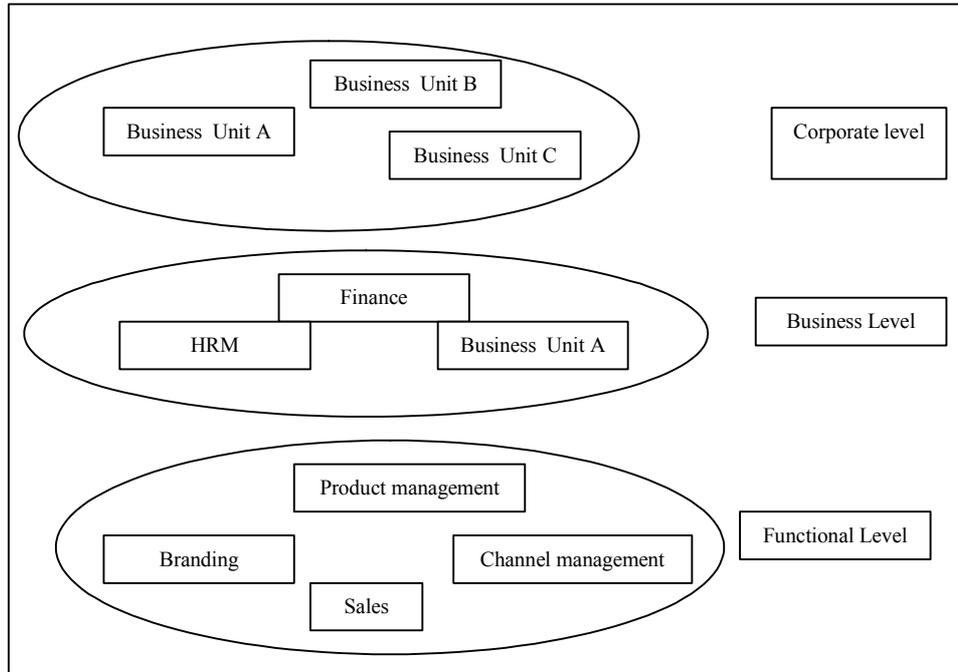
From a theoretical perspective, the current paper articulates the three basic levels of strategic analysis. In effect, an attempt is made to gain insights about cooperative strategic movements towards organic agriculture in order to produce legitimate economic benefits for their members. The theoretical discussion is followed by a description of the study’s decision context. Next, a qualitative study that examined the strategies of 7 established Dutch agri-food cooperatives involved in the production and marketing of organic products is presented. The article ends with the tentative inferences for the Dutch agri-food cooperative sector and provides research propositions for further study of the examined issue.

## 2. Strategic analysis: a concise review

Strategic analysis, decision making and implementation, takes place in three hierarchically classified levels (see figure 1). At the first, the corporate level, the corporation analyzes the market environment in which it operates, in order to decide in which part of the market it should allocate its effort and resources for obtaining optimal market position. Various analytical tools like SWOT analysis, market segmentation, competitor and customer analysis, are employed in order to reply to the question “where do we stand?”. Subsequently, and in order to find “where do we want to be?” the firms have to analyze their mission and objectives using structural market and environmental analytical tools, along with market segmentation, targeting and positioning elements[10]. Agribusinesses, in particular cooperatives, in order to maintain an efficient market strategy may create assurance supplies schemes or market outlets, through cross-subsidization of differentiated products [11]. This may be considered as a basic component of a missing market’s strategy. For instance, cooperatives may produce differential returns if more efficient information flows within the organisation allowing a missing or incomplete market to be served profitably. Likewise, the needs of consumers are identified directly in the market chain. This strategy would create value if the improved communication results in changes in producer operations would serve, in a profitable manner, the missing or incomplete consumer market [12].

At second level (*business unit level*) the firm replies to the generic question “How do we get there?” and selects, therefore, the way it should internally organize and define its *business strategy*. Hence, it will achieve certain competitive advantages. Analytical tools such as industry competitive forces by new entrants, suppliers, buyers and substitutes and value chain analysis

are used to define the optimal generic business strategy in the form of cost leadership, product differentiation or focus/segmentation [13]. Through *deal cost strategy* an agricultural cooperative attempts to generate information efficiencies in making and enforcing deals with its members-investors that arise in the normal course of exchange. These efficiencies allow contracting, production and marketing planning and communication, and monitoring in order to keep costs at a low level[1].



**Figure 1.** Three hierchical levels of strategic analysis

At the third level the firm replies to the question “which is the best way to get there” and selects strategies within its various *functions*. Here, formulating and selecting a *marketing strategy* becomes the focal point. Designing a marketing strategy might combine elements of product life cycle analysis, pricing, promotional planning and distribution, in order to formulate a strategy for leaders, followers, challengers or nichers [14].

More specifically, in order to achieve market leadership the following options are available for each type of firm [3]:

- a) *expansion of the overall market* through targeting new final users, identifying new uses for existing products, and increasing usage rates;
- b) *guarding the existing market share* through strong market positioning and development/refinement of meaningful competitive advantages. Continuous innovation is a pre-required condition here. High investments on advertising and maintenance of specific distribution /customer relationships are also essential marketing elements for every firm’s market strategy;
- c) *expansion of the current market share* by coordination processes and quality control through the marketing channel will support the effectiveness of basic marketing strategies such as focus/segmentation. Such a strategy can be implemented through i) heavy advertising, ii) improved distribution (more distributors and geographic expansion), iii) price or other incentives, iv) new product development, v) mergers and acquisitions. These are important elements for setting the marketing mix of a cooperative’s strategic behaviour. It requires

that cooperatives add value to the agricultural product, which will be particularly appreciated by a specific market segment and by potential consumer segments. Cooperatives may also be encouraged to choose such a strategy of focus/segmentation in order to expand its existing market shares because focusing on a specific-market combination will increase its competitive potential.

The shift from supply driven to market driven competition, press for stronger market orientation and challenge cooperatives to adopt aggressive market-oriented strategies[15, 16, 17]. This implies that innovation has become a permanent characteristic of agribusinesses' market strategy[ 18]. Economic behaviour under conditions of incremental technology change differs according to the conduct of firms when facing discontinuities. Kyriakopoulos (2000) applied the concepts of explorative and exploitative market learning. Different market conditions require different approaches[19]. Exploitative market learning fits in with sustaining innovation. It is a top-down approach in which organisations allow their previous experiences, encoded in "knowledge structures", to guide present action. Exploration however, involves the development and utilisation of new knowledge that extends existing routines of the organisation. It enables and enforces disruptive innovation. Explorative market learning is an approach requiring firms to stay ahead of competition, being market oriented and cherish sustainable competitive advantages [3, 13, 16]. Innovation therefore has to be regarded in a broader context. The concept of innovation is broader than technical improvements and new techniques only[20]. Innovations occur in every aspect of the firm and similarly in every aspect of the agri-business system, i.e. marketing tools like labelling and branding, new concepts like organic foods and food additives, new business-to-business contracts and business-to-consumer marketing.

Following Van Dijk & Van Boekel (2001), organic food production may be viewed as an innovative process, that "...was only introduced as piece meal because of clear separation on responsibilities between the private firms and the government on the issue of the food quality and safety food, ....., in particular, food safety was taken as the norm by consumers therefore it was not an attribute that could enjoy a price premium in the market" [5]. However, the government regarded food safety as the prime responsibility of the agro-industry. The primary sector, i.e., the farmers, was of the opinion that if the market does not pay and the government insists of imposing safety as a prerequisite, then the government should have to pay for it" (van Dijk & van Boekel, p.17). These attitudes and perceptions of cooperative members-investors resulted in the so-called "dilemma" (early in the 1990's) of whether cooperatives have to develop strategic action plans towards an organic-oriented market or not. Focusing on this issue, it is believed that cooperative strategic behaviour in organic food markets requires empirical and systematic analysis.

### 3. Decision context

In current times organic farming systems have attracted the increasing attention of Dutch cooperatives. This is, to some extent, caused by political support for organic farming as a type of environmentally friendly agricultural system which ensures food and safety for the final consumer. In response to these challenges, organic food business activity seemed to have the potential to provide benefits in terms of quality, reduction in output of surplus products and the reorientation of agri-business sector towards demand [21]. As a consequence, since the 1990's, organic food production and consumption have been gaining prominence in Europe – among EU member states as well as non-member states. The well-known EC Reg. 2078/92,

which includes the measures accompanying the 1992 CAP reform, is one example of the political bold initiatives undertaken by EU [22, 23].

A recent study of LEI (2003) reports that in 2002 the number of organic farms in The Netherlands increased by 3,5% (Table 1)[24]. The share of organic farms in the total number of Dutch farms was 1,7% in 2003. The growth in area used for organic production was about 12%, bringing the total area in The Netherlands used for organic production at 2,2%. The average size of organic farms increased from 25 ha in 2001 to 27 ha in 2002. However, the differences between the various sectors are large. On average, organic dairy farms have a larger surface than the “regular” dairy farms as these farms produce their own feed. In the arable sector the organic farms are usually smaller in terms of area than the non-organic farms.

**Table 1.** Organic farming statistics, 1999-2002

	1999	2000	2001	2002
Number of farms	1,216	1,391	1,507	1,560
under conversion	280	270	305	327
Area (1000, ha)	27.0	33.0	38.0	42.6
Share in total agricultural area (%)	1.4	1.7	2.0	2.2

Source: LEI, 2003; Statistics Netherlands

Like in all European countries, Dutch farmers realized over the past years that the most effective way to increase their income was by growth in efficiency achieved through specialization and concentration. This development was made possible by stable and permanent market relationships within the CAP framework, and farmers operated as if in sellers markets. Under these conditions, investments in new technology, both at the farm and cooperative level were attractive [25]. Today’s Dutch cooperatives involved in the organic sector’s production and marketing are issued by supervisory organisations which guarantee the characteristics and origin of their produce. The Dutch Ministry of Agriculture and Fisheries appointed SKAL as the organization accredited to certifying organic producers. SKAL is also responsible for the inspection and quality control of the production, processing and trading in organic foods. Organic products that satisfy the necessary requirements carry the EKO-label. Organically grown vegetables carry the DEMETER label.

The majority of organic products reach the market through specialized shops which had been the main retail channel until 2000[26]. The biggest supermarket chain, *Albert Heijn*, which launched its own organic brand in 1998 (“*AH Biologisch*”) held a 78% share of total organic sales in supermarkets in 1999. Besides the negative attitude of Dutch consumers towards organic product prices, there are other factors that may further limit organic market expansion. A wide range of bottle-necks in the Dutch organic sector includes: a) lack of coordination of market players; b) no guarantee of the sales possibilities; and c) poor communication among market actors [27]. On the production side, obstacles are the lack of (seasonal) labour and the drop in income during the two year-conversion period, in which the farmer is not allowed to sell his products as organic[24].

However, the extensive experience of the authors with the cooperatives’ market behaviour would suggest that large sized Dutch cooperatives with strong brand names and large market shares in national and international markets is another restrictive factor for further market development of the Dutch organic food market. Dutch food cooperatives are confronted with the dilemma of whether or not to take the risk to invest in the organic supply chain and to develop specific brand names or not (in the potential expense of the strength of their

conventional products). In this paper, the strategic behaviour of large sized food cooperatives involved in organic production and marketing is outlined.

#### 4. Research design

The aim of this empirical study was to determine the basic elements of corporate, business and marketing strategies of Dutch agri-food cooperatives involved in organic production and marketing of organic products. The CEOs (executives) of 7 Dutch cooperatives involved in organic production and marketing were interviewed using a series of questions designed to explore the corporate; business and marketing strategies their cooperatives pursue. A desk-research technique aiming to identify the degree of examined firms' involvement in organic production and marketing was conducted. The annual reports of activities of each examined cooperative were used as a data base. The contents of the questions included in a short and structured questionnaire was based on the results of the desk-research and the experience of the authors in this field prior to this study. In particular, the interview questions covered such topics as cooperative corporate orientation to organic produce, cooperative business organic division that is based on a profit-oriented aspect, and the nature of marketing strategies used by cooperatives.

The data collected was qualitative in nature and relied only on the perceptions of the examined agri-food cooperatives. After the first contact with the executives of the seven examined food cooperatives, on behalf of the National Cooperative Council for Agriculture and Horticulture (NCR), (the central organisation of Dutch agricultural and horticultural cooperatives), the first phase of the interview began with a discussion about the examined cooperative's interest in organic production and supply in the food chain. Furthermore, interviewees were asked to consider the questionnaire as sent to them and to feel free in asking for further explanations concerning the more specific open-ended questions included in the questionnaire. Interviewees were asked to provide a written report including their responses within one week (September, 2004). Thus care was taken to pose the questions in the most objective manner possible and to avoid leading interviewees in a time-framed discussion.

The sample included three dairy marketing cooperatives involved in the organic dairy production (Friesland Foods - Friesland Comberco Dairy Foods, and Campina), one investor-shared firm acquiring a cooperative background involved in the organic meat industry (Dumeco), one marketing cooperative involved in the organic fruit and vegetable produce (VTN/The Greenery), one cooperative involved in the organic ware-potato industry (Agrico), and finally, one cooperative business unit (UNIZON/Cosun) which is the first company in the Netherlands to produce organic sugar (for a more detailed description of the examined cooperatives see Appendix I). These 7 case studies represent almost 80% of the cooperatives involved in the organic production and marketing of organic products in The Netherlands. All the examined cooperatives are market leaders in their own sector at the national and some even in the Western European level. Small sized cooperatives involved in organic production were not considered for participation in this study.

#### 5. Results & discussion

Table 2 provides a summary of the frequencies with which the three-hierarchical classified levels of strategic behaviour are practised among the examined food cooperatives.

**Table 2.** Summary of frequencies of strategies used by sample cooperatives

Strategy	No. of Cooperatives Utilising	% of Relevant Sample
<b>Cooperative Corporate Level</b>		
Price Premium/Extra Support	3	43
Serving Missing Markets	7	100
<b>Cooperative Business Level</b>		
Differentiated Production Line	3	43
Dealing with Cost Efficiencies	3	43
<b>Cooperative Functional Level</b>		
Specific Promotion Measures	7	100
Differential Brand Name	6	86
Expansion of Market Share	4	57

Source: see text

Before the individual results of each of the strategies are discussed, two general observations are worth considering. First, all the strategies at each of the three strategic levels appear to be utilised by at least three cooperatives. Second, cooperatives seem to pursue a mix of corporate and functional-oriented strategies while it seems that they provide risk-aversion behaviour towards investments at the business level.

#### a) Cooperative corporate strategies

All 7 cooperatives claimed to serve unmet consumer demand regarding organic foods. Three cooperatives (two of the examined dairy-cooperatives, Fresh Food and Campina, and one plant product cooperative UNIZON/Cosun), reported to be engaged in an aid-strategy for the cross-subsidization of organic products in order to motivate their members to invest more in organic food production. An average price premium (based on survey data) is 6,5 eurocent per kilo of produced output. Because a consumer demand strategy arises from communicating consumer specifications backward through the market chain, only large-sized marketing cooperatives seem to have the opportunity to implement a strategy to deal with missing markets. Of the seven cooperatives, only three claimed that they have a product of superior nutrition and high quality standards to offer to their final consumers. Their executives explained that their cooperative's corporate strategy is to enforce the ability of communication regarding product specifications more completely from the consumer to the producer. Following the typology of Petersen and Anderson (1996) such a strategy is an *offensive return strategy* [1].

#### b) Cooperative business strategies

Only three cooperatives (43% of the sample) claimed that they follow a totally separate production line for producing organic products (3 examined dairy cooperatives). The qualitative analysis of the results does not provide any evidence that cooperatives engaged in organic production may improve cost efficiencies. Four executives (57% of the sample which did not claim cooperative business strategies application) reported that cooperatives could apply more cost efficiencies and become more profitable if implemented a more flexible decision-making scheme when market changes arise. Hence, cooperatives may fail to capture foregone investment opportunities and channel power into the marketing channel of the product due to the stiff competition with IOFs, especially in oligopolistic and monopolistic market settings.

*Risk-management strategies or defensive in nature strategies* are those that involve low level of risk and are most frequently applied by food cooperatives [1]. This set of strategies reflects the traditional cooperative strategies of securing member markets.

### c) Cooperative Marketing Strategies

On the whole, the results provide promising evidence that cooperatives engaged in production and marketing of organic products have developed and followed a very selective and complete focus/segmentation strategy. All the executives reported that cooperatives have assembled the output of many small producers into an attractive volume for processors and hence have maintained-the-market substantially for such small producers whose small size makes them less desirable for noncooperative firms. All examined cooperatives use specific promotion measures (e.g., heavy advertising) for maintaining a specific distribution /customer relationship. In order to target strong market positioning and development/refinement of meaningful competitive advantages, they use different brand names for marketing their organic produce rather than their conventional produce. Four of these cooperatives (57%) claimed that they foresee the expansion of market shares through heavy investments in Research & Development of new products whose aim is to satisfy their end user demands. Clearly, cooperatives have adopted appropriate marketing elements and tactics for serving current and potential specific market segments with the aim to establish consumer loyalty.

## 6. Tentative inferences

From the results derived from this modest study, two major tentative inferences can be drawn. First, it seems that cooperatives are in favour of adopting aggressive market-oriented strategies and re-thinking their corporate focus. Trends in the environment of food marketing systems influence Dutch cooperatives through their influence on their food marketing strategies. Increasing concerns about health and safety in relation to agricultural and food products enhance this effect. Ethical and social issues related in food production and the sustainability of agricultural production processes challenge cooperatives to respond to these trends by developing strategies and implementing them. From the results of this study one can indicate that cooperatives foresee to competition in organic markets using a mixture of explorative and exploitative strategies. They seem to adopt explorative corporate and marketing strategies by investing in continuous innovation which will enable them to develop a specific product-market combination. On the other hand, they seem to face a dilemma concerning whether investing in organic markets is a profitable activity or not (i.e. a totally separate production line). Their concerns are related to whether cooperative firms are capable organisational forms dealing with cost efficiencies of organic produce (and/or production and marketing or other novel foods). Only the dairy cooperatives, which are strongly international-oriented, seem to use explorative market oriented strategies. The rest of the examined cooperatives (involved in the horticultural sector) seem to use their own "existing knowledge structures" to face organic market trends. Investment incentives of these companies seem to be ambiguous regarding the adoption of organic production and marketing at their business level. It should be stressed here that the above mentioned reasoning was developed purely from the marketing point of view and this is clearly only a partial analysis of the examined issue.

Second, the theoretical taxonomy of the three classified levels of strategic analysis appears to be a useful tool for analysing the established strategies of cooperatives. Such a research framework requires more systematic development and elaboration. The aim of this preliminary study was to attempt to match of marketing strategies to the overall corporate and business policies of cooperative firms. It is without question that the fundamental research question is: Why are

agri-food cooperatives pursuing these strategies? The argument of adoption of new strategies at the strategic, business and marketing level relied on the argument that involvement in organic production and marketing entails some degree of cooperative re-design rather than the extreme solutions for quick modification of cooperative structures and strategies. Future research may utilise this argument by developing quantitative in nature frameworks to study the risk involved in such types of decisions. Risk strategic analysis is built in the decision-making process [28, 29]. We believe that member-producer investment incentives and preferences (utility) require empirical investigation regarding strategic decisions (i.e. the transition process from conventional to sustainable production practises). This would be a challenging research topic for quantitative economic analysis[30]. Modern research in marketing-management literature (e.g., Bettman et al. 1998) supports the view that preferences are constructed and reflect the dynamic characteristics of the external environment (e.g., a perfect competitive market environment)[31]. Therefore, this approach can provide agricultural policy-makers and agri-food cooperatives strategic behaviour in the organic markets with useful insights and tools respectively.

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## Appendix I

The presentation of the examined cooperative firms is derived from the recent published material of NCR (National Cooperative Council for Agriculture and Horticulture, 2004) and current survey results. Different information is available for each type of examined cooperative (due to lack of available records). An outlook of their business, marketing and developed organic activities are briefly presented below.

### i) Friesland Food

Friesland Foods (FF, known as Friesland Comberco Dairy Food) is a multinational company that profitably develops, produces and sells a wide range of branded dairy products and fruit-based drinks for consumers, professional users and food producers. It is 100% owned by the cooperative "Zuivelcooperatie Zeven Provinsien UA) and was formed in December 1997 as a result of the merger between four cooperatives. The branded products of FF have a strong presence on international dairy markets, especially in Western Europe, Central Europe, the Middle East, West Africa and Southeast Asia. The company operates in 90 locations globally. The activities are divided over four product groups: fresh and long-life consumer products, cheese, ingredients and food service products. The company has a cooperative background. Dairy farmers who are members of the cooperative own the company and are its suppliers of milk. As such, they are at the foundation of the quality of the products. Regarding its production activity, FF uses the same brand name. The word "organic" is carefully placed on its product packaging. Nowadays, FF promotes a range of six fresh milk-products under the *Friesche* flag-brand. The cooperative policy supports organic farmer's production with a price premium equally 5.9 eurocents. The organic milk is produced in a separate factory, *namely Friese Ecologische Zuivel* in Drachten, NL. This factory has succeeded in achieving a market share of 14% of the total product category of FF products.

### ii) Campina

Campina is another well-known world-wide dairy cooperative firm. It was formed in 1990 after the merger between DMV Campina and Melkunie Holland. It has pursued a value-added and international growth strategy, realizing that intervention prices are declining and international dairy commodity markets are leading to increasing competition. Campina adds value to milk in a wide range of products, from the best, natural liquid milk to advanced ingredients. Campina's expertise covers the entire dairy chain, from water and feed for cows to the latest technology and the best professional skills for producing the best end products. In Spring, 1998 and April 1999 it purchased two small Dutch organic firm processor and sales organisations. Campina is a leading player in the ecological dairy segment. In the Netherlands, Campina is the uncontested market leader with its ecological fresh dairy brands (*De Groene Koe* for supermarkets and *Zuiver Zuivel* for health food stores). In Germany, Campina supplies ecological school milk. Ecological dairy products by Campina are also available outside the Netherlands and Germany. Separate brands (*De Groene Koe*, *Zuiver Zuivel*, *Ecomel*) are used for the organic produce marketing, especially for cheese, vanilla yoghurt, and butter. Moreover, a production line under the private label of one of the biggest retailers of organic produce in Western Europe, *Albert Heijn*, is retained. *De Groene Koe* produces 25 products for super markets. It is the product category leader with a market share of 21% in the total product category, and with both, turnover and market share increasing. Ecomel, another subsidiary of Campina, produces and markets a variety of several organic Campina products. Campina's farmers receive a 6,13 eurocent organic milk price premium. Campina faces organic products "as a differentiated production line" but does not seem to support the view that they are "better" than its conventional products.

### iii) Dumeco

The name Dumeco is an abbreviation of the *Dutch United Meat Company*, which was established in 1995 as a result of an amalgamation of activities stemming from the *Coveco* and *Encebe* co-operative organisations. This business unit was formed as part of a business rationalisation programme initiated by pig and cattle slaughterhouses (*Stichting Saneringsfonds Varkensslachterijen* and *Stichting Saneringsfonds Runderslachterijen*). A key objective in establishing the company was the retention and consolidation of its competitive position on the international market, the reason being the high levels of dependency of the Dutch meat industry on export sales. Dumeco's activities were inaugurated at six different sites made up of five pork production units and one beef production unit. This amalgamation of partners meant that from the very onset Dumeco had an infrastructure in place for the establishment of quality assurance schemes. These schemes included the Meat Programme, Good Farming and Good Farming Crown. Additionally Dumeco also operated quality assurance schemes such as Integral Quality Control (IKB), KCR and NEN-ISO. Together, these schemes form the basis for Dumeco's integrated chain strategy (*Good Farming*).

### iv) VTN/The Greenery

After a merger of nine fruit and vegetable auction houses and the Central Bureau of the Dutch Auctions – The Greenery (TG) B.V. was established in 1996. TG is one of the leading concerns in Europe in the vegetable, fruit and mushroom sector. The company has a turnover of circa € 1,6 billion. It is a distribution, sales and marketing company of fresh produce whose shares are owned by the horticultural cooperative *Voedings Tuinbouw Nederland* (VTN). Since 1998, a number of prominent trading companies have merged with TG. As a result, customers can now be supplied throughout the year with a complete range of vegetables, fruit and mushrooms from sources at home and abroad. The extensive range of products is backed up by TG with an excellent logistical organization and extensive marketing support, all geared to the customer's needs. TG's activities include selling the products of its 2,500 affiliated producer-owned companies, actively and decisively drawing these products to the consumer's attention, and working to ensure a healthy future for this Dutch food sector. TG considers organic production to be an important part of the total range of fresh products that it supplies to supermarket chains and greengrocers. The cooperative's policy strongly supports the growing of vegetables according to the organic guidelines as a sustainable production method. In early 2001, TG, therefore, started developing a separate organic line called *Greenery Organics*. This line is now available in a number of supermarkets in the Netherlands and abroad. The range covers more than 25 products of Dutch and foreign origin, from tomatoes on the vine to oranges, kiwis and cucumbers. These products can be recognized in the shops by the label on the packaging. Needless to say, they also have the organic hallmark, so that customers can be assured that the products have been produced organically. TG's market share of Greenery organics in the total product category was 10% in 2004.

### v) Agrico

Agrico is a Dutch horticultural cooperative of over 1,300 specialist potato growers. They produce more than one million tons of seed and ware potatoes per year and these products are marketed by Agrico. Agrico is committed to breeding and growing quality products focusing on the customers' specific preferences and demands anywhere in the world. Its produce is marketed under the brand *CélaVita* and it owns sale-offices in France, Italy, United Kingdom, Hungary, the Czech Republic, Canada and Russia as well as agencies in practically all seed importing countries. All potato varieties are tested for their quality, resistance against illnesses,

and other consumption characteristics, such as taste, colour and smell after the boiling etc. The organic potatoes are offered to retailers by *Bioselect* and by various wholesale businesses in the Netherlands under different brand names (*Ekosante, Ekoagria, Ekoditta, Eco Vita*). All potatoes during and after the harvest are also tested by the Dutch General Testing Service, NAK.

#### vi) UNIZON/Cosun

Cosun produces and sells natural ingredients and foodstuffs for the international food industry, foodservice channel (restaurants, caterers and wholesalers) and retail outlets. Its activities are organized into three groups: i) *basic ingredients*, including sugar, industrial alcohol, and fructose; b) *potato products*, including chilled, frozen and dried potato products and a wide range of other prepared potato specialties; and iii) *compound ingredients*, including fine bakery specialties, toppings, sauces, dressings, mixes, and spices. As a specialist in the taste, functionality and health of ingredients, Cosun develops product concepts and applications that meet its customers' specific wishes. Cosun's marketing and research expertise focus at the service of today's and tomorrow's food market. This expertise has been concentrated around specific customer groups and applications. For research and quality control, UNIZON/Cosun has established its own research and development center, named *Cosun Food Technology Centre* (CFTC). The home market of the cooperative is Europe. The group as a whole achieves a turnover of EUR 1.3 billion per year. Suiker Unie is the main business unit of Cosun cooperative. In addition to the production of high quality sugar production, an organic crystal sugar was launched in 1999, under the brand name *UNIZON*. Suiker Unie is the only Dutch organic sugar supplier in the national market, but it faces very strong and intensive competition by other imported products.

#### vii) CZ Rouven

CZ Rouveen is a dairy cooperative, approximately one hundred years old but still with a vital and dynamic presence in the Dutch dairy industry. The dairy cooperative's factory "Rouveen" was established in 1987. More than three hundred stock breeders, all of them members of the cooperative, offer fresh milk and cheese specialties to Dutch consumers which are partly produced ecologically. The cooperative firm pursues its marketing policy and business identity in the dairy Dutch market emphasizing on the high quality characteristics of its products. Final consumers in The Netherlands easily recognise the brand *Rouveen Cheese Specialities* and the market shares of the cooperative are well-established in the Dutch food market and specialty groceries and stores. The ecological cheese produced by Rouven is marketed with a separate brand name (*Bastiansen Eko Kaas*). The price premium for Rouven members who are engaged in organic production methods is 5.9 eurocent per kilo.